

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)**

|  | <b>2004</b>   |          | <b>2003</b>   |          |
|--|---------------|----------|---------------|----------|
|  | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| <b>ASSETS</b>  |               |          |               |          |
| <b>CURRENT ASSETS</b>                                    |               |          |               |          |
| 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       |
| <b>LONG-TERM INVESTMENTS (Notes 2, 6, 16 and 21)</b>     |               |          |               |          |
| 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       |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7 and 18)</b> |               |          |               |          |
| <b>Cost</b>  |               |          |               |          |
| 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                |            |
| <b>Total other assets</b>                   | <b>10,700,490</b>     | <b>2</b>   | <b>9,373,949</b>      | <b>2</b>   |
| <b>TOTAL</b>                                | <b>\$ 487,553,210</b> | <b>100</b> | <b>\$ 396,416,862</b> | <b>100</b> |

**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        |
| <b>Total current liabilities</b>                                    | <b>60,638,852</b> | <b>12</b> | <b>30,537,984</b> | <b>8</b> |

**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        |                   |          |
| <b>Total long-term liabilities</b>                  | <b>23,752,940</b> | <b>5</b> | <b>33,300,829</b> | <b>8</b> |

**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           |           |                   |           |
| <b>Total other liabilities</b>                         | <b>4,196,119</b>  | <b>1</b>  | <b>3,363,740</b>  | <b>1</b>  |
| <b>Total liabilities</b>                               | <b>88,587,911</b> | <b>18</b> | <b>67,202,553</b> | <b>17</b> |

**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<br>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)**

|  | <b>2004</b>    |          | <b>2003</b>    |          |
|--|----------------|----------|----------------|----------|
|  | <b>Amount</b>  | <b>%</b> | <b>Amount</b>  | <b>%</b> |
| 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    |   |
| <br>  |           |   |           |   |
| 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)**

|   | <b>2004</b>   |          | <b>2003</b>   |          |
|---|---------------|----------|---------------|----------|
|   | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| 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       |

|                                    | <b>2004</b>                      |                                 | <b>2003</b>                      |                                 |
|------------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|                                    | <b>Before<br/>Income<br/>Tax</b> | <b>After<br/>Income<br/>Tax</b> | <b>Before<br/>Income<br/>Tax</b> | <b>After<br/>Income<br/>Tax</b> |
| 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):

|                            | <b>2004</b>   | <b>2003</b>   |
|----------------------------|---------------|---------------|
| 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                                  |                                     |

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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)

|  | <b>2004</b>     | <b>2003</b>     |
|--|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                 |                 |
| 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       |
| <br>Net cash provided by operating activities                                    | <br>143,680,218 | <br>108,668,436 |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                  |                 |                 |
| 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)**

|  | <b>2004</b>       | <b>2003</b>       |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                   |                   |
| 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)      |
| <br>Net cash used in financing activities  | <br>(25,561,167)  | <br>(18,145,062)  |
| <br>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS   | <br>(32,756,184)  | <br>36,631,207    |
| <br>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR   | <br>98,288,002    | <br>61,656,795    |
| <br>CASH AND CASH EQUIVALENTS, END OF THE YEAR   | <br>\$ 65,531,818 | <br>\$ 98,288,002 |
| <br><b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>   |                   |                   |
| 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          |
| <br><b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>  |                   |                   |
| 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 |
|---|----|----|--------|

(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)**

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**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

|   | <b>2004</b>          | <b>2003</b>          |
|---|----------------------|----------------------|
| 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              |                      |
|   | <b>\$ 65,531,818</b> | <b>\$ 98,288,002</b> |

### 4. SHORT-TERM INVESTMENTS

|   | <b>2004</b>          | <b>2003</b>          |
|---|----------------------|----------------------|
| 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               |
|   | <b>53,054,307</b>    | <b>12,559,019</b>    |
| Allowance for valuation losses                        | (75,212)             |                      |
|   | <b>\$ 52,979,095</b> | <b>\$ 12,559,019</b> |
| Market value  | <b>\$ 52,979,095</b> | <b>\$ 12,703,444</b> |

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**

|                          | <b>2004</b>   | <b>2003</b>   |
|--------------------------|---------------|---------------|
| 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**

|  | <b>2004</b>     |               | <b>2003</b>     |               |
|--|-----------------|---------------|-----------------|---------------|
|  | <b>Carrying</b> | <b>% of</b>   | <b>Carrying</b> | <b>% of</b>   |
|  | <b>Amount</b>   | <b>Owner-</b> | <b>Amount</b>   | <b>Owner-</b> |
|  |                 | <b>ship</b>   |                 | <b>ship</b>   |
| 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  |                 |               |                 |               |

|                             |            |
|-----------------------------|------------|
| 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)

|                                   | <b>2004</b>     | <b>% of</b>   | <b>2003</b>     | <b>% of</b>   |
|-----------------------------------|-----------------|---------------|-----------------|---------------|
|                                   | <b>Carrying</b> | <b>Owner-</b> | <b>Carrying</b> | <b>Owner-</b> |
|                                   | <b>Amount</b>   | <b>ship</b>   | <b>Amount</b>   | <b>ship</b>   |
| 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:

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

|                         | <b>2004</b>    | <b>2003</b>    |
|-------------------------|----------------|----------------|
| 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:

| <b>Construction/Expansion Plan</b> | <b>Estimated<br/>Total Cost</b> | <b>Accumulated<br/>Expenditures</b> | <b>Expected<br/>Date of<br/>Commencement</b> |
|------------------------------------|---------------------------------|-------------------------------------|--|
| 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**

|                                  | <b>2004</b>  | <b>2003</b>  |
|----------------------------------|--------------|--------------|
| 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**

|   | <b>2004</b> | <b>2003</b>  |
|---|-------------|--------------|
| 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:

| <b>Year of Repayment</b> | <b>Amount</b> |
|--------------------------|---------------|
| 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:

| <b>Year</b>         | <b>Amount</b> |
|---------------------|---------------|
| 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

|                                 | <b>2004</b> | <b>2003</b> |
|---------------------------------|-------------|-------------|
| 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

|  | <b>2004</b>  | <b>2003</b>  |
|--|--------------|--------------|
| 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

|  | <b>2004</b> | <b>2003</b> |
|--|-------------|-------------|
| 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:

|  | <b>2004</b>     | <b>2003</b>     |
|--|-----------------|-----------------|
| 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) |
|------------------|-----------|---------|

(Continued)

|   | <b>2004</b> | <b>2003</b>    |
|---|-------------|----------------|
| 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 |
|------------------------|--------------|--------------|

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:

| <b>Regulation</b>                   | <b>Items</b>                           | <b>Total<br/>Creditable<br/>Amounts</b> | <b>Remaining<br/>Creditable<br/>Amounts</b> | <b>Expiry<br/>Year</b> |
|-------------------------------------|--|---|---|------------------------|
| Statute for Upgrading<br>Industries | Purchase of machinery<br>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                               |                        |





| <b>Regulation</b>                   | <b>Items</b>  | <b>Total<br/>Creditable<br/>Amounts</b> | <b>Remaining<br/>Creditable<br/>Amounts</b> | <b>Expiry<br/>Year</b> |
|-------------------------------------|---|---|---|------------------------|
| Statute for Upgrading<br>Industries | Research and<br>development<br>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<br>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<br>Industries | Investments in important<br>technology-based<br>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:

|   | <b>Tax-Exemption<br/>Period</b> |
|---|---------------------------------|
| 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

| <b>Year Ended December 31, 2004</b> | <b>Year Ended December 31, 2003</b> |
|-------------------------------------|-------------------------------------|
| <b>Classified</b>                   | <b>Classified</b>                   |
| <b>as</b>                           | <b>as</b>                           |
| <b>Operating</b>                    | <b>Operating</b>                    |

|                               | <b>Classified<br/>as<br/>Cost of</b> |                 |               | <b>Classified<br/>as<br/>Cost of</b> |                 |               |
|-------------------------------|--------------------------------------|-----------------|---------------|--------------------------------------|-----------------|---------------|
|                               | <b>Sales</b>                         | <b>Expenses</b> | <b>Total</b>  | <b>Sales</b>                         | <b>Expenses</b> | <b>Total</b>  |
| Labor cost                    |                                      |                 |               |                                      |                 |               |
| Salary                        | \$ 8,832,324                         | \$ 4,160,867    | \$ 12,993,191 | \$ 7,392,295                         | \$ 3,093,658    | \$ 10,485,953 |
| Labor and health<br>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:

|                            | <b>2004</b>          | <b>2003</b>          |
|----------------------------|----------------------|----------------------|
| 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               |
|                            | <b>\$ 56,537,259</b> | <b>\$ 56,855,885</b> |

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<br>Year 2003   | For Fiscal<br>Year 2002 | For<br>Fiscal<br>Year<br>2003 | For<br>Fiscal<br>Year<br>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<br>of<br>Outstanding<br>Stock<br>Option<br>Rights<br>(in<br>Thousands) | Weighted-<br>Average<br>Exercise<br>Price<br>(NT\$) | Number<br>of<br>Outstanding<br>Stock<br>Option<br>Rights<br>(in<br>Thousands) | Weighted-<br>Average<br>Exercise<br>Prices<br>(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<br>Exercise<br>Price<br>(NT\$) | Number<br>of<br>Outstanding<br>Options<br>(in<br>Thousands) | Weighted-<br>Average<br>Remaining<br>Contractual<br>Life<br>(Years) | Weighted-<br>Average<br>Exercise<br>Price<br>(NT\$) | Number<br>of<br>Exercisable<br>Options<br>(in<br>Thousands) | Weighted-<br>Average<br>Exercise<br>Price<br>(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:

| <b>Method:</b>          | <b>Black-Scholes<br/>Model</b> |
|-------------------------|--------------------------------|
| 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<br>Shares | Increase/<br>Dividend | Decrease | Ending<br>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<br>Shares<br>(Denominator)<br>(Thousand) | EPS (NT\$)              |                        |
|--|----------------------|---------------------|--|-------------------------|------------------------|
|  | Before<br>Income Tax | After<br>Income Tax |  | Before<br>Income<br>Tax | After<br>Income<br>Tax |
| <u>Year ended December 31, 2004</u>  |                      |                     |  |                         |                        |
| Basic EPS  |                      |                     |  |                         |                        |
| Income available to common<br>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<br>shareholders (including effect of diluted<br>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<br>shareholders   | 50,843,782           | 47,074,207          | 23,327,354   | \$ 2.18                 | \$ 2.02                |
| Effect of diluted potential common stock<br>stock options  |                      |                     | 9,599  |                         |                        |
| Diluted EPS  |                      |                     |  |                         |                        |
| Income available to common<br>shareholders (including effect of diluted<br>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:

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

## 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:

| <b>Financial Instruments</b> | <b>Currency</b> | <b>Maturity Date</b>          | <b>Contract Amount<br/>(in Thousands)</b> |           |
|------------------------------|-----------------|-------------------------------|---|-----------|
| <u>2004</u>                  |                 |                               |   |           |
| Sell                         | US\$/NT\$       | January 2005 to<br>March 2005 | US\$                                      | 733,000   |
| Sell                         | US\$/EUR        | January 2005                  | US\$                                      | 159,081   |
| <u>2003</u>                  |                 |                               |   |           |
| Sell                         | US\$/NT\$       | January 2004 to July<br>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:

| <b>Maturity Date</b>      | <b>Contract Amount<br/>(in<br/>Thousands)</b> | <b>Range of<br/>Interest<br/>Rate<br/>Paid</b> | <b>Range of<br/>Interest<br/>Rate<br/>Received</b> |
|---------------------------|---|--|--|
| 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:

| <b>Contract Date</b> | <b>Period</b>                   | <b>Contract Amount<br/>(in Thousands)</b> |
|----------------------|---------------------------------|---|
| <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:

| <b>Term</b>     | <b>Inflow<br/>(In Thousands)</b> | <b>Outflow<br/>(In Thousands)</b> |
|-----------------|----------------------------------|-----------------------------------|
| 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:

|   | <b>2004</b>                                   |                   | <b>2003</b>                                   |                   |
|---|---|-------------------|---|-------------------|
|   | <b>Carrying<br/>Amount<br/>(In Thousands)</b> | <b>Fair Value</b> | <b>Carrying<br/>Amount<br/>(In Thousands)</b> | <b>Fair Value</b> |
| <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<br>(securities with market price) | 20,572,150                                    | 23,657,754        | 4,077,198                                     | 10,465,676        |
| Liabilities   |   |                   |   |                   |
| Bonds payable (including<br>current portion)            | 30,000,000                                    | 30,607,341        | 35,000,000                                    | 35,850,377        |
| <u>Derivative financial instruments</u>                 |   |                   |   |                   |
| Forward exchange contracts<br>(buy)                     |   |                   | 2,351   | 3,037             |
| Forward exchange contracts<br>(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 |
|                               | - 33 -  |          |       |

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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

| <b>Area</b>     | <b>2004</b>    | <b>2003</b>    |
|-----------------|----------------|----------------|
| 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<br>No. Name | Counter-party       | Financial<br>Statement<br>Account | Maximum   | Ending                           | Interest | Type                                | Reasons              | Allowance | Collateral | Borrowing | Financing<br>Company<br>Limit<br>for<br>Each<br>Limits<br>(US\$ in<br>Thousand) |
|-----------------------|---------------------|-----------------------------------|---|----------------------------------|----------|-------------------------------------|----------------------|-----------|------------|-----------|---|
|                       |                     |                                   | Balance<br>for the<br>Period<br>(US\$ in<br>Thousand) | Balance<br>(US\$ in<br>Thousand) |          | of<br>Financing<br>(Note<br>Amount) |                      |           |            |           |   |
| TSMC<br>International | TSMC<br>Development | Other<br>receivables              | \$ 1,915,020<br>(US\$60,000)                          | \$ 1,915,020<br>(US\$60,000)     | 1.50%    | 2                                   | Operating<br>capital | \$        | \$         | N/A       | \$ 31,532,987<br>(US\$987,968<br>(Note 2)                                       |
|                       | TSMC<br>Technology  | Other<br>receivables              | 319,170<br>(US\$10,000)                               |                                  |          |                                     |                      |           |            |           |   |
| TSMC<br>Partners      | TSMC<br>Development | Other<br>receivables              | 2,553,360<br>(US\$80,000)                             | 2,553,360<br>(US\$80,000)        | 1.50%    | 2                                   | Operating<br>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/<br>Guarantee Provider<br>Company | Counter-party<br>Name | Relationship<br>(Note 2) | Nature of<br>Limits on Each Counter-party's<br>Endorsement/Guarantee Amounts   | Maximum   | Ratio                                      |  |                    |         |
|---|-----------------------|--------------------------|--|---|--|--|--------------------|---------|
|   |                       |                          |  | Balance<br>for the<br>Year<br>(US\$ in<br>Thousand) | Ending<br>Balance<br>(US\$ in<br>Thousand) | of<br>Accumulated<br>Value<br>of<br>Collateral<br>to<br>Net<br>Equity<br>of the<br>Collateral/<br>Plant Latest<br>Financial<br>Statement | Maxi<br>Amo<br>(No |         |
|   | TSMC<br>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<br>(US\$60,000)                        | \$ 1,915,020<br>(US\$60,000)               | \$   | 0.48%              | \$ 99,7 |
|   | TSMC<br>North America | 2                        |  | 1,276,680<br>(US\$40,000)                           | 1,276,680<br>(US\$40,000)                  |  | 0.32%              |         |
|   | WaferTech             | 3                        |  | 14,043,480<br>(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<br>the Company | Financial Statement<br>Account | Shares/Units<br>(In<br>Thousand) | Carrying<br>Value<br>(US\$ in<br>Thousand) | Percentage<br>of<br>Ownership | Market<br>Value or<br>Net Asset<br>Value<br>(US\$ in<br>Thousand) |
|                        | W.K. Technology Fund<br>IV                   |                                  | Long-term<br>investment        | 5,000                            | \$ 50,000                                  | 2                             | \$ 55,146   |
|                        | Hontung Venture<br>Capital Co., Ltd.         |                                  | Long-term<br>investment        | 8,392                            | 83,916                                     | 10                            | 53,571  |
|                        | Globaltop Partner I<br>Venture Capital Corp. |                                  | Long-term<br>investment        | 5,000                            | 50,000                                     | 1                             | 49,909  |
| <u>Corporate bonds</u> |  |                                  |                                |                                  |  |                               |   |
|                        | Taiwan Power<br>Company                      |                                  | Short-term<br>investment       |                                  | 2,777,798                                  | N/A                           | 2,749,413   |
|                        | Abbott Labs                                  |                                  | Short-term<br>investment       |                                  | US\$ 2,732                                 | N/A                           | US\$ 2,709  |
|                        | Abbott Labs                                  |                                  | Short-term<br>investment       |                                  | US\$ 1,581                                 | N/A                           | US\$ 1,587  |
|                        | Ace Ltd                                      |                                  | Short-term<br>investment       |                                  | US\$ 1,046                                 | N/A                           | US\$ 1,042  |
|                        | AIG Sunamerica<br>Global Fing IX             |                                  | Short-term<br>investment       |                                  | US\$ 1,032                                 | N/A                           | US\$ 1,028  |
|                        | Allstate Finl Global<br>Fdg LLC              |                                  | Short-term<br>investment       |                                  | US\$ 3,171                                 | N/A                           | US\$ 3,096  |
|                        | American Express Co.                         |                                  | Short-term<br>investment       |                                  | US\$ 3,550                                 | N/A                           | US\$ 3,503  |
|                        | American Gen Fin<br>Corp.                    |                                  | Short-term<br>investment       |                                  | US\$ 1,768                                 | N/A                           | US\$ 1,765  |
|                        | American Gen Fin<br>Corp. Mtn                |                                  | Short-term<br>investment       |                                  | US\$ 3,130                                 | N/A                           | US\$ 3,087  |
|                        | American Gen Fin<br>Corp. Mtn                |                                  | Short-term<br>investment       |                                  | US\$ 1,058                                 | N/A                           | US\$ 1,042  |
|                        | American Honda Fin<br>Corp. Mtn              |                                  | Short-term<br>investment       |                                  | US\$ 3,800                                 | N/A                           | US\$ 3,803  |
|                        | American Intl Group<br>Inc. Mtnf             |                                  | Short-term<br>investment       |                                  | US\$ 3,795                                 | N/A                           | US\$ 3,795  |
|                        | Amgen Inc.                                   |                                  | Short-term<br>investment       |                                  | US\$ 3,005                                 | N/A                           | US\$ 2,991  |
|                        | Amsouth Bk<br>Birmingham Ala                 |                                  | Short-term<br>investment       |                                  | US\$ 1,972                                 | N/A                           | US\$ 1,978  |
|                        | ANZ Cap Tr I                                 |                                  | Short-term<br>investment       |                                  | US\$ 1,012                                 | N/A                           | US\$ 1,001  |
|                        | Bank New York Inc.                           |                                  | Short-term<br>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<br>Value              | Percentage<br>of                 | Market<br>Value or<br>Net Asset<br>Value |                                    |            |
| Marketable Securities<br>Held Company Name | Type and Name                                       | Relationship with<br>the Company | Financial Statement<br>Account | Shares/Units<br>(In<br>Thousand) | (US\$ in<br>Thousand)                    | Ownership<br>(US\$ in<br>Thousand) | Note       |
|  | Credit Suisse Fb USA<br>Inc.                        |                                  | Short-term<br>investment       |                                  | US\$ 2,645                               | N/A                                | US\$ 2,599 |
|  | Credit Suisse First<br>Boston                       |                                  | Short-term<br>investment       |                                  | US\$ 786                                 | N/A                                | US\$ 779   |
|  | Credit Suisse First<br>Boston USA                   |                                  | Short-term<br>investment       |                                  | US\$ 2,249                               | N/A                                | US\$ 2,240 |
|  | Daimlerchrysler North<br>Amer                       |                                  | Short-term<br>investment       |                                  | US\$ 997                                 | N/A                                | US\$ 999   |
|  | Daimlerchrysler North<br>Amer Hld                   |                                  | Short-term<br>investment       |                                  | US\$ 749                                 | N/A                                | US\$ 755   |
|  | Dell Computer Corp.                                 |                                  | Short-term<br>investment       |                                  | US\$ 3,054                               | N/A                                | US\$ 3,025 |
|  | Den Danske BK<br>Aktieselskab                       |                                  | Short-term<br>investment       |                                  | US\$ 2,192                               | N/A                                | US\$ 2,166 |
|  | Deutsche Telekom Intl<br>Fin BV                     |                                  | Short-term<br>investment       |                                  | US\$ 1,852                               | N/A                                | US\$ 1,838 |
|  | Diageo PLC  |                                  | Short-term<br>investment       |                                  | US\$ 3,459                               | N/A                                | US\$ 3,477 |
|  | Dow Chem Co.  |                                  | Short-term<br>investment       |                                  | US\$ 921                                 | N/A                                | US\$ 911   |
|  | European Invt Bk<br>Fifth Third Bk<br>Cincinnati OH |                                  | Short-term<br>investment       |                                  | US\$ 8,315                               | N/A                                | US\$ 8,236 |
|  | First Data Corp.                                    |                                  | Short-term<br>investment       |                                  | US\$ 2,419                               | N/A                                | US\$ 2,466 |
|  | First Un Corp.                                      |                                  | Short-term<br>investment       |                                  | US\$ 3,013                               | N/A                                | US\$ 2,986 |
|  | Fleet Finl Group Inc.<br>New                        |                                  | Short-term<br>investment       |                                  | US\$ 970                                 | N/A                                | US\$ 965   |
|  | Fleet Finl Corp Inc.<br>New                         |                                  | Short-term<br>investment       |                                  | US\$ 494                                 | N/A                                | US\$ 493   |
|  | Ford Mtr Cr Co.                                     |                                  | Short-term<br>investment       |                                  | US\$ 975                                 | N/A                                | US\$ 962   |
|  | FPL Group Cap Inc.                                  |                                  | Short-term<br>investment       |                                  | US\$ 1,542                               | N/A                                | US\$ 1,535 |
|  | FPL Group Cap Inc.                                  |                                  | Short-term<br>investment       |                                  | US\$ 1,001                               | N/A                                | US\$ 990   |
|  | FPL Group Cap Inc.                                  |                                  | Short-term<br>investment       |                                  | US\$ 860                                 | N/A                                | US\$ 846   |
|  |   |                                  |                                |                                  | US\$ 3,467                               | N/A                                | US\$ 3,455 |

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

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

(Continued)

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



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

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

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

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

(Continued)

|                          |                                | <b>December 31, 2004</b> |                            |                    |                  |             |
|--------------------------|--------------------------------|--------------------------|----------------------------|--------------------|------------------|-------------|
|                          |                                |                          | <b>Carrying</b>            |                    | <b>Market</b>    |             |
|                          |                                |                          | <b>Value</b>               | <b>Percentage</b>  | <b>Value or</b>  |             |
|                          |                                |                          | <b>Value</b>               | <b>of</b>          | <b>Net Asset</b> |             |
|                          |                                |                          | <b>(US\$ in</b>            | <b>Ownership</b>   | <b>Value</b>     |             |
|                          |                                |                          | <b>Thousand)</b>           | <b>(Thousand)</b>  | <b>(US\$ in</b>  |             |
|                          |                                |                          | <b>(In</b>                 | <b>Thousand)</b>   | <b>Thousand)</b> |             |
| <b>Held Company Name</b> | <b>Type and Name</b>           | <b>Relationship with</b> | <b>Financial Statement</b> | <b>Shares/Unit</b> | <b>(US\$ in</b>  | <b>Note</b> |
|                          |                                | <b>the Company</b>       | <b>Account</b>             | <b>Thousand)</b>   | <b>Thousand)</b> |             |
|                          | Federal Home Loan<br>Mtg Corp. |                          | Short-term<br>investment   | US\$ 4,903         | N/A US\$ 4,943   |             |
|                          | Federal Natl Mtg Assn          |                          | Short-term<br>investment   | US\$ 5,270         | N/A US\$ 5,237   |             |
|                          | Federal Natl Mtg Assn          |                          | Short-term<br>investment   | US\$ 6,940         | N/A US\$ 6,937   |             |
|                          | Federal Natl Mtg Assn          |                          | Short-term<br>investment   | US\$ 6,903         | N/A US\$ 6,917   |             |
|                          | Federal Natl Mtg Assn          |                          | Short-term<br>investment   | US\$ 4,981         | N/A US\$ 4,953   |             |
|                          | Federal Natl Mtg Assn          |                          | Short-term<br>investment   | US\$ 6,997         | N/A US\$ 6,983   |             |
|                          | Federal Natl Mtg Assn          |                          | Short-term<br>investment   | US\$ 15,787        | N/A US\$ 15,798  |             |
|                          | Federal Natl Mtg Assn          |                          | Short-term<br>investment   | US\$ 7,000         | N/A US\$ 6,976   |             |
|                          | Freddie Mac                    |                          | Short-term<br>investment   | US\$ 4,929         | N/A US\$ 4,934   |             |
|                          | Fed Hm Ln Pc Pool<br>E89857    |                          | Short-term<br>investment   | US\$ 2,535         | N/A US\$ 2,531   |             |
|                          | Fed Hm Ln Pc Pool<br>G11295    |                          | Short-term<br>investment   | US\$ 2,277         | N/A US\$ 2,273   |             |
|                          | Federal Home Ln Mtg<br>Corp.   |                          | Short-term<br>investment   | US\$ 6,096         | N/A US\$ 6,075   |             |
|                          | Federal Home Ln Mtg<br>Corp.   |                          | Short-term<br>investment   | US\$ 4,435         | N/A US\$ 4,440   |             |
|                          | Federal Home Ln Mtg<br>Corp.   |                          | Short-term<br>investment   | US\$ 3,558         | N/A US\$ 3,539   |             |
|                          | Federal Home Ln Mtg<br>Corp.   |                          | Short-term<br>investment   | US\$ 3,645         | N/A US\$ 3,615   |             |
|                          | Federal Natl Mtg Assn          |                          | Short-term<br>investment   | US\$ 4,242         | N/A US\$ 4,188   |             |
|                          | Federal Natl Mtg Assn          |                          | Short-term<br>investment   | US\$ 2,141         | N/A US\$ 2,126   |             |
|                          | Federal Natl Mtg Assn          |                          | Short-term<br>investment   | US\$ 4,765         | N/A US\$ 4,719   |             |
|                          | Federal Natl Mtg Assn          |                          | Short-term<br>investment   | US\$ 3,486         | N/A US\$ 3,446   |             |
|                          | Gtd<br>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<br>Backed Secs | Short-term<br>investment | US\$ 2,000 | N/A | US\$ 2,000 |
| BMW Veh Owner Tr                  | Short-term<br>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)                       |                       |                           |                       |      |
|                   |                                   |                                  |                                | Note                             |                       |                           |                       |      |
| Held Company Name | Type and Name                     | Relationship with<br>the Company | Financial Statement<br>Account | Shares/Units<br>(In<br>Thousand) | (US\$ in<br>Thousand) | Ownership<br>(Percentage) | (US\$ in<br>Thousand) | Note |
|                   | California Infr +<br>Economic Dev |                                  | Short-term<br>investment       | US\$ 4,298                       | N/A                   | US\$ 4,230                |                       |      |
|                   | California Infr +<br>Economic     |                                  | Short-term<br>investment       | US\$ 6,126                       | N/A                   | US\$ 6,064                |                       |      |
|                   | California<br>Infrastructure Dev  |                                  | Short-term<br>investment       | US\$ 5,089                       | N/A                   | US\$ 5,035                |                       |      |
|                   | Capital Auto<br>Receivables Asset |                                  | Short-term<br>investment       | US\$ 4,018                       | N/A                   | US\$ 3,992                |                       |      |
|                   | Capital One Auto Fin<br>Tr        |                                  | Short-term<br>investment       | US\$ 319                         | N/A                   | US\$ 318                  |                       |      |
|                   | Capital One Auto Fin<br>Tr        |                                  | Short-term<br>investment       | US\$ 1,147                       | N/A                   | US\$ 1,145                |                       |      |
|                   | Capital One Auto Fin<br>Tr        |                                  | Short-term<br>investment       | US\$ 3,000                       | N/A                   | US\$ 2,989                |                       |      |
|                   | Capital One Multi<br>Asset Execut |                                  | Short-term<br>investment       | US\$ 4,957                       | N/A                   | US\$ 4,977                |                       |      |
|                   | Caterpillar Finl Asset<br>Tr      |                                  | Short-term<br>investment       | US\$ 10,008                      | N/A                   | US\$ 9,923                |                       |      |
|                   | Centex Home Equity<br>Ln Tr       |                                  | Short-term<br>investment       | US\$ 3,500                       | N/A                   | US\$ 3,493                |                       |      |
|                   | Cit Equip Coll Tr                 |                                  | Short-term<br>investment       | US\$ 4,999                       | N/A                   | US\$ 4,991                |                       |      |
|                   | Citibank Cr Card<br>Issuance Tr   |                                  | Short-term<br>investment       | US\$ 4,959                       | N/A                   | US\$ 4,965                |                       |      |
|                   | Citicorp Mtg Secs                 |                                  | Short-term<br>investment       | US\$ 2,364                       | N/A                   | US\$ 2,363                |                       |      |
|                   | CNH Equip Tr                      |                                  | Short-term<br>investment       | US\$ 5,000                       | N/A                   | US\$ 4,952                |                       |      |
|                   | Comm 2004 Htl 1                   |                                  | Short-term<br>investment       | US\$ 4,600                       | N/A                   | US\$ 4,607                |                       |      |
|                   | Credit Suisse First<br>Boston Mtg |                                  | Short-term<br>investment       | US\$ 4,209                       | N/A                   | US\$ 4,178                |                       |      |
|                   | CWABS Inc.                        |                                  | Short-term<br>investment       | US\$ 1,647                       | N/A                   | US\$ 1,662                |                       |      |
|                   | CWABS Inc.                        |                                  | Short-term<br>investment       | US\$ 1,903                       | N/A                   | US\$ 1,907                |                       |      |
|                   | CWABS Inc.                        |                                  | Short-term<br>investment       | US\$ 1,907                       | N/A                   | US\$ 1,912                |                       |      |
|                   | CWABS Inc.                        |                                  | Short-term<br>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<br>Receivables Tr | Short-term<br>investment |            |     |            |
| IMPAC Cmb Tr                   | Short-term<br>investment | US\$ 1,414 | N/A | US\$ 1,413 |
| IMPAC Cmb Tr                   | Short-term<br>investment | US\$ 988   | N/A | US\$ 988   |

(Continued)

|                   |                                  |                                  | December 31, 2004              |            |          |           |            |      |
|-------------------|----------------------------------|----------------------------------|--------------------------------|------------|----------|-----------|------------|------|
|                   |                                  |                                  | Carrying                       |            |          | Market    |            |      |
|                   |                                  |                                  | Value                          |            |          | Value or  |            |      |
|                   |                                  |                                  | Percentage                     |            |          | Net Asset |            |      |
|                   |                                  |                                  | of                             |            |          | Value     |            |      |
|                   |                                  |                                  | (US\$ in                       |            |          | (US\$ in  |            |      |
|                   |                                  |                                  | Shares/Units                   |            |          |           |            |      |
|                   |                                  |                                  | (In                            |            |          |           |            |      |
|                   |                                  |                                  | Thousand)                      |            |          |           |            |      |
| Held Company Name | Type and Name                    | Relationship with<br>the Company | Financial Statement<br>Account | Thousand   | Thousand | Ownership | Thousand   | Note |
|                   | IMPAC Secd Assets Corp.          |                                  | Short-term investment          | US\$ 3,570 | N/A      | N/A       | US\$ 3,566 |      |
|                   | Long Beach Accep Auto Receivab   |                                  | Short-term investment          | US\$ 2,526 | N/A      | N/A       | US\$ 2,502 |      |
|                   | Merrill Lynch Mtg Invs Inc.      |                                  | Short-term investment          | US\$ 1,460 | N/A      | N/A       | US\$ 1,460 |      |
|                   | Merrill Lynch Mtg Invs Inc.      |                                  | Short-term investment          | US\$ 1,500 | N/A      | N/A       | US\$ 1,502 |      |
|                   | Monumentl Global Fdg II          |                                  | Short-term investment          | US\$ 1,000 | N/A      | N/A       | US\$ 1,001 |      |
|                   | National City Auto Receivables   |                                  | Short-term investment          | US\$ 1,206 | N/A      | N/A       | US\$ 1,207 |      |
|                   | Navistar finl 2003 A Owner Tr    |                                  | Short-term investment          | US\$ 4,928 | N/A      | N/A       | US\$ 4,889 |      |
|                   | Nissan Auto Receivables          |                                  | Short-term investment          | US\$ 7,000 | N/A      | N/A       | US\$ 6,958 |      |
|                   | Nissan Auto Receivables Own Tr   |                                  | Short-term investment          | US\$ 4,999 | N/A      | N/A       | US\$ 4,993 |      |
|                   | Nissan Auto Receivables Owner Tr |                                  | Short-term investment          | US\$ 4,853 | N/A      | N/A       | US\$ 4,872 |      |
|                   | ONYX Accep Owner Tr              |                                  | Short-term investment          | US\$ 963   | N/A      | N/A       | US\$ 961   |      |
|                   | ONYX Accep Owner Tr              |                                  | Short-term investment          | US\$ 4,913 | N/A      | N/A       | US\$ 4,933 |      |
|                   | Providian Gateway Owner Tr       |                                  | Short-term investment          | US\$ 4,204 | N/A      | N/A       | US\$ 4,201 |      |
|                   | Providian Gateway Owner Tr       |                                  | Short-term investment          | US\$ 3,992 | N/A      | N/A       | US\$ 3,982 |      |
|                   | Reliant Energy Transition Bd     |                                  | Short-term investment          | US\$ 5,185 | N/A      | N/A       | US\$ 5,117 |      |
|                   | Residential Asset Mtg Prods      |                                  | Short-term investment          | US\$ 3,731 | N/A      | N/A       | US\$ 3,672 |      |
|                   | Residential Asset Mtg Prods      |                                  | Short-term investment          | US\$ 3,000 | N/A      | N/A       | US\$ 2,980 |      |
|                   | Residential Fdg Mtg Secs I Inc.  |                                  | Short-term investment          | US\$ 3,659 | N/A      | N/A       | US\$ 3,631 |      |
|                   | Sequoia Mtg Tr                   |                                  | Short-term investment          | US\$ 2,504 | N/A      | N/A       | US\$ 2,513 |      |
|                   | Sequoia Mtg Tr                   |                                  | Short-term investment          | US\$ 1,960 | N/A      | N/A       | US\$ 1,955 |      |

|                                |                       |            |     |            |
|--------------------------------|-----------------------|------------|-----|------------|
|                                | 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 | Market Value or Net Asset Value | Market Value or Net Asset Value |                    |
| Company Name          | Type and Name                                | the Company          | Account               | (In Thousand)  | (US\$ in Thousand) | Ownership                       | (US\$ in Thousand)              | (US\$ in Thousand)              | (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<br>(Taiwan), Inc.     | Long-term<br>investment | 1,833 | US\$ | 791 | 3 | US\$ | 791 |
| Silicon Data<br>International Co., Inc. | Long-term<br>investment | 2,000 | US\$ | 204 | 3 | US\$ | 204 |
| Capella Microsystems<br>(Taiwan), Inc.  | Long-term<br>investment | 419   | US\$ | 122 | 3 | US\$ | 122 |

Preferred stock

|  |                         |       |      |       |    |      |       |
|--|-------------------------|-------|------|-------|----|------|-------|
| Memsic, Inc.                           | Long-term<br>investment | 2,289 | US\$ | 1,560 | 8  | US\$ | 1,560 |
| eLCOS Microdisplay<br>Technology, Ltd. | Long-term<br>investment | 2,667 | US\$ | 3,500 | 15 | US\$ | 3,500 |
| NanoAmp Solutions,<br>Inc.             | Long-term<br>investment | 375   | US\$ | 1,500 | 1  | US\$ | 1,500 |
| Advanced Analogic<br>Technology, Inc.  | Long-term<br>investment | 948   | US\$ | 1,261 | 2  | US\$ | 1,261 |
| Sonics, Inc.                           | Long-term<br>investment | 1,582 | US\$ | 3,082 | 5  | US\$ | 3,082 |
| Reflectivity, Inc.                     | Long-term<br>investment | 4,255 | US\$ | 2,205 | 5  | US\$ | 2,205 |
| Tropian, Inc.                          | Long-term<br>investment | 1,464 | US\$ | 393   | 2  | US\$ | 393   |
| Kilopass Technologies,<br>Inc.         | Long-term<br>investment | 3,887 | US\$ | 2,000 | 19 | US\$ | 2,000 |
| FangTek, Inc.                          | Long-term<br>investment | 6,806 | US\$ | 3,250 | 34 | US\$ | 3,250 |
| Alchip Technologies<br>Limited         | Long-term<br>investment | 2,579 | US\$ | 2,950 | 18 | US\$ | 2,950 |

erging Alliance

Common stock

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

Preferred stock

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

(Continued)

| Company Name | Marketable Securities<br>Type and Name             | Relationship with<br>the Company | Financial Statement<br>Account | December 31, 2004                |  |                               |   |      |       |
|--------------|--|----------------------------------|--------------------------------|----------------------------------|--|-------------------------------|---|------|-------|
|              |  |                                  |                                | Shares/Units<br>(In<br>Thousand) | Carrying<br>Value<br>(US\$ in<br>Thousand) | Percentage<br>of<br>Ownership | Market<br>Value or<br>Net Asset<br>Value<br>(US\$ in<br>Thousand) |      |       |
|              | Quicksilver Technology, Inc.                       |                                  | Long-term<br>investment        | 1,049                            | US\$                                       |                               | 4   | US\$ |       |
|              | Mosaic Systems, Inc.                               |                                  | Long-term<br>investment        | 2,481                            | US\$                                       | 12                            | 6   | US\$ | 12    |
|              | Zenesis Technologies, Inc.                         |                                  | Long-term<br>investment        | 1,204                            | US\$                                       | 699                           | 4   | US\$ | 699   |
|              | Reflectivity, Inc.                                 |                                  | Long-term<br>investment        | 4,848                            | US\$                                       | 2,479                         | 4   | US\$ | 2,479 |
|              | Teknovus, Inc.                                     |                                  | Long-term<br>investment        | 5,556                            | US\$                                       | 1,000                         | 3   | US\$ | 1,000 |
|              | Miradia, Inc. (Formerly XHP<br>Microsystems, Inc.) |                                  | Long-term<br>investment        | 3,040                            | US\$                                       | 1,000                         | 4   | US\$ | 1,000 |
|              | Axiom Microdevices, Inc.                           |                                  | Long-term<br>investment        | 1,000                            | US\$                                       | 1,000                         | 5   | US\$ | 1,000 |
|              | Optichron, Inc.                                    |                                  | Long-term<br>investment        | 714                              | US\$                                       | 1,000                         | 6   | US\$ | 1,000 |
|              | Audience, Inc.                                     |                                  | Long-term<br>investment        | 1,654                            | US\$                                       | 250                           | 2   | US\$ | 250   |
|              | Next IO, Inc.                                      |                                  | Long-term<br>investment        | 800                              | US\$                                       | 500                           | 2   | US\$ | 500   |
|              | NuCORE Technology Inc.                             |                                  | Long-term<br>investment        | 2,254                            | US\$                                       | 1,455                         | 2   | US\$ | 1,455 |
|              | Centrality Communications,<br>Inc.                 |                                  | Long-term<br>investment        | 809                              | US\$                                       | 1,000                         | 2   | US\$ | 1,000 |
|              | Layer N Networks, Inc.                             |                                  | Long-term<br>investment        | 1,905                            | US\$                                       | 1,000                         | 2   | US\$ | 1,000 |
| F II         | <u>Common stock</u>                                |                                  |                                |                                  |  |                               |   |      |       |
|              | Yobon Technologies, Inc.                           |                                  | Long-term<br>investment        | 1,675                            | US\$                                       | 787                           | 17  | US\$ | 787   |
|              | Sentelic, Corp.                                    |                                  | Long-term<br>investment        | 600                              | US\$                                       | 1,022                         | 15  | US\$ | 1,022 |
|              | Ivyon Technology, Inc.                             |                                  | Long-term<br>investment        | 200                              | US\$                                       | 775                           | 10  | US\$ | 775   |
|              | <u>Preferred stock</u>                             |                                  |                                |                                  |  |                               |   |      |       |
|              | Powerprecise Solutions, Inc.                       |                                  | Long-term<br>investment        | 258                              | US\$                                       | 250                           | 3   | US\$ | 250   |
|              | Tzero Technologies, Inc.                           |                                  | Long-term<br>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<br>vestment | KGI Securities<br>Co., Ltd. and<br>several<br>financial<br>institutions | 620,000    |            |      |  |
| ort-term<br>vestment | KGI Securities<br>Co., Ltd.   | 2,777,798  |            |      |  |
| ort-term<br>vestment |   | US\$ 3,171 |            |      |  |
| ort-term<br>vestment |   | US\$ 3,550 |            |      |  |
| ort-term<br>vestment |   | US\$ 3,503 | US\$ 3,504 | US\$ |  |
| ort-term<br>vestment |   | US\$ 3,130 |            |      |  |

(Continued)

| Financial Statement<br>Account | Counter-party | Nature of<br>Relationship | Beginning Balance |                       | Acquisition  |                       | Disposal<br>Amount<br>(US\$ in<br>Thousand) |
|--------------------------------|---------------|---------------------------|-------------------|-----------------------|--------------|-----------------------|---|
|                                |               |                           | Shares/Units      | Amount                | Shares/Units | Amount                |   |
|                                |               |                           | (Thousand)        | (US\$ in<br>Thousand) | (Thousand)   | (US\$ in<br>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<br>Account | Counter-party                          | Nature of<br>Relationship | Beginning Balance          |                                 | Acquisition                |                                 | Shares/Units<br>(Thousand) | Amount<br>(US\$ in<br>Thousand) |
|--------------------------------|--|---------------------------|----------------------------|---------------------------------|----------------------------|---------------------------------|----------------------------|---------------------------------|
|                                |  |                           | Shares/Units<br>(Thousand) | Amount<br>(US\$ in<br>Thousand) | Shares/Units<br>(Thousand) | Amount<br>(US\$ in<br>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<br>Financial Statement<br>Account | Counter-party | Nature of<br>Relationship | Beginning Balance |                       | Acquisition  |                       | Disp<br>Amount |
|--|---------------|---------------------------|-------------------|-----------------------|--------------|-----------------------|----------------|
|  |               |                           | Shares/Units      | Amount                | Shares/Units | Amount                |                |
|  |               |                           | (Thousand)        | (US\$ in<br>Thousand) | (Thousand)   | (US\$ in<br>Thousand) |                |
|  |               |                           |                   | \$                    |              | US\$ 5,000            | \$             |
| es Tr                                      |               |                           |                   |                       |              | US\$ 3,500            |                |
|  |               |                           |                   |                       |              | US\$ 4,000            |                |
| I  |               |                           |                   |                       |              | US\$ 3,500            |                |
| ner Tr                                     |               |                           |                   |                       |              | US\$ 4,928            |                |
|  |               |                           |                   |                       |              | US\$ 7,000            |                |
| Owner                                      |               |                           |                   |                       |              | US\$ 4,999            |                |
| Owner                                      |               |                           |                   |                       |              | US\$ 4,853            |                |
|  |               |                           |                   |                       |              | US\$ 4,913            |                |
| C  |               |                           |                   |                       |              | US\$ 5,102            | US\$5,036 U    |
| er Tr                                      |               |                           |                   |                       |              | US\$ 4,204            |                |
| er Tr                                      |               |                           |                   |                       |              | US\$ 3,992            |                |
| n Bd                                       |               |                           |                   |                       |              | US\$ 5,185            |                |
| ods  |               |                           |                   |                       |              | US\$ 3,766            |                |
| s I Inc                                    |               |                           |                   |                       |              | US\$ 3,947            |                |
|  |               |                           |                   |                       |              | US\$ 3,500            |                |
| Ln Tr                                      |               |                           |                   |                       |              | US\$ 3,058            |                |
| 2003 B                                     |               |                           |                   |                       |              | US\$ 4,970            |                |
| Tr   |               |                           |                   |                       |              | US\$ 5,042            |                |
| sition                                     |               |                           |                   |                       |              | 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<br>Date | Amount      | Payment Term                 | Counter-party                               | Nature<br>of Prior Transaction | Owner Relationship | Transfer Date | Counter-party<br>Amount | R   |
|---------------------|-------------|------------------------------|---|--------------------------------|--------------------|---------------|-------------------------|-----|
|                     | \$1,484,370 | By the construction progress | IDC Taiwan, Inc., Taiwan<br>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 | Marketech 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.,<br>Ltd.     | N/A                            | N/A                | N/A           | N/A                     | Pub |
|                     | 300,000     | By the construction progress | United Integrated Services Co.,<br>Ltd.     | N/A                            | N/A                | N/A           | N/A                     | Pub |
|                     | 122,969     | By the construction progress | Marketech International Corp.               | N/A                            | N/A                | N/A           | N/A                     | Pub |
|                     | 185,984     | By the construction progress | Marketech International Corp.               | N/A                            | N/A                | N/A           | N/A                     | Pub |
|                     | 182,060     | By the construction progress | Marketech International Corp.               | N/A                            | N/A                | N/A           | N/A                     | Pub |
| 4                   | 105,299     | By the construction progress | IDC Taiwan, Inc., Taiwan<br>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/<br>Sale | Amount         | Transaction Details |         | Payment Terms                     | Unit Price | Abnormal Transaction<br>Payment Terms |
|--------------------|------------------------|-------------------|----------------|---------------------|---------|-----------------------------------|------------|---------------------------------------|
|                    |                        |                   |                | Total               | %<br>to |                                   |            |                                       |
| 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                                  |

**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)**

|                            |                               |                       |                      |               | <b>Overdue</b>                          |
|----------------------------|-------------------------------|-----------------------|----------------------|---------------|---|
| <b>Related Party</b>       | <b>Nature of Relationship</b> | <b>Ending Balance</b> | <b>Turnover Rate</b> | <b>Amount</b> | <b>Action Taken</b>                     |
| 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/A) |
|--|--------------------------------------|-----------------|---|---|---|------------------|---|
|  | of Paid-in Capital (RMB in Thousand) | Investment Type | January 1, 2004 (US\$ in Thousand)                  | Investment Flows Outflow (US\$ in Thousand) | December 31, 2004 (US\$ in Thousand)                | Investment (N/A) |   |
| 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%             | \$(7,000,000)                               |

**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 Subsidiaries**

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

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## 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         | %   |
| <b>ASSETS</b>  |               |     |                |     |
| <b>CURRENT ASSETS</b>  |               |     |                |     |
| 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  |
| <b>LONG-TERM INVESTMENTS (Notes 2, 6, 18 and 23)</b>         |               |     |                |     |
| 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   |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7, 10 and 20)</b> |               |     |                |     |
| 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    |
| <b>OTHER ASSETS</b>                              |                |      |                |      |
| 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  |

|   | <b>2004</b>   |          | <b>2003</b>   |          |
|---|---------------|----------|---------------|----------|
|   | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>                          |               |          |               |          |
| <b>CURRENT LIABILITIES</b>  |               |          |               |          |
| 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        |
| <b>LONG-TERM LIABILITIES</b>  |               |          |               |          |
| 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 |
|-------------------------|-----------|---|-----------|---|

|  |        |  |        |  |
|--|--------|--|--------|--|
| MINORITY INTEREST IN SUBSIDIARIES (Note 2) | 75,737 |  | 88,999 |  |
|--|--------|--|--------|--|

|                   |             |    |            |    |
|-------------------|-------------|----|------------|----|
| Total liabilities | 100,488,792 | 20 | 78,186,222 | 19 |
|-------------------|-------------|----|------------|----|

## 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  |
| TOTAL   | \$ 499,454,091 | 100 | \$ 407,400,531 | 100 |

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) |

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**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                     |
|            |                                |                     |                 |               |                   |                         |               |  | (,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 |             |
|            |             |            |            |          |              |              |         | (719,248)   |
|            |             |            |            |          |              |              |         |             |
|            |             |            | 10,020     |          |              |              |         |             |
| 20,266,619 | 202,666,189 | 56,855,885 | 20,802,137 | 68,945   | 50,229,008   | 71,100,090   | (35)    | 225,400,000 |
|            |             |            |            |          |              |              |         |             |
|            |             |            | 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)**

|  | <b>2004</b>     | <b>2003</b>     |
|--|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                 |                 |
| 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         |
| <br>Net cash provided by operating activities  | <br>153,150,905 | <br>116,037,114 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                 |                 |
| 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)**

|  | <b>2004</b>       | <b>2003</b>        |
|--|-------------------|--------------------|
| Decrease in other assets   | \$ 51,604         | \$ 4,610           |
| Decrease in minority interest in subsidiaries  | (26,160)          | (3,487)            |
| <br>Net cash used in investing activities  | <br>(148,013,093) | <br>(53,705,787)   |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                   |                    |
| 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)       |
| <br>Net cash used in financing activities  | <br>(32,154,544)  | <br>(27,069,742)   |
| <br>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS   | <br>(27,016,732)  | <br>35,261,585     |
| <br>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS   | <br>(1,669,813)   | <br>(62,893)       |
| <br>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR   | <br>102,988,896   | <br>67,790,204     |
| <br>CASH AND CASH EQUIVALENTS, END OF THE YEAR   | <br>\$ 74,302,351 | <br>\$ 102,988,896 |
| <br><b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>   |                   |                    |
| 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 |
|-----------------|----|---------|----|---------|

(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)**


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|  | <b>2004</b>   | <b>2003</b>  |
|--|---------------|--------------|
| <b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>  |               |              |
| 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)

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#### 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

|   | <b>2004</b>          | <b>2003</b>           |
|---|----------------------|-----------------------|
| 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              |                       |
|   | <b>\$ 74,302,351</b> | <b>\$ 102,988,896</b> |

**4. SHORT-TERM INVESTMENTS**

|   | <b>2004</b>   | <b>2003</b>   |
|---|---------------|---------------|
| 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**

|                          | <b>2004</b>   | <b>2003</b>   |
|--------------------------|---------------|---------------|
| 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**

|   | <b>2004</b>                |                                 | <b>2003</b>                |                                 |
|---|----------------------------|---------------------------------|----------------------------|---------------------------------|
|   | <b>Carrying<br/>Amount</b> | <b>% of<br/>Owner-<br/>ship</b> | <b>Carrying<br/>Amount</b> | <b>% of<br/>Owner-<br/>ship</b> |
| Equity method   |                            |                                 |                            |                                 |
| Vanguard International Semiconductor Corporation (VIS)      | \$ 5,401,982               | 28                              | \$ 4,077,198               | 28                              |
| Systems on Silicon Manufacturing Company Pte Ltd.<br>(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:

|  | <b>Nominal<br/>Amount</b> | <b>Carrying<br/>Amount</b> | <b>Range of<br/>Interest<br/>Rates</b> | <b>Maturity Date</b>               |
|--|---------------------------|----------------------------|--|------------------------------------|
| <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<br/>deposits</u> |                           |                            |  |                                    |
| Foreign bank                               | 6,383,400                 | 6,414,151                  | (See below)                            | September 2009 to<br>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:

|                         | <b>2004</b>    | <b>2003</b>    |
|-------------------------|----------------|----------------|
| 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:

| <b>Estimated</b> | <b>Accumulated</b> | <b>Expected<br/>Date of</b> |
|------------------|--------------------|-----------------------------|
|------------------|--------------------|-----------------------------|



| <b>Construction/Expansion Plan</b> | <b>Total Cost</b> | <b>Expenditures</b> | <b>Commencement</b> |
|------------------------------------|-------------------|---------------------|---------------------|
| 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

|                                  | <b>2004</b>         | <b>2003</b>         |
|----------------------------------|---------------------|---------------------|
| 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             |
|                                  | <b>\$ 8,992,452</b> | <b>\$ 7,992,016</b> |

#### 9. SHORT-TERM BANK LOANS

|   | <b>2004</b> | <b>2003</b> |
|---|-------------|-------------|
| Unsecured loan in U.S. dollars:<br>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

|  | <b>2004</b>         | <b>2003</b>         |
|--|---------------------|---------------------|
| Unsecured loan:<br>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:<br>US\$199,000 thousand; annual interest at 1.8275% in 2003  |                     | 6,761,622           |
|  | <b>\$ 1,915,020</b> | <b>\$ 8,800,302</b> |

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**

|  | <b>2004</b>          | <b>2003</b>          |
|--|----------------------|----------------------|
| 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            |
|  | <b>\$ 30,000,000</b> | <b>\$ 35,000,000</b> |

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

| <b>Year of Repayment</b> | <b>Amount</b>        |
|--------------------------|----------------------|
| 2005                     | \$ 10,500,000        |
| 2007                     | 7,000,000            |
| 2009                     | 8,000,000            |
| 2010 and thereafter      | 4,500,000            |
|                          | <b>\$ 30,000,000</b> |

**12. OTHER LONG-TERM PAYABLES**

|  | <b>2004</b>         | <b>2003</b>         |
|--|---------------------|---------------------|
| 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           |
|  | <b>\$ 7,964,975</b> | <b>\$ 3,300,829</b> |

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:

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

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

|                                 | <b>2004</b> | <b>2003</b> |
|---------------------------------|-------------|-------------|
| 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

|  | <b>2004</b>  | <b>2003</b>  |
|--|--------------|--------------|
| 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:

|  | <b>2004</b>     | <b>2003</b>     |
|--|-----------------|-----------------|
| 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:

|   | <b>2004</b>    | <b>2003</b>    |
|---|----------------|----------------|
| 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:

|                                  | <b>2004</b>  | <b>2003</b>  |
|----------------------------------|--------------|--------------|
| 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.

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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:

| <b>Regulation</b>                   | <b>Items</b>   | <b>Total<br/>Creditable<br/>Amounts</b> | <b>Remaining<br/>Creditable<br/>Amounts</b> | <b>Expiry<br/>Year</b> |
|-------------------------------------|--|---|---|------------------------|
| Statute for Upgrading<br>Industries | Purchase of machinery and<br>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<br>Industries | Research and development<br>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<br>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<br>Industries | Investments in important<br>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<br>as<br>Cost of<br>Sales | as<br>Operating<br>Expenses | Total         | Classified<br>as<br>Cost of<br>Sales | as<br>Operating<br>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.

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<br>(NT\$) |                        |
|---|---------------------------|---------------|------------------------------|------------------------|
|   | For Fiscal                | For Fiscal    | For                          | For                    |
|   | Year 2003                 | Year 2002     | Fiscal<br>Year<br>2003       | Fiscal<br>Year<br>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:

|                                     | <b>2003 Plan</b>  |  | <b>2002 Plan</b>  |   |
|-------------------------------------|---|--|---|---|
|                                     | <b>Number<br/>of<br/>Outstanding<br/>Stock<br/>Option<br/>Rights<br/>(in<br/>Thousands)</b> | <b>Weighted-<br/>Average<br/>Exercise<br/>Price<br/>(NT\$)</b> | <b>Number<br/>of<br/>Outstanding<br/>Stock<br/>Option<br/>Rights<br/>(in<br/>Thousands)</b> | <b>Weighted-<br/>Average<br/>Exercise<br/>Prices<br/>(NT\$)</b> |
| <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:

| <b>Options Outstanding</b>   | <b>Options Exercisable</b>   |
|------------------------------|------------------------------|
| <b>Weighted-<br/>Average</b> | <b>Weighted-<br/>Average</b> |

|           | <b>Range of<br/>Exercise<br/>Price (NT\$)</b> | <b>Number<br/>of<br/>Outstanding<br/>Options<br/>(in<br/>Thousands)</b> | <b>Remaining<br/>Contractual<br/>Life<br/>(Years)</b> | <b>Average<br/>Exercise<br/>Price<br/>(NT\$)</b> | <b>Number<br/>of<br/>Exercisable<br/>Options<br/>(in<br/>Thousands)</b> | <b>Average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
|-----------|---|---|---|--|---|--|
| 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<br>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             |
|  | <b>NT\$</b>            |
| 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)

|  | <b>Beginning<br/>Shares</b> | <b>Increase/<br/>Dividend</b> | <b>Decrease</b> | <b>Ending<br/>Shares</b> |
|--|-----------------------------|-------------------------------|-----------------|--------------------------|
| <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:

|   | <b>Amounts (Numerator)</b>  |                                    | <b>Number of</b>                    | <b>EPS (NT\$)</b>   |  |
|---|---|------------------------------------|-------------------------------------|---|--|
|   | <b>Income<br/>Before<br/>Income Tax<br/>and<br/>Minority<br/>Interest</b> | <b>Consolidated<br/>Net Income</b> | <b>Shares</b>                       | <b>Income<br/>Before<br/>Income<br/>Tax<br/>and<br/>Minority<br/>Interest</b> | <b>Consolidated<br/>Net<br/>Income</b> |
|   |   |                                    | <b>(Denominator)<br/>(Thousand)</b> |   |  |
| <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<br>Shares<br>(Denominator)<br>(Thousand) | EPS (NT\$)   |                               |
|--|---|----------------------------|--|--|-------------------------------|
|  | Income<br>Before<br>Income Tax<br>and<br>Minority<br>Interest | Consolidated<br>Net Income |  | Income<br>Before<br>Income<br>Tax<br>and<br>Minority<br>Interest | Consolidated<br>Net<br>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<br>shareholders   | 50,994,152  | 47,074,207                 | 23,327,354   | \$ 2.19  | \$ 2.02                       |
| Effect of diluted potential common<br>stock stock options  |   |                            | 9,599  |  |                               |
| Diluted EPS  |   |                            |  |  |                               |
| Income available to common<br>shareholders (including effect of<br>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<br>GUC     | \$ 13,186    | 2   | \$           |     |
| Research and development expenses<br>GUC                       | \$ 11,688    |     | \$           |     |
| Proceeds from disposal of property, plant and equipment<br>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:

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

## 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:

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

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

(Continued)



| <b>Financial Instruments</b> | <b>Currency</b> | <b>Maturity Date</b>      | <b>Contract Amount</b><br><b>(in Thousands)</b> |
|------------------------------|-----------------|---------------------------|---|
| <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:

| <b>Maturity Date</b>      | <b>Contract Amount</b><br><b>(in Thousands)</b> | <b>Range of Interest Rate Paid</b> | <b>Range of Interest Rate Received</b> |
|---------------------------|---|------------------------------------|--|
| 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:

| <b>Contract Date</b> | <b>Period</b>                   | <b>Contract Amount</b><br><b>(in Thousands)</b> |
|----------------------|---------------------------------|---|
| <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)



| <b>Contract Date</b> | <b>Period</b>                   | <b>Contract Amount</b><br><b>(in Thousands)</b> |
|----------------------|---------------------------------|---|
| <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:

| <b>Term</b>     | <b>Inflow</b><br><b>(In</b><br><b>Thousands)</b> | <b>Outflow</b><br><b>(In</b><br><b>Thousands)</b> |
|-----------------|--|---|
| Within one year | \$ 69,761,484<br>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:

|  | <b>2004</b>                                   |                   | 2003  |                   |
|--|---|-------------------|---|-------------------|
|  | <b>Carrying<br/>Amount<br/>(In Thousands)</b> | <b>Fair Value</b> | <b>Carrying<br/>Amount<br/>(In Thousands)</b> | <b>Fair Value</b> |
| <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:

|   | <b>Overseas</b>    | <b>Taiwan</b>      | <b>Adjustments<br/>and<br/>Elimination</b> | <b>Consolidated</b> |
|---|--------------------|--------------------|--|---------------------|
| <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)                              |                     |
| <br>Total sales                                       | <br>\$ 159,458,927 | <br>\$ 255,992,427 | <br>\$ (158,238,736)                       | <br>\$ 257,212,618  |
| <br>Gross profit                                      | <br>\$ 6,173,780   | <br>\$ 110,160,584 | <br>\$ (515,181)                           | <br>\$ 115,819,183  |
| Operating expenses                                    |                    |                    |  | (27,337,509)        |
| Non-operating income and gains                        |                    |                    |  | 6,090,224           |
| Non-operating expenses and losses                     |                    |                    |  | (2,606,311)         |
| <br>Income before income tax and minority<br>interest |                    |                    |  | <br>\$ 91,965,587   |
| <br>Minority interest in income of<br>subsidiaries    |                    |                    |  | <br>\$ 12,898       |
| <br>Identifiable assets                               | <br>\$ 89,000,906  | <br>\$ 416,076,665 | <br>\$ (43,725,329)                        | <br>\$ 461,352,242  |
| Long-term investments                                 |                    |                    |  | 38,101,849          |
| <br>Total assets                                      |                    |                    |  | <br>\$ 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)                              |                     |
| <br>Total sales                                       | <br>\$ 130,346,250 | <br>\$ 201,904,341 | <br>\$ (129,253,779)                       | <br>\$ 202,996,812  |
| <br>Gross profit                                      | <br>\$ 2,392,944   | <br>\$ 72,891,637  | <br>\$ (401,103)                           | <br>\$ 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 |
|--|---------------|

|   |          |
|---|----------|
| Minority interest in loss of subsidiaries | \$ 3,012 |
|---|----------|

(Continued)

|                       | <b>Overseas</b> | <b>Taiwan</b>  | <b>Adjustments<br/>and<br/>Elimination</b> | <b>Consolidated</b> |
|-----------------------|-----------------|----------------|--|---------------------|
| 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<br>(US\$60,000)                      | \$ 1,915,020<br>(US\$60,000)      | 1.50%         | Operating capital | \$                    | \$         | N/A   | \$ 31,532,982<br>(US\$987,968)<br>(Note 2) |
|     |                    | TSMC Other receivables Technology  |                     | 319,170<br>(US\$10,000)                           |                                   |               |                   |                       |            |   |  |
| 2   | TSMC Partners      | TSMC Other receivables Development |                     | 2,553,360<br>(US\$80,000)                         | 2,553,360<br>(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/<br>Guarantee Provider Name | Nature of<br>Relationship<br>(Note 2) | Limits<br>on<br>Each<br>Counter-party   | Maximum<br>Balance for<br>the Year<br>(US\$ in<br>Thousand) | Ending<br>Balance<br>(US\$ in<br>Thousand) | Ratio<br>of<br>Accumulated<br>Amount<br>of<br>Value<br>Collateral<br>of<br>to<br>Net<br>Property<br>Plant<br>Collateral<br>and<br>Equity<br>Financial<br>Statement | Maximum<br>Collateral/<br>Guarantee<br>Amounts<br>Allowable<br>(Note 1) |
|-----|---|---------------------------------------|---|---|--|--|---|
|     |   |                                       |   |   |  |  |   |
| 0   | The Company                             | TSMC<br>Development                   | 3<br>Not exceed<br>10% of<br>the net<br>worth<br>of the<br>Company,<br>and<br>also<br>limiting<br>to the<br>total<br>capital<br>issued<br>of the<br>endorsement/guarantee<br>company,<br>unless<br>otherwise<br>approved<br>by<br>Board | \$ 1,915,020<br>(US\$60,000)                                | \$ 1,915,020<br>(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<br>(In<br>Thousands<br>of) | December 31, 2004                       |                               | Market Value<br>or Net<br>Asset Value<br>(US\$<br>Thousand) |
|---|-------------------------------|-----------------------------|---|---|-------------------------------|---|
|   |                               |                             |   | Carrying Value<br>(US\$ in<br>Thousand) | Percentage<br>of<br>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 of Asset  |                         | Percentage of Ownership | Value (US\$ in Thousand) |  |
|                        |   |                               |                             |                            | Value (US\$ in Thousand) | Percentage of Ownership |                         |                          |  |
|                        | 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<br>(In Thousand) | Carrying Value<br>(US\$ in Thousand) | Percentage of Ownership | Market Value or Net Asset Value<br>(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\$ 493  |
|              | 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\$ 840  |
|              | 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 Ingsf         | 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)

|              |                                     |                               |                             | December 31, 2004               |                    |                         |                    |
|--------------|-------------------------------------|-------------------------------|-----------------------------|---------------------------------|--------------------|-------------------------|--------------------|
|              |                                     |                               |                             | Market Value or Net Asset Value |                    |                         |                    |
| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units                    | Carrying Value     | Percentage of Ownership | Value              |
|              |                                     |                               |                             | (In Thousand)                   | (US\$ in Thousand) |                         | (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\$ 3,811 |
| 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\$ 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\$ 1,600 |
| 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       |           |
|              |                           |               |                               | (In US\$ in                 |              | Thousand)   |            | Value       |           |
|              |                           |               |                               | Thousand)                   |              | Thousand)   |            | (US\$ in    |           |
|              |                           |               |                               | Thousand)                   |              | Thousand)   |            | Thousand)   |           |
| Company Name | Marketable Securities     | Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units | Value       | Percentage | Value       | Net       |
|              |                           |               |                               |                             | (In US\$ in  | (In US\$ in | Ownership  | (US\$ in    | (US\$ in  |
|              |                           |               |                               |                             | Thousand)    | Thousand)   | Thousand)  | Thousand)   | 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<br>investment<br>Short-term<br>investment | US\$ 3,570 N/A US\$ 3,5<br>(Continued) |
|-------------------------|--|--|

| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (In US\$ in Thousand) | December 31, 2004                 |                         |  |
|--------------|-------------------------------------|-------------------------------|-----------------------------|------------------------------------|-----------------------------------|-------------------------|--|
|              |                                     |                               |                             |                                    | Carrying Value (US\$ in Thousand) | Percentage of Ownership | Market Value or Net Asset 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\$ 3,633   |
|              | 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             |                             |                             |                          |  |
|--------------|--|-------------------------------|-----------------------------|-----------------------------|--------------------------|--|
|              |  |                               |                             | Market Value                |                          |  |
|              |  |                               |                             | Net                         |                          |  |
|              |  |                               |                             | Carrying                    |                          |  |
|              |  |                               |                             | Percentage                  |                          |  |
|              |  |                               |                             | of Asset                    |                          |  |
|              |  |                               |                             | Value                       |                          |  |
|              |  |                               |                             | (US\$                       |                          |  |
|              |  |                               |                             | Thousand)                   |                          |  |
|              |  |                               |                             | Ownership                   |                          |  |
|              |  |                               |                             | (US\$                       |                          |  |
|              |  |                               |                             | Thousand)                   |                          |  |
| Company Name | Marketable Securities Type and Name          | Relationship with the Company | Financial Statement Account | Shares/Units (In Thousands) | Value (US\$ in Thousand) | Percentage of Asset Value (US\$ in Thousand) |
|              | 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/<br>Units<br>(Thousand) | Amount<br>(US\$ in<br>Thousand) | Shares/<br>Units<br>(Thousand) | Amount<br>(US\$ in<br>Thousand) | Shares/<br>Units<br>(Thousand) | Amount<br>(US\$ in<br>Thousand) |
| Term investment             | BOA   |                        | 40,000                         | \$ 1,359,120<br>(US 40,000)     |                                | \$                              | 40,000                         | \$ 1,359,120<br>(US 40,000)     |
| Term investment             | Goldman Sachs   |                        | 20,000                         | 679,560<br>(US 20,000)          |                                |                                 | 20,000                         | 679,560<br>(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.<br>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<br>Account | Counter-party | Nature of<br>Relationship | Beginning Balance              |                                 | Acquisition                    |                                 | Disposal<br>Carry              |                                 |
|--------------------------------|---------------|---------------------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
|                                |               |                           | Shares/<br>Units<br>(Thousand) | Amount<br>(US\$ in<br>Thousand) | Shares/<br>Units<br>(Thousand) | Amount<br>(US\$ in<br>Thousand) | Shares/<br>Units<br>(Thousand) | Amount<br>(US\$ in<br>Thousand) |
| Short-term<br>Investment       |               |                           |                                | \$                              |                                | US\$ 3,795                      | \$                             | \$                              |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,005                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,945                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,693                      | US\$ 3,695                     | US\$ 3                          |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,805                      | US\$ 3,816                     | US\$ 3                          |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,518                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,105                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,819                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,277                      | US\$ 3,280                     | US\$ 3                          |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,837                      | US\$ 3,795                     | US\$ 3                          |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,203                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,583                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,719                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,687                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,534                      | US\$ 3,540                     | US\$ 3                          |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 5,210                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,177                      | US\$ 3,188                     | US\$ 3                          |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,054                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 3,459                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 8,315                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 4,237                      |                                |                                 |
| Short-term<br>Investment       |               |                           |                                |                                 |                                | US\$ 4,847                      |                                |                                 |

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

|                      |  |            |                   |
|----------------------|--|------------|-------------------|
| ort-term<br>vestment |  |            |                   |
| ort-term<br>vestment |  | US\$ 5,741 |                   |
| ort-term<br>vestment |  | US\$ 4,763 | US\$ 3,713 US\$ 3 |
| ort-term<br>vestment |  | US\$ 3,644 |                   |
| ort-term<br>vestment |  | US\$ 3,457 |                   |
| ort-term<br>vestment |  | US\$ 3,413 |                   |
| ort-term<br>vestment |  | US\$ 3,818 |                   |
| ort-term<br>vestment |  | US\$ 3,042 |                   |
| ort-term<br>vestment |  | US\$ 3,507 |                   |
| ort-term<br>vestment |  | US\$ 3,050 |                   |
| ort-term<br>vestment |  | US\$ 3,168 |                   |
| ort-term<br>vestment |  | US\$ 3,160 |                   |
| ort-term<br>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 |      |        |                  |
|                 | US\$ | 6,371  |                  |
| term investment |      |        |                  |
|                 | US\$ | 7,000  |                  |
| term investment | US\$ | 5,014  |                  |
| term investment | US\$ | 3,817  |                  |
| term investment |      |        |                  |
|                 | US\$ | 4,829  | US\$ 4,829 US\$  |
| 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 |      |        |                  |
|                 | US\$ | 6,978  |                  |
| term investment |      |        |                  |
|                 | US\$ | 3,388  |                  |
| term investment |      |        |                  |
|                 | US\$ | 4,907  | US\$ 4,981 US\$  |
| term investment |      |        |                  |
|                 | US\$ | 4,953  |                  |
| term investment |      |        |                  |
|                 | US\$ | 9,997  |                  |
| term investment |      |        |                  |
|                 | US\$ | 9,971  | US\$ 9,942 US\$  |
| term investment |      |        |                  |
|                 | US\$ | 11,984 | US\$10,965 US\$  |
| term investment |      |        |                  |
|                 | US\$ | 4,933  |                  |
| term investment |      |        |                  |
|                 | US\$ | 4,930  |                  |
| 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)**

| <b>Transaction Amount</b> | <b>Payment Term</b>          | <b>Counter-party</b>                     | <b>Nature of Relationship</b> | <b>Prior Transaction of Owner</b> | <b>Related Counter-party Relationship</b> | <b>Transfer Date</b> | <b>Amount</b> |
|---------------------------|------------------------------|--|-------------------------------|-----------------------------------|---|----------------------|---------------|
| 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 |

**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/<br>Sale | Amount        | Transaction Details |                                   | Abnormal Transaction |               |
|---------|------------------------|-------------------|---------------|---------------------|-----------------------------------|----------------------|---------------|
|         |                        |                   |               | %<br>to             | 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          |
| ch      | 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          |

**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<br>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   | 2017      | 2016      | 2015   | 2014 | 2013    | 2012     |
|--------------------|------------------|--|-----------|-----------|--------|------|---------|----------|
|                    | 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  |

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

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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

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MORRIS CHANG

Chairman

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

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## 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)**

| <b>ASSETS</b>  | <b>Amount</b>      | <b>%</b>   |
|--|--------------------|------------|
| <b>CURRENT ASSETS</b>  |                    |            |
| 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          |            |
| <b>Total current assets</b>                                  | <b>185,533,534</b> | <b>37</b>  |
| <b>LONG-TERM INVESTMENTS (Notes 2, 7, 19 and 24)</b>         |                    |            |
| 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          |
| <b>Total long-term investments</b>                           | <b>37,651,107</b>  | <b>8</b>   |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 8, 11 and 21)</b> |                    |            |
| <b>Cost</b>  |                    |            |
| 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            |            |
| <b>Total cost</b>  | <b>541,328,537</b> | <b>108</b> |
| Accumulated depreciation                                     | (331,323,140)      | (66)       |
| Advance payments and construction in progress                | 49,247,068         | 10         |
| <b>Net property, plant and equipment</b>                     | <b>259,252,465</b> | <b>52</b>  |
| <b>GOODWILL (Note 2)</b>                                     | <b>7,088,864</b>   | <b>1</b>   |

|  |                       |            |
|--|-----------------------|------------|
| <b>OTHER ASSETS</b>                              |                       |            |
| 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          |
| <b>TOTAL</b>                                     | <b>\$ 500,677,631</b> | <b>100</b> |

|   |                |          |
|---|----------------|----------|
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>                          | <b>Amount</b>  | <b>%</b> |
| <b>CURRENT LIABILITIES</b>  |                |          |
| 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       |
| <b>LONG-TERM LIABILITIES</b>  |                |          |
| 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        |
| <b>OTHER LIABILITIES</b>  |                |          |
| 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        |
| <b>MINORITY INTEREST IN AFFILIATES (Note 2)</b>                     | <b>718,713</b> |          |
| Total liabilities   | 101,712,332    | 20       |
| <b>SHAREHOLDERS EQUITY (Notes 2 and 17)</b>                         |                |          |
| 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)**

|  | <b>Amount</b>  | <b>%</b> |
|--|----------------|----------|
| 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)



|  | <b>Amount</b> | <b>%</b> |
|--|---------------|----------|
| 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       |

|   | <b>Income Before<br/>Income Tax<br/>and<br/>Minority<br/>Interest</b> | <b>Combined<br/>Net<br/>Income</b> |
|---|---|------------------------------------|
| 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)**

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**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)

| <b>Company</b> | <b>Account</b>                       | <b>Amount</b> | <b>Transaction Entity</b> |
|----------------|--------------------------------------|---------------|---------------------------|
|                | 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

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

#### 5. SHORT-TERM INVESTMENTS

|  | <b>2004</b>   |
|--|---------------|
| 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

|                          | <b>2004</b>          |
|--------------------------|----------------------|
| 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)          |
|                          | <b>\$ 15,649,596</b> |

## 7. LONG-TERM INVESTMENTS

|  | <b>2004</b>                |                                 |
|--|----------------------------|---------------------------------|
|  | <b>Carrying<br/>Amount</b> | <b>% of<br/>Owner-<br/>Ship</b> |
| 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:

|  | <b>Nominal<br/>Amount</b> | <b>Carrying<br/>Amount</b> | <b>Range of<br/>Interest Rates</b> | <b>Maturity Date</b>            |
|--|---------------------------|----------------------------|------------------------------------|---------------------------------|
| <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:

|                         | <b>2004</b>           |
|-------------------------|-----------------------|
| 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                |
|                         | <b>\$ 331,323,140</b> |

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

| <b>Construction/Expansion Plan</b> | <b>Estimated<br/>Total Cost</b> | <b>Accumulated<br/>Expenditures</b> | <b>Expected<br/>Date of<br/>Commencement</b> |
|------------------------------------|---------------------------------|-------------------------------------|--|
| 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

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

#### 10. SHORT-TERM BANK LOANS

|  | <b>2004</b> |
|--|-------------|
| Unsecured loan in U.S. dollars:<br>US\$12,000 thousand, repayable by June 2006, annual interest at 2.80% | \$ 383,004  |

#### 11. LONG-TERM BANK LOANS

|   | <b>2004</b>         |
|---|---------------------|
| Unsecured loan:<br>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               |
|   | <b>1,932,224</b>    |
| Less current portion  | 5,489               |
|   | <b>\$ 1,926,735</b> |





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:

| <b>Year of Repayment</b> | <b>Amount</b> |
|--------------------------|---------------|
| 2005                     | \$ 5,489      |
| 2006                     | 1,920,509     |
| 2007                     | 4,137         |
| 2008                     | 2,089         |
|                          | \$ 1,932,224  |

## **12. BONDS PAYABLE**

Domestic unsecured bonds:

|   | <b>2004</b>   |
|---|---------------|
| 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:

| <b>Year of Repayment</b> | <b>Amount</b> |
|--------------------------|---------------|
| 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

|  | <b>2004</b>  |
|--|--------------|
| 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:

| <b>Year</b>         | <b>Amount</b> |
|---------------------|---------------|
| 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**

|                                 | <b>2004</b> |
|---------------------------------|-------------|
| 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**

|                                | <b>2004</b> |
|--------------------------------|-------------|
| 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<br>(Continued) |

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|   |              |
|---|--------------|
|   | <b>2004</b>  |
| 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:

|  |                 |
|--|-----------------|
|  | <b>2004</b>     |
| 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:

|  |                |
|--|----------------|
|  | <b>2004</b>    |
| 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:

|                                  | <b>2004</b>  |
|----------------------------------|--------------|
| 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:

| <b>Regulation</b>                   | <b>Items</b>                           | <b>Total<br/>Creditable<br/>Amounts</b> | <b>Remaining<br/>Creditable<br/>Amounts</b> | <b>Expiry<br/>Year</b> |
|-------------------------------------|--|---|---|------------------------|
| Statute for Upgrading<br>Industries | Purchase of machinery and<br>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<br>Industries | Research and development<br>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)

| <b>Regulation</b>                   | <b>Items</b>   | <b>Total<br/>Creditable<br/>Amounts</b> | <b>Remaining<br/>Creditable<br/>Amounts</b> | <b>Expiry<br/>Year</b> |
|-------------------------------------|--|---|---|------------------------|
| Statute for Upgrading<br>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<br>Industries | Investments in important<br>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:

|  | <b>Tax-Exemption<br/>Periods</b> |
|--|----------------------------------|
| 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

|                            | <b>For the Year Ended December 31, 2004</b>    |                               |               |
|----------------------------|--|-------------------------------|---------------|
|                            | <b>Classified</b>                              |                               |               |
|                            | <b>as</b>                                      |                               |               |
|                            | <b>Classified<br/>as<br/>Cost of<br/>Sales</b> | <b>Operating<br/>Expenses</b> | <b>Total</b>  |
| 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:

|                            | <b>2004</b>       |
|----------------------------|-------------------|
| 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               |
| <br>Total                  | <br>\$ 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:

|   | <b>Appropriation<br/>of Earnings</b> | <b>Dividend<br/>Per<br/>Share<br/>(NT\$)</b> |
|---|--------------------------------------|--|
| 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                              |  |
|   | <b>\$ 48,910,603</b>                 |  |

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:

|                               | <b>TSMC 2003 Plan</b> |                  | <b>TSMC 2002 Plan</b> |                  |
|-------------------------------|-----------------------|------------------|-----------------------|------------------|
|                               | <b>Number</b>         | <b>Weighted-</b> | <b>Number</b>         | <b>Weighted-</b> |
|                               | <b>of</b>             | <b>Average</b>   | <b>of</b>             | <b>Average</b>   |
|                               | <b>Outstanding</b>    | <b>Exercise</b>  | <b>Outstanding</b>    | <b>Exercise</b>  |
|                               | <b>Stock</b>          | <b>Price</b>     | <b>Stock</b>          | <b>Prices</b>    |
|                               | <b>Option</b>         |                  | <b>Option</b>         |                  |
|                               | <b>Rights</b>         |                  | <b>Rights</b>         |                  |
|                               | <b>(in</b>            |                  | <b>(in</b>            |                  |
|                               | <b>Thousands)</b>     | <b>(NT\$)</b>    | <b>Thousands)</b>     | <b>(NT\$)</b>    |
| 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              | Remaining   | Weighted- | Number              | Weighted- |      |
|               | of                  | Contractual | Average   | of                  | Average   |      |
|               | Outstanding         | Life        | Exercise  | Exercisable         | Exercise  |      |
|               | Options             | (Years)     | Price     | Options             | Price     |      |
|               | (in                 |             | (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<br>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<br>Shares  | Increase/<br>Dividend | Decrease | Ending<br>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<br>of<br>Shares<br>(Denominator)<br>(Thousand) | EPS (NT\$)   |                           |
|---|---|------------------------|---|--|---------------------------|
|   | Income<br>Before<br>Income<br>Tax and<br>Minority<br>Interest | Combined<br>Net Income |   | Income<br>Before<br>Income<br>Tax<br>and<br>Minority<br>Interest | Combined<br>Net<br>Income |
| Basic EPS                                     |   |                        |   |  |                           |
| Income available to common<br>shareholders    | \$ 92,019,242   | \$ 92,316,115          | 23,248,682  | \$ 3.96  | \$ 3.97                   |
| Effect of diluted securities<br>stock options |   |                        | 6,404   |  |                           |
| Diluted earnings per share                    |   |                        |   |  |                           |
| Income available to common<br>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

|   | <b>2004</b>   |          |
|---|---------------|----------|
|   | <b>Amount</b> | <b>%</b> |
| For the year ended                                      |               |          |
| 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:

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

## 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.

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- 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:

| <b>Financial Instruments</b> | <b>Currency</b> | <b>Maturity Date</b> | <b>Contract Amount (in Thousands)</b> |         |
|------------------------------|-----------------|----------------------|---------------------------------------|---------|
|                              |                 | 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:

| <b>Maturity Date</b>      | <b>Contract Amount (in Thousands)</b> | <b>Range of Interest Rate Paid</b> | <b>Range of Interest Rate Received</b> |
|---------------------------|---------------------------------------|------------------------------------|--|
| 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:

| <b>Contract Date</b> | <b>Period</b>                   | <b>Contract Amount</b> |
|----------------------|---------------------------------|------------------------|
| 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:

| <b>Term</b>     | <b>Inflow<br/>(In Thousands)</b> | <b>Outflow<br/>(In Thousands)</b> |
|-----------------|----------------------------------|-----------------------------------|
| 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:

|  | <b>2004</b>                |                   |
|--|----------------------------|-------------------|
|  | <b>Carrying<br/>Amount</b> | <b>Fair Value</b> |
| <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:

|  | <b>Overseas</b> | <b>Taiwan</b>  | <b>Adjustments<br/>and<br/>Elimination</b> | <b>Combined</b> |
|--|-----------------|----------------|--|-----------------|
| 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       |



|                       | <b>Overseas</b> | <b>Taiwan</b>  | <b>Adjustments<br/>and<br/>Elimination</b> | <b>Combined</b> |
|-----------------------|-----------------|----------------|--|-----------------|
| 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        | Allowance for | Collateral | Financing Limit for Each Company | Value      |
|-----------|------------------|-----------------------------|---|-----------------------------|---------------|--------------------------|-------------------|---------------|------------|----------------------------------|------------|
|           |                  |                             | Balance for the Period (US\$ in Thousand) | Balance (US\$ in Thousand)  |               |                          |                   |               |            |                                  |            |
|           | TSMC Development | Other receivables           | \$1,915,020<br>(US\$60,000)               | \$1,915,020<br>(US\$60,000) | 1.50%         | 2                        | Operating capital | \$            | \$         | N/A                              | \$3<br>(US |
|           | TSMC Technology  | Other receivables           | 319,170<br>(US\$10,000)                   |                             |               |                          |                   |               |            |                                  |            |
|           | TSMC Development | Other receivables           | 2,553,360<br>(US\$80,000)                 | 2,553,360<br>(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/<br>Guarantee<br>Provider | Counter-party<br>Name | Nature<br>of<br>Relationship<br>(Note<br>2) | Limits on Each<br>Counter-party's<br>Endorsement/<br>Guarantee Amounts   | Maximum<br>Balance<br>for the Year<br>(US\$ in Thousand) | Ending Balance<br>(US\$ in Thousand) | Ratio<br>of<br>Accumulated<br>Amount<br>Value of<br>of Collateral<br>to Net<br>Equity | Collateral/Guarantee<br>Amounts<br>Allowable<br>(Note 1) |
|-----|---------------------------------------|-----------------------|---|--|--|--------------------------------------|---|--|
|     |                                       |                       |   |  |  |                                      | Collateral/Financial<br>Statement<br>and<br>Equipment                                 |  |
| 0   | The Company                           | TSMC<br>Development   | 3   | Not exceed 10% of the<br>net worth of the<br>Company, and also<br>limiting to the total<br>capital issued of the<br>endorsement/guarantee<br>company, unless<br>otherwise approved by<br>Board of Directors. | \$1,915,020<br>(US\$ 60,000)                             | \$1,915,020<br>(US\$ 60,000)         | \$ 0.48%  | \$99,741,325   |
|     |                                       | TSMC North<br>America | 2   |  | 1,276,680<br>(US\$ 40,000)                               | 1,276,680<br>(US\$ 40,000)           | 0.32%   |  |
|     |                                       | WaferTech             | 3   |  | 14,043,480<br>(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 | Financial Statement Account | Shares/Units (In Thousands of) | 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       |                                |                                   | \$ 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                 |                       |               | Market        |             |
|              |                                     | Value                    |                       |               | Value or      |             |
|              |                                     | Relationship             |                       |               |               |             |
|              |                                     | with Financial Statement | Shares/Units          | (US\$ in      | Percentage of |             |
|              |                                     | the                      |                       | (In           | (US\$ in      |             |
|              |                                     | Company                  |                       | Thousands     | Thousand) N   |             |
| Company Name | Marketable Securities Type and Name | Company                  | Account               | of) Thousand) | Ownership     | Thousand) N |
|              | 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.          |                       | 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)

|              |                                     |         |                       | December 31, 2004        |           |               |           |             |
|--------------|-------------------------------------|---------|-----------------------|--------------------------|-----------|---------------|-----------|-------------|
|              |                                     |         |                       | Carrying                 |           |               | Market    |             |
|              |                                     |         |                       | Value                    |           |               | Value or  |             |
|              |                                     |         |                       | Relationship             |           |               |           | Net Asset   |
|              |                                     |         |                       | with Financial Statement |           |               |           | Value       |
|              |                                     |         |                       | Shares/Units             |           |               |           | (US\$ in    |
|              |                                     |         |                       | (In                      |           |               |           | Thousands)  |
|              |                                     |         |                       | Thousands                |           |               |           | Ownership   |
|              |                                     |         |                       | Percentage of            |           |               |           | (US\$ in    |
|              |                                     |         |                       | the                      |           |               |           | Thousands)  |
|              |                                     |         |                       | Company Account          |           |               |           | N/A         |
|              |                                     |         |                       | of) Thousand)            |           |               |           | Thousand) N |
| Company Name | Marketable Securities Type and Name | Company | Account               | of) Thousand)            | Ownership | Percentage of | Thousand) | N           |
|              | 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\$ 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                |         | Short-term investment | US\$ 538                 | N/A       |               | US\$ 533  |             |
|              | Merrill Lynch + Co. Inc.            |         | Short-term investment | US\$3,486                | N/A       |               | US\$3,481 |             |
|              | 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\$2,501 |             |
|              | Monumental Global Fdg II            |         | Short-term investment | US\$1,534                | N/A       |               | US\$1,516 |             |
|              | 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 |             |

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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<br>(In<br>Thousands<br>of)                     | (US\$ in<br>Thousand)   | (US\$ in<br>Thousand) | (US\$ in<br>Thousand) |
| Company Name | Marketable Securities Type and Name | Relationship<br>with Financial Statement<br>Company Account | (In<br>Thousands<br>of) | (US\$ in<br>Thousand) | (US\$ in<br>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\$ | 4,944  |
| 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\$ | 2,466  |
| 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\$ | 13,944 |
| Federal Home Ln Bks           | Short-term investment | US\$ | 13,981 | N/A | US\$ | 13,944 |
| 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\$ | 4,944  |
| Federal Home Ln Mtg Corp.     | Short-term investment | US\$ | 9,997  | N/A | US\$ | 9,944  |
| 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<br>Short-term investment | US\$ | 4,903 | N/A | US\$ | 4,94 |
|-----------------------------|--|------|-------|-----|------|------|

(Continued)

|              |                                       | December 31, 2004           |                    |                    |             |
|--------------|---------------------------------------|-----------------------------|--------------------|--------------------|-------------|
|              |                                       | Carrying                    | Market             |                    |             |
|              |                                       | Value                       | Value or           |                    |             |
|              |                                       | Percentage of               |                    | Net Asset          |             |
|              |                                       | Ownership                   |                    | Value              |             |
| Company Name | Relationship with Financial Statement | Shares/Units (In Thousands) | (US\$ in Thousand) | (US\$ in Thousand) |             |
| Company Name | Marketable Securities Type and Name   | Company Account             | of) Thousand)      | 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<br>Short-term investment | US\$ 4,298 N/A | US\$ 4,230 |
|--------------------------------|--|----------------|------------|

(Continued)

| Company Name | Marketable Securities Type and Name | Relationship with the Company | December 31, 2004                 |                         | Market Value or Net Asset Value (US\$ in Thousand) |
|--------------|-------------------------------------|-------------------------------|-----------------------------------|-------------------------|--|
|              |                                     |                               | Carrying Value (US\$ in Thousand) | Percentage of Ownership |  |
|              | California Infrac + 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   |

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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<br>Value                 | Percentage of | Market<br>Value or<br>Net Asset<br>Value |
|              |                                     |   | (US\$ in<br>Thousands)            | Ownership     | (US\$ in<br>Thousands)                   |
| Company Name | Marketable Securities Type and Name | Relationship<br>with Financial Statement<br>Company Account | Shares/Units<br>(In<br>Thousands) | of            | 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 |                    |
|-----------------|-------------------------------------|---------------------------|-----------------------|-----------------------------|--------------------|-------------------|--------------------|
|                 |                                     | Relationship              |                       | Carrying                    |                    | Market            |                    |
|                 |                                     | with Financial Statements |                       | Value                       |                    | Value or          |                    |
|                 |                                     | the                       |                       | Percentage                  |                    | Net Asset         |                    |
|                 |                                     | Company                   |                       | of                          |                    | Value             |                    |
| Company Name    | Marketable Securities Type and Name | Company                   | Account               | Shares/Units (In Thousands) | (US\$ in Thousand) | Ownership         | (US\$ in Thousand) |
|                 | <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             |
| 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 Financial Statement 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>                  |                                 |        |      |         |    |      |         |
| merging Alliance                     | Global Investment Holding, Inc. | 10,000 |      | 100,000 | 6  |      | 100,000 |
|                                      | RichWave Technology Corp.       | 2,600  | US\$ | 867     | 13 | US\$ | 867     |
|                                      | NetLogic Microsystems, Inc.     | 113    | US\$ | 1,388   | 1  | US\$ | 1,388   |
| <u>Preferred stock</u>               |                                 |        |      |         |    |      |         |
|                                      | Quake Technologies, Inc.        | 601    | US\$ | 450     | 1  | US\$ | 450     |
|                                      | Pixim, Inc.                     | 1,721  | US\$ | 2,382   | 3  | US\$ | 2,382   |
|                                      | Newport Opticom, Inc.           | 962    | US\$ | 250     | 6  | US\$ | 250     |
|                                      | Ikanos Communication, Inc.      | 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) | Percentage of Ownership | Carrying Value (US\$ in Thousand) | 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                 | US\$ 6                            | US\$ 12                  |
|                     | Zenesis Technologies, Inc.                      |                               | Long-term investment        | 1,204                       | US\$ 699                | US\$ 4                            | US\$ 699                 |
|                     | Reflectivity, Inc.                              |                               | Long-term investment        | 4,848                       | US\$ 2,479              | US\$ 4                            | US\$ 2,479               |
|                     | Teknovus, Inc.                                  |                               | Long-term investment        | 5,556                       | US\$ 1,000              | US\$ 3                            | US\$ 1,000               |
|                     | Miradia, Inc. (Formerly XHP Microsystems, Inc.) |                               | Long-term investment        | 3,040                       | US\$ 1,000              | US\$ 4                            | US\$ 1,000               |
|                     | Axiom Microdevices, Inc.                        |                               | Long-term investment        | 1,000                       | US\$ 1,000              | US\$ 5                            | US\$ 1,000               |
|                     | Optichron, Inc.                                 |                               | Long-term investment        | 714                         | US\$ 1,000              | US\$ 6                            | US\$ 1,000               |
|                     | Audience, Inc.                                  |                               | Long-term investment        | 1,654                       | US\$ 250                | US\$ 2                            | US\$ 250                 |
|                     | Next IO, Inc.                                   |                               | Long-term investment        | 800                         | US\$ 500                | US\$ 2                            | US\$ 500                 |
|                     | NuCORE Technology Inc.                          |                               | Long-term investment        | 2,254                       | US\$ 1,455              | US\$ 2                            | US\$ 1,455               |
|                     | Centrality Communications, Inc.                 |                               | Long-term investment        | 809                         | US\$ 1,000              | US\$ 2                            | US\$ 1,000               |
|                     | Layer N Networks, Inc.                          |                               | Long-term investment        | 1,905                       | US\$ 1,000              | US\$ 2                            | US\$ 1,000               |
| AF II               | <u>Common stock</u>                             |                               |                             |                             |                         |                                   |                          |
|                     | Yobon Technologies, Inc.                        |                               | Long-term investment        | 1,675                       | US\$ 787                | US\$ 17                           | US\$ 787                 |
|                     | Sentelic, Corp.                                 |                               | Long-term investment        | 600                         | US\$ 1,022              | US\$ 15                           | US\$ 1,022               |
|                     | Ivyon Technology, Inc.                          |                               | Long-term investment        | 200                         | US\$ 775                | US\$ 10                           | US\$ 775                 |
|                     | <u>Preferred stock</u>                          |                               |                             |                             |                         |                                   |                          |
|                     | Powerprecise Solutions, Inc.                    |                               | Long-term investment        | 258                         | US\$ 250                | US\$ 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 |
|----------------------------|----|------------|----------------------|-----|--|-------|-----|--|-------|



**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                |                              |
|-----------------------------|---|------------------------|-------------------------|------------------------------|-------------------------|---------------------------|-------------------------|------------------------------|
|                             |   |                        | 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<br>(US\$40,000) |                         |                           | 40,000                  | \$ 1,359,120<br>(US\$40,000) |
| Term Investment             | Goldman Sachs   |                        | 20,000                  | 679,560<br>(US\$20,000)      |                         |                           | 20,000                  | 679,560<br>(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<br>ent                | Shinkong<br>Investment<br>Trust Co., Ltd.   |           |        |              |                   |
| Form<br>ent                | National<br>Investment<br>Trust Co., Ltd.   |           | 3,764  | 600,000      |                   |
| Form<br>ent                | HSBC Asset<br>Management<br>(Taiwan) Ltd.   |           | 41,568 | 600,000      |                   |
| Form<br>ent                | Chung Shing<br>Bills Finance<br>Corp. and<br>several<br>financial<br>institutions | 1,800,000 |        | 2,577,163    | 4,127,714         |
| Form<br>ent                | Chung Shing<br>Bills Finance<br>Corp. and<br>several<br>financial<br>institutions | 1,422,197 |        |              | 1,427,762         |
| Form<br>ent                | BNP and<br>several<br>financial<br>institutions                                   | 3,157,331 |        |              | 3,169,750         |
| Form<br>ent                | BNP and<br>several<br>financial<br>institutions                                   | 3,113,066 |        |              | 3,133,875         |
| Form<br>ent                | BNP and<br>several<br>financial<br>institutions                                   |           |        | 2,023,206    | 2,031,500         |
| Form<br>ent                | BNP and<br>several<br>financial<br>institutions                                   |           |        | 1,207,409    |                   |
| Form<br>ent<br>Form<br>ent | FCB and<br>several<br>financial<br>institutions                                   |           |        | US\$ 699,398 | US\$ 506,162 US\$ |
| Form<br>ent                | China Bills<br>Finance Corp.<br>and several<br>financial<br>institutions          |           |        | 3,402,213    |                   |
|                            |   |           |        | 2,349,573    |                   |

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

(Continued)

| Marketable Securities<br>Type and Name | Financial Statement<br>Account | Counter-party | Nature<br>Relationship | Beginning          | Acquisition        | Disposal           |                                | Gain<br>(Loss)<br>or<br>Disposal<br>(US\$<br>Thousand) |
|--|--------------------------------|---------------|------------------------|--------------------|--------------------|--------------------|--------------------------------|--|
|  |                                |               |                        | Balance            | Amount             | Amount             | Carrying                       |  |
|  |                                |               |                        | (US\$<br>Thousand) | (US\$<br>Thousand) | (US\$<br>Thousand) | Value<br>(US\$ in<br>Thousand) |  |
| American Intl Group<br>Inc. Mtnf       | Short-term<br>investment       |               |                        | \$                 | US\$3,795          | \$                 | \$                             | \$   |
| Amgen Inc.                             | Short-term<br>investment       |               |                        |                    | US\$3,005          |                    |                                |  |
| Bank New York Inc.                     | Short-term<br>investment       |               |                        |                    | US\$3,945          |                    |                                |  |
| Bank One Corp.                         | Short-term<br>investment       |               |                        |                    | US\$3,693          | US\$3,695          | US\$ 3,693                     | US\$   |
| Bear Stearns Cos Inc.                  | Short-term<br>investment       |               |                        |                    | US\$3,805          | US\$3,816          | US\$ 3,805                     | US\$   |
| Bear Stearns Cos Inc.                  | Short-term<br>investment       |               |                        |                    | US\$3,518          |                    |                                |  |
| Bear Stearns Cos Inc.<br>Medium Te     | Short-term<br>investment       |               |                        |                    | US\$3,105          |                    |                                |  |
| Bristol Myers Squibb<br>Co.            | Short-term<br>investment       |               |                        |                    | US\$3,819          |                    |                                |  |
| Brown Forman Corp.                     | Short-term<br>investment       |               |                        |                    | US\$3,277          | US\$3,280          | US\$ 3,277                     | US\$   |
| Cardinal Health Inc.                   | Short-term<br>investment       |               |                        |                    | US\$3,837          | US\$3,795          | US\$ 3,837                     | US\$   |
| Cit Group Hldgs Inc.                   | Short-term<br>investment       |               |                        |                    | US\$3,203          |                    |                                |  |
| Citigroup Inc.                         | Short-term<br>investment       |               |                        |                    | US\$3,583          |                    |                                |  |
| Compaq Computer<br>Corp.               | Short-term<br>investment       |               |                        |                    | US\$3,719          |                    |                                |  |
| Consolidated Edison<br>Co. NY Inc.     | Short-term<br>investment       |               |                        |                    | US\$3,687          |                    |                                |  |
| Countrywide Fdg Corp.<br>Mtn           | Short-term<br>investment       |               |                        |                    | US\$3,534          | US\$3,540          | US\$ 3,534                     | US\$   |
| Countrywide Home<br>Lns Inc.           | Short-term<br>investment       |               |                        |                    | US\$5,210          |                    |                                |  |
| Credit Suisse First<br>Boston USA      | Short-term<br>investment       |               |                        |                    | US\$3,177          | US\$3,188          | US\$3,177                      | US\$   |
| Dell Computer Corp.                    | Short-term<br>investment       |               |                        |                    | US\$3,054          |                    |                                |  |
| Diageo PLC                             | Short-term<br>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<br>nc.          | Short-term<br>investment |           |           |            |
| Merrill Lynch + Co<br>nc.          | Short-term<br>investment | US\$3,486 |           |            |
| Monumental Global<br>Fdg II 2002A  | Short-term<br>investment | US\$3,129 |           |            |
| Morgan Stanley Group<br>nc.        | Short-term<br>investment | US\$5,741 |           |            |
| Morgan Stanley Group<br>nc.        | Short-term<br>investment | US\$4,763 | US\$3,713 | US\$ 3,713 |
| Nationsbank Corp.                  | Short-term<br>investment | US\$3,644 |           |            |
| Nationwide Bldg Soc                | Short-term<br>investment | US\$3,457 |           |            |
| Nationwide Life Global<br>Mtn      | Short-term<br>investment | US\$3,413 |           |            |
| Pepsico Inc. Mtn Book<br>Entry     | Short-term<br>investment | US\$3,818 |           |            |
| Popular North Amer<br>nc Mtn       | Short-term<br>investment | US\$3,042 |           |            |
| Pricoa Global Fdg I<br>Mtn         | Short-term<br>investment | US\$3,507 |           |            |
| Pricoa Global Fdg I<br>Mtn         | Short-term<br>investment | US\$3,050 |           |            |
| Principal Life Global<br>Fdg I GI  | Short-term<br>investment | US\$3,168 |           |            |
| Salomon Smith Barney<br>Hldgs Inc. | Short-term<br>investment | US\$3,160 |           |            |
| SBC Communications<br>nc.          | Short-term<br>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<br>Type and Name | Financial Statement<br>Account | Counter-party | Nature<br>Relationship | Beginning                    | Acquisition                  | Disposal                           |                                | Gain<br>(Loss)<br>on<br>Disposal<br>(US\$<br>Thousand) |
|--|--------------------------------|---------------|------------------------|------------------------------|------------------------------|------------------------------------|--------------------------------|--|
|  |                                |               |                        | Balance                      | Amount                       | Amount                             | Carrying<br>Value              |  |
|  |                                |               |                        | Amount<br>(US\$<br>Thousand) | Amount<br>(US\$<br>Thousand) | Amount<br>(US\$<br>in<br>Thousand) | Value<br>(US\$ in<br>Thousand) | (US\$<br>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                    |  |
| <u>Corporate issued</u>                |                                |               |                        |                              |                              |                                    |                                |  |
| <u>Asset-backed securities</u>         |                                |               |                        |                              |                              |                                    |                                |  |
| Prosop 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                   |                                    |                                |  |
| e.                                     | Short-term investment          |               |                        |                              |                              |                                    |                                |  |
| Inc Amer Mtg Secs                      | Short-term investment          |               |                        |                              |                              |                                    |                                |  |
| e.                                     | Short-term investment          |               |                        |                              |                              |                                    |                                |  |
| 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 +<br>conomic Dev | Short-term investment | US\$ 4,298  |            |            |      |
| California Infr +<br>conomic     | Short-term investment | US\$ 8,383  |            |            |      |
| California<br>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<br>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<br>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<br>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<br>os Mtg Tr     | Short-term investment | US\$ 4,177  |            |            |      |
| st USA Credit Cr<br>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.<br>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)

| <b>Company</b> | <b>Related</b>                   | <b>Nature of</b>     | <b>Ending</b>  | <b>Turnover</b> | <b>Overdue</b> | <b>Amounts</b>                                    | <b>Received</b>   | <b>Allowance</b> |
|----------------|----------------------------------|----------------------|----------------|-----------------|----------------|---|-------------------|------------------|
| <b>Name</b>    | <b>Party</b>                     | <b>Relationship</b>  | <b>Balance</b> | <b>Rate</b>     | <b>Amount</b>  | <b>Action Taken</b>                               | <b>Subsequent</b> | <b>for</b>       |
|                |                                  |                      |                |                 |                |   | <b>Period</b>     | <b>Bad</b>       |
|                |                                  |                      |                |                 |                |   |                   | <b>Debts</b>     |
| The<br>Company | TSMC<br>North<br>America         | Subsidiary           | \$ 15,526,964  | 38 days         | \$5,044,202    |   | \$ 6,013,414      | \$               |
|                | TSMC<br>Shanghai                 | Subsidiary           | 1,473,365      | (Note)          | 145,146        | Accelerate<br>demand on<br>account<br>receivables |                   |                  |
|                | Philips and<br>its<br>affiliates | Major<br>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.

