

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

November 02, 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 October 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  
Nine Months Ended September 30, 2005 and 2004 and  
Independent Accountants' Review Report**

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**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company, Ltd.

We have reviewed the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company, Ltd. as of September 30, 2005 and 2004, and the related statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36 Review of Financial Statements issued by the Auditing Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

October 12, 2005

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 jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the accountants' 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 accountants' report and financial statements shall prevail.*

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.****BALANCE SHEETS****SEPTEMBER 30, 2005 AND 2004****(In Thousands of New Taiwan Dollars, Except Par Value)****(Reviewed, Not Audited)**

	<b>2005</b>		<b>2004</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)	\$ 58,467,326	12	\$ 70,371,977	15
Short-term investments, net (Notes 2 and 4)	48,821,970	10	46,128,381	10
Receivables from related parties (Note 18)	23,036,804	5	19,894,936	4
Notes and accounts receivable	18,605,971	4	17,765,694	4
Allowance for doubtful receivables (Note 2)	(977,365)		(983,077)	
Allowance for sales returns and others (Note 2)	(3,417,328)		(3,342,566)	(1)
Other receivables from related parties (Note 18)	1,650,678		3,083,984	1
Other financial assets (Notes 2 and 22)	1,190,963		792,139	
Inventories, net (Notes 2 and 5)	15,070,064	3	12,628,465	3
Deferred income taxes assets (Notes 2 and 12)	1,781,000		2,471,000	
Prepaid expenses and other current assets	823,972		953,069	
 Total current assets	 165,054,055	 34	 169,764,002	 36
 <b>LONG-TERM INVESTMENTS (Notes 2, 6, 16 and 21)</b>				
Equity method	50,235,546	10	45,792,238	10
Cost method	774,373		717,299	
Long-term bonds	19,647,173	4	11,676,396	3
Other investments	8,301,360	2	7,917,920	2
 Total long-term investments	 78,958,452	 16	 66,103,853	 15
 <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7 and 18)</b>				
<b>Cost</b>				
Buildings	89,619,890	19	82,012,404	18
Machinery and equipment	453,130,574	94	374,207,513	81
Office equipment	7,726,708	1	6,853,204	1
	550,477,172	114	463,073,121	100
Accumulated depreciation	(346,517,367)	(72)	(285,808,476)	(61)
Advance payments and construction in progress	14,949,566	3	29,891,273	6
 Net property, plant and equipment	 218,909,371	 45	 207,155,918	 45

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GOODWILL (Note 2)	1,654,853		2,003,244	
<b>OTHER ASSETS</b>				
Deferred income taxes assets (Notes 2 and 12)	11,042,079	3	7,796,174	2
Deferred charges, net (Notes 2, 8 and 21)	7,322,444	2	9,520,310	2
Refundable deposits	83,642		29,353	
Assets leased to others, net (Note 2)	74,312		80,047	
Idle assets, net (Note 2)	6,789		54,791	
Total other assets	18,529,266	5	17,480,675	4
TOTAL	\$ 483,105,997	100	\$ 462,507,692	100
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 6,691,135	1	\$ 7,357,718	2
Payables to related parties (Notes 18 and 21)	3,350,905	1	5,639,023	1
Income tax payable	1,364,915		245,103	
Accrued expenses and other current liabilities (Notes 2, 10, 21 and 22)	10,182,159	2	10,729,638	2
Payables to contractors and equipment suppliers	10,814,978	3	15,260,860	3
Current portion of long-term bonds payable (Note 9)	10,500,000	2	5,000,000	1
Total current liabilities	42,904,092	9	44,232,342	9
<b>LONG-TERM LIABILITIES</b>				
Bonds payable (Note 9)	19,500,000	4	30,000,000	6
Other long-term payable (Notes 10 and 21)	1,526,648	1	2,446,848	1
Other payables to related parties (Notes 18 and 21)	1,111,798		2,468,088	1
Total long-term liabilities	22,138,446	5	34,914,936	8
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 11)	3,451,671	1	2,975,006	1
Guarantee deposits (Note 21)	2,363,889		524,268	
Deferred credits (Notes 2 and 18)	1,136,767		598,350	
Total other liabilities	6,952,327	1	4,097,624	1
Total liabilities	71,994,865	15	83,244,902	18

## SHAREHOLDERS EQUITY (Notes 2, 14, 15 and 16)

Capital stock \$10 par value

Authorized: 27,050,000 thousand shares in 2005, 24,600,000 thousand shares in 2004

Issued: 24,727,348 thousand shares in 2005, 23,251,877 thousand shares in 2004

Capital stock	247,273,476	51	232,518,770	50
Capital surplus	56,777,040	12	56,529,100	12
Retained earnings				
Appropriated as legal capital reserve	34,348,208	7	25,528,007	6
Appropriated as special capital reserve	2,226,427			
Unappropriated earnings	72,296,264	15	66,007,204	14
Others				
Unrealized loss on long-term investments			(3,967)	
Cumulative translation adjustments	(260,171)		300,345	
Treasury stock (at cost) - 46,808 thousand shares in 2005 and 45,970 thousand shares in 2004	(1,550,112)		(1,616,669)	
Total shareholders equity	411,111,132	85	379,262,790	82
TOTAL	\$ 483,105,997	100	\$ 462,507,692	100

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

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.**  
**STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 18)	\$ 187,279,666		\$ 195,779,620	
SALES RETURNS AND ALLOWANCES (Note 2)	3,852,617		3,662,137	
NET SALES	183,427,049	100	192,117,483	100
COST OF SALES (Notes 13 and 18)	108,047,657	59	109,109,645	57
GROSS PROFIT	75,379,392	41	83,007,838	43
OPERATING EXPENSES (Notes 13 and 18)				
Research and development	9,972,853	5	8,947,939	4
General and administrative	5,625,306	3	7,214,420	4
Marketing	991,423	1	1,050,619	1
Total operating expenses	16,589,582	9	17,212,978	9
INCOME FROM OPERATIONS	58,789,810	32	65,794,860	34
NON-OPERATING INCOME AND GAINS				
Interest (Notes 2 and 22)	2,446,385	1	1,060,412	1
Settlement income (Note 20)	711,324	1		
Technical service income (Notes 18 and 21)	322,976		327,583	
Gain on disposal of property, plant and equipment (Notes 2 and 18)	149,014		144,899	
Investment income recognized by equity method, net (Notes 2 and 6)			3,431,747	2
Gain on sales of investments (Note 2)			111,771	
Others (Note 18)	248,776		322,958	
Total non-operating income and gains	3,878,475	2	5,399,370	3
NON-OPERATING EXPENSES AND LOSSES				
Interest (Notes 2, 7, 9 and 22)	2,248,150	1	877,772	1
Investment loss recognized by equity method, net (Notes 2 and 6)	1,277,187	1		



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Unrealized valuation loss on short-term investments (Notes 2 and 4)	264,068			
Loss on sales of investment, net (Note 2)	134,440			
Foreign exchange loss, net (Notes 2 and 22)	117,301		538,765	
Others (Note 2)	208,949		92,738	
Total non-operating expenses and losses	4,250,095	2	1,509,275	1

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	2005		2004	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 58,418,190	32	\$ 69,684,955	36
INCOME TAX BENEFIT (Notes 2 and 12)	1,256,710	1	447,026	
NET INCOME	\$ 59,674,900	33	\$ 70,131,981	36

	2005		2004	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT\$, Note 17)				
Basic earnings per share	\$ 2.37	\$ 2.42	\$ 2.82	\$ 2.84
Diluted earnings per share	\$ 2.37	\$ 2.42	\$ 2.82	\$ 2.83

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

	2005	2004
NET INCOME	\$ 59,766,385	\$ 70,145,749
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	\$ 2.42	\$ 2.83
Diluted earnings per share	\$ 2.42	\$ 2.83

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

(Concluded)

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 59,674,900	\$ 70,131,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51,437,043	46,456,739
Deferred income taxes	(2,329,076)	(874,578)
Investment loss (income) recognized by equity method, net	1,277,187	(3,431,747)
Gain on sales of long-term investments, net	(2,810)	(2,150)
Amortization of premium/discount from long-term bond investments	91,155	3,347
Gain on disposal of property, plant and equipment and idle assets, net	(88,449)	(81,423)
Loss on idle assets	106,964	
Donation of idle assets	7,207	
Accrued pension cost	350,475	374,755
Dividends received from equity method investee	668,464	
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables from related parties	(6,850,721)	(5,027,274)
Notes and accounts receivable	(3,279,090)	(3,847,887)
Allowance for doubtful receivables	(3,096)	(32,945)
Allowance for sales returns and others	89,414	1,216,541
Other receivables from related parties	(1,426,377)	(144,559)
Other financial assets	1,114,112	289,603
Inventories, net	(898,119)	(1,721,307)
Prepaid expenses and other current assets	409,527	638,897
Increase (decrease) in:		
Accounts payable	202,518	1,273,842
Payables to related parties	(1,115,663)	(224,782)
Income tax payable	985,012	118,000
Accrued expenses and other current liabilities	1,083,540	1,831,179
Deferred credits	119,681	
 Net cash provided by operating activities	 101,623,798	 106,946,232
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in short-term investments, net	4,157,125	(36,971,775)
Acquisitions of:		
Long-term investments	(10,101,540)	(21,199,764)
Property, plant and equipment	(60,336,499)	(55,650,076)
Proceeds from disposal of:		
Long-term investments	4,528,858	7,552

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Property, plant and equipment and idle assets	1,502,142	310,038
Increase in deferred charges	(735,673)	(1,053,342)
Decrease in refundable deposits	1,771	148,026
Net cash used in investing activities	(60,983,816)	(114,409,341)

(Continued)

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash dividends paid for common stock	\$ (46,504,097)	\$ (12,159,971)
Cash bonus paid to employees	(3,086,215)	(681,628)
Increase (decrease) in guarantee deposits	1,951,496	(239,221)
Bonus to directors and supervisors	(231,466)	(127,805)
Proceeds from exercise of stock options	165,808	
Repurchase of treasury stock		(7,059,798)
Cash dividends paid for preferred stock		(184,493)
Net cash used in financing activities	(47,704,474)	(20,452,916)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(7,064,492)	(27,916,025)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	65,531,818	98,288,002
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 58,467,326	\$ 70,371,977
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid (excluding the amount capitalized of NT\$262,109 thousand for the nine months ended September 30, 2004)	\$ 1,643,874	\$ 169,670
Income tax paid	\$ 87,315	\$ 309,552
<b>NON-CASH 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)	\$ 701,096	\$ 1,914,915
Current portion of other long-term payable (under accrued expenses and other current liabilities)	\$ 1,516,436	\$ 1,817,542
Reclassification of short-term investments to long-term investments	\$	\$ 3,402,413

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

(Concluded)

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)  
(Reviewed, Not Audited)**

**1. GENERAL**

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.

As of September 30, 2005 and 2004, the Company had 19,475 and 19,089 employees, respectively.

**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 Non-current 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 non-current assets and liabilities, respectively.

**Cash Equivalents**

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

### **Short-term Investments**

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

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

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

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

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

### **Allowance for Doubtful Receivables**

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

### **Revenue Recognition and Allowance for Sales Returns and Others**

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

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

### **Inventories**

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

### **Long-term Investments**

Investments in companies wherein the Company exercises significant influence on the operating and financial policy decisions are accounted for using the equity method of accounting. The Company's proportionate share in the net income or net loss of investee companies is recognized in the investment income/loss recognized by equity method, net account. When equity investments are made, the difference, if any, between the cost of investment and the Company's proportionate share of 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 the Company's proportionate share in the investee's net equity. The Company records such difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus.

Investments in companies wherein the Company does not exercise significant influence are recorded at historical cost. Cash dividends are recognized as investment income in the year received but are accounted for as reductions in the carrying amount of the investments if the dividends are received in the year of acquisition. 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.

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

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

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

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

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

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

Gains or losses on sales from the Company to investee companies accounted for using the equity method are deferred in proportion to the Company's ownership percentages 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. Gains or losses on sales between investee companies accounted for using the equity method are deferred in proportion to the Company's weighted-average ownership percentages in the investee companies which record such gains or losses until realized through transactions with third parties.



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

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

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When an indication of significant impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a future period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. Idle assets are stated at the lower of net realizable value or book value. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed in the period incurred. 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 gains or losses in the period of sale or disposal.

**Goodwill**

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

**Deferred Charges**

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

**Pension Costs**

Starting from July 1, 2005, employees are required to choose between the two pension plans available to them. For employees under defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees' individual pension accounts. For employees under defined benefit pension plans, pension costs are recorded based on actuarial calculations.

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

Income tax on unappropriated earnings of 10% is 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 transactions 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 gains resulted from the disposal of the treasury stock held by the subsidiaries and cash dividends received by the subsidiaries from the Company are recorded under capital surplus—treasury stock transactions.

### **Foreign-currency Transactions**

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

### **Derivative Financial Instruments**

The Company enters into foreign currency forward contracts to manage foreign exchange exposures on foreign-currency-denominated assets and liabilities. The contracts are recorded in New Taiwan dollars at the current rate of exchange of the contract date. The differences in the New Taiwan dollar amounts translated using the current rates and the amounts translated using the contracted forward rates on the contract date are amortized over the terms of the forward contracts using the straight-line method. At the end of each period, the receivables or payables arising from forward contracts are restated using the prevailing exchange rates at the balance sheet date with the resulting differences credited or charged to

income. In addition, the receivables and payables related to the forward contracts of the same counter party are netted with the resulting amount presented as either an asset or a liability. Any resulting gain or loss upon settlement is credited or charged to income in the period of settlement.

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

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

The notional amounts of foreign currency option contracts entered into for hedging purposes are not recognized as an asset or liability on the contract dates. The premiums paid or received for the options bought or written are amortized and charged to income on a straight-line basis over the term of the related contract. Any resulting gains or losses upon settlement are charged to current income in the period of settlement.

#### **Reclassifications**

Certain accounts in the financial statements as of and for the nine months ended September 30, 2004 have been reclassified to conform to the financial statements as of and for the nine months ended September 30, 2005.

### **3. CASH AND CASH EQUIVALENTS**

	<b>September 30</b>	
	<b>2005</b>	<b>2004</b>
Government bonds acquired under repurchase agreements	\$ 29,924,288	\$ 11,534,485
Cash and bank deposits	27,906,434	58,638,781
Commercial papers	321,757	
Corporate issued notes	314,090	112,077
Treasury bills	757	
Agency notes		86,634
	<b>\$ 58,467,326</b>	<b>\$ 70,371,977</b>

**4. SHORT-TERM INVESTMENTS**

	<b>September 30</b>	
	<b>2005</b>	<b>2004</b>
Corporate bonds	\$ 12,908,090	\$ 11,237,187
Agency bonds	12,545,700	6,170,661
Corporate issued asset-backed securities	12,174,184	10,398,842
Bond funds	8,032,153	10,407,891
Government bonds	3,170,453	5,160,321
Corporate issued notes	265,958	67,927
Money market funds	58,184	
Listed stocks	6,528	6,528
Government bonds acquired under repurchase agreements		2,577,163
Commercial papers		101,861
	49,161,250	46,128,381
Allowance for valuation losses	(339,280)	
	\$ 48,821,970	\$ 46,128,381
Market value	\$ 48,821,970	\$ 46,201,834

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 specified in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. As of September 30, 2005, 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, agency bonds, asset-backed securities, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

**5. INVENTORIES, NET**

	<b>September 30</b>	
	<b>2005</b>	<b>2004</b>
Finished goods	\$ 2,018,670	\$ 2,463,121
Work in process	12,481,841	10,324,213
Raw materials	1,200,996	721,880
Supplies and spare parts	712,116	851,071
	16,413,623	14,360,285
Allowance for losses	(1,343,559)	(1,731,820)
	\$ 15,070,064	\$ 12,628,465

**6. LONG-TERM INVESTMENTS**

	September 30			
	2005	% of	2004	% of
	Carrying Amount	Owner- ship	Carrying Amount	Owner- ship
Equity method				
TSMC International Investment Ltd. (TSMC International)	\$ 24,186,711	100	\$ 24,904,849	100
TSMC (Shanghai) Company Limited (TSMC Shanghai)	9,888,482	100	5,947,953	100
Vanguard International Semiconductor Corporation (VIS)	5,209,161	27	4,993,394	28
TSMC Partners, Ltd. (TSMC Partners)	4,084,085	100	4,150,226	100
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	3,906,083	32	3,469,018	32
Emerging Alliance Fund, L.P. (Emerging Alliance)	853,754	99	865,937	99
TSMC North America (TSMC North America)	846,477	100	473,629	100
VentureTech Alliance Fund II, L.P. (VTAF II)	488,940	98	327,876	98
Global Unichip Corporation (GUC)	429,936	46	375,466	47
TSMC Japan K. K. (TSMC Japan)	99,061	100	100,901	100
Chi Cherng Investment Co., Ltd. (Chi Cherng)	78,068	36	51,314	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	77,348	36	50,999	36
VisEra Technologies Company, Ltd. (VisEra)	63,858	25	56,212	25
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	23,582	100	24,464	100
	50,235,546		45,792,238	
Cost method				
Non-publicly traded stocks	472,500		432,500	
Funds	301,873		284,799	
	774,373		717,299	
Long-term bonds				
Government bonds	13,163,500		9,662,243	
Corporate bonds				
China Steel Corporation	2,915,834		1,095,503	
Taiwan Power Company	2,005,495		918,650	
Nan Ya Plastics Corporation	1,157,394			
Formosa Plastics Corporation	270,021			
Formosa Chemical & Fiber Corporation	134,929			
	19,647,173		11,676,396	
Other investments	8,301,360		7,917,920	

\$ 78,958,452

\$ 66,103,853

For the nine months ended September 30, 2005 and 2004, net investment loss and income recognized from the equity method investees was NT\$1,277,187 thousand and NT\$3,431,747 thousand, respectively. The carrying amounts of investments accounted for under the equity method and the related investment loss or income were determined based on the reviewed financial statements of the investees as of and for the same periods as the Company.

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Other investments consisted of the following structured time-deposits:

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
September 30, 2005				
Step-up callable deposits				
Foreign bank	\$ 1,000,000	\$ 422	1.40%-1.50%	Jun. 2007
Callable range accrual deposits				
Foreign bank	7,301,360	27,871	(see below)	Sep. 2009-Jan. 2010
	\$ 8,301,360	\$ 28,293		
September 30, 2004				
Step-up callable deposits				
Domestic bank	\$ 2,000,000	\$ 9,655	2.05%-2.20%	Jul. 2007-Aug. 2007
Foreign bank	5,238,240	29,716	1.44%-7.00%	Jul. 2006-Jun. 2009
Callable range accrual deposits				
Foreign bank	679,680	385	(see below)	Sep. 2009
	\$ 7,917,920	\$ 39,756		

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

As of September 30, 2005 and 2004, deposits that resided in banks located in Hong Kong amounted to NT\$2,655,040 thousand and NT\$2,378,880 thousand, respectively; those that resided in banks located in Singapore amounted to NT\$663,760 thousand and zero, respectively.

## 7. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	<b>September 30</b>	
	<b>2005</b>	<b>2004</b>
Buildings	\$ 41,091,353	\$ 33,972,806
Machinery and equipment	300,003,419	247,397,596
Office equipment	5,422,595	4,438,074
	\$ 346,517,367	\$ 285,808,476

There was no capitalized interest for the nine months ended September 30, 2005. Interest expense for the nine months ended September 30, 2004 was NT\$1,139,881 thousand (before deducting the amount capitalized of NT\$262,109 thousand for the nine months ended September 30, 2004). The interest rate used for the purpose of calculating the capitalized amount was 2.80% for the nine months ended September 30, 2004.



**8. DEFERRED CHARGES, NET**

	<b>September 30</b>	
	<b>2005</b>	<b>2004</b>
Technology license fees	\$ 5,410,933	\$ 7,024,803
Software and system design costs	1,828,117	2,248,598
Other	83,394	246,909
	<b>\$ 7,322,444</b>	<b>\$ 9,520,310</b>

**9. BONDS PAYABLE**

	<b>September 30</b>	
	<b>2005</b>	<b>2004</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 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 payments, 2.6%, 2.75% and 3% interest payable annually, respectively	15,000,000	15,000,000
	<b>\$ 30,000,000</b>	<b>\$ 35,000,000</b>

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

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

**10. OTHER LONG-TERM PAYABLES**

Most of the payables resulted from license arrangements related to semiconductor-related patents. Future payments for other long-term payables as of September 30, 2005 were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2005 (4 <sup>th</sup> quarter)	\$ 1,031,062
2006	485,374
2007	464,632

(Continued)



<b>Year of Repayment</b>	<b>Amount</b>
2008	\$ 265,504
2009	265,504
2010 and thereafter	531,008
	3,043,084
Current portion (under accrued expenses and other current liabilities)	(1,516,436)
	\$ 1,526,648

## 11. PENSION PLANS

The Labor Pension Act became effective on July 1, 2005 and this pension mechanism is deemed a defined contribution plan. The employees who were subject to the Labor Standards Law prior to the enforcement of this Act may choose to be subject to the pension mechanism under this Act or may continue to be subject to the pension mechanism under the Labor Standards Law. For those employees who were subject to the Labor Standards Law prior to July 1, 2005 and still work for the same company after July 1, 2005 and choose to be subject to the pension mechanism under this Act, their seniority as of July 1, 2005 shall be maintained. The Act prescribe that the rate of contribution by an employer to employees' pension accounts per month shall not be less than 6% of each employee's monthly salary or wage. The Company has made monthly contributions based on each employee's salary or wage to employees' pension accounts starting from July 1, 2005, and recognized pension costs of NT\$127,170 thousand for the third quarter of 2005.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary or wage 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.

For the nine months ended September 30, 2005 and 2004, changes in the Fund and accrued pension cost under the defined benefit plan are summarized as follows:

	<b>Nine Months Ended September 30</b>	
	<b>2005</b>	<b>2004</b>
The Fund		
Balance, beginning of period	\$ 1,428,001	\$ 1,191,702
Contribution	168,958	170,709
Interest	15,629	15,562
Payment	(8,419)	(1,446)
Balance, end of period	\$ 1,604,169	\$ 1,376,527
Accrued pension cost		
Balance, beginning of period	\$ 3,101,196	\$ 2,600,251
Accruals	350,475	374,755

Balance, end of period	\$ 3,451,671	\$ 2,975,006
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**12. INCOME TAX**

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

	<b>Nine Months Ended September 30</b>	
	<b>2005</b>	<b>2004</b>
Income tax expense based on income before income tax at statutory rate (25%)	\$ (14,604,548)	\$ (17,421,239)
Tax-exempt income	8,120,128	10,261,110
Temporary and permanent differences	(909,174)	83,509
Current income tax expense before income tax credits	\$ (7,393,594)	\$ (7,076,620)

b. Income tax benefit consisted of the following:

Current income tax expense before income tax credits	\$ (7,393,594)	\$ (7,076,620)
Additional tax at 10% on unappropriated earnings	(1,489,709)	(821,767)
Income tax credits	7,771,188	7,898,387
Other income tax adjustments	39,749	(427,552)
Net change in deferred income tax assets and liabilities		
Investment tax credits	2,297,281	266,173
Temporary differences	1,530,726	755,306
Adjustments in valuation allowances	(1,498,931)	(146,901)
Income tax benefit	\$ 1,256,710	\$ 447,026

c. Net deferred income tax assets consisted of the following:

	<b>September 30</b>	
	<b>2005</b>	<b>2004</b>
Current deferred income tax assets		
Investment tax credits	\$ 1,781,000	\$ 2,471,000
Non-current deferred income tax assets, net		
Investment tax credits	\$ 26,400,865	\$ 23,445,067
Temporary differences	(919,809)	(2,730,145)
Valuation allowances	(14,438,977)	(12,918,748)
	\$ 11,042,079	\$ 7,796,174

d. Integrated income tax information:

The balance of the imputation credit account as of September 30, 2005 and 2004 was NT\$20,087 thousand and zero, respectively.

The expected and actual creditable ratios for distribution of earnings of 2004 and 2003 were 0.11% and 0.03%, respectively.

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

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

f. As of September 30, 2005, investment tax credits consisted of the following:

<b>Regulation</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 134,467	\$	2005
		4,886,421	444,770	2006
		4,139,292	4,139,292	2007
		11,007,504	11,007,504	2008
		3,361,988	3,361,988	2009
		\$ 23,529,672	\$ 18,953,554	
Statute for Upgrading Industries	Research and development expenditures	\$ 3,127,586	\$	2005
		3,346,930	3,346,930	2006
		1,976,913	1,976,913	2007
		2,332,557	2,332,557	2008
		1,480,613	1,480,613	2009
		\$ 12,264,599	\$ 9,137,013	
Statute for Upgrading Industries	Personnel training	\$ 29,448	\$	2005
		27,311	27,311	2006
		26,780	26,780	2007
		37,207	37,207	2008
		\$ 120,746	\$ 91,298	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 38,036	\$	2005

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

	<b>Tax-Exemption Period</b>
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 2001.



**13. LABOR COST, DEPRECIATION AND AMORTIZATION**

	<b>Nine Months Ended September 30, 2005</b>		
	<b>Classified</b>		
	<b>as</b>		
	<b>Classified</b>	<b>Operating</b>	
	<b>as</b>	<b>Expenses</b>	<b>Total</b>
	<b>Cost</b>		
	<b>of</b>		
	<b>Sales</b>		
	<b>Nine Months Ended September 30, 2004</b>		
	<b>Classified</b>		
	<b>as</b>		
	<b>Classified as</b>	<b>Operating</b>	
	<b>Cost of Sales</b>	<b>Expenses</b>	<b>Total</b>
Labor cost			
Salary	\$ 6,387,517	\$ 3,080,175	\$ 9,467,692
Labor and health insurance	418,441	230,945	649,386
Pension	353,123	194,811	547,934
Meal	280,127	108,133	388,260
Welfare benefit	111,854	67,835	179,689
Other	101,865	194,589	296,454
	\$ 7,652,927	\$ 3,876,488	\$ 11,529,415
Depreciation	\$ 41,070,901	\$ 1,823,129	\$ 42,894,030
Amortization	\$ 1,904,560	\$ 1,653,849	\$ 3,558,409

**14. SHAREHOLDERS EQUITY**

The Company has issued a total of 864,211 thousand ADSs which are traded on the NYSE as of September 30, 2005. The number of common shares represented by the ADSs is 4,321,053 thousand (one ADS represents five common shares).

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

As of September 30, 2005 and 2004, capital surplus consisted of the following:

	<b>September 30</b>	
	<b>2005</b>	<b>2004</b>
From merger	\$ 24,003,546	\$ 24,003,546
Additional paid-in capital	23,175,884	23,048,918
From convertible bonds	9,360,424	9,360,424
From long-term investments	145,441	116,157
From treasury stock transactions	91,690	
Donations	55	55
	<b>\$ 56,777,040</b>	<b>\$ 56,529,100</b>

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

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the Company's paid-in capital;
- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- c. Bonus to directors and supervisors and bonus to employees of the Company equal to not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors and supervisors. The Company may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve can be used to offset a deficit, or be distributed as dividends and bonuses for the portion in excess of 50% of the paid-in capital if the Company has no unappropriated earnings and the reserve balance has exceeded 50% of the Company's paid-in capital. The Company Law also prescribes that, when the reserve has reached 50% of the Company's paid-in capital, only 50% of the reserve may be transferred to capital.

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

The appropriations of earnings for 2004 and 2003 had been approved in the shareholders' meetings held on May 10, 2005 and May 11, 2004, respectively. The appropriations and dividends per share are as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal	For Fiscal	For	For
	Year 2004	Year 2003	Fiscal Year 2004	Fiscal Year 2003
Legal capital reserve	\$ 8,820,201	\$ 4,725,870		
Special capital reserve	2,226,427	(68,945)		
Employees' profit sharing in cash	3,086,215	681,628		
Employees' profit sharing in stock	3,086,215	2,726,514		
Cash dividends to preferred shareholders		184,493	\$	\$ 0.35
Cash dividends to common shareholders	46,504,097	12,159,971	2.00	0.60
Stock dividends to common shareholders	11,626,024	28,373,267	0.50	1.41
Bonus to directors and supervisors	231,466	127,805		
	\$ 75,580,645	\$ 48,910,603		

The amounts of the above appropriations of earnings for 2004 and 2003 are consistent with the resolutions of the meetings of the Board of Directors held on February 22, 2005 and February 17, 2004, respectively. However, the Company Law prescribes that TSMC, as a holder of treasury stock, shall not participate in the appropriation of earnings. Therefore, the actual cash dividend per share and stock dividend per share are slightly more than those in the aforementioned resolutions. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged against earnings for 2004 and 2003, the after income tax basic earnings per share for the years ended December 31, 2004 and 2003 would have decreased from NT\$3.97 to NT\$3.70 and NT\$2.33 to NT\$2.15, respectively. The shares distributed as a bonus to employees represented 1.33% and 1.35% of the Company's total outstanding common shares as of December 31, 2004 and 2003, respectively.

The above information about the appropriations of bonus to employees, 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.

#### 15. STOCK-BASED COMPENSATION PLANS

The Company's Employee Stock Option Plans under the 2005 Plan, 2003 Plan and 2002 Plan were approved by the SFB on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under the 2005 Plan, the 2003 Plan and the 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each unit eligible to subscribe to one common share when exercisable. The options may be granted to qualified employees of 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 options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the grant date.

Units that had never been granted or had been granted and subsequently cancelled under the 2003 Plan and the 2002 Plan were expired as of September 30, 2005.

Information about outstanding stock options for the nine months ended September 30, 2005 and 2004 was as follows:

	<b>Number of Options (in Thousands)</b>	<b>Weighted- Average Exercise Price (NT\$)</b>
Nine months ended September 30, 2005		
Balance, beginning of period	64,367	\$40.5
Options granted	14,864	48.4
Options exercised	(4,160)	39.9
Options cancelled	(3,777)	43.5
Balance, end of period	71,294	42.1
Nine months ended September 30, 2004		
Balance, beginning of period	49,357	\$43.0
Options granted	20,399	47.3
Options cancelled	(4,255)	45.9
Balance, end of period	65,501	44.1

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

As of September 30, 2005, information about outstanding and exercisable options was as follows:

	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>
29.9-42.1	48,690	7.34	38.8	28,743	38.6
47.0-54.5	22,604	9.07	49.2		
	71,294			28,743	

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

	<b>Nine Months Ended September 30</b>	
	<b>2005</b>	<b>2004</b>
<b>Assumptions:</b>		
Expected dividend yield	1.00%-3.44%	1.00 %
Expected volatility	43.77%-46.15%	43.19%-43.25%
Risk free interest rate	3.07%-3.85%	3.07%-3.85%
Expected life	5 years	5 years
<b>Net income:</b>		
Net income as reported	\$ 59,674,900	\$ 70,131,981
Pro forma net income	59,591,795	70,092,754
<b>Earnings per share (EPS) after income tax (NT\$):</b>		
Basic EPS as reported	\$ 2.42	\$ 2.84
Pro forma basic EPS	2.41	2.83
Diluted EPS as reported	2.42	2.83
Pro forma diluted EPS	2.41	2.83

The estimated weighted average fair value per unit for the options granted during the nine months ended September 30, 2005 and 2004 was NT\$ 17.69 and NT\$19.73, respectively.

## **16. TREASURY STOCK**

	<b>Beginning Shares</b>	<b>Increase/ Distribute</b>	<b>(Shares in Thousands)</b>	
			<b>Decrease</b>	<b>Ending Shares</b>
Nine months ended September 30, 2005				
Reclassification of parent company stock held by subsidiaries from long-term investments	45,521	2,242	955	46,808
Nine months ended September 30, 2004				
Reclassification of parent company stock held by subsidiaries from long-term investments	40,597	5,676	303	45,970
Repurchase under share buyback plan		124,720	124,720	
	40,597	130,396	125,023	45,970

Proceeds from the sales of treasury stock for the nine months ended September 30, 2005 and 2004 were NT\$52,273 thousand and NT\$18,218 thousand, respectively. As of September 30, 2005 and 2004, the book value of the treasury stock was NT\$1,550,112 thousand and NT\$1,616,669 thousand, respectively; the market value was NT\$2,456,486 thousand and NT\$2,056,707 thousand, respectively. The Company's stock held by its subsidiaries are treated as

treasury stock and the holders are entitled to the rights of shareholders. However, starting from June 24, 2005, pursuant to the revised Company Law, the holders are no longer entitled to the right to vote.

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 cost of NT\$7,059,798 thousand. All the treasury stock repurchased under the buyback plan was retired on August 16, 2004.

### 17. EARNINGS PER SHARE

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (in Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Nine months ended September 30, 2005					
Basic EPS					
Income available to common shareholders	\$ 58,418,190	\$ 59,674,900	24,677,788	\$ 2.37	\$ 2.42
Effect of dilutive potential common stock    stock options			12,110		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	\$ 58,418,190	\$ 59,674,900	24,689,898	\$ 2.37	\$ 2.42
Nine months ended September 30, 2004					
Basic EPS					
Income available to common shareholders	\$ 69,684,955	\$ 70,131,981	24,731,837	\$ 2.82	\$ 2.84
Effect of dilutive potential common stock    stock options			7,172		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	\$ 69,684,955	\$ 70,131,981	24,739,009	\$ 2.82	\$ 2.83

### 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 Shanghai
- TSMC North America
- TSMC Europe
- TSMC Japan

d. Investees

- GUC (with controlling financial interest)
- VisEra (with controlling financial interest)
- VIS (accounted for using equity method)
- SSMC (accounted for using equity method)



## e. Indirect subsidiaries

WaferTech, LLC (WaferTech)

TSMC Technology, Inc. (TSMC Technology)

The transactions with the aforementioned parties, except for those disclosed in other notes, are summarized as follows:

	2005		2004	
	Amount	%	Amount	%
For the nine months ended September 30				
Sales				
TSMC North America	\$ 106,026,297	57	\$ 107,409,697	55
Philips	2,145,073	1	3,980,051	2
Others	486,276		325,335	
	\$ 108,657,646	58	\$ 111,715,083	57
Purchases				
WaferTech	\$ 7,860,055	29	\$ 11,576,543	34
SSMC	3,611,658	14	4,604,370	14
VIS	3,300,928	12	6,912,218	21
TSMC Shanghai	586,889	2		
	\$ 15,359,530	57	\$ 23,093,131	69
Manufacturing expenses technical assistance fees Philips (Note 21a)				
	\$ 392,083		\$ 1,022,446	1
Marketing expenses commission				
TSMC Japan	\$ 185,295	19	\$ 193,748	18
TSMC Europe	167,142	17	157,833	15
	\$ 352,437	36	\$ 351,581	33
General and administrative expenses rental expense				
GUC	\$ 12,348		\$	
Proceeds from disposal of property, plant and equipment				

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TSMC Shanghai	\$	125,381	43	\$	2,806,462	90
VIS					32,960	1

	\$	125,381	43	\$	2,839,422	91
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Non-operating income and gains

SSMC (primarily technical service income, see Note 21g)	\$	226,738	6	\$	293,727	5
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VIS (primarily technical service income, see Note 21j)		140,086	4		111,983	2
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TSMC Shanghai (primarily from deferred gain realized for disposal of property, plant and equipment)		122,514	3			
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(Continued)

	2005		2004	
	Amount	%	Amount	%
VisEra	\$ 16,387		\$ 22,876	1
WaferTech			2,901	
	\$ 505,725	13	\$ 431,487	8
September 30				
Receivables				
TSMC North America	\$ 22,728,468	99	\$ 19,404,280	98
Philips	308,335	1	432,040	2
Others	1		58,616	
	\$ 23,036,804	100	\$ 19,894,936	100
Other receivables				
TSMC Technology	\$ 717,685	43	\$ 3,039	
TSMC North America	445,856	27	77,277	3
SSMC	314,569	19	68,757	2
TSMC Shanghai	104,705	6	2,807,784	91
VIS (Primarily resulted from technical service income, see Note 21j)	63,293	4	102,533	3
Others	4,570	1	24,594	1
	\$ 1,650,678	100	\$ 3,083,984	100
Payables				
WaferTech	\$ 970,004	29	\$ 1,104,866	20
VIS	739,543	22	1,916,758	34
Philips	701,096	21	1,923,537	34
SSMC	596,493	18	637,115	11
TSMC Shanghai	211,880	6		
Others	131,889	4	56,747	1
	\$ 3,350,905	100	\$ 5,639,023	100
Other long-term payables				
Philips (Note 21a)	\$ 1,111,798	100	\$ 2,468,088	100

Deferred credits					
TSMC Shanghai	\$	681,978	60	\$	598,350 100

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

The Company deferred the gains derived from sales of property, plant and equipment to TSMC Shanghai, and then recognized such gains over the depreciable lives of the disposed assets.

**19. SIGNIFICANT LONG-TERM LEASES**

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

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

Year	Amount
2005 (4 <sup>th</sup> quarter)	\$ 63,992
2006	251,415
2007	251,415
2008	233,250
2009	227,195
2010 and thereafter	1,292,511
	\$ 2,319,778

## 20. SETTLEMENT INCOME

TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation (SMIC), SMIC (Shanghai) and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple TSMC patents and misappropriated TSMC's trade secrets. These suits have been settled out of court on January 30, 2005. As part of the settlement, SMIC will pay TSMC US\$175 million over six years to resolve TSMC's claims.

## 21. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of September 30, 2005 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. The term of this agreement is for five years beginning January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. The agreement was automatically renewed in 1992 and 1997 and on January 1, 2002.
- c. 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 September 30, 2005, the Company had a total of US\$70,868 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 September 30, 2005, the Company's equity interest in SSMC was 32%. The Company and Philips committed to buy specific percentages of the production capacity of SSMC. The Company and Philips are required, in the aggregate, to purchase up to 70% of SSMC's full capacity, but the Company along is not required to purchase more than 28% of the annual installed capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall 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, Freescale Semiconductor, 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 Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company will pay royalties to Freescale Semiconductor, 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 prices as agreed by the parties.
- k. Amounts available under unused letters of credit as of September 30, 2005 were NT\$6,480 thousand.
- l. The Company provided guarantees on loans amounting to US\$30,000 thousand and US\$40,000 thousand for TSMC Development, Inc. (TSMC Development) and TSMC-North America, respectively.

## **22. 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 or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 7 attached;

j. Financial instrument transactions:

1) Derivative financial instruments

The Company and TSMC-Shanghai entered into derivative financial instrument transactions during the nine months ended September 30, 2005 and 2004 to manage exposures related to foreign-exchange rate and interest rate fluctuations. Certain information on these contracts was as follows:

- a) Outstanding forward exchange contracts as of September 30, 2005 and 2004
  - i) The Company

	<b>Financial Instruments</b>	<b>Currency</b>	<b>Maturity</b>	<b>Notional Amount (in Thousands)</b>
September 30, 2005				
	Sell	US\$/NT\$	Oct. 2005 to Dec. 2005	US\$ 680,000
September 30, 2004				
	Sell	US\$/EUR	Oct. 2004	US\$ 33,723
	Sell	US\$/NT\$	Oct. 2004 to Apr. 2005	US\$2,351,000
	Sell	EUR/US\$	Nov. 2004	EUR 58,500

As of September 30, 2005 and 2004, receivables resulted from forward exchange contracts (included in the other financial assets account) aggregated approximately NT\$210 thousand and NT\$27,881 thousand, respectively; payables resulted from forward exchange contracts (included in the other current liabilities account) aggregated approximately NT\$277,384 thousand and NT\$887,272 thousand, respectively.





- ii) As of September 30, 2005, TSMC Shanghai did not have any outstanding forward exchange contracts. TSMC-Shanghai did not enter into any derivative financial instrument contracts during the nine months ended September 30, 2004.
- b) Cross currency swap contracts

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

<b>Maturity Date</b>	<b>Notional Amount (in Thousands) (US\$/NT\$)</b>	<b>Range of Interest Rate Paid</b>	<b>Range of Interest Rate Received</b>
Oct. 2005 to Dec. 2005	US\$1,574,000	3.65%-4.01%	1.17%-1.38%

As of September 30, 2005, payables resulted from cross currency swap contracts (included in the other current liabilities account) were NT\$1,148,301 thousand.

The Company did not enter into any cross currency swap contracts during the nine months ended September 30, 2004.

- c) Option contracts

Outstanding option contracts as of September 30, 2005 were as follows:

<b>Type</b>	<b>Buy/Sell</b>	<b>Financial Instrument</b>	<b>Notional Amount (in Thousands)</b>	<b>Maturity</b>
European	Sell	Call	US\$10,000	Oct. 2005
European	Buy	Put	US\$10,000	Oct. 2005

The Company did not enter into any foreign currency option contracts during the nine months ended September 30, 2004.

During the nine months ended September 30, 2005 and 2004, the net exchange gain or loss arising from forward exchange contracts, cross currency swap contracts and foreign currency option contracts was recognized in the foreign exchange loss, net account and the difference in interest was recorded in interest income or expense.

- d) Interest rate swap contracts

The Company rescinded all outstanding interest rate swap contracts in the first quarter of 2005 before their original maturities. The rescission loss of NT\$28,295 thousand was recognized in the interest expense account. There were no outstanding contracts as of September 30, 2005.

Outstanding contracts as of September 30, 2004 were as follows:

<b>Contract Date</b>	<b>Period</b>	<b>Notional Amount (in Thousands)</b>
Sep. 2003	Sep. 2003 to Dec. 2005	NT\$500,000
Oct. 2003	Oct. 2003 to Dec. 2005	NT\$500,000
Oct. 2003	Oct. 2003 to Dec. 2005	NT\$500,000
Oct. 2003	Oct. 2003 to Dec. 2005	NT\$500,000
Oct. 2003	Oct. 2003 to Dec. 2005	NT\$500,000
Nov. 2003	Nov. 2003 to Dec. 2005	NT\$500,000

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 to be incurred by the Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.
- ii) Market price risk. All derivative financial instruments are intended as hedges for fluctuations in foreign exchange rates and interest rates. Gains or losses from these hedging instruments are likely to be offset by gains or losses from the hedged items. Thus, market price risk is believed to be low.
- iii) Cash flow risk and the amount and period of future cash needs.

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

<b>Term</b>	<b>Inflow (In Thousands)</b>	<b>Outflow (In Thousands)</b>
Within one year	NT\$73,480,726	US\$2,254,000

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, cash flow risk is low.

2) Fair values of financial instruments were as follows:

	<b>September 30, 2005</b>		<b>September 30, 2004</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Non-derivative financial instruments				
Assets				
Short-term investments	\$48,821,970	\$48,821,970	\$46,128,381	\$46,201,834

Long-term investments (securities with market price)	33,185,986	37,744,005	24,627,466	27,584,817 (Continued)
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	September 30, 2005		September 30, 2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities				
Bonds payable (including current portion)	\$30,000,000	\$30,372,946	\$35,000,000	\$35,655,089
Derivative financial instruments				
Assets (liabilities)				
Forward exchange contracts (sell)	(285,258)	(236,202)	(787,029)	(349,631)
Cross currency swap contracts	(1,211,143)	(872,372)		
Option contracts		115		
Interest rate swap contracts			4,361	1,391

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

The above financial instruments also exclude refundable deposits, guarantee deposits, long-term investments that do not have quoted market prices 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 their carrying amount.

Fair values of financial instruments were determined as follows:

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

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

k. Information on investment in Mainland China

- 1) The name of the investee company in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, ratio of ownership, equity in the net gain or net loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Please see Table 8 attached.
- 2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 18.

**TABLE 1****TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES  
FINANCING PROVIDED****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

<b>Maximum Balance for</b>						<b>Reasons for</b>	
<b>the Period</b>	<b>Ending Balance</b>	<b>Type</b>	<b>of</b>	<b>Financing</b>	<b>Transaction Amounts</b>	<b>Short-term</b>	<b>Allowance for Bad Debt</b>
<b>(US\$ in Thousands)</b>	<b>(US\$ in Thousands)</b>	<b>Interest Rate</b>	<b>(Note</b>	<b>1)</b>		<b>Financing</b>	
\$1,991,280 ( US\$ 60,000)	\$1,991,280 ( US\$ 60,000)	1.50%	2		\$	Operating capital	\$
2,655,040 ( US\$ 80,000)	995,640 ( US\$ 30,000)	1.50%	2			Operating capital	

Note 1: The type 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 NINE MONTHS ENDED SEPTEMBER 30, 2005  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Counter-party	Limits on Each					Ratio of Accumul Amount of Collater to Net Equity of the Lates	
Provider	Name	Nature of Counter-party s	Maximum	Balance for the Period	Ending Balance	Value of Collateral Property, Plant and Equipment	Statement
	Relationship	Endorsement/ Guarantee Amounts	(US\$ in Thousands)	(US\$ in Thousands)	(US\$ in Thousands)		
	TSMC Development	3	Not exceed 10% of the net worth of the Company, and be also limited to the paid-in capital of the endorsement/guarantee company, unless otherwise approved by Board of Directors.	\$1,991,280 (US\$ 60,000)	\$995,640 (US\$ 30,000)	\$	0.24%
	TSMC-North America	2		1,327,520 (US\$ 40,000)	1,327,520 (US\$ 40,000)		0.32%

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

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

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

**TABLE 3****TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEES  
MARKETABLE SECURITIES HELD****SEPTEMBER 30, 2005****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

		September 30, 2005				
Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or
						Net Asset Value (US\$ in Thousands)
		Short-term investment		US\$ 79,596	N/A	US\$ 79,036
		Short-term investment		US\$ 6,881	N/A	US\$ 6,842
		Short-term investment		300,472	N/A	300,327
		Long-term investment		357,312	N/A	356,855
		Long-term investment		3,390,177	N/A	3,389,075
		Long-term investment		2,349,870	N/A	2,349,084
		Long-term investment		3,897,408	N/A	3,893,678
es A		Long-term investment		620,000	N/A	620,000
		Long-term investment		2,548,733	N/A	2,545,963
		Short-term investment	63,131	856,359	N/A	872,537
		Short-term investment	134,906	1,956,175	N/A	1,998,144
		Short-term investment	62,009	908,656	N/A	929,995
		Short-term investment	47,945	688,755	N/A	701,606
		Short-term investment	69,303	771,617	N/A	789,206
		Short-term investment	104,715	1,450,592	N/A	1,475,703
		Short-term investment	3,764	600,000	N/A	608,756
		Short-term investment	18,235	200,000	N/A	203,178
und		Short-term investment	41,568	600,000	N/A	607,561
		Short-term investment	1,787	6,528		25,479
Subsidiary		Long-term investment	11,000	846,477	100	1,478,514
Subsidiary		Long-term investment		23,582	100	23,582
Subsidiary		Long-term investment	6	99,061	100	99,061
Investee accounted for using equity method		Long-term investment	437,891	5,209,161	27	10,071,493
Subsidiary		Long-term investment	987,968	24,186,711	100	24,186,711
Subsidiary		Long-term investment	300	4,084,085	100	4,084,085
Investee accounted for using equity method		Long-term investment	382	3,906,083	32	3,906,083

Treasury stock o



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Investee with controlling financial interest	Long-term investment	40,172	429,936	46	453,957
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(Continued)

		September 30, 2005					
Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Percentage		Assessable Value (US\$)
					Value (US\$ in Thousands)	of Ownership (%)	
	VisEra	Investee with controlling financial interest	Long-term investment	5,100	\$ 63,858	25	\$
	United Industrial Gases Co., Ltd.		Long-term investment	16,783	193,584	10	
	Shin-Etsu Handotai Taiwan Co., Ltd.		Long-term investment	10,500	105,000	7	
	W.K. Technology Fund IV		Long-term investment	4,000	40,000	2	
	Hontung Venture Capital Co., Ltd.		Long-term investment	8,392	83,916	10	
	Gobaltop Partner I Venture Capital Corp.		Long-term investment	5,000	50,000	1	
	Corporate bonds						
	Formosa Petrochemical Corporation		Short-term investment		311,568	N/A	
	Abbott Labs		Short-term investment		US\$ 1,581	N/A	US\$
	Abbott Labs		Short-term investment		US\$ 2,732	N/A	US\$
	Ace Ltd.		Short-term investment		US\$ 1,046	N/A	US\$
	AIG Sunamerica Global Fing Ix		Short-term investment		US\$ 1,032	N/A	US\$
	Allstate Life Global Fdg Secd		Short-term investment		US\$ 2,998	N/A	US\$
	Alltel Corp.		Short-term investment		US\$ 609	N/A	US\$
	American Express Co.		Short-term investment		US\$ 3,550	N/A	US\$
	American Gen Fin Corp.		Short-term investment		US\$ 1,768	N/A	US\$
	American Gen Fin Corp. Mtn		Short-term investment		US\$ 1,058	N/A	US\$
	American Gen Fin Corp. Mtn		Short-term investment		US\$ 3,130	N/A	US\$
	American Honda Fin Corp. Mtn		Short-term investment		US\$ 3,800	N/A	US\$

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American Intl Group Inc. Mtnf	Short-term investment				
Ameritech Capital Funding Co.	Short-term investment	US\$	3,795	N/A	US\$
Amgen Inc.	Short-term investment	US\$	510	N/A	US\$
Amsouth Bk Birmingham Ala	Short-term investment	US\$	3,005	N/A	US\$
Anz Cap Tr I	Short-term investment	US\$	1,972	N/A	US\$
Associates Corp. North Amer	Short-term investment	US\$	1,012	N/A	US\$
Bank New York Inc.	Short-term investment	US\$	2,700	N/A	US\$
Bank New York Inc.	Short-term investment	US\$	1,972	N/A	US\$
Bank Scotland Treas Svcs Plc	Short-term investment	US\$	1,525	N/A	US\$
Bank Utd Houston Tx Mtn	Short-term investment	US\$	2,715	N/A	US\$
Bear Stearns Cos Inc.	Short-term investment	US\$	580	N/A	US\$
Bear Stearns Cos Inc.	Short-term investment	US\$	3,518	N/A	US\$
Beneficial Corp. Mtn Bk Entry	Short-term investment	US\$	3,757	N/A	US\$
Berkshire Hathaway Fin Corp.	Short-term investment	US\$	2,434	N/A	US\$
British Telecommunications Plc	Short-term investment	US\$	1,498	N/A	US\$
Cargill Inc.	Short-term investment	US\$	2,104	N/A	US\$
Caterpillar Finl Svcs Mtn	Short-term investment	US\$	2,120	N/A	US\$
Chase Manhattan Corp. New	Short-term investment	US\$	5,721	N/A	US\$
Chase Manhattan Corp. New	Short-term investment	US\$	1,628	N/A	US\$
Chubb Corp.	Short-term investment	US\$	2,246	N/A	US\$
Cit Group Hldgs Inc.	Short-term investment	US\$	2,138	N/A	US\$
Citicorp	Short-term investment	US\$	3,203	N/A	US\$
Cogentrix Energy Inc.	Short-term investment	US\$	1,473	N/A	US\$
Colonial Pipeline Co.	Short-term investment	US\$	2,885	N/A	US\$
Consolidated Edison Co. Ny Inc.	Short-term investment	US\$	1,625	N/A	US\$
		US\$	3,688	N/A	US\$

Short-term  
investment

(Continued)

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September 30, 2005

Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Type
	Corestates Cap Corp.		Short-term investment		US\$ 1,062	N/A	U
	Countrywide Fdg Corp. Mtn		Short-term investment		US\$ 3,500	N/A	U
	Countrywide Fdg Corp. Mtn		Short-term investment		US\$ 2,100	N/A	U
	Countrywide Finl Corp.		Short-term investment		US\$ 3,000	N/A	U
	Countrywide Home Lns Inc.		Short-term investment		US\$ 5,210	N/A	U
	Credit Suisse Fb USA Inc.		Short-term investment		US\$ 4,141	N/A	U
	Credit Suisse Fincl Products		Short-term investment		US\$ 1,507	N/A	U
	Credit Suisse First Boston		Short-term investment		US\$ 786	N/A	U
	Credit Suisse First Boston USA		Short-term investment		US\$ 2,249	N/A	U
	Daimlerchrysler North Amer		Short-term investment		US\$ 997	N/A	U
	Daimlerchrysler North Amer Hld		Short-term investment		US\$ 749	N/A	U
	Dayton Hudson Corp.		Short-term investment		US\$ 2,104	N/A	U
	Deere John Cap Corp.		Short-term investment		US\$ 5,079	N/A	U
	Dell Computer Corp.		Short-term investment		US\$ 3,054	N/A	U
	Den Danske Bk Aktieselskab		Short-term investment		US\$ 2,192	N/A	U
	Diageo Plc		Short-term investment		US\$ 3,459	N/A	U
	Dow Chem Co.		Short-term investment		US\$ 921	N/A	U
	European Invt Bk		Short-term investment		US\$ 3,918	N/A	U
	European Invt Bk		Short-term investment		US\$ 8,315	N/A	U
	Fifth Third Bk Cincinnati OH		Short-term investment		US\$ 2,419	N/A	U

	Short-term investment			
First Data Corp.	Short-term investment	US\$	3,013	N/A
Fleet Boston Corp.	Short-term investment	US\$	2,850	N/A
Fleet Finl Group Inc. New	Short-term investment	US\$	975	N/A
Fleet Finl Group Inc. New	Short-term investment	US\$	494	N/A
Fpl Group Cap Inc.	Short-term investment	US\$	1,001	N/A
Fpl Group Cap Inc.	Short-term investment	US\$	860	N/A
Gannett Co Inc.	Short-term investment	US\$	2,999	N/A
General Elec Cap Corp. Mtn	Short-term investment	US\$	3,989	N/A
General Elec Cap Corp. Mtn	Short-term investment	US\$	8,862	N/A
General Re Corp.	Short-term investment	US\$	3,500	N/A
Genworth Finl Inc.	Short-term investment	US\$	3,412	N/A
Goldman Sachs Group Inc.	Short-term investment	US\$	3,477	N/A
Goldman Sachs Group LP	Short-term investment	US\$	1,637	N/A
Greenpoint Finl Corp.	Short-term investment	US\$	974	N/A
Gte Corp.	Short-term investment	US\$	2,134	N/A
Hancock John Global Fdg II Mtn	Short-term investment	US\$	3,566	N/A
Hancock John Global Fdg Mtn	Short-term investment	US\$	1,003	N/A
Hartford Finl Svcs Group Inc.	Short-term investment	US\$	296	N/A
Hartford Finl Svcs Group Inc.	Short-term investment	US\$	1,435	N/A
Hbos Plc Medium Term Sr Nts	Short-term investment	US\$	3,201	N/A
Hbos Plc Meduim Term Sr Nts	Short-term investment	US\$	2,977	N/A
Heller Finl Inc.	Short-term investment	US\$	2,071	N/A
Hershey Foods Corp.	Short-term investment	US\$	1,627	N/A
Hewlett Packard Co.	Short-term investment	US\$	3,373	N/A
Honeywell Inc.	Short-term investment	US\$	3,284	N/A

Household Fin Corp.	Short-term investment			
	Short-term investment	US\$ 2,993	N/A	U

(Continued)

September 30, 2005

Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Type
	Household Fin Corp.		Short-term investment		US\$ 532	N/A	U
	Household Fin Corp. Mtn Bk Ent		Short-term investment		US\$ 3,542	N/A	U
	HSBC USA Inc. New		Short-term investment		US\$ 1,154	N/A	U
	Huntington Natl Bk		Short-term investment		US\$ 3,003	N/A	U
	Huntington Natl Bk Columbus OH		Short-term investment		US\$ 2,954	N/A	U
	ING Bank		Short-term investment		US\$ 2,114	N/A	U
	ING Sec Life Instl Fdg		Short-term investment		US\$ 2,544	N/A	U
	International Business Machs		Short-term investment		US\$ 2,249	N/A	U
	International Lease Fin Corp.		Short-term investment		US\$ 2,031	N/A	U
	International Lease Fin Corp.		Short-term investment		US\$ 2,455	N/A	U
	Intl Lease Fin Corp. Mtn		Short-term investment		US\$ 3,028	N/A	U
	JP Morgan Chase + Co.		Short-term investment		US\$ 3,406	N/A	U
	Jackson Natl Life Global Fdg		Short-term investment		US\$ 1,036	N/A	U
	Jackson Natl Life Global Fdg S		Short-term investment		US\$ 1,999	N/A	U
	JP Morgan Chase + Co.		Short-term investment		US\$ 3,663	N/A	U
	Key Bk Na Med Term Nts Bk Entr		Short-term investment		US\$ 4,450	N/A	U
	Keycorp Mtn Book Entry		Short-term investment		US\$ 3,500	N/A	U
	Kraft Foods Inc.		Short-term investment		US\$ 773	N/A	U
	Kraft Foods Inc.		Short-term investment		US\$ 1,037	N/A	U
	Lehman Brothers Hldgs Inc.		Short-term investment		US\$ 1,668	N/A	U



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Lehman Brothers Hldgs Inc.	Short-term investment	US\$ 499	N/A	U
Lehman Brothers Hldgs Inc.	Short-term investment	US\$ 3,705	N/A	U
Lehman Brothers Hldgs Inc.	Short-term investment	US\$ 1,163	N/A	U
Lincoln Natl Corp. In	Short-term investment	US\$ 519	N/A	U
Merita Bk Ltd. Ny Brh	Short-term investment	US\$ 538	N/A	U
Merrill Lynch + Co. Inc.	Short-term investment	US\$ 3,486	N/A	U
Merrill Lynch + Co. Inc.	Short-term investment	US\$ 1,992	N/A	U
Metropolitan Life Global Mtn	Short-term investment	US\$ 1,907	N/A	U
Monumental Global Fdg II	Short-term investment	US\$ 1,534	N/A	U
Monumental Global Fdg II 2002A	Short-term investment	US\$ 1,045	N/A	U
Morgan Stanley	Short-term investment	US\$ 2,136	N/A	U
Morgan Stanley Group Inc.	Short-term investment	US\$ 4,507	N/A	U
National City Corp.	Short-term investment	US\$ 3,426	N/A	U
National Westminster Bk Plc	Short-term investment	US\$ 1,433	N/A	U
Nationwide Bldg Soc	Short-term investment	US\$ 3,457	N/A	U
Nationwide Bldg Soc Mtn	Short-term investment	US\$ 3,000	N/A	U
Nationwide Life Global Mtn	Short-term investment	US\$ 1,463	N/A	U
Northern Rock Plc Medium Term	Short-term investment	US\$ 2,002	N/A	U
Pepsico Inc. Mtn Book Entry	Short-term investment	US\$ 3,818	N/A	U
Pnc Fdg Corp.	Short-term investment	US\$ 1,080	N/A	U
Popular North Amer Inc. Mtn	Short-term investment	US\$ 3,042	N/A	U
Premark Intl Inc.	Short-term investment	US\$ 2,954	N/A	U
Prcoa Global Fdg 1 Mtn	Short-term investment	US\$ 3,500	N/A	U
Protective Life Secd Trs	Short-term investment	US\$ 2,920	N/A	U
Prudential Ins Co. Amer	Short-term investment	US\$ 2,648	N/A	U

Prudential Ins Co. Amer	Short-term investment Short-term investment	US\$ 2,774	N/A	U
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(Continued)

							September 30, 2005
Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Value	Percentage of Ownership	
					(US\$ in Thousands)		
	Public Svc Elec Gas Co.		Short-term investment		US\$ 3,225	N/A	U
	Regions Finl Corp New		Short-term investment		US\$ 2,397	N/A	U
	Reinsurance Group Amer Inc.		Short-term investment		US\$ 2,091	N/A	U
	Royal Bk Scotland Group Plc		Short-term investment		US\$ 1,563	N/A	U
	Royal Bk Scotland Group Plc		Short-term investment		US\$ 369	N/A	U
	Safeco Corp.		Short-term investment		US\$ 765	N/A	U
	Sara Lee Corp.		Short-term investment		US\$ 1,596	N/A	U
	Sbc Communications Inc.		Short-term investment		US\$ 1,776	N/A	U
	Sbc Communications Inc.		Short-term investment		US\$ 3,681	N/A	U
	Scotland Intl Fin B V 144a		Short-term investment		US\$ 1,533	N/A	U
	Shell Finance (UK) Plc		Short-term investment		US\$ 3,604	N/A	U
	Slm Corp.		Short-term investment		US\$ 500	N/A	U
	Slm Corp. Medium Term Nts		Short-term investment		US\$ 2,950	N/A	U
	Sp Powerassests Ltd. Global		Short-term investment		US\$ 991	N/A	U
	St Paul Cos Inc. Mtn Bk Ent		Short-term investment		US\$ 2,661	N/A	U
	Suntrust Bks Inc.		Short-term investment		US\$ 1,062	N/A	U
	Swedbank Sparbanken Svenge Ab		Short-term investment		US\$ 1,084	N/A	U
	Tiaa Global Mkts Inc.		Short-term investment		US\$ 519	N/A	U
	Tribune Co. Med Trm Nts		Short-term investment		US\$ 2,943	N/A	U
	Unitedhealth Group Inc.		Short-term investment		US\$ 3,119	N/A	U

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	Short-term investment				
US Bk Natl Assn Cincinnati Oh	Short-term investment	US\$	2,669	N/A	U
Virginia Elec + Pwr Co.	Short-term investment	US\$	2,884	N/A	U
Vodafone Group Plc New	Short-term investment	US\$	2,559	N/A	U
Wal Mart Cda Venture Corp.	Short-term investment	US\$	3,670	N/A	U
Washington Mut Fin Corp.	Short-term investment	US\$	1,043	N/A	U
Washington Mut Inc.	Short-term investment	US\$	4,735	N/A	U
Washington Post Co.	Short-term investment	US\$	3,182	N/A	U
Wells Fargo + Co. New	Short-term investment	US\$	3,697	N/A	U
Westfield Cap Corp. Ltd.	Short-term investment	US\$	1,999	N/A	U
Wps Resources Corp.	Short-term investment	US\$	1,107	N/A	U
China Steel Corporation	Long-term investment		2,915,834	N/A	
Taiwan Power Company	Long-term investment		2,005,495	N/A	
Nan Ya Plastics Corporation	Long-term investment		1,157,394	N/A	
Formosa Plastics Corporation	Long-term investment		270,021	N/A	
Formosa Chemicals & Fiber Corporation	Long-term investment		134,929	N/A	
Agency bonds					
Fed Hm Ln Pc Pool 1H2520	Short-term investment	US\$	3,961	N/A	U
Fed Hm Ln Pc Pool 1H2524	Short-term investment	US\$	2,992	N/A	U
Fed Hm Ln Pc Pool E89857	Short-term investment	US\$	2,081	N/A	U
Fed Hm Ln Pc Pool G11295	Short-term investment	US\$	1,861	N/A	U
Federal Home Ln Mtg Corp.	Short-term investment	US\$	1,544	N/A	U
Federal Home Ln Mtg Corp.	Short-term investment	US\$	3,735	N/A	U
Federal Home Ln Mtg Corp.	Short-term investment	US\$	3,954	N/A	U
Federal Home Ln Mtg Corp.	Short-term investment	US\$	6,096	N/A	U
Federal Home Ln Mtg Corp.	Short-term investment	US\$	3,558	N/A	U

Short-term  
investment

(Continued)

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Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership	Type
					(US\$ in Thousands)		
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 5,142	N/A	U
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 3,890	N/A	U
	Federal Natl Mtg Assn		Short-term investment		US\$ 3,992	N/A	U
	Federal Natl Mtg Assn		Short-term investment		US\$ 487	N/A	U
	Federal Natl Mtg Assn		Short-term investment		US\$ 2,559	N/A	U
	Federal Natl Mtg Assn		Short-term investment		US\$ 4,030	N/A	U
	Federal Natl Mtg Assn		Short-term investment		US\$ 4,051	N/A	U
	Federal Natl Mtg Assn		Short-term investment		US\$ 2,222	N/A	U
	Federal Natl Mtg Assn Gtd		Short-term investment		US\$ 1,063	N/A	U
	Fnma Pool 254507		Short-term investment		US\$ 2,485	N/A	U
	Fnma Pool 254834		Short-term investment		US\$ 1,843	N/A	U
	Fnma Pool 685116		Short-term investment		US\$ 877	N/A	U
	Fnma Pool 725095		Short-term investment		US\$ 1,675	N/A	U
	Fnma Pool 730033		Short-term investment		US\$ 1,864	N/A	U
	Fnma Pool 740934		Short-term investment		US\$ 1,867	N/A	U
	Fnma Pool 790828		Short-term investment		US\$ 3,811	N/A	U
	Fnma Pool 793025		Short-term investment		US\$ 3,637	N/A	U
	Fnma Pool 793932		Short-term investment		US\$ 813	N/A	U
	Fnma Pool 794040		Short-term investment		US\$ 952	N/A	U
	Fnma Pool 795548		Short-term investment		US\$ 690	N/A	U

	Short-term investment				
Fnma Pool 806642	Short-term investment	US\$	1,712	N/A	U
Fnma Pool 816594	Short-term investment	US\$	2,811	N/A	U
Fnma Pool 825395	Short-term investment	US\$	3,345	N/A	U
Fnma Pool 825398	Short-term investment	US\$	5,007	N/A	U
Fnma Pool 841069	Short-term investment	US\$	3,966	N/A	U
Gnma II Pool 081150	Short-term investment	US\$	871	N/A	U
Gnma II Pool 081153	Short-term investment	US\$	3,240	N/A	U
Fed Hm Ln Pc	Short-term investment	US\$	3,466	N/A	U
Federal Farm Cr Bks	Short-term investment	US\$	3,985	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	2,454	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	2,990	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	3,932	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	4,997	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	2,962	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	4,927	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	3,976	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	4,136	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	4,939	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	7,886	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	2,233	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	4,965	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	7,558	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	8,594	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	3,972	N/A	U
Federal Home Ln Bks	Short-term investment	US\$	7,887	N/A	U

Federal Home Ln Bks	Short-term investment Short-term investment	US\$ 6,099	N/A	U
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(Continued)



September 30, 2005

Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in thousands)	Percentage of Ownership
	Federal Home Ln Bks		Short-term investment		US\$ 9,134	N/A
	Federal Home Ln Bks		Short-term investment		US\$ 3,379	N/A
	Federal Home Ln Bks		Short-term investment		US\$ 1,042	N/A
	Federal Home Ln Bks		Short-term investment		US\$ 2,532	N/A
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 4,933	N/A
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 3,388	N/A
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 999	N/A
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 3,987	N/A
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 9,997	N/A
	Federal Home Ln Mtg Corp.		Short-term investment		US\$ 6,980	N/A
	Federal Home Ln Mtg Corp. Mtn		Short-term investment		US\$ 4,930	N/A
	Federal Home Loan Corp.		Short-term investment		US\$ 7,989	N/A
	Federal Home Loan Mtg Assn		Short-term investment		US\$ 4,847	N/A
	Federal Home Loan Mtg Corp.		Short-term investment		US\$ 4,903	N/A
	Federal Natl Mtg Assn		Short-term investment		US\$ 6,903	N/A
	Federal Natl Mtg Assn		Short-term investment		US\$ 5,270	N/A
	Federal Natl Mtg Assn		Short-term investment		US\$ 4,981	N/A
	Federal Natl Mtg Assn		Short-term investment		US\$ 4,921	N/A
	Federal Natl Mtg Assn		Short-term investment		US\$ 7,892	N/A
	Federal Natl Mtg Assn		Short-term investment		US\$ 4,943	N/A
	Federal Natl Mtg Assn		Short-term investment		US\$ 8,971	N/A
	Federal Natl Mtg Assn		Short-term investment		US\$ 4,430	N/A
	Federal Natl Mtg Assn		Short-term investment		US\$ 17,888	N/A
	Federal Natl Mtg Assn		Short-term investment		US\$ 5,928	N/A
	Federal Natl Mtg Assn		Short-term investment		US\$ 7,926	N/A
	Federal Natl Mtg Assn Mtn		Short-term investment		US\$ 9,758	N/A
	Federal Natl Mtg Assn Mtn		Short-term investment		US\$ 15,787	N/A
	Federal Natl Mtg Assn Mtn		Short-term investment		US\$ 7,000	N/A
	Federal Natl Mtg Assn Mtn		Short-term investment		US\$ 5,740	N/A
	Corporate issued asset-backed securities					
	Aegis Asset Backed Secs Tr		Short-term investment		US\$ 2,000	N/A
	Aesop Fdg II LLC		Short-term investment		US\$ 4,955	N/A
	American Home Mtg Invt Tr		Short-term investment		US\$ 535	N/A
	Americredit Automobile Rec Tr		Short-term investment		US\$ 1,055	N/A
	Americredit Automobile Rec Tr		Short-term investment		US\$ 2,000	N/A
	Americredit Automobile Receiva		Short-term investment		US\$ 5,000	N/A
	Americredit Automobile Receivb		Short-term investment		US\$ 4,949	N/A
	Atlantic City Elc Trns Fdg LLC		Short-term investment		US\$ 755	N/A

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Banc Amer Coml Mtg Inc.	Short-term investment	US\$ 4,698	N/A
Banc Amer Mtg Secs Inc.	Short-term investment	US\$ 4,030	N/A
Bank Of Amer Lease Equip Tr	Short-term investment	US\$ 3,582	N/A
Bear Stearns Alt A Tr	Short-term investment	US\$ 1,111	N/A
Bmw Veh Owner Tr	Short-term investment	US\$ 4,978	N/A
California Infrastructure Dev	Short-term investment	US\$ 1,229	N/A
Capital Auto Receivables Asset	Short-term investment	US\$ 2,037	N/A

(Continued)

September 30, 2005

Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership
					(US\$ in thousands)	
	Capital One Auto Fin Tr		Short-term investment		US\$ 124	N/A
	Capital One Auto Fin Tr		Short-term investment		US\$ 3,000	N/A
	Capital One Auto Fin Tr		Short-term investment		US\$ 2,650	N/A
	Capital One Multi Asset Execut		Short-term investment		US\$ 4,957	N/A
	Capital One Multi Asset Execut		Short-term investment		US\$ 3,974	N/A
	Capital One Multi Asset Execut		Short-term investment		US\$ 2,999	N/A
	Capital One Prime Auto Receiv		Short-term investment		US\$ 2,800	N/A
	Caterpillar Finl Asset Tr		Short-term investment		US\$ 4,999	N/A
	Caterpillar Finl Asset Tr		Short-term investment		US\$ 3,299	N/A
	Cendant Rent Car Fdg Aesop LLC		Short-term investment		US\$ 11,626	N/A
	Centex Home Equity Ln Tr		Short-term investment		US\$ 3,500	N/A
	Cit Equip Coll Tr		Short-term investment		US\$ 4,999	N/A
	Citibank Cr Card Issuance Tr		Short-term investment		US\$ 9,782	N/A
	Citicorp Mtg Secs		Short-term investment		US\$ 1,302	N/A
	Cnh Equip Tr		Short-term investment		US\$ 5,000	N/A
	Comm		Short-term investment		US\$ 4,600	N/A
	Credit Suisse First Boston Mtg		Short-term investment		US\$ 1,511	N/A
	Credit Suisse First Boston Mtg		Short-term investment		US\$ 1,929	N/A
	Cwabs Inc.		Short-term investment		US\$ 5,000	N/A
	Cwabs Inc.		Short-term investment		US\$ 801	N/A
	Cwabs Inc.		Short-term investment		US\$ 2,445	N/A
	Cwalt Inc.		Short-term investment		US\$ 1,876	N/A
	Cwmbs Inc.		Short-term investment		US\$ 1,398	N/A
	Daimlerchrysler Auto Tr		Short-term investment		US\$ 2,016	N/A
	Daimlerchrysler Auto Tr		Short-term investment		US\$ 4,991	N/A
	Deere John Owner Tr		Short-term investment		US\$ 2,501	N/A
	Fifth Third Auto Tr		Short-term investment		US\$ 3,000	N/A
	First Horizon Abs Tr		Short-term investment		US\$ 1,247	N/A
	First Union Lehman Bros Mtg Tr		Short-term investment		US\$ 2,830	N/A
	Ford Cr Auto Owner Tr		Short-term investment		US\$ 10,999	N/A
	Granite Mtgs Plc		Short-term investment		US\$ 5,000	N/A
	Gs Auto Ln Tr		Short-term investment		US\$ 2,547	N/A
	Gs Mtg Secs Corp.		Short-term investment		US\$ 449	N/A
	Harley Davidson Motorcycle Tr		Short-term investment		US\$ 1,950	N/A
	Harley Davidson Motorcycle Tr		Short-term investment		US\$ 5,999	N/A
	Holmes Fing No 8 Plc		Short-term investment		US\$ 5,001	N/A
	Household Automotive Tr		Short-term investment		US\$ 7,266	N/A
	Hyundai Auto Receivables Tr		Short-term investment		US\$ 6,442	N/A
	Hyundai Auto Receivables Tr		Short-term investment		US\$ 3,250	N/A

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Hyundai Auto Receivables Tr	Short-term investment	US\$ 3,999	N/A
Impac Cmb Tr	Short-term investment	US\$ 663	N/A
Impac Cmb Tr	Short-term investment	US\$ 754	N/A
Impac Secd Assets Corp.	Short-term investment	US\$ 1,579	N/A
Lb Ubs Coml Mtg Tr	Short-term investment	US\$ 4,095	N/A
Long Beach Accep Auto Receivab	Short-term investment	US\$ 2,526	N/A
Massachusetts Rrb Spl Purp Tr	Short-term investment	US\$ 3,900	N/A

(Continued)

September 30, 2005

Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in thousands)	Percentage of Ownership
			Short-term investment		US\$ 1,468	N/A
	Mastr Asset Backed Secs Tr		Short-term investment		US\$ 3,499	N/A
	Mastr Asset Backed Secs Tr		Short-term investment		US\$ 8,108	N/A
	Mbna Master Cr Card Tr II		Short-term investment		US\$ 1,500	N/A
	Merrill Lynch Mtg Invs Inc.		Short-term investment		US\$ 1,000	N/A
	Monumentl Global Fdg II		Short-term investment		US\$ 1,157	N/A
	National City Auto Receivables		Short-term investment		US\$ 4,928	N/A
	Navistar Finl 2003 A Owner Tr		Short-term investment		US\$ 7,000	N/A
	Nissan Auto Receivables		Short-term investment		US\$ 4,913	N/A
	Onyx Accep Owner Tr		Short-term investment		US\$ 4,749	N/A
	Pg+E Energy Recovery Fdg LLC		Short-term investment		US\$ 4,080	N/A
	Prime Cr Card Master Tr		Short-term investment		US\$ 3,992	N/A
	Providian Gateway Owner Tr		Short-term investment		US\$ 4,204	N/A
	Providian Gateway Owner Tr		Short-term investment		US\$ 4,973	N/A
	Reliant Energy Transition Bd		Short-term investment		US\$ 3,100	N/A
	Residential Asset Mtg Prods		Short-term investment		US\$ 3,000	N/A
	Residential Asset Sec Mtg Pass		Short-term investment		US\$ 3,780	N/A
	Residential Asset Sec Mtg Pass		Short-term investment		US\$ 2,786	N/A
	Residential Fdg Mtg Secs I Inc.		Short-term investment		US\$ 5,067	N/A
	Residential Fdg Mtg Secs I Inc. Revolving Home Equity Ln Tr				US\$ 3,809	N/A

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	Short-term investment		
Sequoia Mtg Tr	Short-term investment	US\$ 1,279	N/A
Sequoia Mtg Tr	Short-term investment	US\$ 1,460	N/A
Sequoia Mtg Tr	Short-term investment	US\$ 1,734	N/A
Structured Adj Rate Mtg Ln Tr	Short-term investment	US\$ 839	N/A
Structured Adj Rate Mtg Ln Tr	Short-term investment	US\$ 2,369	N/A
Structured Asset Invt Ln Tr	Short-term investment	US\$ 1,110	N/A
Toyota Auto Receivables 2003 B	Short-term investment	US\$ 4,970	N/A
Triad Auto Receivables Tr	Short-term investment	US\$ 4,043	N/A
Txu Elec Delivery Transition	Short-term investment	US\$ 3,530	N/A
Uaaa Auto Owner Tr	Short-term investment	US\$ 3,718	N/A
Wachovia Auto Owner Tr	Short-term investment	US\$ 1,390	N/A
Wachovia Auto Owner Tr	Short-term investment	US\$ 4,999	N/A
Wachovia Auto Owner Tr	Short-term investment	US\$ 4,365	N/A
Washington Mut Mtg Secs Corp.	Short-term investment	US\$ 5,299	N/A
Wells Fargo Finl Auto Owner Tr	Short-term investment	US\$ 4,014	N/A
Wells Fargo Mtg Bkd Secs	Short-term investment	US\$ 5,008	N/A
WFS Financial Owner Trust	Short-term investment	US\$ 1,540	N/A
WFS Finl	Short-term investment	US\$ 4,994	N/A
WFS Finl 2004 2 Owner Tr	Short-term investment	US\$ 5,399	N/A
WFS Finl 2004 4 Owner Tr	Short-term investment	US\$ 2,250	N/A
WFS Finl 2005 2 Oner Tr	Short-term investment	US\$ 1,954	N/A
Whole Auto Ln Tr	Short-term investment	US\$ 4,000	N/A
Whole Auto Ln Tr	Short-term investment	US\$ 3,000	N/A
Whole Auto Ln Tr	Short-term investment	US\$ 5,963	N/A
World Omni Auto Receivables Tr	Short-term investment		

(Continued)



						September 30, 200
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Value (US\$ in Thousands)		Percentage of Ownership
Corporate issued notes						
		Short-term investment		US\$	1,999	N/A
Canadian Imperial BK		Short-term investment		US\$	3,015	N/A
Canadian Imperial BK		Short-term investment				
Money market funds						
		Short-term investment		US\$	1,753	N/A
SSGA Cash Mgmt Global Offshore						
Equity						
		Long-term investment			246,485	N/A
Crimson Asia Capital Ltd., L.P.		Long-term investment			55,388	N/A
Horizon Venture Fund I, L.P.						
	Parent company	Short-term investment	13,869		632,037	
TSMC stock						
	Parent company	Short-term investment	16,454		458,564	
TSMC stock						
	Parent company	Short-term investment	16,485		459,511	
TSMC stock						
Stock						
	Subsidiary	Long-term investment	1	US\$	582,399	100
TSMC Development						
	Subsidiary	Long-term investment	1	US\$	5,623	100
TSMC Technology						
	Subsidiary	Long-term investment	18,505	US\$	20,130	97
InveStar						
	Subsidiary	Long-term investment	51,300	US\$	33,480	97
InveStar II						
	Subsidiary	Long-term investment		US\$	435,243	99
WaferTech stock						
Common stock						
		Short-term investment	852	US\$	73	
RichTek Technology Corp.						



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Advanced Power Electronics Corp.	Short-term investment	764	US\$	307	2
SiRF Technology Holdings, Inc.	Short-term investment	10	US\$	44	
Broadtek Electronics Corp.	Short-term investment	145	US\$	46	
Monolithic Power Systems, Inc.	Short-term investment	1,975	US\$	1,567	7
Global Testing Corp. Programmable Microelectronics	Short-term investment	58,044	US\$	4,961	8
(Taiwan), Corp.	Long-term investment	575	US\$	208	1
Capella Microsystems (Taiwan), Inc.	Long-term investment	530	US\$	160	4
Signia Technologies, Inc.	Long-term investment	701	US\$	211	3
Advanced Power Electronics Corp.	Long-term investment	898	US\$	334	2
Incentia Design Systems, Inc.	Long-term investment	365	US\$	92	1
Broadtek Electronics Corp.	Long-term investment	145	US\$	45	
RichTek Technology Corp.	Long-term investment	632	US\$	53	
Preferred stock					
Integrated Memory Logic, Inc.	Long-term investment	1,831	US\$	1,220	9
Sensory, Inc.	Long-term investment	1,404	US\$	125	6
IP Unity, Inc.	Long-term investment	1,008	US\$	494	3
Sonics, Inc.	Long-term investment	2,686	US\$	3,530	4
NanoAmp Solutions, Inc.	Long-term investment	541	US\$	853	2

(Continued)

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Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Value (US\$ in Thousands)		Percentage Ownership
Memsic, Inc.		Long-term investment	2,727	US\$	1,500	10
Reflectivity, Inc.		Long-term investment	1,064	US\$	741	2
Common stock						
Monolithic Power Systems, Inc.		Short-term investment	864	US\$	2,081	3
GeoVision, Inc.		Short-term investment	492	US\$	109	1
Advanced Analogic Technology, Inc.		Short-term investment	484	US\$	1,261	1
RichTek Technology Corp.		Short-term investment	399	US\$	198	
Signia Technologies, Inc.		Long-term investment	351	US\$	101	1
Ralink Technology (Taiwan), Inc.		Long-term investment	1,833	US\$	791	3
Silicon Data International Co., Inc.		Long-term investment	667	US\$	100	3
Procoat Technology, Inc.		Long-term investment	6,532	US\$	1,940	10
Capella Microsystems (Taiwan), Inc.		Long-term investment	419	US\$	122	2
Programmable Microelectronics (Taiwan), Inc.		Long-term investment	177	US\$	50	
Auden Technology MFG. Co., Ltd.		Long-term investment	953	US\$	738	4
EoNEX Technologies, Inc.		Long-term investment	55	US\$	3,048	5
Conwise Technology Corporation, Ltd.		Long-term investment	2,800	US\$	490	14
Goyatek Technology, Corp.		Long-term investment	2,088	US\$	545	7
Trendchip Technologies Corp.		Long-term investment	2,000	US\$	574	5
EON Technology, Corp.		Long-term investment	3,264	US\$	1,175	8
eChannelOpen Holding, Inc.		Long-term investment	358	US\$	251	4
eLCOS Microdisplay Technology, Ltd.		Long-term investment	270	US\$	27	1
Epic Communications, Inc.		Long-term investment	191	US\$	37	1
RichTek Technology Corp.		Long-term investment	296	US\$	147	
GeoVision, Inc.		Long-term investment	15	US\$	3	
Preferred stock						
Memsic, Inc.		Long-term investment	2,289	US\$	1,560	8
NanoAmp Solutions, Inc.		Long-term investment	375	US\$	1,500	1
Sonics, Inc.		Long-term investment	3,082	US\$	3,082	5
Reflectivity, Inc.		Long-term investment	4,255	US\$	2,205	5
Kilopass Technologies, Inc.		Long-term investment	3,887	US\$	2,000	18
FangTek, Inc.		Long-term investment	6,806	US\$	3,250	34
eLCOS Microdisplay Technology, Ltd.		Long-term investment	2,667	US\$	3,500	15
Alchip Technologies Limited		Long-term investment	2,597	US\$	2,950	18
Common stock						
Global Investment Holding, Inc.		Long-term investment	10,000	\$	100,000	6
RichWave Technology Corp.		Long-term investment	3,380	US\$	1,247	13

NetLogic Microsystems, Inc.	Long-term investment	113	US\$	1,388	1
Quake Technologies, Inc.	Long-term investment	46	US\$	35	
Pixim, Inc.	Long-term investment	1,924	US\$	512	4

(Continued)

September 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value		Percentage Owned
			Shares/Units (In Thousand)	(US\$ in Thousands)	
Preferred stock					
Quake Technologies, Inc.		Long-term investment	555	US\$ 415	
Pixim, Inc.		Long-term investment	2,193	US\$ 583	
Ikanos Communication, Inc.		Long-term investment	7,446	US\$ 3,125	
Quicksilver Technology, Inc.		Long-term investment	1,049	US\$	
Mosaic Systems, Inc.		Long-term investment	2,481	US\$ 12	
Zenesis Technologies, Inc.		Long-term investment	1,204	US\$ 699	
Reflectivity, Inc.		Long-term investment	4,848	US\$ 2,479	
Miradia, Inc.		Long-term investment	3,040	US\$ 1,000	
Axiom Microdevices, Inc.		Long-term investment	1,000	US\$ 1,000	
Optichron, Inc.		Long-term investment	714	US\$ 1,000	
NuCORE Technology Inc.		Long-term investment	2,254	US\$ 1,455	
Next IO, Inc.		Long-term investment	800	US\$ 500	
Audience, Inc.		Long-term investment	1,654	US\$ 250	
Centrality Communications, Inc.		Long-term investment	809	US\$ 1,000	
Britestream Networks, Inc. (Layer N Networks, Inc.)		Long-term investment	1,905	US\$ 1,000	
Teknovus, Inc.		Long-term investment	6,977	US\$ 1,327	
Optimal Corporation		Long-term investment	485	US\$ 500	
Mobilygen Corporation		Long-term investment	1,415	US\$ 750	
Warrants					
Pixim, Inc.		Long-term investment	242		
Common stock					
VisEra Cayman		Long-term investment	7,500	US\$ 7,500	5
Common stock					
Yobon Technologies, Inc.		Long-term investment	1,675	US\$ 787	1
Sentelic, Corp.		Long-term investment	600	US\$ 1,022	1
Preferred stock					
Powerprecise Solutions, Inc.		Long-term investment	1,032	US\$ 1,000	
Tzero Technologies, Inc.		Long-term investment	244	US\$ 500	
Miradia, Inc.		Long-term investment	1,809	US\$ 1,600	
Axiom Microdevices, Inc.		Long-term investment	761	US\$ 776	
Next IO, Inc.		Long-term investment	216	US\$ 182	
Ageia Technologies, Inc.		Long-term investment	1,149	US\$ 1,000	
Audience, Inc.		Long-term investment	531	US\$ 102	
GemFire Corporation		Long-term investment	600	US\$ 600	
Optichron, Inc.		Long-term investment	353	US\$ 869	

Leadtrend Technology, Inc.	Long-term investment	900	US\$ 431
Aquantia Corporation	Long-term investment	1,401	US\$ 1,150
Xceive Corporation	Long-term investment	714	US\$ 1,000
			(Continued)

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September 30, 2005

Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in thousands)	Percentage of Ownership
	Warrants					
	Aquantia Corporation		Long-term investment	46	\$	
	Bond funds					
	Fubon Ju-I Fund		Short-term investment	643	10,000	N/A
	Grand Cathay Bond Fund		Short-term investment	393	5,000	N/A
	Polaris De Li Bond Fund		Short-term investment	675	10,000	N/A
	Jih Sun Bond Fund		Short-term investment	747	10,000	N/A
	EnTrust Phoenix Bond Fund		Short-term investment	675	10,000	N/A
	Sheng Hua 1699 Bond Fund		Short-term investment	821	10,000	N/A
	ABN AMRO Bond Fund		Short-term investment	677	10,000	N/A
	Truswell Bond Fund		Short-term investment	798	10,000	N/A
	Dresdner Bond DAM Bond Fund		Short-term investment	879	10,000	N/A
	Stock					
	Global Unichip Corporation - NA	Subsidiary	Long-term investment	100	4,426	100
	Global Unichip Japan	Subsidiary	Long-term investment		2,043	100

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**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 NINE MONTHS ENDED SEPTEMBER 30, 2005  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Financial Statement Account	Counter-party	Nature of Relationship	Shares/Units (Thousand)	Beginning Balance		Acquisition		Disposal (N	
				Amount (US\$ in Thousands)	Shares/Units (Thousand)	Amount (US\$ in Thousands)	Shares/Units (Thousand)	Amount (US\$ in Thousands)	Shares/Units (Thousand)
Short-term Investment	JF Asset Management (Taiwan)Ltd.		78,698	\$ 1,153,209	\$	16,689	\$	250,000	\$
Short-term Investment	JF Asset Management (Taiwan)Ltd.		84,886	1,151,463		21,755		300,000	
Short-term Investment	INVESCO Asset Management Taiwan		76,705	1,101,911		28,760		420,000	
Short-term Investment	Allianz Dresdner Securities Investment Consulting Co., Ltd.		80,833	900,000		11,530		130,000	
Short-term Investment	Barits Securities Investment Trust Co., Ltd.		76,640	900,000		76,640		915,204	
Short-term Investment	Shinkong Investment Trust Co., Ltd.		151,594	2,100,000		46,879		660,000	
Short-term Investment	Chung Shing Bills Finance Corp. and several financial institutions			249,449				251,784	
Short-term Investment	BNP and several			1,207,409				1,216,500	

short-term investment	financial institutions Chung Shing Bills Finance Corp. and several financial institutions				300,472	
long-term investment	China Bills Finance Corp. and several financial institutions				360,608	
long-term investment	China Bills Finance Corp. and several financial institutions				2,548,689	
short-term investment				US\$	6,881	
short-term investment		US\$	192,357	US\$	398,829	US\$ 509,896
short-term investment	China Bills Finance Corp.		2,777,798			2,807,500
short-term investment	China Bills Finance Corp.				311,568	
short-term investment		US\$	3,171			US\$ 3,086
short-term investment				US\$	3,757	
short-term investment		US\$	3,104			US\$ 3,106
short-term investment				US\$	5,721	
short-term investment		US\$	3,583	US\$		US\$ 3,512
short-term investment				US\$	3,500	
short-term investment				US\$	3,000	
short-term investment		US\$	2,645	US\$	4,141	US\$ 2,593
short-term investment				US\$	3,832	US\$ 3,780
short-term investment				US\$	5,079	



short-term investment			US\$	3,918		
short-term investment	US\$	3,467			US\$	3,432
short-term investment			US\$	3,989		
short-term investment			US\$	8,862		
short-term investment	US\$	3,886			US\$	3,823
short-term investment			US\$	3,500		
short-term investment			US\$	3,477		
short-term investment	US\$	3,505			US\$	3,506
short-term investment			US\$	3,566		

(Continued)

Investor Type and Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Cancellation)	
			Shares/Units (Thousand)	Amount (US\$ in thousands)	Shares/Units (Thousand)	Amount (US\$ in thousands)	Shares/Units (Thousand)	Amount (US\$ in thousands)
ms Sr Nts				\$		US\$ 3,201	\$	\$
f				US\$ 3,012			US\$ 3,008	US\$
Machs						US\$ 7,247	US\$ 4,994	US\$
tn						US\$ 3,028		
o.						US\$ 3,406		
Nts Bk Entr						US\$ 4,450		
o Inc.				US\$ 1,050		US\$ 4,507	US\$ 1,022	US\$
o Inc.				US\$ 3,638			US\$ 3,571	US\$
						US\$ 3,426		
Mtn				US\$ 3,644			US\$ 3,522	US\$
						US\$ 3,000		
						US\$ 3,571		
tn						US\$ 3,500		
tn				US\$ 3,050			US\$ 3,052	US\$
tn				US\$ 3,507			US\$ 3,510	US\$
Edg I Gl				US\$ 3,168			US\$ 3,049	US\$
o.						US\$ 3,225		
y Hldgs Inc.				US\$ 3,160			US\$ 3,046	US\$
				US\$ 3,720			US\$ 3,568	US\$
Corp.				US\$ 4,768			US\$ 3,591	US\$

ny	Short-term investment					
	Long-term investment	China Bills Finance Corp. and several financial institutions	915,276	1,102,245		
ration	Long-term investment	China Bills Finance Corp. and several financial institutions	407,526	886,619		
	Short-term investment			US\$ 3,985		
	Short-term investment		US\$ 4,948		US\$ 4,947	US\$
	Short-term investment		US\$ 7,961		US\$ 4,954	US\$
	Short-term investment		US\$ 13,953		US\$ 13,888	US\$
	Short-term investment			US\$ 3,932		
	Short-term investment		US\$ 13,981		US\$ 13,906	US\$
	Short-term investment		US\$ 13,983		US\$ 13,865	US\$
	Short-term investment		US\$ 7,042		US\$ 6,946	US\$
	Short-term investment		US\$ 7,014		US\$ 6,883	US\$
	Short-term investment			US\$ 4,136		
	Short-term investment			US\$ 4,939		
	Short-term investment			US\$ 7,886		
	Short-term investment		US\$ 7,018	US\$ 3,960	US\$ 10,863	US\$
	Short-term investment			US\$ 4,965		
	Short-term investment			US\$ 7,558		
	Short-term investment			US\$ 8,594		
	Short-term investment			US\$ 3,972		
	Short-term investment			US\$ 7,887		
	Short-term investment			US\$ 9,134		

	Short-term investment		US\$	3,379		
Corp.	Short-term investment	US\$	4,953		US\$	4,938 US\$
Corp.	Short-term investment			US\$	6,925	US\$ 6,931 US\$
Corp.	Short-term investment			US\$	6,980	
Corp.	Short-term investment			US\$	7,989	
Corp.	Short-term investment	US\$	4,903	US\$	9,819	US\$ 9,798 US\$
	Short-term investment	US\$	6,940			US\$ 6,937 US\$
	Short-term investment			US\$	4,921	
	Short-term investment			US\$	7,892	

(Continued)

Type and	Financial Statement Account	Counter-party	Nature of Relationship	Shares/Units (Thousand)	Beginning Balance	Acquisition	Amount
					Amount (US\$ Thousand)	Amount (US\$ Thousand)	Amount (US\$ Thousand)
	Short-term investment				\$	US\$ 5,337	US\$5,337
	Short-term investment				US\$ 6,997		US\$6,997
	Short-term investment					US\$ 4,943	
	Short-term investment					US\$14,952	US\$5,900
	Short-term investment					US\$ 4,430	
	Short-term investment					US\$ 4,061	US\$4,061
	Short-term investment					US\$17,888	
	Short-term investment					US\$ 5,928	
	Short-term investment					US\$ 7,926	
	Short-term investment					US\$ 9,758	
	Short-term investment					US\$ 5,740	
	Short-term investment				US\$ 4,929		US\$4,929
	Short-term investment					US\$ 3,961	
	Short-term investment					US\$ 4,173	US\$4,173
	Short-term investment					US\$ 3,954	
	Short-term investment					US\$ 5,389	
	Short-term investment					US\$ 3,930	
	Short-term investment					US\$ 3,992	
	Short-term investment					US\$ 4,030	
	Short-term investment					US\$ 4,051	
	Short-term investment					US\$ 3,915	
	Short-term investment					US\$ 3,417	
	Short-term investment					US\$ 5,246	
	Short-term investment					US\$ 3,966	
locked securities							
unt Ma	Short-term investment				US\$ 3,445		US\$3,445
receivb	Short-term investment					US\$ 5,000	
Dev	Short-term investment				US\$ 4,298		US\$4,298
ic	Short-term investment				US\$ 6,126		US\$5,100
ecut	Short-term investment					US\$ 3,974	
	Short-term investment				US\$10,008		US\$4,900
	Short-term investment					US\$ 3,299	
pp LLC	Short-term investment					US\$11,626	
Tr	Short-term investment				US\$ 4,959		US\$4,959
Tr	Short-term investment					US\$ 9,782	
	Short-term investment				US\$ 1,903	US\$ 1,865	US\$3,440
	Short-term investment				US\$ 4,040		US\$3,440
	Short-term investment					US\$ 4,040	US\$3,800
	Short-term investment				US\$ 4,897		US\$4,897

r Tr	Short-term investment	US\$ 5,011		US\$5,00
	Short-term investment	US\$ 5,000		US\$4,9
	Short-term investment		US\$ 8,352	
Tr	Short-term investment		US\$ 3,250	
Tr	Short-term investment		US\$ 3,999	
	Short-term investment		US\$ 4,243	
o Tr	Short-term investment		US\$ 3,900	
r	Short-term investment		US\$ 3,825	
r	Short-term investment		US\$ 3,499	
r	Short-term investment		US\$ 5,018	US\$5,0
	Short-term investment		US\$ 8,108	

(Continued)

Type and	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Dis
				Shares/Units (Thousand)	Amount (US\$ in Thousands)	Shares/Units (Thousand)	Amount (US\$ in Thousands)	
Own Tr	Short-term investment				US\$4,999		\$	US\$4,989
Owner	Short-term investment				US\$4,853			US\$4,880
dg LLC	Short-term investment						US\$4,749	
	Short-term investment						US\$4,080	
g Pass	Short-term investment						US\$3,780	
I Inc.	Short-term investment						US\$5,589	
Ln Tr	Short-term investment						US\$5,000	
	Short-term investment						US\$4,560	US\$4,026
	Short-term investment						US\$3,500	US\$2,813
tion	Short-term investment				US\$7,736			US\$3,470
	Short-term investment						US\$3,718	
	Short-term investment				US\$4,000			US\$3,995
s Corp.	Short-term investment						US\$4,365	
wner Tr	Short-term investment						US\$5,299	
s	Short-term investment						US\$4,014	
	Short-term investment				US\$5,967			US\$5,973
	Long-term investment					7,500	US\$7,500	

Note1: The proceeds of bond investments matured are excluded.

Note2: The ending balance included the amortization of premium or discount on bond investments.

**TABLE 5**

**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 NINE MONTHS ENDED SEPTEMBER 30, 2005  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Nature of Relationship	Purchase/ Sale	Amount	Transaction Details		Abnormal Unit Price P (Note)
			% to	Payment Terms	
Subsidiary	Sales	\$ 106,026,297	57	Net 30 days after invoice date	
Major shareholder	Sales	2,145,073	1	Net 30 days after monthly closing	
Investee with controlling financial interest	Sales	225,242		Net 30 days after monthly closing	
Investee accounted for using equity method	Sales	194,252		Net 45 days after monthly closing	
Subsidiary	Purchases	7,860,055	29	Net 30 days after monthly closing	
Investee accounted for using equity method	Purchases	3,611,658	14	Net 30 days after monthly closing	
Investee accounted for using equity method	Purchases	3,300,928	12	Net 30 days after monthly closing	
Subsidiary	Purchases	586,889	2	Net 30 days after monthly closing	
The same Parent	Purchases	117,683	37	Net 30 days after invoice date	

Note: The terms of sales to related parties are not significantly different from those to third parties. For purchase transactions, prices are determined in accordance with the related contractual agreements and no other similar transaction could be compared with.





**TABLE 6**

**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 SEPTEMBER 30, 2005  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

<b>Related Party</b>	<b>Nature of Relationship</b>	<b>Ending Balance</b>	<b>Turnover Rate</b>	<b>Amount</b>	<b>Overdue Action Taken</b>
North America	Subsidiary	\$23,174,324	50 days	\$7,367,006	Accelerate demand on account
Technology	Indirect subsidiaries	717,685	Note	2,035	Accelerate demand on account
	Investee accounted for using equity method	314,569	Note		
	Major shareholder	308,335	57 days	8,022	Accelerate demand on account
Shanghai	Subsidiary	104,705	Note	69,943	Accelerate demand on account

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

**TABLE 7**

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY  
 EXERCISES SIGNIFICANT INFLUENCE SEPTEMBER 30, 2005  
 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

	Original Investment Amount		Balance as of September 30, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	
	September 30, 2005	December 31, 2004	Shares (Thousands)	Percentage of Ownership	Carrying Value (Note 1)			
<b>Main Businesses and Products</b>								
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	\$ 24,186,711	\$ (515,064)	\$ (515,064)	Subsidiary
Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	9,187,962		100	9,888,482	(1,828,507)	(1,828,507)	Subsidiary
Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	8,119,816	8,119,816	437,891	27	5,209,161	1,923,159	440,666	Investee
Investment activities	10,350	10,350	300	100	4,084,085	19,204	19,204	Subsidiary
Fabrication and supply of integrated circuits	6,408,190	6,408,190	382	32	3,906,083	1,416,851	453,392	Investee
Investing in new start-up technology companies	1,526,074	1,447,957		99	853,754	(81,484)	(81,077)	Subsidiary
Sales and marketing of integrated circuits and semiconductor devices	333,178	333,718	11,000	100	846,477	241,081	212,333	Subsidiary
Investing in new start-up technology companies	487,862	332,412		98	488,940	(16,377)	(17,620)	Subsidiary
Researching, developing, manufacturing, testing and marketing of integrated circuits	409,920	409,920	40,172	46	429,936	81,685	39,999	Investee
Marketing activities	83,760	83,760	6	100	99,061	2,236	2,236	Subsidiary
Investment activities	300,000	300,000		36	78,068	76,996	(3,840)	Subsidiary
Investment activities	300,000	300,000		36	77,348	77,071	(3,873)	Subsidiary

, Manufacturing, material wholesaling and retailing of electronic spare parts	51,000	51,000	5,100	25	63,858	23,922	4,742	Invested
m, Marketing activities								
ds	15,749	15,749		100	23,582	222	222	Subsidi

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

Note 2: The gains on disposal of the stocks of the Company held by subsidiaries and cash dividends from the Company are excluded.

**TABLE 8**

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES  
INFORMATION OF INVESTMENT IN MAINLAND CHINA  
SEPTEMBER 30, 2005**

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

	Total Amount of Paid-in Capital	Type	Accumulated Outflow of Investment from Taiwan	Investment Flows	Accumulated Outflow of Investment from Taiwan as	Percentage of Investment Ownership in Gain (Loss)
			as of January 1, 2005		of	
Main Businesses and Products	(RMB in Thousand)		(US\$ in Thousand)	(US\$ in Thousand)	(US\$ in Thousand)	Investment (Note 2)
Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$ 12,180,367 (RMB3,070,623)	1)	(US\$ 276,000)	(US\$ 95,000)	\$ (US\$ 371,000)	100% \$(1,828,507)

**Accumulated Investment in  
Mainland  
China as of September 30, 2005  
(US\$ in Thousand)**  
\$ 12,180,367  
(US\$ 371,000)

**Investment Amounts Authorized  
by  
Investment Commission, MOEA  
(US\$ in Thousand)**  
\$12,180,367  
(US\$ 371,000)

**Upper Limit on Investment  
(US\$ in Thousand)**  
\$12,180,367  
(US\$ 371,000)

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

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



**SIGNATURES**

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

Taiwan Semiconductor Manufacturing Company  
Ltd.

Date: October 28, 2005

By /s/ Lora Ho

Lora Ho  
Vice President & Chief Financial Officer