

**Taiwan Semiconductor Manufacturing
Company, Ltd. and Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2005 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company, Ltd.

We have audited the accompanying consolidated balance sheet of Taiwan Semiconductor Manufacturing Company, Ltd and subsidiaries as of June 30, 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company, Ltd. and subsidiaries as of June 30, 2005, and the results of their consolidated operations and their consolidated cash flows for the six months then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 2 to the consolidated financial statements, in accordance with the rule regulated by the Securities and Futures Bureau of the Republic of China, beginning in 2005, public companies are required to file their semi-annual consolidated financial statements. The rule also states that single period presentation of consolidated financial statements is permitted at the initial adoption of the rule.

July 13, 2005

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

JUNE 30, 2005

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	Amount	%	LIABILITIES AND SHAREHOLDERS' EQUITY	Amount	%
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 88,405,154	17	Short-term bank loans (Note 9)	\$ 316,180	-
Short-term investments, net (Notes 2 and 4)	49,558,447	10	Accounts payable	6,365,721	1
Receivables from related parties (Note 20)	740,202	-	Payables to related parties (Note 20)	1,239,322	-
Notes and accounts receivable	36,302,501	7	Payables to contractors and equipment suppliers	11,383,836	3
Allowance for doubtful receivables (Note 2)	(984,650)	-	Cash dividends and bonus payable (Note 16)	49,506,027	10
Allowance for sales returns and others (Note 2)	(3,963,039)	(1)	Accrued expenses and other current liabilities (Notes 2, 12, 22 and 23)	10,745,072	2
Other receivables from related parties (Note 20)	161,859	-	Current portion of long-term liabilities (Notes 10 and 11)	<u>10,505,489</u>	<u>2</u>
Other financial assets (Notes 2 and 23)	1,894,925	1			
Inventories, net (Notes 2 and 5)	15,158,776	3	Total current liabilities	<u>90,061,647</u>	<u>18</u>
Deferred income tax assets (Notes 2 and 14)	5,408,883	1			
Prepaid expenses and other current assets (Note 2)	<u>1,273,612</u>	<u>-</u>	LONG-TERM LIABILITIES		
Total current assets	<u>193,956,670</u>	<u>38</u>	Long-term bank loans (Note 10)	957,510	-
LONG-TERM INVESTMENTS (Notes 2, 6, 18 and 23)			Bonds payable (Note 11)	19,500,000	4
Equity method	8,629,444	2	Other long-term payables (Notes 12 and 22)	8,020,949	2
Cost method	3,323,874	1	Other payables to related parties (Notes 20 and 22)	1,727,133	-
Long-term bonds	16,342,005	3	Liability under capital leases (Note 2)	<u>560,957</u>	<u>-</u>
Other investments	<u>10,955,960</u>	<u>2</u>	Total long-term liabilities	<u>30,766,549</u>	<u>6</u>
Total long-term investments	<u>39,251,283</u>	<u>8</u>	OTHER LIABILITIES		
PROPERTY, PLANT AND EQUIPMENT (Notes 2, and 7)			Accrued pension cost (Notes 2 and 13)	3,424,325	1
Cost			Guarantee deposits (Note 22)	1,518,850	-
Land and land improvements	795,981	-	Others	<u>709,043</u>	<u>-</u>
Buildings	102,814,480	20	Total other liabilities	<u>5,652,218</u>	<u>1</u>
Machinery and equipment	488,162,101	95	Total liabilities	<u>126,480,414</u>	<u>25</u>
Office equipment	9,108,552	2	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 2, 16, 17 and 18)		
Leased assets	560,957	-	Capital stock - \$10 par value		
Other equipment	<u>153,423</u>	<u>-</u>	Authorized: 27,050,000 thousand shares		
Total cost	601,595,494	117	Issued: 24,726,129 thousand shares	247,261,288	48
Accumulated depreciation	(365,018,772)	(71)	Capital surplus	56,720,875	11
Advance payments and construction in progress	<u>20,429,713</u>	<u>4</u>	Retained earnings:		
Net property, plant and equipment	<u>257,006,435</u>	<u>50</u>	Appropriated as legal capital reserve	34,348,208	7
GOODWILL (Note 2)			Appropriated as special capital reserve	2,226,427	1
	<u>6,441,721</u>	<u>1</u>	Unappropriated earnings	47,808,698	9
OTHER ASSETS			Cumulative translation adjustments	(2,612,996)	(1)
Deferred charges, net (Notes 2, 8 and 22)	8,210,644	2	Treasury stock (at cost) - 46,862 thousand shares	<u>(1,552,573)</u>	<u>-</u>
Deferred income tax assets (Notes 2 and 14)	6,338,720	1	Total equity attributable to shareholders of the parent	384,199,927	75
Refundable deposits	114,435	-	MINORITY INTEREST IN SUBSIDIARIES (Note 2)		
Assets leased to others, net (Note 2)	75,746	-		<u>740,907</u>	<u>-</u>
Others (Note 2)	<u>25,594</u>	<u>-</u>	Total shareholders' equity	<u>384,940,834</u>	<u>75</u>
Total other assets	<u>14,765,139</u>	<u>3</u>	TOTAL		
TOTAL	<u>\$ 511,421,248</u>	<u>100</u>	TOTAL	<u>\$ 511,421,248</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated July 13, 2005)

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2005**

(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)

	Amount	%
GROSS SALES (Notes 2 and 20)	\$ 118,589,458	
SALES RETURNS AND ALLOWANCES (Note 2)	<u>1,753,728</u>	
NET SALES	116,835,730	100
COST OF SALES (Notes 15 and 20)	<u>70,903,582</u>	<u>61</u>
GROSS PROFIT	<u>45,932,148</u>	<u>39</u>
OPERATING EXPENSES (Notes 15 and 20)		
Research and development	6,973,117	5
General and administrative	4,766,049	4
Marketing	<u>1,810,727</u>	<u>2</u>
Total operating expenses	<u>13,549,893</u>	<u>11</u>
INCOME FROM OPERATIONS	<u>32,382,255</u>	<u>28</u>
NON-OPERATING INCOME AND GAINS		
Interest (Notes 2 and 23)	1,756,871	2
Settlement income (Note 22)	786,750	1
Investment income recognized by equity method (Notes 2 and 6)	623,046	-
Subsidy income	311,846	-
Technical service income (Notes 20 and 22)	186,962	-
Gain on disposal of property, plant and equipment (Note 2)	35,808	-
Others (Note 20)	<u>220,040</u>	<u>-</u>
Total non-operating income and gains	<u>3,921,323</u>	<u>3</u>
NON-OPERATING EXPENSES AND LOSSES		
Interest (Notes 2, 11 and 23)	1,499,733	2
Foreign exchange loss, net (Notes 2 and 23)	166,624	-
Loss on idle assets (Note 2)	106,972	-
Loss on impairment of long-term investments (Note 2)	88,486	-
Loss on disposal of investments, net (Note 2)	64,324	-
Loss on disposal of property, plant and equipment (Note 2)	53,625	-
Unrealized valuation loss of short-term investments (Note 2)	40,971	-
Others	<u>75,003</u>	<u>-</u>
Total non-operating expenses and losses	<u>2,095,738</u>	<u>2</u>

(Continued)

	Amount	%
INCOME BEFORE INCOME TAX	\$ 34,207,840	29
INCOME TAX BENEFIT (Notes 2 and 14)	<u>1,003,785</u>	<u>1</u>
NET INCOME	<u>\$ 35,211,625</u>	<u>30</u>
ATTRIBUTABLE TO:		
Shareholders of the parent	35,187,334	30
Minority interest	<u>24,291</u>	<u>-</u>
	<u>\$ 35,211,625</u>	<u>30</u>

**Net Income Attributable to
Shareholders of the Parent**

	Before Tax	After Tax
CONSOLIDATED EARNINGS PER SHARE (NT\$, Note 19)		
Basic earnings per share	<u>\$ 1.39</u>	<u>\$ 1.43</u>
Diluted earnings per share	<u>\$ 1.38</u>	<u>\$ 1.43</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated July 13, 2005)

(Concluded)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2005 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent												
	Capital Stock		Capital Surplus	Retained Earnings				Cumulative Translation Adjustments	Treasury Stock	Total	Minority Interest in Subsidiaries	Total Shareholders' Equity	
	Shares (Thousand)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappro- priated Earnings	Total						
BALANCE, JANUARY 1, 2005	23,251,964	\$ 232,519,637	\$ 56,537,259	\$ 25,528,007	\$ -	\$ 88,202,009	\$ 113,730,016	\$ (2,226,427)	\$ (1,595,186)	\$ 398,965,299	\$ 718,713	\$ 399,684,012	
Appropriations of prior year's earnings													
Legal capital reserve	-	-	-	8,820,201	-	(8,820,201)	-	-	-	-	-	-	
Special capital reserve	-	-	-	-	2,226,427	(2,226,427)	-	-	-	-	-	-	
Employees' profit sharing - in cash	-	-	-	-	-	(3,086,215)	(3,086,215)	-	-	(3,086,215)	-	(3,086,215)	
Employees' profit sharing - in stock	308,622	3,086,215	-	-	-	(3,086,215)	(3,086,215)	-	-	-	-	-	
Cash dividends - 20%	-	-	-	-	-	(46,504,097)	(46,504,097)	-	-	(46,504,097)	-	(46,504,097)	
Stock dividends - 5%	1,162,602	11,626,024	-	-	-	(11,626,024)	(11,626,024)	-	-	-	-	-	
Bonus to directors and supervisors - in cash	-	-	-	-	-	(231,466)	(231,466)	-	-	(231,466)	-	(231,466)	
Net income for the six months ended June 30, 2005	-	-	-	-	-	35,187,334	35,187,334	-	-	35,187,334	24,291	35,211,625	
Adjustment arising from changes in ownership percentage in investees	-	-	4,774	-	-	-	-	-	-	4,774	-	4,774	
Employee stock options exercised	2,941	29,412	87,806	-	-	-	-	-	-	117,218	-	117,218	
Cash dividends received by subsidiaries from parent company	-	-	84,285	-	-	-	-	-	-	84,285	-	84,285	
Treasury stock transactions - sales of parent company stock held by subsidiaries	-	-	6,751	-	-	-	-	-	42,613	49,364	-	49,364	
Translation adjustments	-	-	-	-	-	-	-	(386,569)	-	(386,569)	(13,668)	(400,237)	
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	11,571	11,571	
BALANCE, JUNE 30, 2005	<u>24,726,129</u>	<u>\$ 247,261,288</u>	<u>\$ 56,720,875</u>	<u>\$ 34,348,208</u>	<u>\$ 2,226,427</u>	<u>\$ 47,808,698</u>	<u>\$ 84,383,333</u>	<u>\$ (2,612,996)</u>	<u>\$ (1,552,573)</u>	<u>\$ 384,199,927</u>	<u>\$ 740,907</u>	<u>\$ 384,940,834</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated July 13, 2005)

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2005
(In Thousands of New Taiwan Dollars)**

	Amount
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income attributable to shareholders of the parent	\$ 35,187,334
Net income attributable to minority interest	24,291
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	37,979,563
Loss on idle assets	106,972
Deferred income taxes	(1,179,638)
Investment income recognized by equity method	(623,046)
Amortization of premium of long-term bond investments	58,771
Loss on impairment of long-term investments	88,486
Gain on disposal of long-term investments, net	(94)
Loss on disposal of property, plant and equipment, net	17,817
Accrued pension cost	310,773
Net changes in operating assets and liabilities:	
Decrease (increase) in:	
Receivables from related parties	337,616
Notes and accounts receivable	(5,013,159)
Allowance for doubtful receivables	(1,710)
Allowance for sales returns and others	620,589
Other receivables from related parties	(50,559)
Other financial assets	224,073
Inventories	490,820
Prepaid expenses and other current assets	1,146,551
Increase (decrease) in:	
Accounts payable	(1,341,572)
Payables to related parties	(1,569,408)
Accrued expenses and other current liabilities	<u>198,591</u>
Net cash provided by operating activities	<u>67,013,061</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in short-term investments	4,751,522
Acquisitions of:	
Long-term investments	(3,364,023)
Property, plant and equipment	(55,661,702)
Proceeds from disposal of:	
Long-term investments	1,533,220
Property, plant and equipment	127,264
Increase in deferred charges	(518,160)
Increase in refundable deposits	(7,483)
Decrease in other assets	<u>4,626</u>
Net cash used in investing activities	<u>(53,134,736)</u>
	(Continued)

	Amount
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments on short-term bank loans	\$ (63,236)
Repayments on long-term bank loans	(946,845)
Increase in guarantee deposits	1,105,969
Bonus to directors and supervisors	(231,466)
Proceeds from:	
Disposal of treasury stock	49,364
Exercise of employee stock options	117,218
Increase in minority interest	<u>11,571</u>
Net cash provided by financing activities	<u>42,575</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,920,900
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(47,156)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD (Note 2)	<u>74,531,410</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 88,405,154</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Interest paid	<u>\$ 1,268,966</u>
Income tax paid	<u>\$ 148,831</u>
NONCASH INVESTING AND FINANCING ACTIVITIES	
Current portion of long-term liabilities	<u>\$ 10,505,489</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 1,417,437</u>
Reclassification of long-term investments to short-term investments	<u>\$ 6,327</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated July 13, 2005)

(Concluded)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2005

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC), a Republic of China (R.O.C.) corporation, was incorporated as a venture among the Government of the R.O.C., acting through the Development Fund of the Executive Yuan; Philips Electronics N.V. and certain of its affiliates (Philips); and certain other private investors. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

TSMC is engaged mainly in the manufacturing, selling, packaging, testing and computer-aided designing of integrated circuits and other semiconductor devices and the manufacturing of masks.

As of June 30, 2005, TSMC and its subsidiaries had 20,991 employees.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are presented in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the R.O.C.

In accordance with the rule regulated by the R.O.C. Securities and Futures Bureau (SFB), beginning in 2005, public companies are required to file their semi-annual consolidated financial statements. The rule also states that single period presentation of consolidated financial statements is permitted in the year of initial adoption of the rule.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

Significant accounting policies are summarized as follows:

Consolidation

The consolidated financial statements include, as of and for the six months ended June 30, 2005, the accounts of all directly and indirectly majority owned subsidiaries of TSMC, and the accounts of Global UniChip Corporation (GUC), Global UniChip Corporation - NA (GUC - NA) and VisEra Technologies Company, Ltd. (VisEra) over which TSMC has control. All significant intercompany balances and transactions have been eliminated upon consolidation.

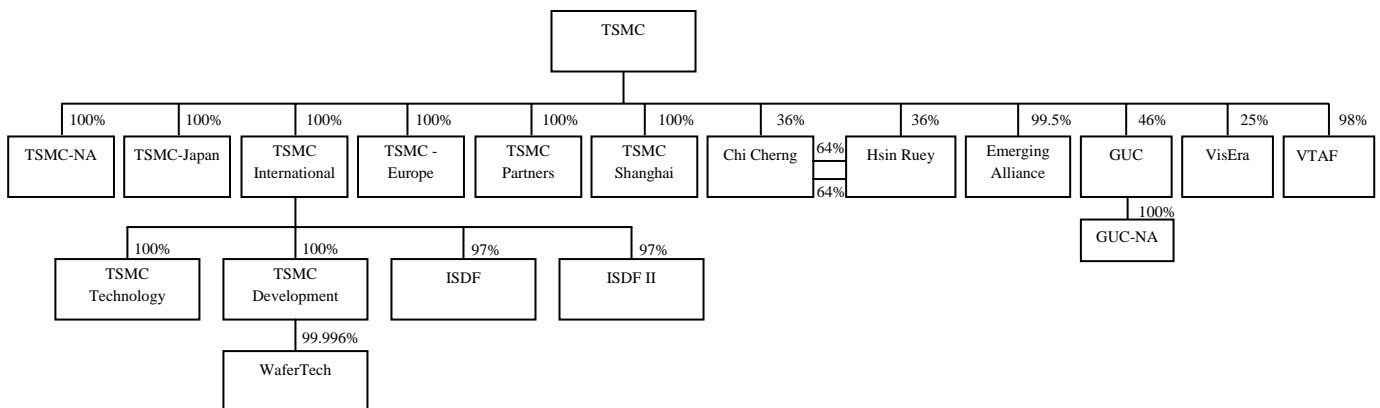
The consolidating entities as of June 30, 2005 were as follows:

Name of Investor	Name of Investee	Ownership % as of June 30, 2005	Remark
TSMC	TSMC North America (TSMC - NA)	100%	As of June 30, 2005, TSMC - NA held 13,923 thousand common shares in TSMC (approximately 0.06% of outstanding common shares).
	Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC - Europe)	100%	-
	TSMC Japan K. K. (TSMC - Japan)	100%	-
	TSMC (Shanghai) Company Limited (TSMC - Shanghai)	100%	-
	TSMC International Investment Ltd. (TSMC International)	100%	-
	TSMC Partners, Ltd. (TSMC Partners)	100%	-
	Chi Cherng Investment Co., Ltd. (Chi Cherng)	36%	TSMC and Hsin Ruey held in aggregate a 100% ownership of Chi Cherng. As of June 30, 2005, Chi Cherng held 16,454 thousand common shares in TSMC (approximately 0.07% of outstanding common shares).
	Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	36%	TSMC and Chi Cherng held in aggregate a 100% ownership of Hsin Ruey. As of June 30, 2005, Hsin Ruey held 16,485 thousand common shares in TSMC (approximately 0.07% of outstanding common shares).
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	-
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	-
	GUC	46%	Starting from 2005, GUC became a consolidating entity of TSMC as GUC's president was assigned by TSMC and TSMC has control over the financial, operating and personnel hiring decisions of GUC.

(Continued)

Name of Investor	Name of Investee	Ownership % as of June 30, 2005	Remark
	VisEra	25%	Starting from 2005, VisEra became a consolidating entity of TSMC as VisEra's president was assigned by TSMC and TSMC has control over the financial, operating and personnel hiring decisions of VisEra.
TSMC International	TSMC Technology, Inc. (TSMC Technology)	100%	-
	TSMC Development, Inc. (TSMC Development)	100%	-
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	-
	InveStar Semiconductor Development Fund, Inc. (II) LDC (ISDF II)	97%	-
TSMC Development	WaferTech, LLC (WaferTech)	99.996%	-
GUC	GUC - NA	100%	Starting from 2005, GUC - NA became a consolidating entity of TSMC as TSMC has control over GUC.

The following diagram presents information regarding the relationship and ownership percentages between TSMC and the investees that are under its control as of June 30, 2005:



TSMC - NA is engaged in the sales and marketing of integrated circuits and semiconductor devices. TSMC - Europe and TSMC - Japan are engaged mainly in marketing activities. TSMC Technology is engaged mainly in engineering support activities. TSMC - Shanghai is engaged in the manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers. TSMC Partners, TSMC Development, Chi Cherng and Hsin Ruey are engaged in investing activities. TSMC International is engaged in investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. Emerging Alliance, VTAF II, ISDF and ISDF II are engaged in investing in new start-up technology companies. WaferTech is engaged in the manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices. GUC is engaged in the researching, developing, manufacturing, testing and marketing of integrated circuits. VisEra is engaged in the manufacturing, wholesaling and retailing of electronic spare parts. GUC - NA is engaged in providing products consulting in North America.

TSMC and the foregoing consolidating entities are hereinafter referred to collectively as the “Company”.

Minority interest in subsidiaries and investees aforementioned is presented under minority interest in subsidiaries in the consolidated balance sheet.

Consolidated Cash Flows

In compliance with the revised R.O.C. Statement of Financial Accounting Standard (“SFAS”) No. 7 “Consolidated Financial Statements”, the Company retroactively adjusted the balance of cash and cash equivalents as of January 1, 2005 in the consolidated statement of cash flows for the six months ended June 30, 2005 so that it includes the cash and cash equivalent amounts for GUC, GUC - NA, and VisEra as of January 1, 2005 since they became the consolidating entities of TSMC beginning in 2005.

Use of Estimates

The preparation of consolidated financial statements in conformity with the aforementioned guidelines and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management’s estimates.

Classification of Current and Noncurrent Assets and Liabilities

Current assets are those expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due on demand within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

Government bonds under repurchase agreements, treasury bills and notes acquired with maturities less than three months from the date of purchase are classified as cash equivalents.

Short-term Investments

Short-term investments primarily consist of corporate bonds, agency bonds, asset-backed securities, bond and stock funds, government bonds and others.

Short-term investments are recorded at historical cost and are carried at the lower of cost or market value as of the balance sheet date. An allowance for decline in value is provided and is charged to current income when the aggregate carrying amount of the investments exceeds the aggregate market value. A reversal of the allowance is recorded for a subsequent recovery of the market value.

The costs of funds and listed stocks sold are accounted for using the weighted-average method; whereas other securities sold are accounted for using the specific identification method.

The market value of funds is determined using the net asset value of the funds at the end of the period, and the market value of listed stocks is determined using the average-closing price of the listed stocks for the last month of the period. The market value of other short-term investments is determined using the average of bid and ask prices as of the balance sheet date.

Cash dividends are recorded as investment income in the current period.

Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided based on a review of the collectibility of accounts receivables. The Company determines the amount of allowance for doubtful receivables by examining the historical collection experience and current trends in the credit quality of its customers as well as its internal credit policies.

Revenue Recognition and Allowance for Sales Returns and Others

The Company recognizes revenue when evidence of an arrangement exists, the shipment is made, price is fixed or determinable, and the collectibility is reasonably assured. Revenues from the design and manufacturing of photo masks, which are used as manufacturing tools in the fabrication process, are recognized when the photo masks are qualified by our customers. The Company records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provisions for estimated sales returns and other allowances are generally made at a specific percentage based on historical experience, management's judgment, and any known factors that would significantly affect the allowance.

Sales are determined using the fair value taking into account related sales discounts agreed to by the Company and its customers. Sales agreements typically provide that payment is due 30 days from invoice date for a majority of the customers and 30 to 45 days after the end of the month in which the sales occur for some customers. Since the receivables from sales are collectible within one year and such transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash to be received.

Inventories

Inventories are stated at the lower of cost or market value. Inventories are recorded at standard cost and adjusted to the approximate weighted-average cost at the end of the period. Market value represents replacement cost for raw materials, supplies and spare parts and net realizable value for finished goods and work in process. The Company assesses the impact of changing technology on its inventory on hand and writes off inventories that are considered obsolete. Ending inventories are evaluated for estimated excess quantities and obsolescence based on demand forecast within a specific time horizon, which is generally 180 days or less. Estimated losses on scrap and slow-moving items are recognized and included in the allowance for losses.

Long-term Investments

Investments in companies wherein the Company exercises significant influence on the operating and financial policy decisions are accounted for using the equity method of accounting. The Company's proportionate share in the net income or net loss of investee companies is recognized in the "investment income/loss recognized by equity method, net" account. When equity investments are made, the difference, if any, between the cost of investment and the Company's proportionate share of investee's net equity is amortized using the straight-line method over five years and is also recorded in the "investment income/loss recognized by equity method, net" account.

When the Company subscribes to additional investee shares at a percentage different from its existing equity interest, the resulting carrying amount of the investment in the investee differs from the amount of the Company's proportionate share in the investee's net equity. The Company records such difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus.

Investments in companies wherein the Company does not exercise significant influence are recorded at historical cost. Cash dividends are recognized as investment income in the year received but are accounted for as reductions in the carrying amount of the long-term investments if the dividends are received in the same year that the related investments are acquired. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income or the carrying amount of the investment. An allowance is recognized for any decline in the market value of investments in publicly traded stocks with readily ascertainable fair market value with the corresponding amount recorded as an unrealized loss, a component of shareholders' equity. A reversal of the allowance will result from a subsequent recovery of the market value of such investments.

Investments in mutual funds are stated at the lower of aggregate cost or net asset value. An allowance is recognized when the net asset value of the funds is lower than their cost, with the corresponding amount recorded as a reduction to shareholders' equity. A reversal of the allowance will result from a subsequent recovery of the net asset value.

When an indication of significant impairment is identified in an investee company, the carrying amount of this investment is reduced to reflect an other-than-temporary decline, with the related impairment loss charged to current income.

The costs of stocks and mutual funds sold are determined using the weighted-average method.

Investments in long-term bonds are stated at amortized cost. The discount or premium is amortized over the duration period using the interest method, and recorded as an adjustment to interest income.

When investments in publicly-traded stocks are reclassified from short-term investments to long-term investments or from long-term investments to short-term investments, the Company recognizes a loss to the extent, if any, that the market value of such investments is lower than the carrying amount, and the market value becomes the new basis.

If an investee company recognizes an unrealized loss on its long-term investments using the lower-of-cost-or-market method, the Company also recognizes a corresponding unrealized loss in proportion to its ownership percentage in the investee company and records the amount as a component of its shareholders' equity.

Gains or losses on sales from the Company to investee companies accounted for using the equity method are deferred in proportion to the Company's ownership percentage in the investee companies until realized through transactions with third parties. Gains or losses on sales from investee companies to the Company are deferred in proportion to the Company's ownership percentages in the investee companies until realized through transactions with third parties.

If an investee's functional currency is a foreign currency, translation adjustments will result from the process of translating the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Property, Plant and Equipment, Assets Leased to Others and Idle Assets

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. Properties covered by agreements qualifying as capital leases are carried at the lower of the leased equipment's market value or the present value of the minimum lease payments at the inception date of the lease. Idle assets are stated at the lower of net realizable value or book value. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed in the period incurred. When an indication of significant impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in the future period, the subsequent reversal of the impairment loss would be recognized as a gain. However, the increased carrying amount of an asset due to a reversal of an impairment loss should not exceed the carrying amount that would have been determined (net of depreciation), had no impairment loss been recognized for the asset in prior years.

Depreciation is computed using the straight-line method over the following estimated service lives: land improvements - 20 years; buildings - 10 to 50 years; machinery and equipment - 3 to 10 years; office equipment - 3 to 15 years; leased assets - 20 years and other equipment - 3 to 10 years.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the corresponding accounts, with any gain or loss credited or charged to non-operating gains or losses in the period of sale or disposal.

Goodwill

Goodwill represents the excess of the consideration paid for acquisition over the fair market value of identifiable net assets acquired and acquisition costs. Goodwill is amortized using the straight-line method over the estimated life of 10 years. If an event occurs or circumstances change that more likely than not reduce the fair value of goodwill below its carrying value, an impairment loss is charged to current income. Subsequent recovery in the fair value of the goodwill may not be recorded such as to reverse the impairment loss previously recorded.

Deferred Charges

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized as follows: technology license fees - the shorter of the estimated life of the technology or the term of the technology transfer contract, software and system design costs and other charges - 2 or 3 years. When an indication of significant impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a future period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined (net of amortization), as if no impairment loss had been recognized.

Pension Costs

For employees under defined benefit pension plans, the related net periodic pension costs are recorded based on the actuarial calculations; unrecognized net transition obligation and unrecognized net gains or losses are amortized over 25 years or the average remaining service period of the employees. For employees under defined contribution pension plans, the related net periodic pension costs are recorded based on the actual contributions made to the pension funds.

Income Tax

The Company uses an inter-period tax allocation method for income tax. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused tax credits, and net operating loss carryforwards. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Any tax credits arising from the purchases of machinery, equipment and technology, research and development expenditures, personnel training, and investments in important technology-based enterprises are recognized using the flow-through method.

Adjustments to prior years' tax liabilities are added to or deducted from the current year's tax provision.

Income taxes on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) of 10% are expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

Stock-based Compensation

Employee stock option plans that are amended or have options granted on or after January 1, 2004 are accounted for by the interpretations issued by the Accounting Research and Development Foundation. The Company adopted the intrinsic value method and any compensation cost determined using this method is charged to expense over the employee vesting period.

Treasury Stock

TSMC's stock held by its subsidiaries is treated as treasury stock and reclassified from long-term investments to treasury stock. The cash dividends received by the subsidiaries from TSMC are recorded under capital surplus - treasury stock transactions.

Foreign-currency Transactions

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in current income. At the end of each period, assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates with the resulting gains or losses recognized in current income.

Derivative Financial Instruments

The Company enters into foreign currency forward contracts to manage foreign exchange exposures on foreign-currency-denominated assets and liabilities. The contracts are recorded in New Taiwan dollars at the current rate of exchange of the contract date. The differences in the New Taiwan dollar amounts translated using the current rates and the amounts translated using the contracted forward rates on the contract date are amortized over the terms of the forward contracts using the straight-line method. At the end of each period, the receivables or payables arising from forward contracts are restated using the prevailing current rates at the balance sheet date with the resulting differences credited or charged to income. In addition, the receivables and payables related to the forward contracts of the same counter party are netted with the resulting amount presented as either an asset or a liability. Any resulting gain or loss upon settlement is credited or charged to income in the period of settlement.

The Company enters into cross-currency swap contracts to manage currency exposures on foreign-currency-denominated assets and liabilities. The principal amount is recorded using the current rate at the contract date. The differences in the New Taiwan dollar amounts translated using the current rates and the amounts translated using the contracted rates on the contract date are amortized over the terms of the contracts using the straight-line method. At the end of each period, the receivables or payables arising from cross-currency swap contracts are restated using the prevailing current rate with the resulting differences credited or charged to income. In addition, the receivables and payables related to the contracts of the same counter party are netted with the resulting amount presented as either an asset or a liability. The difference in interest computed pursuant to the contracts on each settlement date or the balance sheet date is recorded as an adjustment to the interest income or expense associated with the hedged items. Any resulting gain or loss upon settlement is credited or charged to income in the period of settlement.

The Company enters into interest rate swap contracts to manage exposures to changes in interest rates on existing assets or liabilities. The cash settlement receivable or payable computed pursuant to the contracts on each settlement date or balance sheet date is recorded as an adjustment to interest income or expense associated with the hedged items.

Translation of Foreign-currency Financial Statements

R.O.C. SFAS No. 14, "Accounting for Foreign-currency Transactions," applies to foreign subsidiaries that use the local currency as their functional currency. The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - current rate on the balance sheet date; shareholders' equity - historical rates; income and expenses - average rate during the period. The resulting translation adjustments are recorded as a separate component under shareholders' equity.

3. CASH AND CASH EQUIVALENTS

	June 30, 2005
Cash and bank deposits	\$ 57,966,352
Government bonds acquired under repurchase agreements	29,804,199
Treasury bills	349,892
Corporate issued notes	172,291
Agency notes	<u>112,420</u>
	<u>\$ 88,405,154</u>

4. SHORT-TERM INVESTMENTS

	June 30, 2005
Corporate bonds	\$ 12,846,798
Agency bonds	11,554,410
Corporate issued asset-backed securities	11,482,685
Bond and stock funds	10,150,224
Government bonds	2,750,355
Money market funds	491,465
Corporate issued notes	158,052

(Continued)

	June 30, 2005
Listed stocks	\$ 146,367
Commercial papers	<u>94,770</u>
	49,675,126
Allowance for valuation losses	<u>(116,679)</u>
	<u>\$ 49,558,447</u>
Market value	<u>\$ 50,391,628</u>

TSMC entered into investment management agreements with three well-known financial institutions (fund managers) to manage investment portfolios. In accordance with the investment guidelines and terms in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. As of June 30, 2005, TSMC had investment portfolios with these fund managers that aggregated to an original amount of US\$1,200,000 thousand. The investment portfolios included securities such as corporate bonds, agency bonds, asset-backed securities, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

5. INVENTORIES, NET

	June 30, 2005
Finished goods	\$ 2,746,425
Work in process	12,145,548
Raw materials	992,651
Supplies and spare parts	<u>1,141,717</u>
	17,026,341
Allowance for losses	<u>(1,867,565)</u>
	<u>\$ 15,158,776</u>

6. LONG-TERM INVESTMENTS

	<u>June 30, 2005</u>	
	Carrying Amount	% of Owner- Ship
Equity method		
Vanguard International Semiconductor Corporation (VIS)	\$ 5,115,164	27
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	<u>3,514,280</u>	32
	<u>8,629,444</u>	
Cost method		
Common stocks		
Publicly traded stocks	68,516	-
Non-publicly traded stocks	1,243,182	-
Preferred stocks	1,709,737	-
Funds	<u>302,439</u>	-
	<u>3,323,874</u>	

(Continued)

	<u>June 30, 2005</u>	
	Carrying Amount	% of Owner- Ship
Long-term bonds		
Government bonds	\$ 11,817,146	
Corporate bonds		
China Steel Corporation	2,936,934	
Taiwan Power Company	908,645	
Nan Ya Plastics Corporation	272,612	
Formosa Plastics Corporation	271,181	
Formosa Chemical & Fiber Corporation	<u>135,487</u>	
	<u>16,342,005</u>	
Other investments	<u>10,955,960</u>	
	<u>\$ 39,251,283</u>	

For the six months ended June 30, 2005, investment income recognized from the equity method investees was NT\$623,046 thousand. The carrying amounts of investments accounted for under the equity method and the related investment income were determined based on the audited financial statements of the investees as of and for the same period as the Company.

As of June 30, 2005, other investments consisted of the following structured time-deposits:

	Principal	Interest Receivable	Range of Interest Rates	Maturity Date
<u>Step-up callable deposits</u>				
Domestic bank	\$ 2,000,000	\$ 7,624	2.05%-2.20%	Jul. 2007 to Aug. 2007
Foreign bank	2,000,000	10,403	1.40%-2.44%	Jul. 2006 to Jul. 2007
<u>Callable range accrual deposits</u>				
Foreign bank	<u>6,955,960</u>	<u>20,237</u>	(See below)	Sep. 2009 to Jan. 2010
	<u>\$ 10,955,960</u>	<u>\$ 38,264</u>		

The interest rate of the step-up callable deposits is determined by the Company and the related banks. The amount of interest earned by the Company for the callable range accrual deposits is based on a pre-defined range as determined by the 3-month or 6-month LIBOR plus an agreed upon rate ranging between 2.10% and 3.45%. Based on the terms of the deposits, if the 3-month or 6-month LIBOR moves outside of the pre-defined range, the interest paid to the Company is at a fixed rate between zero and 1.5%. Under the term of the contracts, the bank has the right to cancel the contracts prior to the maturity date.

As of June 30, 2005, deposits that reside in banks located in Hong Kong and Singapore amounted to NT\$2,529,440 thousand and NT\$632,360 thousand, respectively.

As of June 30, 2005, the fair value of publicly traded long-term investments accounted for using the cost method was NT\$192,292 thousand.

7. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	June 30, 2005
Land improvements	\$ 184,622
Buildings	42,260,855
Machinery and equipment	316,242,660
Office equipment	6,231,969
Leased assets	46,704
Other equipment	<u>51,962</u>
	<u>\$ 365,018,772</u>

The Company entered into agreements to lease certain buildings that qualify as capital leases. The term of the lease is from December 2003 to December 2013.

8. DEFERRED CHARGES, NET

	June 30, 2005
Technology license fees	\$ 5,929,347
Software and system design costs	2,114,718
Others	<u>166,579</u>
	<u>\$ 8,210,644</u>

9. SHORT-TERM BANK LOANS

	June 30, 2005
Unsecured loan:	
US\$10,000 thousand, repayable by June 2006, annual interest at 3.61%	<u>\$ 316,180</u>

10. LONG-TERM LOANS

	June 30, 2005
Unsecured loans:	
US\$30,000 thousand, repayable by December 2006, annual interest at 3.60%	\$ 948,540
Science Park Administration (SPA) SOC loan, repayable by July 2008 in 20 payments, interest-free	9,050
SPA DSP loan, repayable by April 2007 in 20 payments, interest-free	<u>5,409</u>
	962,999
Current portion	<u>(5,489)</u>
	<u>\$ 957,510</u>

As of June 30, 2005, future principal repayments for the Company's long-term bank loans were as follows:

Year of Repayment	Amount
2005 (3 rd to 4 th quarter)	\$ 2,744
2006	954,029
2007	4,137
2008	<u>2,089</u>
	<u>\$ 962,999</u>

11. BONDS PAYABLE

	June 30, 2005
Domestic unsecured bonds:	
Issued in December 2000 and repayable in December 2005 and 2007 in two payments, 5.25% and 5.36% interest payable annually, respectively	\$ 15,000,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three payments, 2.60%, 2.75% and 3% interest payable annually, respectively	<u>15,000,000</u>
	<u>\$ 30,000,000</u>

As of June 30, 2005, principal repayments for the Company's bonds were as follows:

Year of Repayment	Amount
2005 (3 rd to 4 th quarter)	\$ 10,500,000
2007	7,000,000
2009	8,000,000
2010 and thereafter	<u>4,500,000</u>
	30,000,000
Current portion	<u>(10,500,000)</u>
	<u>\$ 19,500,000</u>

12. OTHER LONG-TERM PAYABLES

	June 30, 2005
Payables for acquisition of property, plant and equipment (Note 221)	\$ 6,376,813
Payables for royalties	<u>3,061,573</u>
	9,438,386
Current portion (under accrued expenses and other current liabilities)	<u>(1,417,437)</u>
	<u>\$ 8,020,949</u>

The payables for royalties were accrued for the future payment in connection with several license arrangements that the Company entered into for certain semiconductor related patents.

Future payments for the Company's other long-term payables under the agreements as of June 30, 2005 were as follows:

Year	Amount
2005 (3 rd to 4 th quarter)	\$ 1,144,732
2006	462,413
2007	442,652
2008	252,944
2009	252,944
2010 and thereafter	<u>6,882,701</u>
	9,438,386
Current portion (under accrued expenses and other current liabilities)	<u>(1,417,437)</u>
	<u>\$ 8,020,949</u>

13. PENSION PLANS

TSMC and GUC have defined benefit plans for all regular employees that provide benefits based on the employee's length of service and average monthly salary or wage for the six-month period prior to retirement and the one-month period prior to retirement, respectively.

TSMC and GUC contribute at an amount equal to 2% of salaries and wages paid each month to their respective pension funds (the Funds). The Funds are administered by their respective pension fund monitoring committees (the Committees) and deposited in the Committees' name in the Central Trust of China.

The changes in the Funds and accrued pension cost are summarized as follows:

	Six Months Ended June 30, 2005
The Funds	
Balance, beginning of period	\$ 1,435,609
Contribution	123,331
Interest	15,629
Payment	<u>(8,419)</u>
Balance, end of period	<u>\$ 1,566,150</u>
Accrued pension cost	
Balance, beginning of period	\$ 3,113,041
Accruals	<u>310,849</u>
Balance, end of period	<u>\$ 3,423,890</u>

The Labor Pension Act became effective on July 1, 2005 and this pension mechanism is deemed a defined contribution plan. The employees who were subject to the Labor Standards Law prior to the enforcement of this Act may choose to be subject to the pension mechanism under this Act or may continue to be subject to the pension mechanism under the Labor Standards Law. For those employees who were subject to the Labor Standards Law prior to July 1, 2005 and still work for the same business entity after July 1, 2005 and choose to be subject to the pension mechanism under this Act, their seniority as of July 1, 2005 shall be maintained. The rate of contribution by an employer to the Labor Pension Fund per month shall not be less than 6% of each employee's month salary or wage.

14. INCOME TAX

- a. A reconciliation of income tax expense based on income before income tax at statutory rates and current income tax expense before income tax credits was as follows:

	Six Months Ended June 30, 2005
Income tax expense based on "income before income tax" at statutory rates	\$ (8,486,984)
Tax-exempt income	4,734,183
Temporary and permanent differences	<u>(863,534)</u>
Current income tax expense before income tax credits	<u>\$ (4,616,335)</u>

- b. Income tax benefit consisted of the following:

Current income tax expense before income tax credits	\$ (4,616,335)
Additional tax at 10% on unappropriated earnings	(1,495,145)
Income tax credits	5,896,073
Other income tax adjustments	39,554
Net change in deferred income tax assets	
Investment tax credits	2,534,406
Temporary differences	2,150,088
Net operating loss carryforwards	(409,319)
Net change in valuation allowance of deferred income tax assets	<u>(3,095,537)</u>
Income tax benefit	<u>\$ 1,003,785</u>

- c. Deferred income tax assets (liabilities) consisted of the following:

	June 30, 2005
Current deferred income tax assets	
Investment tax credits	\$ 5,347,938
Temporary differences	373,860
Net operating loss carryforwards	6,660
Valuation allowance	<u>(319,575)</u>
	<u>\$ 5,408,883</u>
Noncurrent deferred income tax assets	
Investment tax credits	\$ 23,190,292
Temporary differences	(5,659,538)
Net operating loss carryforwards	6,369,671
Valuation allowance	<u>(17,561,705)</u>
	<u>\$ 6,338,720</u>

- d. Integrated income tax information:

The balance of the imputation credit account of TSMC as of June 30, 2005 was NT\$15,569 thousand.

The expected creditable ratio for distribution of earnings of 2004 of TSMC was 0.11%.

The imputation credit allocated to the shareholders is based on its balance as of the date of dividend distribution. The expected creditable ratio may be adjusted when the actual distribution of the imputation credits is made.

e. TSMC's earnings generated prior to December 31, 1997 have been appropriated.

f. As of June 30, 2005, the Company's investment tax credits consisted of the following:

Regulation	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 134,467	\$ -	2005
		4,886,593	2,325,900	2006
		4,139,371	4,139,371	2007
		11,007,954	11,007,954	2008
		<u>2,189,404</u>	<u>2,189,404</u>	2009
		<u>\$ 22,357,789</u>	<u>\$ 19,662,629</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 3,145,893	\$ 17,938	2005
		3,367,335	3,367,335	2006
		2,015,531	2,015,531	2007
		2,374,242	2,374,242	2008
		<u>1,008,986</u>	<u>1,008,986</u>	2009
		<u>\$ 11,911,987</u>	<u>\$ 8,784,032</u>	
Statute for Upgrading Industries	Personnel training	\$ 29,448	\$ -	2005
		27,358	27,358	2006
		26,962	26,962	2007
		<u>37,249</u>	<u>37,249</u>	2008
		<u>\$ 121,017</u>	<u>\$ 91,569</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprises	<u>\$ 38,036</u>	<u>\$ -</u>	2005

As of June 30, 2005, the net operating loss carryforwards were generated by WaferTech, TSMC Development, TSMC Technology and GUC and will expire at various dates through 2025.

g. The sales generated from the following expansion and construction of TSMC's manufacturing plants are exempt from income tax:

Tax-Exemption Periods

Construction of Fab 8 - module B	2002 to 2005
Expansion of Fab 2 - modules A and B, Fab 3, Fab 4, Fab 5 and Fab 6	2003 to 2006
Construction of Fab 12	2004 to 2007

h. The tax authorities have examined income tax returns of TSMC through 2001.

15. LABOR COST, DEPRECIATION AND AMORTIZATION

	<u>Six Months Ended June 30, 2005</u>		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary	\$ 5,001,599	\$ 3,028,345	\$ 8,029,944
Labor and health insurance	306,336	154,502	460,838
Pension	300,353	150,980	451,333
Meal	208,373	76,789	285,162
Welfare benefit	72,674	42,701	115,375
Other	<u>54,134</u>	<u>137,290</u>	<u>191,424</u>
	<u>\$ 5,943,469</u>	<u>\$ 3,590,607</u>	<u>\$ 9,534,076</u>
Depreciation	<u>\$ 34,223,394</u>	<u>\$ 1,589,927</u>	<u>\$ 35,813,321</u>
Amortization	<u>\$ 814,085</u>	<u>\$ 1,350,140</u>	<u>\$ 2,164,225</u>

16. SHAREHOLDERS' EQUITY

TSMC has issued a total of 668,351 thousand ADSs which are traded on the NYSE as of June 30, 2005. The number of common shares represented by the ADSs is 3,341,754 thousand shares (one ADS represents five common shares).

On May 10, 2005, TSMC's Board of Directors approved the offering of up to 1,050,000 thousand common shares of TSMC in the form of ADSs by certain existing shareholders. As of July 13, 2005, the proposed offering is still waiting for the approval by the SFB.

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issue price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus from treasury stock transactions) may be appropriated as stock dividends, which is restricted to a certain percentage of the paid-in common stock of TSMC.

As of June 30, 2005, capital surplus consisted of the following:

	Amount
From merger	\$ 24,003,546
Additional paid-in capital	23,139,481
From convertible bonds	9,360,424
From long-term investments	126,128
From treasury stock transactions	91,241
Donations	<u>55</u>
	<u>\$ 56,720,875</u>

TSMC's Articles of Incorporation as revised on May 10, 2005, provide that when allocating the net profits for each fiscal year, TSMC shall first offset its losses in previous years and then set aside the following items accordingly:

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equalled TSMC's total capital;

- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- c. Bonus to directors and supervisors and bonus to employees of TSMC equal to not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors and supervisors. TSMC may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

TSMC's Articles of Incorporation also stipulate that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided however, the ratio for stock dividend shall not exceed 50% of total distribution.

Any appropriations of net income are recorded in the financial statements in the year of shareholder approval.

The appropriation for legal capital reserve is made until the reserve equals the aggregate par value of TSMC's outstanding capital stock. The reserve can only be used to offset an accumulated deficit or the portion in excess of 50% of outstanding capital stock can be distributed as dividends and bonuses when the reserve balance has reached 50% of the aggregate par value of the outstanding capital stock of TSMC.

A special capital reserve equivalent to the net debit balance of the other components of shareholder's equity (for example, unrealized loss on long-term investments and cumulative translation adjustments, but excluding treasury stock) shall be made from unappropriated earnings pursuant to existing regulations promulgated by the SFB. Any special capital reserve appropriated may be reversed to the extent that the net debit balance reverses.

TSMC's appropriation of earnings for 2004 was approved in the shareholders' meeting on May 10, 2005. The appropriations and dividends per share are as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal capital reserve	\$ 8,820,201	
Special capital reserve	2,226,427	
Employees' profit sharing - in cash	3,086,215	
Employees' profit sharing - in stock	3,086,215	
Cash dividends	46,504,097	\$2.00
Stock dividends	11,626,024	0.50
Bonus to directors and supervisors	<u>231,466</u>	
	<u>\$ 75,580,645</u>	

The amounts of the above appropriations of earnings for 2004 are consistent with the resolutions of the meeting of TSMC's Board of Directors on February 22, 2005. If the above bonus to employees, directors and supervisors had been paid in cash and charged against income for 2004, the after income tax basic earnings per share for the year ended December 31, 2004 would have decreased from NT\$3.97 to NT\$3.70. The shares distributed as a bonus to employees represented 1.33% of TSMC's total outstanding common shares as of December 31, 2004.

The above information about the appropriations of bonus to employees, directors and supervisors is available at Market Observation Post System website.

Under the Integrated Income Tax System that became effective on January 1, 1998, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by TSMC on earnings generated since January 1, 1998.

17. STOCK-BASED COMPENSATION PLANS

TSMC's Employee Stock Option Plans under the TSMC 2005 Plan, the TSMC 2003 Plan and the TSMC 2002 Plan, were approved by the SFB on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under the TSMC 2005 Plan, the TSMC 2003 Plan and the TSMC 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each unit eligible to subscribe to one common share when exercisable. The options may be granted to qualified employees of TSMC or any of its domestic or foreign subsidiaries, in which TSMC's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of TSMC's common shares listed on the TSE on the grant date.

Under the TSMC 2003 Plan and the TSMC 2002 Plan, units that had never been granted, or had been granted and subsequently cancelled were expired as of June 30, 2005.

Information about TSMC's outstanding stock options for the six months ended June 30, 2005 was as follows:

	Number of Options (in Thousands)	Weighted- Average Exercise Price (NT\$)
Beginning balance	64,367	\$40.5
Options granted	14,864	48.4
Options exercised	(2,941)	39.9
Options cancelled	<u>(2,931)</u>	42.7
Ending balance	<u>73,359</u>	42.1

The number of outstanding options and exercise prices have been adjusted to reflect the appropriation of dividends in accordance with the plans.

As of June 30, 2005, information about TSMC's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	Number of Options (in Thousands)	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted- Average Exercise Price (NT\$)
\$29.9-\$42.1	50,195	7.60	\$38.8	25,032	\$38.8
47.0-54.5	<u>23,164</u>	9.33	49.2	<u>-</u>	-
	<u>73,359</u>			<u>25,032</u>	

No compensation cost was recognized under intrinsic value method for the six months ended June 30, 2005. Had the Company used the fair value based method (based on the Black-Scholes model) to evaluate the options granted after January 1, 2004, the assumptions and pro forma results of the Company for the six months ended June 30, 2005 would have been as follows:

Assumptions:

Expected dividend yield	1.00%-3.44%
Expected volatility	43.77%-46.15%
Risk free interest rate	3.07%-3.85%
Expected life	5 years

Net income attributable to shareholders of the parent:

As reported	\$ 35,187,334
Pro forma	35,140,859

Consolidated earnings per share (EPS) - after income tax (NT\$):

Basic EPS as reported	\$ 1.43
Pro forma basic EPS	1.42
Diluted EPS as reported	1.43
Pro forma diluted EPS	1.42

The estimated weighted average fair value per unit for the options granted during the six months ended June 30, 2005 was NT\$17.69.

18. TREASURY STOCK

(Shares in Thousands)

	Beginning Shares	Increase/ Distribute	Decrease	Ending Shares
<u>Six months ended June 30, 2005</u>				
Reclassification of parent company stock held by subsidiaries from long-term investments	<u>45,521</u>	<u>2,242</u>	<u>901</u>	<u>46,862</u>

Proceeds from the sales of treasury stock for the six months ended June 30, 2005 were NT\$49,364 thousand. As of June 30, 2005, the book value and the market value of the treasury stock was NT\$1,552,573 thousand and NT\$2,648,643 thousand, respectively. TSMC's capital stock held by a subsidiary as an investment is recorded as treasury stock. However, starting from June 24, 2005, in accordance with the revised Company Law, the holders will be no longer entitled to the right to vote.

19. CONSOLIDATED EARNINGS PER SHARE

Consolidated EPS for the six months ended June 30, 2005 is computed as follows:

	<u>Amounts (Numerator)</u>		<u>Number of Shares (Denominator) (Thousands)</u>	<u>Consolidated EPS (NT\$)</u>	
	<u>Before Tax</u>	<u>After Tax</u>		<u>Before Tax</u>	<u>After Tax</u>
Consolidated Basic EPS					
Income available to common shareholders of the parent	\$ 34,183,549	\$ 35,187,334	24,676,592	<u>\$ 1.39</u>	<u>\$ 1.43</u>
Effect of dilutive potential common stock - stock options	<u>-</u>	<u>-</u>	<u>10,537</u>		
Consolidated Diluted EPS					
Income available to common shareholders of the parent (including effect of dilutive potential common stock)	<u>\$ 34,183,549</u>	<u>\$ 35,187,334</u>	<u>24,687,129</u>	<u>\$ 1.38</u>	<u>\$ 1.43</u>

20. RELATED PARTY TRANSACTIONS

The Company engages in business transactions with the following related parties:

- Industrial Technology Research Institute (ITRI), the Chairman of TSMC is one of its directors
- Philips, a major shareholder of TSMC
- Investees of TSMC accounted for using equity method

VIS
SSMC

- Omnivision International Holding, Ltd. (Omnivision), a shareholder holding a 25% ownership in VisEra
- Huawei Semiconductor (Shanghai) Co., Ltd. (Huawei), the president of which is the president of VisEra
- XinTec Inc. (XinTec), the Chairman of VisEra is one of the directors of XinTec

The transaction with the aforementioned parties in addition to those disclosed in other notes are summarized as follows:

<u>For the six months ended June 30</u>	<u>2005</u>	
	<u>Amount</u>	<u>%</u>
Sales		
Omnivision	\$ 1,268,365	1
Philips and its affiliates	1,147,115	1
Others	<u>45,689</u>	<u>-</u>
	<u>\$ 2,461,169</u>	<u>2</u>

(Continued)

	<u>2005</u>	
	<u>Amount</u>	<u>%</u>
Purchases		
VIS	\$ 2,168,998	3
SSMC	2,094,617	3
XinTec	321,924	1
Huawei	<u>86,739</u>	<u>-</u>
	<u>\$ 4,672,278</u>	<u>7</u>
Manufacturing expenses - technical assistance fees		
Philips (see Note 22a)	<u>\$ 202,334</u>	<u>-</u>
Non-operating income and gains		
SSMC (primarily technical service income; see Note 22f)	\$ 146,655	4
VIS (primarily technical service income; see Note 22k)	<u>77,504</u>	<u>2</u>
	<u>\$ 224,159</u>	<u>6</u>
<u>At the end of June 30</u>		
Receivables		
Philips and its affiliates	\$ 467,843	63
Omnivision	266,276	36
VIS	<u>6,083</u>	<u>1</u>
	<u>\$ 740,202</u>	<u>100</u>
Other Receivables		
SSMC	\$ 115,460	71
VIS	<u>46,399</u>	<u>29</u>
	<u>\$ 161,859</u>	<u>100</u>
Payables		
VIS	\$ 883,144	71
SSMC	284,080	23
XinTec	45,308	4
Huawei	<u>26,790</u>	<u>2</u>
	<u>\$ 1,239,322</u>	<u>100</u>
Other long-term payables		
Philips and its affiliates	<u>\$ 1,727,133</u>	<u>100</u>

The terms of sales to related parties are not significantly different from those to third parties. For other related parties transactions, prices are determined in accordance with the related contractual agreements.

21. SIGNIFICANT LONG-TERM LEASES

TSMC and GUC lease land from the SPA. These lease agreements expire on various dates from March 2008 to December 2021 and can be renewed upon their expiration.

TSMC - NA leases its office premises and certain equipment under non-cancellable operating agreements. TSMC - Japan, TSMC - Europe and VisEra have also entered into lease agreements for their office premises. The leases will expire between 2005 and 2010. The agreements can be renewed upon their expiration.

As of June 30, 2005 future remaining lease payments were as follows:

Year	Amount
2005 (3 rd to 4 th quarter)	\$ 183,984
2006	361,218
2007	357,908
2008	340,247
2009	337,120
2010 and thereafter	<u>1,383,690</u>
	<u>\$ 2,964,167</u>

22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of June 30, 2005 are as follows:

- a. On June 20, 2004, TSMC and Philips revised the Technical Cooperation Agreement, which was originally signed on May 12, 1997, with an effective date from January 1, 2004 for five years. Upon expiration, this amended Technical Cooperation Agreement will be terminated at the expiration date and will not be automatically renewed. Under this amended Technical Cooperation Agreement, TSMC will pay Philips royalties based on a fixed amounts mutually agreed-on, rather than under certain percentage of TSMC's annual net sales. TSMC and Philips agree to cross license the patents owned by each party. TSMC also obtained through Philips a number of patent cross licenses.
- b. Under a technical cooperation agreement with ITRI, TSMC shall reserve and allocate up to 35% of certain of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA. The term of this agreement is for five years beginning January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. The agreement was automatically renewed in 1992 and 1997 and on January 1, 2002.
- c. On October 28, 1992, TSMC entered into a letter agreement with Philips under which Philips has an option on up to 30% of TSMC's capacity as agreed in the agreement on most favored terms and conditions for similar orders, as long as Philips' and its affiliates' shareholding in TSMC remains at 24.8% or higher. As of June 30, 2005, Philips' and its affiliates' shareholding in TSMC is 18.74%.
- d. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of June 30, 2005, TSMC had a total of US\$47,868 thousand of guarantee deposits.
- e. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, for the purpose of constructing an integrated circuit foundry in Singapore. As of June 30, 2005, TSMC's equity interest in SSMC was 32%. TSMC and Philips committed to buy specific percentages of the production capacity of SSMC. TSMC and Philips are required, in the aggregate, to purchase up to 70% of SSMC's full capacity, but TSMC alone is not required to purchase more than 28% of the annual installed capacity. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its total capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.

- f. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of certain products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- g. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, TSMC shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives notice for early termination under certain conditions. In January 2003, TSMC and National entered into a Termination Agreement whereby the TTA was terminated for convenience. Under the Termination Agreement, TSMC will be relieved of any further obligation to transfer any additional technology. In addition, TSMC granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.
- h. Beginning in 2001, TSMC entered into several licensing arrangements for certain semiconductor patents. The terms of the contracts range from five to ten years with payments to be made in the form of royalties over the term of the related contracts. TSMC has recorded the related amounts as a liability with the corresponding amounts recorded as deferred charges which are amortized and charged to cost of sales on a straight-line basis over the estimated life of the technology or the term of the contract, whichever is shorter.
- i. In November 2002, TSMC entered into an Amended and Restated Joint Technology Cooperation Agreement with Philips, Freescale Semiconductor, Inc. and STMicroelectronics to jointly develop 90-nm to 65-nm advanced CMOS Logic and e-DRAM technologies. TSMC also agreed to align 0.12 micron CMOS Logic technology to enhance its foundry business opportunities. TSMC will contribute process technologies and share a portion of the costs associated with this joint development project.
- j. In December 2003, TSMC entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. TSMC will also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, TSMC will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.
- k. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into in August 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.
- l. Under an agreement signed with a certain company, TSMC - Shanghai has the obligation to purchase certain assets within a specified period at the price agreed upon by both parties. TSMC - Shanghai will compensate the other party in case of a breach of the agreement.
- m. Amounts available under unused letters of credit as of June 30, 2005 were NT\$ 6,480 thousand.
- n. TSMC, TSMC-NA and WaferTech filed a series of lawsuits in late 2003 and 2004 in both state and federal courts in California and with the U.S. International Trade Commission against Semiconductor Manufacturing International Corporation ("SMIC"), SMIC (Shanghai) and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple TSMC patents and misappropriated TSMC's trade secrets. These suits have been settled out of court on January 30, 2005. As part of the settlement, SMIC will pay TSMC US\$175 million over six years to resolve TSMC's patent infringement and trade secret claims.

23. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Company and its investees:

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held: Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- i. Names, locations, and related information of investees of which the Company exercises significant influence: Please see Table 7 attached;
- j. Financial instrument transactions:
 - 1) Derivative financial instruments

The Company entered into derivative financial instrument transactions during the six months ended June 30, 2005 to manage exposures related to foreign exchange rate and interest rate fluctuations. Certain information on these contracts was as follows:

- a) Outstanding forward exchange contracts

Outstanding forward exchange contracts as of June 30, 2005 were as follows:

Financial Instruments	Currency	Maturity Date	Contract Amount (in Thousands)	
Sell	US\$/NT\$	Jul. 2005 to Aug. 2005	US\$	103,000
Sell	US\$/JPY	Jul. 2005	US\$	6,500

As of June 30, 2005, payables from forward exchange contracts (included in the "other current liabilities" account) were NT\$43,086 thousand.

b) Outstanding cross currency swap contracts

Outstanding cross currency swap contracts as of June 30, 2005 were as follows:

Maturity Date	Contract Amount (in Thousands)	Range of Interest Rate Paid	Range of Interest Rate Received
Jul. 2005 to Aug. 2005	US\$2,045,000 (US\$/NT\$)	3.1%-3.4%	1.03%-1.22%

As of June 30, 2005, payables from cross currency swap contracts (included in the “other current liabilities” account) were NT\$705,607 thousand.

The net exchange gain or loss arising from forward exchange contracts and cross currency swap contracts for the six months ended June 30, 2005 was recognized in the “foreign exchange loss, net” account and the difference in interest was recorded in interest income or expense.

c) Interest rate swap contracts

The Company rescinded all outstanding interest rate swap contracts during the three months ended March 31, 2005 before their original maturities. The rescission loss of NT\$28,295 thousand was recognized in the “interest expense” account. There was no outstanding contract at June 30, 2005.

d) Transaction risk

i) Credit risk. Credit risk represents the positive net settlement amount of those contracts with positive fair values at the balance sheet date. The positive net settlement amount represents the loss to be incurred by the Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.

ii) Market price risk. All derivative financial instruments are intended as hedges for fluctuations in foreign exchange rates and interest rates. Gains or losses from these hedging instruments are likely to be offset by gains or losses from the hedged items. Thus, market price risks are believed to be low.

iii) Cash flow risk and the amount and period of future cash needs.

As of June 30, 2005, the Company’s future cash needs for outstanding forward exchange contracts and cross currency swap contracts were as follows:

Term	Inflow (in Thousands)		Outflow (in Thousands)	
Within one year	NT\$	67,304,233	US\$	2,154,500
	JPY	698,750		

The Company has sufficient operating capital to meet the above cash needs. In addition, there will be corresponding cash inflow for the cash outflow. Therefore, the cash flow risk is low.

2) Fair values of financial instruments were as follows:

	<u>June 30, 2005</u>	
	Carrying Amount	Fair Value
<u>Non-derivative financial instruments</u>		
Assets		
Short-term investments, net	\$ 49,558,447	\$ 50,391,628
Long-term investments (securities with market price)	32,519,909	39,830,977
Liabilities		
Bonds payable (including current portion)	30,000,000	30,429,929
<u>Derivative financial instruments</u>		
Assets (liabilities)		
Forward exchange contracts	(44,882)	(41,381)
Cross currency swap contracts	(674,894)	(452,530)

The above financial instruments do not include cash and cash equivalents, receivables, other financial assets, payables, and payable to contractors and equipment suppliers. The carrying amounts of the aforementioned financial instruments reported in the balance sheet approximate their fair values.

The above financial instruments also exclude refundable deposits, guarantee deposits, long-term investments that do not have quoted market prices, long-term bank loans as well as other long-term payables. The future cash inflow and outflow of the deposits approximate their fair values. Some of long-term investments do not have quoted market prices; therefore, fair values for those long-term investments are not shown above. The fair value of long-term loans with floating interest rates is their carrying amount. The fair values of other long-term payables and interest-free long-term loans are determined using the discounted values of expected cash flows, which approximate their carrying amounts.

Fair values of financial instruments were determined as follows:

- a) Fair value of short-term and publicly traded long-term investments is based on quoted market prices.
- b) Fair value of bonds payable is based on their quoted market price.
- c) Fair value of derivative financial instruments is the amount receivable from or payable to the counter-party if the contracts were terminated on the balance sheet date.

The fair values of some financial and non-financial instruments were not included in the fair values disclosed above. Accordingly, the sum of the fair values of the financial instruments listed above does not represent the fair value of the Company as a whole.

k. Information on investment in Mainland China

- 1) The name of the investee company in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, ratio of ownership, equity in the net gain or net loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Please see Table 8 attached.

- 2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 9 attached.
1. Intercompany relationships and significant intercompany transactions: Please see Table 9 attached.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2005
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period (US\$ in Thousand)	Ending Balance (US\$ in Thousand)	Interest Rate	Type of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits (US\$ in Thousand)
											Item	Value		
1	TSMC International	TSMC Development	Other receivables	\$ 1,897,080 (US\$ 60,000)	\$ 1,897,080 (US\$ 60,000)	1.5%	2	\$ -	Operating capital	\$ -	-	\$ -	N/A	\$ 31,237,580 (US\$ 987,968) (Note 2)
2	TSMC Partners	TSMC Development	Other receivables	2,529,440 (US\$ 80,000)	948,540 (US\$ 30,000)	1.5%	2	-	Operating capital	-	-	-	N/A	(Note 3)

Note 1: The No. 2 represents necessary for short-term financing.

Note 2: Not exceeding the issued capital of the Company.

Note 3: Generally not exceeding the issued capital of the Company, unless approved by all members of the board.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2005

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts	Maximum Balance for the Period (US\$ in Thousand)	Ending Balance (US\$ in Thousand)	Value of Collateral Property, Plant and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable (Note 1)
		Name	Nature of Relationship (Note 2)						
0	The Company	TSMC Development	3	Not exceed 10% of the net worth of the Company, and also limiting to the total capital issued of the endorsement/guarantee company, unless otherwise approved by Board of Directors.	\$ 1,897,080	\$ 948,540	\$ -	0.25%	\$ 96,049,982
		TSMC-North America	2		(US\$ 60,000)	(US\$ 30,000)	-	0.33%	
					1,264,720	1,264,720			
					(US\$ 40,000)	(US\$ 40,000)			

Note 1: 25% of the net worth of the Company as of June 30, 2005.

Note 2: The No. 2 represents a subsidiary in which the Company holds directly over 50% of the equity interest.
The No. 3 represents an investee in which the Company holds directly and indirectly over 50% of the equity interest.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2005

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2005				Note
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
The Company	<u>Government bonds</u>							
	United States Treas NTS	-	Short-term investment	-	US\$ 80,106	N/A	US\$ 79,826	
	Kreditanstalt Fur Wiederaufbau	-	Short-term investment	-	US\$ 6,881	N/A	US\$ 6,869	
	2002 Government Bond Series B	-	Long-term investment	-	358,683	N/A	358,136	
	2003 Government Bond Series I	-	Long-term investment	-	3,392,485	N/A	3,391,450	
	2004 Government Bond Series A	-	Long-term investment	-	2,349,767	N/A	2,350,449	
	2004 Government Bond Series E	-	Long-term investment	-	3,896,211	N/A	3,895,418	
	2004 Kaohsiung Municipal Bond Series A	-	Long-term investment	-	620,000	N/A	619,999	
	2005 Government Bond Series A	-	Long-term investment	-	1,200,000	N/A	1,200,265	
	<u>Bond funds</u>							
	JF Taiwan First Bond Fund	-	Short-term investment	73,993	1,003,701	N/A	1,019,467	
	ABN AMRO Bond Fund	-	Short-term investment	134,906	1,956,175	N/A	1,991,304	
	JF Taiwan Bond Fund	-	Short-term investment	78,698	1,153,209	N/A	1,176,489	
	INVESCO R.O.C. Bond A Fund	-	Short-term investment	69,846	1,003,373	N/A	1,018,827	
	Dresdner Bond DAM Fund	-	Short-term investment	69,303	771,617	N/A	786,496	
	Barits Bond Fund	-	Short-term investment	64,049	752,149	N/A	763,507	
	Shinkong Chi Shin Bond Fund	-	Short-term investment	151,594	2,100,000	N/A	2,129,516	
	NITC Bond Fund	-	Short-term investment	3,764	600,000	N/A	606,734	
	ABN AMRO Select Bond Fund	-	Short-term investment	18,235	200,000	N/A	202,478	
	HSBC NTD Money Management Fund	-	Short-term investment	41,568	600,000	N/A	605,820	
	<u>Stock</u>							
	Taiwan Mask Corp.	-	Short-term investment	1,787	6,528	-	26,623	
	TSMC International	Subsidiary	Long-term investment	987,968	23,057,382	100	23,057,382	
	VIS	Investee accounted for using equity method	Long-term investment	437,891	5,115,164	27	12,449,270	
	TSMC Partners	Subsidiary	Long-term investment	300	3,873,176	100	3,873,176	
	SSMC	Investee accounted for using equity method	Long-term investment	382	3,514,280	32	3,514,280	
	TSMC-North America	Subsidiary	Long-term investment	11,000	794,692	100	1,429,190	Treasury stock of NT\$634,498 thousand is deducted from the carrying value.
	GUC	Investee	Long-term investment	40,149	403,208	46	426,476	
	TSMC-Japan	Subsidiary	Long-term investment	6	95,013	100	95,013	
	VisEra	Investee	Long-term investment	5,100	62,668	25	63,595	
	TSMC-Europe	Subsidiary	Long-term investment	-	22,491	100	22,491	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2005				Note
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
	United Industrial Gases Co., Ltd.	-	Long-term investment	16,783	\$ 193,584	10	\$ 265,434	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	Long-term investment	10,500	105,000	7	173,007	
	W.K. Technology Fund IV	-	Long-term investment	5,000	50,000	2	54,046	
	Hontung Venture Capital Co., Ltd.	-	Long-term investment	8,392	83,916	10	54,509	
	Globaltop Partner I Venture Capital Corp.	-	Long-term investment	5,000	50,000	1	49,574	
	<u>Corporate bonds</u>							
	Taiwan Power Company	-	Short-term investment	-	816,282	N/A	802,214	
	Formosa Petrochemical Corporation	-	Short-term investment	-	311,568	N/A	307,632	
	AIG Sunamerica Global Fing Ix	-	Short-term investment	-	US\$ 1,032	N/A	US\$ 1,012	
	Anz Cap Tr I	-	Short-term investment	-	US\$ 1,012	N/A	US\$ 996	
	Abbott Labs	-	Short-term investment	-	US\$ 2,732	N/A	US\$ 2,654	
	Abbott Labs	-	Short-term investment	-	US\$ 1,581	N/A	US\$ 1,560	
	Ace Ltd.	-	Short-term investment	-	US\$ 1,046	N/A	US\$ 1,027	
	Alltel Corp.	-	Short-term investment	-	US\$ 609	N/A	US\$ 605	
	Allstate Life Global Fdg Secd	-	Short-term investment	-	US\$ 2,998	N/A	US\$ 2,985	
	American Express Co.	-	Short-term investment	-	US\$ 3,550	N/A	US\$ 3,474	
	American Gen Fin Corp.	-	Short-term investment	-	US\$ 1,768	N/A	US\$ 1,728	
	American Gen Fin Corp. Mtn	-	Short-term investment	-	US\$ 3,130	N/A	US\$ 3,039	
	American Gen Fin Corp. Mtn	-	Short-term investment	-	US\$ 1,058	N/A	US\$ 1,025	
	American Honda Fin Corp. Mtn	-	Short-term investment	-	US\$ 3,800	N/A	US\$ 3,789	
	American Intl Group Inc. Mtnf	-	Short-term investment	-	US\$ 3,795	N/A	US\$ 3,789	
	Amgen Inc.	-	Short-term investment	-	US\$ 3,005	N/A	US\$ 2,978	
	Amsouth Bk Birmingham Ala	-	Short-term investment	-	US\$ 1,972	N/A	US\$ 1,970	
	Associates Corp. North Amer	-	Short-term investment	-	US\$ 2,700	N/A	US\$ 2,648	
	Bank New York Inc.	-	Short-term investment	-	US\$ 1,525	N/A	US\$ 1,501	
	Bank New York Inc.	-	Short-term investment	-	US\$ 1,972	N/A	US\$ 1,974	
	Bank Scotland Treas Svcs Plc	-	Short-term investment	-	US\$ 2,715	N/A	US\$ 2,717	
	Bank Utd Houston Tx Mtn	-	Short-term investment	-	US\$ 580	N/A	US\$ 563	
	Bear Stearns Cos Inc.	-	Short-term investment	-	US\$ 3,757	N/A	US\$ 3,755	
	Bear Stearns Cos Inc.	-	Short-term investment	-	US\$ 3,518	N/A	US\$ 3,482	
	Bear Stearns Cos Inc. Medium Te	-	Short-term investment	-	US\$ 2,103	N/A	US\$ 2,101	
	Beneficial Corp. Mtn Bk Entry	-	Short-term investment	-	US\$ 2,434	N/A	US\$ 2,404	
	Berkshire Hathaway Fin Corp.	-	Short-term investment	-	US\$ 1,498	N/A	US\$ 1,482	
	British Telecommunications Plc	-	Short-term investment	-	US\$ 2,104	N/A	US\$ 2,039	
	Cit Group Hldgs Inc.	-	Short-term investment	-	US\$ 3,203	N/A	US\$ 3,137	
	Cit Group Inc.	-	Short-term investment	-	US\$ 2,000	N/A	US\$ 2,002	
	Cargill Inc.	-	Short-term investment	-	US\$ 2,120	N/A	US\$ 2,041	
	Chase Manhattan Corp. New	-	Short-term investment	-	US\$ 2,246	N/A	US\$ 2,216	
	Chase Manhattan Corp. New	-	Short-term investment	-	US\$ 1,628	N/A	US\$ 1,588	
	Citicorp	-	Short-term investment	-	US\$ 1,473	N/A	US\$ 1,441	
	Cogentrix Energy Inc.	-	Short-term investment	-	US\$ 2,885	N/A	US\$ 2,833	
	Colonial Pipeline Co.	-	Short-term investment	-	US\$ 1,625	N/A	US\$ 1,572	
	Compaq Computer Corp.	-	Short-term investment	-	US\$ 3,719	N/A	US\$ 3,513	
	Consolidated Edison Co. Ny Inc.	-	Short-term investment	-	US\$ 3,688	N/A	US\$ 3,550	
	Corestates Cap Corp.	-	Short-term investment	-	US\$ 1,062	N/A	US\$ 1,039	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2005				Note
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
	Countrywide Fdg Corp. Mtn	-	Short-term investment	-	US\$ 2,158	N/A	US\$ 2,104	
	Countrywide Home Lns Inc.	-	Short-term investment	-	US\$ 5,210	N/A	US\$ 5,079	
	Countrywide Fdg Corp. Mtn	-	Short-term investment	-	US\$ 3,500	N/A	US\$ 3,498	
	Countrywide Finl Corp.	-	Short-term investment	-	US\$ 3,000	N/A	US\$ 2,997	
	Credit Suisse Fb USA Inc.	-	Short-term investment	-	US\$ 4,141	N/A	US\$ 4,090	
	Credit Suisse First Boston USA	-	Short-term investment	-	US\$ 2,249	N/A	US\$ 2,231	
	Credit Suisse First Boston	-	Short-term investment	-	US\$ 786	N/A	US\$ 766	
	Daimlerchrysler North Amer	-	Short-term investment	-	US\$ 997	N/A	US\$ 979	
	Daimlerchrysler North Amer Hld	-	Short-term investment	-	US\$ 749	N/A	US\$ 746	
	Dayton Hudson Corp.	-	Short-term investment	-	US\$ 2,104	N/A	US\$ 2,108	
	Deere John Cap Corp.	-	Short-term investment	-	US\$ 5,079	N/A	US\$ 5,080	
	Dell Computer Corp.	-	Short-term investment	-	US\$ 3,054	N/A	US\$ 2,962	
	Den Danske Bk Aktieselskab	-	Short-term investment	-	US\$ 2,192	N/A	US\$ 2,116	
	Diageo Plc	-	Short-term investment	-	US\$ 3,459	N/A	US\$ 3,454	
	Dow Chem Co.	-	Short-term investment	-	US\$ 921	N/A	US\$ 885	
	European Invt Bk	-	Short-term investment	-	US\$ 8,315	N/A	US\$ 8,119	
	European Invt Bk	-	Short-term investment	-	US\$ 3,918	N/A	US\$ 3,927	
	Fpl Group Cap Inc.	-	Short-term investment	-	US\$ 1,001	N/A	US\$ 997	
	Fpl Group Cap Inc.	-	Short-term investment	-	US\$ 860	N/A	US\$ 853	
	Shell Finance (UK) Plc	-	Short-term investment	-	US\$ 3,604	N/A	US\$ 3,515	
	Fifth Third Bk Cincinnati Oh	-	Short-term investment	-	US\$ 2,419	N/A	US\$ 2,449	
	First Data Corp.	-	Short-term investment	-	US\$ 3,013	N/A	US\$ 2,973	
	Fleet Finl Group Inc. New	-	Short-term investment	-	US\$ 494	N/A	US\$ 482	
	Fleet Finl Group Inc. New	-	Short-term investment	-	US\$ 975	N/A	US\$ 946	
	Fleet Boston Corp.	-	Short-term investment	-	US\$ 2,850	N/A	US\$ 2,810	
	Ford Mtr Cr Co.	-	Short-term investment	-	US\$ 1,542	N/A	US\$ 1,503	
	Gte Corp.	-	Short-term investment	-	US\$ 2,134	N/A	US\$ 2,071	
	Gannett Co Inc.	-	Short-term investment	-	US\$ 2,999	N/A	US\$ 2,996	
	General Elec Cap Corp. Mtn	-	Short-term investment	-	US\$ 8,862	N/A	US\$ 8,857	
	General Elec Cap Corp. Mtn	-	Short-term investment	-	US\$ 3,989	N/A	US\$ 3,967	
	General Elec Cap Corp. Mtn	-	Short-term investment	-	US\$ 1,040	N/A	US\$ 1,023	
	General Re Corp.	-	Short-term investment	-	US\$ 3,500	N/A	US\$ 3,566	
	Genworth Finl Inc.	-	Short-term investment	-	US\$ 3,412	N/A	US\$ 3,404	
	Goldman Sachs Group L P	-	Short-term investment	-	US\$ 1,637	N/A	US\$ 1,563	
	Greenpoint Finl Corp.	-	Short-term investment	-	US\$ 974	N/A	US\$ 968	
	HSBC USA Inc. New	-	Short-term investment	-	US\$ 1,154	N/A	US\$ 1,113	
	Hancock John Global Fdg II Mtn	-	Short-term investment	-	US\$ 3,566	N/A	US\$ 3,562	
	Hancock John Global Fdg Mtn	-	Short-term investment	-	US\$ 1,003	N/A	US\$ 984	
	Hartford Finl Svcs Group Inc.	-	Short-term investment	-	US\$ 1,435	N/A	US\$ 1,406	
	Hartford Finl Svcs Group Inc.	-	Short-term investment	-	US\$ 296	N/A	US\$ 296	
	Heller Finl Inc.	-	Short-term investment	-	US\$ 2,071	N/A	US\$ 2,039	
	Hershey Foods Corp.	-	Short-term investment	-	US\$ 1,627	N/A	US\$ 1,570	
	Hewlett Packard Co.	-	Short-term investment	-	US\$ 3,373	N/A	US\$ 3,252	
	Honeywell Inc.	-	Short-term investment	-	US\$ 3,284	N/A	US\$ 3,150	
	Household Fin Corp.	-	Short-term investment	-	US\$ 532	N/A	US\$ 523	
	Household Fin Corp.	-	Short-term investment	-	US\$ 2,993	N/A	US\$ 2,972	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2005				Note
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
	Household Fin Corp. Mtn Bk Enty	-	Short-term investment	-	US\$ 3,542	N/A	US\$ 3,493	
	Huntington Natl Bk Columbus Oh	-	Short-term investment	-	US\$ 2,954	N/A	US\$ 2,958	
	Huntington Natl Bk	-	Short-term investment	-	US\$ 3,003	N/A	US\$ 3,001	
	ING Sec Life Instl Fdg	-	Short-term investment	-	US\$ 2,544	N/A	US\$ 2,543	
	Intl Bk For Recon + Dev	-	Short-term investment	-	US\$ 5,232	N/A	US\$ 5,009	
	International Business Machs	-	Short-term investment	-	US\$ 2,249	N/A	US\$ 2,237	
	International Lease Fin Corp.	-	Short-term investment	-	US\$ 2,455	N/A	US\$ 2,457	
	International Lease Fin Corp.	-	Short-term investment	-	US\$ 1,162	N/A	US\$ 1,163	
	Intl Lease Fin Corp. Mtn	-	Short-term investment	-	US\$ 3,028	N/A	US\$ 2,993	
	JP Morgan Chase + Co.	-	Short-term investment	-	US\$ 3,663	N/A	US\$ 3,570	
	Jackson Natl Life Global Fdg	-	Short-term investment	-	US\$ 1,036	N/A	US\$ 1,020	
	Jackson Natl Life Global Fdg S	-	Short-term investment	-	US\$ 1,999	N/A	US\$ 2,000	
	Key Bk Na Med Term Nts Bk Entry	-	Short-term investment	-	US\$ 4,450	N/A	US\$ 4,479	
	Keycorp Mtn Book Entry	-	Short-term investment	-	US\$ 3,500	N/A	US\$ 3,505	
	Kraft Foods Inc.	-	Short-term investment	-	US\$ 773	N/A	US\$ 757	
	Kraft Foods Inc.	-	Short-term investment	-	US\$ 1,037	N/A	US\$ 1,021	
	ING Bank	-	Short-term investment	-	US\$ 2,114	N/A	US\$ 2,070	
	Credit Suisse Fincl Products	-	Short-term investment	-	US\$ 1,507	N/A	US\$ 1,504	
	Lehman Brothers Hldgs Inc.	-	Short-term investment	-	US\$ 1,163	N/A	US\$ 1,141	
	Lehman Brothers Hldgs Inc.	-	Short-term investment	-	US\$ 3,705	N/A	US\$ 3,562	
	Lehman Brothers Hldgs Inc.	-	Short-term investment	-	US\$ 2,166	N/A	US\$ 2,167	
	Lilly Eli + Co.	-	Short-term investment	-	US\$ 3,750	N/A	US\$ 3,751	
	Lincoln Natl Corp. In	-	Short-term investment	-	US\$ 519	N/A	US\$ 510	
	Ameritech Capital Funding Co.	-	Short-term investment	-	US\$ 510	N/A	US\$ 505	
	Merita Bk Ltd. Ny Brh	-	Short-term investment	-	US\$ 538	N/A	US\$ 522	
	Merrill Lynch + Co Inc.	-	Short-term investment	-	US\$ 3,486	N/A	US\$ 3,447	
	Metropolitan Life Global Mtn	-	Short-term investment	-	US\$ 1,907	N/A	US\$ 1,904	
	Monumental Global Fdg II	-	Short-term investment	-	US\$ 1,534	N/A	US\$ 1,511	
	Monumental Global Fdg II 2002a	-	Short-term investment	-	US\$ 1,045	N/A	US\$ 1,018	
	Morgan Stanley Group Inc.	-	Short-term investment	-	US\$ 5,557	N/A	US\$ 5,526	
	Morgan Stanley	-	Short-term investment	-	US\$ 2,136	N/A	US\$ 2,113	
	National City Corp.	-	Short-term investment	-	US\$ 3,426	N/A	US\$ 3,415	
	National Westminster Bk Plc	-	Short-term investment	-	US\$ 1,433	N/A	US\$ 1,391	
	Nationwide Bldg Soc	-	Short-term investment	-	US\$ 3,457	N/A	US\$ 3,467	
	Nationwide Bldg Soc Mtn	-	Short-term investment	-	US\$ 3,000	N/A	US\$ 2,995	
	Nationwide Life Global Mtn	-	Short-term investment	-	US\$ 1,463	N/A	US\$ 1,462	
	Northern Rock Plc Medium Term	-	Short-term investment	-	US\$ 2,002	N/A	US\$ 1,991	
	Pnc Fdg Corp.	-	Short-term investment	-	US\$ 1,080	N/A	US\$ 1,052	
	Pepsico Inc. Mtn Book Entry	-	Short-term investment	-	US\$ 3,818	N/A	US\$ 3,752	
	Popular North Amer Inc. Mtn	-	Short-term investment	-	US\$ 3,042	N/A	US\$ 2,984	
	Premark Intl Inc.	-	Short-term investment	-	US\$ 2,954	N/A	US\$ 2,875	
	Pricoa Global Fdg 1 Mtn	-	Short-term investment	-	US\$ 3,500	N/A	US\$ 3,500	
	Protective Life Secd Trs	-	Short-term investment	-	US\$ 2,920	N/A	US\$ 2,950	
	Prudential Ins Co Amer	-	Short-term investment	-	US\$ 2,774	N/A	US\$ 2,768	
	Prudential Ins Co Amer	-	Short-term investment	-	US\$ 2,648	N/A	US\$ 2,562	
	Reinsurance Group Amer Inc.	-	Short-term investment	-	US\$ 2,091	N/A	US\$ 2,046	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2005				Note
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
	Royal Bk Scotland Group Plc	-	Short-term investment	-	US\$ 1,563	N/A	US\$ 1,515	
	Royal Bk Scotland Group Plc	-	Short-term investment	-	US\$ 369	N/A	US\$ 357	
	Sbc Communications Inc.	-	Short-term investment	-	US\$ 3,681	N/A	US\$ 3,559	
	Sbc Communications Inc.	-	Short-term investment	-	US\$ 1,776	N/A	US\$ 1,757	
	Slm Corp. Medium Term Nts	-	Short-term investment	-	US\$ 2,950	N/A	US\$ 2,961	
	Slm Corp.	-	Short-term investment	-	US\$ 500	N/A	US\$ 498	
	Sp Powerassests Ltd. Global	-	Short-term investment	-	US\$ 991	N/A	US\$ 980	
	Safeco Corp.	-	Short-term investment	-	US\$ 765	N/A	US\$ 744	
	St Paul Cos Inc. Mtn Bk Ent	-	Short-term investment	-	US\$ 2,661	N/A	US\$ 2,654	
	Sara Lee Corp.	-	Short-term investment	-	US\$ 1,596	N/A	US\$ 1,565	
	Scotland Intl Fin B V 144a	-	Short-term investment	-	US\$ 1,533	N/A	US\$ 1,488	
	Suntrust Bks Inc.	-	Short-term investment	-	US\$ 1,062	N/A	US\$ 1,035	
	Swedbank Sparbanken Svenge Ab	-	Short-term investment	-	US\$ 1,084	N/A	US\$ 1,043	
	Tiaa Global Mkts Inc.	-	Short-term investment	-	US\$ 519	N/A	US\$ 507	
	Tribune Co Med Trm Nts	-	Short-term investment	-	US\$ 2,943	N/A	US\$ 2,923	
	US Bk Natl Assn Cincinnati Oh	-	Short-term investment	-	US\$ 2,669	N/A	US\$ 2,681	
	Unitedhealth Group Inc.	-	Short-term investment	-	US\$ 3,119	N/A	US\$ 3,057	
	Virginia Elec + Pwr Co	-	Short-term investment	-	US\$ 2,884	N/A	US\$ 2,766	
	Vodafone Group Plc New	-	Short-term investment	-	US\$ 2,559	N/A	US\$ 2,540	
	Wps Resources Corp.	-	Short-term investment	-	US\$ 1,107	N/A	US\$ 1,108	
	Wal Mart Cda Venture Corp.	-	Short-term investment	-	US\$ 3,670	N/A	US\$ 3,549	
	Washington Mut Inc.	-	Short-term investment	-	US\$ 4,735	N/A	US\$ 4,606	
	Washington Mut Fin Corp.	-	Short-term investment	-	US\$ 1,043	N/A	US\$ 1,022	
	Washington Post Co	-	Short-term investment	-	US\$ 3,182	N/A	US\$ 3,130	
	Wells Fargo + Co New	-	Short-term investment	-	US\$ 3,697	N/A	US\$ 3,568	
	Westfield Cap Corp. Ltd.	-	Short-term investment	-	US\$ 1,999	N/A	US\$ 2,003	
	China Steel Corporation	-	Long-term investment	-	2,936,934	N/A	2,936,479	
	Taiwan Power Company	-	Long-term investment	-	908,645	N/A	908,575	
	Nan Ya Plastics Corporation	-	Long-term investment	-	272,612	N/A	273,035	
	Formosa Plastics Corporation	-	Long-term investment	-	271,181	N/A	271,584	
	Formosa Chemicals & Fiber Corporation	-	Long-term investment	-	135,487	N/A	137,529	
	<u>Agency bonds</u>							
	Fed Hm Ln Pc Pool G11295	-	Short-term investment	-	US\$ 1,999	N/A	US\$ 1,983	
	Fed Hm Ln Pc Pool E89857	-	Short-term investment	-	US\$ 2,247	N/A	US\$ 2,228	
	Federal Natl Mtg Assn Gtd	-	Short-term investment	-	US\$ 1,842	N/A	US\$ 1,803	
	Fnma Pool 254507	-	Short-term investment	-	US\$ 2,731	N/A	US\$ 2,725	
	Fnma Pool 254834	-	Short-term investment	-	US\$ 1,967	N/A	US\$ 1,984	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 2,949	N/A	US\$ 2,892	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 1,064	N/A	US\$ 1,051	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 6,096	N/A	US\$ 6,024	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 3,432	N/A	US\$ 3,375	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 4,051	N/A	US\$ 4,056	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 3,993	N/A	US\$ 3,982	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 3,558	N/A	US\$ 3,496	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 2,466	N/A	US\$ 2,443	

(Continued)

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				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 5,335	N/A	US\$ 5,340	
	Fnma Pool 685116	-	Short-term investment	-	US\$ 918	N/A	US\$ 910	
	Fnma Pool 725095	-	Short-term investment	-	US\$ 1,777	N/A	US\$ 1,760	
	Fnma Pool 730033	-	Short-term investment	-	US\$ 1,992	N/A	US\$ 2,010	
	Fnma Pool 740934	-	Short-term investment	-	US\$ 1,997	N/A	US\$ 2,014	
	Fnma Pool 790828	-	Short-term investment	-	US\$ 4,145	N/A	US\$ 4,096	
	Fnma Pool 793025	-	Short-term investment	-	US\$ 3,767	N/A	US\$ 3,759	
	Fnma Pool 793932	-	Short-term investment	-	US\$ 904	N/A	US\$ 897	
	Fnma Pool 794040	-	Short-term investment	-	US\$ 964	N/A	US\$ 956	
	Fnma Pool 795548	-	Short-term investment	-	US\$ 866	N/A	US\$ 859	
	Fnma Pool 806642	-	Short-term investment	-	US\$ 1,856	N/A	US\$ 1,841	
	Gnma II Pool 081150	-	Short-term investment	-	US\$ 941	N/A	US\$ 931	
	Gnma II Pool 081153	-	Short-term investment	-	US\$ 3,525	N/A	US\$ 3,474	
	Government Natl Mtg Assn	-	Short-term investment	-	US\$ 365	N/A	US\$ 355	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 6,978	N/A	US\$ 6,913	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 3,388	N/A	US\$ 3,410	
	Federal Home Ln Mtg Corp. Mtn	-	Short-term investment	-	US\$ 4,930	N/A	US\$ 4,911	
	Federal Home Loan Mtg Assn	-	Short-term investment	-	US\$ 4,847	N/A	US\$ 4,874	
	Federal Home Loan Mtg Corp.	-	Short-term investment	-	US\$ 4,903	N/A	US\$ 4,916	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 9,997	N/A	US\$ 9,917	
	Federal Home Loan Corp.	-	Short-term investment	-	US\$ 7,989	N/A	US\$ 7,985	
	Federal Farm Cr Bks	-	Short-term investment	-	US\$ 3,985	N/A	US\$ 3,988	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 2,532	N/A	US\$ 2,481	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 1,042	N/A	US\$ 1,009	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 7,887	N/A	US\$ 7,822	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 3,379	N/A	US\$ 3,345	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 9,134	N/A	US\$ 9,142	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 4,927	N/A	US\$ 4,918	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 2,990	N/A	US\$ 2,975	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 2,962	N/A	US\$ 2,954	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 2,454	N/A	US\$ 2,471	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 3,932	N/A	US\$ 3,943	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 7,018	N/A	US\$ 6,947	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 4,997	N/A	US\$ 4,954	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 6,098	N/A	US\$ 6,032	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 3,976	N/A	US\$ 3,959	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 13,953	N/A	US\$ 13,868	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 4,939	N/A	US\$ 4,935	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 13,981	N/A	US\$ 13,882	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 4,136	N/A	US\$ 4,117	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 2,233	N/A	US\$ 2,234	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 4,965	N/A	US\$ 4,968	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 7,558	N/A	US\$ 7,576	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 8,594	N/A	US\$ 8,586	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 999	N/A	US\$ 995	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 4,933	N/A	US\$ 4,943	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2005				Note
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 5,270	N/A	US\$ 5,228	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 5,337	N/A	US\$ 5,340	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 4,430	N/A	US\$ 4,421	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 4,921	N/A	US\$ 4,908	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 3,470	N/A	US\$ 3,466	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 6,903	N/A	US\$ 6,913	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 4,981	N/A	US\$ 4,938	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 4,061	N/A	US\$ 4,069	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 7,892	N/A	US\$ 7,905	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 4,943	N/A	US\$ 4,954	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 17,888	N/A	US\$ 17,904	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 14,952	N/A	US\$ 14,913	
	Federal Natl Mtg Assn Mtn	-	Short-term investment	-	US\$ 15,787	N/A	US\$ 15,753	
	Federal Natl Mtg Assn Mtn	-	Short-term investment	-	US\$ 9,758	N/A	US\$ 9,769	
	Fed Hm Ln Pc	-	Short-term investment	-	US\$ 3,466	N/A	US\$ 3,465	
	Federal Natl Mtg Assn Mtn	-	Short-term investment	-	US\$ 7,000	N/A	US\$ 6,932	
	<u>Corporate issued asset-backed securities</u>							
	Aesop Fdg II L L C	-	Short-term investment	-	US\$ 4,955	N/A	US\$ 4,951	
	Aegis Asset Backed Secs Tr	-	Short-term investment	-	US\$ 2,000	N/A	US\$ 2,007	
	American Home Mtg Inv Tr	-	Short-term investment	-	US\$ 690	N/A	US\$ 690	
	Americredit Automobile Rec Tr	-	Short-term investment	-	US\$ 1,055	N/A	US\$ 1,042	
	Americredit Auomobile Receiv	-	Short-term investment	-	US\$ 513	N/A	US\$ 512	
	Americredit Automobile Receivb	-	Short-term investment	-	US\$ 4,949	N/A	US\$ 4,902	
	Americredit Automobile Rec Tr	-	Short-term investment	-	US\$ 2,000	N/A	US\$ 1,989	
	Atlantic City Elc Trns Fdg LLC	-	Short-term investment	-	US\$ 810	N/A	US\$ 802	
	Bmw Veh Owner Tr	-	Short-term investment	-	US\$ 4,978	N/A	US\$ 4,945	
	Banc Amer Coml Mtg Inc.	-	Short-term investment	-	US\$ 4,917	N/A	US\$ 4,862	
	Banc Amer Mtg Secs Inc.	-	Short-term investment	-	US\$ 4,030	N/A	US\$ 3,995	
	Bank Of Amer Lease Equip Tr	-	Short-term investment	-	US\$ 4,023	N/A	US\$ 3,974	
	Bear Stearns Alt A Tr	-	Short-term investment	-	US\$ 1,230	N/A	US\$ 1,232	
	Cit Equip Coll Tr	-	Short-term investment	-	US\$ 4,999	N/A	US\$ 4,957	
	Cnh Equip Tr	-	Short-term investment	-	US\$ 4,999	N/A	US\$ 4,920	
	Cwabs Inc.	-	Short-term investment	-	US\$ 1,030	N/A	US\$ 1,035	
	Cwabs Inc.	-	Short-term investment	-	US\$ 5,000	N/A	US\$ 5,008	
	Cwabs Inc.	-	Short-term investment	-	US\$ 2,895	N/A	US\$ 2,899	
	Cwalt Inc.	-	Short-term investment	-	US\$ 2,963	N/A	US\$ 2,938	
	Cwmb Inc.	-	Short-term investment	-	US\$ 1,686	N/A	US\$ 1,667	
	Cwmb Inc.	-	Short-term investment	-	US\$ 3,711	N/A	US\$ 3,721	
	California Infrastructure Dev	-	Short-term investment	-	US\$ 1,578	N/A	US\$ 1,546	
	Capital Auto Receivables Asset	-	Short-term investment	-	US\$ 2,622	N/A	US\$ 2,598	
	Capital One Auto Fin Tr	-	Short-term investment	-	US\$ 438	N/A	US\$ 436	
	Capital One Auto Fin Tr	-	Short-term investment	-	US\$ 3,000	N/A	US\$ 2,982	
	Capital One Auto Fin Tr	-	Short-term investment	-	US\$ 2,650	N/A	US\$ 2,649	
	Capital One Multi Asset Execut	-	Short-term investment	-	US\$ 4,957	N/A	US\$ 4,940	
	Caterpillar Finl Asset Tr	-	Short-term investment	-	US\$ 10,008	N/A	US\$ 9,880	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2005				Note
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
	Caterpillar Finl Asset Tr	-	Short-term investment	-	US\$ 3,299	N/A	US\$ 3,260	
	Cendant Rent Car Fdg Aesop LLC	-	Short-term investment	-	US\$ 11,626	N/A	US\$ 11,603	
	Centex Home Equity Ln Tr	-	Short-term investment	-	US\$ 3,500	N/A	US\$ 3,468	
	Citicorp Mtg Secs	-	Short-term investment	-	US\$ 1,701	N/A	US\$ 1,693	
	Comm	-	Short-term investment	-	US\$ 4,600	N/A	US\$ 4,604	
	Credit Suisse First Boston Mtg	-	Short-term investment	-	US\$ 1,767	N/A	US\$ 1,752	
	Credit Suisse First Boston Mtg	-	Short-term investment	-	US\$ 2,593	N/A	US\$ 2,591	
	Daimlerchrysler Auto Tr	-	Short-term investment	-	US\$ 4,991	N/A	US\$ 4,958	
	Daimlerchrysler Auto Tr	-	Short-term investment	-	US\$ 2,927	N/A	US\$ 2,924	
	Daimlerchrysler Auto Tr	-	Short-term investment	-	US\$ 4,897	N/A	US\$ 4,886	
	Deere John Owner Tr	-	Short-term investment	-	US\$ 2,501	N/A	US\$ 2,505	
	Fifth Third Auto Tr	-	Short-term investment	-	US\$ 3,000	N/A	US\$ 2,987	
	First Horizon Abs Tr	-	Short-term investment	-	US\$ 1,554	N/A	US\$ 1,557	
	First Union Lehman Bros Mtg Tr	-	Short-term investment	-	US\$ 3,022	N/A	US\$ 2,942	
	Ford Cr Auto Owner Tr	-	Short-term investment	-	US\$ 10,999	N/A	US\$ 10,918	
	Gs Mtg Secs Corp.	-	Short-term investment	-	US\$ 1,347	N/A	US\$ 1,347	
	Gs Auto Ln Tr	-	Short-term investment	-	US\$ 2,948	N/A	US\$ 2,973	
	Granite Mtgs Plc	-	Short-term investment	-	US\$ 5,000	N/A	US\$ 5,000	
	Harley Davidson Motorcycle Tr	-	Short-term investment	-	US\$ 2,434	N/A	US\$ 2,415	
	Harley Davidson Motorcycle Tr	-	Short-term investment	-	US\$ 5,999	N/A	US\$ 5,893	
	Holmes Fing No 8 Plc	-	Short-term investment	-	US\$ 5,001	N/A	US\$ 5,048	
	Hyundai Auto Receivables Tr	-	Short-term investment	-	US\$ 3,500	N/A	US\$ 3,444	
	Hyundai Auto Receivables Tr	-	Short-term investment	-	US\$ 3,250	N/A	US\$ 3,250	
	Hyundai Auto Receivables Tr	-	Short-term investment	-	US\$ 3,999	N/A	US\$ 3,999	
	Impac Cmb Tr	-	Short-term investment	-	US\$ 934	N/A	US\$ 934	
	Impac Cmb Tr	-	Short-term investment	-	US\$ 860	N/A	US\$ 862	
	Impac Secd Assets Corp.	-	Short-term investment	-	US\$ 2,451	N/A	US\$ 2,451	
	Lb Ubs Coml Mtg Tr	-	Short-term investment	-	US\$ 4,184	N/A	US\$ 4,197	
	Long Beach Accep Auto Receivab	-	Short-term investment	-	US\$ 2,526	N/A	US\$ 2,493	
	Mbna Master Cr Card Tr II	-	Short-term investment	-	US\$ 8,108	N/A	US\$ 8,080	
	Massachusetts Rrb Spl Purp Tr	-	Short-term investment	-	US\$ 3,900	N/A	US\$ 3,871	
	Mastr Asset Backed Secs Tr	-	Short-term investment	-	US\$ 2,680	N/A	US\$ 2,680	
	Mastr Asset Backed Secs Tr	-	Short-term investment	-	US\$ 3,499	N/A	US\$ 3,498	
	Merrill Lynch Mtg Invs Inc.	-	Short-term investment	-	US\$ 1,171	N/A	US\$ 1,171	
	Merrill Lynch Mtg Invs Inc.	-	Short-term investment	-	US\$ 1,500	N/A	US\$ 1,504	
	Merrill Lynch Mtg Invs Inc.	-	Short-term investment	-	US\$ 882	N/A	US\$ 882	
	Monumentl Global Fdg II	-	Short-term investment	-	US\$ 1,000	N/A	US\$ 1,000	
	National City Auto Receivables	-	Short-term investment	-	US\$ 1,206	N/A	US\$ 1,211	
	Navistar Finl 2003 A Owner Tr	-	Short-term investment	-	US\$ 4,928	N/A	US\$ 4,878	
	Nissan Auto Receivables	-	Short-term investment	-	US\$ 7,000	N/A	US\$ 6,948	
	Onyx Accep Owner Tr	-	Short-term investment	-	US\$ 4,913	N/A	US\$ 4,927	
	Pg+E Energy Recovery Fdg LLC	-	Short-term investment	-	US\$ 4,749	N/A	US\$ 4,747	
	Prime Cr Card Master Tr	-	Short-term investment	-	US\$ 4,080	N/A	US\$ 4,044	
	Providian Gateway Owner Tr	-	Short-term investment	-	US\$ 4,204	N/A	US\$ 4,205	
	Providian Gateway Owner Tr	-	Short-term investment	-	US\$ 3,992	N/A	US\$ 3,956	
	Reliant Energy Transition Bd	-	Short-term investment	-	US\$ 5,185	N/A	US\$ 5,059	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2005				Note
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
	Residential Asset Mtg Prods	-	Short-term investment	-	US\$ 3,464	N/A	US\$ 3,399	
	Residential Asset Sec Mtg Pass	-	Short-term investment	-	US\$ 3,000	N/A	US\$ 2,962	
	Residential Fdg Mtg Secs I Inc.	-	Short-term investment	-	US\$ 3,112	N/A	US\$ 3,086	
	Residential Fdg Mtg Secs I Inc.	-	Short-term investment	-	US\$ 5,475	N/A	US\$ 5,490	
	Revolving Home Equity Ln Tr	-	Short-term investment	-	US\$ 4,380	N/A	US\$ 4,384	
	Sequoia Mtg Tr	-	Short-term investment	-	US\$ 2,228	N/A	US\$ 2,236	
	Sequoia Mtg Tr	-	Short-term investment	-	US\$ 1,572	N/A	US\$ 1,572	
	Sequoia Mtg Tr	-	Short-term investment	-	US\$ 1,689	N/A	US\$ 1,693	
	Sequoia Mtg Tr	-	Short-term investment	-	US\$ 2,851	N/A	US\$ 2,850	
	Sequoia Mtg Tr	-	Short-term investment	-	US\$ 2,330	N/A	US\$ 2,328	
	Sequoia Mtg Tr	-	Short-term investment	-	US\$ 3,075	N/A	US\$ 3,070	
	Structured Adj Rate Mtg Ln Tr	-	Short-term investment	-	US\$ 2,653	N/A	US\$ 2,625	
	Structured Adj Rate Mtg Ln Tr	-	Short-term investment	-	US\$ 943	N/A	US\$ 939	
	Structured Asset Invt Ln Tr	-	Short-term investment	-	US\$ 1,576	N/A	US\$ 1,576	
	Structured Asset Secs Corp.	-	Short-term investment	-	US\$ 1,041	N/A	US\$ 1,029	
	Txu Elec Delivery Transition	-	Short-term investment	-	US\$ 3,530	N/A	US\$ 3,467	
	Thornburg Mtg Secs Tr	-	Short-term investment	-	US\$ 1,669	N/A	US\$ 1,672	
	Toyota Auto Receivables 2003 B	-	Short-term investment	-	US\$ 4,970	N/A	US\$ 4,920	
	Triad Auto Receivables Tr	-	Short-term investment	-	US\$ 4,899	N/A	US\$ 4,838	
	Usaa Auto Owner Tr	-	Short-term investment	-	US\$ 3,718	N/A	US\$ 3,711	
	Wfs Financial Owner Trust	-	Short-term investment	-	US\$ 5,008	N/A	US\$ 4,970	
	Wfs Finl 2004 2 Owner Tr	-	Short-term investment	-	US\$ 4,994	N/A	US\$ 4,961	
	Wfs Finl 2004 4 Owner Tr	-	Short-term investment	-	US\$ 5,399	N/A	US\$ 5,345	
	Wfs Finl 2005 2 Oner Tr	-	Short-term investment	-	US\$ 2,250	N/A	US\$ 2,277	
	Wachovia Auto Owner Tr	-	Short-term investment	-	US\$ 3,039	N/A	US\$ 3,033	
	Wachovia Auto Owner Tr	-	Short-term investment	-	US\$ 4,999	N/A	US\$ 4,976	
	Wells Fargo Finl Auto Owner Tr	-	Short-term investment	-	US\$ 5,299	N/A	US\$ 5,307	
	Whole Auto Ln Tr	-	Short-term investment	-	US\$ 1,954	N/A	US\$ 1,969	
	Whole Auto Ln Tr	-	Short-term investment	-	US\$ 4,000	N/A	US\$ 3,956	
	Whole Auto Ln Tr	-	Short-term investment	-	US\$ 3,000	N/A	US\$ 2,952	
	World Omni Auto Receivables Tr	-	Short-term investment	-	US\$ 5,963	N/A	US\$ 5,884	
	<u>Commercial papers</u>							
	Canadian Imperial	-	Short-term investment	-	US\$ 2,997	N/A	US\$ 2,997	
	<u>Corporate issued notes</u>							
	Canadian Imperial BK	-	Short-term investment	-	US\$ 1,999	N/A	US\$ 1,999	
	Washington Mutual	-	Short-term investment	-	US\$ 3,000	N/A	US\$ 3,000	
	<u>Money market funds</u>							
	SSGA Cash Mgmt Global Offshore	-	Short-term investment	-	US\$ 15,544	N/A	US\$ 15,544	
	<u>Equity</u>							
	Horizon Venture Fund I, L.P.	-	Long-term investment	-	246,485	N/A	246,485	
	Crimson Asia Capital Ltd., L.P.	-	Long-term investment	-	55,954	N/A	55,954	
TSMC-North America	TSMC stock	Parent company	Short-term investment	13,923	634,498	-	786,960	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2005				Note
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
Chi Cherng	TSMC stock	Parent company	Short-term investment	16,454	458,564	-	929,970	
Hsin Ruey	TSMC stock	Parent company	Short-term investment	16,485	459,511	-	931,713	
TSMC International	<u>Stock</u>							
	TSMC Development	Subsidiary	Long-term investment	1	US\$ 584,414	100	US\$ 584,414	
	TSMC Technology	Subsidiary	Long-term investment	1	US\$ 5,608	100	US\$ 5,608	
	InveStar	Subsidiary	Long-term investment	18,505	US\$ 19,048	97	US\$ 19,048	
	InveStar II	Subsidiary	Long-term investment	51,300	US\$ 33,921	97	US\$ 33,921	
TSMC Development	WaferTech stock	Subsidiary	Long-term investment	-	US\$ 417,535	99	US\$ 417,535	
InveStar	<u>Common stock</u>							
	RichTek Technology Corp.	-	Short-term investment	787	US\$ 77	1	US\$ 2,657	
	Advanced Power Electronics Corp.	-	Short-term investment	633	US\$ 287	1	US\$ 549	
	Broadtek Electronics Corp.	-	Short-term investment	145	US\$ 46	-	US\$ 60	
	Monolithic Power Systems, Inc.	-	Short-term investment	1,975	US\$ 1,567	7	US\$ 17,245	
	SiRF Technology Holdings, Inc.	-	Short-term investment	10	US\$ 44	-	US\$ 163	
	Programmable Microelectronics (Taiwan), Corp.	-	Long-term investment	575	US\$ 218	1	US\$ 218	
	Capella Microsystems (Taiwan), Inc.	-	Long-term investment	530	US\$ 168	3	US\$ 168	
	Global Testing Corp.	-	Long-term investment	66,339	US\$ 5,611	9	US\$ 5,611	
	Signia Technologies, Inc.	-	Long-term investment	701	US\$ 222	3	US\$ 222	
	Advanced Power Electronics Corp.	-	Long-term investment	1,123	US\$ 495	2	US\$ 973	
	Incentia Design Systems, Inc.	-	Long-term investment	365	US\$ 97	1	US\$ 97	
	Broadtek Electronics Corp.	-	Long-term investment	145	US\$ 47	-	US\$ 60	
	RichTek Technology Corp.	-	Long-term investment	632	US\$ 64	1	US\$ 2,133	
	<u>Preferred stock</u>							
	Integrated Memory Logic, Inc.	-	Long-term investment	1,831	US\$ 1,221	9	US\$ 1,221	
	Sensory, Inc.	-	Long-term investment	1,404	US\$ 125	6	US\$ 125	
	IP Unity, Inc.	-	Long-term investment	1,008	US\$ 494	2	US\$ 494	
	Sonics, Inc.	-	Long-term investment	2,686	US\$ 3,530	4	US\$ 3,530	
	NanoAmp Solutions, Inc.	-	Long-term investment	541	US\$ 853	2	US\$ 853	
	Memsic, Inc.	-	Long-term investment	2,727	US\$ 1,500	10	US\$ 1,500	
	Reflectivity, Inc.	-	Long-term investment	1,064	US\$ 741	2	US\$ 741	
InveStar II	<u>Common stock</u>							
	RichTek Technology Corp.	-	Short-term investment	373	US\$ 213	1	US\$ 1,260	
	Monolithic Power Systems, Inc.	-	Short-term investment	864	US\$ 2,081	3	US\$ 7,550	
	GeoVision, Inc.	-	Short-term investment	401	US\$ 108	1	US\$ 1,291	
	Signia Technologies, Inc.	-	Long-term investment	351	US\$ 101	1	US\$ 101	
	Ralink Technology (Taiwan), Inc.	-	Long-term investment	1,833	US\$ 791	3	US\$ 791	
	Silicon Data International Co., Inc.	-	Long-term investment	667	US\$ 204	3	US\$ 204	
	Procoat Technology, Inc.	-	Long-term investment	5,123	US\$ 1,940	10	US\$ 1,940	
	Capella Microsystems (Taiwan), Inc.	-	Long-term investment	419	US\$ 122	2	US\$ 122	
	Programmable Microelectronics (Taiwan), Inc.	-	Long-term investment	177	US\$ 50	-	US\$ 50	

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Emerging Alliance	Auden Technology MFG. Co., Ltd.	-	Long-term investment	953	US\$ 738	4	US\$ 738	
	EoNEX Technologies, Inc.	-	Long-term investment	55	US\$ 3,048	5	US\$ 3,048	
	Conwise Technology Corporation, Ltd.	-	Long-term investment	2,800	US\$ 490	14	US\$ 490	
	Goyatek Technology, Corp.	-	Long-term investment	2,088	US\$ 545	7	US\$ 545	
	Trendchip Technologies Corp.	-	Long-term investment	2,000	US\$ 861	5	US\$ 861	
	EON Technology, Corp.	-	Long-term investment	3,264	US\$ 1,175	8	US\$ 1,175	
	eChannelOpen Holding, Inc.	-	Long-term investment	358	US\$ 251	4	US\$ 251	
	eLCOS Microdisplay Technology, Ltd.	-	Long-term investment	270	US\$ 27	1	US\$ 27	
	GeoVision, Inc.	-	Long-term investment	15	US\$ 4	-	US\$ 47	
	RichTek Technology Corp.	-	Long-term investment	296	US\$ 169	-	US\$ 1,001	
	Epic, Inc.	-	Long-term investment	191	US\$ 37	1	US\$ 37	
	<u>Preferred stock</u>							
	Memsic, Inc.	-	Long-term investment	2,289	US\$ 1,560	8	US\$ 1,560	
	NanoAmp Solutions, Inc.	-	Long-term investment	375	US\$ 1,500	1	US\$ 1,500	
	Advanced Analogic Technology, Inc.	-	Long-term investment	948	US\$ 1,261	2	US\$ 1,261	
	Sonics, Inc.	-	Long-term investment	3,082	US\$ 3,082	5	US\$ 3,082	
	eLCOS Microdisplay Technology, Ltd.	-	Long-term investment	2,667	US\$ 3,500	15	US\$ 3,500	
	Reflectivity, Inc.	-	Long-term investment	4,255	US\$ 2,205	5	US\$ 2,205	
	Kilopass Technologies, Inc.	-	Long-term investment	3,887	US\$ 2,000	18	US\$ 2,000	
	FangTek, Inc.	-	Long-term investment	6,806	US\$ 3,250	34	US\$ 3,250	
	Alchip Technologies Limited	-	Long-term investment	2,597	US\$ 2,950	18	US\$ 2,950	
	<u>Common stock</u>							
	Global Investment Holding, Inc.	-	Long-term investment	10,000	\$ 100,000	6	\$ 100,000	
	RichWave Technology Corp.	-	Long-term investment	3,380	US\$ 1,247	13	US\$ 1,247	
	NetLogic Microsystems, Inc.	-	Long-term investment	113	US\$ 1,388	1	US\$ 1,867	
	Quake Technologies, Inc.	-	Long-term investment	46	US\$ 35	-	US\$ 35	
	Pixim, Inc.	-	Long-term investment	1,924	US\$ 512	4	US\$ 512	
	<u>Preferred stock</u>							
	Quake Technologies, Inc.	-	Long-term investment	555	US\$ 415	1	US\$ 415	
	Pixim, Inc.	-	Long-term investment	2,193	US\$ 583	-	US\$ 583	
	Ikanos Communication, Inc.	-	Long-term investment	7,446	US\$ 3,125	3	US\$ 3,125	
	Quicksilver Technology, Inc.	-	Long-term investment	1,049	US\$ -	4	US\$ -	
	Mosaic Systems, Inc.	-	Long-term investment	2,481	US\$ 12	6	US\$ 12	
	Zenesis Technologies, Inc.	-	Long-term investment	1,204	US\$ 699	4	US\$ 699	
	Reflectivity, Inc.	-	Long-term investment	4,848	US\$ 2,479	4	US\$ 2,479	
	Miradia, Inc.	-	Long-term investment	3,040	US\$ 1,000	4	US\$ 1,000	
	Axiom Microdevices, Inc.	-	Long-term investment	1,000	US\$ 1,000	3	US\$ 1,000	
	Optichron, Inc.	-	Long-term investment	714	US\$ 1,000	4	US\$ 1,000	
	NuCORE Technology Inc.	-	Long-term investment	2,254	US\$ 1,455	2	US\$ 1,455	
	Next IO, Inc.	-	Long-term investment	800	US\$ 500	2	US\$ 500	
Audience, Inc.	-	Long-term investment	1,654	US\$ 250	2	US\$ 250		
Centrality Communications, Inc.	-	Long-term investment	809	US\$ 1,000	2	US\$ 1,000		

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2005				Note
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
VTAF II	Layer N Networks, Inc.	-	Long-term investment	1,905	US\$ 1,000	2	US\$ 1,000	
	Teknovus, Inc.	-	Long-term investment	6,977	US\$ 1,327	3	US\$ 1,327	
	Optimal Corporation	-	Long-term investment	485	US\$ 500	6	US\$ 500	
	Mobilygen Corporation	-	Long-term investment	1,415	US\$ 750	1	US\$ 750	
	<u>Warrants</u>							
	Pixim, Inc.	-	Long-term investment	242	-	-	-	
	<u>Common stock</u>							
	Yobon Technologies, Inc.	-	Long-term investment	1,675	US\$ 787	17	US\$ 787	
	Sentelic, Corp.	-	Long-term investment	600	US\$ 1,022	15	US\$ 1,022	
	Ultramedia Inc. (formerly Ivyon Technology, Inc.)	-	Long-term investment	200	US\$ 697	10	US\$ 697	
	<u>Preferred stock</u>							
	Powerprecise Solutions, Inc.	-	Long-term investment	1,032	US\$ 1,000	8	US\$ 1,000	
	Tzero Technologies, Inc.	-	Long-term investment	244	US\$ 500	2	US\$ 500	
	Miradia, Inc.	-	Long-term investment	1,809	US\$ 1,600	2	US\$ 1,600	
	Axiom Microdevices, Inc.	-	Long-term investment	761	US\$ 776	2	US\$ 776	
	Next IO, Inc.	-	Long-term investment	216	US\$ 182	-	US\$ 182	
	Ageia Technologies, Inc.	-	Long-term investment	1,149	US\$ 1,000	2	US\$ 1,000	
Audience, Inc.	-	Long-term investment	531	US\$ 102	1	US\$ 102		
GemFire Corporation	-	Long-term investment	600	US\$ 600	1	US\$ 600		
Optichron, Inc.	-	Long-term investment	353	US\$ 869	2	US\$ 869		
Aquantia Corporation.	-	Long-term investment	-	US\$ 150	-	US\$ 150		
Leadtrend Technology, Inc.	-	Long-term investment	900	US\$ 431	5	US\$ 431		
GUC	<u>Open-ended funds</u>							
	Fubon Ju-I Fund	-	Short-term investment	643	10,000	N/A	10,008	
	<u>Stock</u>							
	Global Unichip Corporation - NA	Subsidiary	Long-term investment	100	3,884	100	3,884	

TABLE 4

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2005
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance			
					Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Carrying Value (US\$ in Thousand)	Gain (Loss) on Disposal (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand) (Note 1)		
The Company	<u>Bond funds</u>															
	Dresdner Bond DAM Fund	Short-term investment	Allianz Dresdner Securities Investment Consulting Co., Ltd.	-	80,833	\$ 900,000	-	\$ -	11,530	\$ 130,000	\$ 128,383	\$ 1,617	69,303	\$ 771,617		
	JF Taiwan First Bond Fund	Short-term investment	JF Asset Management (Taiwan)Ltd.	-	84,886	1,151,463	-	-	10,893	150,000	147,762	2,238	73,993	1,003,701		
	Barits Bond Fund	Short-term investment	Barits Securities Investment Trust Co., Ltd.	-	76,640	900,000	-	-	12,591	150,000	147,851	2,149	64,049	752,149		
	<u>Bonds under repurchase agreement</u>	Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	-	-	249,449	-	-	-	251,784	249,449	2,335	-	-		
	<u>Government bonds</u>															
	2003 Government Bond Series A	Short-term investment	BNP and several financial institutions	-	-	1,207,409	-	-	-	1,216,500	1,207,409	9,091	-	-		
	Kreditanstalt Fur Wiederaufbau	Short-term investment	-	-	-	-	-	US\$ 6,881	-	-	-	-	-	US\$ 6,881		
	United States Treas NTS	Short-term investment	-	-	-	US\$ 182,018	-	US\$ 256,453	-	US\$ 366,461	US\$ 367,586	US\$ (1,125)	-	US\$ 70,885		
	2002 Government Bond Series B	Long-term investment	China Bills Finance Corp. and several financial institutions	-	-	-	-	360,050	-	-	-	-	-	358,683		
	2005 Government Bond Series A	Long-term investment	China Bills Finance Corp. and several financial institutions	-	-	-	-	1,200,000	-	-	-	-	-	1,200,000		
	<u>Corporate bonds</u>															
	Formosa Petrochemical Corporation	Short-term investment	China Bills Finance Corp.	-	-	-	-	311,568	-	-	-	-	-	-	311,568	
	Taiwan Power Company	Short-term investment	China Bills Finance Corp.	-	-	2,777,798	-	-	-	2,002,676	1,961,516	41,160	-	816,282		
	Allstate Finl Global Fdg LLC	Short-term investment	-	-	-	US\$ 3,171	-	-	-	US\$ 3,086	US\$ 3,171	US\$ (85)	-	-		
	Bear Stearns Cos Inc.	Short-term investment	-	-	-	-	-	US\$ 3,757	-	-	-	-	-	US\$ 3,757		
	Citigroup Inc.	Short-term investment	-	-	-	US\$ 3,583	-	-	-	US\$ 3,512	US\$ 3,583	US\$ (71)	-	-		
	Countrywide Fdg Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500		
	Countrywide Finl Corp.	Short-term investment	-	-	-	-	-	US\$ 3,000	-	-	-	-	-	US\$ 3,000		
	Credit Suisse Fb USA Inc.	Short-term investment	-	-	-	US\$ 2,645	-	US\$ 4,141	-	US\$ 2,593	US\$ 2,645	US\$ (52)	-	US\$ 4,141		
	Credit Suisse First Boston USA	Short-term investment	-	-	-	-	-	US\$ 3,832	-	US\$ 3,780	US\$ 3,832	US\$ (52)	-	-		
	Deere John Cap Corp.	Short-term investment	-	-	-	-	-	US\$ 5,079	-	US\$ 4,994	US\$ 5,079	-	-	US\$ 5,079		
	European Invt Bk.	Short-term investment	-	-	-	-	-	US\$ 3,918	-	-	-	-	-	US\$ 3,918		
	General Elec Cap Corp. Mtn	Short-term investment	-	-	-	US\$ 3,467	-	-	-	US\$ 3,432	US\$ 3,467	US\$ (35)	-	-		
	General Elec Cap Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 8,862	-	-	-	-	-	US\$ 8,862		
	General Elec Cap Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,989	-	-	-	-	-	US\$ 3,989		
	General Elec Cap Corp. Mtn	Short-term investment	-	-	-	US\$ 3,886	-	-	-	US\$ 3,822	US\$ 3,886	US\$ (64)	-	-		
	General Re Corp.	Short-term investment	-	-	-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500		
	Goldman Sachs Group Inc Mtn	Short-term investment	-	-	-	US\$ 3,505	-	-	-	US\$ 3,506	US\$ 3,505	US\$ 1	-	-		
	Hancock John Global Fdg II Mtn	Short-term investment	-	-	-	-	-	US\$ 3,566	-	-	-	-	-	US\$ 3,566		
	ING Sec Life Ins IngsIf	Short-term investment	-	-	-	US\$ 3,012	-	-	-	US\$ 3,008	US\$ 3,012	US\$ (4)	-	-		
	International Business Machs	Short-term investment	-	-	-	-	-	US\$ 7,247	-	US\$ 4,994	US\$ 4,998	US\$ (4)	-	US\$ 2,249		
	Intl Lease Fin Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,028	-	-	-	-	-	US\$ 3,028		
	Key Bk Na Med Term Nts Bk Entr	Short-term investment	-	-	-	-	-	US\$ 4,450	-	-	-	-	-	US\$ 4,450		
	Morgan Stanley Group Inc.	Short-term investment	-	-	-	US\$ 3,638	-	-	-	US\$ 3,571	US\$ 3,638	US\$ (67)	-	-		
	Morgan Stanley Group Inc.	Short-term investment	-	-	-	US\$ 1,050	-	US\$ 4,507	-	-	-	-	-	US\$ 5,557		
	National City Corp.	Short-term investment	-	-	-	-	-	US\$ 3,426	-	-	-	-	-	US\$ 3,426		
Nationsbank Corp.	Short-term investment	-	-	-	US\$ 3,644	-	-	-	US\$ 3,522	US\$ 3,644	US\$ (122)	-	-			
Nationwide Bldg Soc Mtn	Short-term investment	-	-	-	-	-	US\$ 3,000	-	-	-	-	-	US\$ 3,000			
Ppg Inds Inc.	Short-term investment	-	-	-	-	-	US\$ 3,571	-	US\$ 3,674	US\$ 3,571	US\$ 103	-	-			
Pricoa Global Fdg 1 Mtn	Short-term investment	-	-	-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500			

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Carrying Value (US\$ in Thousand)	Gain (Loss) on Disposal (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand) (Note 1)
	Pricoa Global Fdg 1 Mtn	Short-term investment	-	-	-	US\$ 3,507	-	-	-	US\$ 3,510	US\$ 3,507	US\$ 3	-	US\$ -
	Pricoa Global Fdg 1 Mtn	Short-term investment	-	-	-	US\$ 3,050	-	-	-	US\$ 3,052	US\$ 3,050	US\$ 2	-	US\$ -
	Principal Life Global Fdg 1 Gl.	Short-term investment	-	-	-	US\$ 3,168	-	-	-	US\$ 3,049	US\$ 3,168	US\$ (119)	-	US\$ -
	Salomon Smith Barney Hldgs Inc.	Short-term investment	-	-	-	US\$ 3,160	-	-	-	US\$ 3,046	US\$ 3,160	US\$ (114)	-	US\$ -
	Wachovia Corp.	Short-term investment	-	-	-	US\$ 3,720	-	-	-	US\$ 3,568	US\$ 3,720	US\$ (152)	-	US\$ -
	Washington Mut Fin Corp	Short-term investment	-	-	-	US\$ 4,768	-	-	-	US\$ 3,590	US\$ 3,725	US\$ (135)	-	US\$ 1,043
	<u>Agency bonds</u>													
	Federal Farm Cr Bks	Short-term investment	-	-	-	-	-	US\$ 3,985	-	-	-	-	-	US\$ 3,985
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 7,887	-	-	-	-	-	US\$ 7,887
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 3,379	-	-	-	-	-	US\$ 3,379
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 9,134	-	-	-	-	-	US\$ 9,134
	Federal Home Ln Bks	Short-term investment	-	-	-	US\$ 7,962	-	-	US\$ 4,954	US\$ 4,972	US\$ (18)	-	US\$ 2,990	
	Federal Home Ln Bks	Short-term investment	-	-	-	US\$ 7,014	-	-	US\$ 6,884	US\$ 7,014	US\$ (130)	-	US\$ -	
	Federal Home Ln Bks	Short-term investment	-	-	-	US\$ 4,948	-	-	US\$ 4,947	US\$ 4,948	US\$ (1)	-	US\$ -	
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 3,932	-	-	-	-	US\$ 3,932	
	Federal Home Ln Bks	Short-term investment	-	-	-	US\$ 7,042	-	-	US\$ 6,946	US\$ 7,042	US\$ (96)	-	US\$ -	
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 4,939	-	-	-	-	US\$ 4,939	
	Federal Home Ln Bks	Short-term investment	-	-	-	US\$ 13,983	-	-	US\$ 13,865	US\$ 13,983	US\$ (118)	-	US\$ -	
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 4,136	-	-	-	-	US\$ 4,136	
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 4,965	-	-	-	-	US\$ 4,965	
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 7,558	-	-	-	-	US\$ 7,558	
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 8,594	-	-	-	-	US\$ 8,594	
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 5,389	-	-	-	-	US\$ 5,389	
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 6,925	US\$ 6,931	US\$ 6,925	US\$ 6	-	US\$ -	
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	US\$ 4,953	-	-	US\$ 4,938	US\$ 4,953	US\$ (15)	-	US\$ -	
	Federal Home Loan Corp.	Short-term investment	-	-	-	-	-	US\$ 7,989	-	-	-	-	US\$ 7,989	
	Federal Home Loan Mtg Corp.	Short-term investment	-	-	-	US\$ 4,903	-	US\$ 9,819	US\$ 9,798	US\$ 9,819	US\$ (21)	-	US\$ 4,903	
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 4,051	-	-	-	-	US\$ 4,051	
	Fnma Pool 793025	Short-term investment	-	-	-	-	-	US\$ 3,915	US\$ 146	US\$ 148	US\$ (2)	-	US\$ 3,767	
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 5,337	-	-	-	-	US\$ 5,337	
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 4,430	-	-	-	-	US\$ 4,430	
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 4,921	-	-	-	-	US\$ 4,921	
	Federal Natl Mtg Assn	Short-term investment	-	-	-	US\$ 6,940	-	-	US\$ 3,462	US\$ 3,470	US\$ (8)	-	US\$ 3,470	
	Federal Natl Mtg Assn	Short-term investment	-	-	-	US\$ 6,997	-	-	US\$ 6,956	US\$ 6,997	US\$ (41)	-	US\$ -	
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 4,061	-	-	-	-	US\$ 4,061	
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 7,892	-	-	-	-	US\$ 7,892	
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 4,943	-	-	-	-	US\$ 4,943	
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 17,888	-	-	-	-	US\$ 17,888	
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 14,952	-	-	-	-	US\$ 14,952	
	Federal Natl Mtg Assn Mtn	Short-term investment	-	-	-	-	-	US\$ 9,758	-	-	-	-	US\$ 9,758	
	Freddie Mac	Short-term investment	-	-	-	US\$ 4,929	-	-	US\$ 4,931	US\$ 4,929	US\$ 2	-	US\$ -	
	<u>Corporate issued asset-backed securities</u>													
	American Express Cr Account Ma	Short-term investment	-	-	-	US\$ 3,445	-	-	US\$ 3,428	US\$ 3,445	US\$ (17)	-	US\$ -	
	California Infr + Economic Dev	Short-term investment	-	-	-	US\$ 4,298	-	-	US\$ 4,153	US\$ 4,298	US\$ (145)	-	US\$ -	
	California Infrs + Economic	Short-term investment	-	-	-	US\$ 6,126	-	-	US\$ 5,964	US\$ 6,126	US\$ (162)	-	US\$ -	
	Caterpillar Finl Asset Tr	Short-term investment	-	-	-	-	-	US\$ 3,299	-	-	-	-	US\$ 3,299	
	Cendant Rent Car Fdg Aesop LLC	Short-term investment	-	-	-	-	-	US\$ 11,626	-	-	-	-	US\$ 11,626	
	Citibank Cr Card Issuance Tr	Short-term investment	-	-	-	US\$ 4,959	-	-	US\$ 4,948	US\$ 4,959	US\$ (11)	-	US\$ -	
	CWABS Inc.	Short-term investment	-	-	-	US\$ 1,903	-	US\$ 1,865	US\$ 3,773	US\$ 3,768	US\$ 5	-	US\$ -	
	CWABS Inc.	Short-term investment	-	-	-	-	-	US\$ 4,040	US\$ 4,059	US\$ 4,040	US\$ 19	-	US\$ -	
	First USA Credit Cr Master Tr	Short-term investment	-	-	-	US\$ 5,011	-	-	US\$ 5,007	US\$ 5,011	US\$ (4)	-	US\$ -	
	Honda Auto Receivables	Short-term investment	-	-	-	US\$ 5,000	-	-	US\$ 4,984	US\$ 5,000	US\$ (16)	-	US\$ -	
	Hyundai Auto Receivables Tr	Short-term investment	-	-	-	-	-	US\$ 3,250	-	-	-	-	US\$ 3,250	
	Hyundai Auto Receivables Tr	Short-term investment	-	-	-	-	-	US\$ 3,999	-	-	-	-	US\$ 3,999	
	LB UBS Coml Mtg Tr	Short-term investment	-	-	-	-	-	US\$ 4,243	US\$ 60	US\$ 59	US\$ 1	-	US\$ 4,184	

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Carrying Value (US\$ in Thousand)	Gain (Loss) on Disposal (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand) (Note 1)
	Massachusetts Rrb Spl Purp Tr	Short-term investment	-	-	-	US\$ -	-	US\$ 3,900	-	-	-	-	US\$ -	US\$ 3,900
	Mastr Asset Backed Secs Tr	Short-term investment	-	-	-	-	-	US\$ 3,825	-	US\$ 1,145	US\$ 1,145	-	-	US\$ 2,680
	Mastr Asset Backed Secs Tr	Short-term investment	-	-	-	-	-	US\$ 3,499	-	-	-	-	-	US\$ 3,499
	Mbna Cr Card Master Nt Tr	Short-term investment	-	-	-	-	-	US\$ 5,018	-	US\$ 5,015	US\$ 5,018	US\$ (3)	-	-
	Mbna Master Cr Card Tr II	Short-term investment	-	-	-	-	-	US\$ 8,108	-	-	-	-	-	US\$ 8,108
	Nissan Auto Receivables Own Tr	Short-term investment	-	-	-	US\$ 4,999	-	-	-	US\$ 4,989	US\$ 4,999	US\$ (10)	-	-
	Nissan Auto Receivables Owner	Short-term investment	-	-	-	US\$ 4,853	-	-	-	US\$ 4,879	US\$ 4,853	US\$ 26	-	-
	Pg+E Energy Recovery Fdg LLC	Short-term investment	-	-	-	-	-	US\$ 4,749	-	-	-	-	-	US\$ 4,749
	Prime Cr Card Master Tr	Short-term investment	-	-	-	-	-	US\$ 4,080	-	-	-	-	-	US\$ 4,080
	Residential Fdg Mtg Secs I Inc	Short-term investment	-	-	-	-	-	US\$ 5,589	-	US\$ 113	US\$ 114	US\$ (1)	-	US\$ 5,475
	Revolving Home Equity Ln Tr	Short-term investment	-	-	-	-	-	US\$ 5,000	-	US\$ 620	US\$ 620	-	-	US\$ 4,380
	Sequoia Mtg Tr	Short-term investment	-	-	-	-	-	US\$ 4,560	-	US\$ 4,560	US\$ 4,560	-	-	-
	Sequoia Mtg Tr	Short-term investment	-	-	-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
	TXU Elec Delivery Transition	Short-term investment	-	-	-	US\$ 7,736	-	-	-	US\$ 4,185	US\$ 4,206	US\$ (21)	-	US\$ 3,530
	USAA Auto Owner Tr	Short-term investment	-	-	-	-	-	US\$ 3,718	-	-	-	-	-	3,718
	USAA Auto Owner Tr	Short-term investment	-	-	-	US\$ 4,000	-	-	-	US\$ 3,995	US\$ 4,000	US\$ (5)	-	-
	Wells Fargo Finl Auto Owner Tr	Short-term investment	-	-	-	-	-	US\$ 5,299	-	-	-	-	-	US\$ 5,299
	Whole Auto Ln Tr	Short-term investment	-	-	-	US\$ 5,967	-	-	-	US\$ 5,973	US\$ 5,967	US\$ 6	-	-

Note: The ending balance included the bond premium or discount amortization amount.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2005

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	TSMC-North America	Subsidiary	Sales	\$ 64,760,945	56	Net 30 days after invoice date	None	None	\$ 14,513,699	41	
	Philips and its affiliates	Major shareholder	Sales	1,147,115	1	Net 30 days after monthly closing	None	None	467,843	1	
	GUC	Subsidiary	Sales	135,805	-	Net 30 days after monthly closing	None	None	11,917	-	
	WaferTech	Subsidiary	Purchases	5,117,622	31	Net 30 days after monthly closing	None	None	(793,200)	10	
	VIS	Investee accounted for using equity method	Purchases	2,168,998	13	Net 30 days after monthly closing	None	None	(883,144)	11	
	SSMC	Investee accounted for using equity method	Purchases	2,094,617	13	Net 30 days after monthly closing	None	None	(284,080)	4	
	TSMC-Shanghai	Subsidiary	Purchases	234,333	1	Net 30 days after monthly closing	None	None	(70,080)	1	

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2005**

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	TSMC-North America	Subsidiary	\$ 14,929,349	43 days	\$ 3,909,354	Accelerate demand on account receivables	\$ 5,259,367	\$ -
	TSMC Technology	Indirect subsidiaries	715,306	Note	-	-	-	-
	Philips and its affiliates	Major shareholder	467,843	83 days	-	-	227,462	-
	TSMC-Shanghai	Subsidiary	271,905	Note	268,998	Accelerate demand on account receivables	-	-
	SSMC	Investee accounted for using equity method	115,460	Note	5,092	Accelerate demand on account receivables	-	-

Note: The ending balance included other receivables; therefore, it is not applicable for the calculation of the turnover rate.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
JUNE 30, 2005

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Note
				June 30, 2005	December 31, 2004	Shares (Thousand)	Percentage of Ownership	Carrying Value (Note 1)			
The Company	TSMC-North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	\$ 333,718	\$ 333,718	11,000	100	\$ 794,692	\$ 259,665	\$ 231,366	Subsidiary
	TSMC-Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749	-	100	22,491	143	143	Subsidiary
	TSMC-Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	95,013	327	327	Subsidiary
	TSMC-Shanghai	Shanghai, China	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	9,187,962	-	100	9,967,851	(1,068,676)	(1,068,676)	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	8,119,816	8,119,816	437,891	27	5,115,164	1,685,395	379,350	Investee
	TSMC International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,445,780	31,445,780	987,968	100	23,057,382	(495,885)	(495,885)	Subsidiary
	Chi Cherng	Taipei, Taiwan	Investment activities	300,000	300,000	-	36	77,971	76,725	(3,937)	Investee
	Hsin Ruey	Taipei, Taiwan	Investment activities	300,000	300,000	-	36	77,256	76,812	(3,965)	Investee
	TSMC Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,873,176	1,427	1,427	Subsidiary
	SSMC	Singapore	Fabrication and supply of integrated circuits	6,408,190	6,408,190	382	32	3,514,280	761,550	243,696	Investee
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	1,526,074	1,447,957	-	99	820,765	(73,428)	(73,061)	Subsidiary
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	409,920	409,920	40,149	46	403,208	21,350	13,215	Investee
	VisEra	Hsin-Chu, Taiwan	Manufacturing, material wholesaling and retailing of electronic spare parts	51,000	51,000	5,100	25	62,668	17,915	3,552	Investee
	VTAF II	Cayman Islands	Investing in new start-up technology companies	487,862	332,412	-	98	469,749	(12,245)	(13,570)	Subsidiary

Note 1: The treasury stock is deducted from the carrying value.

Note 2: The gains on disposal of the stocks held by subsidiaries (treated as treasury stocks) and cash dividends received by subsidiaries from TSMC are excluded.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES
INFORMATION OF INVESTMENT IN MAINLAND CHINA
JUNE 30, 2005

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2005 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2005 (US\$ in Thousand)	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of June 30, 2005	Accumulated Inward Remittance of Earnings as of June 30, 2005
					Outflow (US\$ in Thousand)	Inflow					
TSMC (Shanghai) Company Limited	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$9,187,962 (US\$276,000)	\$2,992,405 (US\$95,000)	\$ -	\$12,180,367 (US\$371,000)	100%	\$(1,068,676)	\$9,967,851	\$ -

Accumulated Investment in Mainland China as of June 30, 2005 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)

Note 1: Direct investment in TSMC-Shanghai US\$371,000 thousand.

Note 2: Amount was recognized based on the audited financial statements.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2005

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC-NA	1	Sales	\$ 64,760,945	-	55%
				Receivables from related parties	14,513,699	-	3%
				Other receivables from related parties	415,650	-	-
				Payables to related parties	51,082	-	-
		TSMC Shanghai	1	Sales	5,251	-	-
				Purchases	234,333	-	-
				Non-operating income and gains	75,743	-	-
				Proceeds from disposal of property, plant and equipment	106,412	-	-
				Other receivables from related parties	271,905	-	-
				Payables to related parties	70,080	-	-
		TSMC-Japan	1	Marketing expenses - commission	133,765	-	-
				Payables to related parties	43,693	-	-
		TSMC-Europe	1	Marketing expenses - commission	116,034	-	-
				Payables to related parties	9,722	-	-
		GUC	1	Sales	135,805	-	-
				General and administrative expenses - rental expense	8,162	-	-
Receivables from related parties	11,917			-	-		
VisEra	1	Non-operating income and gains	10,752	-	-		
		Other receivables from related parties	1,064	-	-		
TSMC Technology	1	Other receivables from related parties	715,306	-	-		
WaferTech	1	Purchases	5,117,622	-	4%		
		Payables to related parties	793,200	-	-		
1	TSMC International	TSMC Development	3	Interest income	14,264	-	-
		TSMC Technology	3	Other receivables	1,942,052	-	-
2	TSMC - NA	VisEra	3	Deferred technical service income	624,367	-	-
				Sales	319,742	-	-
3	TSMC Partners	TSMC International	3	Receivables from related parties	42,714	-	-
				Other receivables	9,703,506	-	2%
		TSMC Development	3	Deferred revenue	8,550,352	-	2%
				Interest income	18,822	-	-
4	GUC	TSMC - NA	3	Other receivables	948,540	-	-
				Purchases	79,117	-	-
		GUC - NA	3	Manufacturing overhead	144,428	-	-
				Operating expenses	11,779	-	-

Note 1: No. 1 represents the transactions from parent company to subsidiaries.
No. 3 represents the transactions between subsidiaries.

Note 2: The terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices are determined in accordance with the related contractual agreements.

