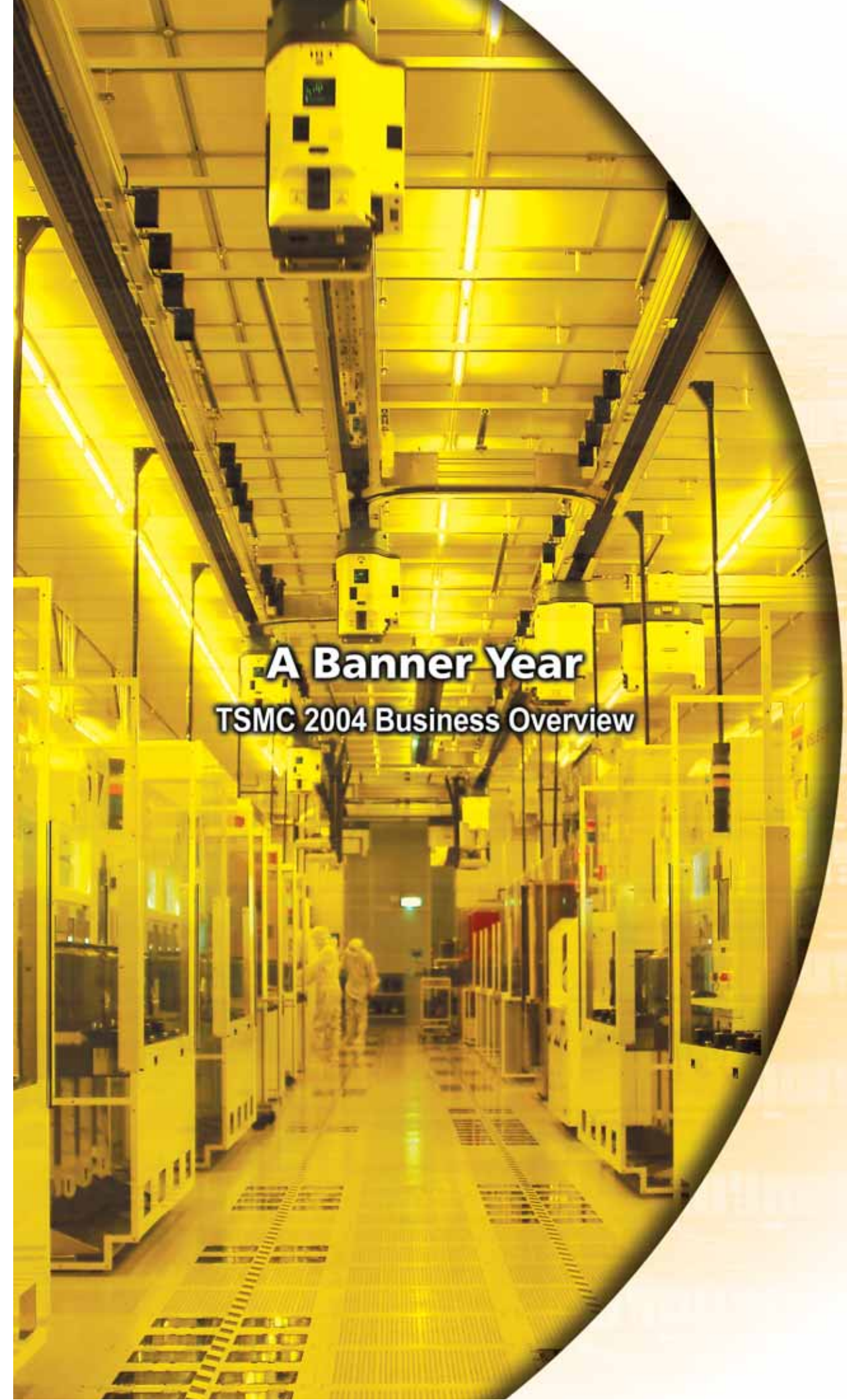




**Taiwan Semiconductor
Manufacturing Company, Ltd.**

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A Banner Year

TSMC 2004 Business Overview

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Business Philosophy

TSMC brings a strong sense of commitment and integrity to its leadership of the IC Foundry sector.

As leaders, our business strategies reflect a global, long-term vision of the semiconductor industry and the needs of our customers.

As partners, our customers expect and receive from us continual innovation and quality service at all levels of the Company.

TSMC fosters a dynamic, fun and collaborative work environment designed to bring forth the best in our employees, encouraging new thinking and continual process improvement.

Management believes that the interests of its shareholders are best served through a harmonic balance of strong operating and financial performance, through the care and well-being of our employees, and through good corporate citizenship.

- TSMC's shares are listed on the Taiwan Stock Exchange (TSE) under the code 2330.
- Depositary receipts of the common shares are listed on the New York Stock Exchange (NYSE) under the symbol TSM.



Letter to Shareholders

Dear Shareholders,

Year 2004 was a banner year for TSMC. We again set new records for revenues and earnings, while continuing to lead the semiconductor dedicated foundry sector. Our production accounted for more than 7% of the total value of the world's semiconductor output.

TSMC's performance was anchored in our "Trinity of Strength" : strength in technology development and deployment, strength in manufacturing capacity and efficiency, and strength in building customer partnerships. For example:

- TSMC cumulatively shipped over one million wafers (8-inch equivalent) in 0.13-micron technology.
- TSMC's Nexsys® 90nm, the world's first 12-inch, low-k, 90-nanometer process to reach full production, was adopted in more than 30 customer products after one year's ramp, and achieved product yields ahead of internal goals.
- TSMC served more than 300 customers and produced more than 5,000 products in our fabs.

With its core manufacturing and logistics competencies, TSMC's experience in integrating front-end design and back-end turnkey services has helped customers resolve many daunting challenges in advanced chips designed with our 90nm technology. We collaborate closely with customers, enabling them to deliver their products on time and to achieve success in their end markets.

Financial Strength and Results

TSMC broke new records in both revenues and net income in 2004. Revenue reached NT\$255.9 billion, an increase of 26.8% compared with the previous record set in 2003. Net income was NT\$92.32 billion, an increase of 95.3% compared with 2003 results, while fully diluted earnings per share were NT\$3.97 (US\$0.59 per ADS unit), an increase of 96.8 %. In US dollars, revenue for 2004 was US\$7.65 billion, an increase of 30.3%, while net income grew to US\$2.76 billion, an increase of 100%.

A Long-Term Growth Engine

TSMC's consistently strong financial performance proves the company's value as a solid long-term growth engine. The cyclical nature of the semiconductor industry is well known. Since the mid-1990s, we have taken strategic advantage of upturns. But we are careful not to overreach, and so we weather downturns well. We have been free cash flow positive in all but one year in our 18-year history, a track record rarely found in this industry.

Our recently enhanced dividend policy is a sign of our confidence in the TSMC growth engine. After the company's IPO in 1994, we made our first cash dividend payment in 2004, with a 30% cash payout ratio. We further resolved to distribute future dividends preferentially in cash. Under a change approved by shareholders on December 21, 2004, stock dividends will not exceed 50 percent of total distributions in future. The change will permit us more flexibility in planning future cash dividend distributions.

Two-Pronged Business Strategy to Ensure Future Growth

Our strategy for continued profitable growth has two dimensions: horizontal expansion into specialty technologies platforms in mature technologies; and vertical expansion through leadership in advanced process technologies for next-generation products. With specialty technologies, we can leverage our unique scale and manufacturing know-how at older, partly depreciated fab facilities to increase capacity utilization and margins throughout the cycle.

With demand strong for our 90nm technology, we plan to substantially increase our capacity of 90nm in 2005. Our total capacity for advanced technologies (defined as 0.13-micron and below) will more than double in 2005.

Innovation

TSMC has continued to demonstrate its leadership in semiconductor processes technology. For example, in December 2004, TSMC announced the successful use of immersion lithography tools developed by ASML to produce fully functional 90nm devices. These circuits represented the world's first publicly announced data indicating that immersion-based lithography systems are nearing production-ready status.

Recognition and Awards for Outstanding Achievements

TSMC continued to receive recognition and awards from around the world as a corporate role model. Among the numerous media surveys conducted in 2004 (for example, *Institutional Investor*, *The Asset Magazine*, *Asiamoney*, *FinanceAsia*, *IR Magazine*, and *The Know Network*), TSMC was awarded top honors in the areas of overall management, knowledge management, corporate governance and investor relations, and was voted the "Most Admired Company" by *CommonWealth Magazine*. In addition, TSMC received the Gold Medal Award from The Department of Economic Affairs of the Government of the Republic of China in the "National Invention and Creation" category.

Other Corporate Developments

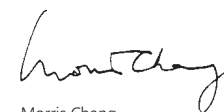
In the period from March 24 to May 21, 2004, TSMC bought back 124.72 million common shares, representing 0.6% of total outstanding shares at that time. These repurchased shares were subsequently cancelled during the third quarter of 2004.

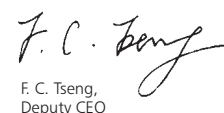
TSMC, TSMC North America, and WaferTech filed a series of lawsuits in late 2003 and 2004 in both state and federal courts in California and with the U. S. International Trade Commission against Semiconductor Manufacturing International Corporation (SMIC), SMIC (Shanghai), and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple TSMC patents and misappropriated TSMC's trade secrets. These suits have been settled out of court. As part of the agreement, SMIC will pay TSMC US\$175 million over six years to resolve TSMC's patent infringement and trade secret claims.

Outlook for the Future

We believe that the world semiconductor industry is likely to expand at a compound annual growth rate of 8% to 10% within this decade. Coming out of the industry's most severe cyclical downturn in 2001, the global semiconductor industry has experienced two consecutive years of strong growth: 18% in 2003 followed by an estimated 28% growth in 2004. We now expect global semiconductor revenue to remain at about the same level or slightly lower in 2005. The value of the foundry segment's output is likely to have increased from a 16% share of world IC markets in 2003 to an estimated 18% in 2004. Our trinity of strengths and our two-pronged growth strategy, coupled with our continuing emphasis on cost efficiency, should enable TSMC to compete well.

We have every confidence that our dedication, our operating and financial discipline, as well as our strong commitment to innovation and customer partnership, will continue to produce the outstanding performance that has characterized TSMC since we founded the dedicated semiconductor foundry business in 1987.


Morris Chang,
Chairman and CEO


F. C. Tseng,
Deputy CEO


Rick Tsai,
President and COO



Left to right: F. C. Tseng, Morris Chang, Rick Tsai

Brief Introduction

Company Profile

TSMC today is the leader and largest player of the industry sector it founded in 1987 - the dedicated semiconductor foundry. As such, it remains in an excellent position to benefit from the continued strong outsourcing trend in the manufacture of integrated circuits (IC). And, that is an exciting position to be in as the industry begins to travel down a new path in the history of semiconductor development.

TSMC opened the world's first dedicated IC foundry on February 21, 1987 at Hsinchu Science Park, Taiwan. As a global leader, today TSMC provides the industry's leading process technology and the foundry sector's largest portfolio of process-proven library, IP, design tools and reference flows.

By the end of 2004, total installed annual capacity of TSMC and its affiliates amounted to more than 4.8 million 8-inch equivalent wafers. TSMC's Taiwan-based fabs include the following:

- one 6-inch wafer fab (Fab 2)
- five 8-inch wafer fabs (Fab 3, 5, 6, 7, and 8)
- two 12-inch fab (Fab 12 and 14)

The Company has additional capacity available from our two wholly owned subsidiaries, WaferTech in the United States and TSMC (Shanghai) Company, Ltd., in China, and in a joint-venture fab, Systems on Silicon Manufacturing Company (SSMC), in Singapore.

Innovation

A key component of TSMC's long-term success is continual innovation. Our prestigious R&D team is recognized throughout the industry for the quality of its technological innovation. TSMC continues to invest heavily to expand R&D capabilities. R&D staff increased 10.3% in 2004; R&D expenditure reached over NT\$12.5 billion, or US\$374 million.

Intellectual capital is vital to maintaining our technology leadership and independence, as well as a source of certain cross license and royalty benefits. In 2004 TSMC added 460 US patents and 516 ROC patents to its already rich portfolio of patents and other intellectual property.

TSMC plans to maintain its long-term lead over competitors in the foundry sector of the IC industry through a strong exploratory technology research program. It not only explores process capabilities beyond the 45nm technology node, it also continues exploratory work on new transistors and process technologies such as SOI, 3D structures, MRAM, strained-layer CMOS and novel SoC features. With a highly competent and dedicated R&D team and its commitment to innovation, TSMC is confident in its ability to help extend the Moore's law, and to deliver the best and most cost-effective process technologies for its customers.

Leadership

As the market leader, TSMC is the most experienced team of solution providers in the foundry sector. Senior managers of TSMC have an average of more than 23 years of professional experience in the semiconductor industry.

TSMC pioneered immersion lithography, which can extend the resolution capability of conventional 193nm imaging tools down to the 32nm technology node, without having to rely on expensive alternatives. TSMC has worked closely with tool partners to set up the infrastructure and to enable readiness of prototyping and production of the immersion lithography tools.

TSMC also has earned distinction as a leader in Corporate Governance. The Company features a strong Board of Directors that reinforces the financial integrity and management soundness of TSMC. The nine-member board includes three independent board members: Sir Peter L. Bonfield, Professor Lester C. Thurow, and Mr. Stan Shih. In addition, Professor Michael E. Porter is an independent supervisor. Independent directors comprise the majority on both the Audit Committee and the Compensation Committee.

Corporate Recognition

Awards honoring Taiwan Semiconductor Manufacturing Company in 2004 included:

- Most Admired Company in Taiwan (*CommonWealth Magazine*, October 2004 - for the eighth consecutive year)
- Best Managed Company, Best Corporate Governance, Best Investor Relations in Taiwan (*FinanceAsia*, April 2004)
- Best Investor Relations in Semiconductor Sector: The Buy Side View, and the Sell Side View, and Best Investor Relations in Taiwan: The Buy Side View (*Institutional Investor*, July 2004).
- Best Investor Relations by a Taiwan Company (*IR Magazine*, November 2004)
- Best Corporate Governance in Taiwan (*The Asset Magazine*, 2004)
- Best Corporate Governance in Taiwan (*Asiamoney*, 2004)

Market Overview

TSMC Achievements

The semiconductor industry has always been aggressive towards technological advancement -- the introduction of copper circuits and the use of low-k dielectrics enable a significant leap in device size and speed.

TSMC has been in a leading position in such advanced process technologies. In 2004, 28% of TSMC's revenues came from geometries of 0.13 μ m and below manufacturing processes. TSMC is the volume production leader of many products designed with its 0.13 μ m FSG and low-k processes. Cumulatively, TSMC has shipped over one million wafers (8-inch equivalent) in 0.13 μ m by 2004. TSMC also shipped close to 120,000 low-k based wafers (8-inch equivalent) both in 0.13 μ m and in 90nm, in 2004.

In order to streamline customers' advanced process designs, TSMC introduced advanced process design reference flows and has provided tested solutions to many design issues. The reference flows, together with a comprehensive IP and library program, help customers to cut costs and increase productivity before products go into production. Because they reduce barriers to new designs, they also decrease customers' time to market.

Other key contributors to TSMC's success in 2004 were its continued progress in research and development programs and its unwavering focus on customer service.

Market Analysis

On the back of a 16% IC revenue rebound in 2003, IC revenues continued its growth with a 28% increase in 2004 to US\$179 billion, out of the total worldwide semiconductor revenue of US\$213 billion. Fabless outgrew Integrated Device Manufacturers (IDMs) with a market share of 15.5% of total IC revenues in 2004. IC foundry, a manufacturing sub-segment of the IC industry that serves fabless companies as well as IDMs, had total revenue of US\$19.9 billion in 2004, up 40% from a year ago, while revenues from dedicated IC foundries reached US\$16.3 billion, up 46% from 2003. It is estimated that the production value of dedicated IC foundries accounted for 18.8% of worldwide IC revenues in 2004.

According to *IC Insights*, a market research company, the largest geographic segment of the dedicated foundry market is North America, which accounted for 58% of the revenue of the dedicated foundry sector in 2004. The second largest market segment is Asia Pacific (ex Japan), which accounted for 24%. European-based companies accounted for 10%, and companies based in Japan contributed 8%.

Industry Growth Forecast

After two consecutive years of strong growth, industry consensus indicates that the semiconductor market will stay flat or slightly decline in 2005. Inventory correction and erosion in average selling price (ASP) per IC unit are believed by market analysts to be the primary causes for the non-growth forecast of 2005. The market is then predicted to pick up in 2006.

Foundry Market Outlook: Opportunities and Threats

TSMC believes foundry services will play an increasingly important role as the IC industry becomes more reliant on foundry services. Industry analysts forecast that by 2009, 28.8% of global IC production value will come from dedicated foundries, as compared to 18.8% in 2004.

Confident of future foundry growth, TSMC currently plans to continue its capacity expansion in the year 2005 with capital investment of approximately US\$2.5 billion to US\$2.7 billion. Besides continued ramping up and expansion of Fab 12, TSMC's first 12-inch production fab, the Company is also expanding capacity at Fab 14, another 12-inch fab in Taiwan, and TSMC (Shanghai), an 8-inch fab in China.

The threat of excess capacity and falling wafer prices, however, may return over the next couple of years. To capitalize on opportunities, to minimize competitive threats and to reduce risk, TSMC will continue focusing on high-growth segments of the semiconductor industry.

Moreover, TSMC is committed to staying ahead of other foundry vendors with advanced process development and services. TSMC's emphasis on the development and deployment of technologies and support services in 2004 included the following:

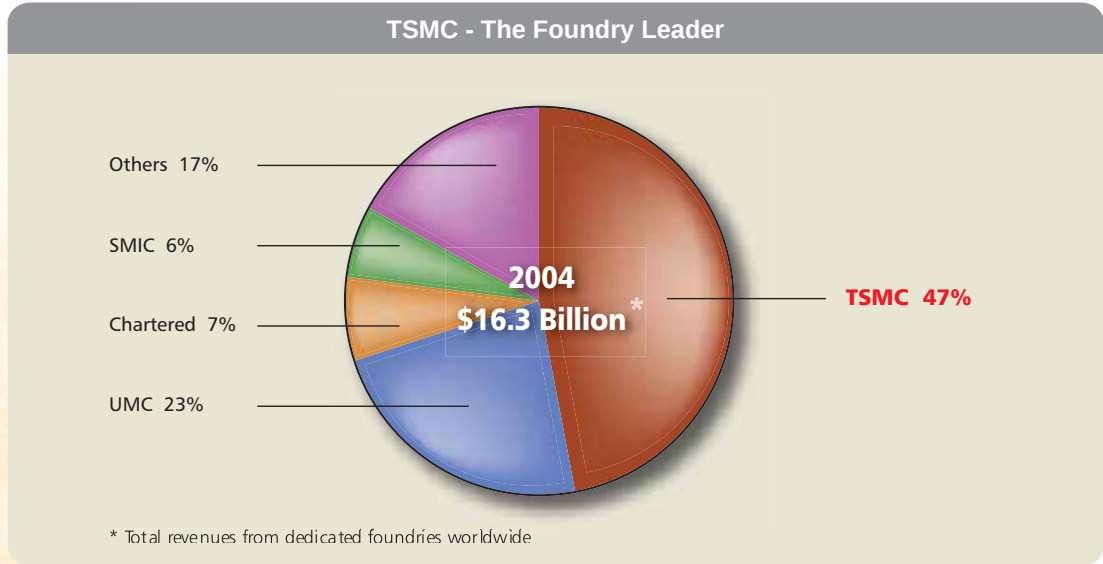
- Advanced Technologies (0.13 μ m, 0.11 μ m, 90nm, 65nm, and low-k)
- Silicon-on-Insulator (SOI) Technology for 90nm and 65nm nodes
- Immersion Lithography for 90nm and below
- Mixed-Signal and Radio Frequency (MS/RF) Technologies
- 90nm High Density Embedded Memory Processes
- Logic Processes with Nonvolatile Memory at 0.35 μ m and 0.25 μ m nodes
- 40-volt, 0.18 μ m High Voltage Technology
- TSMC Reference Flow 5.0 for Power Closure and Integrated Chip to Package Design
- Mask Services
- Backend Services (Bumping, Flip-Chip Assembly, Testing)



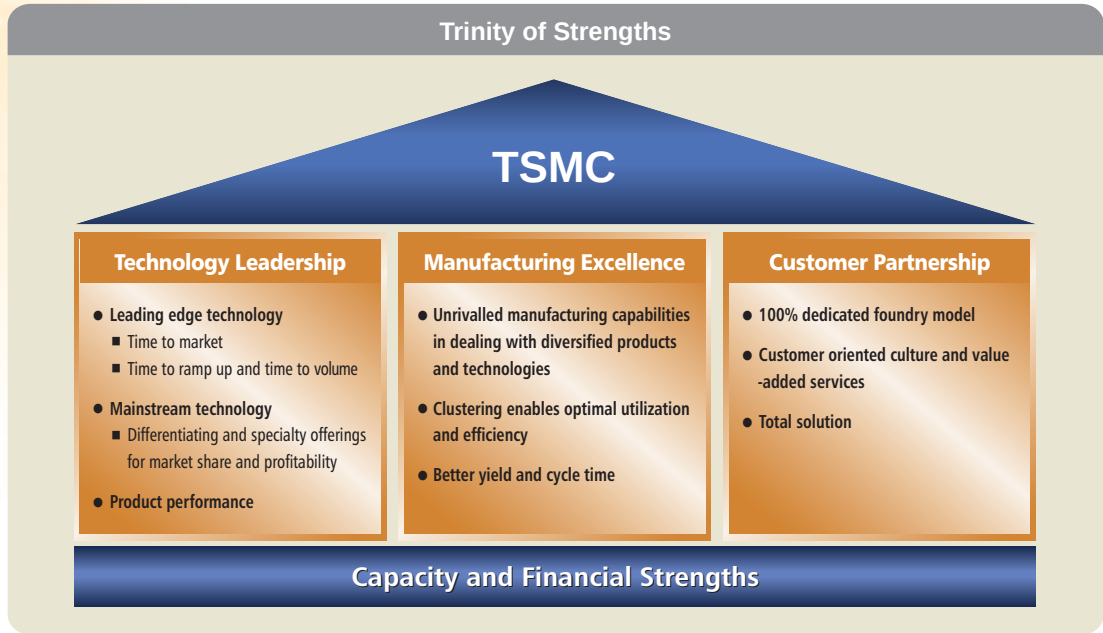
TSMC's in-house mask shop is one of the world's largest mask making facilities.

Formula for Success

Today, TSMC ranks globally among the top ten chip companies. We not only led the foundry sector in 2004 with a 47 percent market share -- more than twice the size of the nearest foundry competitor -- our profit margins were far better than any of our competitors.



TSMC's formula for success is to build our business on a solid foundation of financial strength and manufacturing capacity. With this solid foundation, TSMC develops its "trinity of strengths": technology development and deployment, manufacturing capacity and efficiency, and building customer partnerships. This trinity of strength has helped TSMC's customers become successful and reinforces our leading market position and premium profit.



Leadership in Technology

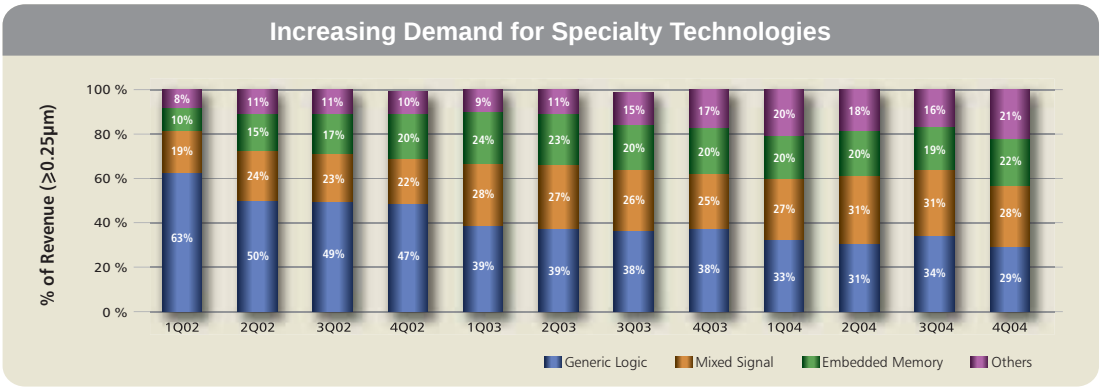
TSMC is one of the most important technology suppliers in the global semiconductor market with a technology roadmap that is ahead of the International Technology Roadmap for Semiconductors (ITRS). TSMC's strength in integrating its front-end design and back-end turnkey services with its core manufacturing and logistics competencies meets the unique business and technology requirement of each customer on an individual basis and benefits our customers in terms of technical excellence, high product quality, fast cycle time, and the convenience of a one-stop service.

In 2004, TSMC's Nexsys® 90nm was the only foundry process at that node to feature copper interconnect, low-k dielectrics, and 12-inch wafer production as standard. It reached several thousand 12-inch wafers per month production level in the fourth quarter of 2004 and will ramp to higher volumes throughout 2005. By the end of 2004, nearly 40 single-product mask sets had taped out and 30 more products had taped out on mask-sharing Cybershuttle wafers. Among these products, close to ten entered production stage and many others were either in qualification or design verification.

TSMC expects that 90nm demand will increase at a rapid pace in 2005, across a range of applications in consumer, communications, PC and industrial markets. Customers credited the higher density, smaller chip size, faster performance, battery-saving lower power consumption, and lower die cost as main reasons for designing to TSMC's 90nm technology.

TSMC's first 65nm fully functional SRAM chip was validated in April 2004. Since then, some customers have taped out and received functional prototypes of their own designs, including logic and memory, for initial validation and benchmarking. In response to customer demand, TSMC plans to enter 65nm technology production by December 2005 for the low-power version. A high-speed version and a general-purpose 65nm process should be available in 2006. A version employing SOI technology and an ultra-high-speed version should be introduced in 2007. Logic and mixed-signal options are slated for all versions, with embedded memory available in each.

TSMC not only develops and excels in leading edge technologies, we also expand in mainstream technology with a differentiating portfolio of specialty technologies that include mixed-signal, embedded memory, non-volatile memory, high voltage, and CMOS image sensor. Customers' adoption of TSMC's specialty technologies has been increasing steadily. Revenues from specialty technologies produced with 0.25μm and bigger nodes increased to 71% from 37% of the total revenues from these processes between first quarter of 2002 and fourth quarter of 2004.



Manufacturing Excellence

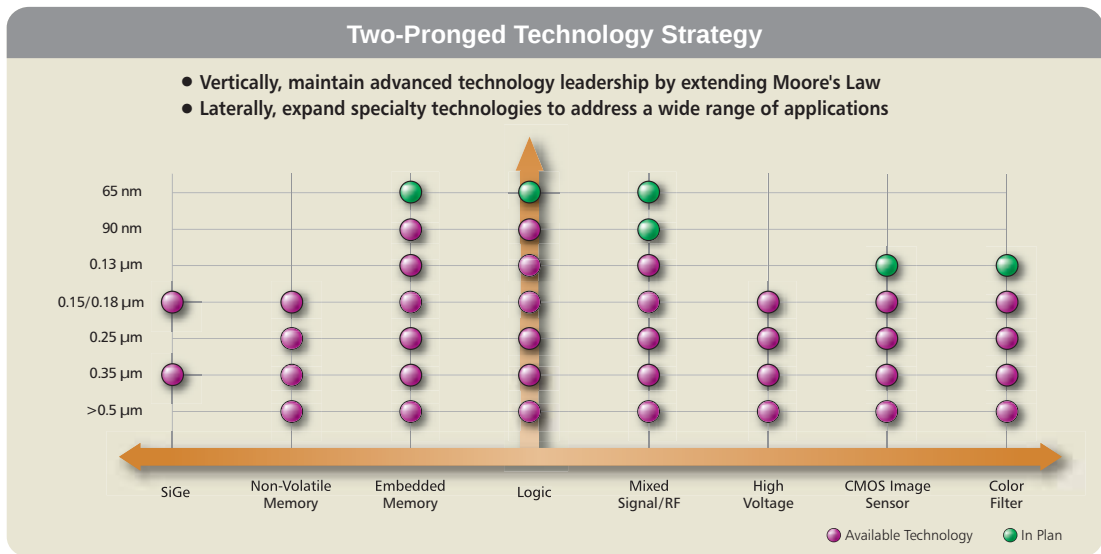
In 2004, TSMC provided its customers with 4.8 million 8-inch equivalent wafers, representing 7% of global MOS IC capacity, a production level exceeded only by Intel, Samsung, and Hynix. This huge capacity demonstrated TSMC's manufacturing efficiency both in terms of the large number of customers served and the number of products manufactured. In 2004, TSMC had more than 300 active customers and manufactured over 5,000 products in its fabs. Furthermore, TSMC's manufacturing excellence is also demonstrated by our ability to deliver high yields and short cycle times across multiple fabs while each individual fab can also support numerous customers, products and processes with a high degree of flexibility.

Unrivalled Manufacturing Capabilities							
- Manufacturing excellence that ensures wafer delivery with high yields and short cycle times across multiple fabs - Flexibility to support numerous customers, products and processes							
2004	Fab2	Fab3	Fab5	Fab6	Fab7	Fab8	Fab12
Customers	122	180	79	87	72	137	58
Technologies	25	37	15	21	16	34	14
Products	1,415	1,086	365	521	231	684	221
Capacity (kpcs 8-inch equivalent)	522	922	470	813	165	823	549

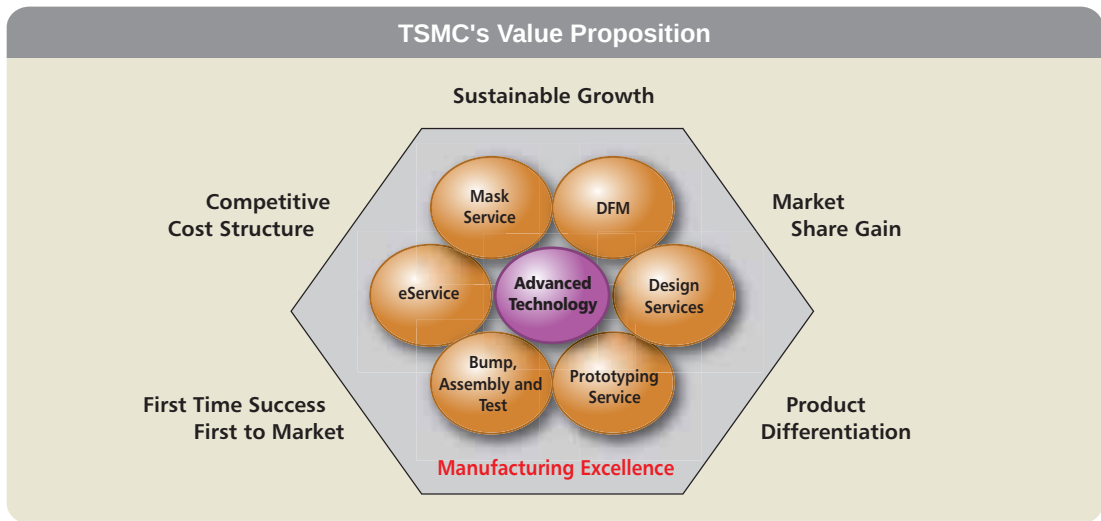
Customer Partnership

TSMC's business model is based on "partnership" with the designers of ICs. TSMC strives to build a trusting relationship with its customers and deliver tangible values to them. With our most advanced and comprehensive technology portfolios, TSMC customers can build differentiation into their products and maintain a competitive cost structure. Today, with so much at stake in new IC designs, TSMC's extensive collaboration and services help to ensure first time success and speed to market.

Currently, TSMC offers two technology platforms: the Advanced Technology platform and the Mainstream Technology platform. Advanced Technology addresses the semiconductor industry's next technology frontier - the process technologies and tightly integrated services that are at the leading edge of the ITRS roadmap. Mainstream Technology supports a collection of product-proven process technologies and provides the best overall value with customer-focused enabling services. Platforms integrate feature technologies (i.e., mixed-signal, embedded memory, non-volatile memory, high voltage, and CMOS image sensor) with service products (such as design service, CyberShuttle, on-line eFoundry innovations, mask service, and backend service). Together, TSMC's two technology platforms meet the industry's broadest range of IC design requirements in the widest possible vista of applications, and enable its customers fast time-to-market, time-to-volume and time-to-revenue.



By maintaining the position as the most advanced and the largest technology and foundry service provider, we believe we can attract new customers, retain existing customers, and deepen their partnership relationships with TSMC.



A Successful Foundry Model

A successful foundry must have clear leadership in technology and manufacturing efficiency, and it must build partnerships with its customers.

We believe that TSMC is the leader in mainstream silicon process technology and that we are ahead of everyone else in manufacturing efficiency. This is clearly demonstrated by our ability to manufacture a multitude of products for many customers. Finally, as a foundry service provider, TSMC is proud of the partnerships it has built with customers and our commitment and ability to provide both capacity and the highest quality services to them. With the "trinity of strengths", TSMC believes it will continue to be the leading foundry in the world for many years to come.

Corporate Governance

Maintaining the highest standards of corporate governance has been an integral expression of TSMC's core values since its founding. TSMC advocates and upholds operational transparency and respect for shareholder rights. We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, TSMC's Board of Directors established an Audit Committee in 2002 and a Compensation Committee in 2003.

During 2004, TSMC received numerous awards for being the best managed company in Taiwan with respect to corporate governance. However, we believe that good governance is fundamentally a global issue. We hold ourselves to world class standards of integrity and fairness, and our benchmarks for transparency and disclosure are international ones.

Audit Committee

The Audit Committee assists the Board in fulfilling its financial oversight responsibilities, which include reviewing the Company's financial reports, the Company's auditing and accounting policies and procedures, and the Company's systems of internal control.

TSMC's Audit Committee is empowered by its Charter to conduct any study or investigation it deems appropriate to discharge its responsibilities. It has direct access to TSMC's internal auditors, the Company's outside independent auditors, and all employees of the Company. The Committee is authorized to retain and oversee special legal, accounting or other consultants as it deems appropriate to fulfill its charter purposes.

As of March 2005, there were four members on the Audit Committee: three independent directors and a supervisor of TSMC. The Committee meets at least four times a year. The Audit Committee convened four regular meetings and two special meetings in 2004.

Compensation Committee

The Compensation Committee assists the Board in discharging its responsibilities related to compensation and benefit policies, plans and programs of TSMC, and evaluation and compensation of TSMC's executives, directors and supervisors.

As of March 2005, the Compensation Committee was comprised of five members: three independent directors serving as voting members of the Committee, and two non-voting directors. The Committee meets at least four times a year. The Compensation Committee convened four regular meetings in 2004.

Financial Statements



Year 2004 was a banner year for TSMC.
We again set new records for revenues and earnings.

Taiwan Semiconductor Manufacturing Company, Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2004 ~ 2000

	2004	2003	2002	2001	2000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	74,302,351	102,988,896	67,790,204	37,556,295	38,840,217
Short-term investments	54,107,951	13,611,536	170,012	1,398,071	1,502,098
Receivable from related parties	654,377	920,444	439,659	494,732	948,726
Notes receivable	2,942	9,893	60,240	176,582	125,175
Accounts receivable	31,211,481	28,495,269	19,530,702	19,957,636	30,335,314
Allowance for doubtful receivables	(982,843)	(1,020,398)	(932,993)	(1,100,492)	(946,734)
Allowance for sales returns and others	(3,342,450)	(2,135,843)	(2,372,515)	(2,581,551)	(2,458,323)
Other receivables from related parties	141,578	131,731	(Note1)	(Note1)	(Note1)
Other financial assets	2,212,371	1,373,705	1,010,453	(Note2)	(Note2)
Inventories-net	15,555,937	12,135,324	11,201,446	9,828,328	12,785,723
Deferred income tax assets	8,917,986	8,398,205	3,401,729	2,350,147	8,178,016
Prepaid expenses and other current assets	1,667,401	1,632,908	2,238,221	2,721,421	3,034,624
Total Current Assets	184,449,082	166,541,670	102,537,158	70,801,169	92,344,836
LONG-TERM INVESTMENTS	38,101,849	10,748,014	10,635,496	11,599,150	10,663,804
PROPERTY, PLANT AND EQUIPMENT					
Cost					
Land and land improvements	803,508	855,394	874,907	877,371	829,239
Buildings	97,882,699	79,778,533	76,428,851	60,523,505	53,874,708
Machinery and equipment	433,130,364	371,315,729	343,951,592	280,023,690	241,995,862
Office equipment	8,538,225	7,457,538	6,996,027	6,062,496	4,865,610
Leased assets	566,243	726,585	-	-	-
Total cost	540,921,039	460,133,779	428,251,377	347,487,062	301,565,419
Accumulated depreciation	(331,253,866)	(275,013,069)	(210,101,159)	(155,948,960)	(103,884,879)
Advance payments and construction in progress	49,244,153	26,733,553	28,348,093	59,749,530	47,067,352
Net Property, Plan and Equipment	258,911,326	211,854,263	246,498,311	251,287,632	244,747,892
GOODWILL	7,115,510	8,720,917	10,158,845	11,437,572	11,530,973
OTHER ASSETS					
Deferred charges-net	8,992,452	7,992,016	9,873,825	3,769,750	3,335,665
Deferred income tax assets	1,649,979	1,111,367	9,773,226	16,245,828	6,629,805
Refundable deposits	106,448	199,522	557,266	784,089	979,067
Others	127,445	232,762	508,272	592,505	653,937
Total Other Assets	10,876,324	9,535,667	20,712,589	21,392,172	11,598,474
TOTAL ASSETS	499,454,091	407,400,531	390,542,399	366,517,695	370,885,979

Note 1: not separate from receivables from related parties

Note 2: not separate from prepaid expenses and other current assets

	2004	2003	2002	2001	2000
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Short-term bank loans	383,004	407,736	729,813	6,269,181	3,833,841
Payable to related parties	2,217,815	3,248,289	1,776,149	1,048,273	2,606,339
Accounts payable	7,264,419	6,438,604	5,138,592	1,397,879	8,507,827
Payable to contractors and equipment suppliers	33,427,702	7,232,103	14,132,100	12,867,236	25,550,273
Accrued expenses and other current liabilities	10,126,368	8,094,191	5,947,229	6,746,483	6,875,657
Current portion of long-term liabilities	10,500,000	5,000,000	12,107,899	5,000,000	51,055
Total Current Liabilities	63,919,308	30,420,923	39,831,782	33,329,052	47,424,992
LONG-TERM LIABILITIES					
Long-term bank loans	1,915,020	8,800,302	11,051,454	22,399,360	23,339,367
Long-term bonds payables	19,500,000	30,000,000	35,000,000	24,000,000	29,000,000
Other long-term payables	7,964,975	3,300,829	4,281,665	-	-
Other payables to related parties	2,317,972	-	-	-	-
Liability under capital lease	566,243	726,585	-	-	-
Total Long-term Liabilities	32,264,210	42,827,716	50,333,119	46,399,360	52,339,367
OTHER LIABILITIES					
Accrued pension cost	3,101,707	2,601,450	2,211,560	1,856,617	1,511,277
Guarantee deposits	412,881	763,889	1,395,066	7,212,688	7,086,379
Deferred gain on sales and leaseback	-	-	114,928	268,165	434,183
Others	714,949	1,483,245	707,239	141,498	14,356
Total Other Liabilities	4,229,537	4,848,584	4,428,793	9,478,968	9,046,195
MINORITY INTEREST IN SUBSIDIARIES	75,737	88,999	95,498	120,240	321,726
SHAREHOLDERS' EQUITY					
Capital stock - \$10 par value					
Preferred -					
1,300,000 thousand shares	-	-	13,000,000	13,000,000	13,000,000
Common -					
23,251,964 thousand shares in 2004					
20,266,619 thousand shares in 2003					
18,622,887 thousand shares in 2002					
16,832,554 thousand shares in 2001					
11,689,365 thousand shares in 2000	232,519,637	202,666,189	186,228,867	168,325,531	116,893,646
Capital surplus:	56,537,259	56,855,885	57,004,789	57,128,433	55,285,821
Retained earnings:					
Appropriated as legal reserve	25,528,007	20,802,137	18,641,108	17,180,067	10,689,323
Appropriated as special reserve	-	68,945	-	349,941	1,091,003
Unappropriated earnings	88,202,009	50,229,008	22,151,089	19,977,402	65,143,847
Unrealized loss on long-term investments	-	(35)	(194,283)	-	-
Cumulative translation adjustments	(2,226,427)	225,408	945,129	1,228,701	(278,377)
Treasury stock (as cost)-45,521 thousand shares	(1,595,186)	(1,633,228)	(1,923,492)	-	(71,564)
Total Shareholders' Equity	398,965,299	329,214,309	295,853,207	277,190,075	261,753,699
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	499,454,091	407,400,531	390,542,399	366,517,695	370,885,979

Taiwan Semiconductor Manufacturing Company, Ltd. and Subsidiaries
Consolidated Statements of Income

For the Years Ended December 31, 2004 ~ 2000

	2004	2003	2002	2001	2000
GROSS SALES	261,947,351	207,279,137	166,187,670	128,560,708	169,192,312
SALES RETURNS AND ALLOWANCES	<u>(4,734,733)</u>	<u>(4,282,325)</u>	<u>(3,886,462)</u>	<u>(2,675,816)</u>	<u>(2,994,708)</u>
NET SALES	257,212,618	202,996,812	162,301,208	125,884,892	166,197,604
COST OF SALES	<u>141,393,435</u>	<u>128,113,334</u>	<u>109,988,058</u>	<u>92,228,098</u>	<u>87,609,670</u>
GROSS SALES	<u>115,819,183</u>	<u>74,883,478</u>	<u>52,313,150</u>	<u>33,656,794</u>	<u>78,587,934</u>
OPERATING EXPENSES					
Research and development	12,516,434	12,712,695	11,725,035	10,293,544	7,203,591
General and administrative	11,454,374	8,199,965	6,767,756	8,129,980	7,408,121
Marketing	<u>3,366,701</u>	<u>2,670,237</u>	<u>2,231,320</u>	<u>2,455,473</u>	<u>2,681,534</u>
Total Operating Expenses	<u>27,337,509</u>	<u>23,582,897</u>	<u>20,724,111</u>	<u>20,878,997</u>	<u>17,293,246</u>
INCOME FROM OPERATIONS	88,481,674	51,300,581	31,589,039	12,777,797	61,294,688
NON-OPERATING INCOME					
Investment income recognized by equity method-net	2,094,137	-	-	-	-
Interest	1,858,359	888,107	1,094,724	1,486,656	1,679,736
Royalty income	-	-	527,126	1,301,606	524,194
Gain on sales of property, plant and equipment	242,785	438,809	273,998	52,376	62,921
Technical service income	423,804	209,764	162,149	55,077	138,514
Gain on sales of investments-net	914,541	3,538,081	-	1,724,501	1,076,063
Insurance compensation-net	-	-	-	860,835	1,623,832
Premium income from option contracts- net	-	-	-	234,732	8,115
Foreign exchange gain-net	-	-	-	-	828,025
Other	<u>556,598</u>	<u>594,551</u>	<u>291,860</u>	<u>759,793</u>	<u>178,403</u>
Total Non-operating Income	<u>6,090,224</u>	<u>5,669,312</u>	<u>2,349,857</u>	<u>6,475,576</u>	<u>6,119,803</u>

	2004	2003	2002	2001	2000
NON-OPERATING EXPENSES					
Interest	1,528,908	1,891,009	2,616,740	3,144,042	2,717,035
Investment loss recognized by equity method-net	-	294,244	1,976,847	3,959,020	187,179
Loss on impairment of long-term investments	350,608	652,718	795,674	-	-
Loss on sales of and provision for loss on property, plant and equipment	131,148	1,880,325	466,385	235,629	114,768
Premium expense from option contracts-net	-	153,783	419,513	-	-
Loss on sales of investments-net	-	-	101,221	-	-
Foreign exchange loss-net	382,164	755,100	120,568	695,620	-
Unrealized valuation loss of short-term investments	75,212	-	-	-	-
casualty loss-net	-	-	119,485	-	-
Other	<u>138,271</u>	<u>164,069</u>	<u>100,315</u>	<u>432,557</u>	<u>493,985</u>
Total Non-operating Expenses	<u>2,606,311</u>	<u>5,791,248</u>	<u>6,716,748</u>	<u>8,466,868</u>	<u>3,512,967</u>
INCOME BEFORE INCOME TAX AND MINORITY INTEREST	91,965,587	51,178,645	27,222,148	10,786,505	63,901,524
INCOME TAX BENEFIT (EXPENSE)	363,426	(3,922,957)	(5,636,648)	3,740,678	1,167,884
INCOME BEFORE MINORITY INTEREST	92,329,013	47,255,688	21,585,500	14,527,183	65,069,408
MINORITY INTEREST IN LOSS (INCOME) OF SUBSIDIARIES	<u>(12,898)</u>	<u>3,012</u>	<u>24,791</u>	<u>(44,009)</u>	<u>36,786</u>
CONSOLIDATED NET INCOME	<u>92,316,115</u>	<u>47,258,700</u>	<u>21,610,291</u>	<u>14,483,174</u>	<u>65,106,194</u>
EARNINGS PER SHARE (Note)					
Basic earnings per share	3.97	2.02	0.91	0.60	2.85
Diluted earnings per share	3.97	2.02	0.91	0.60	2.85

Note: Retroactively adjusted for all subsequent stock dividends and employee stock bonuses.

Taiwan Semiconductor Manufacturing Company, Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2004 ~ 2000

	2004	2003	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	92,316,115	47,258,700	21,610,291	14,483,174	65,106,194
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation and amortization	69,818,457	69,161,317	65,000,873	55,323,040	41,446,137
Deferred income taxes	(1,058,393)	3,665,383	5,421,020	(3,788,154)	(956,118)
Investment loss recognized by equity method-net	(2,094,137)	294,244	1,976,847	3,959,020	187,179
Amortization of premium/discount of long-term bond investments	28,673	-	-	-	-
Permanent loss on long-term investments	350,608	652,718	795,674	-	-
Loss (gain) on sales of long-term, investments-net	(85,203)	(78,694)	170,831	(105,439)	(15,144)
Loss on sales of and provision for loss on property, plant and equipment-net	(111,637)	1,441,516	192,387	183,253	51,847
Reversal of provision for losses on short-term investments-net	-	-	-	(13,146)	-
Pension cost accrued	500,257	389,890	355,705	345,340	370,276
Minority interest in income (loss) of subsidiaries	12,898	(3,012)	(24,791)	44,009	(36,786)
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Receivable from related parties	266,067	(612,516)	55,073	453,994	(737,105)
Notes receivable	6,951	50,347	116,342	(51,407)	38,959
Accounts receivable	(2,716,212)	(8,964,567)	426,934	10,377,678	(15,467,155)
Allowance for doubtful receivables	(37,555)	87,405	(167,499)	153,758	524,532
Allowance for sales returns and others	1,206,607	(236,672)	(209,036)	123,228	1,679,309
Inventories-net	(3,420,613)	(933,878)	(1,373,118)	2,957,395	(4,033,836)
Prepaid expenses and other current assets (include other receivables from related parties and other financial assets)	(821,440)	257,840	(493,461)	251,783	238,258
Increase (decrease) in:					
Payable to related parties	(1,499,968)	1,472,140	727,876	(1,558,066)	2,334,247
Notes payable	-	-	-	-	(4,303)
Income tax payable	-	-	-	-	(151,828)
Accounts payables	825,815	1,300,012	3,740,713	(7,109,948)	3,174,958
Accrued expenses and other current liabilities	(336,385)	834,941	184,564	(211,800)	1,036,576
Net Cash Provided by Operating Activities	153,150,905	116,037,114	98,507,225	75,817,712	94,786,197
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease (increase) in short-term investments	(43,554,878)	(13,326,339)	1,184,419	117,173	(524,154)
Decrease (increase) in pledged time deposits	-	-	-	-	3,161,693
Acquisitions of :					
Long-term investments	(23,054,379)	(1,412,335)	(3,192,427)	(5,120,580)	(2,956,758)
Property, plant and equipment	(81,094,557)	(37,870,907)	(55,235,458)	(70,201,205)	(103,761,905)
Proceeds from sales of:					
Long-term investments	165,243	505,702	53,048	559,137	49,376
Property, plant, and equipment	1,812,633	177,312	495,878	301,416	364,875
Increase in deferred charges	(2,405,673)	(2,138,087)	(5,724,583)	(1,805,250)	(1,793,209)
Decrease (increase) in refundable deposits	93,074	357,744	226,823	194,978	(915,559)
Decrease (increase) in other assets	51,604	4,610	2,711	(9,162)	77,451
Increase (decrease) in minority interest in subsidiaries	(26,160)	(3,487)	49	(249,166)	(7,165,656)
Increase in goodwill	-	-	-	(1,019,227)	(8,221,266)
Cash inflow from the merged companies	-	-	-	-	736,594
Net Cash Used in Investing Activities	(148,013,093)	(53,705,787)	(62,189,540)	(77,231,886)	(120,948,518)

	2004	2003	2002	2001	2000
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash dividends paid for common stock	(12,137,190)	-	-	-	-
Repurchase of treasury stock	(7,059,798)	-	-	-	-
Proceeds from issuance of:					
Issuance of short-term bank loans	-	-	-	2,435,340	-
Issuance of long-term bonds	-	-	10,000,000	-	9,000,000
Issuance of capital stock	-	-	-	-	39,204,525
Issuance of stock arising from exercising stock options	3,624	-	-	-	-
Disposal of treasury stock	39,906	300,284	-	-	-
Payments on:					
Short-term bank loans	-	(309,807)	(5,539,368)	-	(8,592,790)
Commercial papers	-	-	-	-	(4,241,048)
Bonds payable	(5,000,000)	(4,000,000)	-	-	-
Long-term bank loans	(6,656,152)	(8,915,557)	(4,397,306)	(940,007)	(2,648,853)
Cash bonus paid to employees	(681,628)	-	-	-	-
Increase (decrease) in guarantee deposits	(351,008)	(631,177)	(5,817,622)	126,309	2,978,984
Decrease in lease obligation	-	-	-	(51,286)	(1,052)
Cash dividends paid for preferred stocks	(184,493)	(455,000)	(455,000)	(455,000)	(215,151)
Preferred stock redemption	-	(13,000,000)	-	-	-
Remuneration paid to directors and supervisors	(127,805)	(58,485)	(133,848)	(170,440)	-
Increase in issuance costs of financing	-	-	(3,002)	(47,689)	(118,335)
Net Cash (Uses in) Provided by Financing Activities	(32,154,544)	(27,069,742)	(6,346,146)	897,227	35,366,280
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,016,732)	35,261,585	29,971,539	(516,947)	9,203,959
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,669,813)	(62,893)	262,370	(766,975)	118,576
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	102,988,896	67,790,204	37,556,295	38,840,217	29,517,682
CASH AND CASH EQUIVALENTS, END OF THE YEAR	74,302,351	102,988,896	67,790,204	37,556,295	38,840,217
SUPPLEMENTAL INFORMATION					
Interest paid (excluding the amounts capitalized)	1,470,333	1,982,594	2,301,765	3,468,112	4,036,210
Income tax paid	389,189	218,954	165,121	20,767	96,523
Noncash investing and financing activities:					
Reclassification of a parent company stock held by subsidiaries from long-term investments to treasury stock	-	-	1,923,492	-	-
Current portion of long-term liabilities	10,500,000	5,000,000	12,107,899	5,001,116	51,055
Current portion of other payables to related parties (under payables to related parties)	492,022	-	-	-	-
Current portion of other long-term payables (under accrued expenses and other current liabilities)	1,505,345	1,591,972	1,157,299	-	-
Reclassification of long-term investments to short-term investments	343,950	140,984	-	-	-
Reclassification of short-term investments to long-term investments	3,402,413	-	-	-	-

TSMC Major Facilities

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Common Share Transfer Agent
and Registrar

Company: Corporate Trust Operation and Service
Department of China Trust Commercial Bank
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Taipei, Taiwan 100, R.O.C.
Tel: 886-2-23613033 Fax: 886-2-23116723
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Website: <http://www.citibank.com/adr>
Toll Free: 1-877-24484237
Outside USA: 1-816-8434281
Fax: 1-201-3243284
Email: citibank@shareholders-online.com

TSMC's depository receipts of the common shares are listed
on New York Stock Exchange (NYSE) under the symbol TSM.
The information relating to TSM is available at
<http://www.nyse.com> and <http://newmops.tse.com.tw>

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The statements included in this document that are not historical in nature are "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. TSMC cautions readers that forward-looking statements are subject to significant risks and uncertainties and are based on TSMC's current expectations. Actual results may differ materially from those contained in such forward-looking statements for a variety of reasons including, among others, risks associated with cyclicalty and market conditions in the semiconductor industry; demand and supply for TSMC's foundry manufacturing capacity in particular and for foundry manufacturing capacity in general; intense competition; the failure of one or more significant customers to continue to place the same level of orders with us; TSMC's ability to remain a technological leader in the semiconductor industry; TSMC's ability to manage its capacity; TSMC's ability to obtain, preserve and defend its intellectual property rights; natural disasters and other unexpected events which may disrupt production; and exchange rate fluctuations. Additional information as to these and other risk factors that may cause TSMC's actual results to differ materially from TSMC's forward-looking statements may be found in TSMC's Annual Report on Form 20-F, filed with the United States Securities and Exchange Commission (the "SEC" on May 28, 2004, and such other documents as TSMC may file with, or submit to, the SEC from time to time. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.