

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

July 27, 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 July 2005**  
**Taiwan Semiconductor Manufacturing Company Ltd.**  
(Translation of Registrant's Name Into English)  
**No. 8, Li-Hsin Rd. 6,**  
**Hsinchu Science Park,**  
**Taiwan**

(Address of Principal Executive Offices)

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

Form 20-F

Form 40-F

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

Yes

No

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

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Investor Relations Division

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Topics in This Report

Revenue Analysis

Utilization &amp; Capacity

Profit &amp; Expense Analysis

Financial Condition Review

Cash Flow &amp; CapEx

Recap of Recent Important Events &amp; Announcements

<b>2Q05</b>	<b>Quarterly Management Report</b>
	<b>July 26, 2005</b>

**Operating Results Review:****Summary:**

<i>(Amount in NT\$ billion except noted otherwise)</i>	<b>2Q05</b>	<b>1Q05</b>	<b>2Q04</b>	<b>QoQ</b>	<b>YoY</b>
EPS (NT\$ per com. shr.)	0.74	0.68	0.95	9.2%	(21.3%)
(US\$ per ADR unit)	0.12	0.11	0.14		
Net Sales	58.52	55.65	64.87	5.1%	(9.8%)
Gross Profit	23.21	21.65	28.14	7.2%	(17.5%)
Operating Expense	(5.42)	(5.57)	(6.01)	(2.7%)	(9.7%)
Non-Operating Items	(0.05)	0.19	0.99		
Net Income	18.37	16.82	23.41	9.2%	(21.5%)
Wafers Shipped (kpcs 8 inch-equiv.)	1,275	1,113	1,282	14.5%	(0.6%)
Capacity Utilization	85%	78%	106%		
Net Profit Margin	31.4%	30.2%	36.1%		

**Remarks:**

The second quarter EPS of NT\$0.74 represents a 9.2% increase compared with 1Q05. The unconsolidated operating results of 2Q05 are summarized below:

Net sales increased 5.1% to NT\$58.52 billion compared with NT\$55.65 billion in the first quarter of 2005. The increase mainly reflected a 14.5% increase in wafer shipments against a 5.4% decline of the wafer average selling price (ASP).

Gross profit increased to NT\$23.21 billion, representing a 7.2% increase from the previous quarter. Gross margin improved to 39.7% from 38.9% in 1Q05 due mainly to higher levels of wafer output, partially offset by an unfavorable ASP movement.

Operating expenses decreased slightly to NT\$5.42 billion, representing 9.3% of revenue.

The combined result from non-operating income and long-term investment was a loss of NT\$51 million; while a gain of NT\$189 million was reported in the previous quarter.

Income before tax increased 9% sequentially to NT\$17.73 billion. The Company's provision for tax expenses of NT\$2.60 billion was more than offset by an investment tax credit of NT\$3.24 billion. TSMC's 2Q05 net income was NT\$18.37 billion with a net margin of 31.4%.

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**I. Revenue Analysis****I 1. Wafer Sales Analysis**

<b>By Application</b>	<b>2Q05</b>	<b>1Q05</b>	<b>2Q04</b>
Computer	38%	34%	27%
Communication	37%	41%	45%
Consumer	18%	17%	22%
Industrial/Others	6%	6%	5%
Memory	1%	2%	1%
<b>By Technology</b>	<b>2Q05</b>	<b>1Q05</b>	<b>2Q04</b>
0.13um-	43%	45%	25%
0.15/0.18um	34%	31%	42%
0.25um	10%	12%	15%
0.35um	7%	6%	10%
0.50um+	6%	6%	8%
<b>By Customer Type</b>	<b>2Q05</b>	<b>1Q05</b>	<b>2Q04</b>
Fabless/System	74%	69%	69%
IDM	26%	31%	31%
<b>By Geography</b>	<b>2Q05</b>	<b>1Q05</b>	<b>2Q04</b>
North America	77%	79%	73%
Asia Pacific	9%	8%	12%
Europe	8%	6%	7%
Japan	6%	7%	8%

**Revenue Analysis:**

Net sales increased 5.1% to NT\$58.52 billion compared with NT\$55.65 billion in the first quarter 2005. The increase in second quarter revenue resulted from a 14.5% increase in wafer shipments, offset by a 5.4% decline of the wafer average selling price (ASP), a lower level of other sales, a higher provision for sales returns, and a slightly (0.4%) weaker US dollar against the local currency.

Revenues increased in computer and consumer applications in this quarter due mainly to stronger demand from customers in anticipation of a better sales season ahead. Revenues in communication applications declined due mainly to continuing inventory digestion in this segment. As a result, revenue mix for communication decreased to 37% from 41% in the previous quarter.

Revenue from advanced technologies defined as 0.13-micron and below increased slightly from the previous quarter. However, as a percentage of total wafer sales, it decreased to 43% from 45% previously.

IDM accounted for 26% of wafer sales during the quarter, down from 31% in the previous quarter.

Geographically, North America accounted for 77% of wafer sales, down from 79% in 1Q05.

**ASP Trend:**

ASP declined 5.4% sequentially in 2Q05. This is the combined result of a less favorable product mix and price erosion.

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**II. Utilization & Capacity****Utilization Rate:**

Overall capacity utilization improved to 85% in this quarter from 78% in 1Q05 due mainly to stronger demand from customers.

**II 2. Capacity**

<b>Fab / (Wafer size)</b>	<b>1Q05 (Act.)</b>	<b>2Q05 (Act.)</b>	<b>3Q05 (Fcst.)</b>
Fab-2 (6 ")	238	249	251
Fab-3 (8 )	234	245	247
Fab-5 (8 )	119	125	126
Fab-6 (8 )	203	214	217
Fab-7 (8 )	36	39	40
Fab-8 (8 )	222	217	227
Fab-12 (12 ")	85	103	122
Fab-14 (12 ")	18	36	46
<b>TSMC owned capacity 8"-equivalent Kpcs</b>	<b>1,180</b>	<b>1,292</b>	<b>1,374</b>
WaferTech (8 )	95	96	100
SSMC (8 )	41	42	47
TSMC (Shanghai) (8 )	9	22	30
<b>Total TSMC managed 8"-equivalent Kpcs</b>	<b>1,324</b>	<b>1,451</b>	<b>1,550</b>

Note: 1. Figures represent number of 6 wafers. Conversion to 8"-equivalent wafers is by dividing this number by 1.78

2. Figures represent number of 12 wafers. Conversion to 8"-equivalent wafers is by multiplying this number by 2.25

**Capacity :**

Total TSMC managed capacity in 2Q05 was 1,451K 8-inch equivalent wafers, 9.6% higher than the 1,324K wafers in 1Q05.

TSMC managed capacity in 3Q05 is estimated to increase to 1,550K wafers, representing a 6.8% sequential growth. The newly added capacity in 3Q05 will be mainly from the continuing ramp up of advanced capacity in Fab 12 and 14.

Overall installed capacity for year 2005 is expected to reach 5.96 million 8-inch equivalent wafers, a 24% year-on-year growth.

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**III. Profit & Expense Analysis****III 1. Gross Profit Analysis**

(Amount: NT\$ billion)	2Q05	1Q05	2Q04
<b>COGS</b>	<b>35.3</b>	<b>34.0</b>	<b>36.7</b>
Depreciation	16.0	15.2	14.0
Other MFG Cost	19.3	18.8	22.7
<b>Gross Profit</b>	<b>23.2</b>	<b>21.6</b>	<b>28.1</b>
<b>Gross Margin</b>			
- TSMC	39.7%	38.9%	43.4%
- TSMC w/o affiliates	42.9%	42.1%	49.1%

**Gross Profit Analysis:**

Gross profit increased 7.2% from the previous quarter to NT\$23.2 billion. Gross margin improved to 39.7% from 38.9% in 1Q05 mainly due to higher levels of wafer output, partially offset by an unfavorable ASP movement.

During the quarter, the gross margin from TSMC's own fab manufacturing activities increased to 42.9% from 42.1% in 1Q05.

**III 2. Operating Expense Analysis**

(Amount: NT\$ billion)	2Q05	1Q05	2Q04
<b>Total Operating Exp.</b>	<b>5.4</b>	<b>5.6</b>	<b>6.0</b>
SG&A	2.1	2.2	3.0
Research & Development	3.3	3.4	3.0

**Operating Expenses:**

Operating expenses decreased slightly to NT\$5.4 billion in this quarter, representing 9.3% of net sales.

**III 3. Non-Operating Items**

(Amount: NT\$ million)	2Q05	1Q05	2Q04
<b>Non-Operating Income/(Exp.)</b>	<b>537</b>	<b>387</b>	<b>(264)</b>
Net Interest Income/(Exp.)	42	197	30
Other Non-Operating	495	190	(294)
<b>L-T Investments</b>	<b>(588)</b>	<b>(198)</b>	<b>1,251</b>
WaferTech*	352	195	1,433
SSMC	140	104	288
Vanguard	87	293	257
TSMC (Shanghai)	(789)	(280)	(102)
Miscellaneous	(378)	(510)	(625)
<b>Total Non-Operating Items</b>	<b>(51)</b>	<b>189</b>	<b>987</b>

\* Operation results only; does not include amortization of impaired assets.



***Non-Operating Items:***

Combined result from non-operating income and long-term investment decreased to a loss of NT\$51 million from a gain of NT\$189 million in the previous quarter.

During the quarter, non-operating income increased to NT\$537 million from last quarter's NT\$387 million. This increase was due mainly to the reverse of revaluation losses of short-term investments in marketable securities and a foreign exchange gain from hedging activities, partially offset by lower net interest income and smaller scheduled payment from the settlement of the lawsuit against SMIC.

Long-term investment incurred a higher loss of NT\$588 million in this quarter, compared to NT\$198 million in 1Q05.

The differences were mainly attributable to lower levels of profitability in VIS and higher amount of losses in TSMC (Shanghai), partially offset by an improvement in WaferTech.

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**IV. Financial Condition Review****IV 1. Liquidity Analysis**

(Amount: NT\$ billion)	<b>2Q05</b>	<b>1Q05</b>	<b>2Q04</b>
Cash & S-T Investments	128.0	111.9	120.0
Accounts Receivable Trade	30.1	22.4	30.7
Inventory	14.1	13.4	11.7
<b>Total Current Assets</b>	<b>181.8</b>	<b>159.7</b>	<b>170.5</b>
Accounts Payable	17.8	19.1	20.6
Accrued Liabilities and Others	68.9	18.8	28.4
<b>Total Current Liabilities</b>	<b>86.7</b>	<b>37.9</b>	<b>49.0</b>
Current Ratio (x)	2.1	4.2	3.5
Net Working Capital	95.1	121.9	121.5

**Liquidity Analysis:**

Total current assets were NT\$22.1 billion higher on a sequential basis. The increase was mainly attributable to higher amount in cash & short-term investments and in accounts receivable.

Total current liabilities were NT\$48.8 billion higher sequentially, due mainly to the NT\$49.6 billion payables accrued for cash dividends and employee bonuses.

As a result, net working capital decreased to NT\$95.1 billion and current ratio decreased to 2.1x.

**Receivable/Inventory Days Trend:**

Days of Receivable increased slightly to 43 days in 2Q05 compared to 42 days in the previously quarter.

Days of Inventory improved to 41 days from 42 days in the first quarter 2005.

**IV 3. Debt Service**

(Amount: NT\$ billion)	<b>2Q05</b>	<b>1Q05</b>	<b>2Q04</b>
Cash & S-T Investments	128.0	111.9	120.0
Interest-Bearing Debt	30.0	30.0	35.0
Net Cash Reserves	98.0	81.9	85.0

**Debt Service:**

Net cash reserves, defined as the excess of cash and short-term investments over interest-bearing debt, increased by NT\$16.1 billion to NT\$98 billion in 2Q05. The increase reflected higher levels of cash & short-term investments in this quarter.

Interest-bearing debt remained at the same level of NT\$30 billion as in the previous quarter.

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**V. Cash Flow & CapEx****V 1. Cash Flow Analysis**

(Amount: NT\$ billion)	<b>2Q05</b>	<b>1Q05</b>	<b>2Q04</b>
Net Income	18.4	16.8	23.4
Depreciation & Amortization	17.7	16.7	16.0
Other Op Sources/(Uses)	(8.4)	2.5	(3.3)
<b>Total Op Sources/(Uses)</b>	<b>27.7</b>	<b>36.0</b>	<b>36.1</b>
Capital Expenditure	(13.0)	(38.2)	(22.8)
Short Term Investment	2.2	1.4	(24.8)
Long Term Investment	(0.6)	(4.3)	(9.1)
Other Investing Sources/(Uses)	1.1	(0.2)	(0.2)
<b>Net Investing Sources/(Uses)</b>	<b>(10.3)</b>	<b>(41.3)</b>	<b>(56.9)</b>
Treasury Stock	0.0	0.0	(6.6)
Paid to directors and supervisors	(0.2)	0.0	(0.1)
Cash dividends paid to preferred stocks	0.0	0.0	(0.2)
Other Financing Sources/(Uses)	1.2	(0.0)	0.0
<b>Net Financing Sources/(Uses)</b>	<b>1.0</b>	<b>(0.0)</b>	<b>(6.9)</b>
<b>Net Cash Position Changes</b>	<b>18.4</b>	<b>(5.3)</b>	<b>(27.7)</b>
<b>Ending Cash Balance</b>	<b>78.6</b>	<b>60.2</b>	<b>78.8</b>

**Summary of Cash Flow:**

During this quarter, TSMC generated NT\$27.7 billion operating cash inflow, mainly from net income of NT\$18.4 billion and depreciation & amortization of NT\$17.7 billion, partially offset by changes in working capital resulted mainly from increased accounts receivable.

Net cash used in investing activities totaled NT\$10.3 billion, mainly in capital spending of NT\$13 billion.

There was no material financing activity during this quarter.

As a result, TSMC ended the quarter with a cash balance of NT\$78.6 billion, NT\$18.4 billion higher than in 1Q05.

**Operating Cash Flow Trend:**

Operating cash flow of NT\$27.7 billion was lower than the NT\$36 billion generated in the previous quarter. The decrease was due mainly to the working capital requirement for increased accounts receivable.

**V 3. Capital Expenditure**

TSMC	US\$ 415 m
TSMC (Shanghai)	US\$ 42 m
WaferTech	US\$ 1 m

**TSMC & Affiliates**

US\$ 458 m

**Capital Spending:**

Capital expenditures for TSMC alone during the quarter totaled US\$415 million. Most of the spending was for 12-inch production equipment.

Capital spending was US\$42 million for TSMC (Shanghai), and US\$1 million for WaferTech.

For year 2005, total capital expenditure for TSMC as a group is expected to be in the range of US\$2.5 billion to US\$2.7 billion, unchanged from our previous guidance.

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**VI. Recap of Recent Important Events & Announcements**

- 1 TSMC and  
Kodak Sign  
License  
Agreement for  
CMOS Image  
Sensors  
(2005/07/08)
- 1 TSMC  
Reference Flow  
6.0 Opens Door  
to 65nm Design  
(2005/06/09)
- 1 TSMC  
Introduces  
Foundry  
Industry's First  
Comprehensive  
DFM Toolkits  
(2005/06/09)
- 1 Cadence  
Supports TSMC  
Reference Flow  
6.0 To  
Accelerate  
65-Nanometer  
Design  
(2005/06/09)
- 1 Key Synopsys  
Low Power And  
DFM  
Technologies  
Support TSMC  
Reference Flow  
6.0  
(2005/06/09)
- 1 Mentor  
Graphics  
TestKompress  
Supports TSMC  
Reference Flow  
6.0  
(2005/06/09)
- 1 Apache  
Supports TSMC  
Reference Flow  
6.0 with

- Dynamic Power  
Integrity for  
Advanced Low  
Power Designs  
(2005/06/09)
- 1 TSMC  
Announces  
May 2005 Sales  
and Revises  
Upward 2Q2005  
Guidance  
(2005/06/08)
- 1 TSMC and RMI  
Collaborate on  
90nm Process  
for RMI s  
XLRTM  
Processor  
Family  
(2005/06/07)
- 1 Magma  
Introduces  
Quartz DRC  
(2005/06/01)
- 1 TSMC Sets  
June 19 Record  
Date for  
Common Share  
Dividend  
(2005/05/30)
- 1 TSMC  
Shareholders  
Approved  
NT\$2.5  
Dividend  
(2005/05/10)
- 1 Dr. Rick Tsai  
Appointed Chief  
Executive  
Officer of  
TSMC; Dr. F.C.  
Tseng Elected  
Vice Chairman  
of TSMC  
(2005/05/10)
- 1 TSMC Unveils  
Nexsys 65nm  
Process  
Technology  
Plans  
(2005/04/27)

\* Please visit TSMC's  
Web site  
(<http://www.tsmc.com>)  
for details about  
these and other  
announcements.

\* Starting from 1Q05,  
TSMC will post  
quarterly  
consolidated  
financial statements,  
in addition to the  
unconsolidated  
financial statements,  
on our web site.

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**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.****Unconsolidated Balance Sheet****As of June 30, 2005 and 2004****(Figures in Million of New Taiwan Dollars (NTD) and U.S. Dollars (USD)) <sup>(1)</sup>**

	June 30, 2005			June 30, 2004		YoY	
	USD	NTD	%	NTD	%	Move	Inc(Dec)%
<b>ASSETS</b>							
Cash	2,486	78,597	15.8	78,778	17.9	(181)	(0.2)
Short Term Investment	1,563	49,409	9.9	41,199	9.4	8,210	19.9
Accounts Receivable							
Trade	953	30,116	6.0	30,694	7.0	(578)	(1.9)
Inventories	446	14,114	2.8	11,725	2.6	2,389	20.4
Other Current Assets	303	9,591	1.9	8,055	1.8	1,536	19.1
Total Current Assets	5,751	181,827	36.4	170,451	38.7	11,376	6.7
Long Term Investment	2,417	76,434	15.3	52,581	12.0	23,853	45.4
Fixed Assets	17,582	555,917	111.3	475,348	108.0	80,569	16.9
Less Accumulated Depreciation	(10,464)	(330,854)	(66.2)	(275,066)	(62.5)	(55,788)	20.3
Net Fixed Assets	7,118	225,063	45.1	200,282	45.5	24,781	12.4
Other Assets	510	16,108	3.2	16,513	3.8	(405)	(2.5)
Total Assets	15,796	499,432	100.0	439,827	100.0	59,605	13.6
<b>LIABILITIES</b>							
Accounts Payables	248	7,827	1.6	11,971	2.7	(4,144)	(34.6)
Payables to Contractors and Equipment Suppliers	316	10,004	2.0	8,658	2.0	1,346	15.5
Accrued Expenses and Other Current Liabilities	1,847	58,393	11.7	23,418	5.3	34,975	149.4
Current Portion of Bonds Payable	332	10,500	2.1	5,000	1.2	5,500	110.0
Total Current Liabilities	2,743	86,724	17.4	49,047	11.2	37,677	76.8
Bonds Payable	617	19,500	3.9	30,000	6.8	(10,500)	(35.0)
Other Long Term Liabilities	285	9,008	1.8	9,706	2.2	(698)	(7.2)



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Total Liabilities	3,645	115,232	23.1	88,753	20.2	26,479	29.8
<b>SHAREHOLDERS</b>							
<b>EQUITY</b>							
Capital Stock	7,820	247,261	49.5	233,766	53.2	13,495	5.8
Capital Surplus	1,794	56,721	11.3	56,886	12.9	(165)	(0.3)
Legal Reserve	1,086	34,348	6.9	25,528	5.8	8,820	34.6
Special Reserve	71	2,226	0.4	0	0.0	2,226	0.0
Retained Earnings	1,512	47,809	9.6	43,517	9.9	4,292	9.9
Treasury Stock	(49)	(1,552)	(0.3)	(8,676)	(2.0)	7,124	(82.1)
Cumulated Translation Adjustment	(83)	(2,613)	(0.5)	53	0.0	(2,666)	0.0
Total Equity	12,151	384,200	76.9	351,074	79.8	33,126	9.4
Total Liabilities & Shareholders Equity	15,796	499,432	100.0	439,827	100.0	59,605	13.6

*Note : (1) New Taiwan dollar amounts have been translated into U.S. dollars at the rate of NT\$31.62 per U.S. dollar as of June 30, 2005*

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.****Unconsolidated Balance Sheet****As of June 30, 2005 and March 31, 2005****(Figures in Million of New Taiwan Dollars (NTD) and U.S. Dollars (USD)) <sup>(1)</sup>**

	June 30, 2005			March 31, 2005		QoQ	
	USD	NTD	%	NTD	%	Move	Inc(Dec)%
<b>ASSETS</b>							
Cash	2,486	78,597	15.8	60,219	12.5	18,378	30.5
Short Term Investment	1,563	49,409	9.9	51,638	10.7	(2,229)	(4.3)
Accounts Receivable							
Trade	953	30,116	6.0	22,429	4.7	7,687	34.3
Inventories	446	14,114	2.8	13,429	2.8	685	5.1
Other Current Assets	303	9,591	1.9	12,029	2.5	(2,438)	(20.3)
Total Current Assets	5,751	181,827	36.4	159,744	33.2	22,083	13.8
Long Term Investment	2,417	76,434	15.3	76,877	16.0	(443)	(0.6)
Fixed Assets	17,582	555,917	111.3	545,308	113.4	10,609	1.9
Less Accumulated Depreciation	(10,464)	(330,854)	(66.2)	(315,454)	(65.6)	(15,400)	4.9
Net Fixed Assets	7,118	225,063	45.1	229,854	47.8	(4,791)	(2.1)
Other Assets	510	16,108	3.2	14,199	3.0	1,909	13.4
Total Assets	15,796	499,432	100.0	480,674	100.0	18,758	3.9
<b>LIABILITIES</b>							
Accounts Payables	248	7,827	1.6	8,208	1.7	(381)	(4.6)
Payables to Contractors and Equipment Suppliers	316	10,004	2.0	10,920	2.3	(916)	(8.4)
Accrued Expenses and Other Current Liabilities	1,847	58,393	11.7	8,263	1.7	50,130	606.7
Current Portion of Bonds Payable	332	10,500	2.1	10,500	2.2	0	0.0
Total Current Liabilities	2,743	86,724	17.4	37,891	7.9	48,833	128.9
Bonds Payable	617	19,500	3.9	19,500	4.1	0	0.0
Other Long Term Liabilities	285	9,008	1.8	7,929	1.6	1,079	13.6

Total Liabilities	3,645	115,232	23.1	65,320	13.6	49,912	76.4
SHAREHOLDERS							
EQUITY							
Capital Stock	7,820	247,261	49.5	232,529	48.4	14,732	6.3
Capital Surplus	1,794	56,721	11.3	56,574	11.8	147	0.3
Legal Reserve	1,086	34,348	6.9	25,528	5.3	8,820	34.6
Special Reserve	71	2,226	0.4	0	0.0	2,226	
Retained Earnings	1,512	47,809	9.6	105,021	21.8	(57,212)	(54.5)
Treasury Stock	(49)	(1,552)	(0.3)	(1,572)	(0.3)	20	(1.3)
Cumulated Translation Adjustment	(83)	(2,613)	(0.5)	(2,726)	(0.6)	113	(4.1)
Total Equity	12,151	384,200	76.9	415,354	86.4	(31,154)	(7.5)
Total Liabilities & Shareholders Equity	15,796	499,432	100.0	480,674	100	18,758	3.9

*Note : (1) New Taiwan dollar amounts have been translated into U.S. dollars at the rate of NT\$31.62 per U.S. dollar as of June 30, 2005*

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**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.**  
**UNCONSOLIDATED INCOME STATEMENT**

**For the Three Months Ended June 30, 2005, June 30, 2004, and March 31, 2005**  
**(Expressed in Million New Taiwan Dollars (NTD) and U.S. Dollars (USD) <sup>(1)</sup>)**  
**Except for Per Share Amounts and Shares Outstanding**

	Year over Year Comparison					Sequential Comparison				
	Q2 2005		% of	Q2 2004	YoY	Q2 2005		% of	Q1 2005	QoQ
	USD	NTD	Sales	NTD	Inc(Dec) %	USD	NTD	Sales	NTD	Inc(Dec) %
Net Sales	1,863	58,516	100.0	64,869	(9.8)	1,863	58,516	100.0	55,653	5.1
Cost of Sales	(1,124)	(35,311)	(60.3)	(36,730)	(3.9)	(1,124)	(35,311)	(60.3)	(34,004)	3.8
Gross Profit	739	23,205	39.7	28,139	(17.5)	739	23,205	39.7	21,649	7.2
Operating Expenses										
Research and Development Expenses	(105)	(3,283)	(5.6)	(2,964)	10.8	(105)	(3,283)	(5.6)	(3,349)	(2.0)
General and Administrative Expenses	(57)	(1,799)	(3.1)	(2,604)	(30.9)	(57)	(1,799)	(3.1)	(1,945)	(7.4)
Selling and Marketing Expenses	(11)	(339)	(0.6)	(437)	(22.4)	(11)	(339)	(0.6)	(279)	21.5
Total Operating Expenses	(173)	(5,421)	(9.3)	(6,005)	(9.7)	(173)	(5,421)	(9.3)	(5,573)	(2.7)
Income from Operations	566	17,784	30.4	22,134	(19.7)	566	17,784	30.4	16,076	10.6
Net Non-operating Income (Expenses)	17	537	0.9	(264)		17	537	0.9	387	38.7
Investment Gain (Loss)	(18)	(588)	(1.0)	1,251		(18)	(588)	(1.0)	(198)	197.0
Income before Income Tax	565	17,733	30.3	23,121	(23.3)	565	17,733	30.3	16,265	9.0
Income Tax Credit	20	636	1.1	289	120.1	20	636	1.1	553	15.0

Net Income	585	18,369	31.4	23,410	(21.5)	585	18,369	31.4	16,818	9.2
Diluted Earnings Per Ordinary Share	0.02	0.74		0.95	(21.3)	0.02	0.74		0.68	9.2
Earnings Per ADR <sup>(2)</sup>	0.12	3.72		4.73		0.12	3.72		3.41	
Weighted Average Outstanding Shares ( M) <sup>(3)</sup>		24,687		24,770			24,687		24,684	

Note:(1) New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD31.41 per U.S. dollar for the second quarter of 2005.

(2) 1 ADR equals 5 ordinary shares.

(3) Total weighted average outstanding shares were 24,687M shares for the second quarter of 2005, 24,684M shares for the first quarter of 2005, and 24,770M shares for the second quarter of 2004 after the retroactive adjustments for stock dividends and stock bonus.

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.**  
**UNCONSOLIDATED INCOME STATEMENT**  
**For the Six Months Ended June 30, 2005 and 2004**  
**(Expressed in Million New Taiwan Dollars (NTD) and U.S. Dollars (USD)) <sup>(1)</sup>**  
**Except for Per Share Amounts and Shares Outstanding**

	<b>6 months ended June 30</b>				
	<b>2005 USD</b>	<b>2005 NTD</b>	<b>% of Sales</b>	<b>2004 NTD</b>	<b>YoY Inc(Dec)</b>
Net Sales	3,628	114,169	100.0	122,382	(6.7)
Cost of Sales	(2,203)	(69,315)	(60.7)	(71,514)	(3.1)
Gross Profit	1,425	44,854	39.3	50,868	(11.8)
Operating Expenses Research and Development Expenses	(211)	(6,632)	(5.8)	(5,825)	13.9
General and Administrative Expenses	(119)	(3,744)	(3.3)	(4,636)	(19.2)
Selling and Marketing Expenses	(19)	(618)	(0.5)	(733)	(15.7)
Total Operating Expenses	(349)	(10,994)	(9.6)	(11,194)	(1.8)
Income from Operations	1,076	33,860	29.7	39,674	(14.7)
Net Non-operating Expenses	29	924	0.8	(172)	
Investment Loss	(25)	(786)	(0.7)	2,054	
Income before Income Tax	1,080	33,998	29.8	41,556	(18.2)
Income Tax Credit	38	1,189	1.0	643	84.9
Net Income	1,118	35,187	30.8	42,199	(16.6)
Diluted Earnings Per Ordinary Share	0.05	1.43		1.70	(15.9)
Earnings Per ADR <sup>(2)</sup>	0.23	7.13		8.52	
Weighted Average Outstanding Shares ( M)					
<sup>(3)</sup>		24,687		24,770	

*Note: (1) New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD 31.47 per U.S. dollar for the six months ended June 30, 2005.*

*(2) 1 ADR equals 5 ordinary shares.*

*(3) Total weighted average outstanding shares were 24,687M shares for the six months ended June 30, 2005 and 24,770M shares for the six months ended June 30, 2004 after the retroactive adjustments for stock dividends and stock bonus.*



**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Six Months and Three Months Ended June 30, 2005 and 2004**  
**(Figures in Million of New Taiwan Dollars (NTD) and U.S. Dollars (USD)) <sup>(1)</sup>**

	<b>6 Months 2005</b>		<b>2Q 2005</b>	<b>1Q 2005</b>	<b>2Q 2004</b>
	<b>USD</b>	<b>NTD</b>	<b>NTD</b>	<b>NTD</b>	<b>NTD</b>
<b>Cash Flows from Operating Activities:</b>					
Net Income	1,118	35,187	18,369	16,818	23,409
Depreciation & Amortization	1,091	34,330	17,661	16,669	15,997
Deferred Income Tax	(37)	(1,149)	(596)	(553)	(567)
Investment Loss Recognized by Equity Method	25	786	588	198	(1,251)
Gain on Sale of Long-Term Investments					(2)
Changes in Working Capital & Others	(174)	(5,478)	(8,302)	2,824	(1,500)
<b>Net Cash Provided from Operating Activities</b>	<b>2,023</b>	<b>63,676</b>	<b>27,720</b>	<b>35,956</b>	<b>36,086</b>
<b>Cash Flows from Investing Activities:</b>					
Decrease(Increase) in Short-Term Investments	113	3,570	2,229	1,341	(24,773)
Increase in Long-Term Investments	(204)	(6,419)	(2,142)	(4,277)	(9,139)
Acquisition of Fixed Assets	(1,627)	(51,194)	(13,033)	(38,161)	(22,828)
Proceeds from Sales of Long-Term Investments	48	1,515	1,515		8
Proceeds from Disposal of Properties	46	1,431	1,310	121	182
Increase in Deferred Assets	(16)	(503)	(217)	(286)	(314)
Increase in Deposit-Out		(2)	(2)		
<b>Net Cash Used in Investing Activities</b>	<b>(1,640)</b>	<b>(51,602)</b>	<b>(10,340)</b>	<b>(41,262)</b>	<b>(56,864)</b>
<b>Cash Flows from Financing Activities:</b>					
Increase(Decrease) in Guarantee Deposits & Others	35	1,105	1,147	(42)	(57)
Proceeds from Exercise of Stock Options	4	117	82	35	
Increase in Treasury Stocks					(6,583)
Cash Dividend Preferred Shares					(184)
Bonus Paid to Directors and Supervisors	(7)	(231)	(231)		(128)
<b>Net Cash Provided(Used) in Financing Activities</b>	<b>32</b>	<b>991</b>	<b>998</b>	<b>(7)</b>	<b>(6,952)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>415</b>	<b>13,065</b>	<b>18,378</b>	<b>(5,313)</b>	<b>(27,730)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>2,082</b>	<b>65,532</b>	<b>60,219</b>	<b>65,532</b>	<b>106,508</b>



Cash and Cash Equivalents at End of Period	2,497	78,597	78,597	60,219	78,778
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*Note: (1) New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD31.47 per U.S. dollar for the six months ended June 30, 2005.*

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**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.****Consolidated Balance Sheet****As of June 30, 2005 and March 31, 2005****(Figures in Million of New Taiwan Dollars (NTD) and U.S. Dollars (USD)) <sup>(1)</sup>**

	June 30, 2005			March 31, 2005		QoQ	
	USD	NTD	%	NTD	%	Move	Inc.(Dec.)%
<b>ASSETS</b>							
Cash	2,796	88,405	17.3	71,540	14.5	16,865	23.6
Short Term Investment Accounts	1,567	49,558	9.7	52,893	10.7	(3,335)	(6.3)
Receivable-Trade	1,015	32,095	6.3	23,846	4.8	8,249	34.6
Inventories	479	15,159	3.0	14,688	3.0	471	3.2
Other Current Assets	277	8,740	1.7	10,044	2.0	(1,304)	(13.0)
<b>Total Current Assets</b>	<b>6,134</b>	<b>193,957</b>	<b>37.9</b>	<b>173,011</b>	<b>35.0</b>	<b>20,946</b>	<b>12.1</b>
Long Term Investment	1,241	39,251	7.7	39,253	8.0	(2)	(0.0)
Fixed Assets	19,673	622,025	121.6	609,806	123.5	12,219	2.0
Less Accumulated Depreciation	(11,545)	(365,019)	(71.4)	(347,885)	(70.5)	(17,134)	4.9
<b>Net Fixed Assets</b>	<b>8,128</b>	<b>257,006</b>	<b>50.3</b>	<b>261,921</b>	<b>53.1</b>	<b>(4,915)</b>	<b>(1.9)</b>
Other Assets	671	21,207	4.1	19,522	4.0	1,685	8.6
<b>Total Assets</b>	<b>16,174</b>	<b>511,421</b>	<b>100.0</b>	<b>493,707</b>	<b>100.0</b>	<b>17,714</b>	<b>3.6</b>
<b>LIABILITIES</b>							
Short-term Bank Loans	10	316	0.1	378	0.1	(62)	(16.4)
Accounts Payable	241	7,605	1.5	8,322	1.7	(717)	(8.6)
Payables to Contractors and Equipment Suppliers	360	11,384	2.2	12,293	2.5	(909)	(7.4)
Accrued Expenses and Other Current Liabilities	1,906	60,251	11.8	9,789	2.0	50,462	515.5
Current Portion of Bonds Payable	332	10,505	2.1	10,505	2.1	0	0.0
<b>Total Current Liabilities</b>	<b>2,849</b>	<b>90,061</b>	<b>17.6</b>	<b>41,287</b>	<b>8.4</b>	<b>48,774</b>	<b>118.1</b>
Long-term Bank Loans	30	958	0.2	1,902	0.4	(944)	(49.6)

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Bonds Payable	617	19,500	3.8	19,500	4.0	0	0.0
Other Long Term Liabilities	505	15,961	3.1	14,930	2.9	1,031	6.9
Total Liabilities	4,001	126,480	24.7	77,619	15.6	48,861	62.9
<b>SHAREHOLDERS EQUITY</b>							
Shareholder s Equity-Parent Company							
Capital Stock	7,820	247,261	48.3	232,529	47.2	14,732	6.3
Capital Surplus	1,794	56,721	11.1	56,574	11.5	147	0.3
Legal Reserve	1,086	34,348	6.7	25,528	5.2	8,820	34.6
Special Reserve	70	2,226	0.4	0	0.0	2,226	0.0
Retained Earnings	1,512	47,809	9.3	105,021	21.3	(57,212)	(54.5)
Treasury Stock	(49)	(1,552)	(0.3)	(1,572)	(0.3)	20	(1.3)
Cumulated Translation Adjustment	(83)	(2,613)	(0.5)	(2,726)	(0.6)	113	(4.1)
Total Equity	12,150	384,200	75.1	415,354	84.3	(31,154)	(7.5)
Minority Interest	23	741	0.2	734	0.1	7	1.0
Total Equity	12,173	384,941	75.3	416,088	84.4	(31,147)	(7.5)
Total Liabilities & Shareholders Equity	16,174	511,421	100.0	493,707	100.0	17,714	56.4

*Note : (1) New Taiwan dollar amounts have been translated into U.S. dollars at the rate of NT\$31.62 per U.S. dollar as of June 30, 2005*

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.**  
**CONSOLIDATED INCOME STATEMENT**  
**For the Three Months Ended June 30, 2005**  
**(Expressed in Million New Taiwan Dollars (NTD) and U.S. Dollars (USD) <sup>(1)</sup>**  
**Except for Per Share Amounts and Shares Outstanding)**

	Q2 2005		Sequential Comparison		QoQ Inc.(Dec.) %
	USD	NTD	% of Sales	Q1 2005 NTD	
Net Sales	1,910	59,978	100.0	56,858	5.5
Cost of Sales	(1,137)	(35,724)	(59.6)	(35,180)	1.5
Gross Profit	773	24,254	40.4	21,678	11.9
Operating Expenses					
Research and Development Expenses	(113)	(3,561)	(5.9)	(3,412)	4.4
General and Administrative Expenses	(72)	(2,253)	(3.8)	(2,513)	(10.4)
Selling and Marketing Expenses	(39)	(1,227)	(2.0)	(584)	110.0
Total Operating Expenses	(224)	(7,041)	(11.7)	(6,509)	8.2
Income from Operations	549	17,213	28.7	15,169	13.5
Net Non-operating Income (Expenses)	15	464	0.8	739	(37.2)
Investment Gain	7	226	0.4	397	
Income before Income Tax and Minority Interest	571	17,903	29.8	16,305	9.8
Income Tax Credit	16	491	0.8	513	(4.2)
Income before Minority Interest	587	18,394	30.7	16,818	9.4
Minority Interest in Loss of Subsidiaries	-1	(25)	(0.0)	0	(5,435.1)
Consolidated Net Income	586	18,369	30.6	16,818	9.2
Diluted Earnings Per Ordinary Share	0.02	0.74		0.68	9.2
Earnings Per ADR <sup>(2)</sup>	0.12	3.72		3.41	
Weighted Average Outstanding Shares ( M <sup>3)</sup>		<b>24,687</b>		<b>24,684</b>	

*Note:(1) New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD31.41 per U.S. dollar for the second quarter of 2005.*

*(2) 1 ADR equals 5 ordinary shares.*

*(3) Total weighted average outstanding shares were 24,687M shares for the second quarter of 2005 and 24,684M shares for the first quarter of 2005 after the retroactive adjustments for stock dividends and stock bonus.*

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**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.**  
**CONSOLIDATED INCOME STATEMENT**  
**For the Six Months Ended June 30, 2005**  
**(Expressed in Million New Taiwan Dollars (NTD) and U.S. Dollars (USD) <sup>(1)</sup>**  
**Except for Per Share Amounts and Shares Outstanding)**

	<b>6 months ended June 30, 2005</b>		
	<b>USD</b>	<b>NTD</b>	<b>% of Sales</b>
Net Sales	3,713	116,836	100.0
Cost of Sales	(2,253)	(70,904)	(60.7)
Gross Profit	1,460	45,932	39.3
Operating Expenses			
Research and Development Expenses	(222)	(6,973)	(6.0)
General and Administrative Expenses	(151)	(4,766)	(4.1)
Selling and Marketing Expenses	(58)	(1,811)	(1.5)
Total Operating Expenses	(431)	(13,550)	(11.6)
Income from Operations	1,029	32,382	27.7
Net Non-operating Income (Expenses)	38	1,203	1.0
Investment Gain	20	623	0.5
Income before Income Tax and Minority Interest	1,087	34,208	29.3
Income Tax Credit	32	1,004	0.9
Income before Minority Interest	1,119	35,212	30.1
Minority Interest in Loss of Subsidiaries	(1)	(25)	(0.0)
Consolidated Net Income	1,118	35,187	30.1
Diluted Earnings Per Ordinary Share	0.05	1.43	
Earnings Per ADR <sup>(2)</sup>	0.23	7.13	
Weighted Average Outstanding Shares ( M)		<b>24,687</b>	

*Note: (1) New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD 31.47 per U.S. dollar for the six months ended June 30, 2005.*

*(2) 1 ADR equals 5 ordinary shares.*



**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Six Months and Three Months Ended June 30, 2005**  
**(Figures in Million of New Taiwan Dollars (NTD) and U.S. Dollars (USD)) <sup>(1)</sup>**

	6 Months 2005		Q2 2005	Q1 2005
	USD	NTD	NTD	NTD
Cash Flows from Operating Activities:				
Consolidated Net Income	1,118	35,187	18,369	16,818
Depreciation & Amortization	1,207	37,980	19,490	18,490
Deferred Income Tax	(37)	(1,180)	(634)	(546)
Investment Gain Recognized by Equity Method	(20)	(623)	(226)	(397)
Accrued Pension Cost	10	311	171	140
Changes in Working Capital & Others	(148)	(4,662)	(8,686)	4,024
<b>Net Cash Provided from Operating Activities</b>	<b>2,130</b>	<b>67,013</b>	<b>28,484</b>	<b>38,529</b>
Cash Flows from Investing Activities:				
Decrease in Short-Term Investments	151	4,751	3,337	1,414
Increase in Long-Term Investments	(107)	(3,364)	(2,003)	(1,361)
Acquisition of Fixed Assets	(1,769)	(55,662)	(14,115)	(41,547)
Proceeds from Sales of Long-Term Investments	49	1,533	1,525	8
Proceeds from Disposal of Properties	4	127	(54)	181
Increase in Deferred Assets	(16)	(518)	(232)	(286)
Increase in Deposit-Out	0	(7)	(6)	(1)
Decrease in Other Assets	0	5	(62)	67
<b>Net Cash Used in Investing Activities</b>	<b>(1,688)</b>	<b>(53,135)</b>	<b>(11,610)</b>	<b>(41,525)</b>
Cash Flows from Financing Activities:				
Decrease in Short-Term Bank Loans	(2)	(63)	(63)	0
Decrease in Long-Term Bank Loans	(30)	(946)	(945)	(1)
Proceeds From Disposal of Treasury Stocks	2	49	23	26
Decrease in Guarantee Deposits & Others	35	1,106	1,147	(41)
Bonus Paid to Directors and Supervisors	(7)	(231)	(231)	0
Increase in Minority Interest	0	11	11	0
Issuance of Stocks Option	4	117	82	35
<b>Net Cash Provided from Financing Activities</b>	<b>2</b>	<b>43</b>	<b>24</b>	<b>19</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>444</b>	<b>13,921</b>	<b>16,898</b>	<b>(2,977)</b>
Effect of Exchange Rate Changes	(1)	(47)	(33)	(14)
Cash and Cash Equivalents at Beginning of Period	2,368	74,531	0	74,531
Cash and Cash Equivalents at End of Period	2,811	88,405	16,865	71,540



*Note : (1) New Taiwan dollar amounts have been translated into U.S. dollars at the rate of NTD31.47 per U.S. dollar, the weighted average exchange rate for the six months of 2005.*

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**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: July 26, 2005

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