

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: _____.)

**Taiwan Semiconductor Manufacturing
Company, Ltd.
Financial Statements for the
Nine Months Ended September 30, 2005 and 2004 and
Independent Accountants' Review Report**

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)**

| | 2005 | | 2004 | |
|--|---------------|----------|---------------|----------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| 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 |
| | | | | |
| LONG-TERM INVESTMENTS (Notes 2, 6, 16 and 21) | | | | |
| 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 |
| | | | | |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7 and 18) | | | | |
| Cost | | | | |
| 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 |

| | | | | |
|---|----------------|-----|----------------|-----|
| GOODWILL (Note 2) | 1,654,853 | | 2,003,244 | |
| OTHER ASSETS | | | | |
| 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 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| 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 |
| LONG-TERM LIABILITIES | | | | |
| 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 |
| OTHER LIABILITIES | | | | |
| 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)

| | 2005 | | 2004 | |
|--|----------------|-----|----------------|-----|
| | Amount | % | Amount | % |
| 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 |

(Continued)

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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)

| | 2005 | 2004 |
|---|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| 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 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| 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)

| | 2005 | 2004 |
|---|----------------------|----------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| 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) |
| | | |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (7,064,492) | (27,916,025) |
| | | |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 65,531,818 | 98,288,002 |
| | | |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 58,467,326 | \$ 70,371,977 |
| | | |
| SUPPLEMENTAL INFORMATION | | |
| 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 |
| | | |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | |
| Current portion of long-term bonds payable | \$ 10,500,000 | \$ 5,000,000 |
| Current portion of other payables to related parties (under payables to related parties) | \$ 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

| | September 30 | |
|---|----------------------|----------------------|
| | 2005 | 2004 |
| 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 |
| | \$ 58,467,326 | \$ 70,371,977 |

4. SHORT-TERM INVESTMENTS

| | September 30 | |
|---|---------------------|---------------|
| | 2005 | 2004 |
| 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

| | September 30 | |
|--------------------------|---------------------|---------------|
| | 2005 | 2004 |
| 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:

| | Principal Amount | Interest Receivable | Range of Interest Rates | Maturity Date |
|---------------------------------|-----------------------------|--------------------------------|--|--------------------------|
| 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:

| | September 30 | |
|-------------------------|---------------------|----------------|
| | 2005 | 2004 |
| 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

| | September 30 | |
|----------------------------------|---------------------|---------------------|
| | 2005 | 2004 |
| 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 |
| | \$ 7,322,444 | \$ 9,520,310 |

9. BONDS PAYABLE

| | September 30 | |
|---|----------------------|----------------------|
| | 2005 | 2004 |
| 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 |
| | \$ 30,000,000 | \$ 35,000,000 |

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

| Year of Repayment | Amount |
|------------------------------|----------------------|
| 2005 4 th 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) |
| | \$ 19,500,000 |

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:

| Year of Repayment | Amount |
|--------------------------------|---------------|
| 2005 (4 th quarter) | \$ 1,031,062 |
| 2006 | 485,374 |
| 2007 | 464,632 |

(Continued)

| Year of Repayment | Amount |
|--|---------------|
| 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:

| | Nine Months Ended September 30 | |
|------------------------------|---|--------------|
| | 2005 | 2004 |
| 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 |
|------------------------|--------------|--------------|

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:

| | Nine Months Ended September 30 | |
|--|---|-----------------|
| | 2005 | 2004 |
| 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:

| | September 30 | |
|---|---------------------|---------------|
| | 2005 | 2004 |
| 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:

| Regulation | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|--|---|--|--|------------------------|
| 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:

| | Tax-Exemption Period |
|---|-----------------------------|
| 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

| | Nine Months Ended September 30, 2005 | | |
|----------------------------|---|------------------|---------------|
| | Classified | | |
| | as | | |
| | Classified | Operating | |
| | as | | |
| | Cost | | |
| | of | | |
| | Sales | Expenses | Total |
| | Nine Months Ended September 30, 2004 | | |
| | Classified | | |
| | as | | |
| | Classified as | Operating | |
| | Cost of Sales | Expenses | Total |
| 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:

| | September 30 | |
|----------------------------------|----------------------|----------------------|
| | 2005 | 2004 |
| 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 |
| | \$ 56,777,040 | \$ 56,529,100 |

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:

| | Number of Options (in Thousands) | Weighted- Average Exercise Price (NT\$) |
|--------------------------------------|---|--|
| 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:

| Range of Exercise Price (NT\$) | Options Outstanding | | | Options Exercisable | |
|---|---|---|--|---|--|
| | Number of Options (in Thousands) | Weighted- average Remaining Contractual Life (Years) | Weighted- average Exercise Price (NT\$) | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
| 29.9-42.1 | 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:

| | Nine Months Ended September 30 | |
|---|---|---------------|
| | 2005 | 2004 |
| Assumptions: | | |
| 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 |
| Net income: | | |
| Net income as reported | \$ 59,674,900 | \$ 70,131,981 |
| Pro forma net income | 59,591,795 | 70,092,754 |
| Earnings per share (EPS) after income tax (NT\$): | | |
| 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

| | Beginning Shares | Increase/ Distribute | (Shares in Thousands) | |
|--|-----------------------------|---------------------------------|------------------------------|--------------------------|
| | | | Decrease | Ending Shares |
| 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 |
|--|----|---------|----|----|-----------|----|

Non-operating income and gains

| | | | | | | |
|---|----|---------|---|----|---------|---|
| SSMC (primarily technical service income, see Note 21g) | \$ | 226,738 | 6 | \$ | 293,727 | 5 |
|---|----|---------|---|----|---------|---|

| | | | | | | |
|--|--|---------|---|--|---------|---|
| VIS (primarily technical service income, see Note 21j) | | 140,086 | 4 | | 111,983 | 2 |
|--|--|---------|---|--|---------|---|

| | | | | | | |
|---|--|---------|---|--|--|--|
| TSMC Shanghai (primarily from deferred gain realized for disposal of property, plant and equipment) | | 122,514 | 3 | | | |
|---|--|---------|---|--|--|--|

(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 th 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

| | Financial Instruments | Currency | Maturity | Notional Amount (in Thousands) |
|--------------------|------------------------------|-----------------|------------------------|---------------------------------------|
| 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:

| Maturity Date | Notional Amount (in Thousands) (US\$/NT\$) | Range of Interest Rate Paid | Range of Interest Rate Received |
|------------------------|---|------------------------------------|--|
| 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:

| Type | Buy/Sell | Financial Instrument | Notional Amount (in Thousands) | Maturity |
|-------------|-----------------|-----------------------------|---|-----------------|
| 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:

| Contract Date | Period | Notional Amount (in Thousands) |
|----------------------|---------------------------|---|
| 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:

| Term | Inflow (In Thousands) | Outflow (In Thousands) |
|-----------------|--------------------------------------|-----------------------------------|
| 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:

| | September 30, 2005 | | September 30, 2004 | |
|--------------------------------------|----------------------------|-------------------|----------------------------|-------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| 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) |
|--|------------|------------|------------|---------------------------|

| | 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:

- Fair value of short-term and publicly traded long-term investments is based on quoted market prices.
- Fair value of bonds payable is based on their quoted market price.
- 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

- 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.
- 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)**

| Maximum Balance for | | | | | | Reasons for | |
|-------------------------------|-------------------------------|----------------------|--------------|------------------|----------------------------|--------------------|-------------------------------|
| the Period | Ending Balance | Type | of | Financing | Transaction Amounts | Short-term | Allowance for Bad Debt |
| (US\$ in Thousands) | (US\$ in Thousands) | Interest Rate | (Note | 1) | | Financing | |
| \$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 | \$1,991,280 (US\$ 60,000) | \$995,640 (US\$ 30,000) | \$ | 0.24% |
| | TSMC-North America | 2 | the Company, and be also limited to the paid-in capital of the endorsement/guarantee company, unless otherwise approved by Board of Directors. | 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 |
|--|----------------------|--------|---------|----|---------|

(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 | US\$ 2,774 | N/A | U |
| | Short-term investment | | | |

(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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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 | 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 |
|---------------------|--|------------|-----|---|

(Continued)

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| 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)

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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 |
|------|-------------------------------------|-------------------------------|-----------------------------|--------------------------------|---------------------|-------------------------|
| | | | | | (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)

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| 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 | | Short-term investment | | 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)

September 30, 20

| 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)

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 | Shares/Units (Thousand) | Disposal (N |
|--------------------------------|---|------------------------|----------------------------|----------------------------------|----------------------------------|----------------------------|----------------------------------|
| | | | | Amount (US\$ in Thousands) | Amount (US\$ in Thousands) | | Amount (US\$ in Thousands) |
| 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 | U |
| 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 | U |
| short-term investment | | | US\$ 3,757 | | |
| short-term investment | | US\$ 3,104 | | US\$ 3,106 | U |
| short-term investment | | | US\$ 5,721 | | |
| short-term investment | | US\$ 3,583 | US\$ | US\$ 3,512 | U |
| short-term investment | | | US\$ 3,500 | | |
| short-term investment | | | US\$ 3,000 | | |
| short-term investment | | US\$ 2,645 | US\$ 4,141 | US\$ 2,593 | U |
| short-term investment | | | US\$ 3,832 | US\$ 3,780 | U |
| 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)

| Company Name | 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 | Short-term investment | | | | \$ | | US\$ 3,201 | \$ | \$ |
| f | Short-term investment | | | | US\$ 3,012 | | | US\$ 3,008 | US\$ |
| Machs | Short-term investment | | | | | | US\$ 7,247 | US\$ 4,994 | US\$ |
| tn | Short-term investment | | | | | | US\$ 3,028 | | |
| o. | Short-term investment | | | | | | US\$ 3,406 | | |
| Nts Bk Entr | Short-term investment | | | | | | US\$ 4,450 | | |
| o Inc. | Short-term investment | | | | US\$ 1,050 | | US\$ 4,507 | US\$ 1,022 | US\$ |
| o Inc. | Short-term investment | | | | US\$ 3,638 | | | US\$ 3,571 | US\$ |
| | Short-term investment | | | | | | US\$ 3,426 | | |
| | Short-term investment | | | | US\$ 3,644 | | | US\$ 3,522 | US\$ |
| Mtn | Short-term investment | | | | | | US\$ 3,000 | | |
| | Short-term investment | | | | | | US\$ 3,571 | | |
| tn | Short-term investment | | | | | | US\$ 3,500 | | |
| tn | Short-term investment | | | | US\$ 3,050 | | | US\$ 3,052 | US\$ |
| tn | Short-term investment | | | | US\$ 3,507 | | | US\$ 3,510 | US\$ |
| Edg I Gl | Short-term investment | | | | US\$ 3,168 | | | US\$ 3,049 | US\$ |
| o. | Short-term investment | | | | | | US\$ 3,225 | | |
| y Hldgs Inc. | Short-term investment | | | | US\$ 3,160 | | | US\$ 3,046 | US\$ |
| | Short-term investment | | | | 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 | | |
| es | 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)**

| Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Amount | Overdue Action Taken |
|----------------------|--|---------------------------|----------------------|---------------|---------------------------------|
| 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) | | | |
| Main Businesses and Products | | | | | | | | |
| 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 | Accumulated Outflow of Investment from Taiwan | | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of | | Percentage of Investment Ownership | |
|--|---------------------------------|---|-----------------------|--------------------|--------------------|---|---------------------|------------------------------------|-------------|
| | | of Paid-in Capital | as of January 1, 2005 | Outflow | Inflow | September 30, 2005 (US\$ in Thousand) | Investment (Note 2) | in | Gain (Loss) |
| Main Businesses and Products | (RMB in Thousand) | Investment Type | (US\$ in Thousand) | (US\$ in Thousand) | (US\$ in Thousand) | (US\$ in Thousand) | (US\$ in Thousand) | Investment (Note 2) | Gain (Loss) |
| 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