

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

April 29, 2005

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of April 2005

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant's Name Into English)

**No. 8, Li-Hsin Rd. 6,
Hsinchu Science Park,
Taiwan**

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If "Yes" is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82: ____.)

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**Taiwan Semiconductor Manufacturing
Company Ltd.**

**Financial Statements for the
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Ltd. as of December 31, 2004 and 2003, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Ltd. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years 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.

We have also audited the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Ltd. as of and for the years ended December 31, 2004 and 2003, and have expressed an unqualified opinion on such financial statements.

(January 13, 2005 (January 30, 2005 as to Note 20m))

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying 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 financial statements shall prevail.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.**BALANCE SHEETS****DECEMBER 31, 2004 AND 2003****(In Thousands of New Taiwan Dollars, Except Par Value)**

	2004		2003	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 65,531,818	14	\$ 98,288,002	25
Short-term investments, net (Notes 2 and 4)	52,979,095	11	12,559,019	3
Receivables from related parties (Note 18)	16,186,083	4	14,867,662	4
Notes receivable	2,942		9,893	
Accounts receivable	15,323,939	3	13,907,914	4
Allowance for doubtful receivables (Note 2)	(980,461)		(1,016,022)	
Allowance for sales returns and others (Note 2)	(3,327,914)	(1)	(2,126,025)	(1)
Other receivables from related parties (Note 18)	1,617,339		132,963	
Other financial assets (Notes 2 and 21)	2,406,736		689,440	
Inventories, net (Notes 2 and 5)	14,171,945	3	10,907,158	3
Deferred income tax assets (Notes 2 and 12)	8,849,000	2	8,322,000	2
Prepaid expenses and other current assets	906,789		1,984,268	
Total current assets	173,667,311	36	158,526,272	40
LONG-TERM INVESTMENTS (Notes 2, 6, 16 and 21)				
Equity method	46,828,322	10	37,262,237	10
Cost method	772,634		703,116	
Long-term bonds	15,170,167	3		
Other investments	10,521,740	2		
Total long-term investments	73,292,863	15	37,965,353	10
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7 and 18)				
Cost				
Buildings	84,299,167	17	71,277,031	18
Machinery and equipment	390,719,215	80	332,252,225	84
Office equipment	7,041,132	1	6,180,495	1
	482,059,514	98	409,709,751	103
Accumulated depreciation	(300,006,201)	(61)	(247,514,312)	(62)
Advance payments and construction in progress	45,923,087	10	26,091,313	6
Net property, plant and equipment	227,976,400	47	188,286,752	47
GOODWILL (Note 2)	1,916,146		2,264,536	1

OTHER ASSETS

Deferred charges, net (Notes 2, 8 and 20)	8,845,144	2	7,947,331	2
Deferred income tax assets (Notes 2 and 12)	1,645,003		1,070,596	
Refundable deposits (Note 18)	85,413		177,379	
Assets leased to others, net (Note 2)	78,613		84,347	
Idle assets (Note 2)	46,317		94,296	
Total other assets	10,700,490	2	9,373,949	2
TOTAL	\$ 487,553,210	100	\$ 396,416,862	100

LIABILITIES AND SHAREHOLDERS EQUITY**CURRENT LIABILITIES**

Accounts payable	\$ 6,488,617	1	\$ 6,083,876	2
Payables to related parties (Note 18)	3,198,490	1	4,500,140	1
Payables to contractors and equipment suppliers	31,154,309	6	7,117,884	2
Accrued expenses and other current liabilities (Notes 2, 10 and 20)	9,297,436	2	7,836,084	2
Current portion of long-term bonds payable (Note 9)	10,500,000	2	5,000,000	1
Total current liabilities	60,638,852	12	30,537,984	8

LONG-TERM LIABILITIES

Bonds payable (Note 9)	19,500,000	4	30,000,000	7
Other long-term payables (Notes 10 and 20)	1,934,968		3,300,829	1
Other payables to related parties (Notes 18 and 20)	2,317,972	1		
Total long-term liabilities	23,752,940	5	33,300,829	8

OTHER LIABILITIES

Accrued pension cost (Notes 2 and 11)	3,101,196	1	2,600,251	1
Guarantee deposits (Note 20)	412,393		763,489	
Deferred credits gain on intercompany (Notes 2 and 18)	682,530			
Total other liabilities	4,196,119	1	3,363,740	1
Total liabilities	88,587,911	18	67,202,553	17

SHAREHOLDERS EQUITY (Notes 2 and 14)

Capital stock \$10 par value				
Authorized: 24,600,000 thousand shares				
Issued: 23,251,964 thousand shares in 2004 and 20,266,619 thousand shares in 2003	232,519,637	48	202,666,189	51
Capital surplus	56,537,259	11	56,855,885	14
Retained earnings				
Appropriated as legal reserve	25,528,007	5	20,802,137	5
Appropriated as special reserve			68,945	
Unappropriated earnings	88,202,009	18	50,229,008	13
Others				
Unrealized loss on long-term investments			(35)	

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Cumulative translation adjustments	(2,226,427)		225,408	
Treasury stock (at cost) 45,521 thousand shares in 2004 and 40,597 thousand shares in 2003 (Notes 2 and 16)	(1,595,186)		(1,633,228)	
Total shareholders' equity	398,965,299	82	329,214,309	83
TOTAL	\$ 487,553,210	100	\$ 396,416,862	100

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.**STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2004		2003	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 18)	\$ 260,726,896		\$ 206,157,918	
SALES RETURNS AND ALLOWANCES (Note 2)	(4,734,469)		(4,253,577)	
NET SALES	255,992,427	100	201,904,341	100
COST OF SALES (Notes 13 and 18)	145,831,843	57	129,012,704	64
GROSS PROFIT	110,160,584	43	72,891,637	36
OPERATING EXPENSES (Notes 13 and 18)				
Research and development	12,516,434	5	12,712,695	6
General and administrative	9,367,010	3	6,337,845	3
Marketing	1,454,362	1	1,193,520	1
Total operating expenses	23,337,806	9	20,244,060	10
INCOME FROM OPERATIONS	86,822,778	34	52,647,577	26
NON-OPERATING INCOME AND GAINS				
Investment income recognized by equity method, net (Notes 2 and 6)	4,040,319	2	791,424	
Interest (Notes 2 and 21)	1,762,347	1	819,377	1
Technical service income (Notes 18 and 20)	423,804		209,764	
Gain on disposal of property, plant and equipment (Notes 2 and 18)	164,147		438,804	
Gain on sales of investments (Note 2)	90,319		114,817	
Other (Note 18)	378,778		291,613	
Total non-operating income and gains	6,859,714	3	2,665,799	1
NON-OPERATING EXPENSES AND LOSSES				

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Interest (Notes 2, 7, 9 and 21)	1,352,738	1	1,576,343	1
Foreign exchange loss, net (Notes 2 and 21)	323,080		909,496	
Loss on disposal of property, plant and equipment (Note 2)	107,722		373,472	
Unrealized valuation loss on short-term investments (Notes 2 and 4)	75,212			
Loss on property, plant and equipment and idle assets (Note 2)			1,401,585	1
Other	45,156		24,205	
Total non-operating expenses and losses	1,903,908	1	4,285,101	2

(Continued)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.**STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2004		2003	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 91,778,584	36	\$ 51,028,275	25
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 12)	537,531		(3,769,575)	(2)
NET INCOME	\$ 92,316,115	36	\$ 47,258,700	23

	2004		2003	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT\$, Note 17)				
Basic earnings per share	\$ 3.95	\$ 3.97	\$ 2.18	\$ 2.02
Diluted earnings per share	\$ 3.95	\$ 3.97	\$ 2.18	\$ 2.02

The pro forma net income and earnings per share (after income tax) are based on the assumption that the stock of parent company held by its subsidiaries is treated as an investment instead of the treasury stock, and are shown as follows (Notes 2 and 16):

	2004	2003
NET INCOME	\$ 92,340,760	\$ 47,337,094
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	\$ 3.96	\$ 2.02
Diluted earnings per share	\$ 3.96	\$ 2.02

(Concluded)

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

Amount	Capital Stock Issued		Capital Surplus	Legal Reserve	Retained Earnings		Total	Unrealized Loss on Long-term Investments	Cumulative Translations Adjustments
	Common Stock Shares (Thousand)	Common Stock Amount			Special Reserve	Unappropriated Earnings			
1,000,000	18,622,887	\$ 186,228,867	\$ 57,004,789	\$ 18,641,108	\$	\$ 22,151,089	\$ 40,792,197	\$ (194,283)	\$ 945,000
(1,000,000)									
				2,161,029		(2,161,029)			
					68,945	(68,945)			
	153,901	1,539,013				(1,539,013)	(1,539,013)		
						(455,000)	(455,000)		
	1,489,831	14,898,309				(14,898,309)	(14,898,309)		
						(58,485)	(58,485)		
						47,258,700	47,258,700		
			(158,924)						
								194,248	

(719,7

10,020

20,266,619 202,666,189 56,855,885 20,802,137 68,945 50,229,008 71,100,090 (35) 225,4

4,725,870 (4,725,870)

(68,945) 68,945

(681,628) (681,628)

272,651 2,726,514 (2,726,514) (2,726,514)

(184,493) (184,493)

(12,159,971) (12,159,971)

2,837,327 28,373,267 (28,373,267) (28,373,267)

(127,805) (127,805)

92,316,115 92,316,115

34,059

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 92,316,115	\$ 47,258,700
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	63,072,140	61,786,114
Deferred income taxes	(1,101,407)	3,639,971
Investment income recognized by equity method, net	(4,040,319)	(791,424)
Amortization of premium/discount of long-term bond investments	28,673	
Loss on property, plant, and equipment, and idle assets		1,401,585
Gain on sales of long-term investments, net	(2,216)	(79,149)
Gain on disposal of property, plant and equipment, net	(56,425)	(65,332)
Accrued pension cost	500,945	389,709
Changes in operating assets and liabilities		
Decrease (increase) in		
Receivables from related parties	(1,318,421)	(4,752,698)
Notes receivable	6,951	50,347
Accounts receivable	(1,416,025)	(4,412,467)
Allowance for doubtful receivables	(35,561)	86,158
Allowance for sales returns and others	1,201,889	(237,042)
Other receivables from related parties	(11,496)	(64,439)
Other financial assets	(1,655,730)	189,024
Inventories, net	(3,264,787)	(566,822)
Prepaid expenses and other current assets	1,077,479	121,298
Increase (decrease) in		
Payables to related parties	(1,771,144)	2,033,142
Accounts payable	404,741	1,234,642
Accrued expenses and other liabilities	(255,184)	1,447,119
 Net cash provided by operating activities	 143,680,218	 108,668,436
 CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(43,822,489)	(12,529,448)
Acquisitions of		
Long-term investments	(30,290,982)	(3,006,374)
Property, plant and equipment	(76,171,356)	(37,247,465)
Proceeds from disposal of		
Long-term investments	7,822	476,405
Property, plant and equipment	1,713,934	177,307
Increase in deferred charges	(2,404,130)	(2,137,932)

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Decrease in refundable deposits	91,966	366,090
Decrease in other assets		9,250
Net cash used in investing activities	(150,875,235)	(53,892,167)

(Continued)

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TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid for common stock	\$ 12,159,971	\$
Repurchase of treasury stock	(7,059,798)	
Repayment of long-term bonds payable	(5,000,000)	(4,000,000)
Cash bonus paid to employees	(681,628)	
Decrease in guarantee deposits	(351,096)	(631,577)
Cash dividends paid for preferred stock	(184,493)	(455,000)
Remuneration paid to directors and supervisors	(127,805)	(58,485)
Proceeds from issuance of new shares arising from exercises of stock options	3,624	
Redemption of preferred stock		(13,000,000)
 Net cash used in financing activities	 (25,561,167)	 (18,145,062)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (32,756,184)	 36,631,207
 CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	 98,288,002	 61,656,795
 CASH AND CASH EQUIVALENTS, END OF THE YEAR	 \$ 65,531,818	 \$ 98,288,002
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid (excluding the amount capitalized of NT\$262,109 thousand and NT\$138,668 thousand in 2004 and 2003, respectively, Note 7)	\$ 1,379,287	\$ 1,652,579
Income tax paid	\$ 309,522	\$ 2,500
 NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term bonds payable	\$ 10,500,000	\$ 5,000,000
Current portion of other payables to related parties (under payables to related parties)	\$ 492,022	\$
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 1,505,345	\$ 1,591,972
Reclassification of short-term investments to long-term investments	\$ 3,402,413	\$

Reclassification of long-term investments to short-term investments	\$	\$	29,571
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(Concluded)

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

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TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

NOTES TO FINANCIAL STATEMENTS

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

1. ORGANIZATION AND OPERATIONS

Taiwan Semiconductor Manufacturing Company Ltd. (the Company or 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).

The Company 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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.

For the convenience of readers, the accompanying 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 financial statements shall prevail.

Significant accounting policies are summarized as follows:

Use of Estimates

The preparation of 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 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, asset-backed securities, bond funds, agency bonds, government bonds and others.

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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 earnings when the aggregate carrying value of the investments exceeds the aggregate market value. A reversal of the allowance is recorded for a subsequent recovery of the market value.

The cost of funds and listed stocks sold are counted for using the weighted-average method; whereas the other securities 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 year, and the market value of listed stocks is determined using the average-closing price of the listed stocks for the last month of the year. The others are 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 year.

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 accounts 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 net sales when the earnings process is complete, as evidenced by an agreement with the customer, transfer of title and acceptance, if applicable, have occurred, as well as the price is fixed or determinable price and the collectibility is reasonably assured. Allowance for sales returns and pricing discounts is estimated based on historical experience and any known factors that would affect the allowance. Such provisions are deducted from sales in the year the products are sold and the estimated related costs are deducted from cost of sales.

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 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 year. Market value represents replacement cost for raw materials, supplies and spare parts. Market value represents 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, generally 180 days or less, and the estimated losses on scrap and slow-moving items are recognized 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 the 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 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 dividend 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 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. The carrying amounts of investments whose fair market values are not readily ascertainable are reduced to reflect an other-than-temporary decline in their values, with the related impairment loss charged to income.

Investments in foreign 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.

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 investment 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. The entire amount of the gains or losses on sales to majority-owned subsidiaries is deferred until such gains or losses are realized through the subsequent sales of the related products to 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.

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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. When an impairment is determined, the related assets are stated at the lower of fair value or book value. 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 year incurred. Interest expense incurred during the purchase and construction period is also capitalized.

Depreciation is computed using the straight-line method over the following estimated service lives: buildings 10 to 20 years; machinery and equipment 5 years; and office equipment 3 to 5 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 income or expenses in the year 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.

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 3 or 5 years.

Pension Costs

The Company records net periodic pension costs on the basis of actuarial calculations. Unrecognized net transition obligation and unrecognized net gains or losses are amortized over 25 years.

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 and unused tax credits. 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 credit 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 of prior years' tax liabilities are added to or deducted from the current year's tax provision.
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Income taxes on unappropriated earnings 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 must be 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

When the Company repurchases its outstanding common stock, the cost of the reacquired stock is recorded as treasury stock as a reduction to shareholders' equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus—additional paid-in capital are reversed in proportionate to the equity percentage of the retirement. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus—treasury stock and to retained earnings for any remaining amount. The Company's stock held by its subsidiaries is also treated as treasury stock and reclassified from long-term investments to treasury stock. The cash dividends received by the subsidiaries from the Company are recorded under capital surplus—treasury stock.

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 year, 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 currency exposures in cash flow and in 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 spot 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 year, the receivables or payables arising from forward contracts are restated using the prevailing spot rates at the balance sheet date with the resulting differences 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 year of settlement.

The Company enters into cross-currency swap contracts to manage currencies exposures on foreign currency denominated assets and liabilities. The principal amount is recorded using the spot rates at the contract date. The differences in the New Taiwan dollar amounts translated using the spot 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 year, the receivables or payables arising from cross-currency swap contracts are restated using the prevailing spot rate with the resulting differences charged to income. In addition, the receivables and payables related to the contracts 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 year of settlement.

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The Company enters into interest rate swap contracts to manage exposures to changes in interest rates on existing assets or liabilities. These transactions are accounted for on an accrual basis, in which the cash settlement receivable or payable is recorded as an adjustment to interest income or expense associated with the hedged items.

The premiums paid for the foreign currency option contracts entered into for hedging purposes are amortized and charged to income on a straight-line basis over the term of the related contract. Any resulting gain upon exercise settlement is credited or charged to income in the year of exercise.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2003 have been reclassified to conform to the financial statements as of and for the year ended December 31, 2004.

3. CASH AND CASH EQUIVALENTS

	2004	2003
Cash and bank deposits	\$ 45,838,453	\$ 92,340,643
Government bonds acquired under repurchase agreements	19,215,153	5,947,359
Corporate issued notes	478,212	
	\$ 65,531,818	\$ 98,288,002

4. SHORT-TERM INVESTMENTS

	2004	2003
Corporate bonds	\$ 13,554,598	\$
Corporate issued asset-backed securities	11,766,877	
Bond funds	10,662,758	1,000,000
Agency bonds	8,633,889	
Government bonds	7,346,858	7,692,595
Money market funds	673,888	2,038,680
Government bonds acquired under repurchase agreements	249,449	1,800,000
Commercial papers	95,666	
Corporate issued notes	63,796	
Listed stocks	6,528	27,744
	53,054,307	12,559,019
Allowance for valuation losses	(75,212)	
	\$ 52,979,095	\$ 12,559,019
Market value	\$ 52,979,095	\$ 12,703,444

The Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage investment portfolios for the Company. 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 December 31, 2004, the Company 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, asset-backed securities, agency bonds, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

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5. INVENTORIES, NET

	2004	2003
Finished goods	\$ 3,229,417	\$ 2,716,195
Work in process	10,713,178	8,292,327
Raw materials	808,722	445,357
Supplies and spare parts	779,368	674,548
	15,530,685	12,128,427
Allowance for losses	(1,358,740)	(1,221,269)
	\$ 14,171,945	\$ 10,907,158

6. LONG-TERM INVESTMENTS

	2004		2003	
	Carrying	% of	Carrying	% of
	Amount	Owner-	Amount	Owner-
		ship		ship
Equity method				
TSMC International Investment Ltd. (TSMC International)	\$ 23,778,997	100	\$ 22,654,743	100
TSMC (Shanghai) Company Limited (TSMC Shanghai)	8,113,511	100	1,901,428	100
Vanguard International Semiconductor Corporation (VIS)	5,401,982	28	4,077,198	28
TSMC Partners, Ltd. (TSMC Partners)	3,908,356	100	4,116,934	100
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	3,290,888	32	2,759,376	32
Emerging Alliance Fund, L.P. (Emerging Alliance)	823,232	99	704,744	99
TSMC North America (TSMC North America)	502,242	100	417,858	100
Global UniChip Corporation (GUC)	391,626	47	368,434	47
VentureTech Alliance Fund II, L.P. (VTAF II)	329,968	98		
TSMC Japan K. K. (TSMC Japan)	102,572	100	101,722	100
VisEra Technologies Company, Limited (VisEra)	59,116	25	50,231	25
Chi Cherng Investment Co., Ltd. (Chi Cherng)	50,570	36	42,941	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	49,823	36	42,006	36
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	25,439	100	24,622	100
	46,828,322		37,262,237	
Cost method				
Non-publicly traded stocks	482,500		432,500	
Funds	290,134		270,616	
	772,634		703,116	
Long-term bonds				

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Government bonds	10,260,481
Corporate bonds	
China Steel Corporation	2,978,804
Taiwan Power Company	915,276
Nan Ya Plastics Corporation	407,526

(Continued)

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	2004	% of	2003	% of
	Carrying	Owner-	Carrying	Owner-
	Amount	ship	Amount	ship
Formosa Plastics Corporation	\$ 405,485		\$	
Formosa Petrochemical Corporation	202,595			
	15,170,167			
Other investments	10,521,740			
	\$ 73,292,863		\$ 37,965,353	

On January 8, 2003, the Company's investee, VIS, issued 600,000 thousand shares of common stock at a price of NT\$7 per share of which the Company purchased a total of 230,882 thousand shares. VIS reduced its capital on August 11, 2004 in order to decrease its accumulated deficit. The number of shares of VIS held by the Company after the capital reduction declined from 787,016 thousand shares to 409,532 thousand shares. The Company's ownership percentage remained the same.

For the years ended December 31, 2004 and 2003, net investment income recognized from the equity method investees was NT\$4,040,319 thousand and NT\$791,424 thousand, respectively. The carrying amounts of investments accounted for under the equity method and the related investment income or losses were determined based on the audited financial statements of the investees as of and for the same periods as the Company.

As of December 31, 2004, other investments consist of the following:

	Nominal	Carrying	Range of	Maturity
	Amount	Amount	Interest	Date
			Rates	
<u>Step-up callable deposits</u>				
Domestic bank	\$ 2,000,000	\$ 2,007,681	2.05%-2.20%	July 2007 to August 2007
Foreign bank	2,138,340	2,152,394	1.44%-4.75%	June 2007 to August 2007
<u>Callable range accrual deposits</u>				
Foreign bank	6,383,400	6,414,151	(See below)	September 2009 to December 2009
	\$ 10,521,740	\$ 10,574,226		

During the year ended December 31, 2004, the Company deposited funds into structured-time deposits with the following terms:

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 rate plus an agreed upon rate ranging between 2.1% and 3.45%. Based on the terms of the deposits, if the 3-month or 6-month LIBOR rate moves outside of the pre-defined range, the interest paid to the Company is at minimum of 1.5%. Under the term of contracts, the bank has the right to cancel the contracts before the maturity date.

Deposits that reside in Hong Kong and Singapore amounted to NT\$2,553,360 thousand and NT\$638,340 thousand, respectively.

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7. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	2004	2003
Buildings	\$ 35,546,918	\$ 29,384,609
Machinery and equipment	259,782,721	214,296,129
Office equipment	4,676,562	3,833,574
	\$ 300,006,201	\$ 247,514,312

Information on the status of the expansion or construction plans of the Company's manufacturing facilities as of December 31, 2004 is as follows:

Construction/Expansion Plan	Estimated Total Cost	Accumulated Expenditures	Expected Date of Commencement
Fab 12 expansion	\$ 58,744,200	\$ 41,870,300	January 2005

Interest expense for the years ended December 31, 2004 and 2003 was NT\$ 1,614,847 thousand and NT\$1,715,011 thousand, respectively (before deducting capitalized amounts of NT\$262,109 thousand in 2004 and NT\$138,668 thousand in 2003, respectively). The interest rates used for purposes of calculating the capitalized amounts was 2.80% and 2.80% to 5.283% in 2004 and 2003, respectively.

8. DEFERRED CHARGES, NET

	2004	2003
Technology license fees	\$ 6,534,899	\$ 5,084,684
Software and system design costs	2,160,636	2,718,270
Other	149,609	144,377
	\$ 8,845,144	\$ 7,947,331

9. BONDS PAYABLE

	2004	2003
Domestic unsecured bonds:		
Issued in October 1999 and repayable in October 2004, 5.95% interest payable annually	\$	\$ 5,000,000
Issued in December 2000 and repayable in December 2005 and 2007 in two equal payments, 5.25% and 5.36% interest payable annually, respectively	15,000,000	15,000,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three equal payments, 2.60%, 2.75% and 3.00% interest payable annually, respectively	15,000,000	15,000,000

\$ 30,000,000 \$ 35,000,000

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As of December 31, 2004, future principal repayments for the Company's bonds are as follows:

Year of Repayment	Amount
2005	\$ 10,500,000
2007	7,000,000
2009	8,000,000
2010 and thereafter	4,500,000
	\$ 30,000,000

10. OTHER LONG-TERM PAYABLES

The Company entered into several license arrangements for certain semiconductor-related patents. Future payments under the agreements as of December 31, 2004 are as follows:

Year	Amount
2005	\$ 1,505,345
2006	466,786
2007	446,838
2008	255,336
2009 and thereafter	766,008
	\$ 3,440,313

The current portion of other long-term payables is recorded in the accrued expenses and other current liabilities account.

11. PENSION PLAN

The Company has a defined benefit pension plan for all regular employees that provides benefits based on the employee's length of service and average monthly salary and wages for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries and wages paid each month to a Pension Fund (the Fund). The Fund is administered by a pension fund monitoring committee (the Committee) and deposited in the Committee's name in the Central Trust of China.

Information on the pension plan is summarized as follows:

a. Components of net periodic pension cost

	2004	2003
Service cost	\$ 632,594	\$ 502,116
Interest cost	128,315	109,671
Projected return on plan assets	(41,925)	(41,154)
Amortization	8,300	2,409
Net periodic pension cost	\$ 727,284	\$ 573,042

b. Reconciliation of the funded status of the plan and accrued pension cost

	2004	2003
Benefit obligation		
Vested benefit obligation	\$ 67,104	\$ 21,895
Nonvested benefit obligation	2,704,251	2,184,593
Accumulated benefit obligation	2,771,355	2,206,488
Additional benefits based on future salaries	2,132,721	1,752,208
Projected benefit obligation	4,904,076	3,958,696
Fair value of plan assets	(1,447,540)	(1,207,264)
Funded status	3,456,536	2,751,432
Unrecognized net transitional obligation	(132,791)	(141,091)
Unrecognized net loss	(222,549)	(10,090)
Accrued pension cost	\$ 3,101,196	\$ 2,600,251
Vested benefit	\$ 76,003	\$ 22,261

c. Actuarial assumptions

	2004	2003
Discount rate used in determining present values	3.25%	3.25%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	3.25%	3.25%
d. Contributions to the Fund	\$ 226,339	\$ 181,106
e. Payments from the Fund	\$ 1,446	\$ 3,490

12. INCOME TAX

a. A reconciliation of income tax on income before income tax at the statutory rate and income tax expense is as follows:

	2004	2003
Income tax based on income before income tax at statutory rate (25%)	\$ (22,944,646)	\$ (12,757,069)
Tax-exempt income	15,372,913	5,255,750
Temporary and permanent differences	(2,077,362)	728,904
Current income tax on income before income tax credits	\$ (9,649,095)	\$ (6,772,415)
b. Income tax benefit (expense) consists of:		
Current income tax on income before income tax credits	\$ (9,649,095)	\$ (6,772,415)
Additional 10% income tax on unappropriated earnings	(821,767)	(1,271,759)
Income tax credits	10,470,862	7,917,070

Other income tax	(563,876)	(2,500)
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(Continued)

	2004	2003
Net change in deferred income tax assets and liabilities		
Investment tax credits	\$ 234,690	\$ (917,759)
Temporary differences	1,034,916	80,390
Net change in valuation allowance of deferred income tax assets	(168,199)	(2,802,602)
Income tax benefit (expense)	\$ 537,531	\$ (3,769,575)

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

Current:

Investment tax credits	\$ 8,849,000	\$ 8,322,000
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Noncurrent:

Investment tax credits	\$ 17,035,584	\$ 17,327,894
Temporary differences	(2,450,535)	(3,485,451)
Valuation allowance	(12,940,046)	(12,771,847)
	\$ 1,645,003	\$ 1,070,596

d. Integrated income tax information:

The balances of the imputation credit account (ICA) as of December 31, 2004 and 2003 were zero and NT\$2,832 thousand, respectively.

The expected and actual creditable ratio for distribution of earnings of 2004 and 2003 was zero and 0.03%, respectively.

The imputation credits allocated to the shareholders are based on the balance as of the date of dividend distribution. The expected creditable ratio for distribution of earnings of 2004 may be adjusted when the allocation of the imputation credits is made.

e. All earnings generated prior to December 31, 1997 have been appropriated.

f. As of December 31, 2004, investment tax credits consisted of the following:

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 4,448,442	\$	2004
		3,819,937	116,189	2005
		4,886,439	4,886,439	2006
		4,140,462	4,140,462	2007
		6,309,182	6,309,182	2008
		\$ 23,604,462	\$ 15,452,272	

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	\$ 2,270,013	\$	2004
		3,147,071	3,147,071	2005
		3,342,952	3,342,952	2006
		1,976,913	1,976,913	2007
		1,843,800	1,843,800	2008
		\$ 12,580,749	\$ 10,310,736	
Statute for Upgrading Industries	Personnel training	\$ 48,659	\$	2004
		29,448	29,448	2005
		27,312	27,312	2006
		26,780	26,780	2007
		\$ 132,199	\$ 83,540	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 38,036	\$ 38,036	2005

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

	Tax-Exemption Period
Construction of Fab 6	2001 to 2004
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 the Company through 2000. However, the Company is contesting the assessment of the tax authority for 1992 and 1998. The Company believes that any additional assessment will not have a material adverse effect on the Company.

13. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSES

Year Ended December 31, 2004	Year Ended December 31, 2003
Classified	Classified
as	as
Operating	Operating

	Classified as Cost of			Classified as Cost of		
	Sales	Expenses	Total	Sales	Expenses	Total
Labor cost						
Salary	\$ 8,832,324	\$ 4,160,867	\$ 12,993,191	\$ 7,392,295	\$ 3,093,658	\$ 10,485,953
Labor and health insurance	571,853	309,585	881,438	476,687	239,067	715,754
Pension	471,646	255,482	727,128	379,845	190,507	570,352
Other	398,428	356,877	755,305	273,780	159,569	433,349
	\$ 10,274,251	\$ 5,082,811	\$ 15,357,062	\$ 8,522,607	\$ 3,682,801	\$ 12,205,408
Depreciation	\$ 56,001,719	\$ 2,429,967	\$ 58,431,686	\$ 55,699,522	\$ 2,298,375	\$ 57,997,897
Amortization	\$ 2,496,827	\$ 2,137,893	\$ 4,634,720	\$ 1,385,594	\$ 2,399,724	\$ 3,785,318

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14. SHAREHOLDERS EQUITY**Common Stock, Capital Surplus and Earnings**

The Company has issued a total of 668,351 thousand ADSs which are traded on the NYSE as of December 31, 2004. The number of common shares represented by the ADSs is 3,341,754 thousand shares (one ADS represents five common shares).

Capital surplus can only be used to offset a deficit under the Company Law of the R.O.C. 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 arising from treasury stock transactions) may be appropriated as stock dividends restricted to a certain percentage based on shareholders ownership.

As of December 31, 2004 and 2003, the capital surplus consisted of the following:

	2004	2003
From merger	\$ 24,003,546	\$ 24,132,297
Additional paid-in capital	23,051,675	23,172,550
From long-term investments	121,354	87,295
From convertible bonds	9,360,424	9,410,632
Donations	55	55
Treasury stock	205	53,056
	\$ 56,537,259	\$ 56,855,885

The Company's Articles of Incorporation as revised on December 21, 2004, provide that the following shall be appropriated from annual earnings to the extent that the annual earnings exceed any cumulative deficit:

- a. 10% legal reserve; until the amount of total legal reserve equals the Company's paid-in capital;
- b. Special reserve in accordance with relevant laws or regulations;
- c. Remuneration to directors and supervisors and bonuses to employees at 0.3% and at least 1% of the remainder, respectively. Individuals eligible for the employee bonuses may include employees of affiliated companies as approved by the board of directors or a representative of the board of directors;
- d. The appropriation of any remaining balance shall be approved by the shareholders.

Dividends may be distributed by way of cash dividend or stock dividend at the discretion of the Company. As the operation of the Company is at a steady growth stage, 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.

An appropriation for legal reserve is required until the reserve equals the aggregate par value of the Company's issued capital stock. The reserve can only be used to offset a deficit or be distributed as a stock dividend up to 50% of the reserve balance when the reserve balance has reached 50% of the aggregate par value of the issued capital stock of the Company.

A special 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 R.O.C. Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance of the related account reverses.

The appropriations of the earnings of 2003 and 2002 were approved in the shareholders' meeting on May 11, 2004 and June 3, 2003, respectively. The appropriations and dividend per share are as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	For Fiscal	For Fiscal	For	For
	Year 2003	Year 2002	Fiscal Year 2003	Fiscal Year 2002
Legal reserve	\$ 4,725,870	\$ 2,161,029		
Special reserve	(68,945)	68,945		
Bonus paid to employees in cash	681,628			
Bonus paid to employees in stock	2,726,514	1,539,013		
Preferred stock dividend in cash	184,493	455,000	\$ 0.35	\$ 0.35
Common stock dividend in cash	12,159,971		0.60	
Common stock dividend in stock	28,373,267	14,898,309	1.41	0.80
Remuneration to directors and supervisors in cash	127,805	58,485		
	\$ 48,910,603	\$ 19,180,781		

The amount of the above appropriation of earnings for 2003 and 2002 is consistent with the resolution of the meetings of board of directors on February 17, 2004 and March 4, 2003, respectively. However, the Company Law of the R.O.C. states TSMC, as a holder of treasury stock shall not participate in the appropriations of earnings. Therefore, the actual cash dividend per share and stock dividend per share are slightly more than those in the aforementioned resolution. If the above employee bonus paid in stock had been paid in cash and all of the bonus to employees and remuneration to directors and supervisors had been charged against income for 2003 and 2002, the after income tax basic earnings per share for the years ended December 31, 2003 and 2002 would have decreased from NT\$2.33 to NT\$2.15 and NT\$ 1.14 to NT\$1.05, respectively. The shares distributed as a bonus to employees represented 1.35% and 0.83% of the Company's total outstanding common shares as of December 31, 2003 and 2002, respectively.

As of January 13, 2005, the board of directors have not resolved the appropriation for earnings of 2004.

The above information about the appropriations of bonus to employees and remuneration to directors and supervisors is available at Market Observation 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 the Company on earnings generated since January 1, 1998.

Preferred Stock

The Company issued 1,300,000 thousand shares of unlisted Series A preferred stock to certain investors on November 29, 2000. All of the preferred stock was redeemed at par value and retired on May 29, 2003. Under the Company's Articles of Incorporation, the Company is no longer authorized to issue preferred stock.

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The preferred shareholders had the following rights and the related terms and conditions prior to redemption:

Preferred shareholders

- a. Are entitled to receive cumulative cash dividends at an annual rate of 3.5%.
- b. Are not entitled to receive any common stock dividends (whether declared out of unappropriated earnings or capital surplus).
- c. Have priority over the holders of common shares to the assets of TSMC available for distribution to shareholders upon liquidation or dissolution; however, the pre-emptive rights to the assets shall not exceed the issue price of the shares.
- d. Have voting rights similar to that of the holders of common shares.
- e. Have no right to convert their shares into common shares. The preferred shares are to be redeemed within thirty months from their issuance. The preferred shareholders have the aforementioned rights and the Company's related obligations remain the same until the preferred shares are redeemed by the Company.

15. STOCK-BASED COMPENSATION PLANS

The Company's Employee Stock Option Plans, the 2003 Plan and the 2002 Plan, were approved on October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under 2003 Plan and the 2002 Plan is 120,000 thousand and 100,000 thousand, respectively, with each unit representing one common share of stock. The option rights may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of both 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, stock option rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the date of grant. Under the 2003 Plan and the 2002 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

On November 2, 2004, the board of directors approved the 2004 Plan, in which the maximum number of units authorized to be granted is 11,000 thousand, with each unit representing one common share of stock. The option rights may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of 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 plan, stock option rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the date of grant. The 2004 plan was approved by Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. on January 6, 2005.

Information on outstanding stock options for the years ended December 31, 2004 and 2003 is as follows:

	2003 Plan		2002 Plan	
	Number of Outstanding Stock Option Rights (in Thousands)	Weighted- Average Exercise Price (NT\$)	Number of Outstanding Stock Option Rights (in Thousands)	Weighted- Average Exercise Prices (NT\$)
<u>Year ended December 31, 2004</u>				
Beginning outstanding balance	842	57.8	48,515	42.7
Options granted	13,199	49.9	7,201	42.6
Options exercised			(87)	41.8
Options cancelled	(1,404)	50.9	(3,899)	44.2
Ending outstanding balance	12,637		51,730	
<u>Year ended December 31, 2003</u>				
Beginning outstanding balance			19,369	48.6
Options granted	843	66.5	32,031	50.3
Options cancelled	(1)	66.5	(2,885)	48.7
Ending outstanding balance	842		48,515	

The number of outstanding option rights and exercise prices have been adjusted to reflect the appropriations of dividends in accordance with the plans.

As of December 31, 2004, information on outstanding and exercisable option rights is as follows:

	Options Outstanding			Options Exercisable		
	Range of Exercise Price (NT\$)	Number of Outstanding Options (in Thousands)	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price (NT\$)	Number of Exercisable Options (in Thousands)	Weighted- Average Exercise Price (NT\$)
2003 plan	43.8-57.8	12,637	9.34	50.3		
2002 plan	32.8-46.2	51,730	8.09	42.6	10,307	41.7
Total		64,367	8.33	44.1	10,307	41.7

The compensation cost recognized for the year ended December 31, 2004 was zero. Had the Company used the fair value based method to evaluate the options granted, the method, assumptions and pro forma results of the

Company for the year ended December 31, 2004 would have been as follows:

Method:	Black-Scholes Model
Assumptions:	
Expected dividend yield	1.00%
Expected volatility	43.77%-46.15%
Risk free interest rate	3.07%-3.85%
Expected life	5 years

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	NT\$
Net income:	
Net income as reported	\$ 92,316,115
Pro forma net income	92,257,355
Earnings per share (EPS) after income tax:	
Basic EPS as reported	3.97
Pro forma basic EPS	3.97
Diluted EPS as reported	3.97
Pro forma diluted EPS	3.97

The estimated weighted average fair value for the options granted during the year ended December 31, 2004 was NT\$19.73 per option.

16. TREASURY STOCK (COMMON STOCK)

(Shares in Thousand)

	Beginning Shares	Increase/ Dividend	Decrease	Ending Shares
<u>Year ended December 31, 2004</u>				
Reclassification of parent company stock held by subsidiaries from long-term investment	40,597	5,676	752	45,521
Repurchase under share buyback plan		124,720	124,720	
	40,597	130,396	125,472	45,521
<u>Year ended December 31, 2003</u>				
Reclassification of parent company stock held by subsidiaries from long-term investment	42,001	3,357	4,761	40,597

Proceeds from the sale of treasury stock for the years ended December 31, 2004 and 2003 were NT\$39,906 thousand and NT\$331,945 thousand, respectively. The Company's capital stock held by a subsidiary as an investment is recorded as treasury stock, with the holder having the same rights as other common shareholders. As of December 31, 2004 and 2003, the book value of the treasury stock was NT\$1,595,186 thousand and NT\$1,633,228 thousand, respectively; the market value was NT\$2,241,009 thousand and NT\$2,548,788 thousand,

respectively.

The Company held a special meeting of the board of directors and approved a share buyback plan to repurchase the Company's common shares listed on the TSE during the period from March 24, 2004 to May 23, 2004. The Company repurchased 124,720 thousand common shares for a total of NT\$7,059,798 thousand. All the treasury stock repurchased under the buyback plan was retired on August 16, 2004.

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17. EARNINGS PER SHARE

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (Thousand)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>Year ended December 31, 2004</u>					
Basic EPS					
Income available to common shareholders	\$ 91,778,584	\$ 92,316,115	23,248,682	\$ 3.95	\$ 3.97
Effect of diluted securities stock options			6,404		
Diluted EPS					
Income available to common shareholders (including effect of diluted potential common stock)	\$ 91,778,584	\$ 92,316,115	23,255,086	\$ 3.95	\$ 3.97
<u>Year ended December 31, 2003</u>					
Net Income	\$ 51,028,275	\$ 47,258,700			
Less preferred stock dividends	(184,493)	(184,493)			
Basic EPS					
Income available to common shareholders	50,843,782	47,074,207	23,327,354	\$ 2.18	\$ 2.02
Effect of diluted potential common stock stock options			9,599		
Diluted EPS					
Income available to common shareholders (including effect of diluted potential common stock)	\$ 50,843,782	\$ 47,074,207	23,336,953	\$ 2.18	\$ 2.02

18. RELATED PARTY TRANSACTIONS

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

- a. Industrial Technology Research Institute (ITRI); the Chairman of the Company is one of its directors
- b. Philips; a major shareholder of the Company
- c. Subsidiaries

TSMC North America
TSMC Europe
TSMC Japan
TSMC Shanghai

d. Investees

VIS
SSMC
GUC
VisEra

e. Indirect subsidiaries

WaferTech, LLC (WaferTech)
TSMC Technology, Inc. (TSMC Technology)

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

	2004		2003	
	Amount	%	Amount	%
<u>For the years</u>				
Sales				
TSMC North America	\$ 142,271,732	55	\$ 117,758,911	57
Philips and its affiliates	5,463,565	2	3,577,054	2
Others	466,345		610,534	
	\$ 148,201,642	57	\$ 121,946,499	59
Purchase				
WaferTech	\$ 15,203,047	34	\$ 11,433,083	36
VIS	9,169,602	21	4,910,810	15
SSMC	5,869,123	13	5,519,805	17
TSMC Shanghai	12,752			
	\$ 30,254,524	68	\$ 21,863,698	68
Manufacturing expenses technical assistance fee (See Note 20a)				
Philips	\$ 907,047	1	\$ 3,023,741	3
Marketing expenses commission				
TSMC Japan	\$ 253,341	17	\$ 215,202	18
TSMC Europe	202,678	14	154,262	13
	\$ 456,019	31	\$ 369,464	31
General and administrative expense rental expenses				
GUC	\$ 13,186	2	\$	
Research and development expenses				
GUC	\$ 11,688		\$	
Sales of property, plant and equipment				
TSMC Shanghai	\$ 2,969,347	96	\$	
VIS	33,974	1	15,125	9
	\$ 3,003,321	97	\$ 15,125	9
Non-operating income and gains				
SSMC (primarily technical service income, see Note 20e)	\$ 364,505	5	\$ 201,869	8
VIS (primarily technical service income, see Note 20j)	117,760	2	251	
VisEra	28,917			
WaferTech	3,267		2,794	

\$ 514,449 7 \$ 204,914 8

(Continued)

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	2004		2003	
	Amount	%	Amount	%
<u>At end of year</u>				
Receivables				
TSMC North America	\$ 15,526,964	96	\$ 13,946,638	94
Philips and its affiliates	581,487	4	895,063	6
Others	77,632		25,961	
	\$ 16,186,083	100	\$ 14,867,662	100
Other receivables				
TSMC Shanghai	\$ 1,472,880	91	\$	
SSMC	63,701	4		
VIS	47,599	3	118,503	89
Others	33,159	2	14,460	11
	\$ 1,617,339	100	\$ 132,963	100
Payables				
VIS	\$ 1,533,938	48	1,034,074	23
WaferTech	913,107	29	1,184,642	27
Philips and its affiliates	469,494	15	1,579,568	35
SSMC	207,794	6	634,647	14
Others	74,157	2	67,209	1
	\$ 3,198,490	100	\$ 4,500,140	100
Other long-term payables				
Philips and its affiliates	\$ 2,317,972	100	\$	
Deferred credits gain on intercompany				
TSMC Shanghai (disposal of property, plant and equipment)	\$ 682,530	100	\$	
Refundable deposits				
VIS	\$		\$ 150,840	85

The terms of sales to related parties are not significantly different from those to third parties. For other related parties transactions, since there are no other similar transactions to follow, the prices are determined in accordance with the related contractual agreements.

19. SIGNIFICANT LONG-TERM OPERATING LEASES

The Company leases land from the Science-Based Industrial Park Administration. These agreements expire on various dates from March 2008 to December 2020. The agreements can be renewed upon their expiration.

Future remaining lease payments are as follows:

Year	Amount
2005	\$ 238,411
2006	238,411
2007	238,411
2008	220,246
2009	214,192
2010 and thereafter	1,422,637
	\$ 2,572,308

20. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies as of December 31, 2004 are as follows:

- a. On June 20, 2004, the Company 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, the Company will pay Philips royalties based on a fixed amounts mutually agreed-on, rather than under certain percentage of the Company's annual net sales. The Company and Philips agree to cross license the patents owned by each party. The Company also obtained through Philips a number of patent cross licenses.
- b. Under a technical cooperation agreement with ITRI, the Company 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.

- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of December 31, 2004, the Company had a total of US\$12,802 thousand of guarantee deposits.

- d. 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 December 31, 2004, the Company's equity interest in SSMC was 32%. The Company and Philips committed to buy specific percentages of the production capacity of SSMC. 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.

- e. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. The Company 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.

- f. Under a Technology Transfer Agreement (TTA) with National

Semiconductor Corporation (National) entered into on June 27, 2000, the Company 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, the Company and National entered into a Termination Agreement whereby the TTA was terminated for convenience. Under the Termination Agreement, the Company will be relieved of any further obligation to transfer any additional

technology. In addition, the Company 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.

- g. Beginning in 2001, the Company 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. The Company 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.
- h. In November 2002, the Company entered into an Amended and Restated Joint Technology Cooperation Agreement with Philips, Motorola, Inc. and STMicroelectronics to jointly develop 90-nm to 65-nm advanced CMOS Logic and e-DRAM technologies. The Company also agreed to align 0.12 micron CMOS Logic technology to enhance its foundry business opportunities. The Company will contribute process technologies and share a portion of the costs associated with this joint development project.
- i. In December 2003, the Company entered into a Technology Development and License Agreement with Motorola, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Motorola, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company will pay royalties to Motorola, Inc. and will share a portion of the costs associated with the joint development project.
- j. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into in August 2004. The Company 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 the Company certain products at prior as agreed by the parties.
- k. Amounts available under unused letters of credit as of December 31, 2004 were NT\$6,480 thousand, US\$204 thousand and SG\$85 thousand.
- l. The Company provided guarantees on loans amounting to US\$60,000 thousand and US\$40,000 thousand for TSMC Development, Inc. (TSMC Development) and TSMC North America, respectively.
- m. TSMC, TSMC North America 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 agreement, SMIC will pay TSMC US\$175 million over six years to resolve TSMC's patent infringement and trade secret claims.

21. 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 at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Names, locations, and related information of investees of which the Company exercises significant influence: Please see Table 8 attached;
- j. Financial instrument transactions:

1) Derivative financial instruments

The Company entered into derivative financial instrument transactions for the years ended December 31, 2004 and 2003 to manage exposures related to foreign exchange rate and interest rate fluctuations. Certain information on these contracts is as follows:

- a) Outstanding forward exchange contracts as of December 31, 2004 and 2003 are as follows:

Financial Instruments	Currency	Maturity Date	Contract Amount (in Thousands)	
<u>2004</u>				
Sell	US\$/NT\$	January 2005 to March 2005	US\$	733,000
Sell	US\$/EUR	January 2005	US\$	159,081
<u>2003</u>				
Sell	US\$/NT\$	January 2004 to July 2004	US\$	1,805,000
Buy	EUR/US\$	January 2004	EUR	7,500
Buy	JPY/US\$	January 2004	JPY	748,405

As of December 31, 2004 and 2003, receivables from forward exchange contracts (included in the other financial assets account) aggregate approximately NT\$392,534 thousand, and NT\$76,385 thousand; payables from forward exchange contracts (included in the other current liabilities account) aggregate approximately NT\$559 thousand and NT\$174,018 thousand.

b) Cross currency swaps

Outstanding cross currency swap contracts as of December 31, 2004 are as follows:

Maturity Date	Contract Amount (in Thousands)	Range of Interest Rate Paid	Range of Interest Rate Received
January 2005 to June 2005	US\$ 1,420,000	1.28%-2.72%	0.49%-1.17%

As of December 31, 2004, receivables from the cross currency swap contracts (included in the other financial assets account) was approximately NT\$761,030 thousand.

Net exchange gain or loss arising from forward exchange contracts and cross currency swap contracts was recognized in the foreign exchange loss, net account and the difference in interest was recorded in interest income or expense.

c) Interest rate swaps

Outstanding contracts as of December 31, 2004 and 2003 were as follows:

Contract Date	Period	Contract Amount (in Thousands)
<u>2004</u>		
September 2003	September 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
November 2003	November 2003 to December 2005	NT\$ 500,000
<u>2003</u>		
September 2003	September 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
November 2003	November 2003 to December 2005	NT\$ 500,000
July 1999	July 1999 to June 2004	US\$ 2,857

d) Option contracts

During 2004, the Company did not enter into any foreign currency option contracts.

There were no outstanding option contracts as of December 31, 2003. The Company entered into

foreign currency option contracts for hedging purposes; therefore, the related premiums and the foreign exchange gain or loss are recognized in the foreign exchange loss, net account.

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e) 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 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. Interest rate risks are also controlled as the expected cost of capital is fixed. Thus, market price risks are believed to be low.
- iii) Cash flow risk and the amount and period of future cash needs.

As of December 31, 2004, the Company's future cash needs for outstanding forward exchange contracts and cross currency swap contracts are as follows:

Term	Inflow (In Thousands)	Outflow (In Thousands)
Within one year	NT\$ 69,761,484	US\$ 2,312,081
	EUR 118,500	

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:

	2004		2003	
	Carrying Amount (In Thousands)	Fair Value	Carrying Amount (In Thousands)	Fair Value
<u>Non-derivative financial instruments</u>				
Assets				
Short-term investments, net	\$ 52,979,095	\$ 52,979,095	\$ 12,559,019	\$ 12,703,444
Long-term investments (securities with market price)	20,572,150	23,657,754	4,077,198	10,465,676
Liabilities				
Bonds payable (including current portion)	30,000,000	30,607,341	35,000,000	35,850,377
<u>Derivative financial instruments</u>				
Forward exchange contracts (buy)			2,351	3,037
Forward exchange contracts (sell)	391,975	317,090	(99,984)	40,638

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Cross currency swap contracts	761,030	760,012	
Interest rate swap contracts	4,361	(22,714)	2,093
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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 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 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 other long-term payables is determined using the discounted value of expected cash flows, which approximates the carrying value.

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) The fair value of bonds payable is the quoted market value.
- 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.

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 9 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 Note 18.

22. SEGMENT FINANCIAL INFORMATION

a. Gross export sales

Area	2004	2003
Americas	\$ 113,948,320	\$ 103,600,081
Asia and others	91,057,215	63,349,186
Europe	19,084,530	11,706,059
	\$ 224,090,065	\$ 178,655,326

The export sales information is based on amounts billed to customers within the area.

b. Major customers representing at least 10% of net total sales:

In 2004, there is no customer accounted for at least 10% of the Company's total sales. The Company only has one customer that accounts for at least 10% of its total sales in 2003. The sales to such customer amounted to \$ 21,893,320 thousand and \$31,220,104 thousand in 2004 and 2003, representing 8% and 15% of its total sales, respectively.

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TABLE 1**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES****FINANCING PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Financing No. Name	Counter-party	Financial Statement Account	Maximum	Ending	Interest	Type	Reasons	Allowance	Collateral	Borrowing	Financing Company Limit for Amount Limits (US\$ in Thousand)
			Balance for the Period (US\$ in Thousand)	Balance (US\$ in Thousand)		of Financing (Note Amount)					
TSMC International	TSMC Development	Other receivables	\$ 1,915,020 (US\$60,000)	\$ 1,915,020 (US\$60,000)	1.50%	2	Operating capital	\$	\$	N/A	\$ 31,532,987 (US\$987,968 (Note 2)
	TSMC Technology	Other receivables	319,170 (US\$10,000)								
TSMC Partners	TSMC Development	Other receivables	2,553,360 (US\$80,000)	2,553,360 (US\$80,000)	1.50%	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.

TABLE 2**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES****ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Endorsement/ Guarantee Provider Company	Counter-party Name	Nature of Relationship (Note 2)	Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum	Ratio			
				Balance for the Year (US\$ in Thousand)	Ending Balance (US\$ in Thousand)	of Accumulated Value of Collateral to Net Equity of the Collateral/ Plant Latest and Financial Statement (%)	Maximum Amount Allowed (New Taiwan Dollars)	
	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.	\$ 1,915,020 (US\$60,000)	\$ 1,915,020 (US\$60,000)	\$	0.48%	\$ 99,700
	TSMC North America	2		1,276,680 (US\$40,000)	1,276,680 (US\$40,000)		0.32%	
	WaferTech	3		14,043,480 (US\$440,000)				

Note 1: 25% of the net worth of the Company as of December 31, 2004.

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.

TABLE 3**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	December 31, 2004	
					Carrying Value (US\$ in Thousand)	Market Value or Net Asset Value (US\$ in Thousand)
					Percentage of Ownership	
	<u>Government bonds</u>					
	2003 Government Bond Series A		Short-term investment			
	United States Treas NTS		Short-term investment			
	2003 Government Bond Series I		Long-term investment			
	2004 Government Bond Series A		Long-term investment			
	2004 Government Bond Series E		Long-term investment			
	2004 Kaohsiung Municipal Bond Series A		Long-term investment			
	<u>Bonds under repurchase agreement</u>		Short-term investment			
	<u>Bond funds</u>					
	JF Taiwan Bond Fund		Short-term investment	78,698	1,153,209	N/A
	ABN AMRO Bond Fund		Short-term investment	134,906	1,956,175	N/A
	JF Taiwan First Bond Fund		Short-term investment	84,886	1,151,463	N/A
	INVESCO R.O.C. Bond A Fund		Short-term investment	76,705	1,101,911	N/A
	Dresdner Bond DAM Fund		Short-term investment	80,833	900,000	N/A
	Barits Bond Fund		Short-term investment	76,640	900,000	N/A

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Shinkong Chi Shin Bond Fund		Short-term investment	151,594	2,100,000	N/A	2,115,554
ABN AMRO Select Bond Fund		Short-term investment	18,235	200,000	N/A	201,183
NITC Bond Fund		Short-term investment	3,764	600,000	N/A	602,703
HSBC NTD Money Management Fund		Short-term investment	41,568	600,000	N/A	601,958
<u>Stock</u>						
Taiwan Mask Corp.		Short-term investment	1,787	6,528		27,552
TSMC International	Subsidiary	Long-term investment	987,968	23,778,997	100	23,778,997
VIS	Investee	Long-term investment	409,532	5,401,982	28	8,493,692
TSMC Partners	Subsidiary	Long-term investment	300	3,908,356	100	3,908,356
SSMC	Investee	Long-term investment	382	3,290,888	32	3,290,888
	Subsidiary	Long-term investment	11,000	502,242	100	1,179,352
TSMC North America						
GUC	Investee	Long-term investment	39,040	391,626	47	418,272
TSMC Japan	Subsidiary	Long-term investment	6	102,572	100	102,572
VisEra	Investee	Long-term investment	5,100	59,116	25	59,116
TSMC Europe	Subsidiary	Long-term investment		25,439	100	25,439
United Industrial Gases Co., Ltd.		Long-term investment	16,783	193,584	10	284,036
Shin-Etsu Handotai Taiwan Co., Ltd.		Long-term investment	10,500	105,000	7	170,940

(Continued)

				December 31, 2004			
				Carrying			Market
				Value	Percentage		Value or
				(US\$ in	of		Net Asset
				Thousand)	Ownership		Value
				(In			(US\$ in
				Thousand)			Thousand)
Company Name	Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)
	W.K. Technology Fund IV		Long-term investment	5,000	\$ 50,000	2	\$ 55,146
	Hontung Venture Capital Co., Ltd.		Long-term investment	8,392	83,916	10	53,571
	Globaltop Partner I Venture Capital Corp.		Long-term investment	5,000	50,000	1	49,909
<u>Corporate bonds</u>							
	Taiwan Power Company		Short-term investment		2,777,798	N/A	2,749,413
	Abbott Labs		Short-term investment		US\$ 2,732	N/A	US\$ 2,709
	Abbott Labs		Short-term investment		US\$ 1,581	N/A	US\$ 1,587
	Ace Ltd		Short-term investment		US\$ 1,046	N/A	US\$ 1,042
	AIG Sunamerica Global Fing IX		Short-term investment		US\$ 1,032	N/A	US\$ 1,028
	Allstate Finl Global Fdg LLC		Short-term investment		US\$ 3,171	N/A	US\$ 3,096
	American Express Co.		Short-term investment		US\$ 3,550	N/A	US\$ 3,503
	American Gen Fin Corp.		Short-term investment		US\$ 1,768	N/A	US\$ 1,765
	American Gen Fin Corp. Mtn		Short-term investment		US\$ 3,130	N/A	US\$ 3,087
	American Gen Fin Corp. Mtn		Short-term investment		US\$ 1,058	N/A	US\$ 1,042
	American Honda Fin Corp. Mtn		Short-term investment		US\$ 3,800	N/A	US\$ 3,803
	American Intl Group Inc. Mtnf		Short-term investment		US\$ 3,795	N/A	US\$ 3,795
	Amgen Inc.		Short-term investment		US\$ 3,005	N/A	US\$ 2,991
	Amsouth Bk Birmingham Ala		Short-term investment		US\$ 1,972	N/A	US\$ 1,978
	ANZ Cap Tr I		Short-term investment		US\$ 1,012	N/A	US\$ 1,001
	Bank New York Inc.		Short-term investment		US\$ 1,525	N/A	US\$ 1,509

	Short-term investment					
Bank New York Inc.	Short-term investment	US\$	3,945	N/A	US\$	3,943
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\$	574
Bear Stearns Cos Inc.	Short-term investment	US\$	3,518	N/A	US\$	3,493
Bear Stearns Cos Inc. Medium Te	Short-term investment	US\$	3,105	N/A	US\$	3,105
Berkshire Hathaway Fin Corp.	Short-term investment	US\$	1,498	N/A	US\$	1,494
Bristol Myers Squibb Co.	Short-term investment	US\$	3,819	N/A	US\$	3,788
British Telecommunications PLC	Short-term investment	US\$	2,104	N/A	US\$	2,091
Cargill Inc.	Short-term investment	US\$	2,120	N/A	US\$	2,079
Chase Manhattan Corp. New	Short-term investment	US\$	1,628	N/A	US\$	1,613
Cit Group Hldgs Inc.	Short-term investment	US\$	3,203	N/A	US\$	3,195
Citigroup Inc.	Short-term investment	US\$	2,000	N/A	US\$	2,002
Citigroup Inc.	Short-term investment	US\$	1,033	N/A	US\$	1,033
Citigroup Inc.	Short-term investment	US\$	3,583	N/A	US\$	3,523
Colonial Pipeline Co.	Short-term investment	US\$	1,625	N/A	US\$	1,612
Compaq Computer Corp.	Short-term investment	US\$	3,719	N/A	US\$	3,593
Consolidated Edison Co. NY Inc.	Short-term investment	US\$	3,687	N/A	US\$	3,618
Corestates Cap Corp.	Short-term investment	US\$	1,062	N/A	US\$	1,060
Countrywide Fdg Corp. Mtn	Short-term investment	US\$	2,158	N/A	US\$	2,151
Countrywide Home Lns Inc.	Short-term investment	US\$	5,210	N/A	US\$	5,157

(Continued)

		December 31, 2004					
				Carrying Value	Percentage of	Market Value or Net Asset Value (US\$ in thousand)	
Held Company Name	Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	(US\$ in Thousand)	Ownership (%)	Note
	Credit Suisse Fb USA Inc.		Short-term investment	US\$ 2,645	N/A	US\$ 2,599	
	Credit Suisse First Boston		Short-term investment	US\$ 786	N/A	US\$ 779	
	Credit Suisse First Boston USA		Short-term investment	US\$ 2,249	N/A	US\$ 2,240	
	Daimlerchrysler North Amer		Short-term investment	US\$ 997	N/A	US\$ 999	
	Daimlerchrysler North Amer Hld		Short-term investment	US\$ 749	N/A	US\$ 755	
	Dell Computer Corp.		Short-term investment	US\$ 3,054	N/A	US\$ 3,025	
	Den Danske BK Aktieselskab		Short-term investment	US\$ 2,192	N/A	US\$ 2,166	
	Deutsche Telekom Intl Fin BV		Short-term investment	US\$ 1,852	N/A	US\$ 1,838	
	Diageo PLC		Short-term investment	US\$ 3,459	N/A	US\$ 3,477	
	Dow Chem Co.		Short-term investment	US\$ 921	N/A	US\$ 911	
	European Invt Bk Fifth Third Bk Cincinnati OH		Short-term investment	US\$ 8,315	N/A	US\$ 8,236	
	First Data Corp.		Short-term investment	US\$ 2,419	N/A	US\$ 2,466	
	First Un Corp.		Short-term investment	US\$ 3,013	N/A	US\$ 2,986	
	Fleet Finl Group Inc. New		Short-term investment	US\$ 970	N/A	US\$ 965	
	Fleet Finl Corp Inc. New		Short-term investment	US\$ 494	N/A	US\$ 493	
	Ford Mtr Cr Co.		Short-term investment	US\$ 975	N/A	US\$ 962	
	FPL Group Cap Inc.		Short-term investment	US\$ 1,542	N/A	US\$ 1,535	
	FPL Group Cap Inc.		Short-term investment	US\$ 1,001	N/A	US\$ 990	
	FPL Group Cap Inc.		Short-term investment	US\$ 860	N/A	US\$ 846	
				US\$ 3,467	N/A	US\$ 3,455	

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General Elec Cap Corp. Mtn	Short-term investment			
General Elec Cap Corp. Mtn	Short-term investment	US\$ 1,040	N/A	US\$ 1,040
General Elec Cap Corp. Mtn	Short-term investment	US\$ 3,886	N/A	US\$ 3,878
Genworth Finl Inc.	Short-term investment	US\$ 3,412	N/A	US\$ 3,408
Goldman Sachs Group Inc. Mtn	Short-term investment	US\$ 3,505	N/A	US\$ 3,494
Goldman Sachs Group LP	Short-term investment	US\$ 1,637	N/A	US\$ 1,599
Goldman Sachs Group LP	Short-term investment	US\$ 1,100	N/A	US\$ 1,075
Greenpoint Finl Corp.	Short-term investment	US\$ 974	N/A	US\$ 972
GTE Corp.	Short-term investment	US\$ 2,134	N/A	US\$ 2,109
Hancock John Global Fdg Mtn	Short-term investment	US\$ 1,003	N/A	US\$ 986
Hartford Finl Svcs Group Inc.	Short-term investment	US\$ 765	N/A	US\$ 758
Hartford Finl Svcs Group Inc.	Short-term investment	US\$ 296	N/A	US\$ 296
Heller Finl Inc.	Short-term investment	US\$ 1,171	N/A	US\$ 1,163
Hershey Foods Corp.	Short-term investment	US\$ 1,627	N/A	US\$ 1,606
Hewlett Packard Co.	Short-term investment	US\$ 3,373	N/A	US\$ 3,305
Honeywell Inc.	Short-term investment	US\$ 3,284	N/A	US\$ 3,218
Household Fin Corp.	Short-term investment	US\$ 529	N/A	US\$ 522
Household Fin Corp.	Short-term investment	US\$ 2,993	N/A	US\$ 2,985
Household Fin Corp. Mtn Bk Ent	Short-term investment	US\$ 3,542	N/A	US\$ 3,510
HSBC USA Inc. New	Short-term investment	US\$ 1,154	N/A	US\$ 1,134
Huntington Natl Bk	Short-term investment	US\$ 3,003	N/A	US\$ 3,000
Huntington Natl Bk Columbus OH	Short-term investment	US\$ 2,954	N/A	US\$ 2,961
ING Bank	Short-term investment	US\$ 2,114	N/A	US\$ 2,113
ING Sec Life Ins Ingslf	Short-term investment	US\$ 3,012	N/A	US\$ 3,007
Intl Bk For Recon + Dev	Short-term investment	US\$ 5,232	N/A	US\$ 5,102
JP Morgan Chase + Co.		US\$ 1,043	N/A	US\$ 1,039

Jackson Natl Life	Short-term investment			
Global Fdg	Short-term investment	US\$ 1,036	N/A	US\$ 1,032
Jackson Natl Life	Short-term investment			
Global Fdg S	Short-term investment	US\$ 2,998	N/A	US\$ 2,988

(Continued)

				December 31, 2004			
				Carrying			Market
				Value			Value or
				Percentage			Net Asset
				of			Value
				(US\$ in			(US\$ in
				Thousand)			Thousand)
Marketable Securities	Relationship with	Financial Statement	Shares/Units	(In	Thousand)	Ownership	Note
Held Company Name	Type and Name	the Company	Account	Thousand	Thousand	Percentage	Note
			Short-term investment	US\$ 3,663	N/A	US\$ 3,629	
	JP Morgan Chase + Co. Keycorp Mtn Book Entry		Short-term investment	US\$ 3,500	N/A	US\$ 3,502	
	KFW Intl Fin Inc.		Short-term investment	US\$ 5,104	N/A	US\$ 5,027	
	Kraft Foods Inc.		Short-term investment	US\$ 773	N/A	US\$ 765	
	Kraft Foods Inc.		Short-term investment	US\$ 1,037	N/A	US\$ 1,036	
	Lehman Brothers Hldgs Inc.		Short-term investment	US\$ 1,163	N/A	US\$ 1,162	
	Lehman Brothers Hldgs Inc.		Short-term investment	US\$ 3,705	N/A	US\$ 3,634	
	Lehman Brothers Hldgs Inc.		Short-term investment	US\$ 2,171	N/A	US\$ 2,154	
	Lilly Eli + Co.		Short-term investment	US\$ 3,750	N/A	US\$ 3,749	
	Lincoln Natl Corp. In		Short-term investment	US\$ 519	N/A	US\$ 518	
	Merita Bk Ltd NY Brh Merrill Lynch + Co. Inc.		Short-term investment	US\$ 538	N/A	US\$ 533	
	Metropolitan Life Global Mtn		Short-term investment	US\$ 3,486	N/A	US\$ 3,481	
	Monumental Global Fdg II		Short-term investment	US\$ 1,907	N/A	US\$ 1,910	
	Monumental Global Fdg II		Short-term investment	US\$ 2,500	N/A	US\$ 2,501	
	Monumental Global Fdg II 2002A		Short-term investment	US\$ 1,534	N/A	US\$ 1,516	
	Morgan Stanley		Short-term investment	US\$ 1,045	N/A	US\$ 1,034	
	Morgan Stanley Group Inc.		Short-term investment	US\$ 2,136	N/A	US\$ 2,128	
	Morgan Stanley Group Inc.		Short-term investment	US\$ 3,638	N/A	US\$ 3,628	
	Morgan Stanley Group Inc.		Short-term investment	US\$ 1,050	N/A	US\$ 1,048	
				US\$ 1,433	N/A	US\$ 1,422	

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National Westminster Bk PLC	Short-term investment			
Nationsbank Corp.	Short-term investment	US\$ 3,644	N/A	US\$ 3,549
Nationwide Bldg Soc	Short-term investment	US\$ 3,457	N/A	US\$ 3,477
Nationwide Life Global Mtn	Short-term investment	US\$ 1,463	N/A	US\$ 1,469
Pepsico Inc. Mtn Book Entry	Short-term investment	US\$ 3,818	N/A	US\$ 3,817
PNC Fdg Corp.	Short-term investment	US\$ 1,080	N/A	US\$ 1,075
Popular North Amer Inc. Mtn	Short-term investment	US\$ 3,042	N/A	US\$ 3,022
Premark Intl Inc.	Short-term investment	US\$ 2,954	N/A	US\$ 2,914
Pricoa Global Fdg I Mtn	Short-term investment	US\$ 3,507	N/A	US\$ 3,503
Pricoa Global Fdg I Mtn	Short-term investment	US\$ 3,050	N/A	US\$ 3,047
Principal Life Global Fdg I Gl	Short-term investment	US\$ 3,168	N/A	US\$ 3,102
Protective Life Secd Trs	Short-term investment	US\$ 2,920	N/A	US\$ 2,969
Prudential Ins Co. Amer	Short-term investment	US\$ 2,648	N/A	US\$ 2,610
Reinsurance Group Amer Inc.	Short-term investment	US\$ 2,091	N/A	US\$ 2,089
Royal Bk Scotland Group PLC	Short-term investment	US\$ 1,563	N/A	US\$ 1,547
Royal Bk Scotland Group PLC	Short-term investment	US\$ 564	N/A	US\$ 558
Royal Bk Scotland Group PLC	Short-term investment	US\$ 369	N/A	US\$ 364
Safeco Corp.	Short-term investment	US\$ 765	N/A	US\$ 763
Salomon Smith Barney Hldgs Inc.	Short-term investment	US\$ 3,160	N/A	US\$ 3,100
Sara Lee Corp.	Short-term investment	US\$ 1,596	N/A	US\$ 1,601
SBC Communications Inc.	Short-term investment	US\$ 3,681	N/A	US\$ 3,617
SBC Communications Inc.	Short-term investment	US\$ 2,251	N/A	US\$ 2,245
Scotland Intl Fin B V 144A	Short-term investment	US\$ 1,533	N/A	US\$ 1,532
Shell Finance (UK) PLC	Short-term investment	US\$ 3,604	N/A	US\$ 3,553
SLM Corp.	Short-term investment	US\$ 500	N/A	US\$ 501
		US\$ 2,950	N/A	US\$ 2,985

SLM Corp. Medium Term Nts	Short-term investment			
SP Powerassets Ltd Global	Short-term investment	US\$ 991	N/A	US\$ 992
Suntrust Bks Inc.	Short-term investment	US\$ 1,062	N/A	US\$ 1,060 (Continued)

		December 31, 2004			
		Carrying Value	Percentage of		Market Value or Net Asset Value
Marketable Securities	Relationship with	Financial Statement	Shares/Units	(US\$ in	(US\$ in
Old Company Name	Type and Name	the Company	Account	Thousand)	Thousand)
				(In	Ownership
				Thousand)	Thousand)
	Swedbank Sparbanken Svenge AB		Short-term investment	US\$ 1,084	N/A US\$ 1,067
	TIAA Global Mkts Inc.		Short-term investment	US\$ 519	N/A US\$ 514
	Tribune Co. Med Trm Nts		Short-term investment	US\$ 2,943	N/A US\$ 2,965
	Union Planters		Short-term investment	US\$ 2,755	N/A US\$ 2,704
	Unitedhealth Group Inc.		Short-term investment	US\$ 3,119	N/A US\$ 3,097
	US Bk Natl Assn Cincinnati OH		Short-term investment	US\$ 2,669	N/A US\$ 2,687
	Virginia Elec + Pwr Co.		Short-term investment	US\$ 2,884	N/A US\$ 2,838
	Vodafone Group PLC New		Short-term investment	US\$ 2,559	N/A US\$ 2,561
	Wachovia Corp.		Short-term investment	US\$ 3,720	N/A US\$ 3,600
	Wal Mart Cda Venture Corp.		Short-term investment	US\$ 3,670	N/A US\$ 3,602
	Washington Mut Fin Corp.		Short-term investment	US\$ 4,768	N/A US\$ 4,689
	Washington Mut Inc.		Short-term investment	US\$ 4,735	N/A US\$ 4,682
	Washington Post Co.		Short-term investment	US\$ 3,182	N/A US\$ 3,180
	Wells Fargo + Co. New		Short-term investment	US\$ 3,697	N/A US\$ 3,631
	Westfield Cap Corp. Ltd		Short-term investment	US\$ 1,999	N/A US\$ 1,999
	China Steel Corporation		Long-term investment	2,978,804	N/A 2,977,695
	Taiwan Power Company		Long-term investment	915,276	N/A 914,582
	Nan Ya Plastics Corporation		Long-term investment	407,526	N/A 407,484
	Formosa Plastics Corporation		Long-term investment	405,485	N/A 405,322
				202,595	N/A 200,000

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Formosa Petrochemical Corporation	Long-term investment					
<u>Agency bonds</u>						
Fed Hm Ln Pc	Short-term investment	US\$	3,466	N/A	US\$	3,462
Federal Home Ln Bks	Short-term investment	US\$	2,532	N/A	US\$	2,520
Federal Home Ln Bks	Short-term investment	US\$	1,042	N/A	US\$	1,024
Federal Home Ln Bks	Short-term investment	US\$	4,927	N/A	US\$	4,947
Federal Home Ln Bks	Short-term investment	US\$	7,962	N/A	US\$	7,939
Federal Home Ln Bks	Short-term investment	US\$	7,014	N/A	US\$	6,924
Federal Home Ln Bks	Short-term investment	US\$	4,936	N/A	US\$	4,949
Federal Home Ln Bks	Short-term investment	US\$	4,948	N/A	US\$	4,944
Federal Home Ln Bks	Short-term investment	US\$	2,454	N/A	US\$	2,468
Federal Home Ln Bks	Short-term investment	US\$	7,018	N/A	US\$	7,004
Federal Home Ln Bks	Short-term investment	US\$	4,996	N/A	US\$	4,973
Federal Home Ln Bks	Short-term investment	US\$	7,042	N/A	US\$	6,985
Federal Home Ln Bks	Short-term investment	US\$	6,098	N/A	US\$	6,084
Federal Home Ln Bks	Short-term investment	US\$	2,909	N/A	US\$	2,907
Federal Home Ln Bks	Short-term investment	US\$	13,953	N/A	US\$	13,898
Federal Home Ln Bks	Short-term investment	US\$	13,983	N/A	US\$	13,946
Federal Home Ln Bks	Short-term investment	US\$	13,981	N/A	US\$	13,946
Federal Home Ln Mtg Corp	Short-term investment	US\$	6,978	N/A	US\$	6,928
Federal Home Ln Mtg Corp.	Short-term investment	US\$	3,388	N/A	US\$	3,419
Federal Home Ln Mtg Corp	Short-term investment	US\$	4,953	N/A	US\$	4,941
Federal Home Ln Mtg Corp.	Short-term investment	US\$	9,997	N/A	US\$	9,943
Federal Home Ln Mtg Corp.	Short-term investment	US\$	998	N/A	US\$	993
Federal Home Ln Mtg Corp.	Short-term investment	US\$	4,933	N/A	US\$	4,936
		US\$	4,930	N/A	US\$	4,938

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Federal Home Ln Mtg Corp. Mtn	Short-term investment				
Federal Home Loan Mtg Assn	Short-term investment	US\$	4,847	N/A	US\$ 4,891

(Continued)

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		December 31, 2004					
			Carrying	Market			
			Value	Value or			
				Net Asset			
				Value			
				Percentage			
				of			
				(US\$ in			
				Thousand)			
				Ownership			
				(Thousand)			
				Note			
Held Company Name	Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	(US\$ in Thousand)	(US\$ in Thousand)	
	Federal Home Loan Mtg Corp.		Short-term investment	US\$ 4,903	N/A	US\$ 4,943	
	Federal Natl Mtg Assn		Short-term investment	US\$ 5,270	N/A	US\$ 5,237	
	Federal Natl Mtg Assn		Short-term investment	US\$ 6,940	N/A	US\$ 6,937	
	Federal Natl Mtg Assn		Short-term investment	US\$ 6,903	N/A	US\$ 6,917	
	Federal Natl Mtg Assn		Short-term investment	US\$ 4,981	N/A	US\$ 4,953	
	Federal Natl Mtg Assn		Short-term investment	US\$ 6,997	N/A	US\$ 6,983	
	Federal Natl Mtg Assn		Short-term investment	US\$ 15,787	N/A	US\$ 15,798	
	Federal Natl Mtg Assn		Short-term investment	US\$ 7,000	N/A	US\$ 6,976	
	Freddie Mac		Short-term investment	US\$ 4,929	N/A	US\$ 4,934	
	Fed Hm Ln Pc Pool E89857		Short-term investment	US\$ 2,535	N/A	US\$ 2,531	
	Fed Hm Ln Pc Pool G11295		Short-term investment	US\$ 2,277	N/A	US\$ 2,273	
	Federal Home Ln Mtg Corp.		Short-term investment	US\$ 6,096	N/A	US\$ 6,075	
	Federal Home Ln Mtg Corp.		Short-term investment	US\$ 4,435	N/A	US\$ 4,440	
	Federal Home Ln Mtg Corp.		Short-term investment	US\$ 3,558	N/A	US\$ 3,539	
	Federal Home Ln Mtg Corp.		Short-term investment	US\$ 3,645	N/A	US\$ 3,615	
	Federal Natl Mtg Assn		Short-term investment	US\$ 4,242	N/A	US\$ 4,188	
	Federal Natl Mtg Assn		Short-term investment	US\$ 2,141	N/A	US\$ 2,126	
	Federal Natl Mtg Assn		Short-term investment	US\$ 4,765	N/A	US\$ 4,719	
	Federal Natl Mtg Assn		Short-term investment	US\$ 3,486	N/A	US\$ 3,446	
	Gtd FNMA Pool 685116		investment	US\$ 1,003	N/A	US\$ 1,002	

	Short-term investment			
FNMA Pool 725095	Short-term investment	US\$ 2,008	N/A	US\$ 2,003
FNMA Pool 790828	Short-term investment	US\$ 4,807	N/A	US\$ 4,773
FNMA Pool 793932	Short-term investment	US\$ 994	N/A	US\$ 994
FNMA Pool 794040	Short-term investment	US\$ 1,021	N/A	US\$ 1,020
FNMA Pool 795548	Short-term investment	US\$ 977	N/A	US\$ 975
FNMA Pool 806642	Short-term investment	US\$ 2,006	N/A	US\$ 2,004
GNMA II Pool 081150	Short-term investment	US\$ 999	N/A	US\$ 997
GNMA II Pool 081153	Short-term investment	US\$ 3,789	N/A	US\$ 3,766
Government Natl Mtg Assn	Short-term investment	US\$ 1,734	N/A	US\$ 1,700
<u>Corporate issued asset-backed securities</u>				
Aegis Asset Backed Secs Tr	Short-term investment	US\$ 2,000	N/A	US\$ 2,004
Aesop Fed II LLC	Short-term investment	US\$ 4,955	N/A	US\$ 4,963
Aesop Fed II LLC	Short-term investment	US\$ 1,912	N/A	US\$ 1,888
American Express Cr Account Ma	Short-term investment	US\$ 3,445	N/A	US\$ 3,427
American Home Mtg Invt Tr	Short-term investment	US\$ 949	N/A	US\$ 949
Americredit Automobile Receiv	Short-term investment	US\$ 2,002	N/A	US\$ 1,998
Americredit Automobile Rec Tr	Short-term investment	US\$ 1,055	N/A	US\$ 1,048
Americredit Automobile Rec Tr	Short-term investment	US\$ 2,000	N/A	US\$ 1,990
Americredit Automobile Receivb	Short-term investment	US\$ 4,949	N/A	US\$ 4,912
Atlantic City Elc Trns Fdg LLC	Short-term investment	US\$ 926	N/A	US\$ 923
Banc Amer Coml Mtg Inc.	Short-term investment	US\$ 5,364	N/A	US\$ 5,315
Banc Amer Mtg Secs Inc.	Short-term investment	US\$ 4,030	N/A	US\$ 4,006
Bank of Amer Lease Equip Tr	Short-term investment	US\$ 4,023	N/A	US\$ 3,995
Bear Stearns Alt A Tr	Short-term investment	US\$ 1,478	N/A	US\$ 1,489

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Bear Stearns Asset Backed Secs	Short-term investment	US\$ 2,000	N/A	US\$ 2,000
BMW Veh Owner Tr	Short-term investment	US\$ 4,978	N/A	US\$ 4,941

(Continued)

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		December 31, 2004					
			Carrying	Market			
			Value	Value or			
				Net Asset			
				Value			
				Percentage			
				of			
				(US\$ in			
				Thousand)			
				Ownership			
				(Thousand)			
				(US\$ in			
				Thousand)			
				(In			
				Shares/Unit			
				(US\$ in			
				Thousand)			
				Financial Statement			
				Account			
				Relationship with			
				the Company			
				Marketable Securities			
				Held Company Name			
				Type and Name			
	California Infr + Economic Dev		Short-term investment	US\$ 4,298	N/A	US\$ 4,230	
	California Infr + Economic		Short-term investment	US\$ 6,126	N/A	US\$ 6,064	
	California Infrastructure Dev		Short-term investment	US\$ 5,089	N/A	US\$ 5,035	
	Capital Auto Receivables Asset		Short-term investment	US\$ 4,018	N/A	US\$ 3,992	
	Capital One Auto Fin Tr		Short-term investment	US\$ 319	N/A	US\$ 318	
	Capital One Auto Fin Tr		Short-term investment	US\$ 1,147	N/A	US\$ 1,145	
	Capital One Auto Fin Tr		Short-term investment	US\$ 3,000	N/A	US\$ 2,989	
	Capital One Multi Asset Execut		Short-term investment	US\$ 4,957	N/A	US\$ 4,977	
	Caterpillar Finl Asset Tr		Short-term investment	US\$ 10,008	N/A	US\$ 9,923	
	Centex Home Equity Ln Tr		Short-term investment	US\$ 3,500	N/A	US\$ 3,493	
	Cit Equip Coll Tr		Short-term investment	US\$ 4,999	N/A	US\$ 4,991	
	Citibank Cr Card Issuance Tr		Short-term investment	US\$ 4,959	N/A	US\$ 4,965	
	Citicorp Mtg Secs		Short-term investment	US\$ 2,364	N/A	US\$ 2,363	
	CNH Equip Tr		Short-term investment	US\$ 5,000	N/A	US\$ 4,952	
	Comm 2004 Htl 1		Short-term investment	US\$ 4,600	N/A	US\$ 4,607	
	Credit Suisse First Boston Mtg		Short-term investment	US\$ 4,209	N/A	US\$ 4,178	
	CWABS Inc.		Short-term investment	US\$ 1,647	N/A	US\$ 1,662	
	CWABS Inc.		Short-term investment	US\$ 1,903	N/A	US\$ 1,907	
	CWABS Inc.		Short-term investment	US\$ 1,907	N/A	US\$ 1,912	
	CWABS Inc.		Short-term investment	US\$ 2,000	N/A	US\$ 1,997	

	Short-term investment			
CWABS Inc.	Short-term investment	US\$ 5,000	N/A	US\$ 5,055
CWABS Inc.	Short-term investment	US\$ 3,500	N/A	US\$ 3,541
CWALT Inc.	Short-term investment	US\$ 4,292	N/A	US\$ 4,277
CWABS Inc.	Short-term investment	US\$ 2,317	N/A	US\$ 2,298
CWABS Inc.	Short-term investment	US\$ 4,040	N/A	US\$ 4,040
Daimlerchrysler Auto Tr	Short-term investment	US\$ 4,991	N/A	US\$ 4,970
Daimlerchrysler Auto Tr	Short-term investment	US\$ 4,982	N/A	US\$ 4,970
Daimlerchrysler Auto Tr	Short-term investment	US\$ 4,897	N/A	US\$ 4,893
Detroit Edison Securitization	Short-term investment	US\$ 674	N/A	US\$ 671
Fifth Third Auto Tr	Short-term investment	US\$ 3,000	N/A	US\$ 2,999
Finance Amer Mtg Ln Tr	Short-term investment	US\$ 985	N/A	US\$ 986
First Franklin Mtg Ln Tr	Short-term investment	US\$ 2,002	N/A	US\$ 2,006
First Horizon Abs Tr	Short-term investment	US\$ 2,000	N/A	US\$ 2,000
First Union Lehman Bros Mtg Tr	Short-term investment	US\$ 3,567	N/A	US\$ 3,534
First USA Credit Cr Master Tr	Short-term investment	US\$ 5,011	N/A	US\$ 5,008
Ford Cr Auto Owner Tr	Short-term investment	US\$ 10,999	N/A	US\$ 10,936
Granite Mtgs PLC	Short-term investment	US\$ 5,000	N/A	US\$ 5,000
GS Auto Ln Tr	Short-term investment	US\$ 2,948	N/A	US\$ 2,970
GS Mtg Secs Corp.	Short-term investment	US\$ 2,944	N/A	US\$ 2,944
Harley Davidson Motorcycle Tr	Short-term investment	US\$ 3,417	N/A	US\$ 3,400
Harley Davidson Motorcycle Tr	Short-term investment	US\$ 5,999	N/A	US\$ 5,938
Holmes Fing No 8 PLC	Short-term investment	US\$ 5,001	N/A	US\$ 5,052
Honda Auto Receivables	Short-term investment	US\$ 5,000	N/A	US\$ 4,991
Household Automotive Tr	Short-term investment	US\$ 513	N/A	US\$ 511
		US\$ 3,500	N/A	US\$ 3,468

Hyundai Auto Receivables Tr	Short-term investment			
IMPAC Cmb Tr	Short-term investment	US\$ 1,414	N/A	US\$ 1,413
IMPAC Cmb Tr	Short-term investment	US\$ 988	N/A	US\$ 988

(Continued)

	Short-term investment			
Sequoia Mtg Tr	Short-term investment	US\$ 1,488	N/A	US\$ 1,486
Sequoia Mtg Tr	Short-term investment	US\$ 2,000	N/A	US\$ 2,000
Sequoia Mtg Tr	Short-term investment	US\$ 3,500	N/A	US\$ 3,500
Structured Adj Rate Mtg Ln Tr	Short-term investment	US\$ 3,037	N/A	US\$ 3,031
Structured Asset Secs Corp.	Short-term investment	US\$ 1,403	N/A	US\$ 1,394
Thoornburg Mtg Secs Tr	Short-term investment	US\$ 1,921	N/A	US\$ 1,923
Toyota Auto Receivables 2003B	Short-term investment	US\$ 4,970	N/A	US\$ 4,930
Triad Auto Receivables Tr	Short-term investment	US\$ 5,042	N/A	US\$ 4,997
TXU Elec Delivery Transition	Short-term investment	US\$ 7,736	N/A	US\$ 7,715
USAA Auto Owner Tr	Short-term investment	US\$ 4,000	N/A	US\$ 3,991
Wachovia Auto Owner Tr	Short-term investment	US\$ 6,000	N/A	US\$ 5,991
Wachovia Auto Owner Tr	Short-term investment	US\$ 4,999	N/A	US\$ 4,995
WFS Financial Owner Trust	Short-term investment	US\$ 5,008	N/A	US\$ 4,989
WFS Finl 2004 2 Owner Tr	Short-term investment	US\$ 4,994	N/A	US\$ 4,992
WFS Finl 2004 4 Owner Tr	Short-term investment	US\$ 5,399	N/A	US\$ 5,342
Whole Auto Ln Tr	Short-term investment	US\$ 5,967	N/A	US\$ 5,966
Whole Auto Ln Tr	Short-term investment	US\$ 4,000	N/A	US\$ 3,969
Whole Auto Ln Tr	Short-term investment	US\$ 3,000	N/A	US\$ 2,964
World Omni Auto Receivables Tr	Short-term investment	US\$ 5,963	N/A	US\$ 5,906
<u>Commercial papers</u>	Short-term investment	US\$ 2,997	N/A	US\$ 2,997
<u>Corporate issued notes</u>	Short-term investment	US\$ 1,999	N/A	US\$ 1,999

(Continued)

Company Name	Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	December 31, 2004		Market Value or Net Asset Value (US\$ in Thousand)
					Carrying Value (US\$ in Thousand)	Percentage of Ownership	
	<u>Money market funds</u>		Short-term investment		US\$ 21,114	N/A	US\$ 21,114
	<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		43,649	N/A	43,649
MC - North America	TSMC stock	Parent company	Short-term investment	14,151	677,110		696,661
Cherng	TSMC stock	Parent company	Short-term investment	15,670	458,564		771,451
a Ruey	TSMC stock	Parent company	Short-term investment	15,700	459,512		772,897
MC International	<u>Money market fund</u>						
	BOA Fund		Short-term investment	30,300	US\$ 30,300	N/A	US\$ 30,300
	<u>Stock</u>						
	InveStar	Subsidiary	Long-term investment	24,320	US\$ 34,514	97	US\$ 34,514
	InveStar II	Subsidiary	Long-term investment	51,300	US\$ 34,534	97	US\$ 34,534
	TSMC Development	Subsidiary	Long-term investment	1	US\$ 603,993	100	US\$ 603,993
	TSMC Technology	Subsidiary	Long-term investment	1	US\$ 5,544	100	US\$ 5,544
	3DFX Interactive Inc.		Long-term investment	68			
MC Development	WaferTech stock	Subsidiary	Long-term investment		US\$ 484,060	99	US\$ 484,060
Star	<u>Common stock</u>			682	US\$ 67		US\$ 1,370

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RichTek Technology Corp.	Short-term investment				
Advanced Power Electronics Corp.	Short-term investment	1,108	US\$ 502	US\$	697
Broadtek Electronics Corp.	Short-term investment	869	US\$ 275	US\$	225
Monolithic Power Systems, Inc.	Short-term investment	1,975	US\$ 1,567	US\$	19,910
SiRF Technology Holdings, Inc.	Short-term investment	90	US\$ 393	US\$	1,157
Broadtek Electronics Corp.	Long-term investment	145	US\$ 46	US\$	38
Programmable Microelectronics (Taiwan), Corp.	Long-term investment	575	US\$ 208	1 US\$	208
Global Testing Corp.	Long-term investment	13,268	US\$ 5,670	9 US\$	5,670
RichTek Technology Corp.	Long-term investment	842	US\$ 83	1 US\$	1,692
Signia Technologies, Inc.	Long-term investment	701	US\$ 202	3 US\$	202
Incentia Design Systems, Inc.	Long-term investment	365	US\$ 92	1 US\$	92
Advanced Power Electronics Corp.	Long-term investment	1,123	US\$ 508	2 US\$	706
Capella Microsystems (Taiwan), Inc.	Long-term investment	530	US\$ 154	4 US\$	154
<u>Preferred stock</u>					
Integrated Memory Logic, Inc.	Long-term investment	1,831	US\$ 1,221	12 US\$	1,221
Sensory, Inc.	Long-term investment	1,404	US\$ 125	6 US\$	125
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

(Continued)

Marketable Securities	Relationship with	Financial Statements	December 31, 2004					
			Shares/Units	Carrying Value	Percentage of	Market Value or Net Asset Value	Net	
Company Name	Type and Name	the Company	Account	(In Thousand)	(US\$ in Thousand)	Ownership	(US\$ in Thousand)	
	Reflectivity, Inc.		Long-term investment	1,064	US\$ 741	2	US\$ 741	
	IP Unity		Long-term investment	1,008	US\$ 494	2	US\$ 494	
	Tropian, Inc.		Long-term investment	1,758	US\$ 471	3	US\$ 471	
eStar II	<u>Common stock</u>							
	RichTek Technology Corp.		Short-term investment	321	US\$ 184		US\$ 645	
	Monolithic Power Systems, Inc.		Short-term investment	864	US\$ 2,081		US\$ 8,716	
	eChannel Option Holding, Inc.		Long-term investment	358	US\$ 251	4	US\$ 251	
	eLCOS Microdisplay Technology, Ltd.		Long-term investment	270	US\$ 27	1	US\$ 27	
	Signia Technologies, Inc.		Long-term investment	351	US\$ 101	1	US\$ 101	
	Procoat Technology, Inc.		Long-term investment	5,123	US\$ 1,940	10	US\$ 1,940	
	RichTek Technology Corp.		Long-term investment	395	US\$ 226	1	US\$ 794	
	Programmable Microelectronics (Taiwan), Inc.		Long-term investment	177	US\$ 50		US\$ 50	
	Auden Technology MFG. Co., Ltd.		Long-term investment	953	US\$ 738	4	US\$ 738	
	GeoVision, Inc.		Long-term investment	471	US\$ 127	1	US\$ 127	
	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	
	EON Technology, Corp.		Long-term investment	3,276	US\$ 1,175	8	US\$ 1,175	
	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	

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Ralink Technology (Taiwan), Inc.	Long-term investment	1,833	US\$	791	3	US\$	791
Silicon Data International Co., Inc.	Long-term investment	2,000	US\$	204	3	US\$	204
Capella Microsystems (Taiwan), Inc.	Long-term investment	419	US\$	122	3	US\$	122

Preferred stock

Memsic, Inc.	Long-term investment	2,289	US\$	1,560	8	US\$	1,560
eLCOS Microdisplay Technology, Ltd.	Long-term investment	2,667	US\$	3,500	15	US\$	3,500
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	1,582	US\$	3,082	5	US\$	3,082
Reflectivity, Inc.	Long-term investment	4,255	US\$	2,205	5	US\$	2,205
Tropian, Inc.	Long-term investment	1,464	US\$	393	2	US\$	393
Kilopass Technologies, Inc.	Long-term investment	3,887	US\$	2,000	19	US\$	2,000
FangTek, Inc.	Long-term investment	6,806	US\$	3,250	34	US\$	3,250
Alchip Technologies Limited	Long-term investment	2,579	US\$	2,950	18	US\$	2,950

erging Alliance

Common stock

Global Investment Holding, Inc.	Long-term investment	10,000		100,000	6		100,000
RichWave Technology Corp.	Long-term investment	2,600	US\$	867	13	US\$	867
NetLogic Microsystems, Inc.	Long-term investment	113	US\$	1,388	1	US\$	1,388

Preferred stock

Quake Technologies, Inc.	Long-term investment	601	US\$	450	1	US\$	450
Pixim, Inc.	Long-term investment	1,721	US\$	2,382	3	US\$	2,382
Newport Opticom, Inc.	Long-term investment	962	US\$	250	6	US\$	250
Ikanos Communication, Inc.	Long-term investment	7,446	US\$	3,125	3	US\$	3,125

(Continued)

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004				
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
	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
	Teknovus, Inc.		Long-term investment	5,556	US\$	1,000	3	US\$ 1,000
	Miradia, Inc. (Formerly XHP Microsystems, Inc.)		Long-term investment	3,040	US\$	1,000	4	US\$ 1,000
	Axiom Microdevices, Inc.		Long-term investment	1,000	US\$	1,000	5	US\$ 1,000
	Optichron, Inc.		Long-term investment	714	US\$	1,000	6	US\$ 1,000
	Audience, Inc.		Long-term investment	1,654	US\$	250	2	US\$ 250
	Next IO, Inc.		Long-term investment	800	US\$	500	2	US\$ 500
	NuCORE Technology Inc.		Long-term investment	2,254	US\$	1,455	2	US\$ 1,455
	Centrality Communications, Inc.		Long-term investment	809	US\$	1,000	2	US\$ 1,000
	Layer N Networks, Inc.		Long-term investment	1,905	US\$	1,000	2	US\$ 1,000
F II	<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
	Ivyon Technology, Inc.		Long-term investment	200	US\$	775	10	US\$ 775
	<u>Preferred stock</u>							
	Powerprecise Solutions, Inc.		Long-term investment	258	US\$	250	3	US\$ 250
	Tzero Technologies, Inc.		Long-term investment	244	US\$	500	2	US\$ 500

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Miradia, Inc.		Long-term investment	1,809	US\$ 1,600	2	US\$ 1,600
Agelia 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
Axiom Microdevices, Inc.		Long-term investment	686	US\$ 700	5	US\$ 700
Next IO, Inc.		Long-term investment	216	US\$ 182		US\$ 182
<u>Bond funds</u>						
Grand Cathay		Short-term investment	3,608	45,543	N/A	45,544
TIIM		Short-term investment	703	9,698	N/A	9,698
Polaris De Li		Short-term investment	1,550	22,800	N/A	22,800
EnTrust Kirin		Short-term investment	2,106	22,697	N/A	22,698
E. Sun New Era		Short-term investment	1,920	20,313	N/A	20,314
Jih Sun		Short-term investment	772	10,262	N/A	10,262
EnTrust Phoenix		Short-term investment	2,081	30,563	N/A	30,564
Transcend Fortune		Short-term investment	1,936	22,947	N/A	22,948
<u>Stock funds</u>						
TIIM DaLi		Short-term investment	296	5,000	N/A	4,474
UPAMC Global Select Fund of Funds		Short-term investment	336	3,364	N/A	3,378
Sheng Hua 9966 Balance		Short-term investment	300	3,000	N/A	3,011
<u>Stock</u>						
Global Unichip Corporation		Long-term investment				
NA	Subsidiary		100	3,375	100	3,375

TABLE 4**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES****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 YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal Amount (US\$ in Thousand)	Disposal (US\$ in Thousand)
			Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)		
Short-term investment	BOA		40,000	\$ 1,359,120 (US\$)		\$	40,000	\$ 1,359,120 (US\$)
Short-term investment	Goldman Sachs		20,000	40,000 (US\$)			20,000	679,560 (US\$)
Short-term investment	JF Asset Management (Taiwan) Ltd.		34,343	500,000	68,021	1,000,000	23,666	350,000
Short-term investment	ABN AMRO		34,794	500,000	165,257	2,400,000	65,145	950,000
Short-term investment	ABN AMRO				18,235	200,000		
Short-term investment	JF Asset Management (Taiwan) Ltd.				110,580	1,500,000	25,694	350,000
Short-term investment	INVESCO Asset Management Taiwan				93,975	1,350,000	17,270	250,000
Short-term investment	Allianz Dresdner Securities Investment Consulting Co., Ltd.				80,833	900,000		
Short-term investment	Barits Securities Investment Trust Co., Ltd.				76,640	900,000		
Short-term investment	Shinkong Investment				151,594	2,100,000		

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Short-term investment	Trust Co., Ltd. National Investment	3,764	600,000		
Short-term investment	Trust Co., Ltd. HSBC Asset Management (Taiwan) Ltd.	41,568	600,000		
Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	1,800,000	2,577,163	4,127,714	
Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	1,422,197		1,427,762	
Short-term investment	BNP and several financial institutions	3,157,331		3,169,750	
Short-term investment	BNP and several financial institutions	3,113,066		3,133,875	
Short-term investment	BNP and several financial institutions		2,023,206	2,031,500	
Short-term investment	BNP and several financial institutions		1,207,409		
Short-term investment			US\$ 699,398	US\$ 506,162	US\$
Long-term investment	FCB and several financial institutions		3,402,213		
Long-term investment	China Bills Finance Corp. and several financial institutions		2,349,573		
Long-term investment	BNP and several financial institutions		3,890,925		

ong-term vestment	KGI Securities Co., Ltd. and several financial institutions	620,000			
ort-term vestment	KGI Securities Co., Ltd.	2,777,798			
ort-term vestment		US\$ 3,171			
ort-term vestment		US\$ 3,550			
ort-term vestment		US\$ 3,503	US\$ 3,504	US\$	
ort-term vestment		US\$ 3,130			

(Continued)

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal Amount (US\$ in Thousand)
			Shares/Units	Amount	Shares/Units	Amount	
			(Thousand)	(US\$ in Thousand)	(Thousand)	(US\$ in Thousand)	
Short-term investment				\$		US\$3,702	
Short-term investment						US\$3,509	US\$3,509
Short-term investment						US\$3,750	US\$3,750
Short-term investment						US\$3,800	
Short-term investment						US\$3,795	
Short-term investment						US\$3,005	
Short-term investment						US\$3,945	
Short-term investment						US\$3,693	US\$3,693
Short-term investment						US\$3,805	US\$3,805
Short-term investment						US\$3,518	
Short-term investment						US\$3,105	
Short-term investment						US\$3,819	
Short-term investment						US\$3,277	US\$3,277
Short-term investment						US\$3,837	US\$3,837
Short-term investment						US\$3,203	
Short-term investment						US\$3,583	
Short-term investment						US\$3,719	
Short-term investment						US\$3,687	
Short-term investment						US\$3,534	US\$3,534
Short-term investment						US\$5,210	
						US\$3,177	US\$3,177

Short-term investment		
Short-term investment	US\$3,054	
Short-term investment	US\$3,459	
Short-term investment	US\$8,315	
Short-term investment	US\$4,237	
Short-term investment	US\$4,847	
Short-term investment	US\$3,013	
Short-term investment	US\$3,507	US\$3,4
Short-term investment	US\$3,467	
Short-term investment	US\$3,886	
Short-term investment	US\$3,412	
Short-term investment	US\$3,505	
Short-term investment	US\$3,820	
Short-term investment	US\$3,373	
Short-term investment	US\$3,284	
Short-term investment	US\$3,712	US\$3,6
Short-term investment	US\$3,542	
Short-term investment	US\$3,003	
Short-term investment	US\$3,012	
Short-term investment	US\$5,232	
Short-term investment	US\$3,638	US\$3,6
Short-term investment	US\$3,128	
Short-term investment	US\$3,663	
Short-term investment	US\$3,500	
Short-term investment	US\$5,104	
	US\$3,417	US\$3,3

Short-term investment		
Short-term investment	US\$3,705	
Short-term investment	US\$3,750	
Short-term investment	US\$3,497	US\$3,4
Short-term investment	US\$3,486	
Short-term investment	US\$3,129	
Short-term investment	US\$5,741	
Short-term investment	US\$4,763	US\$3,7
Short-term investment	US\$3,644	
Short-term investment	US\$3,457	
Short-term investment	US\$3,413	
Short-term investment	US\$3,818	
Short-term investment	US\$3,042	
Short-term investment	US\$3,507	

(Continued)

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Shares/Units (Thousand)	Amount (US\$ in Thousand)
			Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)		
Short-term investment				\$	US\$	3,050		
Short-term investment					US\$	3,168		
Short-term investment					US\$	3,160		
Short-term investment					US\$	3,681		
Short-term investment					US\$	3,604		
Short-term investment					US\$	3,631		US\$3,1
Short-term investment					US\$	3,119		
Short-term investment					US\$	3,177		US\$3,1
Short-term investment					US\$	3,172		US\$3,1
Short-term investment					US\$	3,720		
Short-term investment					US\$	3,670		
Short-term investment					US\$	4,768		
Short-term investment					US\$	4,735		
Short-term investment					US\$	3,182		
Short-term investment					US\$	3,697		
Long-term investment	Chung Shing Bills Finance Corp.					2,997,430		
Long-term investment	BNP and several financial institutions					950,646		
Long-term investment	Chung Shing Bills Finance Corp.					408,538		
						406,245		

ong-term investment	Chung Shing Bills Finance Corp.		
ong-term investment	Chung Shing Bills Finance Corp.	202,980	
hort-term investment		US\$ 6,096	
hort-term investment		US\$ 4,725	
hort-term investment		US\$ 3,558	
hort-term investment		US\$ 5,861	
hort-term investment		US\$ 3,393	
hort-term investment		US\$ 6,130	
hort-term investment		US\$ 6,371	
hort-term investment		US\$ 7,000	
hort-term investment		US\$ 5,014	
hort-term investment		US\$ 3,817	
hort-term investment		US\$ 4,829	US\$4,829
hort-term investment		US\$ 4,473	
hort-term investment		US\$ 3,466	
hort-term investment		US\$ 5,210	US\$4,130
hort-term investment		US\$ 4,927	
hort-term investment		US\$ 14,938	US\$6,938
hort-term investment		US\$ 7,014	
hort-term investment		US\$ 4,936	
hort-term investment		US\$ 9,956	US\$9,956
hort-term investment		US\$ 5,264	US\$5,264
hort-term investment		US\$ 4,948	
hort-term investment		US\$ 7,018	

short-term investment	US\$	9,993	US\$5,000
short-term investment	US\$	7,042	
short-term investment	US\$	6,098	
short-term investment	US\$	13,953	
short-term investment	US\$	13,983	
short-term investment	US\$	13,981	
short-term investment	US\$	6,978	
short-term investment	US\$	3,388	
short-term investment	US\$	4,907	US\$4,907
short-term investment	US\$	4,953	
short-term investment	US\$	9,997	
short-term investment	US\$	9,971	US\$9,971
short-term investment	US\$	11,984	US\$10,984

(Continued)

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Shares/Units (Thousand)	Dispos Amount (US\$ in Thousand)
			Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)		
Short-term investment				\$		US\$4,933		\$
Short-term investment						US\$4,930		
Short-term investment						US\$4,903		
Short-term investment						US\$11,036		US\$10,997
Short-term investment						US\$10,496		US\$10,430
Short-term investment						US\$5,270		
Short-term investment						US\$4,982		US\$4,983
Short-term investment						US\$6,940		
Short-term investment						US\$4,867		US\$4,938
Short-term investment						US\$6,903		
Short-term investment						US\$4,981		
Short-term investment						US\$6,997		
Short-term investment						US\$4,993		US\$4,993
Short-term investment						US\$5,000		
Short-term investment						US\$15,787		
Short-term investment						US\$4,929		
Short-term investment						US\$16,000		US\$16,000
Short-term investment						US\$4,955		
Short-term investment						US\$3,445		
Short-term investment						US\$4,949		

short-term investment	US\$5,503	
short-term investment	US\$4,030	
short-term investment	US\$4,023	
short-term investment	US\$4,978	
short-term investment	US\$4,298	
short-term investment	US\$8,383	
short-term investment	US\$7,419	
short-term investment	US\$4,627	
short-term investment	US\$3,093	US\$3,072
short-term investment	US\$4,957	
short-term investment	US\$5,032	US\$5,000
short-term investment	US\$10,008	
short-term investment	US\$3,500	
short-term investment	US\$4,999	
short-term investment	US\$4,959	
short-term investment	US\$5,000	
short-term investment	US\$4,600	
short-term investment	US\$5,000	
short-term investment	US\$5,000	
short-term investment	US\$3,500	
short-term investment	US\$4,718	
short-term investment	US\$3,129	
short-term investment	US\$4,040	
short-term investment	US\$4,991	
short-term investment	US\$4,982	
short-term investment	US\$4,897	

short-term investment		
short-term investment	US\$4,177	
short-term investment	US\$5,011	
short-term investment	US\$10,999	
short-term investment	US\$4,000	US\$4,003
short-term investment	US\$5,000	
short-term investment	US\$4,000	
short-term investment	US\$4,000	
short-term investment	US\$4,000	
short-term investment	US\$5,999	
short-term investment	US\$5,001	

(Continued)

Type and	Financial Statement	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal
				Shares/Units	Amount	Shares/Units	Amount	
				(Thousand)	(US\$ in Thousand)	(Thousand)	(US\$ in Thousand)	
	Short-term investment			\$		US\$ 5,000		\$
es Tr	Short-term investment					US\$ 3,500		
	Short-term investment					US\$ 4,000		
I	Short-term investment					US\$ 3,500		
ner Tr	Short-term investment					US\$ 4,928		
	Short-term investment					US\$ 7,000		
Owner	Short-term investment					US\$ 4,999		
Owner	Short-term investment					US\$ 4,853		
	Short-term investment					US\$ 4,913		
C	Short-term investment					US\$ 5,102		US\$5,036 U
er Tr	Short-term investment					US\$ 4,204		
er Tr	Short-term investment					US\$ 3,992		
n Bd	Short-term investment					US\$ 5,185		
ods	Short-term investment					US\$ 3,766		
s I Inc	Short-term investment					US\$ 3,947		
	Short-term investment					US\$ 3,500		
Ln Tr	Short-term investment					US\$ 3,058		
2003 B	Short-term investment					US\$ 4,970		
Tr	Short-term investment					US\$ 5,042		
sition	Short-term investment					US\$ 8,009		
						US\$ 4,000		

	Short-term investment				
r	Short-term investment			US\$ 6,000	
r	Short-term investment			US\$ 4,999	
ust	Short-term investment			US\$ 5,008	
Tr	Short-term investment			US\$ 3,904	
Tr	Short-term investment			US\$ 4,994	
Tr	Short-term investment			US\$ 5,399	
	Short-term investment			US\$ 5,967	
	Short-term investment			US\$ 4,000	
ables Tr	Short-term investment			US\$ 5,963	
ables Tr	Short-term investment			US\$ 5,000	US\$4,986
	Short-term investment			US\$21,114	
pp.	Short-term investment	947	US\$ 121	1,595	US\$6,783
Inc.	Short-term investment	1,205	US\$3,593	1,205	US\$8,972
ns, Inc.	Short-term investment	2,521	US\$2,000	546	US\$4,318
pp.	Short-term investment	465	US\$ 346	768	US\$3,394

Note: The ending balance included the recognition of the investment income (loss) by the equity method, the cumulative translation adjustments and the bond premium or discount amortization amount.

TABLE 5**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20%
OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2004
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Transaction Date	Amount	Payment Term	Counter-party	Nature of Prior Transaction	Owner Relationship	Transfer Date	Counter-party Amount	R
	\$1,484,370	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)	N/A	N/A	N/A	N/A	Pub
	420,168	By the construction progress	CHRIST AG	N/A	N/A	N/A	N/A	Pub
	224,800	By the construction progress	Allis Electric Co., Ltd.	N/A	N/A	N/A	N/A	Pub
	340,307	By the construction progress	United Industry gas Corp., Ltd.	N/A	N/A	N/A	N/A	Pub
	116,181	By the construction progress	United Industry gas Corp., Ltd.	N/A	N/A	N/A	N/A	Pub
	133,092	By the construction progress	BOC EDWARDS, CMS	N/A	N/A	N/A	N/A	Pub
	165,208	By the construction progress	Organo Corporation	N/A	N/A	N/A	N/A	Pub
	225,744	By the construction progress	Marketch International Corp.	N/A	N/A	N/A	N/A	Pub
	100,767	By the construction progress	Kanto Chemical Co., Inc.	N/A	N/A	N/A	N/A	Pub
	466,833	By the construction progress	United Integrated Services Co., Ltd.	N/A	N/A	N/A	N/A	Pub
	300,000	By the construction progress	United Integrated Services Co., Ltd.	N/A	N/A	N/A	N/A	Pub
	122,969	By the construction progress	Marketch International Corp.	N/A	N/A	N/A	N/A	Pub
	185,984	By the construction progress	Marketch International Corp.	N/A	N/A	N/A	N/A	Pub
	182,060	By the construction progress	Marketch International Corp.	N/A	N/A	N/A	N/A	Pub
4	105,299	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)	N/A	N/A	N/A	N/A	Pub

TABLE 6**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Related Party	Nature of Relationship	Purchase/ Sale	Amount	Transaction Details		Abnormal Transaction	
				% to	Payment Terms	Unit Price	Payment Terms
North America	Subsidiary	Sales	\$ 142,271,732	55	Net 30 days after invoice date	None	None
and its affiliates	Major shareholder	Sales	5,463,565	2	Net 30 days after monthly closing	None	None
	Investee	Sales	371,546		Net 30 days after monthly closing	None	None
h	Subsidiary	Purchases	15,203,047	34	Net 30 days after monthly closing	None	None
	Investee	Purchases	9,169,602	13	Net 30 days after monthly closing	None	None
	Investee	Purchases	5,869,123	21	Net 30 days after monthly closing	None	None

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TABLE 7**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

					Overdue
Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Amount	Action Taken
SMC North America	Subsidiary	\$15,526,964	38 days	\$5,044,202	
SMC Shanghai	Subsidiary	1,473,365	(Note 1)	145,146	Accelerate demand on account receivable
Philips and its affiliates	Major shareholder	581,487	49 days	7,136	

Note 1: The ending balance is generated mainly from the sales of machinery, so it is not applicable for the calculation of the turnover rate.

TABLE 8**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES****NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE****DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Location	Main Businesses and Products	Original Investment Amount		Balance as of December 2004		Carrying Value
		December 31, 2004	December 31, 2003	Shares (Thousands)	Percentage of Ownership	
San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	\$ 333,178	\$ 333,178	11,000	100	\$ 502,000
Amsterdam, the Netherlands	Marketing activities	15,749	15,749		100	25,000
Yokohama, Japan	Marketing activities	83,760	83,760	6	100	102,000
Shanghai, China	Manufacturing and marketing of integrated circuits and semiconductor devices	9,187,962	1,890,952		100	8,113,000
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	409,532	28	5,401,000
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	23,778,000
Taipei, Taiwan	Investment activities	300,000	300,000		36	50,000
Taipei, Taiwan	Investment activities	300,000	300,000		36	49,000
Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,908,000
Singapore	Fabrication and supply of integrated circuits	6,408,190	6,408,190	382	32	3,290,000
Cayman Islands	Investing in new start-up technology companies	1,447,957	1,179,690		99	823,000
Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	409,920	409,920	39,040	47	391,000
Hsin-Chu, Taiwan	Manufacturing, material wholesaling and retailing of electronic spare parts	51,000	51,000	5,100	25	59,000
Cayman Islands	Investing in new start-up technology companies	332,412			98	329,000

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

Note 2: The gains or losses on disposal of the stocks held by subsidiaries (treated as treasury stocks) and the paid-in capital from cash dividend distributed by parent company are excluded.

TABLE 9**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES****INFORMATION OF INVESTMENT IN MAINLAND CHINA****DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Main Businesses and Products	Total Amount		Accumulated Outflow of Investment from Taiwan as of		Accumulated Outflow of Investment from Taiwan as of		Percentage of Investment Ownership in (N)
	of Paid-in Capital	Investment Type	January 1, 2004	Investment Flows	December 31, 2004	Investment(N)	
	(RMB in Thousand)		(US\$ in Thousand)	(US\$ in Thousand)	(US\$ in Thousand)	(US\$ in Thousand)	
any Manufacturing and marketing of integrated circuits and semiconductor devices	\$9,187,962 (RMB2,284,355)	(Note 1)	\$1,890,952 (US\$56,000)	\$7,297,010 (US\$220,000)	\$ 9,187,962 (US\$276,000)		100% \$(7

Accumulated Investment in Mainland China as of December 31, 2004 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
\$9,187,962 (US\$276,000)	\$ 11,841,207 (US\$371,000)	\$ 11,841,207 (US\$371,000)

Note 1: Direct investment in TSMC (Shanghai) US\$276,000 thousand.

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

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

**Consolidated Financial Statements for the
Years Ended December 31, 2004 and 2003 and
Independent Auditors Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Ltd. and subsidiaries (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and generally accepted accounting principles in the Republic of China.

January 13, 2005 (January 30, 2005 as to Note 22m)

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 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 financial statements shall prevail.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

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

	2004		2003	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 74,302,351	15	\$ 102,988,896	26
Short-term investments, net (Notes 2 and 4)	54,107,951	11	13,611,536	3
Receivables from related parties (Note 20)	654,377		920,444	
Notes receivable	2,942		9,893	
Accounts receivable	31,211,481	7	28,495,269	7
Allowance for doubtful receivables (Note 2)	(982,843)		(1,020,398)	
Allowance for sales returns and others (Note 2)	(3,342,450)	(1)	(2,135,843)	
Other receivables from related parties (Note 20)	141,578		131,731	
Other financial assets (Notes 2 and 23)	2,212,371		1,373,705	
Inventories, net (Notes 2 and 5)	15,555,937	3	12,135,324	3
Deferred income tax assets, net (Notes 2 and 14)	8,917,986	2	8,398,205	2
Prepaid expenses and other current assets	1,667,401		1,632,908	
Total current assets	184,449,082	37	166,541,670	41
LONG-TERM INVESTMENTS (Notes 2, 6, 18 and 23)				
Equity method	9,143,612	2	7,255,239	2
Cost method	3,266,330	1	3,492,775	1
Long-term bonds	15,170,167	3		
Other investments	10,521,740	2		
Total long-term investments	38,101,849	8	10,748,014	3
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7, 10 and 20)				
Cost				
Land and land improvements	803,508		855,394	
Buildings	97,882,699	19	79,778,533	20
Machinery and equipment	433,130,364	87	371,315,729	91
Office equipment	8,538,225	2	7,457,538	2
Leased assets	566,243		726,585	
Total cost	540,921,039	108	460,133,779	113

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Accumulated depreciation	(331,253,866)	(66)	(275,013,069)	(68)
Advance payments and construction in progress	49,244,153	10	26,733,553	7
Net property, plant and equipment	258,911,326	52	211,854,263	52
GOODWILL (Note 2)	7,115,510	1	8,720,917	2
OTHER ASSETS				
Deferred charges, net (Notes 2, 8 and 22)	8,992,452	2	7,992,016	2
Deferred income tax assets, net (Notes 2 and 14)	1,649,979		1,111,367	
Refundable deposits (Note 20)	106,448		199,522	
Others	127,445		232,762	
Total other assets	10,876,324	2	9,535,667	2
TOTAL	\$ 499,454,091	100	\$ 407,400,531	100

	2004		2003	
	Amount	%	Amount	%
LIABILITIES AND SHAREHOLDERS EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Note 9)	\$ 383,004		\$ 407,736	
Payables to related parties (Note 20)	2,217,815	1	3,248,289	1
Accounts payable	7,264,419	2	6,438,604	2
Payable to contractors and equipment suppliers	33,427,702	6	7,232,103	2
Accrued expenses and other current liabilities (Notes 2, 12 and 22)	10,126,368	2	8,094,191	2
Current portion of bonds payable (Note 11)	10,500,000	2	5,000,000	1
Total current liabilities	63,919,308	13	30,420,923	8
LONG-TERM LIABILITIES				
Long-term bank loans (Note 10)	1,915,020		8,800,302	2
Bonds payables (Note 11)	19,500,000	4	30,000,000	7
Other long-term payables (Note 12)	7,964,975	2	3,300,829	1
Other payables to related parties (Notes 20 and 22)	2,317,972			
Liability under capital lease (Notes 2 and 7)	566,243		726,585	
Total long-term liabilities	32,264,210	6	42,827,716	10

OTHER LIABILITIES

Accrued pension cost (Notes 2 and 13)	3,101,707	1	2,601,450	1
Guarantee deposits (Note 22)	412,881		763,889	
Others	714,949		1,483,245	

Total other liabilities	4,229,537	1	4,848,584	1
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MINORITY INTEREST IN SUBSIDIARIES (Note 2)	75,737		88,999	
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Total liabilities	100,488,792	20	78,186,222	19
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SHAREHOLDERS' EQUITY (Notes 2 and 16)

Capital stock \$10 par value				
Authorized: 24,600,000 thousand shares				
Issued: 23,251,964 thousand shares in 2004 and 20,266,619 thousand shares in 2003	232,519,637	47	202,666,189	50
Capital surplus	56,537,259	11	56,855,885	14
Retained earnings:				
Appropriated as legal reserve	25,528,007	5	20,802,137	5
Appropriated as special reserve			68,945	
Unappropriated earnings	88,202,009	18	50,229,008	12
Others:				
Unrealized loss on long-term investments (Note 2)			(35)	
Cumulative translation adjustments (Note 2)	(2,226,427)	(1)	225,408	
Treasury stock (at cost) 45,521 thousand shares in 2004 and 40,597 thousand shares in 2003 (Notes 2 and 18)	(1,595,186)		(1,633,228)	

Total shareholders' equity	398,965,299	80	329,214,309	81
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TOTAL	\$ 499,454,091	100	\$ 407,400,531	100
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The accompanying notes are an integral part of the consolidated financial statements.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003****(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)**

	2004		2003	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 20)	\$ 261,947,351		\$ 207,279,137	
SALES RETURNS AND ALLOWANCES (Note 2)	(4,734,733)		(4,282,325)	
NET SALES (Note 24)	257,212,618	100	202,996,812	100
COST OF SALES (Notes 15 and 20)	141,393,435	55	128,113,334	63
GROSS PROFIT	115,819,183	45	74,883,478	37
OPERATING EXPENSES (Notes 15, 20 and 24)				
Research and development	12,516,434	5	12,712,695	6
General and administrative	11,454,374	4	8,199,965	4
Marketing	3,366,701	1	2,670,237	2
Total operating expenses	27,337,509	10	23,582,897	12
INCOME FROM OPERATIONS	88,481,674	35	51,300,581	25
NON-OPERATING INCOME AND GAINS (Note 24)				
Investment income recognized by equity method, net (Notes 2 and 6)	2,094,137	1		
Interest (Notes 2 and 23)	1,858,359	1	888,107	1
Gain on sales of investments, net (Note 2)	914,541		3,538,081	2
Technical service income (Notes 20 and 22)	423,804		209,764	
Gain on disposal of property, plant and equipment (Note 2)	242,785		438,809	
Other (Note 20)	556,598		594,551	
Total non-operating income and gains	6,090,224	2	5,669,312	3
NON-OPERATING EXPENSES AND LOSSES (Note 24)				
Interest (Notes 2, 7 and 23)	1,528,908	1	1,891,009	1

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Foreign exchange loss, net (Notes 2 and 23)	382,164	755,100	1
Loss on impairment of long-term investments (Note 2)	350,608	652,718	
Loss on disposal of property, plant and equipment (Note 2)	131,148	374,126	
Unrealized valuation loss of short-term investments (Note 2)	75,212		
Loss on impairment of property, plant and equipment and idle assets (Note 2)		1,506,199	1

(Continued)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003****(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)**

	2004		2003	
	Amount	%	Amount	%
Investment loss recognized by equity method, net (Notes 2 and 6)	\$		\$ 294,244	
Other	138,271		317,852	
Total non-operating expenses and losses	2,606,311	1	5,791,248	3
INCOME BEFORE INCOME TAX AND MINORITY INTEREST (Note 24)	91,965,587	36	51,178,645	25
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 14)	363,426		(3,922,957)	(2)
INCOME BEFORE MINORITY INTEREST	92,329,013	36	47,255,688	23
MINORITY INTEREST IN LOSS (INCOME) OF SUBSIDIARIES (Notes 2 and 24)	(12,898)		3,012	
CONSOLIDATED NET INCOME	\$ 92,316,115	36	\$ 47,258,700	23

	2004		2003	
	Income Before Income Tax and Minority Interest	Consolidated Net Income	Income Before Income Tax and Minority Interest	Consolidated Net Income
CONSOLIDATED EARNINGS PER SHARE (NT\$, Note 19)				
Basic earnings per share	\$ 3.96	\$ 3.97	\$ 2.19	\$ 2.02
Diluted earnings per share	\$ 3.95	\$ 3.97	\$ 2.19	\$ 2.02

(Concluded)

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)

Amount	Capital Stock Issued		Capital Surplus	Legal Reserve	Retained Earnings		Total	Unrealized Loss on Long-term Investments	Cumulative Translation Adjustments
	Common Stock Shares (Thousand)	Common Stock Amount			Special Reserve	Unappropriated Earnings			
18,622,887	18,622,887	\$ 186,228,867	\$ 57,004,789	\$ 18,641,108	\$	\$ 22,151,089	\$ 40,792,197	\$ (194,283)	\$ 945,000,000
									(158,924)
				2,161,029		(2,161,029)			
					68,945	(68,945)			
	153,901	1,539,013				(1,539,013)	(1,539,013)		
						(455,000)	(455,000)		
	1,489,831	14,898,309				(14,898,309)	(14,898,309)		
						(58,485)	(58,485)		
						47,258,700	47,258,700		

							194,248	
								(719,248)
		10,020						
20,266,619	202,666,189	56,855,885	20,802,137	68,945	50,229,008	71,100,090	(35)	225,400
			4,725,870		(4,725,870)			
				(68,945)	68,945			
					(681,628)	(681,628)		
272,651	2,726,514				(2,726,514)	(2,726,514)		
					(184,493)	(184,493)		
					(12,159,971)	(12,159,971)		
2,837,327	28,373,267				(28,373,267)	(28,373,267)		
					(127,805)	(127,805)		
					92,316,115	92,316,115		

34,059

35

(2,451,8

87

867

2,757

22,781

1,864

(124,720)

(1,247,200)

(380,087)

(5,432,511)

(5,432,511)

23,251,964

\$ 232,519,637

\$ 56,537,259

\$ 25,528,007

\$ 88,202,009

\$ 113,730,016

\$ (2,226,

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 92,316,115	\$ 47,258,700
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	69,818,457	69,161,317
Deferred income taxes	(1,058,393)	3,665,383
Investment loss (income) recognized by equity method, net	(2,094,137)	294,244
Amortization of premium/discount of long-term bond investments	28,673	
Loss on impairment of property, plant and equipment, and idle assets		1,506,199
Loss on impairment of long-term investments	350,608	652,718
Gain on sales of long-term investments, net	(85,203)	(78,694)
Gain on disposal of property, plant and equipment, net	(111,637)	(64,683)
Accrued pension cost	500,257	389,890
Minority interest in income (loss) of subsidiaries	12,898	(3,012)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables from related parties	266,067	(544,764)
Notes receivable	6,951	50,347
Accounts receivable	(2,716,212)	(8,964,567)
Allowance for doubtful receivables	(37,555)	87,405
Allowance for sales returns and others	1,206,607	(236,672)
Inventories, net	(3,420,613)	(933,878)
Other receivables from related parties	(9,847)	(67,752)
Other financial assets	(777,100)	(347,161)
Prepaid expenses and other current assets	(34,493)	605,001
Increase (decrease) in:		
Payables to related parties	(1,499,968)	1,472,140
Accounts payable	825,815	1,300,012
Accrued expenses and other current liabilities	(336,385)	834,941
 Net cash provided by operating activities	 153,150,905	 116,037,114
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments, net	(43,554,878)	(13,326,339)
Acquisitions of:		
Long-term investments	(23,054,379)	(1,412,335)
Property, plant and equipment	(81,094,557)	(37,870,907)
Proceeds from disposal of:		
Long-term investments	165,243	505,702

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Property, plant, and equipment	1,812,633	177,312
Increase in deferred charges	(2,405,673)	(2,138,087)
Decrease in refundable deposits	93,074	357,744

(Continued)

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TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

	2004	2003
Decrease in other assets	\$ 51,604	\$ 4,610
Decrease in minority interest in subsidiaries	(26,160)	(3,487)
 Net cash used in investing activities	 (148,013,093)	 (53,705,787)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid for common stock	(12,137,190)	
Repurchase of treasury stock	(7,059,798)	
Repayments on:		
Long-term bank loans	(6,656,152)	(8,915,557)
Bonds payable	(5,000,000)	(4,000,000)
Short-term bank loans		(309,807)
Cash bonus paid to employees	(681,628)	
Decrease in guarantee deposits	(351,008)	(631,177)
Cash dividends paid for preferred stock	(184,493)	(455,000)
Remuneration paid to directors and supervisors	(127,805)	(58,485)
Proceeds from:		
Disposal of treasury stock	39,906	300,284
Issuance of stock arising from exercising stock options	3,624	
Redemption of preferred stock		(13,000,000)
 Net cash used in financing activities	 (32,154,544)	 (27,069,742)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (27,016,732)	 35,261,585
 EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	 (1,669,813)	 (62,893)
 CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	 102,988,896	 67,790,204
 CASH AND CASH EQUIVALENTS, END OF THE YEAR	 \$ 74,302,351	 \$ 102,988,896
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid (excluding the amount capitalized of NT\$278,334 thousand and NT\$139,516 thousand in 2004 and 2003, respectively, Note 7)	\$ 1,470,333	\$ 1,982,594

Income tax paid	\$	389,189	\$	218,954
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(Continued)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

	2004	2003
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of bonds payable	\$ 10,500,000	\$ 5,000,000
Current portion of other payables to related parties (under payables to related parties)	\$ 492,022	\$
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 1,505,345	\$ 1,591,972
Reclassification of long-term investments to short-term investments	\$ 343,950	\$ 140,984
Reclassification of short-term investments to long-term investments	\$ 3,402,413	\$
		(Concluded)

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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.

TSMC has six direct wholly-owned subsidiaries: TSMC International Investment Ltd. (TSMC International), TSMC North America (TSMC North America), Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe), TSMC Japan K. K. (TSMC Japan), TSMC (Shanghai) Company Limited (TSMC Shanghai) and TSMC Partners, Ltd. (TSMC Partners). In addition, TSMC has the following consolidating subsidiaries: a 99.5% owned subsidiary, Emerging Alliance Fund, L.P. (Emerging Alliance), a 98% owned subsidiary, VentureTech Alliance Fund II, L.P. (VTAF II, a newly established entity in 2004) and two 36% owned affiliates Chi Cherng Investment Co., Ltd. (Chi Cherng, which is 36% owned by TSMC and 64% owned by Hsin Ruey Investment Co., Ltd.) and Hsin Ruey Investment Co., Ltd. (Hsin Ruey, which is 36% owned by TSMC and 64% owned by Chi Cherng). TSMC International has two wholly-owned subsidiaries - TSMC Development, Inc. (TSMC Development) and TSMC Technology, Inc. (TSMC Technology), and two 97% owned subsidiaries - InveStar Semiconductor Development Fund, Inc. (InveStar) and InveStar Semiconductor Development Fund, Inc. (II) LDC (InveStar II). TSMC Development has a 99.996% owned subsidiary, WaferTech, LLC (WaferTech).

The following diagram presents information regarding the relationship and ownership percentages among TSMC and its consolidated subsidiaries as of December 31, 2004:

TSMC North America 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 marketing of integrated circuits and other semiconductor devices. TSMC Partners, TSMC Development, Chi Cherng and Hsin Ruey are engaged in investing activities. TSMC International is engaged in providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. Emerging Alliance, VTAF II, InveStar and InveStar 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.

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.

For the convenience of readers, the accompanying 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 financial statements shall prevail.

Significant accounting policies are summarized as follows:

Consolidation

TSMC consolidates the accounts of all majority (directly and indirectly) owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

The consolidated financial statements include, as of and for the years ended December 31, 2004 and 2003, the accounts of TSMC, TSMC North America, TSMC Europe, TSMC Japan, TSMC Shanghai, TSMC Partners, Emerging Alliance, VTAF II, Chi Cherng, Hsin Ruey and TSMC International and its subsidiaries, InveStar, InveStar II, TSMC Development (including WaferTech) and TSMC Technology.

TSMC and the foregoing subsidiaries are hereinafter referred to collectively as the Company .

Minority interests in WaferTech (0.004%), Emerging Alliance (0.5%), VTAF II (2%), InveStar (3%) and InveStar II (3%) are presented separately in the consolidated financial statements.

Use of Estimates

The preparation of 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 and notes acquired with maturities less than three months from the date of purchase are classified as cash equivalents.

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Short-term Investments

Short-term investments primarily consist of corporate bonds, asset-backed securities, bond funds, agency bonds, 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 earnings when the aggregate carrying value of the investments exceeds the aggregate market value. A reversal of the allowance is recorded for a subsequent recovery of the market value.

The cost of funds and listed stocks sold are counted for using the weighted-average method; whereas the other securities 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 year, and the market value of listed stocks is determined using the average-closing price of the listed stocks for the last month of the year. The others are 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 year.

Allowance for Doubtful Receivables

An allowance for doubtful receivable is provided based on a review of the collectibility of accounts receivables. The Company determines the amount of allowance for doubtful accounts 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 net sales when the earnings process is complete, as evidenced by an agreement with the customer, transfer of title and acceptance have occurred, if applicable, a fixed or determinable price and the collectibility is reasonably assured. Allowance for sales returns and pricing discounts is estimated based on historical experience and any known factors that would affect the allowance. Such provisions are deducted from sales in the year the products are sold and the estimated related costs are deducted from cost of sales.

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 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 year. Market value represents net replacement cost for raw materials, supplies and spare parts. Market value represents 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, generally 180 days or less, and the estimated losses on scrap and slow-moving items are recognized 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 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 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 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. The carrying amounts of investments whose fair market values are not readily ascertainable are reduced to reflect an other-than-temporary decline in their values, with the related impairment loss charged to income.

Investments in foreign mutual funds are stated at the lower of aggregate cost or net asset value. An allowance is recognized when the net assets 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.

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. The entire amount of the gains or losses on sales to majority-owned subsidiaries is deferred until such gains or losses are realized through the subsequent sales of the related products to 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, Leased Assets and Idle Assets

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When impairment is determined, the related assets are stated at the lower of fair value or book value. 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 year incurred. Interest expense incurred for the project during the purchase and construction period is also capitalized. 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.

Depreciation is computed using the straight-line method over the following estimated service lives: land improvements 20 years; buildings 10 to 20 years; machinery and equipment 5 to 10 years; office equipment 3 to 15 years; and leased assets 20 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 income or expenses in the year 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.

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 3 or 5 years.

Pension Costs

TSMC records net periodic pension costs on the basis of actuarial calculations. Unrecognized net transition obligation and unrecognized net gains or losses are amortized over 25 years.

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 non-current 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.

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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 consolidating 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 must be 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

When the Company repurchases its outstanding common stock, the cost of the reacquired stock is recorded as treasury stock as a reduction to shareholders' equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus—additional paid-in capital are reversed in proportionate to the equity percentage of the retirement. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus—treasury stock and to retained earnings for any remaining amount. The Company's stock held by its subsidiaries is also treated as treasury stock and reclassified from long-term investments to treasury stock. The cash dividends received by the subsidiaries from the Company are recorded under capital surplus—treasury stock.

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 year, 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 currency exposures in cash flow and in 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 spot 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 year, the receivables or payables arising from forward contracts are restated using the prevailing spot rates at the balance sheet date with the resulting differences 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 year of settlement.

The Company enters into cross-currency swap contracts to manage currencies exposures on foreign currency denominated assets and liabilities. The principal amount is recorded using the spot rates at the contract date. The differences in the New Taiwan dollar amounts translated using the spot 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 year, the receivables or payables arising from cross-currency swap contracts are restated using the prevailing spot rate with the resulting differences charged to income. In addition, the receivables and payables related to the contracts 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 year of settlement.

The Company enters into interest rate swap contracts to manage exposures to changes in interest rates on existing assets or liabilities. These transactions are accounted for on an accrual basis, in which the cash settlement receivable or payable is recorded as an adjustment to interest income or expense associated with the hedged items.

The premiums paid for the foreign currency option contracts entered into for hedging purposes are amortized and charged to income on a straight-line basis over the term of the related contract. Any resulting gain upon exercise settlement is credited or charged to income in the year of exercise.

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 foreign 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 balance sheet date; shareholders equity historical rate; income and expenses average rate during the year. The resulting translation adjustment is recorded as a separate component of shareholders equity.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2003 have been reclassified to conform to the consolidated financial statements as of and for the year ended December 31, 2004.

3. CASH AND CASH EQUIVALENTS

	2004	2003
Cash and bank deposits	\$ 54,608,985	\$ 97,041,537
Government bonds acquired under repurchase agreements	19,215,153	5,947,359
Corporate issued notes	478,213	
	\$ 74,302,351	\$ 102,988,896

4. SHORT-TERM INVESTMENTS

	2004	2003
Corporate bonds	\$ 13,554,598	\$
Corporate issued asset-backed securities	11,766,877	
Bond funds	10,662,758	1,000,000
Agency bonds	8,633,889	
Government bonds	7,346,858	7,692,595
Money market funds	1,640,973	3,068,213
Government bonds acquired under repurchase agreements	249,449	1,800,000
Listed stocks	168,299	50,728
Commercial papers	95,666	
Corporate issued notes	63,796	
	54,183,163	13,611,536
Allowance for valuation losses	(75,212)	
	\$ 54,107,951	\$ 13,611,536
Market value	\$ 54,990,545	\$ 14,054,511

The Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage investment portfolios for the Company. 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 December 31, 2004, the Company 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, asset-backed securities, agency bonds, 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

	2004	2003
Finished goods	\$ 3,526,036	\$ 2,881,499
Work in process	11,437,466	9,100,199
Raw materials	993,151	465,745
Supplies and spare parts	1,176,735	1,052,075
	17,133,388	13,499,518
Allowance for losses	(1,577,451)	(1,364,194)
	\$ 15,555,937	\$ 12,135,324

6. LONG-TERM INVESTMENTS

	2004		2003	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Equity method				
Vanguard International Semiconductor Corporation (VIS)	\$ 5,401,982	28	\$ 4,077,198	28
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	3,290,888	32	2,759,376	32
Global UniChip Corporation (GUC)	391,626	47	368,434	47
VisEra Technologies Company Ltd. (VisEra)	59,116	25	50,231	25
	9,143,612		7,255,239	
Cost method				
Common stocks				
Publicly traded stocks	71,832		26,728	
Non-publicly traded stocks	1,226,499		1,156,769	
Preferred stocks	1,677,865		2,038,662	
Funds	290,134		270,616	
	3,266,330		3,492,775	
Long-term bonds				
Government bonds	10,260,481			
Corporate bonds				
China Steel Corporation	2,978,804			
Taiwan Power Company	915,276			
Nan Ya Plastics Corporation	407,526			
Formosa Plastics Corporation	405,485			
Formosa Petrochemical Corporation	202,595			
	15,170,167			
Other investments	10,521,740			
	\$ 38,101,849		\$ 10,748,014	

On January 8, 2003, TSMC's investee, VIS, issued 600,000 thousand shares of common stock at a price of NT\$7 per share of which TSMC purchased a total of 230,882 thousand shares. VIS reduced its capital on August 11, 2004 in order to decrease its accumulated deficit. The number of shares of VIS held by TSMC after the capital reduction declined from 787,016 thousand shares to 409,532 thousand shares. TSMC's ownership percentage remained the same.

For the years ended December 31, 2004 and 2003, net investment income and loss recognized from the equity method investees was NT\$2,094,137 thousand and NT\$294,244 thousand, respectively. The carrying amounts of investments accounted for under the equity method and the related investment income or losses were determined

based on the audited financial statements of the investees as of and for the same periods as the Company.

As of December 31, 2004, other investments consist of the following:

	Nominal Amount	Carrying Amount	Range of Interest Rates	Maturity Date
<u>Step-up callable deposits</u>				
Domestic bank	\$ 2,000,000	\$ 2,007,681	2.05%-2.20%	July 2007 to August 2007
Foreign bank	2,138,340	2,152,394	1.44%-4.75%	June 2007 to August 2007
<u>Callable range accrual deposits</u>				
Foreign bank	6,383,400	6,414,151	(See below)	September 2009 to December 2009
	\$ 10,521,740	\$ 10,574,226		

During the year ended December 31, 2004, the Company deposited funds into structured-time deposits with the following terms:

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 rate plus an agreed upon rate ranging between 2.1% and 3.45%. Based on the terms of the deposits, if the 3-month or 6-month LIBOR rate moves outside of the pre-defined range, the interest paid to the Company is at a minimum rate of 1.5%. Under the term of the contracts, the bank has the right to cancel the contracts prior to the maturity date.

Deposits that reside in banks located in Hong Kong and Singapore amounted to NT\$2,553,360 thousand and NT\$638,340 thousand, respectively.

7. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	2004	2003
Land improvements	\$ 172,484	\$ 154,062
Buildings	38,160,322	31,665,779
Machinery and equipment	287,204,368	238,392,296
Office equipment	5,683,577	4,800,932
Leased assets	33,115	
	\$ 331,253,866	\$ 275,013,069

Information on the status of the expansion or construction plans of TSMC's manufacturing facilities as of December 31, 2004 is as follows:

Estimated	Accumulated	Expected Date of
------------------	--------------------	-----------------------------

Construction/Expansion Plan	Total Cost	Expenditures	Commencement
Fab 12 expansion	\$ 58,744,200	\$ 41,870,300	January 2005

Interest expense for the years ended December 31, 2004 and 2003 was NT\$1,807,242 thousand and NT\$2,030,525 thousand, respectively (before deducting capitalized amounts of NT\$278,334 thousand in 2004 and NT\$139,516 thousand in 2003, respectively). The interest rates used for purposes of calculating the capitalized amounts were 1.89% to 2.89% and 1.77% to 5.283% in 2004 and 2003, respectively.

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

	2004	2003
Technology license fees	\$ 6,534,899	\$ 5,084,684
Software and system design costs	2,213,636	2,719,199
Other	243,917	188,133
	\$ 8,992,452	\$ 7,992,016

9. SHORT-TERM BANK LOANS

	2004	2003
Unsecured loan in U.S. dollars: US\$12,000 thousand, repayable by June 2006, annual interest at 2.80% and 1.52% in 2004 and 2003, respectively	\$ 383,004	\$ 407,736

10. LONG-TERM BANK LOANS

	2004	2003
Unsecured loan: US\$60,000 thousand, repayable by December 2006, annual interest at 2.475% and 1.56% in 2004 and 2003, respectively	\$ 1,915,020	\$ 2,038,680
Secured loan: US\$199,000 thousand; annual interest at 1.8275% in 2003		6,761,622
	\$ 1,915,020	\$ 8,800,302

As of December 31, 2004, all the assets of WaferTech with a carrying amount of approximately NT\$15,955,936 thousand (US\$499,920 thousand) were pledged for the secured loan. WaferTech is required to maintain compliance with certain financial covenants defined in the agreement. As of December 31, 2004, WaferTech was in compliance with all such financial covenants. Under the unsecured loan agreement, the Company is required maintain compliance with certain financial covenants which, if violated, could result in payment of the obligation prior to the originally scheduled payment date. The Company was in compliance with the financial covenants as of December 31, 2004.

11. BONDS PAYABLE

	2004	2003
Domestic unsecured bonds:		
Issued in December 2000 and repayable in December 2005 and 2007 in two equal payments, 5.25% and 5.36% interest payable annually, respectively	\$ 15,000,000	\$ 15,000,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three equal payments, 2.6%, 2.75% and 3.00% interest payable annually, respectively	15,000,000	15,000,000
Issued in October 1999 and repayable in October 2004, 5.95% interest payable annually		5,000,000
	\$ 30,000,000	\$ 35,000,000

As of December 31, 2004, future principal repayments for the Company's bonds are as follows:

Year of Repayment	Amount
2005	\$ 10,500,000
2007	7,000,000
2009	8,000,000
2010 and thereafter	4,500,000
	\$ 30,000,000

12. OTHER LONG-TERM PAYABLES

	2004	2003
Payables for acquisition of property, plant and equipment (Note 22k)	\$ 6,030,007	\$
Payables for royalties	3,440,313	4,892,801
	9,470,320	4,892,801
Less current portion	1,505,345	1,591,972
	\$ 7,964,975	\$ 3,300,829

TSMC entered into several license arrangements for certain semiconductor-related patents. Future minimum payments under the agreements as of December 31, 2004 are as follows:

Year	Amount
2005	\$ 1,505,345
2006	466,786
2007	446,838
2008	255,336
2009 and thereafter	766,008
	\$ 3,440,313

The current portion of other long-term payables is recorded in the accrued expenses and other current liabilities account.

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13. PENSION PLAN

TSMC has a defined benefit pension plan for all regular employees that provides benefits based on the employee's length of service and average monthly salary and wages for the six-month period prior to retirement. TSMC contributes an amount equal to 2% of salaries and wages paid each month to a pension fund (the Fund). The Fund is administered by a pension fund monitoring committee (the Committee) and deposited in the Committee's name in the Central Trust of China.

Information on the pension plan is summarized as follows:

a. Components of net periodic pension cost

	2004	2003
Service cost	\$ 632,594	\$ 502,116
Interest cost	128,315	109,671
Projected return on plan assets	(41,925)	(41,154)
Amortization	8,300	2,409
Net periodic pension cost	\$ 727,284	\$ 573,042

b. Reconciliation of the funded status of the plan and accrued pension cost

	2004	2003
Benefit obligation		
Vested benefit obligation	\$ 67,104	\$ 21,895
Nonvested benefit obligation	2,704,251	2,184,593
Accumulated benefit obligation	2,771,355	2,206,488
Additional benefits based on future salaries	2,132,721	1,752,208
Projected benefit obligation	4,904,076	3,958,696
Fair value of plan assets	(1,447,540)	(1,207,264)
Funded status	3,456,536	2,751,432
Unrecognized net transitional obligation	(132,791)	(141,091)
Unrecognized net loss	(222,549)	(10,090)
Accrued pension cost	\$ 3,101,196	\$ 2,600,251
Vested benefit	\$ 76,003	\$ 22,261
c. Actuarial assumptions		
Discount rate used in determining present values	3.25%	3.25%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	3.25%	3.25%
d. Contributions to the Fund	\$ 226,339	\$ 181,106
e. Payments from the Fund	\$ 1,446	\$ 3,490

14. INCOME TAX

- a. A reconciliation of income tax on income before income tax and minority interest at the statutory rate and income tax expense is as follows:

	2004	2003
Income tax based on income before income tax and minority interest at the statutory rate	\$ (24,685,380)	\$ (12,881,547)
Tax-exempt income	14,712,500	5,255,750
Temporary and permanent differences	186,719	732,681
Current income tax on income before income tax credits	\$ (9,786,161)	\$ (6,893,116)

- b. Income tax benefit (expense) consists of:

	2004	2003
Current income tax on income before income tax credits	\$ (9,786,161)	\$ (6,893,116)
Additional 10% income tax on unappropriated earnings	(823,932)	(1,273,482)
Income tax credits	10,470,862	7,917,070
Other income tax	(555,588)	(7,988)
Net change in deferred income tax assets and liabilities		
Net operating loss carryforwards	(1,652,983)	535,725
Investment tax credits	234,690	(917,759)
Temporary differences	1,131,331	(300,848)
Net change in valuation allowance of deferred income tax assets	1,345,355	(2,982,501)
Adjustment of prior years taxes	(148)	(58)
Income tax benefit (expense)	\$ 363,426	\$ (3,922,957)

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

	2004	2003
Current		
Investment tax credits	\$ 8,849,000	\$ 8,322,000
Temporary differences	319,717	385,221
Valuation allowance	(250,731)	(309,016)
	\$ 8,917,986	\$ 8,398,205
Noncurrent		
Net operating loss carryforwards	\$ 6,735,080	\$ 8,388,063
Investment tax credits	17,035,584	17,327,894
Temporary differences	(7,760,152)	(8,956,987)
Valuation allowance	(14,360,533)	(15,647,603)
	\$ 1,649,979	\$ 1,111,367

d. Integrated income tax information:

The balances of the imputation credit account (ICA) of the TSMC as of December 31, 2004 and 2003 were zero and NT\$2,832 thousand, respectively.

The expected and actual creditable ratio of TSMC for distribution of earnings of 2004 and 2003 was zero and 0.03%, respectively.

The imputation credits allocated to the shareholders are based on the balance as of the date of dividend distribution. The expected creditable ratio for distribution of earnings of 2004 may be adjusted when the allocation of the imputation credits is made.

- e. TSMC's earnings generated prior to December 31, 1997 have been appropriated.
- f. As of December 31, 2004, TSMC's investment tax credits consisted of the following:

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 4,448,442	\$	2004
		3,819,937	116,189	2005
		4,886,439	4,886,439	2006
		4,140,462	4,140,462	2007
		6,309,182	6,309,182	2008
		\$ 23,604,462	\$ 15,452,272	
Statute for Upgrading Industries	Research and development expenditures	\$ 2,270,013	\$	2004
		3,147,071	3,147,071	2005
		3,342,952	3,342,952	2006
		1,976,913	1,976,913	2007
		1,843,800	1,843,800	2008
		\$ 12,580,749	\$ 10,310,736	
Statute for Upgrading Industries	Personnel training	\$ 48,659	\$	2004
		29,448	29,448	2005
		27,312	27,312	2006
		26,780	26,780	2007
		\$ 132,199	\$ 83,540	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 38,036	\$ 38,036	2005

- g. As of December 31, 2004, the net operating loss carryforwards were generated from WaferTech, TSMC Development and TSMC Technology and will expire at various dates through 2024.
- h. The sales generated from the following expansion and construction of TSMC's manufacturing plants are exempt from income tax:

**Tax-Exemption
Period**

Construction of Fab 6	2001 to 2004
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

- i. The tax authorities have examined income tax returns of TSMC through 2000. However, TSMC is contesting the assessment of the tax authority for 1992 and 1998. TSMC believes that any additional assessment will not have a material adverse effect on TSMC.

15. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2004			Year Ended December 31, 2003		
	Classified			Classified		
	Classified as Cost of Sales	as Operating Expenses	Total	Classified as Cost of Sales	as Operating Expenses	Total
Labor cost						
Salary	\$ 10,719,632	\$ 5,886,769	\$ 16,606,401	\$ 9,014,068	\$ 4,647,912	\$ 13,661,980
Labor and health insurance	572,210	320,785	892,995	476,687	245,357	722,044
Pension	472,329	271,186	743,515	379,845	193,718	573,563
Other	430,777	531,876	962,653	339,500	304,398	643,898
	\$ 12,194,948	\$ 7,010,616	\$ 19,205,564	\$ 10,210,100	\$ 5,391,385	\$ 15,601,485
Depreciation	\$ 61,703,792	\$ 2,563,408	\$ 64,267,200	\$ 61,988,138	\$ 2,398,768	\$ 64,386,906
Amortization	\$ 2,496,827	\$ 3,052,160	\$ 5,548,987	\$ 1,385,594	\$ 3,367,462	\$ 4,753,056

16. SHAREHOLDERS EQUITY**Common Stock, Capital Surplus and Earnings**

TSMC has issued a total of 668,351 thousand ADSs which are traded on the NYSE as of December 31, 2004. The number of common shares represented by the ADSs is 3,341,754 thousand shares (one ADS represents five common shares).

Capital surplus can only be used to offset a deficit under the Company Law of the R.O.C. 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 arising from treasury stock transactions) may be appropriated as stock dividends restricted to a certain percentage based on shareholders ownership.

As of December 31, 2004 and 2003, the capital surplus consisted of the following:

	2004	2003
From merger	\$ 24,003,546	\$ 24,132,297
Additional paid-in capital	23,051,675	23,172,550
From long-term investments	121,354	87,295
From convertible bonds	9,360,424	9,410,632
Donations	55	55
Treasury stock	205	53,056
Total	\$ 56,537,259	\$ 56,855,885

TSMC's Articles of Incorporation, as revised on December 21, 2004, provide that the following shall be appropriated from annual earnings to the extent that the annual earnings exceed any cumulative deficit:

- a. 10% legal reserve; until the amount of total legal reserve equals the TSMC's paid-in capital;
- b. Special reserve in accordance with relevant laws or regulations;
- c. Remuneration to directors and supervisors and bonuses to employees at 0.3% and at least 1% of the remainder, respectively. Individuals eligible for the employee bonuses may include employees of affiliated companies as approved by the board of directors or a representative of the board of directors;
- d. The appropriation of any remaining balance shall be approved by the shareholders.

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Dividends may be distributed by way of cash dividend or stock dividend at the discretion of TSMC. As the operation of TSMC is at a steady growth stage, 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.

An appropriation for legal reserve is required until the reserve equals the aggregate par value of TSMC's issued capital stock. The reserve can only be used to offset a deficit or be distributed as a stock dividend up to 50% of the reserve balance when the reserve balance has reached 50% of the aggregate par value of the issued capital stock of TSMC.

A special 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 R.O.C. Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance of the related account reverses.

The appropriations of the earnings of 2003 and 2002 were approved in the shareholders' meeting on May 11, 2004 and June 3, 2003, respectively. The appropriations and dividend per share are as follows:

	Appropriation of Earnings		Dividend Per Share	
			(NT\$)	
	For Fiscal Year 2003	For Fiscal Year 2002	For Fiscal Year 2003	For Fiscal Year 2002
Legal reserve	\$ 4,725,870	\$ 2,161,029		
Special reserve	(68,945)	68,945		
Bonus paid to employees in cash	681,628			
Bonus paid to employees in stock	2,726,514	1,539,013		
Preferred stock dividend in cash	184,493	455,000	\$ 0.35	\$ 0.35
Common stock dividend in cash	12,159,971		0.60	
Common stock dividend in stock	28,373,267	14,898,309	1.41	0.80
Remuneration to directors and supervisors in cash	127,805	58,485		
	\$ 48,910,603	\$ 19,180,781		

The amount of the above appropriation of earnings for 2003 and 2002 is consistent with the resolution of the meetings of board of directors on February 17, 2004 and March 4, 2003, respectively. However, the Company Law of the R.O.C. states TSMC, as a holder of treasury stock shall not participate in the appropriations of earnings. Therefore, the actual cash dividend per share and stock dividend per share are slightly more than those in the aforementioned resolution. If the above employee bonus paid in stock had been paid in cash and all of the bonus to employees and remuneration to directors and supervisors had been charged against income for 2003 and 2002, the after income tax basic earnings per share for the years ended December 31, 2003 and 2002 would have decreased from NT\$2.33 to NT\$2.15 and NT\$ 1.14 to NT\$1.05, respectively. The shares distributed as a bonus to employees represented 1.35% and 0.83% of TSMC's total outstanding common shares as of December 31, 2003 and 2002, respectively.

As of January 13, 2005, the board of directors of TSMC has not resolved the appropriation for earnings of 2004.

The above information about the appropriations of bonus to employees and remuneration to directors and supervisors is available at Market Observation 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.

Preferred Stock

TSMC issued 1,300,000 thousand shares of unlisted Series A preferred stock to certain investors on November 29, 2000. All of the preferred stock was redeemed at par value and retired on May 29, 2003. Under TSMC's Articles of Incorporation, TSMC is no longer authorized to issue preferred stock.

The preferred shareholders had the following rights and the related terms and conditions prior to redemption:

Preferred shareholders

- a. Are entitled to receive cumulative cash dividends at an annual rate of 3.5%.
- b. Are not entitled to receive any common stock dividends (whether declared out of unappropriated earnings or capital surplus).
- c. Have priority over the holders of common shares to the assets of TSMC available for distribution to shareholders upon liquidation or dissolution; however, the pre-emptive rights to the assets shall not exceed the issue price of the shares.
- d. Have voting rights similar to that of the holders of common shares.
- e. Have no right to convert their shares into common shares. The preferred shares are to be redeemed within thirty months from their issuance. The preferred shareholders have the aforementioned rights and TSMC's related obligations remain the same until the preferred shares are redeemed by TSMC.

17. STOCK-BASED COMPENSATION PLANS

Stock Option Plans

TSMC's Employee Stock Option Plans, the 2003 Plan and the 2002 Plan, were approved on October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under 2003 Plan and the 2002 Plan is 120,000 thousand and 100,000 thousand, respectively, with each unit representing one common share of stock. The option rights 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 option rights of both 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, stock option rights are granted at an exercise price equal to the closing price of TSMC's common shares listed on the TSE on the date of grant. Under the 2003 Plan and the 2002 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

On November 2, 2004, the board of directors of TSMC approved the 2004 Plan, in which the maximum number of units authorized to be granted is 11,000 thousand, with each unit representing one common share of stock. The option rights 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 option rights of 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 plan, stock option rights are granted at an exercise price equal to the closing price of TSMC's common shares listed on the TSE on the date of grant. The 2004 plan was approved by Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. on January 6, 2005.

Information on outstanding stock options for the years ended December 31, 2004 and 2003 is as follows:

	2003 Plan		2002 Plan	
	Number of Outstanding Stock Option Rights (in Thousands)	Weighted- Average Exercise Price (NT\$)	Number of Outstanding Stock Option Rights (in Thousands)	Weighted- Average Exercise Prices (NT\$)
<u>Year ended December 31, 2004</u>				
Beginning outstanding balance	842	57.8	48,515	42.7
Options granted	13,199	49.9	7,201	42.6
Options exercised			(87)	41.8
Options cancelled	(1,404)	50.9	(3,899)	44.2
Ending outstanding balance	12,637		51,730	
<u>Year ended December 31, 2003</u>				
Beginning outstanding balance			19,369	48.6
Options granted	843	66.5	32,031	50.3
Options cancelled	(1)	66.5	(2,885)	48.7
Ending outstanding balance	842		48,515	

The number of outstanding option rights and exercise prices have been adjusted to reflect the appropriations of dividends in accordance with the plans.

As of December 31, 2004, information on outstanding and exercisable option rights is as follows:

Options Outstanding	Options Exercisable
Weighted- Average	Weighted- Average

	Range of Exercise Price (NT\$)	Number of Outstanding Options (in Thousands)	Remaining Contractual Life (Years)	Average Exercise Price (NT\$)	Number of Exercisable Options (in Thousands)	Average Exercise Price (NT\$)
2003 Plan	\$ 43.8-\$57.8	12,637	9.34	\$ 50.3		\$
2002 Plan	\$ 32.8-\$46.2	51,730	8.09	42.6	10,307	41.7
		64,367	8.33	44.1	10,307	41.7

The compensation cost recognized for the year ended December 31, 2004 was zero. Had the Company used the fair value based method to evaluate the options granted, the method, assumptions and pro forma results of the Company for the year ended December 31, 2004 would have been as follows:

Method:	Black-Scholes Model
Assumptions:	
Expected dividend yield	1.00%
Expected volatility	43.77%-46.15%
Risk free interest rate	3.07%-3.85%
Expected life	5 years
Net income:	
Net income as reported	\$ 92,316,115
Pro forma net income	92,257,355
	NT\$
Earnings per share (EPS) after income tax:	
Basic EPS as reported	3.97
Pro forma basic EPS	3.97
Diluted EPS as reported	3.97
Pro forma diluted EPS	3.97

The estimated weighted average fair value for the options granted during the year ended December 31, 2004 was NT\$19.73 per option.

In 1996, WaferTech adopted an Executive Incentive Plan, which was amended in 1997. According to the 1997 amendment, the Board of Directors of WaferTech approved the Senior Executive Incentive Plan and the Employee Incentive Plan (the WaferTech Plans) under which officers, key employees and non-employee directors may be granted stock option rights. The WaferTech Plans provide for 15,150 thousand option rights available for grant. For option rights granted to date, the option purchase price was equal to or exceeded the fair market value at the date of grant. The options will expire if not exercised at specified dates ranging from May 2006 and June 2011. In December 2000, WaferTech implemented a Stock Option Buyback Program (Buyback). The Buyback program provides employees with the right to sell back to WaferTech all vested stock options and outstanding ownership interests granted under the WaferTech Plans. As of December 31, 2004, the outstanding and exercisable stock options were 134 thousand and 133 thousand, respectively, and US\$616 thousand was accrued in connection with the Buyback program.

Stock Appreciation Rights

In December 2000, WaferTech and TSMC North America implemented a stock appreciation rights program (Appreciation). The Appreciation plan is designed to provide employees with a long-term incentive plan that tracks the appreciation of TSMC common stock through Stock Appreciation Rights (SARs). SARs provide each participant the right to receive, upon exercise, an amount in cash from WaferTech and TSMC North America that is the excess of the market price of TSMC common stock on TSE on the date of exercise over the exercise price. As of December 31, 2004, WaferTech and TSMC North America accrued US\$381 thousand and US\$1,360 thousand, respectively, in connection with the Appreciation. During 2002, benefits under the Appreciation plan for TSMC North America were replaced by the stock option plans aforementioned.

18. TREASURY STOCK (COMMON STOCK)

(Shares in Thousand)

	Beginning Shares	Increase/ Dividend	Decrease	Ending Shares
<u>Year ended December 31, 2004</u>				
Reclassification of parent company stock held by subsidiaries from long-term investments	40,597	5,676	752	45,521
Repurchase under share buyback plan		124,720	124,720	
	40,597	130,396	125,472	45,521
<u>Year ended December 31, 2003</u>				
Reclassification of parent company stock held by subsidiaries from long-term investments	42,001	3,357	4,761	40,597

Proceeds from the sale of treasury stock for the years ended December 31, 2004 and 2003 were NT\$39,906 thousand and NT\$331,945 thousand, respectively. TSMC's capital stock held by a subsidiary as an investment is recorded as treasury stock, with the holder having the same rights as other common shareholders. As of December 31, 2004 and 2003, the book value of the treasury stock was NT\$1,595,186 thousand and NT\$1,633,228 thousand, respectively; the market value was NT\$2,241,009 thousand and NT\$2,548,788 thousand, respectively.

TSMC held a special meeting of the board of directors and approved a share buyback plan to repurchase TSMC's common shares listed on the TSE during the period from March 24, 2004 to May 23, 2004. TSMC repurchased 124,720 thousand common shares for a total of NT\$7,059,798 thousand. All the treasury stock repurchased under the buyback plan was retired on August 16, 2004.

19. CONSOLIDATED EARNINGS PER SHARE (EPS)

EPS is computed as follows:

	Amounts (Numerator)		Number of	EPS (NT\$)	
	Income Before Income Tax and Minority Interest	Consolidated Net Income	Shares	Income Before Income Tax and Minority Interest	Consolidated Net Income
			(Denominator) (Thousand)		
<u>Year ended December 31, 2004</u>					
Basic EPS					
Income available to common shareholders	\$ 91,965,587	\$ 92,316,115	23,248,682	\$ 3.96	\$ 3.97

Effect of diluted securities stock options							6,404
--	--	--	--	--	--	--	-------

Diluted EPS							
Income available to common shareholders (including effect of diluted potential common stock)	\$ 91,965,587	\$ 92,316,115	23,255,086	\$ 3.95	\$		3.97

(Continued)

	Amounts (Numerator)		Number of Shares (Denominator) (Thousand)	EPS (NT\$)	
	Income Before Income Tax and Minority Interest	Consolidated Net Income		Income Before Income Tax and Minority Interest	Consolidated Net Income
<u>Year ended December 31, 2003</u>					
Net income	\$ 51,178,645	\$ 47,258,700			
Less preferred stock dividends	(184,493)	(184,493)			
Basic EPS					
Income available to common shareholders	50,994,152	47,074,207	23,327,354	\$ 2.19	\$ 2.02
Effect of diluted potential common stock stock options			9,599		
Diluted EPS					
Income available to common shareholders (including effect of diluted potential common stock)	\$ 50,994,152	\$ 47,074,207	23,336,953	\$ 2.19	\$ 2.02

20. RELATED PARTY TRANSACTIONS

The significant transactions with related parties in addition to those disclosed in other notes are summarized as follows:

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

VIS
SSMC
GUC
VisEra

<u>For the years</u>	2004		2003	
	Amount	%	Amount	%
Sales				

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Philips and its affiliates	\$ 5,463,565	2	\$ 3,577,054	2
Others	458,999		610,534	
	\$ 5,922,564	2	\$ 4,187,588	2
Purchase				
VIS	\$ 9,169,602	21	\$ 4,910,810	15
SSMC	5,869,123	13	5,519,805	17
	\$ 15,038,725	34	\$ 10,430,615	32

(Continued)

	2004		2003	
	Amount	%	Amount	%
Manufacturing expenses technical assistance fee (Note 22a)	\$ 907,047	1	\$ 3,023,741	3
Philips				
General and administrative expenses rental expenses GUC	\$ 13,186	2	\$	
Research and development expenses GUC	\$ 11,688		\$	
Proceeds from disposal of property, plant and equipment VIS	\$ 33,974	2	\$ 15,125	9
Non-operating income and gains				
SSMC (primarily technical service income, see Note 22e)	\$ 364,505	6	\$ 201,869	4
VIS (primarily technical service income, see Note 22j)	117,760	2	251	
VisEra	28,917			
	\$ 511,182	8	\$ 202,120	4
<u>At December 31</u>				
Receivables				
Philips and its affiliates	\$ 581,487	89	\$ 895,063	97
Others	72,890	11	25,381	3
	\$ 654,377	100	\$ 920,444	100
Other receivables				
SSMC	\$ 63,701	45	\$ 13,228	10
VIS	47,599	34	118,503	90
VisEra	30,278	21		
	\$ 141,578	100	\$ 131,731	100
Payables				
VIS	\$ 1,533,938	69	\$ 1,034,074	32
Philips and its affiliates	469,494	21	1,579,568	49
SSMC	207,794	10	634,647	19
GUC	6,589			
	\$ 2,217,815	100	\$ 3,248,289	100

Other long-term payables				
Philips and its affiliates	\$ 2,317,972	100	\$	
Refundable deposits				
VIS	\$		\$ 150,840	76

The terms of sales to related parties are not significantly different from those to third parties. For other related parties transactions, since there are no other similar transactions to follow, the prices are determined in accordance with the related contractual agreements.

21. SIGNIFICANT LONG-TERM OPERATING LEASES

TSMC leases land from the Science-Based Industrial Park Administration. These agreements expire on various dates from March 2008 to December 2020. The agreements can be renewed upon their expiration.

TSMC North America leases its office premises and certain equipment under non-cancelable operating agreements. TSMC - Europe and TSMC Japan 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 December 31, 2004, future remaining lease payments are as follows:

Year	Amount
2005	\$ 354,259
2006	352,988
2007	340,748
2008	325,563
2009	322,534
2010 and thereafter	1,513,025
	\$ 3,209,117

22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of December 31, 2004 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 fixed amounts mutually agreed-on, rather than under certain percentage of TSMC's annual net sales. TSMC and Philips also 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.
- c. 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 December 31, 2004, TSMC had a total of US\$12,802 thousand of guarantee deposits.
- d. 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 December 31, 2004, TSMC's equity interest in SSMC was 32%. TSMC and Philips

committed to buy specific percentages of the production capacity of SSMC. 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.

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- e. 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.
- f. 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.
- g. 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.
- h. In November 2002, TSMC entered into an Amended and Restated Joint Technology Cooperation Agreement with Philips, Motorola, 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.
- i. In December 2003, TSMC entered into a Technology Development and License Agreement with Motorola, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. TSMC will also license related 90-nm SOI technology from Motorola, 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 Motorola, Inc. and will share a portion of the costs associated with the joint development project.
- j. 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 prior as agreed by the parties.
- k. 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.
- l. Amounts available under unused letters of credit as of December 31, 2004 were NT\$6,480 thousand, US\$1,282 thousand and SG\$85 thousand. Among the unused letters of credit, TSMC North America has an outstanding irrevocable standby letter of credit for US\$1,078 thousand. The standby letter of credit was entered into as security to the landlord of TSMC North America's office spaces in San Jose, California. The standby letter of credit will expire in October, 2005.

- m. The Company 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 patents of the Company and misappropriated the Company's trade secrets. These suits have been settled out of court on January 30, 2005. As part of the agreement, SMIC will pay TSMC US\$175 million over six years to resolve the Company'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: Please see Table 5 attached;
- 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 capital: Please see Table 6 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Names, locations, and related information of investees of which the Company exercises significant influence: Please see Table 8 attached;
- j. Financial instrument transactions:
 - 1) Derivative financial instruments

The Company entered into derivative financial instrument transactions for the years ended December 31, 2004 and 2003 to manage exposures related to foreign exchange rate and interest rate fluctuations. Certain information on these contracts is as follows:

- a) Outstanding forward exchange contracts as of December 31, 2004 and 2003 are as follows:

Financial Instruments	Currency	Maturity Date	Contract Amount (in Thousands)
<u>2004</u>			

Sell	US\$/NT\$	January 2005 to March 2005	US\$	733,000
Sell	US\$/EUR	January 2005	US\$	159,081

(Continued)

Financial Instruments	Currency	Maturity Date	Contract Amount (in Thousands)
<u>2003</u>			
Sell	US\$/NT\$	January 2004 to July 2004	US\$ 1,805,000
Buy	EUR/US\$	January 2004	EUR 7,500
Buy	JPY/US\$	January 2004	JPY 748,405

As of December 31, 2004 and 2003, receivables from forward exchange contracts (included in the other financial assets account) aggregate to approximately NT\$392,534 thousand, and NT\$76,385 thousand, respectively; payables from forward exchange contracts (included in the other current liabilities account) aggregate to approximately NT\$559 thousand and NT\$174,018 thousand, respectively.

b) Cross currency swaps

Outstanding cross currency swap contracts as of December 31, 2004 are as follows:

Maturity Date	Contract Amount (in Thousands)	Range of Interest Rate Paid	Range of Interest Rate Received
January 2005 to June 2005	US\$ 1,420,000	1.28%-2.72%	0.49%-1.17%

As of December 31, 2004, receivables from the cross currency swap contracts (included in the other financial assets account) were approximately NT\$761,030 thousand.

Net exchange gain or loss arising from forward exchange contracts and cross currency swap contracts was recognized in the foreign exchange loss, net account and the difference in interest was recorded in interest income or expense.

c) Interest rate swaps

Outstanding contracts as of December 31, 2004 and 2003 were as follows:

Contract Date	Period	Contract Amount (in Thousands)
<u>2004</u>		
September 2003	September 2003 to December 2005	\$ 500,000
October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
November 2003	November 2003 to December 2005	500,000

(Continued)

Contract Date	Period	Contract Amount (in Thousands)
<u>2003</u>		
September 2003	September 2003 to December 2005	\$ 500,000
October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
November 2003	November 2003 to December 2005	500,000
July 1999	July 1999 to June 2004	US\$ 2,857

d) Option contracts

During 2004, the Company did not enter into any foreign currency option contracts.

There were no outstanding option contracts as of December 31, 2003. The Company entered into foreign currency option contracts for hedging purposes; therefore, the related premiums and the foreign exchange gain or loss are recognized in the foreign exchange loss, net account.

e) 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 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. Interest rate risks are also controlled as the expected cost of capital is fixed. Thus, market price risks are believed to be low.
- iii) Cash flow risk and the amount and period of future cash needs.

As of December 31, 2004, the Company's future cash needs for outstanding forward exchange contracts and cross currency swap contracts are as follows:

Term	Inflow (In Thousands)	Outflow (In Thousands)
Within one year	\$ 69,761,484 EUR 118,500	US\$ 2,312,081

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:

	2004		2003	
	Carrying Amount (In Thousands)	Fair Value	Carrying Amount (In Thousands)	Fair Value
<u>Non-derivative financial instruments</u>				
Assets				
Short-term investments, net	\$ 54,107,951	\$ 54,990,545	\$ 13,611,536	\$ 14,054,511
Long-term investments (securities with market price)	31,165,721	34,265,072	4,103,926	10,976,671
Liabilities				
Bonds payable (including current portion)	30,000,000	30,607,341	35,000,000	35,850,377
<u>Derivative financial instruments</u>				
Forward exchange contracts (buy)			2,351	3,037
Forward exchange contracts (sell)	391,975	317,090	(99,984)	40,638
Cross currency swap contracts	761,030	760,012		
Interest rate swap contracts	4,361	(22,714)		2,093

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 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 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 other long-term payables is determined using the discounted value of expected cash flows, which approximates the carrying value.

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) The fair value of bonds payable is the quoted market value.
- 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.

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 9 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 Note 20.

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24. SEGMENT FINANCIAL INFORMATION

a. Geographic information:

	Overseas	Taiwan	Adjustments and Elimination	Consolidated
<u>2004</u>				
Sales to unaffiliated customers	\$ 143,801,130	\$ 113,411,488	\$	\$ 257,212,618
Transfers between geographic areas	15,657,797	142,580,939	(158,238,736)	
 Total sales	 \$ 159,458,927	 \$ 255,992,427	 \$ (158,238,736)	 \$ 257,212,618
 Gross profit	 \$ 6,173,780	 \$ 110,160,584	 \$ (515,181)	 \$ 115,819,183
Operating expenses				(27,337,509)
Non-operating income and gains				6,090,224
Non-operating expenses and losses				(2,606,311)
 Income before income tax and minority interest				 \$ 91,965,587
 Minority interest in income of subsidiaries				 \$ 12,898
 Identifiable assets	 \$ 89,000,906	 \$ 416,076,665	 \$ (43,725,329)	 \$ 461,352,242
 Long-term investments				 38,101,849
 Total assets				 \$ 499,454,091
<u>2003</u>				
Sales to unaffiliated customers	\$ 118,851,382	\$ 84,145,430	\$	\$ 202,996,812
Transfers between geographic areas	11,494,868	117,758,911	(129,253,779)	
 Total sales	 \$ 130,346,250	 \$ 201,904,341	 \$ (129,253,779)	 \$ 202,996,812
 Gross profit	 \$ 2,392,944	 \$ 72,891,637	 \$ (401,103)	 \$ 74,883,478
Operating expenses				(23,582,897)

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Non-operating income and gains	5,669,312
Non-operating expenses and losses	(5,791,248)

Income before income tax and minority interest	\$ 51,178,645
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Minority interest in loss of subsidiaries	\$ 3,012
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(Continued)

	Overseas	Taiwan	Adjustments and Elimination	Consolidated
Identifiable assets	\$ 52,276,269	\$ 358,451,509	\$ (14,075,261)	\$ 396,652,517
Long-term investments				10,748,014
Total assets				\$ 407,400,531

b. Gross export sales

The export sales information is determined based on billed regions. Gross export sales for the years ended December 31, 2004 and 2003 were NT\$92,455,415 thousand and NT\$59,868,104 thousand, respectively. There were no export sales to a region that accounted for more than 10% of the Company's total sales.

c. Major customer

In 2004, there is no customer accounted for at least 10% of the Company's total sales. The Company only has one customer that accounts for at least 10% of its total sales in 2003. The sales to such customer amounted to \$21,893,320 thousand and \$31,220,104 thousand in 2004 and 2003, representing 8% and 15% of its total sales, respectively.

TABLE 1**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES****FINANCING PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

No.	Financing Name	Counter-party Account	Financial Statement	Maximum Balance for the Period (US\$ in Thousand)	Ending Balance (US\$ in Thousand)	Interest Rate	Type of Financing	Reasons for Allowance	Collateral	Borrowing Limit for Each Company (US\$ in Thousand)	Financing Company's Financing Amount
1	TSMC International	TSMC Other receivables Development		\$ 1,915,020 (US\$60,000)	\$ 1,915,020 (US\$60,000)	1.50%	Operating capital	\$	\$	N/A	\$ 31,532,982 (US\$987,968) (Note 2)
		TSMC Other receivables Technology		319,170 (US\$10,000)							
2	TSMC Partners	TSMC Other receivables Development		2,553,360 (US\$80,000)	2,553,360 (US\$80,000)	1.50%	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.

TABLE 2**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES****ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

No.	Endorsement/ Guarantee Provider Name	Nature of Relationship (Note 2)	Limits on Each Counter-party	Maximum Balance for the Year (US\$ in Thousand)	Ending Balance (US\$ in Thousand)	Ratio of Accumulated Amount of Value of Collateral to Net Property Plant and Equipment Collateral Financial Statement	Maximum Collateral/ Guarantee Amounts Allowable (Note 1)	
								Collateral/ Guarantee Amounts Allowable (Note 1)
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	\$ 1,915,020 (US\$60,000)	\$ 1,915,020 (US\$60,000)	\$ 0.48%	\$ 99,741,325

		of			
		Directors.			
TSMC	2		1,276,680	1,276,680	0.32%
North America					
			(US\$40,000)	(US\$40,000)	
WaferTech	3		14,043,480		
			(US\$440,000)		

Note 1: 25% of the net worth of the Company as of December 31, 2004.

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.

TABLE 3**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands of)	December 31, 2004		Market Value or Net Asset Value (US\$ Thousand)
				Carrying Value (US\$ in Thousand)	Percentage of Ownership	
<u>Government bonds</u>						
2003 Government Bond Series A		Short-term investment		\$ 1,207,409	N/A	\$ 1,207,409
United States Treas NTS		Short-term investment		US\$ 192,357	N/A	US\$ 192,357
2003 Government Bond Series I		Long-term investment		3,397,081	N/A	3,397,081
2004 Government Bond Series A		Long-term investment		2,349,573	N/A	2,349,573
2004 Government Bond Series E		Long-term investment		3,893,827	N/A	3,893,827
2004 Kaohsiung Municipal Bond Series A		Long-term investment		620,000	N/A	620,000
<u>Bonds under repurchase agreement</u>						
		Short-term investment		249,449	N/A	249,449
<u>Bond funds</u>						
JF Taiwan Bond Fund		Short-term investment	78,698	1,153,209	N/A	1,153,209
ABN AMRO Bond Fund		Short-term investment	134,906	1,956,175	N/A	1,956,175
JF Taiwan First Bond Fund		Short-term investment	84,886	1,151,463	N/A	1,151,463
INVESCO R.O.C. Bond A Fund		Short-term investment	76,705	1,101,911	N/A	1,101,911
Dresdner Bond DAM Fund		Short-term investment	80,833	900,000	N/A	900,000
Barits Bond Fund		Short-term investment	76,640	900,000	N/A	900,000
Shinkong Chi Shin Bond Fund		Short-term investment	151,594	2,100,000	N/A	2,100,000
ABN AMRO Select Bond Fund			18,235	200,000	N/A	200,000

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NITC Bond Fund		Short-term investment				
		Short-term investment	3,764	600,000	N/A	60
HSBC NTD Money Management Fund		Short-term investment	41,568	600,000	N/A	60
<u>Stock</u>						
Taiwan Mask Corp.		Short-term investment	1,787	6,528		2
TSMC International	Subsidiary	Long-term investment	987,968	23,778,997	100	23,77
VIS	Investee	Long-term investment	409,532	5,401,982	28	8,49
TSMC Partners	Subsidiary	Long-term investment	300	3,908,356	100	3,90
SSMC	Investee	Long-term investment	382	3,290,888	32	3,29
TSMC - North America	Subsidiary	Long-term investment				
			11,000	502,242	100	1,17
GUC	Investee	Long-term investment	39,040	391,626	47	41
TSMC - Japan	Subsidiary	Long-term investment	6	102,572	100	10
VisEra	Investee	Long-term investment	5,100	59,116	25	5
TSMC - Europe	Subsidiary	Long-term investment		25,439	100	2
United Industrial Gases Co., Ltd.		Long-term investment	16,783	193,584	10	28
Shin-Etsu Handotai Taiwan Co., Ltd.		Long-term investment	10,500	105,000	7	17

(Continued)

		December 31, 2004							
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Value		Percentage of Ownership	Market Value (US\$)	
					(US\$ in Thousand)	(US\$ in Thousand)			
	W.K. Technology Fund IV		Long-term investment	5,000	\$	50,000	2	\$	
	Hontung Venture Capital Co., Ltd.		Long-term investment	8,392		83,916	10		
	Globaltop Partner I Venture Capital Corp.		Long-term investment	5,000		50,000	1		
<u>Corporate bonds</u>									
	Taiwan Power Company		Short-term investment			2,777,798	N/A	2,777,798	
	Abbott Labs		Short-term investment		US\$	2,732	N/A	US\$ 2,732	
	Abbott Labs		Short-term investment		US\$	1,581	N/A	US\$ 1,581	
	Ace Ltd		Short-term investment		US\$	1,046	N/A	US\$ 1,046	
	AIG Sunamerica Global Fing IX		Short-term investment		US\$	1,032	N/A	US\$ 1,032	
	Allstate Finl Global Fdg LLC		Short-term investment		US\$	3,171	N/A	US\$ 3,171	
	American Express Co.		Short-term investment		US\$	3,550	N/A	US\$ 3,550	
	American Gen Fin Corp.		Short-term investment		US\$	1,768	N/A	US\$ 1,768	
	American Gen Fin Corp. Mtn		Short-term investment		US\$	3,130	N/A	US\$ 3,130	
	American Gen Fin Corp. Mtn		Short-term investment		US\$	1,058	N/A	US\$ 1,058	
	American Honda Fin Corp. Mtn		Short-term investment		US\$	3,800	N/A	US\$ 3,800	
	American Intl Group Inc. Mtnf		Short-term investment		US\$	3,795	N/A	US\$ 3,795	
	Amgen Inc.		Short-term investment		US\$	3,005	N/A	US\$ 3,005	
	Amsouth Bk Birmingham Ala		Short-term investment		US\$	1,972	N/A	US\$ 1,972	
	ANZ Cap Tr I		Short-term investment		US\$	1,012	N/A	US\$ 1,012	
	Bank New York Inc.		Short-term investment		US\$	1,525	N/A	US\$ 1,525	
	Bank New York Inc.		Short-term investment		US\$	3,945	N/A	US\$ 3,945	

	Short-term investment				
Bank Scotland Treas Svcs PLC	Short-term investment	US\$	2,715	N/A	US\$
Bank Utd Houston TX Mtn	Short-term investment	US\$	580	N/A	US\$
Bear Stearns Cos Inc.	Short-term investment	US\$	3,518	N/A	US\$
Bear Stearns Cos Inc. Medium Te	Short-term investment	US\$	3,105	N/A	US\$
Berkshire Hathaway Fin Corp.	Short-term investment	US\$	1,498	N/A	US\$
Bristol Myers Squibb Co.	Short-term investment	US\$	3,819	N/A	US\$
British Telecommunications PLC	Short-term investment	US\$	2,104	N/A	US\$
Cargill Inc.	Short-term investment	US\$	2,120	N/A	US\$
Chase Manhattan Corp. New	Short-term investment	US\$	1,628	N/A	US\$
Cit Group Hldgs Inc.	Short-term investment	US\$	3,203	N/A	US\$
Citigroup Inc.	Short-term investment	US\$	2,000	N/A	US\$
Citigroup Inc.	Short-term investment	US\$	1,033	N/A	US\$
Citigroup Inc.	Short-term investment	US\$	3,583	N/A	US\$
Colonial Pipeline Co.	Short-term investment	US\$	1,625	N/A	US\$
Compaq Computer Corp.	Short-term investment	US\$	3,719	N/A	US\$
Consolidated Edison Co. NY Inc.	Short-term investment	US\$	3,687	N/A	US\$
Corestates Cap Corp.	Short-term investment	US\$	1,062	N/A	US\$
Countrywide Fdg Corp. Mtn	Short-term investment	US\$	2,158	N/A	US\$
Countrywide Home Lns Inc.	Short-term investment	US\$	5,210	N/A	US\$

(Continued)

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004			
				Shares/Units (In US\$ in Thousand)	Carrying Value of Asset (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Value (US\$ in Thousand)
	Credit Suisse Fb USA Inc.		Short-term investment		US\$ 2,645	N/A	US\$ 2,595
	Credit Suisse First Boston		Short-term investment		US\$ 786	N/A	US\$ 779
	Credit Suisse First Boston USA		Short-term investment		US\$ 2,249	N/A	US\$ 2,240
	Daimlerchrysler North Amer		Short-term investment		US\$ 997	N/A	US\$ 995
	Daimlerchrysler North Amer Hld		Short-term investment		US\$ 749	N/A	US\$ 753
	Dell Computer Corp.		Short-term investment		US\$ 3,054	N/A	US\$ 3,025
	Den Danske BK Aktieselskab		Short-term investment		US\$ 2,192	N/A	US\$ 2,160
	Deutsche Telekom Intl Fin BV		Short-term investment		US\$ 1,852	N/A	US\$ 1,830
	Diageo PLC		Short-term investment		US\$ 3,459	N/A	US\$ 3,475
	Dow Chem Co.		Short-term investment		US\$ 921	N/A	US\$ 915
	European Invt Bk		Short-term investment		US\$ 8,315	N/A	US\$ 8,230
	Fifth Third Bk Cincinnati OH		Short-term investment		US\$ 2,419	N/A	US\$ 2,460
	First Data Corp.		Short-term investment		US\$ 3,013	N/A	US\$ 2,980
	First Un Corp.		Short-term investment		US\$ 970	N/A	US\$ 965
	Fleet Finl Group Inc. New		Short-term investment		US\$ 494	N/A	US\$ 495
	Fleet Finl Corp Inc. New		Short-term investment		US\$ 975	N/A	US\$ 965
	Ford Mtr Cr Co.		Short-term investment		US\$ 1,542	N/A	US\$ 1,535
	FPL Group Cap Inc.		Short-term investment		US\$ 1,001	N/A	US\$ 990
	FPL Group Cap Inc.		Short-term investment		US\$ 860	N/A	US\$ 845
	General Elec Cap Corp. Mtn		Short-term investment		US\$ 3,467	N/A	US\$ 3,455

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General Elec Cap Corp. Mtn	Short-term investment	US\$ 1,040	N/A	US\$ 1,040
General Elec Cap Corp. Mtn	Short-term investment	US\$ 3,886	N/A	US\$ 3,878
Genworth Finl Inc.	Short-term investment	US\$ 3,412	N/A	US\$ 3,408
Goldman Sachs Group Inc. Mtn	Short-term investment	US\$ 3,505	N/A	US\$ 3,494
Goldman Sachs Group LP	Short-term investment	US\$ 1,637	N/A	US\$ 1,599
Goldman Sachs Group LP	Short-term investment	US\$ 1,100	N/A	US\$ 1,075
Greenpoint Finl Corp.	Short-term investment	US\$ 974	N/A	US\$ 972
GTE Corp.	Short-term investment	US\$ 2,134	N/A	US\$ 2,109
Hancock John Global Fdg Mtn	Short-term investment	US\$ 1,003	N/A	US\$ 988
Hartford Finl Svcs Group Inc.	Short-term investment	US\$ 765	N/A	US\$ 758
Hartford Finl Svcs Group Inc.	Short-term investment	US\$ 296	N/A	US\$ 296
Heller Finl Inc.	Short-term investment	US\$ 1,171	N/A	US\$ 1,163
Hershey Foods Corp.	Short-term investment	US\$ 1,627	N/A	US\$ 1,606
Hewlett Packard Co.	Short-term investment	US\$ 3,373	N/A	US\$ 3,302
Honeywell Inc.	Short-term investment	US\$ 3,284	N/A	US\$ 3,218
Household Fin Corp.	Short-term investment	US\$ 529	N/A	US\$ 529
Household Fin Corp.	Short-term investment	US\$ 2,993	N/A	US\$ 2,983
Household Fin Corp. Mtn Bk Ent	Short-term investment	US\$ 3,542	N/A	US\$ 3,510
HSBC USA Inc. New	Short-term investment	US\$ 1,154	N/A	US\$ 1,134
Huntington Natl Bk	Short-term investment	US\$ 3,003	N/A	US\$ 3,000
Huntington Natl Bk Columbus OH	Short-term investment	US\$ 2,954	N/A	US\$ 2,961
ING Bank	Short-term investment	US\$ 2,114	N/A	US\$ 2,113
ING Sec Life Ins Ingslf	Short-term investment	US\$ 3,012	N/A	US\$ 3,007
Intl Bk For Recon + Dev	Short-term investment	US\$ 5,232	N/A	US\$ 5,102
JP Morgan Chase + Co.	Short-term investment	US\$ 1,043	N/A	US\$ 1,035
Jackson Natl Life Global Fdg	Short-term investment	US\$ 1,036	N/A	US\$ 1,032

Jackson Natl Life Global Fdg S	Short-term investment		
	Short-term investment	US\$ 2,998	N/A US\$ 2,988

(Continued)

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004			
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)
	JP Morgan Chase + Co.		Short-term investment		US\$ 3,663	N/A	US\$ 3,629
	Keycorp Mtn Book Entry		Short-term investment		US\$ 3,500	N/A	US\$ 3,502
	KFW Intl Fin Inc.		Short-term investment		US\$ 5,104	N/A	US\$ 5,027
	Kraft Foods Inc.		Short-term investment		US\$ 773	N/A	US\$ 763
	Kraft Foods Inc.		Short-term investment		US\$ 1,037	N/A	US\$ 1,030
	Lehman Brothers Hldgs Inc.		Short-term investment		US\$ 1,163	N/A	US\$ 1,162
	Lehman Brothers Hldgs Inc.		Short-term investment		US\$ 3,705	N/A	US\$ 3,634
	Lehman Brothers Hldgs Inc.		Short-term investment		US\$ 2,171	N/A	US\$ 2,154
	Lilly Eli + Co.		Short-term investment		US\$ 3,750	N/A	US\$ 3,745
	Lincoln Natl Corp. In		Short-term investment		US\$ 519	N/A	US\$ 518
	Merita Bk Ltd NY Brh		Short-term investment		US\$ 538	N/A	US\$ 533
	Merrill Lynch + Co. Inc.		Short-term investment		US\$ 3,486	N/A	US\$ 3,483
	Metropolitan Life Global Mtn		Short-term investment		US\$ 1,907	N/A	US\$ 1,910
	Monumental Global Fdg II		Short-term investment		US\$ 2,500	N/A	US\$ 2,500
	Monumental Global Fdg II		Short-term investment		US\$ 1,534	N/A	US\$ 1,510
	Monumental Global Fdg II 2002A		Short-term investment		US\$ 1,045	N/A	US\$ 1,034
	Morgan Stanley		Short-term investment		US\$ 2,136	N/A	US\$ 2,128
	Morgan Stanley Group Inc.		Short-term investment		US\$ 3,638	N/A	US\$ 3,628
	Morgan Stanley Group Inc.		Short-term investment		US\$ 1,050	N/A	US\$ 1,048
	National Westminster Bk PLC		Short-term investment		US\$ 1,433	N/A	US\$ 1,422

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Nationsbank Corp.	Short-term investment	US\$ 3,644	N/A	US\$ 3,549
Nationwide Bldg Soc	Short-term investment	US\$ 3,457	N/A	US\$ 3,477
Nationwide Life Global Mtn	Short-term investment	US\$ 1,463	N/A	US\$ 1,469
Pepsico Inc. Mtn Book Entry	Short-term investment	US\$ 3,818	N/A	US\$ 3,817
PNC Fdg Corp.	Short-term investment	US\$ 1,080	N/A	US\$ 1,073
Popular North Amer Inc. Mtn	Short-term investment	US\$ 3,042	N/A	US\$ 3,022
Premark Intl Inc.	Short-term investment	US\$ 2,954	N/A	US\$ 2,914
Pricoa Global Fdg I Mtn	Short-term investment	US\$ 3,507	N/A	US\$ 3,503
Pricoa Global Fdg I Mtn	Short-term investment	US\$ 3,050	N/A	US\$ 3,047
Principal Life Global Fdg I Gl	Short-term investment	US\$ 3,168	N/A	US\$ 3,102
Protective Life Secd Trs	Short-term investment	US\$ 2,920	N/A	US\$ 2,969
Prudential Ins Co. Amer	Short-term investment	US\$ 2,648	N/A	US\$ 2,610
Reinsurance Group Amer Inc.	Short-term investment	US\$ 2,091	N/A	US\$ 2,089
Royal Bk Scotland Group PLC	Short-term investment	US\$ 1,563	N/A	US\$ 1,547
Royal Bk Scotland Group PLC	Short-term investment	US\$ 564	N/A	US\$ 559
Royal Bk Scotland Group PLC	Short-term investment	US\$ 369	N/A	US\$ 364
Safeco Corp.	Short-term investment	US\$ 765	N/A	US\$ 763
Salomon Smith Barney Hldgs Inc.	Short-term investment	US\$ 3,160	N/A	US\$ 3,100
Sara Lee Corp.	Short-term investment	US\$ 1,596	N/A	US\$ 1,600
SBC Communications Inc.	Short-term investment	US\$ 3,681	N/A	US\$ 3,617
SBC Communications Inc.	Short-term investment	US\$ 2,251	N/A	US\$ 2,243
Scotland Intl Fin B V 144A	Short-term investment	US\$ 1,533	N/A	US\$ 1,532
Shell Finance (UK) PLC	Short-term investment	US\$ 3,604	N/A	US\$ 3,553
SLM Corp.	Short-term investment	US\$ 500	N/A	US\$ 500
SLM Corp. Medium Term Nts	Short-term investment	US\$ 2,950	N/A	US\$ 2,983
SP Powerassets Ltd Global	Short-term investment	US\$ 991	N/A	US\$ 992

Suntrust Bks Inc.	Short-term investment			
	Short-term investment	US\$ 1,062	N/A	US\$ 1,060
Swedbank Sparbanken Svenge AB	Short-term investment	US\$ 1,084	N/A	US\$ 1,060

(Continued)

		December 31, 2004					
		Carrying Value		Percentage of Asset Value			
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Value (US\$ in Thousand)	Ownership (%)	Asset Value (US\$ in Thousand)
	TIAA Global Mkts Inc.		Short-term investment		US\$ 519	N/A	US\$
	Tribune Co. Med Trm Nts		Short-term investment		US\$ 2,943	N/A	US\$
	Union Planters		Short-term investment		US\$ 2,755	N/A	US\$
	Unitedhealth Group Inc.		Short-term investment		US\$ 3,119	N/A	US\$
	US Bk Natl Assn Cincinnati OH		Short-term investment		US\$ 2,669	N/A	US\$
	Virginia Elec + Pwr Co.		Short-term investment		US\$ 2,884	N/A	US\$
	Vodafone Group PLC New		Short-term investment		US\$ 2,559	N/A	US\$
	Wachovia Corp.		Short-term investment		US\$ 3,720	N/A	US\$
	Wal Mart Cda Venture Corp.		Short-term investment		US\$ 3,670	N/A	US\$
	Washington Mut Fin Corp.		Short-term investment		US\$ 4,768	N/A	US\$
	Washington Mut Inc.		Short-term investment		US\$ 4,735	N/A	US\$
	Washington Post Co.		Short-term investment		US\$ 3,182	N/A	US\$
	Wells Fargo + Co. New		Short-term investment		US\$ 3,697	N/A	US\$
	Westfield Cap Corp. Ltd		Short-term investment		US\$ 1,999	N/A	US\$
	China Steel Corporation		Long-term investment		2,978,804	N/A	2,978,804
	Taiwan Power Company		Long-term investment		915,276	N/A	915,276
	Nan Ya Plastics Corporation		Long-term investment		407,526	N/A	407,526
	Formosa Plastics Corporation		Long-term investment		405,485	N/A	405,485
	Formosa Petrochemical Corporation		Long-term investment		202,595	N/A	202,595
	<u>Agency bonds</u>						
	Fed Hm Ln Pc				US\$ 3,466	N/A	US\$

	Short-term investment					
Federal Home Ln Bks	Short-term investment	US\$	2,532	N/A	US\$	2
Federal Home Ln Bks	Short-term investment	US\$	1,042	N/A	US\$	
Federal Home Ln Bks	Short-term investment	US\$	4,927	N/A	US\$	4
Federal Home Ln Bks	Short-term investment	US\$	7,962	N/A	US\$	7
Federal Home Ln Bks	Short-term investment	US\$	7,014	N/A	US\$	6
Federal Home Ln Bks	Short-term investment	US\$	4,936	N/A	US\$	4
Federal Home Ln Bks	Short-term investment	US\$	4,948	N/A	US\$	4
Federal Home Ln Bks	Short-term investment	US\$	2,454	N/A	US\$	2
Federal Home Ln Bks	Short-term investment	US\$	7,018	N/A	US\$	7
Federal Home Ln Bks	Short-term investment	US\$	4,996	N/A	US\$	4
Federal Home Ln Bks	Short-term investment	US\$	7,042	N/A	US\$	6
Federal Home Ln Bks	Short-term investment	US\$	6,098	N/A	US\$	6
Federal Home Ln Bks	Short-term investment	US\$	2,909	N/A	US\$	2
Federal Home Ln Bks	Short-term investment	US\$	13,953	N/A	US\$	13
Federal Home Ln Bks	Short-term investment	US\$	13,983	N/A	US\$	13
Federal Home Ln Bks	Short-term investment	US\$	13,981	N/A	US\$	13
Federal Home Ln Mtg Corp	Short-term investment	US\$	6,978	N/A	US\$	6
Federal Home Ln Mtg Corp.	Short-term investment	US\$	3,388	N/A	US\$	3
Federal Home Ln Mtg Corp	Short-term investment	US\$	4,953	N/A	US\$	4
Federal Home Ln Mtg Corp.	Short-term investment	US\$	9,997	N/A	US\$	9
Federal Home Ln Mtg Corp.	Short-term investment	US\$	998	N/A	US\$	
Federal Home Ln Mtg Corp.	Short-term investment	US\$	4,933	N/A	US\$	4
Federal Home Ln Mtg Corp. Mtn	Short-term investment	US\$	4,930	N/A	US\$	4
Federal Home Loan Mtg Assn	Short-term investment	US\$	4,847	N/A	US\$	4
Federal Home Loan Mtg Corp.	Short-term investment	US\$	4,903	N/A	US\$	4

Short-term
investment

(Continued)

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				December 31, 2004					
				Carrying		Percentage		Market	
				Value		of		Value of	
				(In US\$ in		Ownership		Net	
				Thousand)		Thousand)		Asset	
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In US\$ in Thousand)	Value (US\$ in Thousand)	Percentage of Ownership	Value (US\$ in Thousand)	Value (US\$ in Thousand)	Net Value (US\$ in Thousand)
	Federal Natl Mtg Assn		Short-term investment		US\$ 5,270	N/A	US\$ 5,270		
	Federal Natl Mtg Assn		Short-term investment		US\$ 6,940	N/A	US\$ 6,940		
	Federal Natl Mtg Assn		Short-term investment		US\$ 6,903	N/A	US\$ 6,903		
	Federal Natl Mtg Assn		Short-term investment		US\$ 4,981	N/A	US\$ 4,981		
	Federal Natl Mtg Assn		Short-term investment		US\$ 6,997	N/A	US\$ 6,997		
	Federal Natl Mtg Assn Mtn		Short-term investment		US\$ 15,787	N/A	US\$ 15,787		
	Federal Natl Mtg Assn Mtn		Short-term investment		US\$ 7,000	N/A	US\$ 6,997		
	Freddie Mac		Short-term investment		US\$ 4,929	N/A	US\$ 4,929		
	Fed Hm Ln Pc Pool E89857		Short-term investment		US\$ 2,535	N/A	US\$ 2,535		
	Fed Hm Ln Pc Pool G11295		Short-term investment		US\$ 2,277	N/A	US\$ 2,277		
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 6,096	N/A	US\$ 6,096		
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 4,435	N/A	US\$ 4,435		
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 3,558	N/A	US\$ 3,558		
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 3,645	N/A	US\$ 3,645		
	Federal Natl Mtg Assn		Short-term investment		US\$ 4,242	N/A	US\$ 4,242		
	Federal Natl Mtg Assn		Short-term investment		US\$ 2,141	N/A	US\$ 2,141		
	Federal Natl Mtg Assn		Short-term investment		US\$ 4,765	N/A	US\$ 4,765		
	Federal Natl Mtg Assn Gtd		Short-term investment		US\$ 3,486	N/A	US\$ 3,486		
	FNMA Pool 685116		Short-term investment		US\$ 1,003	N/A	US\$ 1,003		
	FNMA Pool 725095		Short-term investment		US\$ 2,008	N/A	US\$ 2,008		

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FNMA Pool 790828	Short-term investment	US\$ 4,807	N/A	US\$ 4,7
FNMA Pool 793932	Short-term investment	US\$ 994	N/A	US\$ 99
FNMA Pool 794040	Short-term investment	US\$ 1,021	N/A	US\$ 1,02
FNMA Pool 795548	Short-term investment	US\$ 977	N/A	US\$ 97
FNMA Pool 806642	Short-term investment	US\$ 2,006	N/A	US\$ 2,00
GNMA II Pool 081150	Short-term investment	US\$ 999	N/A	US\$ 99
GNMA II Pool 081153	Short-term investment	US\$ 3,789	N/A	US\$ 3,78
Government Natl Mtg Assn	Short-term investment	US\$ 1,734	N/A	US\$ 1,70
<u>Corporate issued asset-backed securities</u>				
Aegis Asset Backed Secs Tr	Short-term investment	US\$ 2,000	N/A	US\$ 2,00
Aesop Fed II LLC	Short-term investment	US\$ 4,955	N/A	US\$ 4,90
Aesop Fed II LLC	Short-term investment	US\$ 1,912	N/A	US\$ 1,88
American Express Cr Account Ma	Short-term investment	US\$ 3,445	N/A	US\$ 3,42
American Home Mtg Invt Tr	Short-term investment	US\$ 949	N/A	US\$ 94
Americredit Automobile Receiv	Short-term investment	US\$ 2,002	N/A	US\$ 1,99
Americredit Automobile Rec Tr	Short-term investment	US\$ 1,055	N/A	US\$ 1,04
Americredit Automobile Rec Tr	Short-term investment	US\$ 2,000	N/A	US\$ 1,99
Americredit Automobile Receivb	Short-term investment	US\$ 4,949	N/A	US\$ 4,9
Atlantic City Elc Trns Fdg LLC	Short-term investment	US\$ 926	N/A	US\$ 92
Banc Amer Coml Mtg Inc.	Short-term investment	US\$ 5,364	N/A	US\$ 5,3
Banc Amer Mtg Secs Inc.	Short-term investment	US\$ 4,030	N/A	US\$ 4,00
Bank of Amer Lease Equip Tr	Short-term investment	US\$ 4,023	N/A	US\$ 3,99
Bear Stearns Alt A Tr	Short-term investment	US\$ 1,478	N/A	US\$ 1,44
Bear Stearns Asset Backed Secs	Short-term investment	US\$ 2,000	N/A	US\$ 2,00
BMW Veh Owner Tr	Short-term investment	US\$ 4,978	N/A	US\$ 4,9
California Infr + Economic Dev		US\$ 4,298	N/A	US\$ 4,22

Short-term
investment

(Continued)

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				December 31, 2004			
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market
							Value of Net Asset Value (US\$ in Thousand)
	California Infrs + Economic		Short-term investment		US\$ 6,126	N/A	US\$ 6,000
	California Infrastructure Dev		Short-term investment		US\$ 5,089	N/A	US\$ 5,000
	Capital Auto Receivables Asset		Short-term investment		US\$ 4,018	N/A	US\$ 3,900
	Capital One Auto Fin Tr		Short-term investment		US\$ 319	N/A	US\$ 300
	Capital One Auto Fin Tr		Short-term investment		US\$ 1,147	N/A	US\$ 1,100
	Capital One Auto Fin Tr		Short-term investment		US\$ 3,000	N/A	US\$ 2,900
	Capital One Multi Asset Execut		Short-term investment		US\$ 4,957	N/A	US\$ 4,900
	Caterpillar Finl Asset Tr		Short-term investment		US\$ 10,008	N/A	US\$ 9,900
	Centex Home Equity Ln Tr		Short-term investment		US\$ 3,500	N/A	US\$ 3,400
	Cit Equip Coll Tr		Short-term investment		US\$ 4,999	N/A	US\$ 4,900
	Citibank Cr Card Issuance Tr		Short-term investment		US\$ 4,959	N/A	US\$ 4,900
	Citicorp Mtg Secs		Short-term investment		US\$ 2,364	N/A	US\$ 2,300
	CNH Equip Tr		Short-term investment		US\$ 5,000	N/A	US\$ 4,900
	Comm 2004 Htl 1		Short-term investment		US\$ 4,600	N/A	US\$ 4,600
	Credit Suisse First Boston Mtg		Short-term investment		US\$ 4,209	N/A	US\$ 4,100
	CWABS Inc.		Short-term investment		US\$ 1,647	N/A	US\$ 1,600
	CWABS Inc.		Short-term investment		US\$ 1,903	N/A	US\$ 1,900
	CWABS Inc.		Short-term investment		US\$ 1,907	N/A	US\$ 1,900
	CWABS Inc.		Short-term investment		US\$ 2,000	N/A	US\$ 1,900
	CWABS Inc.		Short-term investment		US\$ 5,000	N/A	US\$ 5,000

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CWABS Inc.	Short-term investment	US\$ 3,500	N/A	US\$ 3,500
CWALT Inc.	Short-term investment	US\$ 4,292	N/A	US\$ 4,292
CWABS Inc.	Short-term investment	US\$ 2,317	N/A	US\$ 2,317
CWABS Inc.	Short-term investment	US\$ 4,040	N/A	US\$ 4,040
Daimlerchrysler Auto Tr	Short-term investment	US\$ 4,991	N/A	US\$ 4,991
Daimlerchrysler Auto Tr	Short-term investment	US\$ 4,982	N/A	US\$ 4,982
Daimlerchrysler Auto Tr	Short-term investment	US\$ 4,897	N/A	US\$ 4,897
Detroit Edison Securitization	Short-term investment	US\$ 674	N/A	US\$ 674
Fifth Third Auto Tr	Short-term investment	US\$ 3,000	N/A	US\$ 2,999
Finance Amer Mtg Ln Tr	Short-term investment	US\$ 985	N/A	US\$ 985
First Franklin Mtg Ln Tr	Short-term investment	US\$ 2,002	N/A	US\$ 2,002
First Horizon Abs Tr	Short-term investment	US\$ 2,000	N/A	US\$ 2,000
First Union Lehman Bros Mtg Tr	Short-term investment	US\$ 3,567	N/A	US\$ 3,567
First USA Credit Cr Master Tr	Short-term investment	US\$ 5,011	N/A	US\$ 5,011
Ford Cr Auto Owner Tr	Short-term investment	US\$ 10,999	N/A	US\$ 10,999
Granite Mtgs PLC	Short-term investment	US\$ 5,000	N/A	US\$ 5,000
GS Auto Ln Tr	Short-term investment	US\$ 2,948	N/A	US\$ 2,948
GS Mtg Secs Corp.	Short-term investment	US\$ 2,944	N/A	US\$ 2,944
Harley Davidson Motorcycle Tr	Short-term investment	US\$ 3,417	N/A	US\$ 3,417
Harley Davidson Motorcycle Tr	Short-term investment	US\$ 5,999	N/A	US\$ 5,999
Holmes Fing No 8 PLC	Short-term investment	US\$ 5,001	N/A	US\$ 5,001
Honda Auto Receivables	Short-term investment	US\$ 5,000	N/A	US\$ 4,999
Household Automotive Tr	Short-term investment	US\$ 513	N/A	US\$ 513
Hyundai Auto Receivables Tr	Short-term investment	US\$ 3,500	N/A	US\$ 3,499
IMPAC Cmb Tr	Short-term investment	US\$ 1,414	N/A	US\$ 1,414
IMPAC Cmb Tr	Short-term investment	US\$ 988	N/A	US\$ 988

IMPAC Secd Assets Corp.	Short-term investment Short-term investment	US\$ 3,570 N/A US\$ 3,570 (Continued)
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Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004		
				Shares/Units (In US\$ in Thousand)	Carrying Value of Asset (US\$ in Thousand)	Percentage of Net Value (US\$ in Thousand)
	Long Beach Accep Auto Receivab		Short-term investment		US\$ 2,526	N/A US\$ 2,502
	Merrill Lynch Mtg Invs Inc.		Short-term investment		US\$ 1,460	N/A US\$ 1,460
	Merrill Lynch Mtg Invs Inc.		Short-term investment		US\$ 1,500	N/A US\$ 1,502
	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\$ 1,207
	Navistar finl 2003 A Owner Tr		Short-term investment		US\$ 4,928	N/A US\$ 4,889
	Nissan Auto Receivables		Short-term investment		US\$ 7,000	N/A US\$ 6,958
	Nissan Auto Receivables Own Tr		Short-term investment		US\$ 4,999	N/A US\$ 4,999
	Nissan Auto Receivables Owner		Short-term investment		US\$ 4,853	N/A US\$ 4,872
	ONYX Accep Owner Tr		Short-term investment		US\$ 963	N/A US\$ 963
	ONYX Accep Owner Tr		Short-term investment		US\$ 4,913	N/A US\$ 4,933
	Providian Gateway Owner Tr		Short-term investment		US\$ 4,204	N/A US\$ 4,204
	Providian Gateway Owner Tr		Short-term investment		US\$ 3,992	N/A US\$ 3,982
	Reliant Energy Transition Bd		Short-term investment		US\$ 5,185	N/A US\$ 5,117
	Residential Asset Mtg Prods		Short-term investment		US\$ 3,731	N/A US\$ 3,672
	Residential Asset Mtg Prods		Short-term investment		US\$ 3,000	N/A US\$ 2,980
	Residential Fdg Mtg Secs I Inc.		Short-term investment		US\$ 3,659	N/A US\$ 3,630
	Sequoia Mtg Tr		Short-term investment		US\$ 2,504	N/A US\$ 2,513
	Sequoia Mtg Tr		Short-term investment		US\$ 1,960	N/A US\$ 1,955
	Sequoia Mtg Tr		Short-term investment		US\$ 1,488	N/A US\$ 1,480

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Sequoia Mtg Tr	Short-term investment	US\$ 2,000	N/A	US\$ 2,000
Sequoia Mtg Tr	Short-term investment	US\$ 3,500	N/A	US\$ 3,500
Structured Adj Rate Mtg Ln Tr	Short-term investment	US\$ 3,037	N/A	US\$ 3,037
Structured Asset Secs Corp.	Short-term investment	US\$ 1,403	N/A	US\$ 1,394
Thoornburg Mtg Secs Tr	Short-term investment	US\$ 1,921	N/A	US\$ 1,921
Toyota Auto Receivables 2003B	Short-term investment	US\$ 4,970	N/A	US\$ 4,930
Triad Auto Receivables Tr	Short-term investment	US\$ 5,042	N/A	US\$ 4,997
TXU Elec Delivery Transition	Short-term investment	US\$ 7,736	N/A	US\$ 7,715
USAA Auto Owner Tr	Short-term investment	US\$ 4,000	N/A	US\$ 3,997
Wachovia Auto Owner Tr	Short-term investment	US\$ 6,000	N/A	US\$ 5,997
Wachovia Auto Owner Tr	Short-term investment	US\$ 4,999	N/A	US\$ 4,997
WFS Financial Owner Trust	Short-term investment	US\$ 5,008	N/A	US\$ 4,989
WFS Finl 2004 2 Owner Tr	Short-term investment	US\$ 4,994	N/A	US\$ 4,992
WFS Finl 2004 4 Owner Tr	Short-term investment	US\$ 5,399	N/A	US\$ 5,342
Whole Auto Ln Tr	Short-term investment	US\$ 5,967	N/A	US\$ 5,960
Whole Auto Ln Tr	Short-term investment	US\$ 4,000	N/A	US\$ 3,965
Whole Auto Ln Tr	Short-term investment	US\$ 3,000	N/A	US\$ 2,964
World Omni Auto Receivables Tr	Short-term investment	US\$ 5,963	N/A	US\$ 5,900
<u>Commercial papers</u>	Short-term investment	US\$ 2,997	N/A	US\$ 2,997
<u>Corporate issued notes</u>	Short-term investment	US\$ 1,999	N/A	US\$ 1,999

(Continued)

						December 31, 2004			
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Asset Value (US\$ in Thousand)	Market Value (US\$ in Thousand)	Net
	<u>Money market funds</u>		Short-term investment		US\$ 21,114	N/A	US\$ 21,114		
	<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		43,649	N/A	43,649		
North America	TSMC stock	Parent company	Short-term investment	14,151	677,110		677,110		
	TSMC stock	Parent company	Short-term investment	15,670	458,564		458,564		
	TSMC stock	Parent company	Short-term investment	15,700	459,512		459,512		
International	<u>Money market fund</u>								
	BOA Fund		Short-term investment	30,300	US\$ 30,300	N/A	US\$ 30,300		
	<u>Stock</u>								
	InveStar	Subsidiary	Long-term investment	24,320	US\$ 34,514	97	US\$ 34,514		
	InveStar II	Subsidiary	Long-term investment	51,300	US\$ 34,534	97	US\$ 34,534		
	TSMC Development	Subsidiary	Long-term investment	1	US\$ 603,993	100	US\$ 603,993		
	TSMC Technology	Subsidiary	Long-term investment	1	US\$ 5,544	100	US\$ 5,544		
	3DFX Interactive Inc.		Long-term investment	68					
Development	WaferTech stock	Subsidiary	Long-term investment		US\$ 484,060	99	US\$ 484,060		
	<u>Common stock</u>								
	RichTek Technology Corp.		Short-term investment	682	US\$ 67		US\$ 67		

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Advanced Power Electronics Corp.	Short-term investment	1,108	US\$	502	US\$
Broadtek Electronics Corp.	Short-term investment	869	US\$	275	US\$
Monolithic Power Systems, Inc.	Short-term investment	1,975	US\$	1,567	US\$
SiRF Technology Holdings, Inc.	Short-term investment	90	US\$	393	US\$
Broadtek Electronics Corp.	Long-term investment	145	US\$	46	US\$
Programmable Microelectronics (Taiwan), Corp.	Long-term investment	575	US\$	208	1 US\$
Global Testing Corp.	Long-term investment	13,268	US\$	5,670	9 US\$
RichTek Technology Corp.	Long-term investment	842	US\$	83	1 US\$
Signia Technologies, Inc.	Long-term investment	701	US\$	202	3 US\$
Incentia Design Systems, Inc.	Long-term investment	365	US\$	92	1 US\$
Advanced Power Electronics Corp.	Long-term investment	1,123	US\$	508	2 US\$
Capella Microsystems (Taiwan), Inc.	Long-term investment	530	US\$	154	4 US\$
<u>Preferred stock</u>					
Integrated Memory Logic, Inc.	Long-term investment	1,831	US\$	1,221	12 US\$
Sensory, Inc.	Long-term investment	1,404	US\$	125	6 US\$
Sonics, Inc.	Long-term investment	2,686	US\$	3,530	4 US\$
NanoAmp Solutions, Inc.	Long-term investment	541	US\$	853	2 US\$
Memsic, Inc.	Long-term investment	2,727	US\$	1,500	10 US\$
Reflectivity, Inc.	Long-term investment	1,064	US\$	741	2 US\$

(Continued)

		December 31, 2004				
		Carrying		Percentage		
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Value (US\$ in Thousands)	of Asset Value (US\$ in Thousands)
	IP Unity		Long-term investment	1,008	US\$ 494	2 US\$
	Tropian, Inc.		Long-term investment	1,758	US\$ 471	3 US\$
	<u>Common stock</u>					
	RichTek Technology Corp.		Short-term investment	321	US\$ 184	US\$
	Monolithic Power Systems, Inc.		Short-term investment	864	US\$ 2,081	US\$
	eChannel Option Holding, Inc.		Long-term investment	358	US\$ 251	4 US\$
	eLCOS Microdisplay Technology, Ltd.		Long-term investment	270	US\$ 27	1 US\$
	Signia Technologies, Inc.		Long-term investment	351	US\$ 101	1 US\$
	Procoat Technology, Inc.		Long-term investment	5,123	US\$ 1,940	10 US\$
	RichTek Technology Corp.		Long-term investment	395	US\$ 226	1 US\$
	Programmable Microelectronics (Taiwan), Inc.		Long-term investment	177	US\$ 50	US\$
	Auden Technology MFG. Co., Ltd.		Long-term investment	953	US\$ 738	4 US\$
	GeoVision, Inc.		Long-term investment	471	US\$ 127	1 US\$
	EoNex Technologies, Inc.		Long-term investment	55	US\$ 3,048	5 US\$
	Conwise Technology Corporation, Ltd.		Long-term investment	2,800	US\$ 490	14 US\$
	EON Technology, Corp.		Long-term investment	3,276	US\$ 1,175	8 US\$
	Goyatek Technology, Corp.		Long-term investment	2,088	US\$ 545	7 US\$
	Trendchip Technologies Corp.		Long-term investment	2,000	US\$ 861	5 US\$
	Ralink Technology (Taiwan), Inc.		Long-term investment	1,833	US\$ 791	3 US\$
	Silicon Data International Co., Inc.		Long-term investment	2,000	US\$ 204	3 US\$

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	Long-term investment				
Capella Microsystems (Taiwan), Inc.	Long-term investment	419 US\$	122	3 US\$	
<u>Preferred stock</u>					
Memsic, Inc.	Long-term investment	2,289 US\$	1,560	8 US\$	
eLCOS Microdisplay Technology, Ltd.	Long-term investment	2,667 US\$	3,500	15 US\$	
NanoAmp Solutions, Inc.	Long-term investment	375 US\$	1,500	1 US\$	
Advanced Analogic Technology, Inc.	Long-term investment	948 US\$	1,261	2 US\$	
Sonics, Inc.	Long-term investment	1,582 US\$	3,082	5 US\$	
Reflectivity, Inc.	Long-term investment	4,255 US\$	2,205	5 US\$	
Tropian, Inc.	Long-term investment	1,464 US\$	393	2 US\$	
Kilopass Technologies, Inc.	Long-term investment	3,887 US\$	2,000	19 US\$	
FangTek, Inc.	Long-term investment	6,806 US\$	3,250	34 US\$	
Alchip Technologies Limited	Long-term investment	2,579 US\$	2,950	18 US\$	
<u>Common stock</u>					
Global Investment Holding, Inc.	Long-term investment	10,000	100,000	6	10
RichWave Technology Corp.	Long-term investment	2,600 US\$	867	13 US\$	
NetLogic Microsystems, Inc.	Long-term investment	113 US\$	1,388	1 US\$	
<u>Preferred stock</u>					
Quake Technologies, Inc.	Long-term investment	601 US\$	450	1 US\$	
Pixim, Inc.	Long-term investment	1,721 US\$	2,382	3 US\$	
Newport Opticom, Inc.	Long-term investment	962 US\$	250	6 US\$	
Ikanos Communication, Inc.	Long-term investment	7,446 US\$	3,125	3 US\$	

(Continued)

			December 31, 2004				
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value
							Net Asset Value (US\$ in Thousand)
	Quicksilver Technology, Inc.		Long-term investment	1,049	US\$-	4	
	Mosaic Systems, Inc.		Long-term investment	2,481	US\$ 12	6	US\$
	Zenesis Technologies, Inc.		Long-term investment	1,204	US\$ 699	4	US\$
	Reflectivity, Inc.		Long-term investment	4,848	US\$ 2,479	4	US\$ 2
	Teknovus, Inc.		Long-term investment	5,556	US\$ 1,000	3	US\$ 1
	Miradia, Inc. (Formerly XHP Microsystems, Inc.)		Long-term investment	3,040	US\$ 1,000	4	US\$ 1
	Axiom Microdevices, Inc.		Long-term investment	1,000	US\$ 1,000	5	US\$ 1
	Optichron, Inc.		Long-term investment	714	US\$ 1,000	6	US\$ 1
	Audience, Inc.		Long-term investment	1,654	US\$ 250	2	US\$
	Next IO, Inc.		Long-term investment	800	US\$ 500	2	US\$
	NuCORE Technology Inc.		Long-term investment	2,254	US\$ 1,455	2	US\$ 1
	Centrality Communications, Inc.		Long-term investment	809	US\$ 1,000	2	US\$ 1
	Layer N Networks, Inc.		Long-term investment	1,905	US\$ 1,000	2	US\$ 1
<u>Common stock</u>							
	Yobon Technologies, Inc.		Long-term investment	1,675	US\$ 787	17	US\$
	Sentelic, Corp.		Long-term investment	600	US\$ 1,022	15	US\$ 1
	Ivyon Technology, Inc.		Long-term investment	200	US\$ 775	10	US\$
<u>Preferred stock</u>							
	Powerprecise Solutions, Inc.		Long-term investment	258	US\$ 250	3	US\$
	Tzero Technologies, Inc.			244	US\$ 500	2	US\$

Miradia, Inc.		Long-term investment				
		Long-term investment	1,809	US\$ 1,600	2	US\$ 1
Agelia Technologies, Inc.		Long-term investment	1,149	US\$ 1,000	2	US\$ 1
Audience, Inc.		Long-term investment	531	US\$ 102	1	US\$
Axiom Microdevices, Inc.		Long-term investment	686	US\$ 700	5	US\$
Next IO, Inc.		Long-term investment	216	US\$ 182		US\$
<u>Bond funds</u>						
Grand Cathay		Short-term investment	3,608	45,543	N/A	45
TIIM		Short-term investment	703	9,698	N/A	9
Polaris De Li		Short-term investment	1,550	22,800	N/A	22
EnTrust Kirin		Short-term investment	2,106	22,697	N/A	22
E. Sun New Era		Short-term investment	1,920	20,313	N/A	20
Jih Sun		Short-term investment	772	10,262	N/A	10
EnTrust Phoenix		Short-term investment	2,081	30,563	N/A	30
Transcend Fortune		Short-term investment	1,936	22,947	N/A	22
<u>Stock funds</u>						
TIIM DaLi		Short-term investment	296	5,000	N/A	4
UPAMC Global Select Fund of Funds		Short-term investment	336	3,364	N/A	3
Sheng Hua 9966 Balance		Short-term investment	300	3,000	N/A	3
<u>Stock</u>						
Global Unichip Corporation - NA	Subsidiary	Long-term investment	100	3,375	100	3

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 YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal	
			Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)
Term investment	BOA		40,000	\$ 1,359,120 (US 40,000)		\$	40,000	\$ 1,359,120 (US 40,000)
Term investment	Goldman Sachs		20,000	679,560 (US 20,000)			20,000	679,560 (US 20,000)
Term investment	JF Asset Management (Taiwan) Ltd.		34,343	500,000	68,021	1,000,000	23,666	350,000
Term investment	ABN AMRO		34,794	500,000	165,257	2,400,000	65,145	950,000
Term investment	ABN AMRO				18,235	200,000		
Term investment	JF Asset Management (Taiwan) Ltd.				110,580	1,500,000	25,694	350,000
Term investment	INVESCO Asset Management Taiwan				93,975	1,350,000	17,270	250,000
Term investment	Allianz Dresdner Securities Investment Consulting Co., Ltd.				80,833	900,000		
Term investment	Barits Securities Investment Trust Co., Ltd.				76,640	900,000		
Term investment	Shinkong Investment Trust Co., Ltd.				151,594	2,100,000		
Term investment					3,764	600,000		

Term investment	National Investment Trust Co., Ltd. HSBC Asset Management (Taiwan) Ltd.	41,568	600,000		
Term investment	Chung Shing Bills Finance Corp. and several financial institutions	1,800,000	2,577,163	4,127,714	4
Term investment	Chung Shing Bills Finance Corp. and several financial institutions	1,422,197		1,427,762	1
Term investment	BNP and several financial institutions	3,157,331		3,169,750	3
Term investment	BNP and several financial institutions	3,113,066		3,133,875	3
Term investment	BNP and several financial institutions		2,023,206	2,031,500	2
Term investment	BNP and several financial institutions		1,207,409		
Term investment	FCB and several financial institutions		US\$ 699,398	US\$ 506,162	US\$
Term investment	China Bills Finance Corp. and several financial institutions		3,402,213		
Term investment	BNP and several financial institutions		2,349,573		
Term investment	BNP and several financial institutions		3,890,925		

institutions				
rm investment	KGI Securities			
	Co., Ltd. and			
	several			
	financial			
	institutions	620,000		
rm investment	KGI Securities			
	Co., Ltd.	2,777,798		
rm investment				
		US\$	3,171	
rm investment		US\$	3,550	
rm investment				
		US\$	3,503	US\$ 3,504 US\$
rm investment				
		US\$	3,130	
rm investment				
		US\$	3,702	
rm investment				
		US\$	3,509	US\$ 3,509 US\$
rm investment				
		US\$	3,750	US\$ 3,755 US\$
rm investment				
		US\$	3,800	

(Continued)

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal Carry	
			Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)
Short-term Investment				\$		US\$ 3,795	\$	\$
Short-term Investment						US\$ 3,005		
Short-term Investment						US\$ 3,945		
Short-term Investment						US\$ 3,693	US\$ 3,695	US\$ 3
Short-term Investment						US\$ 3,805	US\$ 3,816	US\$ 3
Short-term Investment						US\$ 3,518		
Short-term Investment						US\$ 3,105		
Short-term Investment						US\$ 3,819		
Short-term Investment						US\$ 3,277	US\$ 3,280	US\$ 3
Short-term Investment						US\$ 3,837	US\$ 3,795	US\$ 3
Short-term Investment						US\$ 3,203		
Short-term Investment						US\$ 3,583		
Short-term Investment						US\$ 3,719		
Short-term Investment						US\$ 3,687		
Short-term Investment						US\$ 3,534	US\$ 3,540	US\$ 3
Short-term Investment						US\$ 5,210		
Short-term Investment						US\$ 3,177	US\$ 3,188	US\$ 3
Short-term Investment						US\$ 3,054		
Short-term Investment						US\$ 3,459		
Short-term Investment						US\$ 8,315		
Short-term Investment						US\$ 4,237		
Short-term Investment						US\$ 4,847		

ort-term estment			
ort-term estment	US\$ 3,013		
ort-term estment	US\$ 3,507	US\$ 3,498	US\$ 3
ort-term estment	US\$ 3,467		
ort-term estment	US\$ 3,886		
ort-term estment	US\$ 3,412		
ort-term estment	US\$ 3,505		
ort-term estment	US\$ 3,820		
ort-term estment	US\$ 3,373		
ort-term estment	US\$ 3,284		
ort-term estment	US\$ 3,712	US\$ 3,633	US\$ 3
ort-term estment	US\$ 3,542		
ort-term estment	US\$ 3,003		
ort-term estment	US\$ 3,012		
ort-term estment	US\$ 5,232		
ort-term estment	US\$ 3,638	US\$ 3,601	US\$ 3
ort-term estment	US\$ 3,128		
ort-term estment	US\$ 3,663		
ort-term estment	US\$ 3,500		
ort-term estment	US\$ 5,104		
ort-term estment	US\$ 3,417	US\$ 3,381	US\$ 3
ort-term estment	US\$ 3,705		
ort-term estment	US\$ 3,750		
ort-term estment	US\$ 3,497	US\$ 3,498	US\$ 3
ort-term estment	US\$ 3,486		
	US\$ 3,129		

ort-term vestment			
ort-term vestment	US\$ 5,741		
ort-term vestment	US\$ 4,763	US\$ 3,713	US\$ 3
ort-term vestment	US\$ 3,644		
ort-term vestment	US\$ 3,457		
ort-term vestment	US\$ 3,413		
ort-term vestment	US\$ 3,818		
ort-term vestment	US\$ 3,042		
ort-term vestment	US\$ 3,507		
ort-term vestment	US\$ 3,050		
ort-term vestment	US\$ 3,168		
ort-term vestment	US\$ 3,160		
ort-term vestment	US\$ 3,681		

(Continued)

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Change
			Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	
term investment				\$		US\$ 3,604		\$	
term investment						US\$ 3,631		US\$ 3,131	US\$
term investment						US\$ 3,119			
term investment						US\$ 3,177		US\$ 3,135	US\$
term investment						US\$ 3,172		US\$ 3,175	US\$
term investment						US\$ 3,720			
term investment						US\$ 3,670			
term investment						US\$ 4,768			
term investment						US\$ 4,735			
term investment						US\$ 3,182			
term investment						US\$ 3,697			
term investment	Chung Shing Bills Finance Corp.					2,997,430			
term investment	BNP and several financial institutions					950,646			
term investment	Chung Shing Bills Finance Corp.					408,538			
term investment	Chung Shing Bills Finance Corp.					406,245			
term investment	Chung Shing Bills Finance Corp.					202,980			
term investment						US\$ 6,096			
term investment						US\$ 4,725			
term investment						US\$ 3,558			
term investment						US\$ 5,861			
term investment						US\$ 3,393			

term investment	US\$	6,130	
term investment			
term investment	US\$	6,371	
term investment			
term investment	US\$	7,000	
term investment	US\$	5,014	
term investment	US\$	3,817	
term investment			
term investment	US\$	4,829	US\$ 4,829 US\$
term investment			
term investment	US\$	4,473	
term investment	US\$	3,466	
term investment	US\$	5,210	US\$ 4,153 US\$
term investment	US\$	4,927	
term investment	US\$	14,938	US\$ 6,980 US\$
term investment	US\$	7,014	
term investment	US\$	4,936	
term investment	US\$	9,956	US\$ 9,967 US\$
term investment	US\$	5,264	US\$ 5,286 US\$
term investment	US\$	4,948	
term investment	US\$	7,018	
term investment	US\$	9,993	US\$ 5,000 US\$
term investment	US\$	7,042	
term investment	US\$	6,098	
term investment	US\$	13,953	
term investment	US\$	13,983	
term investment	US\$	13,981	
term investment			
term investment	US\$	6,978	
term investment			
term investment	US\$	3,388	
term investment			
term investment	US\$	4,907	US\$ 4,981 US\$
term investment			
term investment	US\$	4,953	
term investment			
term investment	US\$	9,997	
term investment			
term investment	US\$	9,971	US\$ 9,942 US\$
term investment			
term investment	US\$	11,984	US\$10,965 US\$
term investment			
term investment	US\$	4,933	
term investment			
term investment	US\$	4,930	
term investment			
term investment	US\$	4,903	
term investment	US\$	11,036	US\$ 10,997 US\$
term investment	US\$	10,496	US\$ 10,430 US\$

(Continued)

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Cash
			Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	
Short-term investment				\$		US\$ 5,270		\$	\$
Short-term investment						US\$ 4,982		US\$ 4,983	US\$
Short-term investment						US\$ 6,940			
Short-term investment						US\$ 4,867		US\$ 4,938	US\$
Short-term investment						US\$ 6,903			
Short-term investment						US\$ 4,981			
Short-term investment						US\$ 6,997			
Short-term investment						US\$ 4,993		US\$ 4,993	US\$
Short-term investment						US\$ 5,000			
Short-term investment						US\$ 15,787			
Short-term investment						US\$ 4,929			
Short-term investment						US\$ 16,000		US\$ 16,000	US\$
Short-term investment						US\$ 4,955			
Short-term investment						US\$ 3,445			
Short-term investment						US\$ 4,949			
Short-term investment						US\$ 5,503			
Short-term investment						US\$ 4,030			
Short-term investment						US\$ 4,023			
Short-term investment						US\$ 4,978			

short-term investment	US\$ 4,298	
short-term investment	US\$ 8,383	
short-term investment	US\$ 7,419	
short-term investment	US\$ 4,627	
short-term investment	US\$ 3,093	US\$ 3,072 US\$
short-term investment	US\$ 4,957	
short-term investment	US\$ 5,032	US\$ 5,000 US\$
short-term investment	US\$ 10,008	
short-term investment	US\$ 3,500	
short-term investment	US\$ 4,999	
short-term investment	US\$ 4,959	
short-term investment	US\$ 5,000	
short-term investment	US\$ 4,600	
short-term investment	US\$ 5,000	
short-term investment	US\$ 5,000	
short-term investment	US\$ 3,500	
short-term investment	US\$ 4,718	
short-term investment	US\$ 3,129	
short-term investment	US\$ 4,040	
short-term investment	US\$ 4,991	
short-term investment	US\$ 4,982	
short-term investment	US\$ 4,897	
short-term investment	US\$ 4,177	
short-term investment	US\$ 5,011	
short-term investment	US\$ 10,999	
short-term investment	US\$ 4,000	US\$ 4,003 US\$

short-term investment	
short-term investment	US\$ 5,000
short-term investment	US\$ 4,000
short-term investment	US\$ 4,000
short-term investment	US\$ 5,999
short-term investment	US\$ 5,001
short-term investment	US\$ 5,000
short-term investment	US\$ 3,500
short-term investment	US\$ 4,000
short-term investment	US\$ 3,500
short-term investment	US\$ 4,928
short-term investment	US\$ 7,000

(Continued)

Financial Statement	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Carry
			Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	
Short-term investment				\$		US\$ 4,999		\$	
Short-term investment						US\$ 4,853			
Short-term investment						US\$ 4,913			
Short-term investment						US\$ 5,102	US\$ 5,036	US\$	
Short-term investment						US\$ 4,204			
Short-term investment						US\$ 3,992			
Short-term investment						US\$ 5,185			
Short-term investment						US\$ 3,766			
Short-term investment						US\$ 3,947			
Short-term investment						US\$ 3,500			
Short-term investment						US\$ 3,058			
Short-term investment						US\$ 4,970			
Short-term investment						US\$ 5,042			
Short-term investment						US\$ 8,009			
Short-term investment						US\$ 4,000			
Short-term investment						US\$ 6,000			
Short-term investment						US\$ 4,999			
Short-term investment						US\$ 5,008			
Short-term investment						US\$ 3,904			
Short-term investment						US\$ 4,994			
Short-term investment						US\$ 5,399			
Short-term investment						US\$ 5,967			

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Short-term investment			US\$ 4,000		
Short-term investment			US\$ 5,963		
Short-term investment			US\$ 5,000	US\$ 4,986	US\$
Short-term investment			US\$ 21,114		
Short-term investment					
	947	US\$ 121		1,595	US\$ 6,783 US\$
Short-term investment					
	1,205	US\$ 3,593		1,205	US\$ 8,972 US\$
Short-term investment					
	2,521	US\$ 2,000		546	US\$ 4,318 US\$
Short-term investment					
	465	US\$ 346		768	US\$ 3,394 US\$

Note: The ending balance included the recognition of the investment income (loss) by the equity method, the cumulative translation adjustments and the bond premium or discount amortization amount.

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TABLE 5**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES****ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Owner	Related Counter-party Relationship	Transfer Date	Amount
484,370	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)		N/A	N/A	N/A	N/A
420,168	By the construction progress	CHRIST AG		N/A	N/A	N/A	N/A
224,800	By the construction progress	Allis Electric Co., Ltd.		N/A	N/A	N/A	N/A
340,307	By the construction progress	United Industry gas Corp., Ltd.		N/A	N/A	N/A	N/A
116,181	By the construction progress	United Industry gas Corp., Ltd.		N/A	N/A	N/A	N/A
133,092	By the construction progress	BOC EDWARDS, CMS		N/A	N/A	N/A	N/A
165,208	By the construction progress	Organo Corporation		N/A	N/A	N/A	N/A
225,744	By the construction progress	Marketech International Corp.		N/A	N/A	N/A	N/A
100,767	By the construction progress	Kanto Chemical Co., Inc.		N/A	N/A	N/A	N/A
466,833	By the construction progress	United Integrated Services Co., Ltd.		N/A	N/A	N/A	N/A
300,000	By the construction progress	United Integrated Services Co., Ltd.		N/A	N/A	N/A	N/A
122,969	By the construction progress	Marketech International Corp.		N/A	N/A	N/A	N/A

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185,984	By the construction progress	Marketech International Corp.	N/A	N/A	N/A	N/A
182,060	By the construction progress	Marketech International Corp.	N/A	N/A	N/A	N/A
105,299	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)	N/A	N/A	N/A	N/A

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TABLE 6**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 YEAR ENDED DECEMBER 31, 2004
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Party	Nature of Relationship	Purchase/ Sale	Transaction Details			Abnormal Transaction	
			Amount	% to Total	Payment Terms	Unit Price	Payment Terms
North	Subsidiary	Sales	\$142,271,732	55	Net 30 days after invoice date	None	None
and its	Major shareholder	Sales	5,463,565	2	Net 30 days after monthly closing	None	None
	Investee	Sales	371,546	-	Net 30 days after monthly closing	None	None
ech	Subsidiary	Purchases	15,203,047	34	Net 30 days after monthly closing	None	None
	Investee	Purchases	9,169,602	13	Net 30 days after monthly closing	None	None
	Investee	Purchases	5,869,123	21	Net 30 days after monthly closing	None	None

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TABLE 7**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
DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Amount	Overdue Action Taken	Amount Received in Subsequent Period	Allowance for
Company	TSMC North America	Subsidiary	\$ 15,526,964	38 days	\$ 5,044,202		\$ 6,013,414	\$
	TSMC Shanghai	Subsidiary	1,473,365	(Note)	145,146	Accelerate demand on account receivables		
	Philips and its affiliates	Major shareholder	581,487	49 days	7,136		13,726	

Note: The ending balance is generated mainly from the sales of machinery, so it is not applicable for the calculation of the turnover rate.

TABLE 8**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES****NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES****SIGNIFICANT INFLUENCE****DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2004			Net Income (Loss) the Investee
			December 31, 2004	December 31, 2003	Percentage of Shares Owned (Thousands)	Carrying Value (Note 1)		
North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	\$ 333,178	\$ 333,178	11,000	100	\$ 502,242	\$ 120,5
Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749		100	25,439	2
Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	102,572	2,9
Shanghai	Shanghai, China	Manufacturing and marketing of integrated circuits and semiconductor devices	9,187,962	1,890,952		100	8,113,511	(727,0
	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	409,532	28	5,401,982	4,706,6
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	23,778,997	2,598,1
erng	Taipei, Taiwan	Investment activities	300,000	300,000		36	50,570	21,3
ey	Taipei, Taiwan	Investment activities	300,000	300,000		36	49,823	21,8
Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,908,356	43,1
	Singapore	Fabrication and supply of integrated circuits	6,408,190	6,408,190	382	32	3,290,888	2,288,7

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Investing Alliance	Location	Activity	2019	2018	2017	2016	2015	2014
	Cayman Islands	Investing in new start-up technology companies	1,447,957	1,179,690		99	823,232	(97,700)
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	409,920	409,920	39,040	47	391,626	30,400
	Hsin-Chu, Taiwan	Manufacturing, material wholesaling and retailing of electronic spare parts	51,000	51,000	5,100	25	59,116	35,500
	Cayman Islands	Investing in new start-up technology companies	332,412			98	329,968	18,300

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

Note 2: The gains or losses on disposal of the stocks held by subsidiaries (treated as treasury stocks) and the paid-in capital from cash dividend distributed by parent company are excluded.

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TABLE 9**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES****INFORMATION OF INVESTMENT IN MAINLAND CHINA****DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of	Investment Flows	Accumulated Outflow of Investment from Taiwan as of	Percentage of Investment Ownership Gain (Loss)	Investment
			January 1, 2004 (US\$ in Thousand)	Outflow (US\$ in Thousand)	Inflow		
Main Businesses and Products manufacturing and marketing of integrated circuits and semiconductor devices	(RMB in Thousand) \$9,187,962 (RMB2,284,355)	(Note 1)	(US\$56,000)	(US\$220,000) \$		100%	\$(727,036) \$8,1
	Accumulated Investment in Mainland China as of December 31, 2004 (US\$ in Thousand) \$9,187,962 (US\$276,000)		Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand) \$11,841,207 (US\$371,000)		Upper Limit on Investment (US\$ in Thousand) \$11,841,207 (US\$371,000)		

Note 1: Direct investment in TSMC (Shanghai) US\$276,000 thousand.

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

**Taiwan Semiconductor Manufacturing
Company Ltd. and Affiliates**

**Combined Financial Statements for the
Year Ended December 31, 2004 and
Independent Accountants' Review Report**

REPRESENTATION LETTER

The combined balance sheet as of December 31, 2004 and the combined statement of income for the year ended December 31, 2004 of Taiwan Semiconductor Manufacturing Company Ltd. and affiliates were prepared in conformity with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, relevant regulations and accounting principles generally accepted in the Republic of China.

No misrepresentations were made and no important matters were concealed in the preparation of the combined financial statements of Taiwan Semiconductor Manufacturing Company Ltd.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

By

/s/ Morris Chang

MORRIS CHANG

Chairman

January 13, 2005 (January 30, 2005 as to Note 23o)

INDEPENDENT ACCOUNTANTS REVIEW REPORT

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

We have reviewed the combined balance sheet as of December 31, 2004 and the related combined statement of income for the year then ended of Taiwan Semiconductor Manufacturing Company Ltd. and affiliates. Our review was made in accordance with the Guidelines for the Review of Combined Financial Statements of Affiliates. It is substantially less in scope than an examination in accordance with auditing standards generally accepted in the Republic of China (R.O.C.), the objective of which is the expression of an opinion regarding the combined balance sheet and the combined statement of income taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the combined balance sheet and the combined statement of income referred to above in order for them to be in conformity with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises in the R.O.C., and the R.O.C. regulations governing the preparation of financial statements of public company and generally accepted accounting principles in the R.O.C.

January 13, 2005 (January 30, 2005 as to Note 23o)

Notice to Readers

The accompanying combined financial statements are intended only to present the combined 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 combined financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the accountants' review report and the accompanying combined 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 accountants' review report and combined financial statements shall prevail.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES**COMBINED BALANCE SHEET****DECEMBER 31, 2004****(In Thousands of New Taiwan Dollars, Except Par Value)****(Reviewed, Not Audited)**

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents (Notes 2, 4 and 5)	\$ 74,531,410	15
Short-term investments, net (Notes 2 and 5)	54,303,642	11
Receivables from related parties (Note 21)	1,077,818	
Notes receivable	14,746	
Accounts receivable	31,274,596	6
Allowance for doubtful receivables (Note 2)	(986,360)	
Allowance for sales returns and others (Note 2)	(3,342,450)	(1)
Other receivables from related parties (Note 21)	111,300	
Other financial assets (Notes 2 and 24)	2,229,551	1
Inventories, net (Notes 2 and 6)	15,649,596	3
Deferred income tax assets, net (Notes 2 and 15)	8,917,986	2
Prepaid expenses and other current assets (Note 2)	1,751,699	
Total current assets	185,533,534	37
LONG-TERM INVESTMENTS (Notes 2, 7, 19 and 24)		
Equity method	8,692,870	2
Cost method	3,266,330	1
Long-term bonds	15,170,167	3
Other investments	10,521,740	2
Total long-term investments	37,651,107	8
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 8, 11 and 21)		
Cost		
Land and land improvements	803,508	
Buildings	98,086,317	20
Machinery and equipment	433,168,964	86
Office equipment	8,551,372	2
Leased assets	566,243	
Other equipment	152,133	
Total cost	541,328,537	108
Accumulated depreciation	(331,323,140)	(66)
Advance payments and construction in progress	49,247,068	10
Net property, plant and equipment	259,252,465	52
GOODWILL (Note 2)	7,088,864	1

OTHER ASSETS		
Deferred charges, net (Notes 2, 9 and 23)	9,218,900	2
Deferred income tax assets, net (Notes 2 and 15)	1,649,979	
Refundable deposits	106,952	
Others (Note 8)	175,830	
Total other assets	11,151,661	2
TOTAL	\$ 500,677,631	100

LIABILITIES AND SHAREHOLDERS EQUITY	Amount	%
CURRENT LIABILITIES		
Short-term bank loans (Note 10)	\$ 383,004	
Payables to related parties (Note 21)	2,241,748	
Accounts payable	7,583,723	2
Payables to contractors and equipment suppliers	33,437,308	7
Accrued expenses and other current liabilities (Notes 2, 13 and 23)	10,325,040	2
Current portion of long-term liabilities (Notes 11 and 12)	10,505,489	2
Total current liabilities	64,476,312	13
LONG-TERM LIABILITIES		
Long-term bank loans (Note 11)	1,926,735	
Bonds payables (Note 12)	19,500,000	4
Other long-term payables (Note 13)	7,964,975	2
Other payables to related parties (Notes 21 and 23)	2,317,972	
Liability under capital lease (Notes 2 and 8)	566,243	
Total long-term liabilities	32,275,925	6
OTHER LIABILITIES		
Accrued pension cost (Notes 2 and 14)	3,113,552	1
Guarantee deposits (Note 23)	412,881	
Others	714,949	
Total other liabilities	4,241,382	1
MINORITY INTEREST IN AFFILIATES (Note 2)	718,713	
Total liabilities	101,712,332	20
SHAREHOLDERS EQUITY (Notes 2 and 17)		
Capital stock \$10 par value		
Authorized: 24,600,000 thousand shares		
Issued: 23,251,964 thousand shares	232,519,637	46
Capital surplus	56,537,259	11
Retained earnings:		
Appropriated as legal reserve	25,528,007	5
Unappropriated earnings	88,202,009	18

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Cumulative translation adjustments (Note 2)	(2,226,427)	
Treasury stock (at cost) 45,521 thousand shares (Notes 2 and 19)	(1,595,186)	
Total shareholders' equity	398,965,299	80
TOTAL	\$ 500,677,631	100

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES**COMBINED STATEMENT OF INCOME****FOR THE YEAR ENDED DECEMBER 31, 2004****(In Thousands of New Taiwan Dollars, Except Combined Earnings Per Share)****(Reviewed, Not Audited)**

	Amount	%
GROSS SALES (Notes 2 and 21)	\$ 264,348,362	
SALES RETURNS AND ALLOWANCES (Note 2)	(4,737,127)	
NET SALES (Note 25)	259,611,235	100
COST OF SALES (Notes 16 and 21)	143,375,116	55
GROSS PROFIT	116,236,119	45
OPERATING EXPENSES (Notes 16, 21 and 25)		
Research and development	12,703,145	5
General and administrative	11,542,135	5
Marketing	3,403,503	1
Total operating expenses	27,648,783	11
INCOME FROM OPERATIONS	88,587,336	34
NON-OPERATING INCOME AND GAINS (Note 25)		
Investment income recognized by equity method, net (Notes 2 and 7)	2,061,973	1
Interest (Notes 2 and 24)	1,860,614	1
Gain on sales of investments, net (Note 2)	922,650	
Technical service income (Notes 21 and 23)	423,804	
Gain on disposal of property, plant and equipment (Note 2)	247,021	
Other (Note 21)	527,952	
Total non-operating income and gains	6,044,014	2
NON-OPERATING EXPENSES AND LOSSES (Note 25)		
Interest (Notes 2, 8 and 24)	1,528,908	1
Foreign exchange loss, net (Notes 2 and 24)	390,858	
Loss on impairment of long-term investments (Note 2)	350,608	
Loss on disposal of property, plant and equipment (Note 2)	131,779	
Unrealized valuation loss of short-term investments (Note 2)	75,708	
Other	134,247	
Total non-operating expenses and losses	2,612,108	1

(Continued)

	Amount	%
INCOME BEFORE INCOME TAX AND MINORITY INTEREST (Note 25)	\$ 92,019,242	35
INCOME TAX BENEFIT (Notes 2 and 15)	352,453	
INCOME BEFORE MINORITY INTEREST	92,371,695	35
MINORITY INTEREST IN INCOME OF AFFILIATES (Notes 2 and 25)	(55,580)	
COMBINED NET INCOME	\$ 92,316,115	35

	Income Before Income Tax and Minority Interest	Combined Net Income
COMBINED EARNINGS PER SHARE (NT\$, Note 20)		
Basic earnings per share	\$ 3.96	\$ 3.97
Diluted earnings per share	\$ 3.96	\$ 3.97
		(Concluded)

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

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.
AND AFFILIATES**

NOTES TO COMBINED FINANCIAL STATEMENTS
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Reviewed, Not Audited)

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.

TSMC has six direct wholly-owned subsidiaries: TSMC International Investment Ltd. (TSMC International), TSMC North America (TSMC North America), Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe), TSMC Japan K. K. (TSMC Japan), TSMC (Shanghai) Company Limited (TSMC Shanghai) and TSMC Partners, Ltd. (TSMC Partners). In addition, TSMC has the following consolidating subsidiaries: a 99.5% owned subsidiary, Emerging Alliance Fund, L.P. (Emerging Alliance), a 98% owned subsidiary, VentureTech Alliance Fund II, L.P. (VTAF II) and two 36% owned affiliates Chi Cherng Investment Co., Ltd. (Chi Cherng, which is 36% owned by TSMC and 64% owned by Hsin Ruey Investment Co., Ltd.) and Hsin Ruey Investment Co., Ltd. (Hsin Ruey, which is 36% owned by TSMC and 64% owned by Chi Cherng). TSMC International has two wholly-owned subsidiaries TSMC Development, Inc. (TSMC Development) and TSMC Technology, Inc. (TSMC Technology), and two 97% owned subsidiaries InveStar Semiconductor Development Fund, Inc. (InveStar) and InveStar Semiconductor Development Fund, Inc. (II) LDC (InveStar II). TSMC Development has a 99.996% owned subsidiary, WaferTech, LLC (WaferTech). TSMC has two affiliates over which TSMC exercises significant influence: a 47% owned affiliate, Global UniChip Corporation (GUC), and a 25% owned affiliate, VisEra Technologies Co., Ltd. (VisEra). GUC has a wholly-owned subsidiary, Global Unichip Corp. NA (GUC NA).

The following diagram presents information regarding the relationship and ownership percentages among TSMC and its affiliates as of December 31, 2004:

TSMC North America 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 marketing of integrated circuits and other semiconductor devices. TSMC Partners, TSMC Development, Chi Cherng and Hsin Ruey are engaged in investing activities. TSMC International is engaged in providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. Emerging Alliance, VTAF II, InveStar and InveStar 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, material wholesaling and retailing of electronic spare parts. GUC NA is engaged in providing consulting services for products in the North America region.

2. SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements are presented in conformity with Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises in the R.O.C. and regulations governing the preparation of financial statements of public companies and generally accepted accounting principles in the R.O.C.

For the convenience of readers, the accompanying combined 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 financial statements shall prevail.

Significant accounting policies are summarized as follows:

Combination

All significant intercompany balances and transactions have been eliminated in the combined financial statements. The combined financial statements include, as of and for the year ended December 31, 2004, the accounts of all directly and indirectly majority owned subsidiaries of TSMC, and the accounts of GUC, GUC NA and VisEra that TSMC exercises significant influence on. TSMC and the foregoing affiliates are hereinafter referred to collectively as the Company .

Minority interests in the aforementioned affiliates are presented separately in the combined financial statements.

Use of Estimates

The preparation of financial statements in conformity with the aforementioned regulations 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 and notes acquired with maturities less than three months from the date of purchase are classified as cash equivalents.

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Short-term Investments

Short-term investments primarily consist of corporate bonds, asset-backed securities, bond and stock funds, agency bonds, 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 earnings when the aggregate carrying value of the investments exceeds the aggregate market value. A reversal of the allowance is recorded for a subsequent recovery of the market value.

The cost of funds and listed stocks sold are accounted for using the weighted-average method; whereas the other securities 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 year, and the market value of listed stocks is determined using the average-closing price of the listed stocks for the last month of the year. The others are 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 year.

Allowance for Doubtful Receivables

Allowances for doubtful receivables are provided based on a review of the collectibility of accounts receivables. The Company determines the amount of allowance for doubtful accounts 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 net sales when the earnings process is complete, as evidenced by an agreement with the customer, transfer of title and acceptance have occurred or services provided, if applicable, a fixed or determinable price and the collectibility is reasonably assured. Allowance for sales returns and pricing discounts is estimated based on historical experience and any known factors that would affect the allowance. Such provisions are deducted from sales in the year the products are sold and the estimated related costs are deducted from cost of sales.

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 received.

Inventories

Inventories are stated at the lower of cost or market value. Inventories are recorded using the weighted-average cost method, or recorded at standard cost and adjusted to the approximate weighted-average cost at the end of the year. Market value represents net replacement cost for raw materials, supplies and spare parts. Market value represents 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, generally 180 days or less, and the estimated losses on scrap and slow-moving items are

recognized in the allowance for losses.

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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 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 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 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. The carrying amounts of investments whose fair market values are not readily ascertainable are reduced to reflect an other-than-temporary decline in their values, with the related impairment loss charged to income.

Investments in foreign mutual funds are stated at the lower of aggregate cost or net asset value. An allowance is recognized when the net assets 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.

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. The entire amount of the gains or losses on sales to majority-owned subsidiaries is deferred until such gains or losses are realized through the subsequent sales of the related products to 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.

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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, Leased
Assets and Idle Assets**

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When impairment is determined, the related assets are stated at the lower of fair value or book value. 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 year incurred. Interest expense incurred for the project during the purchase and construction period is also capitalized. 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.

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 income or expenses in the year 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.

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 5 years.

Pension Costs

Net periodic pension costs are recorded based on actuarial calculations. The unrecognized net gains or losses and unrecognized net transition obligation are amortized over 25 years or over the remaining service period of the employees.

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 non-current 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 combined affiliates) 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 must be 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

When the Company repurchases its outstanding common stock, the cost of the reacquired stock is recorded as treasury stock as a reduction to shareholders' equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus-additional paid-in capital are reversed in proportionate to the equity percentage of the retirement. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus - treasury stock and to retained earnings for any remaining amount. The Company's stock held by its subsidiaries is also treated as treasury stock and reclassified from long-term investments to treasury stock. The cash dividends received by the subsidiaries from the Company are recorded under capital surplus - treasury stock.

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 year, 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 currency exposures in cash flow and in 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 spot 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 year, the receivables or payables arising from forward contracts are restated using the prevailing spot rates at the balance sheet date with the resulting differences 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 year of settlement.

The Company enters into cross-currency swap contracts to manage currencies exposures on foreign currency denominated assets and liabilities. The principal amount is recorded using the spot rates at the contract date. The differences in the New Taiwan dollar amounts translated using the spot 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 year, the receivables or payables arising from cross-currency swap contracts are restated using the prevailing spot rate with the resulting differences charged to income. In addition, the receivables and payables

related to the contracts 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

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income or expense associated with the hedged items. Any resulting gain or loss upon settlement is credited or charged to income in the year of settlement.

The Company enters into interest rate swap contracts to manage exposures to changes in interest rates on existing assets or liabilities. These transactions are accounted for on an accrual basis, in which the cash settlement receivable or payable 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 foreign 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 balance sheet date; shareholders equity historical rate; income and expenses average rate during the year. The resulting translation adjustment is recorded as a separate component of shareholders equity.

3. SIGNIFICANT ELIMINATION ENTRIES

Significant transactions and balances with affiliates that have been eliminated upon combination are as follows:

Company	Account	Amount	Transaction Entity
TSMC	Payables to related parties	\$ 913,107	WaferTech
		23,091	TSMC Europe
		21,978	TSMC Japan
		12,591	TSMC Shanghai
		8,027	TSMC Technology
		6,589	GUC
		1,881	TSMC North America
	Deferred credits gain on intercompany	682,530	TSMC Shanghai
	Receivables from related parties	15,526,964	TSMC North America
		56,436	GUC
		4,285	WaferTech
		458	TSMC Shanghai
	Other receivables from related parties	1,472,880	TSMC Shanghai
		30,278	VisEra
		2,881	TSMC Technology
	Sales	142,271,732	TSMC North America
		371,546	GUC
		6,535	WaferTech
		811	TSMC Shanghai
	Purchases	15,203,047	WaferTech
		12,752	TSMC Shanghai
	Research and development expenses	11,688	GUC
	General and administrative expenses rent	13,186	GUC
	Marketing expenses commissions	253,341	TSMC Japan
		202,678	TSMC Europe

(Continued)

Company	Account	Amount	Transaction Entity
	Other non-operating income and gains	\$ 28,917	VisEra
		3,267	WaferTech
TSMC			TSMC
International	Other receivables	1,915,020	Development
		30,931	TSMC
	Interest receivable		Development
	Deferred revenue	630,271	TSMC Technology
	Interest income	8,919	TSMC Technology
		30,656	TSMC
	Interest income		Development
TSMC			
Partners	Other receivables	9,795,268	TSMC International
		2,553,360	TSMC
	Other receivables		Development
		41,242	TSMC
	Interest receivable		Development
	Deferred revenue	8,631,210	TSMC International
		40,875	TSMC
	Interest income		Development
TSMC			
Technology	Accounts receivable	2,129	WaferTech
	Management service income	14,832	WaferTech
GUC	Accrued expenses	1,103	GUC NA
	Operating expenses	8,680	GUC NA
TSMC			
North			
America	Accounts receivable	18,510	GUC
	Accounts receivable	99,262	VisEra

4. CASH AND CASH EQUIVALENTS

	2004
Cash and bank deposits	\$ 54,838,044
Government bonds acquired under repurchase agreements	19,215,153
Corporate issued notes	478,213
	\$ 74,531,410

5. SHORT-TERM INVESTMENTS

	2004
Corporate bonds	\$ 13,554,598
Corporate issued asset-backed securities	11,766,877
Bond and stock funds	10,858,945
Agency bonds	8,633,889

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Government bonds	7,346,858
Money market funds	1,640,973
Government bonds acquired under repurchase agreements	249,449
Listed stocks	168,299
Commercial papers	95,666
Corporate issued notes	63,796
	54,379,350
Allowance for valuation losses	(75,708)
	\$ 54,303,642
Market value	\$ 55,186,236

The Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage investment portfolios for the Company. 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 December 31, 2004, the Company 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, asset-backed securities, agency bonds, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

6. INVENTORIES, NET

	2004
Finished goods	\$ 3,547,705
Work in process	11,509,775
Raw materials	993,151
Supplies and spare parts	1,176,735
	17,227,366
Allowance for losses	(1,577,770)
	\$ 15,649,596

7. LONG-TERM INVESTMENTS

	2004	
	Carrying Amount	% of Owner- Ship
Equity method		
Vanguard International Semiconductor Corporation (VIS)	\$ 5,401,982	28
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	3,290,888	32

8,692,870

Cost method	
Common stocks	
Publicly traded stocks	71,832
Non-publicly traded stocks	1,226,499
Preferred stocks	1,677,865
Funds	290,134
	3,266,330
Long-term bonds	
Government bonds	10,260,481
Corporate bonds	
China Steel Corporation	2,978,804
Taiwan Power Company	915,276
Nan Ya Plastics Corporation	407,526
Formosa Plastics Corporation	405,485
Formosa Petrochemical Corporation	202,595
	15,170,167
Other investments	10,521,740
	\$ 37,651,107

VIS reduced its capital on August 11, 2004 in order to decrease its accumulated deficit. The number of shares of VIS held by TSMC after the capital reduction declined from 787,016 thousand shares to 409,532 thousand shares. TSMC's ownership percentage remained the same.

For the year ended December 31, 2004, net investment income recognized from the equity method investees was NT\$2,061,973 thousand. The carrying amounts of investments accounted for under the equity method and the related investment income or losses were determined based on the audited financial statements of the investees as of and for the same periods as the Company.

As of December 31, 2004, other investments consist of the following:

	Nominal Amount	Carrying Amount	Range of Interest Rates	Maturity Date
<u>Step-up callable deposits</u>				
Domestic bank	\$ 2,000,000	\$ 2,007,681	2.05%-2.20%	July 2007 to August 2007
Foreign bank	2,138,340	2,152,394	1.44%-4.75%	June 2007 to August 2007
<u>Callable range accrual deposits</u>				
Foreign bank	6,383,400	6,414,151	(See below)	September 2009 to December 2009
	\$ 10,521,740	\$ 10,574,226		

During the year ended December 31, 2004, the Company deposited funds into structured-time deposits with the following terms:

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 rate plus an agreed upon rate ranging between 2.1% and 3.45%. Based on the terms of the deposits, if the 3-month or 6-month LIBOR rate moves outside of the pre-defined range, the interest paid to the Company is at a minimum rate of 1.5%. Under the term of the contracts, the bank has the right to cancel the contracts prior to the maturity date.

Deposits that reside in banks located in Hong Kong and Singapore amounted to NT\$2,553,360 thousand and NT\$638,340 thousand, respectively.

8. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	2004
Land improvements	\$ 172,484
Buildings	38,161,926
Machinery and equipment	287,229,318
Office equipment	5,685,185
Leased assets	33,115
Other equipment	41,112
	\$ 331,323,140

Information on the status of the expansion or construction plans of TSMC's manufacturing facilities as of December 31, 2004 is as follows:

Construction/Expansion Plan	Estimated Total Cost	Accumulated Expenditures	Expected Date of Commencement
Fab 12 expansion	\$ 58,744,200	\$ 41,870,300	January 2005

Interest expense for the year ended December 31, 2004 was NT\$1,807,242 thousand (before deducting capitalized amounts of NT\$278,334 thousand in 2004). The interest rates used for purposes of calculating the capitalized amounts were 1.89% to 2.89% in 2004.

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. Certain buildings that are leased to others are accounted for as operating leases. The related carrying amount is recorded as in the Other assets account.

9. DEFERRED CHARGES, NET

	2004
Technology license fees	\$ 6,642,884
Software and system design costs	2,251,709
Others	324,307
	\$ 9,218,900

10. SHORT-TERM BANK LOANS

	2004
Unsecured loan in U.S. dollars: US\$12,000 thousand, repayable by June 2006, annual interest at 2.80%	\$ 383,004

11. LONG-TERM BANK LOANS

	2004
Unsecured loan: US\$60,000 thousand, repayable by December 2006, annual interest at 2.475%	\$ 1,915,020
Science Park Administration (SPA) SOC loan, repayable by October 2008 in 20 equal payments, interest-free	10,443
SPA DSP loan, repayable by July 2007 in 20 equal payments, interest-free	6,761
	1,932,224
Less current portion	5,489
	\$ 1,926,735

As of December 31, 2004, all the assets of WaferTech with a carrying amount of approximately NT\$15,955,936 thousand (US\$499,920 thousand) were pledged for the credit line of the secured loan (no secured loan was outstanding as of December 31, 2004). WaferTech is required to maintain compliance with certain financial covenants defined in the agreement. As of December 31, 2004, WaferTech was in compliance with all such financial covenants. Under the unsecured loan agreement, the Company is required maintain compliance with certain financial covenants which, if violated, could result in payment of the obligation prior to the originally scheduled payment date. The Company was in compliance with the financial covenants as of December 31, 2004.

As of December 31, 2004, principal repayments under the Company's long-term bank loans are as follows:

Year of Repayment	Amount
2005	\$ 5,489
2006	1,920,509
2007	4,137
2008	2,089
	\$ 1,932,224

12. BONDS PAYABLE

Domestic unsecured bonds:

	2004
Issued in December 2000 and repayable in December 2005 and 2007 in two equal 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 equal payments, 2.6%, 2.75% and 3.00% interest, payable annually, respectively	15,000,000

\$ 30,000,000

As of December 31, 2004, future principal repayments for the Company's bonds are as follows:

Year of Repayment	Amount
2005	\$ 10,500,000
2007	7,000,000
2009	8,000,000
2010 and thereafter	4,500,000
	\$ 30,000,000

13. OTHER LONG-TERM PAYABLES

	2004
Payables for acquisition of property, plant and equipment (Note 23k)	\$ 6,030,007
Payables for royalties	3,440,313
	9,470,320
Less current portion	1,505,345
	\$ 7,964,975

TSMC entered into several license arrangements for certain semiconductor-related patents. Future minimum payments under the agreements as of December 31, 2004 are as follows:

Year	Amount
2005	\$ 1,505,345
2006	466,786
2007	446,838
2008	255,336
2009 and thereafter	766,008
	\$ 3,440,313

The current portion of other long-term payables is recorded in the accrued expenses and other current liabilities account.

14. PENSION PLAN

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 and wages for the six-month period prior to retirement and 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.

Information on the pension plans is summarized as follows:

a. Components of net periodic pension cost

	2004
Service cost	\$ 638,652
Interest cost	129,039
Projected return on plan assets	(42,071)
Amortization	8,829
Net periodic pension cost	\$ 734,449

b. Reconciliation of the funded status of the plans and accrued pension cost

	2004
Benefit obligation	
Vested benefit obligation	\$ 69,424
Nonvested benefit obligation	2,711,898
Accumulated benefit obligation	2,781,322

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Additional benefits based on future salaries	2,138,852
Projected benefit obligation	4,920,174
Fair value of plan assets	(1,455,148)
Funded status	3,465,026 (Continued)

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	2004
Unrecognized net transitional obligation	\$ (135,516)
Unrecognized net loss	(216,469)
Accrued pension cost	\$ 3,113,041
Vested benefit	\$ 78,579
c. Actuarial assumptions	
Discount rated used in determining present values	3.25%-3.50%
Future salary increase rate	3.00%
Expected rate of return on plan assets	2.50%-3.25%
d. Contributions to the Funds	\$ 228,523
e. Payments from the Funds	\$ 1,446

15. INCOME TAX

- a. A reconciliation of income tax on income before income tax and minority interest at the statutory rate and income tax expense is as follows:

	2004
Income tax based on income before income tax and minority interest at the statutory rate	\$ (24,704,552)
Tax-exempt income	14,712,500
Temporary and permanent differences	187,005
Current income tax on income before income tax credits	\$ (9,805,047)

- b. Income tax benefit consists of:

	2004
Current income tax on income before income tax credits	\$ (9,805,047)
Additional 10% income tax on unappropriated earnings	(823,932)
Net operating loss carryforwards	769
Income tax credits	10,478,158
Other income tax	(555,794)
Net change in deferred income tax assets and liabilities	
Net operating loss carryforwards	(1,656,944)
Investment tax credits	249,932

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Temporary differences	1,132,188
Net change in valuation allowance of deferred income tax assets	1,333,217
Adjustment of prior years' taxes	(94)
Income tax benefit	\$ 352,453

(Continued)

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

	2004
Current	
Investment tax credits	\$ 8,867,307
Net operating loss carryforwards	12,134
Temporary differences	321,478
Valuation allowance	(282,933)
	\$ 8,917,986
Noncurrent	
Net operating loss carryforwards	\$ 6,773,516
Investment tax credits	17,136,517
Temporary differences	(7,757,244)
Valuation allowance	(14,502,810)
	\$ 1,649,979

d. Integrated income tax information:

The balance of the imputation credit account (ICA) of the TSMC as of December 31, 2004 was zero.

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

The imputation credits allocated to the shareholders are based on the balance as of the date of dividend distribution. The expected creditable ratio for distribution of earnings of 2004 may be adjusted when the allocation of the imputation credits is made.

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

f. As of December 31, 2004, the Company's investment tax credits consisted of the following:

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 4,448,442	\$	2004
		3,819,937	116,189	2005
		4,886,611	4,886,611	2006
		4,140,462	4,140,462	2007
		6,309,182	6,309,182	2008
		\$ 23,604,634	\$ 15,452,444	

Statute for Upgrading Industries	Research and development expenditures	\$ 2,270,013	\$	2004
		3,165,378	3,165,378	2005
		3,363,356	3,363,356	2006
		2,015,531	2,015,531	2007
		1,885,311	1,885,311	2008
		\$ 12,699,589	\$ 10,429,576	

(Continued)

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Personnel training	\$ 48,659	\$	2004
		29,448	29,448	2005
		27,358	27,358	2006
		26,962	26,962	2007
		\$ 132,427	\$ 83,768	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 38,036	\$ 38,036	2005

As of December 31, 2004, the net operating loss carryforwards were generated from WaferTech, TSMC Development, TSMC Technology and GUC and will expire at various dates through 2024.

- 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 6	2001 to 2004
Construction of Fab 8 - module B	2002 to 2005
Expansion of Fab 2 - modules A and B, Fab 3 and Fab 4, Fab 5 and Fab 6	2003 to 2006
Construction of Fab 12	2004 to 2007

The tax authorities have examined income tax returns of TSMC through 2000. However, TSMC is contesting the assessment of the tax authority for 1992 and 1998. TSMC believes that any additional assessment will not have a material adverse effect on TSMC.

16. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31, 2004		
	Classified		
	as		
	Classified as Cost of Sales	Operating Expenses	Total
Labor cost			
Salary	\$ 10,730,104	\$ 6,018,288	\$ 16,748,392
Labor and health insurance	572,829	328,637	901,466
Pension	472,918	277,870	750,788
Other	431,082	537,129	968,211

	\$ 12,206,933	\$ 7,161,924	\$ 19,368,857
Depreciation	\$ 61,705,023	\$ 2,598,009	\$ 64,303,032
Amortization	\$ 2,496,897	\$ 3,111,875	\$ 5,608,772

17. SHAREHOLDERS EQUITY

TSMC has issued a total of 668,351 thousand ADSs which are traded on the NYSE as of December 31, 2004. The number of common shares represented by the ADSs is 3,341,754 thousand shares (one ADS represents five common shares).

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Capital surplus can only be used to offset a deficit under the Company Law of the R.O.C. 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 arising from treasury stock transactions) may be appropriated as stock dividends restricted to a certain percentage based on shareholders' ownership.

As of December 31, 2004, the capital surplus consisted of the following:

	2004
From merger	\$ 24,003,546
Additional paid-in capital	23,051,675
From long-term investments	121,354
From convertible bonds	9,360,424
Donations	55
Treasury stock	205
Total	 \$ 56,537,259

TSMC's Articles of Incorporation, as revised on December 21, 2004, provide that the following shall be appropriated from annual earnings to the extent that the annual earnings exceed any cumulative deficit:

- a. 10% legal reserve; until the amount of total legal reserve equals the TSMC's paid-in capital;
- b. Special reserve in accordance with relevant laws or regulations;
- c. Remuneration to directors and supervisors and bonuses to employees at 0.3% and at least 1% of the remainder, respectively. Individuals eligible for the employee bonuses may include employees of affiliated companies as approved by the board of directors or a representative of the board of directors;
- d. The appropriation of any remaining balance shall be approved by the shareholders.

Dividends may be distributed by way of cash dividend or stock dividend at the discretion of TSMC. As the operation of TSMC is at a steady growth stage, 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.

An appropriation for legal reserve is required until the reserve equals the aggregate par value of TSMC's issued capital stock. The reserve can only be used to offset a deficit or be distributed as a stock dividend up to 50% of the reserve balance when the reserve balance has reached 50% of the aggregate par value of the issued capital stock of TSMC.

A special 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 R.O.C. Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance of the related account reverses.

The appropriation of the earnings of 2003 was approved in the shareholders meeting on May 11, 2004. The appropriations and dividend per share are as follows:

	Appropriation of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 4,725,870	
Special reserve	(68,945)	
Bonus paid to employees in cash	681,628	
Bonus paid to employees in stock	2,726,514	
Preferred stock dividend in cash	184,493	\$ 0.35
Common stock dividend in cash	12,159,971	0.60
Common stock dividend in stock	28,373,267	1.41
Remuneration to directors and supervisors in cash	127,805	
	\$ 48,910,603	

The amount of the above appropriation of earnings for 2003 is consistent with the resolution of the meeting of board of directors on February 17, 2004. However, the Company Law of the R.O.C. states TSMC, as a holder of treasury stock shall not participate in the appropriations of earnings. Therefore, the actual cash dividend per share and stock dividend per share are slightly more than those in the aforementioned resolution. If the above employee bonus paid in stock had been paid in cash and all of the bonus to employees and remuneration to directors and supervisors had been charged against income for 2003, the after income tax basic earnings per share for the year ended December 31, 2003 would have decreased from NT\$2.33 to NT\$2.15. The shares distributed as a bonus to employees represented 1.35% of TSMC's total outstanding common shares as of December 31, 2003.

As of January 13, 2005, the board of directors of TSMC has not resolved the appropriation for earnings of 2004.

The above information about the appropriations of bonus to employees and remuneration to directors and supervisors is available at Market Observation 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.

18. STOCK-BASED COMPENSATION PLANS

Stock Option Plans

TSMC's Employee Stock Option Plans, the TSMC 2003 Plan and the TSMC 2002 Plan, were approved on October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under the TSMC 2003 Plan and the TSMC 2002 Plan is 120,000 thousand and 100,000 thousand, respectively, with each unit representing one common share of stock. The option rights 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 option rights of both 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, stock

option rights are granted at an exercise price equal to the closing price of TSMC's common shares listed on the TSE on the date of grant. Under the TSMC 2003 Plan and the TSMC 2002 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

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GUC's Employee Stock Option Plans, the GUC 2003 Plan and the GUC 2002 Plan, were approved on January 23, 2003 and July 1, 2002, respectively. The maximum number of units authorized to be granted under the GUC 2003 Plan and the GUC 2002 Plan is 7,535 units and 5,000 units, respectively, with each unit representing one thousand common shares of stock. The option rights may be granted to qualified employees of GUC. The option rights of both plans are valid for six years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the GUC 2002 Plan and the GUC 2003 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

On August 16, 2004, GUC's 2004 stock option plan (the GUC 2004 Plan) was approved by the Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. The maximum number of units authorized to be granted is 2,500 units, with each unit representing one thousand common shares of stock. The option rights may be granted to qualified employees of GUC and its subsidiary. The option rights of GUC 2004 plan are valid for six years and exercisable at certain percentages subsequent to the second anniversary of the grant date. As of December 31, 2004, no option rights under the GUC 2004 Plan have been granted.

On November 2, 2004, the board of directors of TSMC approved the 2004 stock option plan (the TSMC 2004 Plan), in which the maximum number of units authorized to be granted is 11,000 thousand, with each unit representing one common share of stock. The option rights 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 option rights of 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 plan, stock option rights are granted at an exercise price equal to the closing price of TSMC's common shares listed on the TSE on the date of grant. The TSMC 2004 plan was approved by the Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. on January 6, 2005.

Information on TSMC's outstanding stock options for the year ended December 31, 2004 is as follows:

	TSMC 2003 Plan		TSMC 2002 Plan	
	Number	Weighted-	Number	Weighted-
	of	Average	of	Average
	Outstanding	Exercise	Outstanding	Exercise
	Stock	Price	Stock	Prices
	Option		Option	
	Rights		Rights	
	(in		(in	
	Thousands)	(NT\$)	Thousands)	(NT\$)
Beginning outstanding balance	842	57.8	48,515	42.7
Options granted	13,199	49.9	7,201	42.6
Options exercised			(87)	41.8
Options cancelled	(1,404)	50.9	(3,899)	44.2
Ending outstanding balance	12,637		51,730	

The number of outstanding option rights and exercise prices have been adjusted to reflect the appropriations of dividends in accordance with the above plans.

Information on GUC's outstanding stock options for the year ended December 31, 2004 is as follows:

	GUC 2003 Plan		GUC 2002 Plan	
	Number	Weighted-	Number	Weighted-
	of	Average	of	Average
	Outstanding	Exercise	Outstanding	Exercise
	Stock	Price	Stock	Prices
	Option	(NT\$)	Option	(NT\$)
	Rights		Rights	
Beginning outstanding balance	2,058	10.5	5,000	10.5
Options granted	831	10.5		
Ending outstanding balance	2,889		5,000	

As of December 31, 2004, information on outstanding and exercisable option rights is as follows:

	Options Outstanding			Options Exercisable		
	Number	Average	Weighted-	Number	Weighted-	
	of	Remaining	Average	of	Average	
	Outstanding	Contractual	Exercise	Exercisable	Exercise	
	Options	Life	Price	Options	Price	
	(in	(Years)	(NT\$)	(in	(NT\$)	
	Thousands)			Thousands)		
	Price (NT\$)					
TSMC 2003 Plan	\$ 43.8-\$57.8	12,637	9.34	\$ 50.3		\$
TSMC 2002 Plan	\$ 32.8-\$46.2	51,730	8.09	42.6	10,307	41.7
		64,367	8.33	44.1	10,307	41.7

	Options Outstanding			Options Exercisable		
	Number	Average	Weighted-	Number	Weighted-	
	of	Remaining	Average	of	Average	
	Outstanding	Contractual	Exercise	Exercisable	Exercise	
	Options	Life	Price	Options	Price	
	(in	(Years)	(NT\$)	(in	(NT\$)	
	Thousands)			Thousands)		
	Price (NT\$)					
GUC 2003 Plan	10.5	2,889	4.17-5.42	10.5		
GUC 2002 Plan	10.5	5,000	3.58-4.17	10.5	4,238	10.5
		7,889	3.58-5.42	10.5	4,238	10.5

The compensation cost recognized by the Company for the year ended December 31, 2004 was zero. Had the Company used the fair value based method to evaluate the options granted, the method, assumptions and pro forma results of the Company for the year ended December 31, 2004 would have been as follows:

Method:	Black-Scholes Model
Assumptions:	
Expected dividend yield	0%-1.00%
Expected volatility	38.74%-46.15%
Risk free interest rate	2.56%-3.85%
Expected life	5-6 years
Net income:	
Net income as reported	\$ 92,316,115
Pro forma net income	92,256,103

	NT\$
Earnings per share (EPS) after income tax:	
Basic EPS as reported	3.97
Pro forma basic EPS	3.97
Diluted EPS as reported	3.97
Pro forma diluted EPS	3.97

The estimated weighted average fair value for the options granted of TSMC and GUC during the year ended December 31, 2004 was NT\$19.73 and NT\$4.42 per option, respectively.

In 1996, WaferTech adopted an Executive Incentive Plan, which was amended in 1997. According to the 1997 amendment, the Board of Directors of WaferTech approved the Senior Executive Incentive Plan and the Employee Incentive Plan (the WaferTech Plans) under which officers, key employees and non-employee directors may be granted stock option rights. The WaferTech Plans provide for 15,150 thousand option rights available for grant. For option rights granted to date, the option purchase price was equal to or exceeded the fair market value at the date of grant. The options will expire if not exercised at specified dates ranging from May 2006 and June 2011. In December 2000, WaferTech implemented a Stock Option Buyback Program (Buyback). The Buyback program provides employees with the right to sell back to WaferTech all vested stock options and outstanding ownership interests granted under the WaferTech Plans. As of December 31, 2004, the outstanding and exercisable stock options were 134 thousand and 133 thousand, respectively, and US\$616 thousand was accrued in connection with the Buyback program.

Stock Appreciation Rights

In December 2000, WaferTech and TSMC North America implemented a stock appreciation rights program (Appreciation). The Appreciation plan is designed to provide employees with a long-term incentive plan that tracks the appreciation of TSMC common stock through Stock Appreciation Rights (SARs). SARs provide each participant the right to receive, upon exercise, an amount in cash from WaferTech and TSMC North America that is the excess of the market price of TSMC common stock on TSE on the date of exercise over the exercise price. As of December 31, 2004, WaferTech and TSMC North America accrued US\$381 thousand and US\$1,360 thousand, respectively, in connection with the Appreciation. During 2002, benefits under the Appreciation plan for TSMC North America were replaced by the TSMC stock option plans aforementioned.

19. TREASURY STOCK (COMMON STOCK)

	Beginning Shares	Increase/ Dividend	Decrease	Ending Shares
	(Shares in Thousand)			
Year ended December 31, 2004				
Reclassification of parent company stock held by subsidiaries from long-term investments	40,597	5,676	752	45,521
Repurchase under share buyback plan		124,720	124,720	
	40,597	130,396	125,472	45,521

Proceeds from the sale of treasury stock for the year ended December 31, 2004 were NT\$39,906 thousand. TSMC's capital stock held by a subsidiary as an investment is recorded as treasury stock, with the holder having the same rights as other common shareholders. As of December 31, 2004, the book value of the treasury stock was

NT\$1,595,186 thousand; the market value was NT\$2,241,009 thousand.

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TSMC held a special meeting of the board of directors and approved a share buyback plan to repurchase TSMC's common shares listed on the TSE during the period from March 24, 2004 to May 23, 2004. TSMC repurchased 124,720 thousand common shares for a total of NT\$7,059,798 thousand. All the treasury stock repurchased under the buyback plan was retired on August 16, 2004.

20. EARNINGS PER SHARE

EPS for the year ended December 31, 2004 is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (Thousand)	EPS (NT\$)	
	Income Before Income Tax and Minority Interest	Combined Net Income		Income Before Income Tax and Minority Interest	Combined Net Income
Basic EPS					
Income available to common shareholders	\$ 92,019,242	\$ 92,316,115	23,248,682	\$ 3.96	\$ 3.97
Effect of diluted securities stock options			6,404		
Diluted earnings per share					
Income available to common shareholders	\$ 92,019,242	\$ 92,316,115	23,255,086	\$ 3.96	\$ 3.97

21. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the combined financial statements, the following is a summary of significant related party transactions:

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

VIS
SSMC

- Omnivision International Holding, Ltd. (Omnivision), a shareholder holding a 25% ownership in VisEra

e. Huawei Semiconductor (Shanghai) Co., Ltd. (Huawei), the president of which is the president of VisEra

	2004	
For the year ended	Amount	%
Sales		
Philips and its affiliates	\$ 5,463,565	2
Omnivision	1,969,396	1
Other	87,453	
	\$ 7,520,414	3
Purchase		
VIS	\$ 9,169,602	21
SSMC	5,869,123	13
Huawei	195,965	
	\$ 15,234,690	34
Manufacturing expenses technical assistance fees		
Philips (see Note 23a)	\$ 907,047	1
Proceeds from disposal of property, plant and equipment		
VIS	\$ 33,974	2
Non-operating income and gains		
SSMC (primarily technical service income; see Note 23e)	\$ 364,505	6
VIS (primarily technical service income; see Note 23j)	117,760	2
	\$ 482,265	8
<u>At end of the year</u>		
Receivables		
Philips and its affiliates	\$ 581,487	54
Omnivision	479,877	44
ITRI	16,454	2
	\$ 1,077,818	100
Other Receivables		
SSMC	\$ 63,701	57
VIS	47,599	43
	\$ 111,300	100
Payables		
VIS	\$ 1,533,938	69
Philips and its affiliates	469,494	21
SSMC	207,794	9
Huawei	30,522	1
		294

\$ 2,241,748 100

Other long-term payables

Philips and its affiliates

\$ 2,317,972 100

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The terms of sales to related parties are not significantly different from those to third parties. For other related parties transactions, since there are no other similar transactions to follow, the prices are determined in accordance with the related contractual agreements.

22. SIGNIFICANT LONG-TERM OPERATING LEASES

TSMC leases land from the SPA. These agreements expire on various dates from March 2008 to December 2020. The agreements can be renewed upon their expiration.

TSMC North America leases its office premises and certain equipment under non-cancelable operating agreements. TSMC - Europe and TSMC Japan entered into lease agreements for their office premises. The leases will expire between 2005 and 2010. The agreements can be renewed upon their expiration.

GUC leases land from the SPA. The agreement will expire in December 2021. The agreement can be renewed upon their expiration.

As of December 31, 2004 future remaining lease payments are as follows:

Year	Amount
2005	\$ 356,284
2006	355,013
2007	342,773
2008	327,588
2009	324,559
2010 and thereafter	1,537,325
	\$ 3,243,542

23. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of December 31, 2004 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 fixed amounts mutually agreed-on, rather than under certain percentage of TSMC's annual net sales. TSMC and Philips also 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.
- c. 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 December 31, 2004, TSMC had a total of US\$12,802 thousand of guarantee deposits.

- d. 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 December 31, 2004, TSMC's equity interest in SSMC was 32%. TSMC and Philips committed to buy specific percentages of the production capacity of SSMC. 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.
- e. 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.
- f. 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.
- g. 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.
- h. In November 2002, TSMC entered into an Amended and Restated Joint Technology Cooperation Agreement with Philips, Motorola, 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.
- i. In December 2003, TSMC entered into a Technology Development and License Agreement with Motorola, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. TSMC will also license related 90-nm SOI technology from Motorola, 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 Motorola, Inc. and will share a portion of the costs associated with the joint development project.
- j. 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 prior as agreed by the parties.
- k. 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.

- l. GUC entered into a research and development project (DSP core) with the SPA. In accordance with the contract, the SPA provided a NT\$13,522 thousand grant (DSP grants) to GUC during the period of January 2000 to June 2001 for the development of new products. GUC should repay the loan after the accomplishment of the project. In addition, GUC should also pay the SPA a 2% royalty fee based on the sales of the developed products every three months for the subsequent three years, starting from the first date of the product sale. The total royalty should not exceed 60% of the DSP grants.
- m. GUC entered into a research and development project (Platform Development for System-On-a-Chip Integration, Verification and Testing) with the SPA. In accordance with the contract, the SPA provided a NT\$13,923 thousand grant (SOC grants) to GUC during the period of April 2001 to September 2002 for the development of new products. GUC should repay the loan after the accomplishment of the project. In addition, GUC should also pay the SPA a 2% royalty fee based on the sales of the developed products every three months for the subsequent three years, starting from the first date of the product sale. The total royalty should not exceed the 60% of the SOC grants.
- n. Amounts available under unused letters of credit as of December 31, 2004 were NT\$6,480 thousand, US\$1,282 thousand and SG\$85 thousand. Among the unused letters of credit, TSMC - North America has an outstanding irrevocable standby letter of credit for US\$1,078 thousand. The standby letter of credit was entered into as security to the landlord of TSMC North America's office spaces in San Jose, California. The standby letter of credit will expire in October, 2005.
- o. The Company 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 patents of the Company and misappropriated the Company's trade secrets. These suits have been settled out of court on January 30, 2005. As part of the agreement, SMIC will pay TSMC US\$175 million over six years to resolve the Company's patent infringement and trade secret claims.

24. 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: Please see Table 5 attached;
- 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 capital: Please see Table 6 attached;

- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;

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i. Names, locations, and related information of investees of which the Company exercises significant influence: Please see Table 8 attached;

j. Financial instrument transactions:

1) Derivative financial instruments

The Company entered into derivative financial instrument transactions for the year ended December 31, 2004 to manage exposures related to foreign exchange rate and interest rate fluctuations. Certain information on these contracts is as follows:

a) Outstanding forward exchange contracts as of December 31, 2004 are as follows:

Financial Instruments	Currency	Maturity Date	Contract Amount (in Thousands)	
		January 2005 to		
Sell	US\$/NT\$	March 2005	US\$	733,000
Sell	US\$/EUR	January 2005	US\$	159,081

As of December 31, 2004, receivables from forward exchange contracts (included in the other financial assets account) aggregate to approximately NT\$392,534 thousand; payables from forward exchange contracts (included in the other current liabilities account) aggregate to approximately NT\$559 thousand.

b) Cross currency swaps

Outstanding cross currency swap contracts as of December 31, 2004 are as follows:

Maturity Date	Contract Amount (in Thousands)	Range of Interest Rate Paid	Range of Interest Rate Received
January 2005 to June 2005	US\$1,420,000	1.28%-2.72%	0.49%-1.17%

As of December 31, 2004, receivables from the cross currency swap contracts (included in the other financial assets account) were approximately NT\$761,030 thousand.

Net exchange gain or loss arising from forward exchange contracts and cross currency swap contracts was recognized in the foreign exchange loss, net account and the difference in interest was recorded in interest income or expense.

c) Interest rate swaps

Outstanding contracts as of December 31, 2004 were as follows:

Contract Date	Period	Contract Amount
September 2003	September 2003 to December 2005	\$ 500,000
October 2003	October 2003 to December 2005	500,000

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October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
November 2003	November 2003 to December 2005	500,000

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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 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. Interest rate risks are also controlled as the expected cost of capital is fixed. Thus, market price risks are believed to be low.
- iii) Cash flow risk and the amount and period of future cash needs.

As of December 31, 2004, the Company's future cash needs for outstanding forward exchange contracts and cross currency swap contracts are as follows:

Term	Inflow (In Thousands)	Outflow (In Thousands)
Within one year	\$ 69,761,484	US\$ 2,312,081
	EUR 118,500	

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:

	2004	
	Carrying Amount	Fair Value
<u>Non-derivative financial instruments</u>		
Assets		
Short-term investments, net	\$ 54,303,642	\$ 55,186,236
Long-term investments (securities with market price)	31,165,721	34,265,072
Liabilities		
Bonds payable (including current portion)	30,000,000	30,607,341
<u>Derivative financial instruments</u>		
Forward exchange contracts (sell)	391,975	317,090
Cross currency swap contracts	761,030	760,012
Interest rate swap contracts	4,361	(22,714)

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 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 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 other long-term payables is determined using the discounted value of expected cash flows, which approximates the carrying value.

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) The fair value of bonds payable is the quoted market value.
- 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.

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 9 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 Note 21.

25. SEGMENT FINANCIAL INFORMATION

a. Geographic information for the year ended December 31, 2004:

	Overseas	Taiwan	Adjustments and Elimination	Combined
Sales to unaffiliated customers	\$ 142,650,532	\$ 116,960,703	\$	\$ 259,611,235
Transfers between geographic areas	16,808,395	142,005,640	(158,814,035)	
Total sales	\$ 159,458,927	\$ 258,966,343	\$ (158,814,035)	\$ 259,611,235
Gross profit	\$ 6,173,780	\$ 110,588,670	\$ (526,331)	\$ 116,236,119
Operating expenses				(27,648,783)
Non-operating income and gains				6,044,014
Non-operating expenses and losses				(2,612,108)
Income before income tax and minority interest				\$ 92,019,242
Minority interest in income of affiliates				\$ 55,580

	Overseas	Taiwan	Adjustments and Elimination	Combined
Identifiable assets	\$ 89,451,648	\$ 417,993,101	\$ (44,418,225)	\$ 463,026,524
Long-term investments				37,651,107
Total assets				\$ 500,677,631

b. Gross export sales

The export sales information is determined based on billed regions. Gross export sales for the year ended December 31, 2004 were NT\$95,066,154 thousand. There were no export sales to a region that accounted for more than 10% of the Company's total sales.

c. Major customer

The Company has no customer that accounts for more than 10% of its total sales in 2004.

TABLE 1**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES****FINANCING PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Financing	Counter-party	Financial Statement Account	Maximum	Ending	Interest Rate	Type of Financing (Note)	Reason for Short-term Financing	Allowance for Bad Collateral Value	Financing Limit for Each Company	Financial Condition	
			Balance for the Period (US\$ in Thousand)	Balance (US\$ in Thousand)							
C	TSMC Development	Other receivables	\$1,915,020 (US\$60,000)	\$1,915,020 (US\$60,000)	1.50%	2	Operating capital	\$	\$	N/A	\$3 (US
	TSMC Technology	Other receivables	319,170 (US\$10,000)								(
C	TSMC Development	Other receivables	2,553,360 (US\$80,000)	2,553,360 (US\$80,000)	1.50%	2	Operating capital			N/A	(

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.

TABLE 2**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES****ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

No.	Endorsement/ Guarantee Provider	Counter-party Name	Nature of Relationship (Note 2)	Limits on Each Counter-party's Guarantee Amounts	Maximum Balance for the Year (US\$ in Thousand)	Ending Balance (US\$ in Thousand)	Ratio of Accumulated Amount Value of Collateral to Net Equity	Collateral/Guarantee Amounts Allowable (Note 1)
							Collateral/Financial Statement and Equipment	Collateral/Financial Statement (Note 1)
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.	\$1,915,020 (US\$ 60,000)	\$1,915,020 (US\$ 60,000)	\$ 0.48%	\$99,741,325
		TSMC North America	2		1,276,680 (US\$ 40,000)	1,276,680 (US\$ 40,000)	0.32%	
		WaferTech	3		14,043,480 (US\$ 440,000)			

Note 1: 25% of the net worth of the Company as of December 31, 2004.

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.

TABLE 3**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Company Name	Marketable Securities Type and Name	Relationship with the Company Account	Financial Statement Shares/Units (In Thousands of)	December 31, 2004		Market Value or Net Asset Value (US\$ in Thousand)
				Carrying Value (US\$ in Thousand)	Percentage of Ownership	
	<u>Government bonds</u>					
	2003 Government Bond Series A	Short-term investment		\$ 1,207,409	N/A	\$ 1,202,028
	United States Treas NTS	Short-term investment		US\$ 192,357	N/A	US\$ 191,824
	2003 Government Bond Series I	Long-term investment		3,397,081	N/A	3,393,982
	2004 Government Bond Series A	Long-term investment		2,349,573	N/A	2,352,973
	2004 Government Bond Series E	Long-term investment		3,893,827	N/A	3,892,025
	2004 Kaohsiung Municipal Bond Series A	Long-term investment		620,000	N/A	620,000
	<u>Bonds under repurchase agreement</u>	Short-term investment		249,449	N/A	251,593
	<u>Bond funds</u>					
	JF Taiwan Bond Fund	Short-term investment	78,698	1,153,209	N/A	1,169,406
	ABN AMRO Bond Fund	Short-term investment	134,906	1,956,175	N/A	1,978,785
	JF Taiwan First Bond Fund	Short-term investment	84,886	1,151,463	N/A	1,162,632
	INVESCO R.O.C. Bond A Fund	Short-term investment	76,705	1,101,911	N/A	1,111,932
	Dresdner Bond DAM Fund	Short-term investment	80,833	900,000	N/A	910,904
	Barits Bond Fund	Short-term investment	76,640	900,000	N/A	907,765
	Shinkong Chi Shin Bond Fund		151,594	2,100,000	N/A	2,115,554

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ABN AMRO Select Bond Fund	Short-term investment	18,235	200,000	N/A	201,183
NITC Bond Fund	Short-term investment	3,764	600,000	N/A	602,703
HSBC NTD Money Management Fund	Short-term investment	41,568	600,000	N/A	601,958
<u>Stock</u>					
Taiwan Mask Corp.	Short-term investment	1,787	6,528		27,552
TSMC International	Subsidiary Long-term investment	987,968	23,778,997	100	23,778,997
VIS	Investee Long-term investment	409,532	5,401,982	28	8,493,692
TSMC Partners	Subsidiary Long-term investment	300	3,908,356	100	3,908,356
SSMC	Investee Long-term investment	382	3,290,888	32	3,290,888
TSMC North America	Subsidiary Long-term investment	11,000	502,242	100	1,179,352
GUC	Investee Long-term investment	39,040	391,626	47	418,272
TSMC Japan	Subsidiary Long-term investment	6	102,572	100	102,572
VisEra	Investee Long-term investment	5,100	59,116	25	59,116
TSMC Europe	Subsidiary Long-term investment		25,439	100	25,439
United Industrial Gases Co., Ltd.	Long-term investment	16,783	193,584	10	284,036
Shin-Etsu Handotai Taiwan Co., Ltd.	Long-term investment	10,500	105,000	7	170,940

(Continued)

Company Name	Marketable Securities Type and Name	Relationship with Financial Statements of the Company	Account	December 31, 2004			
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)
	W.K. Technology Fund IV		Long-term investment	5,000	\$ 50,000	2	\$ 55,146
	Hontung Venture Capital Co., Ltd.		Long-term investment	8,392	83,916	10	53,571
	Globaltop Partner I Venture Capital Corp.		Long-term investment	5,000	50,000	1	49,909
<u>Corporate bonds</u>							
	Taiwan Power Company		Short-term investment		2,777,798	N/A	2,749,413
	Abbott Labs		Short-term investment		US\$ 2,732	N/A	US\$ 2,709
	Abbott Labs		Short-term investment		US\$ 1,581	N/A	US\$ 1,587
	Ace Ltd		Short-term investment		US\$ 1,046	N/A	US\$ 1,042
	AIG Sunamerica Global Fing IX		Short-term investment		US\$ 1,032	N/A	US\$ 1,028
	Allstate Finl Global Fdg LLC		Short-term investment		US\$ 3,171	N/A	US\$ 3,096
	American Express Co.		Short-term investment		US\$ 3,550	N/A	US\$ 3,503
	American Gen Fin Corp.		Short-term investment		US\$ 1,768	N/A	US\$ 1,765
	American Gen Fin Corp. Mtn		Short-term investment		US\$ 3,130	N/A	US\$ 3,087
	American Gen Fin Corp. Mtn		Short-term investment		US\$ 1,058	N/A	US\$ 1,042
	American Honda Fin Corp. Mtn		Short-term investment		US\$ 3,800	N/A	US\$ 3,803
	American Intl Group Inc. Mtnf		Short-term investment		US\$ 3,795	N/A	US\$ 3,795
	Amgen Inc.		Short-term investment		US\$ 3,005	N/A	US\$ 2,991
	Amsouth Bk Birmingham Ala		Short-term investment		US\$ 1,972	N/A	US\$ 1,978
	ANZ Cap Tr I		Short-term investment		US\$ 1,012	N/A	US\$ 1,001

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Bank New York Inc.	Short-term investment	US\$	1,525	N/A	US\$	1,509
Bank New York Inc.	Short-term investment	US\$	3,945	N/A	US\$	3,943
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\$	574
Bear Stearns Cos Inc.	Short-term investment	US\$	3,518	N/A	US\$	3,493
Bear Stearns Cos Inc. Medium Te	Short-term investment	US\$	3,105	N/A	US\$	3,105
Berkshire Hathaway Fin Corp.	Short-term investment	US\$	1,498	N/A	US\$	1,494
Bristol Myers Squibb Co.	Short-term investment	US\$	3,819	N/A	US\$	3,788
British Telecommunications PLC	Short-term investment	US\$	2,104	N/A	US\$	2,091
Cargill Inc.	Short-term investment	US\$	2,120	N/A	US\$	2,079
Chase Manhattan Corp. New	Short-term investment	US\$	1,628	N/A	US\$	1,613
Cit Group Hldgs Inc.	Short-term investment	US\$	3,203	N/A	US\$	3,195
Citigroup Inc.	Short-term investment	US\$	2,000	N/A	US\$	2,002
Citigroup Inc.	Short-term investment	US\$	1,033	N/A	US\$	1,033
Citigroup Inc.	Short-term investment	US\$	3,583	N/A	US\$	3,523
Colonial Pipeline Co.	Short-term investment	US\$	1,625	N/A	US\$	1,612
Compaq Computer Corp.	Short-term investment	US\$	3,719	N/A	US\$	3,593
Consolidated Edison Co. NY Inc.	Short-term investment	US\$	3,687	N/A	US\$	3,618
Corestates Cap Corp.	Short-term investment	US\$	1,062	N/A	US\$	1,060
Countrywide Fdg Corp. Mtn	Short-term investment	US\$	2,158	N/A	US\$	2,151
Countrywide Home Lns Inc.	Short-term investment	US\$	5,210	N/A	US\$	5,157

(Continued)

			December 31, 2004		
			Carrying Value	Percentage of	Market Value or Net Asset Value
			(US\$ in Thousands)	Ownership	(US\$ in Thousands)
Company Name	Marketable Securities Type and Name	Relationship with Financial Statement Company Account	Shares/Units (In Thousands)	of	(US\$ in Thousands)
	Credit Suisse Fb USA Inc.	Short-term investment	US\$2,645	N/A	US\$2,599
	Credit Suisse First Boston	Short-term investment	US\$ 786	N/A	US\$ 779
	Credit Suisse First Boston USA	Short-term investment	US\$2,249	N/A	US\$2,240
	Daimlerchrysler North Amer	Short-term investment	US\$ 997	N/A	US\$ 999
	Daimlerchrysler North Amer Hld	Short-term investment	US\$ 749	N/A	US\$ 755
	Dell Computer Corp.	Short-term investment	US\$3,054	N/A	US\$3,025
	Den Danske BK Aktieselskab	Short-term investment	US\$2,192	N/A	US\$2,166
	Deutsche Telekom Intl Fin BV	Short-term investment	US\$1,852	N/A	US\$1,838
	Diageo PLC	Short-term investment	US\$3,459	N/A	US\$3,477
	Dow Chem Co.	Short-term investment	US\$ 921	N/A	US\$ 911
	European Invt Bk	Short-term investment	US\$8,315	N/A	US\$8,236
	Fifth Third Bk Cincinnati OH	Short-term investment	US\$2,419	N/A	US\$2,466
	First Data Corp.	Short-term investment	US\$3,013	N/A	US\$2,986
	First Un Corp.	Short-term investment	US\$ 970	N/A	US\$ 965
	Fleet Finl Group Inc. New	Short-term investment	US\$ 494	N/A	US\$ 493
	Fleet Finl Corp Inc. New	Short-term investment	US\$ 975	N/A	US\$ 962
	Ford Mtr Cr Co.	Short-term investment	US\$1,542	N/A	US\$1,535
	FPL Group Cap Inc.	Short-term investment	US\$1,001	N/A	US\$ 990
	FPL Group Cap Inc.	Short-term investment	US\$ 860	N/A	US\$ 846

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General Elec Cap Corp. Mtn	Short-term investment	US\$3,467	N/A	US\$3,455
General Elec Cap Corp. Mtn	Short-term investment	US\$1,040	N/A	US\$1,040
General Elec Cap Corp. Mtn	Short-term investment	US\$3,886	N/A	US\$3,878
Genworth Finl Inc.	Short-term investment	US\$3,412	N/A	US\$3,408
Goldman Sachs Group Inc. Mtn	Short-term investment	US\$3,505	N/A	US\$3,494
Goldman Sachs Group LP	Short-term investment	US\$1,637	N/A	US\$1,599
Goldman Sachs Group LP	Short-term investment	US\$1,100	N/A	US\$1,075
Greenpoint Finl Corp.	Short-term investment	US\$ 974	N/A	US\$ 972
GTE Corp.	Short-term investment	US\$2,134	N/A	US\$2,109
Hancock John Global Fdg Mtn	Short-term investment	US\$1,003	N/A	US\$ 986
Hartford Finl Svcs Group Inc.	Short-term investment	US\$ 765	N/A	US\$ 758
Hartford Finl Svcs Group Inc.	Short-term investment	US\$ 296	N/A	US\$ 296
Heller Finl Inc.	Short-term investment	US\$1,171	N/A	US\$1,163
Hershey Foods Corp.	Short-term investment	US\$1,627	N/A	US\$1,606
Hewlett Packard Co.	Short-term investment	US\$3,373	N/A	US\$3,305
Honeywell Inc.	Short-term investment	US\$3,284	N/A	US\$3,218
Household Fin Corp.	Short-term investment	US\$ 529	N/A	US\$ 522
Household Fin Corp.	Short-term investment	US\$2,993	N/A	US\$2,985
Household Fin Corp. Mtn Bk Ent	Short-term investment	US\$3,542	N/A	US\$3,510
HSBC USA Inc. New	Short-term investment	US\$1,154	N/A	US\$1,134
Huntington Natl Bk	Short-term investment	US\$3,003	N/A	US\$3,000
Huntington Natl Bk Columbus OH	Short-term investment	US\$2,954	N/A	US\$2,961
ING Bank	Short-term investment	US\$2,114	N/A	US\$2,113
ING Sec Life Ins Ingslf	Short-term investment	US\$3,012	N/A	US\$3,007
Intl Bk For Recon + Dev	Short-term investment	US\$5,232	N/A	US\$5,102
JP Morgan Chase + Co.	Short-term investment	US\$1,043	N/A	US\$1,039

	Short-term investment			
Jackson Natl Life Global Fdg	Short-term investment	US\$ 1,036	N/A	US\$ 1,032
Jackson Natl Life Global Fdg S	Short-term investment	US\$ 2,998	N/A	US\$ 2,988

(Continued)

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National Westminster Bk PLC	Short-term investment	US\$1,433	N/A	US\$1,422
Nationsbank Corp.	Short-term investment	US\$3,644	N/A	US\$3,549
Nationwide Bldg Soc	Short-term investment	US\$3,457	N/A	US\$3,477
Nationwide Life Global Mtn	Short-term investment	US\$1,463	N/A	US\$1,469
Pepsico Inc. Mtn Book Entry	Short-term investment	US\$3,818	N/A	US\$3,817
PNC Fdg Corp.	Short-term investment	US\$1,080	N/A	US\$1,075
Popular North Amer Inc. Mtn	Short-term investment	US\$3,042	N/A	US\$3,022
Premark Intl Inc.	Short-term investment	US\$2,954	N/A	US\$2,914
Pricoa Global Fdg I Mtn	Short-term investment	US\$3,507	N/A	US\$3,503
Pricoa Global Fdg I Mtn	Short-term investment	US\$3,050	N/A	US\$3,047
Principal Life Global Fdg I Gl	Short-term investment	US\$3,168	N/A	US\$3,102
Protective Life Secd Trs	Short-term investment	US\$2,920	N/A	US\$2,969
Prudential Ins Co. Amer	Short-term investment	US\$2,648	N/A	US\$2,610
Reinsurance Group Amer Inc.	Short-term investment	US\$2,091	N/A	US\$2,089
Royal Bk Scotland Group PLC	Short-term investment	US\$1,563	N/A	US\$1,547
Royal Bk Scotland Group PLC	Short-term investment	US\$ 564	N/A	US\$ 558
Royal Bk Scotland Group PLC	Short-term investment	US\$ 369	N/A	US\$ 364
Safeco Corp.	Short-term investment	US\$ 765	N/A	US\$ 763
Salomon Smith Barney Hldgs Inc.	Short-term investment	US\$3,160	N/A	US\$3,100
Sara Lee Corp.	Short-term investment	US\$1,596	N/A	US\$1,601
SBC Communications Inc.	Short-term investment	US\$3,681	N/A	US\$3,617
SBC Communications Inc.	Short-term investment	US\$2,251	N/A	US\$2,245
Scotland Intl Fin B V 144A	Short-term investment	US\$1,533	N/A	US\$1,532
Shell Finance (UK) PLC	Short-term investment	US\$3,604	N/A	US\$3,553
SLM Corp.	Short-term investment	US\$ 500	N/A	US\$ 501
SLM Corp. Medium Term Nts		US\$2,950	N/A	US\$2,985

	Short-term investment		
SP Powerassets Ltd Global	Short-term investment	US\$ 991 N/A	US\$ 992
Suntrust Bks Inc.	Short-term investment	US\$1,062 N/A	US\$1,060
Swedbank Sparbanken Svenge AB	Short-term investment	US\$1,084 N/A	US\$1,067

(Continued)

		December 31, 2004			
		Carrying			Market Value
		Value			or
		(US\$ in	Percentage of		
		Thousands	Ownership		
Company Name	Marketable Securities Type and Name	Shares/Units (In Thousands of)	(US\$ in Thousand)	(US\$ in Thousand)	(US\$ in Thousand)
	TIAA Global Mkts Inc.	Short-term investment	US\$ 519	N/A	US\$ 519
	Tribune Co. Med Trm Nts	Short-term investment	US\$ 2,943	N/A	US\$ 2,960
	Union Planters	Short-term investment	US\$ 2,755	N/A	US\$ 2,700
	Unitedhealth Group Inc.	Short-term investment	US\$ 3,119	N/A	US\$ 3,090
	US Bk Natl Assn Cincinnati OH	Short-term investment	US\$ 2,669	N/A	US\$ 2,680
	Virginia Elec + Pwr Co.	Short-term investment	US\$ 2,884	N/A	US\$ 2,830
	Vodafone Group PLC New	Short-term investment	US\$ 2,559	N/A	US\$ 2,560
	Wachovia Corp.	Short-term investment	US\$ 3,720	N/A	US\$ 3,600
	Wal Mart Cda Venture Corp.	Short-term investment	US\$ 3,670	N/A	US\$ 3,600
	Washington Mut Fin Corp.	Short-term investment	US\$ 4,768	N/A	US\$ 4,680
	Washington Mut Inc.	Short-term investment	US\$ 4,735	N/A	US\$ 4,680
	Washington Post Co.	Short-term investment	US\$ 3,182	N/A	US\$ 3,180
	Wells Fargo + Co. New	Short-term investment	US\$ 3,697	N/A	US\$ 3,630
	Westfield Cap Corp. Ltd	Short-term investment	US\$ 1,999	N/A	US\$ 1,990
	China Steel Corporation	Long-term investment	2,978,804	N/A	2,977,690
	Taiwan Power Company	Long-term investment	915,276	N/A	914,580
	Nan Ya Plastics Corporation	Long-term investment	407,526	N/A	407,480
	Formosa Plastics Corporation	Long-term investment	405,485	N/A	405,320
	Formosa Petrochemical Corporation	Long-term investment	202,595	N/A	200,000

Agency bonds

Fed Hm Ln Pc	Short-term investment	US\$	3,466	N/A	US\$	3,466
Federal Home Ln Bks	Short-term investment	US\$	2,532	N/A	US\$	2,532
Federal Home Ln Bks	Short-term investment	US\$	1,042	N/A	US\$	1,042
Federal Home Ln Bks	Short-term investment	US\$	4,927	N/A	US\$	4,927
Federal Home Ln Bks	Short-term investment	US\$	7,962	N/A	US\$	7,962
Federal Home Ln Bks	Short-term investment	US\$	7,014	N/A	US\$	6,927
Federal Home Ln Bks	Short-term investment	US\$	4,936	N/A	US\$	4,948
Federal Home Ln Bks	Short-term investment	US\$	4,948	N/A	US\$	4,948
Federal Home Ln Bks	Short-term investment	US\$	2,454	N/A	US\$	2,466
Federal Home Ln Bks	Short-term investment	US\$	7,018	N/A	US\$	7,000
Federal Home Ln Bks	Short-term investment	US\$	4,996	N/A	US\$	4,977
Federal Home Ln Bks	Short-term investment	US\$	7,042	N/A	US\$	6,988
Federal Home Ln Bks	Short-term investment	US\$	6,098	N/A	US\$	6,088
Federal Home Ln Bks	Short-term investment	US\$	2,909	N/A	US\$	2,900
Federal Home Ln Bks	Short-term investment	US\$	13,953	N/A	US\$	13,899
Federal Home Ln Bks	Short-term investment	US\$	13,983	N/A	US\$	13,948
Federal Home Ln Bks	Short-term investment	US\$	13,981	N/A	US\$	13,948
Federal Home Ln Mtg Corp	Short-term investment	US\$	6,978	N/A	US\$	6,927
Federal Home Ln Mtg Corp.	Short-term investment	US\$	3,388	N/A	US\$	3,411
Federal Home Ln Mtg Corp	Short-term investment	US\$	4,953	N/A	US\$	4,948
Federal Home Ln Mtg Corp.	Short-term investment	US\$	9,997	N/A	US\$	9,948
Federal Home Ln Mtg Corp.	Short-term investment	US\$	998	N/A	US\$	999
Federal Home Ln Mtg Corp.	Short-term investment	US\$	4,933	N/A	US\$	4,933
Federal Home Ln Mtg Corp. Mtn	Short-term investment	US\$	4,930	N/A	US\$	4,933
Federal Home Loan Mtg Assn		US\$	4,847	N/A	US\$	4,899

Federal Home Loan Mtg Corp.	Short-term investment Short-term investment	US\$	4,903	N/A	US\$	4,94
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(Continued)

					December 31, 2004		
					Carrying Value	Percentage of Ownership	Market Value or Net Asset Value
Company Name	Marketable Securities Type and Name	Relationship with Financial Statement the Company	Account	Shares/Units (In Thousands)	US\$ in Thousand)		(US\$ in Thousand)
	Federal Natl Mtg Assn		Short-term investment		US\$ 5,270	N/A	US\$ 5,237
	Federal Natl Mtg Assn		Short-term investment		US\$ 6,940	N/A	US\$ 6,937
	Federal Natl Mtg Assn		Short-term investment		US\$ 6,903	N/A	US\$ 6,917
	Federal Natl Mtg Assn		Short-term investment		US\$ 4,981	N/A	US\$ 4,953
	Federal Natl Mtg Assn		Short-term investment		US\$ 6,997	N/A	US\$ 6,983
	Federal Natl Mtg Assn Mtn		Short-term investment		US\$ 15,787	N/A	US\$ 15,798
	Federal Natl Mtg Assn Mtn		Short-term investment		US\$ 7,000	N/A	US\$ 6,976
	Freddie Mac		Short-term investment		US\$ 4,929	N/A	US\$ 4,934
	Fed Hm Ln Pc Pool E89857		Short-term investment		US\$ 2,535	N/A	US\$ 2,531
	Fed Hm Ln Pc Pool G11295		Short-term investment		US\$ 2,277	N/A	US\$ 2,273
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 6,096	N/A	US\$ 6,075
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 4,435	N/A	US\$ 4,440
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 3,558	N/A	US\$ 3,539
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 3,645	N/A	US\$ 3,615
	Federal Natl Mtg Assn		Short-term investment		US\$ 4,242	N/A	US\$ 4,188
	Federal Natl Mtg Assn		Short-term investment		US\$ 2,141	N/A	US\$ 2,126
	Federal Natl Mtg Assn		Short-term investment		US\$ 4,765	N/A	US\$ 4,719
	Federal Natl Mtg Assn Gtd		Short-term investment		US\$ 3,486	N/A	US\$ 3,446
	FNMA Pool 685116		Short-term investment		US\$ 1,003	N/A	US\$ 1,002

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FNMA Pool 725095	Short-term investment	US\$ 2,008	N/A	US\$ 2,003
FNMA Pool 790828	Short-term investment	US\$ 4,807	N/A	US\$ 4,773
FNMA Pool 793932	Short-term investment	US\$ 994	N/A	US\$ 994
FNMA Pool 794040	Short-term investment	US\$ 1,021	N/A	US\$ 1,020
FNMA Pool 795548	Short-term investment	US\$ 977	N/A	US\$ 975
FNMA Pool 806642	Short-term investment	US\$ 2,006	N/A	US\$ 2,004
GNMA II Pool 081150	Short-term investment	US\$ 999	N/A	US\$ 997
GNMA II Pool 081153	Short-term investment	US\$ 3,789	N/A	US\$ 3,766
Government Natl Mtg Assn	Short-term investment	US\$ 1,734	N/A	US\$ 1,700
<u>Corporate issued asset-backed securities</u>				
Aegis Asset Backed Secs Tr	Short-term investment	US\$ 2,000	N/A	US\$ 2,004
Aesop Fed II LLC	Short-term investment	US\$ 4,955	N/A	US\$ 4,963
Aesop Fed II LLC	Short-term investment	US\$ 1,912	N/A	US\$ 1,888
American Express Cr Account Ma	Short-term investment	US\$ 3,445	N/A	US\$ 3,427
American Home Mtg Invt Tr	Short-term investment	US\$ 949	N/A	US\$ 949
Americredit Automobile Receiv	Short-term investment	US\$ 2,002	N/A	US\$ 1,998
Americredit Automobile Rec Tr	Short-term investment	US\$ 1,055	N/A	US\$ 1,048
Americredit Automobile Rec Tr	Short-term investment	US\$ 2,000	N/A	US\$ 1,990
Americredit Automobile Receivb	Short-term investment	US\$ 4,949	N/A	US\$ 4,912
Atlantic City Elc Trns Fdg LLC	Short-term investment	US\$ 926	N/A	US\$ 923
Banc Amer Coml Mtg Inc.	Short-term investment	US\$ 5,364	N/A	US\$ 5,315
Banc Amer Mtg Secs Inc.	Short-term investment	US\$ 4,030	N/A	US\$ 4,006
Bank of Amer Lease Equip Tr	Short-term investment	US\$ 4,023	N/A	US\$ 3,995
Bear Stearns Alt A Tr	Short-term investment	US\$ 1,478	N/A	US\$ 1,489
Bear Stearns Asset Backed Secs	Short-term investment	US\$ 2,000	N/A	US\$ 2,000
BMW Veh Owner Tr		US\$ 4,978	N/A	US\$ 4,941

California Infr + Economic Dev	Short-term investment Short-term investment	US\$ 4,298 N/A	US\$ 4,230
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CWABS Inc.	Short-term investment	US\$ 5,000	N/A	US\$ 5,055
CWABS Inc.	Short-term investment	US\$ 3,500	N/A	US\$ 3,541
CWALT Inc.	Short-term investment	US\$ 4,292	N/A	US\$ 4,277
CWABS Inc.	Short-term investment	US\$ 2,317	N/A	US\$ 2,298
CWABS Inc.	Short-term investment	US\$ 4,040	N/A	US\$ 4,040
Daimlerchrysler Auto Tr	Short-term investment	US\$ 4,991	N/A	US\$ 4,970
Daimlerchrysler Auto Tr	Short-term investment	US\$ 4,982	N/A	US\$ 4,970
Daimlerchrysler Auto Tr	Short-term investment	US\$ 4,897	N/A	US\$ 4,893
Detroit Edison Securitization	Short-term investment	US\$ 674	N/A	US\$ 671
Fifth Third Auto Tr	Short-term investment	US\$ 3,000	N/A	US\$ 2,999
Finance Amer Mtg Ln Tr	Short-term investment	US\$ 985	N/A	US\$ 986
First Franklin Mtg Ln Tr	Short-term investment	US\$ 2,002	N/A	US\$ 2,006
First Horizon Abs Tr	Short-term investment	US\$ 2,000	N/A	US\$ 2,000
First Union Lehman Bros Mtg Tr	Short-term investment	US\$ 3,567	N/A	US\$ 3,534
First USA Credit Cr Master Tr	Short-term investment	US\$ 5,011	N/A	US\$ 5,008
Ford Cr Auto Owner Tr	Short-term investment	US\$ 10,999	N/A	US\$ 10,936
Granite Mtgs PLC	Short-term investment	US\$ 5,000	N/A	US\$ 5,000
GS Auto Ln Tr	Short-term investment	US\$ 2,948	N/A	US\$ 2,970
GS Mtg Secs Corp.	Short-term investment	US\$ 2,944	N/A	US\$ 2,944
Harley Davidson Motorcycle Tr	Short-term investment	US\$ 3,417	N/A	US\$ 3,400
Harley Davidson Motorcycle Tr	Short-term investment	US\$ 5,999	N/A	US\$ 5,938
Holmes Fing No 8 PLC	Short-term investment	US\$ 5,001	N/A	US\$ 5,052
Honda Auto Receivables	Short-term investment	US\$ 5,000	N/A	US\$ 4,991
Household Automotive Tr	Short-term investment	US\$ 513	N/A	US\$ 511
Hyundai Auto Receivables Tr	Short-term investment	US\$ 3,500	N/A	US\$ 3,468
IMPAC Cmb Tr		US\$ 1,414	N/A	US\$ 1,413

IMPAC Cmb Tr	Short-term investment	US\$ 988	N/A	US\$ 988
IMPAC Secd Assets Corp.	Short-term investment	US\$ 3,570	N/A	US\$ 3,566

(Continued)

							December 31, 2004		
							Carrying Value	Market Value or Net Asset Value	
Relationship with Financial Statement							Shares/Units (In Thousands)	Percentage of Ownership	(US\$ in Thousand)
Company Name	Marketable Securities Type and Name	Company	Account			(US\$ in Thousand)	Ownership	(US\$ in Thousand)	
	Long Beach Accep Auto Receivab		Short-term investment			US\$2,526	N/A	US\$2,502	
	Merrill Lynch Mtg Invs Inc.		Short-term investment			US\$1,460	N/A	US\$1,460	
	Merrill Lynch Mtg Invs Inc.		Short-term investment			US\$1,500	N/A	US\$1,502	
	Monumentl Global Fdg II		Short-term investment			US\$1,000	N/A	US\$1,001	
	National City Auto Receivables		Short-term investment			US\$1,206	N/A	US\$1,207	
	Navistar finl 2003 A Owner Tr		Short-term investment			US\$4,928	N/A	US\$4,889	
	Nissan Auto Receivables		Short-term investment			US\$7,000	N/A	US\$6,958	
	Nissan Auto Receivables Own Tr		Short-term investment			US\$4,999	N/A	US\$4,993	
	Nissan Auto Receivables Owner		Short-term investment			US\$4,853	N/A	US\$4,872	
	ONYX Accep Owner Tr		Short-term investment			US\$ 963	N/A	US\$ 961	
	ONYX Accep Owner Tr		Short-term investment			US\$4,913	N/A	US\$4,933	
	Providian Gateway Owner Tr		Short-term investment			US\$4,204	N/A	US\$4,201	
	Providian Gateway Owner Tr		Short-term investment			US\$3,992	N/A	US\$3,982	
	Reliant Energy Transition Bd		Short-term investment			US\$5,185	N/A	US\$5,117	
	Residential Asset Mtg Prods		Short-term investment			US\$3,731	N/A	US\$3,672	
	Residential Asset Mtg Prods		Short-term investment			US\$3,000	N/A	US\$2,980	
	Residential Fdg Mtg Secs I Inc.		Short-term investment			US\$3,659	N/A	US\$3,631	
	Sequoia Mtg Tr		Short-term investment			US\$2,504	N/A	US\$2,513	
	Sequoia Mtg Tr		Short-term investment			US\$1,960	N/A	US\$1,955	

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Sequoia Mtg Tr	Short-term investment	US\$1,488	N/A	US\$1,486
Sequoia Mtg Tr	Short-term investment	US\$2,000	N/A	US\$2,000
Sequoia Mtg Tr	Short-term investment	US\$3,500	N/A	US\$3,500
Structured Adj Rate Mtg Ln Tr	Short-term investment	US\$3,037	N/A	US\$3,031
Structured Asset Secs Corp.	Short-term investment	US\$1,403	N/A	US\$1,394
Thoornburg Mtg Secs Tr	Short-term investment	US\$1,921	N/A	US\$1,923
Toyota Auto Receivables 2003B	Short-term investment	US\$4,970	N/A	US\$4,930
Triad Auto Receivables Tr	Short-term investment	US\$5,042	N/A	US\$4,997
TXU Elec Delivery Transition	Short-term investment	US\$7,736	N/A	US\$7,715
USAA Auto Owner Tr	Short-term investment	US\$4,000	N/A	US\$3,991
Wachovia Auto Owner Tr	Short-term investment	US\$6,000	N/A	US\$5,991
Wachovia Auto Owner Tr	Short-term investment	US\$4,999	N/A	US\$4,995
WFS Financial Owner Trust	Short-term investment	US\$5,008	N/A	US\$4,989
WFS Finl 2004 2 Owner Tr	Short-term investment	US\$4,994	N/A	US\$4,992
WFS Finl 2004 4 Owner Tr	Short-term investment	US\$5,399	N/A	US\$5,342
Whole Auto Ln Tr	Short-term investment	US\$5,967	N/A	US\$5,966
Whole Auto Ln Tr	Short-term investment	US\$4,000	N/A	US\$3,969
Whole Auto Ln Tr	Short-term investment	US\$3,000	N/A	US\$2,964
World Omni Auto Receivables Tr	Short-term investment	US\$5,963	N/A	US\$5,906
<u>Commercial papers</u>	Short-term investment	US\$2,997	N/A	US\$2,997
<u>Corporate issued notes</u>	Short-term investment	US\$1,999	N/A	US\$1,999

(Continued)

				December 31, 2004			
Company Name	Marketable Securities Type and Name	Relationship with Financial Statements of the Company	Shares/Units (In Thousands)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
						Account	Investment
	<u>Money market funds</u>					US\$ 21,114	N/A US\$ 21,114
	<u>Equity</u>						
	Horizon Venture Fund I, L.P.	Parent company	Long-term investment	246,485	N/A	246,485	
	Crimson Asia Capital Ltd., L.P.	Parent company	Long-term investment	43,649	N/A	43,649	
C North America	TSMC stock	Parent company	Short-term investment	14,151	677,110	696,661	
Cherng	TSMC stock	Parent company	Short-term investment	15,670	458,564	771,451	
Ruey	TSMC stock	Parent company	Short-term investment	15,700	459,512	772,897	
C International	<u>Money market fund</u>						
	BOA Fund		Short-term investment	30,300	US\$ 30,300	N/A US\$ 30,300	
	<u>Stock</u>						
	InveStar	Subsidiary	Long-term investment	24,320	US\$ 34,514	97 US\$ 34,514	
	InveStar II	Subsidiary	Long-term investment	51,300	US\$ 34,534	97 US\$ 34,534	
	TSMC Development	Subsidiary	Long-term investment	1	US\$603,993	100 US\$603,993	
	TSMC Technology	Subsidiary	Long-term investment	1	US\$ 5,544	100 US\$ 5,544	
	3DFX Interactive Inc.		Long-term investment	68			
C Development	WaferTech stock	Subsidiary	Long-term investment		US\$484,060	99 US\$484,060	
Star	<u>Common stock</u>						
	RichTek Technology Corp.			682	US\$ 67	US\$ 1,370	

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	Short-term investment					
Advanced Power Electronics Corp.	Short-term investment	1,108	US\$	502	US\$	697
Broadtek Electronics Corp.	Short-term investment	869	US\$	275	US\$	225
Monolithic Power Systems, Inc.	Short-term investment	1,975	US\$	1,567	US\$	19,910
SiRF Technology Holdings, Inc.	Short-term investment	90	US\$	393	US\$	1,157
Broadtek Electronics Corp.	Long-term investment	145	US\$	46	US\$	38
Programmable Microelectronics (Taiwan), Corp.	Long-term investment	575	US\$	208	1 US\$	208
Global Testing Corp.	Long-term investment	13,268	US\$	5,670	9 US\$	5,670
RichTek Technology Corp.	Long-term investment	842	US\$	83	1 US\$	1,692
Signia Technologies, Inc.	Long-term investment	701	US\$	202	3 US\$	202
Incentia Design Systems, Inc.	Long-term investment	365	US\$	92	1 US\$	92
Advanced Power Electronics Corp.	Long-term investment	1,123	US\$	508	2 US\$	706
Capella Microsystems (Taiwan), Inc.	Long-term investment	530	US\$	154	4 US\$	154
<u>Preferred stock</u>						
Integrated Memory Logic, Inc.	Long-term investment	1,831	US\$	1,221	12 US\$	1,221
Sensory, Inc.	Long-term investment	1,404	US\$	125	6 US\$	125
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

(Continued)

Company Name	Marketable Securities Type and Name	Relationship with the Company	Account	December 31, 2004					
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)		
	IP Unity		Long-term investment	1,008	US\$ 494	2	US\$ 494		
	Tropian, Inc.		Long-term investment	1,758	US\$ 471	3	US\$ 471		
Star II	<u>Common stock</u>								
	RichTek Technology Corp.		Short-term investment	321	US\$ 184		US\$ 645		
	Monolithic Power Systems, Inc.		Short-term investment	864	US\$ 2,081		US\$ 8,716		
	eChannel Option Holding, Inc.		Long-term investment	358	US\$ 251	4	US\$ 251		
	eLCOS Microdisplay Technology, Ltd.		Long-term investment	270	US\$ 27	1	US\$ 27		
	Signia Technologies, Inc.		Long-term investment	351	US\$ 101	1	US\$ 101		
	Procoat Technology, Inc.		Long-term investment	5,123	US\$ 1,940	10	US\$ 1,940		
	RichTek Technology Corp.		Long-term investment	395	US\$ 226	1	US\$ 794		
	Programmable Microelectronics (Taiwan), Inc.		Long-term investment	177	US\$ 50		US\$ 50		
	Auden Technology MFG. Co., Ltd.		Long-term investment	953	US\$ 738	4	US\$ 738		
	GeoVision, Inc.		Long-term investment	471	US\$ 127	1	US\$ 127		
	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		
	EON Technology, Corp.		Long-term investment	3,276	US\$ 1,175	8	US\$ 1,175		
	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		
	Ralink Technology (Taiwan), Inc.			1,833	US\$ 791	3	US\$ 791		

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	Long-term investment					
Silicon Data International Co., Inc.	Long-term investment	2,000	US\$	204	3	US\$ 204
Capella Microsystems (Taiwan), Inc.	Long-term investment	419	US\$	122	3	US\$ 122
<u>Preferred stock</u>						
Memsic, Inc.	Long-term investment	2,289	US\$	1,560	8	US\$ 1,560
eLCOS Microdisplay Technology, Ltd.	Long-term investment	2,667	US\$	3,500	15	US\$ 3,500
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	1,582	US\$	3,082	5	US\$ 3,082
Reflectivity, Inc.	Long-term investment	4,255	US\$	2,205	5	US\$ 2,205
Tropian, Inc.	Long-term investment	1,464	US\$	393	2	US\$ 393
Kilopass Technologies, Inc.	Long-term investment	3,887	US\$	2,000	19	US\$ 2,000
FangTek, Inc.	Long-term investment	6,806	US\$	3,250	34	US\$ 3,250
Alchip Technologies Limited	Long-term investment	2,579	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	2,600	US\$	867	13	US\$ 867
NetLogic Microsystems, Inc.	Long-term investment	113	US\$	1,388	1	US\$ 1,388
<u>Preferred stock</u>						
Quake Technologies, Inc.	Long-term investment	601	US\$	450	1	US\$ 450
Pixim, Inc.	Long-term investment	1,721	US\$	2,382	3	US\$ 2,382
Newport Opticom, Inc.	Long-term investment	962	US\$	250	6	US\$ 250
Ikanos Communication, Inc.	Long-term investment	7,446	US\$	3,125	3	US\$ 3,125

(Continued)

Parent Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004		Market Value or Net Asset Value	
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	(US\$ in Thousand)
	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
	Teknovus, Inc.		Long-term investment	5,556	US\$	1,000	3 US\$ 1,000
	Miradia, Inc. (Formerly XHP Microsystems, Inc.)		Long-term investment	3,040	US\$	1,000	4 US\$ 1,000
	Axiom Microdevices, Inc.		Long-term investment	1,000	US\$	1,000	5 US\$ 1,000
	Optichron, Inc.		Long-term investment	714	US\$	1,000	6 US\$ 1,000
	Audience, Inc.		Long-term investment	1,654	US\$	250	2 US\$ 250
	Next IO, Inc.		Long-term investment	800	US\$	500	2 US\$ 500
	NuCORE Technology Inc.		Long-term investment	2,254	US\$	1,455	2 US\$ 1,455
	Centrality Communications, Inc.		Long-term investment	809	US\$	1,000	2 US\$ 1,000
	Layer N Networks, Inc.		Long-term investment	1,905	US\$	1,000	2 US\$ 1,000
AF II	<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
	Ivyon Technology, Inc.		Long-term investment	200	US\$	775	10 US\$ 775
	<u>Preferred stock</u>						
	Powerprecise Solutions, Inc.		Long-term investment	258	US\$	250	3 US\$ 250

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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
Agelia 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
Axiom Microdevices, Inc.			Long-term investment	686	US\$	700	5	US\$	700
Next IO, Inc.			Long-term investment	216	US\$	182		US\$	182

Bond funds

Grand Cathay			Short-term investment	3,608		45,543	N/A		45,544
TIIM			Short-term investment	703		9,698	N/A		9,698
Polaris De Li			Short-term investment	1,550		22,800	N/A		22,800
EnTrust Kirin			Short-term investment	2,106		22,697	N/A		22,698
E. Sun New Era			Short-term investment	1,920		20,313	N/A		20,314
Jih Sun			Short-term investment	772		10,262	N/A		10,262
EnTrust Phoenix			Short-term investment	2,081		30,563	N/A		30,564
Transcend Fortune			Short-term investment	1,936		22,947	N/A		22,948

Stock funds

TIIM DaLi			Short-term investment	296		5,000	N/A		4,474
UPAMC Global Select Fund of Funds			Short-term investment	336		3,364	N/A		3,378
Sheng Hua 9966 Balance			Short-term investment	300		3,000	N/A		3,011

Stock

Global Unichip Corporation	NA	Subsidiary	Long-term investment	100		3,375	100		3,375
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TABLE 4**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES****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 YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal Amount (US\$ in Thousand)	Carrying Value (US\$ in Thousand)
			Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)		
Term Investment	BOA		40,000	\$ 1,359,120 (US\$40,000)		\$ 40,000	\$ 1,359,120 (US\$40,000)	\$ 1,359,120 (US\$40,000)
Term Investment	Goldman Sachs		20,000	679,560 (US\$20,000)		20,000	679,560 (US\$20,000)	679,560 (US\$20,000)
Term Investment	JF Asset Management (Taiwan) Ltd.		34,343	500,000	68,021	1,000,000	23,666	350,000
Term Investment	ABN AMRO		34,794	500,000	165,257	2,400,000	65,145	950,000
Term Investment	ABN AMRO				18,235	200,000		
Term Investment	JF Asset Management (Taiwan) Ltd.				110,580	1,500,000	25,694	350,000
Term Investment	INVESCO Asset Management Taiwan				93,975	1,350,000	17,270	250,000
Term Investment	Allianz Dresdner Securities Investment Consulting Co., Ltd.				80,833	900,000		
Term Investment	Barits Securities Investment Trust Co., Ltd.				76,640	900,000		
					151,594	2,100,000		

Form ent	Shinkong Investment Trust Co., Ltd.				
Form ent	National Investment Trust Co., Ltd.		3,764	600,000	
Form ent	HSBC Asset Management (Taiwan) Ltd.		41,568	600,000	
Form ent	Chung Shing Bills Finance Corp. and several financial institutions	1,800,000		2,577,163	4,127,714
Form ent	Chung Shing Bills Finance Corp. and several financial institutions	1,422,197			1,427,762
Form ent	BNP and several financial institutions	3,157,331			3,169,750
Form ent	BNP and several financial institutions	3,113,066			3,133,875
Form ent	BNP and several financial institutions			2,023,206	2,031,500
Form ent	BNP and several financial institutions			1,207,409	
Form ent Form ent	FCB and several financial institutions			US\$ 699,398	US\$ 506,162 US\$
Form ent	China Bills Finance Corp. and several financial institutions			3,402,213	
				2,349,573	

rm ent	BNP and several financial institutions	3,890,925			
rm ent	KGI Securities Co., Ltd. and several financial institutions	620,000			
rm ent	KGI Securities Co., Ltd.	2,777,798			
rm ent		US\$ 3,171			
rm ent		US\$ 3,550			
rm ent		US\$ 3,503	US\$ 3,504	US\$	
rm ent		US\$ 3,130			
rm ent		US\$ 3,702			
rm ent		US\$ 3,509	US\$ 3,509	US\$	
rm ent		US\$ 3,750	US\$ 3,755	US\$	
rm ent		US\$ 3,800			

(Continued)

Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature Relationship	Beginning	Acquisition	Disposal		Gain (Loss) or Disposal (US\$ Thousand)
				Balance	Amount	Amount	Carrying	
				(US\$ Thousand)	(US\$ Thousand)	(US\$ Thousand)	Value (US\$ in Thousand)	
American Intl Group Inc. Mtnf	Short-term investment			\$	US\$3,795	\$	\$	\$
Amgen Inc.	Short-term investment				US\$3,005			
Bank New York Inc.	Short-term investment				US\$3,945			
Bank One Corp.	Short-term investment				US\$3,693	US\$3,695	US\$ 3,693	US\$
Bear Stearns Cos Inc.	Short-term investment				US\$3,805	US\$3,816	US\$ 3,805	US\$
Bear Stearns Cos Inc.	Short-term investment				US\$3,518			
Bear Stearns Cos Inc. Medium Te	Short-term investment				US\$3,105			
Bristol Myers Squibb Co.	Short-term investment				US\$3,819			
Brown Forman Corp.	Short-term investment				US\$3,277	US\$3,280	US\$ 3,277	US\$
Cardinal Health Inc.	Short-term investment				US\$3,837	US\$3,795	US\$ 3,837	US\$
Cit Group Hldgs Inc.	Short-term investment				US\$3,203			
Citigroup Inc.	Short-term investment				US\$3,583			
Compaq Computer Corp.	Short-term investment				US\$3,719			
Consolidated Edison Co. NY Inc.	Short-term investment				US\$3,687			
Countrywide Fdg Corp. Mtn	Short-term investment				US\$3,534	US\$3,540	US\$ 3,534	US\$
Countrywide Home Lns Inc.	Short-term investment				US\$5,210			
Credit Suisse First Boston USA	Short-term investment				US\$3,177	US\$3,188	US\$3,177	US\$
Dell Computer Corp.	Short-term investment				US\$3,054			
Diageo PLC	Short-term investment				US\$3,459			
European Invt Bk					US\$8,315			

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	Short-term investment				
Federal Home Ln Mtg Corp	Short-term investment	US\$4,237			
Federal Home Loan Mtg Assn	Short-term investment	US\$4,847			
First Data Corp.	Short-term investment	US\$3,013			
General Elec Cap Corp. Mtn	Short-term investment	US\$3,507	US\$3,498	US\$ 3,507	US\$
General Elec Cap Corp. Mtn	Short-term investment	US\$3,467			
General Elec Cap Corp. Mtn	Short-term investment	US\$3,886			
Genworth Finl Inc.	Short-term investment	US\$3,412			
Goldman Sachs Group Inc Mtn	Short-term investment	US\$3,505			
Goldman Sachs Group LP	Short-term investment	US\$3,820			
Hewlett Packard Co.	Short-term investment	US\$3,373			
Honeywell Inc.	Short-term investment	US\$3,284			
Household Fin Corp.	Short-term investment	US\$3,712	US\$3,633	US\$ 3,712	US\$
Household Fin Corp. Mtn Bk Ent	Short-term investment	US\$3,542			
Huntington Natl Bk	Short-term investment	US\$3,003			
ING Sec Life Ins IngsLf	Short-term investment	US\$3,012			
Intl Bk For Recon + Dev	Short-term investment	US\$5,232			
J.P Morgan Chase + Co.	Short-term investment	US\$3,638	US\$3,601	US\$ 3,638	US\$
J.P Morgan Chase + Co.	Short-term investment	US\$3,128			
J.P Morgan Chase + Co.	Short-term investment	US\$3,663			
Keycorp Mtn Book Entry	Short-term investment	US\$3,500			
KFW Intl Fin Inc.	Short-term investment	US\$5,104			
Lehman Brothers Hldgs Inc.	Short-term investment	US\$3,417	US\$3,381	US\$ 3,417	US\$
Lehman Brothers Hldgs Inc.	Short-term investment	US\$3,705			
Lilly Eli + Co.	Short-term investment	US\$3,750			
		US\$3,497	US\$3,498	US\$ 3,497	US\$

Merrill Lynch + Co nc.	Short-term investment			
Merrill Lynch + Co nc.	Short-term investment	US\$3,486		
Monumental Global Fdg II 2002A	Short-term investment	US\$3,129		
Morgan Stanley Group nc.	Short-term investment	US\$5,741		
Morgan Stanley Group nc.	Short-term investment	US\$4,763	US\$3,713	US\$ 3,713
Nationsbank Corp.	Short-term investment	US\$3,644		
Nationwide Bldg Soc	Short-term investment	US\$3,457		
Nationwide Life Global Mtn	Short-term investment	US\$3,413		
Pepsico Inc. Mtn Book Entry	Short-term investment	US\$3,818		
Popular North Amer nc Mtn	Short-term investment	US\$3,042		
Pricoa Global Fdg I Mtn	Short-term investment	US\$3,507		
Pricoa Global Fdg I Mtn	Short-term investment	US\$3,050		
Principal Life Global Fdg I GI	Short-term investment	US\$3,168		
Salomon Smith Barney Hldgs Inc.	Short-term investment	US\$3,160		
SBC Communications nc.	Short-term investment	US\$3,681		

(Continued)

Securities Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance	Acquisition	Disposal	Carrying Value
				Amount (US\$ in thousands)	Amount (US\$ in thousands)	Amount (US\$ in thousands)	Value (US\$ in thousands)
	Short-term investment			\$	US\$ 3,604	\$	\$
Mkts Inc.	Short-term investment				US\$ 3,631	US\$ 3,131	US\$ 3,131
Group	Short-term investment				US\$ 3,119		
	Short-term investment				US\$ 3,177	US\$ 3,135	US\$ 3,135
	Short-term investment				US\$ 3,172	US\$ 3,175	US\$ 3,175
	Short-term investment				US\$ 3,720		
Venture	Short-term investment				US\$ 3,670		
ut Fin	Short-term investment				US\$ 4,768		
ut Inc.	Short-term investment				US\$ 4,735		
st Co.	Short-term investment				US\$ 3,182		
Co. New	Short-term investment				US\$ 3,697		
	Long-term investment	Chung Shing Bills Finance Corp.			2,997,430		
	Long-term investment	BNP and several financial institutions			950,646		
s	Long-term investment	Chung Shing Bills Finance Corp.			408,538		
es	Long-term investment	Chung Shing Bills Finance Corp.			406,245		
Chemical	Long-term investment	Chung Shing Bills Finance Corp.			202,980		
Ln Mtg	Short-term investment				US\$ 6,096		
Ln Mtg	Short-term investment				US\$ 4,725		
					US\$ 3,558		

Ln Mtg	Short-term investment				
Mtg Assn	Short-term investment	US\$	5,861		
Mtg Assn	Short-term investment	US\$	3,393		
Mtg Assn	Short-term investment	US\$	6,130		
Mtg Assn	Short-term investment	US\$	6,371		
Mtg Assn	Short-term investment	US\$	7,000		
828	Short-term investment	US\$	5,014		
81153	Short-term investment	US\$	3,817		
ba Nov	Short-term investment	US\$	4,829	US\$ 4,829	US\$ 4,829
atl Mtg	Short-term investment	US\$	4,473		
PC	Short-term investment	US\$	3,466		
Ln Bks	Short-term investment	US\$	5,210	US\$ 4,153	US\$ 4,153
Ln Bks	Short-term investment	US\$	4,927		
Ln Bks	Short-term investment	US\$	14,938	US\$ 6,980	US\$ 6,980
Ln Bks	Short-term investment	US\$	7,014		
Ln Bks	Short-term investment	US\$	4,936		
Ln Bks	Short-term investment	US\$	9,956	US\$ 9,967	US\$ 9,967
Ln Bks	Short-term investment	US\$	5,264	US\$ 5,286	US\$ 5,286
Ln Bks	Short-term investment	US\$	4,948		
Ln Bks	Short-term investment	US\$	7,018		
Ln Bks	Short-term investment	US\$	9,993	US\$ 5,000	US\$ 4,993
Ln Bks	Short-term investment	US\$	7,042		
Ln Bks	Short-term investment	US\$	6,098		
Ln Bks	Short-term investment	US\$	13,953		
Ln Bks	Short-term investment	US\$	13,983		
Ln Bks	Short-term investment	US\$	13,981		

	Short-term investment				
Ln Mtg	Short-term investment	US\$	6,978		
Ln Mtg	Short-term investment	US\$	3,388		
Ln Mtg	Short-term investment	US\$	4,907	US\$ 4,981	US\$ 4,9
Ln Mtg	Short-term investment	US\$	4,953		
Ln Mtg	Short-term investment	US\$	9,997		
Ln Mtg	Short-term investment	US\$	9,971	US\$ 9,942	US\$ 9,9
Ln Mtg	Short-term investment	US\$	11,984	US\$10,965	US\$10,9
Ln Mtg	Short-term investment	US\$	4,933		
Ln Mtg	Short-term investment	US\$	4,930		
Loan	Short-term investment	US\$	4,903		
tg Assn	Short-term investment	US\$	11,036	US\$10,997	US\$11,0
tg Assn	Short-term investment	US\$	10,496	US\$10,430	US\$10,4

(Continued)

Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature Relationships	Beginning	Acquisition	Disposal		Gain (Loss) on Disposal (US\$ Thousand)
				Balance	Amount	Amount	Carrying	
				Amount (US\$ Thousand)	Shares/Units (Thousand)	Shares/Units (Thousand)	Value (US\$ in Thousand)	
Federal Natl Mtg Assn	Short-term investment			\$	US\$ 5,270	\$	\$	\$
Federal Natl Mtg Assn	Short-term investment				US\$ 4,982	US\$ 4,983	US\$ 4,982	US\$
Federal Natl Mtg Assn	Short-term investment				US\$ 6,940			
Federal Natl Mtg Assn	Short-term investment				US\$ 4,867	US\$ 4,938	US\$ 4,867	US\$
Federal Natl Mtg Assn	Short-term investment				US\$ 6,903			
Federal Natl Mtg Assn	Short-term investment				US\$ 4,981			
Federal Natl Mtg Assn	Short-term investment				US\$ 6,997			
Federal Natl Mtg Assn	Short-term investment				US\$ 4,993	US\$ 4,993	US\$ 4,993	
Federal Natl Mtg Assn	Short-term investment				US\$ 5,000			
Federal Natl Mtg Assn	Short-term investment				US\$ 15,787			
Waddie Mac	Short-term investment				US\$ 4,929			
Student Ln Marketing	Short-term investment				US\$ 16,000	US\$ 16,000	US\$ 16,000	
Corporate issued								
Asset-backed securities								
Prop Fdg II LLC	Short-term investment				US\$ 4,955			
American Express Cr	Short-term investment				US\$ 3,445			
Account MA	Short-term investment				US\$ 4,949			
Americredit	Short-term investment				US\$ 5,503			
Automobile Receivb	Short-term investment				US\$ 4,030			
Inc Amer Coml Mtg	Short-term investment				US\$ 4,023			
Bank Of Amer Lease	Short-term investment							
Equip Tr	Short-term investment							

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TW Veh Owner Tr	Short-term investment	US\$ 4,978			
California Infr + conomic Dev	Short-term investment	US\$ 4,298			
California Infr + conomic	Short-term investment	US\$ 8,383			
California rastructure Dev	Short-term investment	US\$ 7,419			
Capital Auto	Short-term investment	US\$ 4,627			
Receivables Asset	Short-term investment	US\$ 3,093	US\$ 3,072	US\$ 3,093	US\$
Capital One Master Tr	Short-term investment	US\$ 4,957			
Capital One Multi set Execut	Short-term investment	US\$ 5,032	US\$ 5,000	US\$ 5,032	US\$
Capital One Secd Nt Tr	Short-term investment	US\$ 10,008			
Interpillar Finl Asset	Short-term investment	US\$ 3,500			
Intex Home Equity Tr	Short-term investment	US\$ 4,999			
Equip Coll Tr	Short-term investment	US\$ 4,959			
Bank Cr Card	Short-term investment	US\$ 5,000			
uance Tr	Short-term investment	US\$ 4,600			
IN Equip Tr	Short-term investment	US\$ 5,000			
mm 2004 Htl 1	Short-term investment	US\$ 5,000			
redit Suisse First ston Mtg	Short-term investment	US\$ 5,000			
WABS Inc.	Short-term investment	US\$ 5,000			
WABS Inc.	Short-term investment	US\$ 3,500			
WALT Inc.	Short-term investment	US\$ 4,718			
WABS Inc.	Short-term investment	US\$ 3,129			
WABS Inc.	Short-term investment	US\$ 4,040			
imlmerchrysler Auto	Short-term investment	US\$ 4,991			
imlmerchrysler Auto	Short-term investment	US\$ 4,982			
imlmerchrysler Auto	Short-term investment	US\$ 4,897			
st Union Lehman os Mtg Tr	Short-term investment	US\$ 4,177			
st USA Credit Cr aster Tr	Short-term investment	US\$ 5,011			
rd Cr Auto Owner Tr	Short-term investment	US\$ 10,999			

	Short-term investment				
Cap Cr Card	Short-term investment	US\$ 4,000	US\$ 4,003	US\$ 4,000	US\$
ster Nt Tr	Short-term investment	US\$ 5,000			
anite Mtgs PLC	Short-term investment	US\$ 4,000			
Mtg Secs Corp.	Short-term investment	US\$ 4,000			
rley Davidson	Short-term investment	US\$ 4,000			
otorcycle Tr	Short-term investment	US\$ 5,999			
rley Davidson	Short-term investment	US\$ 5,001			
otorcycle Tr	Short-term investment	US\$ 5,000			
lmes Fing No 8 PLC	Short-term investment	US\$ 3,500			
nda Auto	Short-term investment	US\$ 4,000			
ceivables	Short-term investment	US\$ 3,500			
undai Auto	Short-term investment	US\$ 4,000			
ceivables Tr	Short-term investment	US\$ 3,500			
pac Secd Assets	Short-term investment	US\$ 4,000			
rp.	Short-term investment	US\$ 3,500			
onumentl Global Fdg	Short-term investment	US\$ 4,928			
vistar Finl 2003 A	Short-term investment	US\$ 7,000			
wner Tr	Short-term investment				
ssan Auto	Short-term investment				
ceivables	Short-term investment				

(Continued)

Securities Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance	Acquisition	Disposal		Carrying Value (US\$ in Thousand)
				Amount (US\$ in Thousand)	Amount (US\$ in Thousand)	Amount (US\$ in Thousand)	Amount (US\$ in Thousand)	
Owner Tr	Short-term investment			\$	US\$ 4,999	\$	\$	
Owner	Short-term investment				US\$ 4,853			
Owner	Short-term investment				US\$ 4,913			
g No 1	Short-term investment				US\$ 5,102	US\$5,036	US\$5,102	
eway	Short-term investment				US\$ 4,204			
eway	Short-term investment				US\$ 3,992			
y	Short-term investment				US\$ 5,185			
asset Mtg	Short-term investment				US\$ 3,766			
g Mtg	Short-term investment				US\$ 3,947			
r	Short-term investment				US\$ 3,500			
j Rate	Short-term investment				US\$ 3,058			
003 B	Short-term investment				US\$ 4,970			
ceivables	Short-term investment				US\$ 5,042			
ivery	Short-term investment				US\$ 8,009			
Owner Tr	Short-term investment				US\$ 4,000			
o Owner	Short-term investment				US\$ 6,000			
o Owner	Short-term investment				US\$ 4,999			
1 Owner	Short-term investment				US\$ 5,008			
2 4	Short-term investment				US\$ 3,904			
4 2	Short-term investment				US\$ 4,994			

44	Short-term investment			US\$ 5,399			
n Tr	Short-term investment			US\$ 5,967			
n Tr	Short-term investment			US\$ 4,000			
Auto	Short-term investment			US\$ 5,963			
Auto	Short-term investment			US\$ 5,000	US\$4,986	US\$5,000	
<u>funds</u>	Short-term investment			US\$21,114			
Technology	Short-term investment	947	US\$ 121		1,595	US\$6,783	US\$ 184
on, Inc.	Short-term investment	1,205	US\$3,593		1,205	US\$8,972	US\$3,593
wer	Short-term investment	2,521	US\$2,000		546	US\$4,318	US\$ 433
Technology	Short-term investment	465	US\$ 346		768	US\$3,394	US\$ 519

Note: The ending balance included the recognition of the investment income (loss) by the equity method, the cumulative translation adjustments and the bond premium or discount amortization amount.

TABLE 5**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES**

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2004
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party Transfer			Price Reference	
					Owner Relationship	Date	Amount		
April 21, 2004	\$1,484,370	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)		N/A	N/A	N/A	N/A	Public bidding
April 21, 2004	420,168	By the construction progress	CHRIST AG		N/A	N/A	N/A	N/A	Public bidding
April 22, 2004	224,800	By the construction progress	Allis Electric Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding
May 12, 2004	340,307	By the construction progress	United Industry gas Corp., Ltd.		N/A	N/A	N/A	N/A	Public bidding
May 12, 2004	116,181	By the construction progress	United Industry gas Corp., Ltd.		N/A	N/A	N/A	N/A	Public bidding
May 12, 2004	133,092	By the construction progress	BOC EDWARDS, CMS		N/A	N/A	N/A	N/A	Public bidding
June 17, 2004	165,208	By the construction progress	Organo Corporation		N/A	N/A	N/A	N/A	Public bidding
July 2, 2004	225,744	By the construction progress	Marketch International Corp.		N/A	N/A	N/A	N/A	Public bidding
July 8, 2004	100,767	By the construction progress	Kanto Chemical Co., Inc.		N/A	N/A	N/A	N/A	Public bidding
July 8, 2004	466,833	By the construction progress	United Integrated Services Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding
August 3, 2004	300,000	By the construction progress	United Integrated Services Co.,		N/A	N/A	N/A	N/A	Public bidding

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August 5, 2004	122,969	By the construction progress	Ltd. Marketech International Corp.	N/A	N/A	N/A	N/A	Public bidding
August 5, 2004	185,984	By the construction progress	Marketech International Corp.	N/A	N/A	N/A	N/A	Public bidding
August 5, 2004	182,060	By the construction progress	Marketech International Corp.	N/A	N/A	N/A	N/A	Public bidding
October 15, 2004	105,299	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)	N/A	N/A	N/A	N/A	Public bidding

TABLE 6**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2004**

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

Company Name	Related Party	Nature of Relationship	Purchase/Sale	Transaction Details			Abnormal Transaction		Notes/Accounts Payable or Receivable	
				Amount	% Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total Note
The Company	TSMC North America	Subsidiary	Sales	\$142,271,732	55	Net 30 days after invoice date	None	None	\$15,526,964	47
	Philips and its affiliates	Major shareholder	Sales	5,463,565	2	Net 30 days after monthly closing	None	None	581,487	2
	GUC	Investee	Sales	371,546		Net 30 days after monthly closing	None	None	56,436	
	WaferTech	Subsidiary	Purchases	15,203,047	34	Net 30 days after monthly closing	None	None	(913,107)	9
	VIS	Investee	Purchases	9,169,602	13	Net 30 days after monthly closing	None	None	(1,533,938)	16
	SSMC	Investee	Purchases	5,869,123	21	Net 30 days after monthly closing	None	None	(207,794)	2

TABLE 7**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2004**

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

Company	Related	Nature of	Ending	Turnover	Overdue	Amounts	Received	Allowance
Name	Party	Relationship	Balance	Rate	Amount	Action Taken	Subsequent	for
							Period	Bad
								Debts
The Company	TSMC North America	Subsidiary	\$ 15,526,964	38 days	\$5,044,202		\$ 6,013,414	\$
	TSMC Shanghai	Subsidiary	1,473,365	(Note)	145,146	Accelerate demand on account receivables		
	Philips and its affiliates	Major shareholder	581,487	49 days	7,136		13,726	

Note: The ending balance is generated mainly from the sales of machinery, so it is not applicable for the calculation of the turnover rate.

TABLE 8**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES****NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE****DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee
			December 31, 2004	December 31, 2003	Shares of Ownership (Thousands)	Percentage	Carrying Value (Note 1)	
C - North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	\$ 333,178	\$ 333,178	11,000	100	\$ 502,242	\$ 120,580
C - Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749		100	25,439	26,000
C - Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	102,572	2,910
C - Shanghai	Shanghai, China	Manufacturing and marketing of integrated circuits and semiconductor devices	9,187,962	1,890,952		100	8,113,511	(727,030)
	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	409,532	28	5,401,982	4,706,660
C 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	23,778,997	2,598,160
Thereng	Taipei, Taiwan	Investment activities	300,000	300,000		36	50,570	21,350
Ruey	Taipei, Taiwan	Investment activities	300,000	300,000		36	49,823	21,880
C Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,908,356	43,110
C	Singapore	Fabrication and supply of integrated circuits	6,408,190	6,408,190	382	32	3,290,888	2,288,780
ing Alliance			1,447,957	1,179,690		99	823,232	(97,760)

Cayman Islands	Investing in new start-up technology companies						
Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	409,920	409,920	39,040	47	391,626	30,420
Hsin-Chu, Taiwan	Manufacturing, material wholesaling and retailing of electronic spare parts	51,000	51,000	5,100	25	59,116	35,540
Cayman Islands	Investing in new start-up technology companies	332,412			98	329,968	18,370

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

Note 2: The gains or losses on disposal of the stocks held by subsidiaries (treated as treasury stocks) and the paid-in capital from cash dividend distributed by parent company are excluded.

TABLE 9**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES****INFORMATION OF INVESTMENT IN MAINLAND CHINA****DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

	Total Amount		Accumulated Outflow of Investment from Taiwan as of		Investment Flows	Accumulated Outflow of Investment from Taiwan as of		Percentage of Investment Ownership Gain (Loss) (Note 2)	Ca V a Dec 2
	of Paid-in Capital	Investment Type	January 1, 2004	Outflow		December 31, 2004	Investment		
in Businesses and Products	(RMB in Thousand)		(US\$ in Thousand)	(US\$ in Thousand)	Inflow	(US\$ in Thousand)			
Manufacturing and marketing of integrated circuits and semiconductor devices	\$9,187,962 (RMB2,284,355)	(Note 1)	\$1,890,952 (US\$56,000)	\$7,297,010 (US\$220,000)	\$	\$9,187,962 (US\$276,000)	100%	\$(727,036)	\$8,1
Accumulated Investment in Mainland China as of December 31, 2004	(US\$ in Thousand)		Investment Amounts Authorized by Investment Commission, MOEA			Upper Limit on Investment			
	\$9,187,962 (US\$276,000)		\$11,841,207 (US\$371,000)			\$11,841,207 (US\$371,000)			

Note 1: Direct investment in TSMC (Shanghai) US\$276,000 thousand.

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Semiconductor Manufacturing
Company Ltd.

Date: April 25, 2005

By /s/ Lora Ho
Lora Ho
Vice President & Chief Financial
Officer