

**UNITED MICROELECTRONICS CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT AUDITORS  
FOR THE YEARS ENDED  
DECEMBER 31, 2004 AND 2003**

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

## REPORT OF INDEPENDENT AUDITORS

### English Translation of a Report Originally Issued in Chinese

To the Board of Directors and Shareholders of  
United Microelectronics Corporation

We have audited the accompanying consolidated balance sheets of United Microelectronics Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As described in Note 4(7) to the consolidated financial statements, certain long-term investments were accounted for under the equity method based on the 2004 and 2003 financial statements of the investees, which were audited by other auditors. Our opinion insofar as it relates to the investment income and loss amounting to NT\$885 million and NT\$385 million for the years ended December 31, 2004 and 2003, respectively, and the related long-term investment balances of NT\$7,194 million and NT\$6,969 million as of December 31, 2004 and 2003, respectively, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China and "Guidelines for Certified Public Accountants' Examination and Reports on Financial Statements", which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Microelectronics Corporation and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years ended December 31, 2004 and 2003, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China.

January 21, 2005  
Taipei, Taiwan  
Republic of China

#### **Notice to Readers**

The accompanying financial statements are intended only to present the financial position and 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 audit such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese  
 UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 December 31, 2004 and 2003  
 (Expressed in Thousands of New Taiwan Dollars)

| Assets  | Notes            | As of December 31,    |                       | Liabilities and Stockholders' Equity                      | Notes                  | As of December 31,    |                       |
|---|------------------|-----------------------|-----------------------|---|------------------------|-----------------------|-----------------------|
|   |                  | 2004                  | 2003                  |   |                        | 2004                  | 2003                  |
| <b>Current assets</b>                                       |                  |                       |                       | <b>Current liabilities</b>                                |                        |                       |                       |
| Cash and cash equivalents                                   | 2, 4(1)          | \$ 101,381,973        | \$ 118,771,773        | Short-term loans  | 4(10)                  | \$ 2,986,919          | \$ 1,884,899          |
| Marketable securities, net                                  | 2, 4(2)          | 3,143,697             | 1,820,328             | Notes payable   |                        | 189,497               | 153,892               |
| Notes receivable  | 4(3)             | 2,040                 | 8,756                 | Accounts payable  |                        | 4,724,287             | 5,787,440             |
| Notes receivable - related parties                          | 5                | 39,034                | 101,753               | Accounts payable - related parties                        | 5                      | 682,048               | 812,849               |
| Accounts receivable, net                                    | 2, 4(4)          | 11,267,614            | 15,079,068            | Income tax payable  | 2                      | 241,449               | 224,930               |
| Accounts receivable - related parties, net                  | 2, 5             | 2,036,788             | 3,285,371             | Accrued expenses  |                        | 9,204,536             | 5,213,758             |
| Other receivables   | 2                | 661,623               | 708,946               | Other payables  |                        | 8,071,379             | 7,370,809             |
| Other financial assets, current                             | 2, 4(5), 10      | 453,845               | 2,446,603             | Current portion of long-term interest-bearing liabilities | 4(11), 4(12), 5, 6     | 8,261,146             | 20,923,327            |
| Inventories, net  | 2, 4(6)          | 10,012,998            | 8,370,165             | Other current liabilities                                 | 7                      | 2,237,086             | 1,767,910             |
| Prepaid expenses  |                  | 327,810               | 752,697               | <b>Total current liabilities</b>                          |                        | <b>36,598,347</b>     | <b>44,139,814</b>     |
| Deferred income tax assets, current                         | 2, 4(19)         | 3,608,968             | 2,953,378             |   |                        |                       |                       |
| Restricted deposits   | 6                | -                     | 21,875                | <b>Long-term interest-bearing liabilities</b>             |                        |                       |                       |
| Other current assets  |                  | -                     | 1,089                 | Bonds payable   | 2, 4(7), 4(11)         | 43,018,761            | 58,213,913            |
| <b>Total current assets</b>                                 |                  | <b>132,936,390</b>    | <b>154,321,802</b>    | Long-term loans   | 4(12), 5, 6            | 18,269,357            | 2,120,533             |
|   |                  |                       |                       | <b>Total long-term interest-bearing liabilities</b>       |                        | <b>61,288,118</b>     | <b>60,334,446</b>     |
| <b>Funds and long-term investments</b>                      | 2, 4(7)          |                       |                       | <b>Other liabilities</b>                                  |                        |                       |                       |
| Long-term investments accounted for under the equity method |                  | 21,395,116            | 21,905,026            | Accrued pension liabilities                               | 2, 4(13)               | 2,713,408             | 2,309,892             |
| Long-term investments accounted for under the cost method   |                  | 11,538,899            | 16,964,768            | Deposits-in   |                        | 19,301                | 5,255                 |
| Prepaid long-term investments                               |                  | 16,630                | 52,343                | Minority interests  |                        | 8,728,877             | 15,078,024            |
| Less: Allowance for loss on decline in market value         |                  | (238,367)             | (62,888)              | Other liabilities-others                                  |                        | 582,956               | 413,326               |
| <b>Total funds and long-term investments</b>                |                  | <b>32,712,278</b>     | <b>38,859,249</b>     | <b>Total other liabilities</b>                            |                        | <b>12,044,542</b>     | <b>17,806,497</b>     |
|   |                  |                       |                       | <b>Total liabilities</b>                                  |                        | <b>109,931,007</b>    | <b>122,280,757</b>    |
| <b>Other financial assets, noncurrent</b>                   | 2, 4(5), 10      | <b>2,562,754</b>      | <b>1,848,530</b>      |   |                        |                       |                       |
|   |                  |                       |                       | <b>Capital</b>  | 2, 4(14), 4(15), 4(21) |                       |                       |
| <b>Property, plant and equipment</b>                        | 2, 4(8), 5, 6, 7 |                       |                       | Common stock  |                        | 177,919,819           | 161,407,435           |
| Land  |                  | 1,320,095             | 1,560,237             | Capital collected in advance                              |                        | 4,040                 | -                     |
| Buildings   |                  | 21,237,012            | 17,721,538            | <b>Capital reserve</b>                                    | 2, 4(15), 4(21)        |                       |                       |
| Machinery and equipment                                     |                  | 358,364,726           | 272,927,438           | Premiums  |                        | 47,117,227            | 41,729,589            |
| Transportation equipment                                    |                  | 89,252                | 90,955                | Change in equities of long-term investments               |                        | 20,807,013            | 21,192,141            |
| Furniture and fixtures                                      |                  | 2,638,541             | 2,521,756             | Excess from merger  |                        | 17,008,955            | 17,152,454            |
| Leased assets   |                  | 47,783                | 47,783                | <b>Retained earnings</b>                                  | 4(17)                  |                       |                       |
| Leasehold improvements                                      |                  | 38,620                | 40,848                | Legal reserve   |                        | 12,812,501            | 11,410,475            |
| Total Cost  |                  | 383,736,029           | 294,910,555           | Special reserve   |                        | 90,871                | 1,346,994             |
| Less: Accumulated depreciation                              |                  | (223,457,030)         | (168,200,915)         | Unappropriated earnings                                   |                        | 29,498,329            | 14,036,822            |
| Add: Construction in progress and prepayments               |                  | 31,745,156            | 22,846,921            | <b>Adjusting items in stockholders' equity</b>            | 2                      |                       |                       |
| <b>Property, plant and equipment, net</b>                   |                  | <b>192,024,155</b>    | <b>149,556,561</b>    | Unrealized loss on long-term investments                  |                        | (424,713)             | (90,864)              |
|   |                  |                       |                       | Cumulative translation adjustment                         |                        | (1,319,452)           | 913,877               |
| <b>Intangible assets</b>                                    |                  |                       |                       | <b>Treasury stock</b>                                     | 2, 4(16)               | (37,140,714)          | (36,865,877)          |
| Trademarks  |                  | 258                   | 427                   | <b>Total stockholders' equity</b>                         |                        | <b>266,373,876</b>    | <b>232,233,046</b>    |
| Patents   | 2                | -                     | 6,956                 |   |                        |                       |                       |
| Goodwill  | 2, 4(21)         | 1,214,956             | -                     |   |                        |                       |                       |
| Technological know-how                                      | 2                | 213,722               | 559,237               |   |                        |                       |                       |
| Other intangible assets                                     | 2                | 3,282,770             | 9,978                 |   |                        |                       |                       |
| <b>Total intangible assets</b>                              |                  | <b>4,711,706</b>      | <b>576,598</b>        |   |                        |                       |                       |
|   |                  |                       |                       |   |                        |                       |                       |
| <b>Other assets</b>   |                  |                       |                       |   |                        |                       |                       |
| Deferred charges  | 2                | 2,650,388             | 2,472,069             |   |                        |                       |                       |
| Deferred income tax assets, noncurrent                      | 2, 4(19)         | 3,790,903             | 4,485,003             |   |                        |                       |                       |
| Other assets-others   | 2, 4(9), 6       | 4,916,309             | 2,393,991             |   |                        |                       |                       |
| <b>Total other assets</b>                                   |                  | <b>11,357,600</b>     | <b>9,351,063</b>      |   |                        |                       |                       |
|   |                  |                       |                       |   |                        |                       |                       |
| <b>Total assets</b>   |                  | <b>\$ 376,304,883</b> | <b>\$ 354,513,803</b> | <b>Total liabilities and stockholders' equity</b>         |                        | <b>\$ 376,304,883</b> | <b>\$ 354,513,803</b> |

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

English Translation of Financial Statements Originally Issued in Chinese  
 UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF INCOME  
 For the years ended December 31, 2004 and 2003  
 (Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share )

|  | Notes    | For the year ended December 31, |               |
|--|----------|---------------------------------|---------------|
|  |          | 2004                            | 2003          |
| <b>Operating revenues</b>  | 2, 5     |                                 |               |
| Sales revenues   |          | \$ 126,837,616                  | \$ 93,695,738 |
| Less : Sales returns and discounts   |          | (1,486,938)                     | (1,009,836)   |
| Net Sales  |          | 125,350,678                     | 92,685,902    |
| Other operating revenues   |          | 3,840,062                       | 3,017,830     |
| <b>Net operating revenues</b>  |          | 129,190,740                     | 95,703,732    |
| <b>Operating costs</b>   | 4(18)    |                                 |               |
| Cost of goods sold   | 5        | (89,455,182)                    | (71,363,227)  |
| Other operating costs  |          | (2,892,643)                     | (2,536,442)   |
| <b>Operating costs</b>   |          | (92,347,825)                    | (73,899,669)  |
| <b>Gross profit</b>  |          | 36,842,915                      | 21,804,063    |
| Unrealized intercompany profit   | 2        | (151,192)                       | (106,702)     |
| Realized intercompany profit   | 2        | 106,702                         | 68,558        |
| <b>Net</b>   |          | 36,798,425                      | 21,765,919    |
| <b>Operating expenses</b>  | 4(18)    |                                 |               |
| Sales and marketing expenses   |          | (2,775,289)                     | (2,170,897)   |
| General and administrative expenses  |          | (4,853,119)                     | (3,996,466)   |
| Research and development expenses  |          | (7,363,620)                     | (5,858,629)   |
| Subtotal   |          | (14,992,028)                    | (12,025,992)  |
| <b>Operating income</b>  |          | 21,806,397                      | 9,739,927     |
| <b>Non-operating income</b>  |          |                                 |               |
| Interest revenue   |          | 1,040,652                       | 1,141,264     |
| Investment income accounted for under the equity method, net   | 2, 4(7)  | 551,779                         | 300,724       |
| Dividend income  |          | 1,163,438                       | 837,696       |
| Gain on disposal of property, plant and equipment  | 2        | 139,951                         | 216,992       |
| Gain on disposal of investments  | 2, 4(11) | 12,868,569                      | 6,885,374     |
| Exchange gain, net   | 2        | -                               | 256,452       |
| Recovery of unrealized loss on decline in market value of marketable securities  | 2        | -                               | 10,806        |
| Other income   | 4(11)    | 635,092                         | 764,190       |
| Subtotal   |          | 16,399,481                      | 10,413,498    |
| <b>Non-operating expenses</b>  |          |                                 |               |
| Interest expense   | 4(8), 5  | (1,434,823)                     | (1,326,155)   |
| Other investment loss  | 2        | (473,529)                       | (1,866,454)   |
| Loss on disposal of property, plant and equipment  | 2        | (230,609)                       | (170,576)     |
| Exchange loss, net   | 2, 10    | (928,891)                       | -             |
| Loss on decline in market value and obsolescence of inventories  | 2        | (1,884,466)                     | (1,443,565)   |
| Financial expenses   |          | (396,909)                       | (387,916)     |
| Other losses   | 2, 4(11) | (1,112,082)                     | (263,054)     |
| Subtotal   |          | (6,461,309)                     | (5,457,720)   |
| <b>Income before income tax and minority interests</b>   |          | 31,744,569                      | 14,695,705    |
| <b>Income tax expense</b>  | 2, 4(19) | (373,800)                       | (979,469)     |
| <b>Income before minority interests</b>  |          | 31,370,769                      | 13,716,236    |
| <b>Minority interests</b>  |          | 472,612                         | 304,021       |
| <b>Net income</b>  |          | \$ 31,843,381                   | \$ 14,020,257 |
| <b>Earnings per share-basic</b>  | 2, 4(20) |                                 |               |
| Net income ( NTD)  |          | \$ 1.89                         | \$ 0.84       |
| <b>Earnings per share-diluted</b>  | 2, 4(20) |                                 |               |
| Net income (NTD)   |          | \$ 1.86                         | \$ 0.83       |
| <b>Pro forma information on earnings as if unconsolidated subsidiaries' investment in the Company is not treated as treasury stock</b> | 2, 4(20) |                                 |               |
| Net income   |          | \$ 31,843,381                   | \$ 14,020,257 |
| Earnings per share-basic (NTD)   |          | \$ 1.89                         | \$ 0.84       |
| Earnings per share-diluted (NTD)   |          | \$ 1.86                         | \$ 0.83       |

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

English Translation of Financial Statements Originally Issued in Chinese  
 UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 For the years ended December 31, 2004 and 2003  
 (Expressed in Thousands of New Taiwan Dollars)

|   | Capital        |                                 | Retained Earnings |               |                 | Unrealized Loss<br>on Long-term<br>Investments | Cumulative<br>Translation<br>Adjustment | Treasury Stock | Total          |                            |
|---|----------------|---------------------------------|-------------------|---------------|-----------------|--|---|----------------|----------------|----------------------------|
|   | Common Stock   | Capital Collected<br>in Advance | Capital Reserve   | Legal Reserve | Special Reserve |  |   |                |                | Unappropriated<br>Earnings |
| Balance as of January 1, 2003   | \$ 154,748,456 | \$ -                            | \$ 81,875,491     | \$ 10,686,225 | \$ 631,982      | \$ 8,685,847                                   | \$ (1,349,248)                          | \$ 728,851     | \$(38,583,119) | \$ 217,424,485             |
| Appropriation of 2002 retained earnings   |                |                                 |                   |               |                 |  |   |                |                |                            |
| Legal reserve   | -              | -                               | -                 | 724,250       | -               | (724,250)                                      | -                                       | -              | -              | -                          |
| Special reserve   | -              | -                               | -                 | -             | 715,012         | (715,012)                                      | -                                       | -              | -              | -                          |
| Stock dividends   | 6,079,252      | -                               | -                 | -             | -               | (6,079,252)                                    | -                                       | -              | -              | -                          |
| Directors' and supervisors' remuneration  | -              | -                               | -                 | -             | -               | (5,650)  | -                                       | -              | -              | (5,650)                    |
| Employees' bonus  | 579,727        | -                               | -                 | -             | -               | (579,727)                                      | -                                       | -              | -              | -                          |
| Purchase of treasury stock  | -              | -                               | -                 | -             | -               | -  | -                                       | -              | (2,056,064)    | (2,056,064)                |
| Treasury stock transferred to employees   | -              | -                               | -                 | -             | -               | (565,716)                                      | -                                       | -              | 3,773,306      | 3,207,590                  |
| Net income in 2003  | -              | -                               | -                 | -             | -               | 14,020,257                                     | -                                       | -              | -              | 14,020,257                 |
| Transfer of capital reserve arising from gain on disposal<br>of property, plant and equipment of investees to retained earnings | -              | -                               | (325)             | -             | -               | 325  | -                                       | -              | -              | -                          |
| Adjustment of capital reserve accounted for under the equity method   | -              | -                               | (1,800,982)       | -             | -               | -  | -                                       | -              | -              | (1,800,982)                |
| Changes in unrealized loss on long-term investments of investee s   | -              | -                               | -                 | -             | -               | -  | 1,258,384                               | -              | -              | 1,258,384                  |
| Changes in cumulative translation adjustment  | -              | -                               | -                 | -             | -               | -  | -                                       | 185,026        | -              | 185,026                    |
| Balance as of December 31, 2003   | 161,407,435    | -                               | 80,074,184        | 11,410,475    | 1,346,994       | 14,036,822                                     | (90,864)                                | 913,877        | (36,865,877)   | 232,233,046                |
| Appropriation of 2003 retained earnings   |                |                                 |                   |               |                 |  |   |                |                |                            |
| Legal reserve   | -              | -                               | -                 | 1,402,026     | -               | (1,402,026)                                    | -                                       | -              | -              | -                          |
| Special reserve   | -              | -                               | -                 | -             | (1,256,123)     | 1,256,123                                      | -                                       | -              | -              | -                          |
| Stock dividends   | 12,224,284     | -                               | -                 | -             | -               | (12,224,284)                                   | -                                       | -              | -              | -                          |
| Directors' and supervisors' remuneration  | -              | -                               | -                 | -             | -               | (12,618)                                       | -                                       | -              | -              | (12,618)                   |
| Employees' bonus  | 1,111,273      | -                               | -                 | -             | -               | (1,111,273)                                    | -                                       | -              | -              | -                          |
| Transfer of capital reserve to common stock   | 661,298        | -                               | (661,298)         | -             | -               | -  | -                                       | -              | -              | -                          |
| Stock issued for merger   | 3,571,429      | -                               | 6,100,571         | -             | -               | -  | -                                       | -              | -              | 9,672,000                  |
| Purchase of treasury stock  | -              | -                               | -                 | -             | -               | -  | -                                       | -              | (5,198,020)    | (5,198,020)                |
| Cancellation of treasury stock  | (1,497,280)    | -                               | (538,107)         | -             | -               | (2,887,796)                                    | -                                       | -              | 4,923,183      | -                          |
| Exercise of employees' stock options  | 441,380        | 4,040                           | 342,973           | -             | -               | -  | -                                       | -              | -              | 788,393                    |
| Net income in 2004  | -              | -                               | -                 | -             | -               | 31,843,381                                     | -                                       | -              | -              | 31,843,381                 |
| Adjustment of capital reserve accounted for under the equity method   | -              | -                               | (385,128)         | -             | -               | -  | -                                       | -              | -              | (385,128)                  |
| Changes in unrealized loss on long-term investments of investees  | -              | -                               | -                 | -             | -               | -  | (333,849)                               | -              | -              | (333,849)                  |
| Changes in cumulative translation adjustment  | -              | -                               | -                 | -             | -               | -  | -                                       | (2,233,329)    | -              | (2,233,329)                |
| Balance as of December 31, 2004   | \$ 177,919,819 | \$ 4,040                        | \$ 84,933,195     | \$ 12,812,501 | \$ 90,871       | \$ 29,498,329                                  | \$ (424,713)                            | \$ (1,319,452) | \$(37,140,714) | \$ 266,373,876             |

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

English Translation of Financial Statements Originally Issued in Chinese  
 UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the years ended December 31, 2004 and 2003  
 (Expressed in Thousands of New Taiwan Dollars)

|   | For the year ended December 31, |                     |
|---|---------------------------------|---------------------|
|   | 2004                            | 2003                |
| Cash flows from operating activities:   |                                 |                     |
| Net income  | \$ 31,843,381                   | \$ 14,020,257       |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                                 |                     |
| Minority interests  | (472,612)                       | (304,021)           |
| Depreciation  | 45,589,891                      | 39,233,479          |
| Amortization  | 1,582,524                       | 1,629,854           |
| Loss (recovery) on decline in market value of marketable securities                         | 58,853                          | (10,806)            |
| Bad debt expenses   | 103,259                         | 80,249              |
| Loss on decline in market value and obsolescence of inventories                             | 1,884,466                       | 1,443,565           |
| Investment income accounted for under the equity method                                     | (551,779)                       | (300,724)           |
| Cash dividends received under the equity method   | 564,897                         | 273,762             |
| Impairment loss on long-term investments  | 414,676                         | 1,866,454           |
| Write-off of deferred charges   | 269,325                         | -                   |
| Gain on disposal of investments   | (12,868,569)                    | (6,885,374)         |
| (Gain) loss on disposal of property, plant and equipment                                    | 90,658                          | (46,416)            |
| Transfer of property, plant and equipment to losses and expenses                            | 6,351                           | 22,584              |
| (Gain) loss on reacquisition of bonds   | 59                              | (145,019)           |
| Amortization of bond premiums   | (10,050)                        | (19,386)            |
| Gain on settlement of exchangeable bonds  | (356,521)                       | (519,544)           |
| Changes in assets and liabilities:  |                                 |                     |
| Notes receivable  | 69,435                          | (25,138)            |
| Accounts receivable   | 976,727                         | (6,919,470)         |
| Other receivables   | 66,939                          | 2,848,454           |
| Inventories   | (2,832,846)                     | (1,331,056)         |
| Prepaid expenses  | 836,340                         | 124,294             |
| Other financial assets  | 54,374                          | (128,539)           |
| Deferred income tax assets  | 280,824                         | 853,864             |
| Other current assets  | 1,268,347                       | (139)               |
| Notes payable   | 35,605                          | (245)               |
| Accounts payable  | 2,504,155                       | 1,971,892           |
| Income tax payable  | (182,728)                       | (64,417)            |
| Accrued expenses  | 3,812,541                       | 1,162,050           |
| Other current liabilities   | 316,746                         | 352,182             |
| Compensation interest payable   | (126,111)                       | 67,938              |
| Accrued pension liabilities   | 435,909                         | 299,270             |
| Capacity deposits   | (1,725,822)                     | 74,820              |
| Other liabilities   | (1,314)                         | 313                 |
| Net cash provided by operating activities   | <u>73,937,930</u>               | <u>49,624,987</u>   |
| Cash flows from investing activities:   |                                 |                     |
| Decrease (increase) in marketable securities, net   | (569,735)                       | 723,834             |
| Decrease in other financial assets, net   | 1,503,980                       | 2,665,117           |
| Acquisition of long-term investments  | (5,560,766)                     | (9,849,367)         |
| Proceeds from disposal of long-term investments   | 8,254,496                       | 11,041,934          |
| Cash proceeds from merger   | 70,383                          | -                   |
| Acquisition of minority interests   | (6,814,323)                     | (4,168,706)         |
| Acquisition of property, plant and equipment  | (81,110,208)                    | (24,819,683)        |
| Proceeds from disposal of property, plant and equipment                                     | 718,470                         | 840,760             |
| Increase in deferred charges  | (978,741)                       | (675,460)           |
| Decrease in other assets, net   | 1,354,137                       | 127,139             |
| Net cash used in investing activities   | <u>(83,132,307)</u>             | <u>(24,114,432)</u> |

English Translation of Financial Statements Originally Issued in Chinese  
 UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the years ended December 31, 2004 and 2003  
 (Expressed in Thousands of New Taiwan Dollars)

|   | For the year ended December 31, |                       |
|---|---------------------------------|-----------------------|
|   | 2004                            | 2003                  |
| <b>(continued)</b>  |                                 |                       |
| Cash flows from financing activities:                                 |                                 |                       |
| Increase in short-term loans, net                                     | \$ 655,873                      | \$ 615,040            |
| Proceeds from long-term loans   | 23,075,700                      | 680,400               |
| Repayment of long-term loans  | (9,366,412)                     | (14,269,647)          |
| Proceeds from bonds issued  | -                               | 29,095,410            |
| Redemption of bonds   | (16,336,953)                    | (2,209,104)           |
| Reacquisition of bonds  | (41,392)                        | (2,156,908)           |
| Remuneration paid to directors and supervisors                        | (12,618)                        | (5,650)               |
| Increase in deposits-in, net  | 5,513                           | 5,147                 |
| Purchase of treasury stock  | (5,758,968)                     | (2,262,897)           |
| Exercise of employees' stock options                                  | 788,393                         | -                     |
| Treasury stock transferred to employees                               | -                               | 3,207,590             |
| Proceeds from minority shareholders on stock issuance of subsidiaries | 158,608                         | 4,881,769             |
| Net cash provided by (used in) financing activities                   | <u>(6,832,256)</u>              | <u>17,581,150</u>     |
| Effect of exchange rate changes on cash and cash equivalents          | <u>(1,363,167)</u>              | <u>777,620</u>        |
| Net increase (decrease) in cash and cash equivalents                  | <u>(17,389,800)</u>             | <u>43,869,325</u>     |
| Cash and cash equivalents at beginning of year                        | <u>118,771,773</u>              | <u>74,902,448</u>     |
| Cash and cash equivalents at end of year                              | <u>\$ 101,381,973</u>           | <u>\$ 118,771,773</u> |
| Supplemental disclosures of cash flow information:                    |                                 |                       |
| Cash paid for interest  | <u>\$ 1,974,367</u>             | <u>\$ 1,581,736</u>   |
| Cash paid for income tax  | <u>\$ 296,820</u>               | <u>\$ 94,841</u>      |
| Investing activities partially paid by cash:                          |                                 |                       |
| Acquisition of property, plant and equipment                          | \$ 81,726,103                   | \$ 23,401,654         |
| Add: Payable at beginning of year                                     | 7,370,809                       | 8,788,838             |
| Add: Payable proceeds from merger                                     | 84,675                          | -                     |
| Less: Payable at end of year  | (8,071,379)                     | (7,370,809)           |
| Cash paid for acquiring property, plant and equipment                 | <u>\$ 81,110,208</u>            | <u>\$ 24,819,683</u>  |
| Investing and financing activities not affecting cash flows:          |                                 |                       |
| Principal amount of exchangeable bonds exchanged by bondholders       | \$ 11,614,141                   | \$ 194,304            |
| Book value of reference shares delivered for exchange                 | (3,898,638)                     | (75,505)              |
| Elimination of related balance sheet accounts                         | 90,983                          | 4,348                 |
| Recognition of gain on disposal of investments                        | <u>\$ 7,806,486</u>             | <u>\$ 123,147</u>     |

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

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004 and 2003  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. GENERAL DESCRIPTIONS OF REPORTING ENTITIES

United Microelectronics Corporation (the Company) was incorporated in May 1980 and commenced operations in April 1982. The Company is a full service semiconductor wafer foundry, and provides a variety of services to fit individual customer's needs. These services include intellectual property, embedded IC design, design verification, mask tooling, wafer fabrication, and testing. The Company's common shares were publicly listed on the Taiwan Stock Exchange (TSE) in July 1985 and its American Depository Shares (ADSs) were listed on the New York Stock Exchange (NYSE) in September 2000.

Based on the resolution of the board of directors' meeting on February 26, 2004, the effective date of the merger with SiS Microelectronics Corp. (SiSMC) was July 1, 2004. The Company was the surviving company, and SiSMC was the dissolved company. The merger was approved by the relevant government authorities. All the assets, liabilities, rights, and obligations of SiSMC have been fully incorporated into the Company since July 1, 2004.

The Company's consolidated financial statements include the financial statements of the Company and the following subsidiaries (hereinafter referred to collectively as the Group):

Hsun Chieh Investment Co., Ltd. (Hsun Chieh) was incorporated in January 2000 and is engaged in the business of investments. The Company owned 99.97% of interest in Hsun Chieh as of December 31, 2004 and 2003.

UMC Japan (UMCJ) was incorporated in May 1984 in Japan and is engaged in the business of sales and manufacturing of integrated circuit. The Group owned 51.93% and 51.89% of interest in UMCJ as of December 31, 2004 and 2003, respectively.

UMC Group (USA) (UMC-USA) was incorporated in August 1997 and is engaged in the business of sales of semiconductor products and providing related foundry services. The Company owned 100% of interest in UMC-USA as of December 31, 2004 and 2003.

UMCi Ltd. (UMCi) was incorporated in January 2001 and is engaged in the business of sales and manufacturing of integrated circuit. The company owned 100% of interest in UMCi as of December 31, 2004, and the Group owned 77.72% of interest in UMCi as of December 31, 2003.

United Microelectronics (Europe) B.V. (UME BV) was incorporated in May 1989 and is engaged in the business of sales of semiconductor products and providing related foundry services. The Company acquired UME BV in May 2002, and owned 100% of interest as of December 31, 2004 and 2003.

United Microdisplay Optronics Corp. (UMO) was incorporated in September 2002 and is engaged in the business of sales and manufacturing of chips for Liquid Crystal on Silicon (LCOS). The Company owned 83.48% of interest in UMO as of December 31, 2004 and 2003.

Fortune Venture Capital Corporation (Fortune), Unitruth Investment Corp., UMC Capital Corporation, United Microelectronics Corp. (Samoa), and United Foundry Service, Inc. were excluded from consolidation (see Note 2 - Principles of Consolidation).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and accounting principles generally accepted in the Republic of China (ROC).

Summary of significant accounting policies is as follows:

### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and certain majority-owned (above 50%) subsidiaries in accordance with the requirements of the Statements of Financial Accounting Standards of the Republic of China (ROC SFAS) No.7. All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Pursuant to ROC SFAS No. 7, if the total assets and operating revenues of a subsidiary are less than 10% of the non-consolidated total assets and operating revenues of the Company, respectively, the subsidiary’s financial statements may, at the option of the Company, not be consolidated. Irrespective of the above test, when the total combined assets or operating revenues of all such non-consolidated subsidiaries constitute up to 30% of the Company’s non-consolidated total assets or operating revenues, then each individual subsidiary with total assets or operating revenues up to 3% of the Company’s non-consolidated total assets or operating revenues has to be included in the consolidation. Such subsidiaries are included in the consolidated financial statements thereafter, unless the percentage of the combined total assets or operating revenues for all such subsidiaries becomes less than 20% of the Company’s respective non-consolidated amount.

The difference between the acquisition cost and the net equity of the subsidiary, is amortized over 5 years.

### Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the exchange rates prevailing on the transaction dates. Receivables, other monetary assets, and liabilities denominated in foreign currencies are translated into New Taiwan Dollars at the exchange rates prevailing on the balance sheet date. Exchange gains or losses are included in the current year’s results. However, exchange gains or losses from investments in foreign entities are recorded as cumulative translation adjustments in stockholders’ equity.

### Translation of Foreign Currency Financial Statements

The financial statements of foreign subsidiaries are translated into New Taiwan Dollars using the spot rates as of each financial statement date for asset and liability accounts, average exchange rates for profit and loss accounts, historical exchange rates for equity accounts, and exchange rates on dividend declaration date for dividends. The cumulative translation effects from subsidiaries using functional currencies other than the New Taiwan Dollars are included in the cumulative translation adjustment in stockholders' equity.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that will affect the amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

### Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks on changes in value resulting from changes in interest rates, including commercial paper with original maturities of 3 months or less.

### Marketable Securities

Marketable securities are recorded at cost when acquired and are stated at the lower of aggregate cost or market value on the balance sheet date. Cash dividends are recorded as dividend income when received. Costs of money market funds and short-term notes are identified specifically while other marketable securities are determined on the weighted average method. The market values of listed debt, equity securities, and closed-end funds are determined by the average closing price during the last month of the fiscal year. The market value for open-end funds is determined by the net asset value at the balance sheet date. The amount by which the aggregate cost exceeds the market value is reported as a loss in the current year. In subsequent periods, recoveries of the market value are recognized as a gain to the extent that the market value does not exceed the original aggregate cost of the investment.

### Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based on management's judgement and on the evaluation of collectibility and aging analysis of accounts and other receivables.

### Inventories

Inventories are accounted for on a perpetual basis. Raw materials are recorded at actual purchase costs, while the work in process and finished goods are recorded at standard costs and adjusted to actual costs using the weighted average method at the end of each month. Inventories are stated at the lower of aggregate cost or market value at the balance sheet date. The market values of raw materials and supplies are determined on the basis of replacement cost while the work in process and finished goods are determined by net realizable values. An allowance for loss on decline in market value and obsolescence is provided, when necessary.

### Long-term Investments

Long-term investments are recorded at cost when acquired. Investments acquired by contribution of technological know-how are credited to deferred credits among affiliates, which will be amortized to income over a period of 5 years.

Investments of less than 20% of the outstanding voting shares in listed investees, where significant influence on operating decisions of the investees does not reside with the Group, are accounted for by the lower of aggregate cost or market value method. The unrealized loss resulting from the decline in market value of investments that are held for long-term investment purpose is deducted from the stockholders' equity. The market value is determined by the average closing price during the last month of the fiscal year. Investments of less than 20% of the outstanding voting shares in unlisted investees are accounted for under the cost method. Impairment losses for the investees will be recognized if an other than temporary impairment is evident and the book value after recognizing the losses shall be treated as a new cost basis of such investment.

Investment income or loss from investments in both listed and unlisted investees is accounted for under the equity method provided that the Group owns at least 20% of the outstanding voting shares of the investees and has significant influence on operational decisions of the investees. The difference of the acquisition cost and the underlying equity in the investee's net assets is amortized over 5 years.

The change in the Group's proportionate share in the net assets of its investee resulting from its subscription to additional shares of stock, issued by such investee, at the rate not proportionate to its existing equity ownership in such investee, is charged to the capital reserve and long-term investments account.

Unrealized intercompany gains and losses arising from downstream transactions with investees accounted for under the equity method are eliminated in proportion to the Group's ownership percentage while those from transactions with majority-owned (above 50%) subsidiaries are eliminated entirely. Unrealized intercompany gains and losses arising from upstream transactions with investees accounted for under the equity method are eliminated in proportion to the Group's ownership percentage. Unrealized intercompany gains and losses arising from transactions between investees accounted for under the equity method are eliminated in proportion to the multiplication of the Group's ownership percentage; while those arising from transactions between majority-owned subsidiaries are eliminated in proportion to the Group's ownership percentage in the subsidiary incurred with a gain or loss.

### Property, Plant and Equipment

Property, plant and equipment are stated at cost. Interest incurred on loans used to finance the construction of property, plant and equipment is capitalized and depreciated accordingly.

Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital expenditures and are depreciated accordingly. When property, plant and equipment are disposed, their original cost and accumulated depreciation are written off and the related gain or loss is classified as non-operating income or expenses. Idle assets are transferred to other assets according to the lower of net book or net realizable value, with the difference charged to non-operating expenses. The corresponding depreciation expenses provided are also classified as non-operating expenses.

Depreciation is provided on the straight-line basis using the estimated economic life of the assets less salvage value, if any. When the estimated economic life expires, property, plant and equipment, which are still in use, are depreciated over the newly estimated remaining useful life using the salvage value. The estimated economic life of the property, plant and equipment is as follows: buildings - 3 to 55 years; machinery and equipment - 3 to 6 years; transportation equipment - 2 to 5 years; furniture and fixtures - 2 to 20 years; leased assets and leasehold improvements - the lease period, or estimated economic life, whichever is shorter.

### Intangible Assets

Patents are stated at cost and amortized over their estimated economic life using the straight-line method. Technological know-how is stated at cost and amortized over its estimated economic life using the straight-line method. Goodwill arising from the merger is amortized using the straight-line method over 15 years. At each balance sheet date, the Group assesses whether there is any indication of impairment other than temporary. If any such indication exists, the recoverable amount is estimated and provision for impairment loss is provided accordingly. The book value after recognizing the impairment loss is recorded as the new cost.

### Deferred Charges

Deferred charges are stated at cost and amortized on a straight-line basis as follows: bonds issuance costs - over the life of the bonds, patent license fees - the term of contract or estimated economic life of the related technology, and software - 3 years.

At each balance sheet date, the Group assesses whether there is any indication of impairment other than temporary. If any such indication exists, the recoverable amount is estimated and provision for impairment losses is provided accordingly. The book value after recognizing the impairment loss is recorded as the new cost.

### Convertible and Exchangeable Bonds

The issuance costs of convertible and exchangeable bonds are classified as deferred charges and amortized over the life of the bonds.

The excess of the stated redemption price over the par value is accrued as compensation interest payable over the redemption period, using the effective interest method.

When convertible bondholders exercise their conversion rights, the book value of bonds is credited to common stock at an amount equal to the par value of the common stock and the excess is credited to capital reserve; no gain or loss is recognized on bond conversion.

When exchangeable bondholders exercise their rights to exchange for the reference shares, the book value of the bond is to be offset against the book value of the investment in reference shares and the related stockholders' equity accounts, with the difference recognized as gain or loss on disposal of investments.

### Pension Plan

The net pension cost is computed based on an actuarial valuation in accordance with the provision of the Statements of Financial Accounting Standards of the Republic of China (ROC SFAS) No. 18, which requires consideration of pension cost components such as service cost, interest cost, expected return on plan assets, and the amortization of net obligation at transition, pension gain or loss, and prior service cost.

### Employee Stock Option Plan

The Group applies intrinsic value method to recognize the difference between the market price of the stock and the exercise price of its employee stock option as compensation cost. Starting January 1, 2004, the Group also discloses pro forma net income and earnings per share under the fair value method for only these options granted since January 1, 2004.

### Treasury Stock

The Group adopted the ROC SFAS No. 30, which requires that treasury stock held by the Group itself to be accounted for under the cost method. Cost of treasury stock is shown as a deduction to stockholders' equity, while gain or loss from selling treasury stock is treated as an adjustment to the capital reserve. The Group's stock held by its subsidiaries is also treated as treasury stock in the Group's account.

### Revenue Recognition

The main sales term of the Group is Free on Board (FOB) or Free Carrier (FCA). Revenue is recognized when ownership and liability for risk of loss or damage to the products have been transferred to customers, usually upon shipment. Sales returns and discounts taking into consideration customers' complaints and past experiences are accrued in the same year of sales.

### Capital Expenditure versus Operating Expenditure

An expenditure is capitalized when it is probable that future economic benefits associated with the expenditure will flow to the Company and the expenditure amount exceeds a predetermined level. Otherwise it is charged to expense when incurred.

### Income Tax

The Group adopted the ROC SFAS No. 22 "Accounting for Income Taxes" for inter-period and intra-period income tax allocation. Provision for income tax includes deferred income tax resulting from temporary differences, loss carry-forward and investment tax credits. Deferred income tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. Valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized.

According to the ROC SFAS No. 12, the Group recognized the tax benefit from the purchase of equipment and technology, research and development expenditure, employee training, and certain equity investments.

Income tax (10%) on unappropriated earnings is recorded as expense in the year when the shareholders have resolved that the earnings shall be retained.

### Earnings per Share

Earnings per share is computed according to the ROC SFAS No. 24. Basic earnings per share is computed by dividing net income (loss) by weighted average number of shares outstanding during the year. Diluted earnings per share is computed by taking basic earnings per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued. The net income (loss) would also be adjusted for the interest and other income or expenses derived from any underlying dilutive share equivalents. The weighted average outstanding shares are adjusted retroactively for stock dividends and bonus share issues.

### Derivative Financial Instruments

The interest rate swap agreements entered into for hedging purposes are accounted for on a net accrual basis in accordance with the contractual interest rate as an adjustment to the interest income or expense of the hedged items.

Foreign exchange forward contracts are held to hedge the exchange rate risk arising from net assets or liabilities denominated in foreign currency. These forward contracts are translated and recorded using the spot rate at the inception of the contracts, and the discount or premium of the forward contracts is amortized over their lifespan. The difference between the spot rate at the inception of a forward contract and the spot rate at the balance sheet date is reflected in the statement of income. The receivables and payables of the foreign exchange forward contracts are offset and the resulting balances are recorded as either assets or liabilities. Exchange gains or losses from the settlement of forward contracts are included in the current period's earnings.

### Merger

The Company merged with SiSMC and recognized the sum of the difference between the acquisition costs, which are the market price of equity stocks issued and other related costs, and the fair value of the identifiable net assets acquired as goodwill in compliance with the ROC SFAS No. 25 "Enterprise Mergers—Accounting of Purchase Method." The fair value of identifiable net assets and goodwill deducted from the par value of the equity stocks issued and other related costs is recognized as capital reserve.

### 3. ACCOUNTING CHANGE

None.

### 4. CONTENTS OF SIGNIFICANT ACCOUNTS

#### (1) CASH AND CASH EQUIVALENTS

|                               | As of December 31, |               |
|-------------------------------|--------------------|---------------|
|                               | 2004               | 2003          |
| Cash:                         |                    |               |
| Cash on hand                  | \$2,396            | \$3,344       |
| Checking and savings accounts | 5,963,814          | 3,263,716     |
| Time deposits                 | 86,889,832         | 105,578,263   |
| Subtotal                      | 92,856,042         | 108,845,323   |
| Cash equivalents:             |                    |               |
| Commercial paper              | 8,525,931          | 9,926,450     |
| Total                         | \$101,381,973      | \$118,771,773 |

(2) MARKETABLE SECURITIES, NET

|   | As of December 31, |                    |
|---|--------------------|--------------------|
|   | 2004               | 2003               |
| Listed equity securities                            | \$1,446,302        | \$1,443,545        |
| Convertible bonds                                   | 1,756,248          | 376,783            |
| Total   | 3,202,550          | 1,820,328          |
| Less: Allowance for loss on decline in market value | (58,853)           | -                  |
| Net   | <u>\$3,143,697</u> | <u>\$1,820,328</u> |

(3) NOTES RECEIVABLE

|                  | As of December 31, |                |
|------------------|--------------------|----------------|
|                  | 2004               | 2003           |
| Notes receivable | <u>\$2,040</u>     | <u>\$8,756</u> |

(4) ACCOUNTS RECEIVABLE, NET

|   | As of December 31,  |                     |
|---|---------------------|---------------------|
|   | 2004                | 2003                |
| Accounts receivable                             | \$11,779,505        | \$15,500,554        |
| Less: Allowance for sales returns and discounts | (437,549)           | (325,745)           |
| Less: Allowance for doubtful accounts           | (74,342)            | (95,741)            |
| Net   | <u>\$11,267,614</u> | <u>\$15,079,068</u> |

(5) OTHER FINANCIAL ASSETS, CURRENT

|  | As of December 31, |                    |
|--|--------------------|--------------------|
|  | 2004               | 2003               |
| Credit-linked deposits and repackage bonds | \$2,942,434        | \$4,166,594        |
| Interest rate swaps                        | 35,532             | 128,539            |
| Forward contracts                          | 38,633             | -                  |
| Total                                      | 3,016,599          | 4,295,133          |
| Less: Non-current portion                  | (2,562,754)        | (1,848,530)        |
| Net  | <u>\$453,845</u>   | <u>\$2,446,603</u> |

Please refer to Note 10 for disclosures on risks of other financial assets.

(6) INVENTORIES, NET

|   | As of December 31,  |                    |
|---|---------------------|--------------------|
|   | 2004                | 2003               |
| Raw materials   | \$252,847           | \$209,616          |
| Supplies and spare parts  | 2,208,545           | 1,607,312          |
| Work in process   | 7,837,998           | 6,880,234          |
| Finished goods  | 1,500,101           | 194,651            |
| Total   | 11,799,491          | 8,891,813          |
| Less: Allowance for loss on decline in market value<br>and obsolescence | (1,786,493)         | (521,648)          |
| Net   | <u>\$10,012,998</u> | <u>\$8,370,165</u> |

a. The insurance coverage for inventories amounted to \$11,093 million and \$8,328 million as of December 31, 2004 and 2003, respectively.

b. Inventories were not pledged.

(7) LONG-TERM INVESTMENTS

a. Details of long-term investments are as follows:

(Equity securities refer to common shares unless otherwise stated)

| Investee Company  | As of December 31, |  |                   |  |
|---|--------------------|--|-------------------|--|
|   | 2004               |  | 2003              |  |
|   | Amount             | Percentage of<br>Ownership or<br>Voting Rights | Amount            | Percentage of<br>Ownership or<br>Voting Rights |
| <u>Investments accounted for under the equity method:</u> |                    |  |                   |  |
| United Foundry Service, Inc.                              | \$103,881          | 100.00   | \$95,484          | 100.00   |
| UMC Capital Corporation                                   | 1,310,493          | 100.00   | 1,265,822         | 100.00   |
| United Microelectronics Corp. (Samoa)                     | 5,854              | 100.00   | 7,463             | 100.00   |
| Unitruth Investment Corp.                                 | 100,115            | 100.00   | -                 | -  |
| Fortune Venture Capital Corporation                       | 2,354,878          | 99.99  | 2,280,265         | 99.99  |
| Pacific Venture Capital Co., Ltd                          | 304,810            | 49.99  | 313,298           | 49.99  |
| Thintek Optronics Corp.                                   | 53,618             | 49.99  | 73,421            | 49.99  |
| UCA Technology, Inc.                                      | 43,097             | 49.50  | 49,500            | 49.50  |
| United Radiotek Incorporation                             | 86,107             | 49.04  | 91,426            | 49.50  |
| VistaPoint, Inc.  | 31,263             | 48.77  | 62,030            | 48.77  |
| DuPont Photomasks Taiwan Ltd.                             | 1,058,515          | 45.35  | 1,069,669         | 45.35  |
| Unitech Capital Inc.                                      | 730,930            | 42.00  | 757,050           | 42.00  |
| UC Fund II  | 150,079            | 35.45  | 164,162           | 35.45  |
| Unimicron Technology Corp.                                | 5,280,435          | 32.65  | 4,875,575         | 33.41  |
| RiRa Electronics, Inc.                                    | 13,106             | 32.50  | 43,355            | 32.50  |
| Star Semiconductor Corp.                                  | 37,161             | 28.20  | 47,022            | 48.48  |
| AFA Technology, Inc.                                      | 42,660             | 26.53  | 70,372            | 48.97  |
| Holtek Semiconductor Inc.                                 | 731,442            | 25.23  | 715,142           | 27.59  |
| Crystal Media, Inc.                                       | 21,150             | 24.88  | -                 | -  |
| Faraday Technology Corp.                                  | 1,940,771          | 23.88  | 1,918,758         | 24.82  |
| ITE Tech. Inc.  | 281,313            | 22.23  | 341,310           | 24.38  |
| Novatek Microelectronics Corp. (Note A)                   | 1,735,661          | 19.12  | 1,380,336         | 20.95  |
| Ubit Technology, Inc. (Note A)                            | 17,120             | 18.99  | 19,900            | 39.80  |
| Harvatek Corporation (Note A)                             | 349,074            | 18.23  | 278,527           | 18.84  |
| Patentop, Ltd. (Note A)                                   | 6,599              | 18.00  | 11,688            | 18.00  |
| AMIC Technology Corporation (Note A)                      | 125,071            | 16.82  | 142,154           | 16.96  |
| Applied Component Technology Corp. (Note A)               | 19,874             | 16.44  | 43,872            | 21.42  |
| Silicon Integrated Systems Corp. (Note C)                 | 4,226,303          | 16.16  | 5,288,088         | 16.18  |
| U-Media Technology, Inc. (Note A)                         | 12,000             | 11.11  | -                 | -  |
| Smedia Technology Corp. (Note A)                          | 18,000             | 10.59  | -                 | -  |
| SerComm Corporation (Note A)                              | 174,903            | 9.80   | 168,827           | 10.46  |
| AMOD Technology Co., Ltd. (Note A)                        | 5,875              | 9.40   | -                 | -  |
| Davicom Semiconductor, Inc. (Note A)                      | 22,958             | 2.50   | -                 | -  |
| Bravotek Corporation                                      | -                  | -  | 37,500            | 50.00  |
| VastView Technology, Inc.                                 | -                  | -  | 60,567            | 33.81  |
| Chariotek Inc.  | -                  | -  | 28,500            | 47.50  |
| Advance Materials Corporation                             | -                  | -  | 166,443           | 15.78  |
| Wiseware Technology Corporation                           | -                  | -  | 37,500            | 25.00  |
| Subtotal  | <u>21,395,116</u>  |  | <u>21,905,026</u> |  |

| Investee Company  | As of December 31, |  |           |  |
|---|--------------------|--|-----------|--|
|   | 2004               |  | 2003      |  |
|   | Amount             | Percentage of Ownership or Voting Rights | Amount    | Percentage of Ownership or Voting Rights |
| <u>Investments accounted for under the cost method or the lower of cost or market value method:</u> |                    |  |           |  |
| VastView Technology, Inc.   | \$29,759           | 19.94                                    | \$-       | -  |
| Kits OnLine Technology Corp.  | 56,231             | 15.91                                    | 56,231    | 15.91                                    |
| Advance Materials Corporation   | 152,321            | 15.78                                    | -         | -  |
| Everglory Resource Technology Co., Ltd.   | 74,000             | 15.14                                    | 74,000    | 15.14                                    |
| LighTuning Tech., Inc.  | 24,772             | 15.08                                    | 24,772    | 15.08                                    |
| Printech International Inc.   | 30,000             | 12.00                                    | 30,000    | 12.00                                    |
| Golden Technology Venture Capital Investment Corp.  | 80,000             | 10.67                                    | 80,000    | 10.67                                    |
| MediaTek Incorporation  | 969,048            | 10.06                                    | 1,055,237 | 11.13                                    |
| NCTU Spring I Technology Venture Capital Investment Corp.   | 43,482             | 10.06                                    | 43,482    | 10.06                                    |
| Trendchip Technologies Corp.  | 60,406             | 9.25                                     | 60,406    | 9.25                                     |
| Incomm Technologies Co., Ltd.   | 36,140             | 8.67                                     | 44,480    | 12.60                                    |
| United Industrial Gases Co., Ltd.   | 146,250            | 8.11                                     | 146,250   | 8.27                                     |
| Ralink Technology Corporation   | 55,500             | 7.40                                     | 55,500    | 7.40                                     |
| Subtron Technology Co., Ltd.  | 244,080            | 7.29                                     | 244,080   | 8.14                                     |
| EE Solution, Inc.   | 51,900             | 7.28                                     | -         | -  |
| Chipsence Corp.   | 41,800             | 6.91                                     | -         | -  |
| Giga Solution Technology Co., Ltd.  | 105,000            | 6.83                                     | -         | -  |
| Epitech Corporation   | 117,823            | 6.75                                     | 94,613    | 6.90                                     |
| Fortune Semiconductor Corporation   | 71,500             | 6.64                                     | 71,500    | 8.21                                     |
| NCTU Spring Venture Capital Co., Ltd.   | 20,000             | 6.28                                     | 20,000    | 6.28                                     |
| Riselink Venture Capital Corp.  | 80,000             | 6.20                                     | -         | -  |
| C-Com Corporation   | 9,806              | 5.36                                     | 62,681    | 14.97                                    |
| Cosmos Technology Venture Capital Investment Corp.  | 40,000             | 5.03                                     | 40,000    | 5.03                                     |
| Parawin Venture Capital Corp.   | 50,000             | 5.00                                     | 50,000    | 5.00                                     |
| HiTop Communications Corp.  | 17,964             | 4.99                                     | -         | -  |
| Industrial Bank of Taiwan Corp.   | 1,139,196          | 4.95                                     | 1,150,000 | 5.00                                     |
| Programmable Microelectronics (Taiwan) Corp.  | 23,760             | 4.95                                     | -         | -  |
| Beyond Innovation Technology Co., Ltd.  | 18,096             | 4.86                                     | 22,158    | 8.00                                     |
| Animation Technologies Corp.  | 29,700             | 4.74                                     | -         | -  |
| Coretronic Corporation  | 276,192            | 4.32                                     | 276,192   | 4.46                                     |
| Taiwan Asia Pacific Venture Fund  | 21,625             | 4.15                                     | 29,295    | 4.15                                     |
| IBT Venture Co.   | 76,142             | 3.81                                     | 90,000    | 3.81                                     |
| ZyDAS Technology Corp.  | 23,000             | 3.33                                     | -         | -  |
| ProSys Technology Integration, Inc.   | 2,790              | 3.08                                     | 2,790     | 3.08                                     |
| Brodweb Corp.   | 8,000              | 2.86                                     | -         | -  |
| Billionton Systems Inc.   | 30,948             | 2.77                                     | 30,948    | 3.05                                     |
| Uli Electronics Inc.  | 44,940             | 2.63                                     | -         | -  |
| Sheng-Hua Venture Capital Corp.   | 50,000             | 2.50                                     | 50,000    | 2.50                                     |

| Investee Company                                    | As of December 31,  |  |                     |  |
|---|---------------------|--|---------------------|--|
|   | 2004                |  | 2003                |  |
|   | Amount              | Percentage of<br>Ownership or<br>Voting Rights | Amount              | Percentage of<br>Ownership or<br>Voting Rights |
| Princeton Technology Corporation                    | \$97,901            | 2.36   | \$97,901            | 2.43   |
| Pixart Imaging, Inc.                                | 16,107              | 1.84   | 16,107              | 1.91   |
| Taimide Tech., Inc.                                 | 37,500              | 1.83   | -                   | -  |
| AU Optronics Corp. (Note B)                         | 959,082             | 1.44   | 5,991,447           | 9.74   |
| Mega Financial Holding Company                      | 4,991,630           | 1.36   | 4,991,630           | 1.36   |
| ULTRA CHIP, Inc.                                    | 15,048              | 1.19   | 38,000              | 3.01   |
| Trident Technologies, Inc.                          | 12,025              | 0.97   | -                   | -  |
| Largan Optoelectronics, Co., Ltd.                   | 39,866              | 0.69   | 39,866              | 0.71   |
| Premier Image Technology Corporation                | 27,964              | 0.59   | 27,964              | 0.62   |
| Averlogic Corporation                               | 1,159               | 0.16   | 1,391               | 0.19   |
| Taiwan High Speed Rail Corporation (Note D)         | 300,000             | -  | 300,000             | -  |
| Pacific Technology Partners, L.P. (Note E)          | 336,099             | -  | 282,086             | -  |
| ForteMedia, Inc. (Note D)                           | 108,456             | -  | 108,456             | -  |
| Pacific United Technology, L.P. (Note E)            | 126,560             | -  | 69,260              | -  |
| Alpha and Omega Semiconductor, Inc. (Note D)        | 46,883              | -  | 46,883              | -  |
| VenGlobal Capital Fund III, L.P. (Note E)           | 33,195              | -  | 33,195              | -  |
| Formerica International Holding, Inc. (Note D)      | 30,898              | -  | 30,898              | -  |
| Aurora Systems, Inc. (Note D)                       | 6,355               | -  | 6,355               | -  |
| Silicon Data International Co., Ltd.                | -                   | -  | 10,200              | 1.75   |
| Giga Solution Technology Co., Ltd.                  | -                   | -  | 105,000             | 19.44  |
| Enovation Group, Inc.                               | -                   | -  | 11,809              | 14.34  |
| ATP Electronics Taiwan, Inc.                        | -                   | -  | 50,000              | 10.00  |
| RF Integration Corporation                          | -                   | -  | 98,610              | 9.76   |
| Union Technology Corp.                              | -                   | -  | 18,000              | 5.14   |
| Leadtek Research, Inc.                              | -                   | -  | 99,875              | 4.74   |
| King Yuan Electronics Co., Ltd.                     | -                   | -  | 366,101             | 3.33   |
| Linden Technologies, Inc. (Note D)                  | -                   | -  | 92,385              | -  |
| Chip Express Corporation (Note D)                   | -                   | -  | 68,198              | -  |
| Primarion, Inc. (Note D)                            | -                   | -  | 38,816              | -  |
| Broadcom Corporation (Note D)                       | -                   | -  | 7,093               | -  |
| SandCraft, Inc. (Note D)                            | -                   | -  | 4,832               | -  |
| Triscend Corp. (Note D)                             | -                   | -  | 4,600               | -  |
| Netlogic Microsystems, Inc. (Note D)                | -                   | -  | 3,195               | -  |
| Subtotal  | <u>11,538,899</u>   |  | <u>16,964,768</u>   |  |
| Prepaid long-term investments :                     |                     |  |                     |  |
| Chip Advanced Technology                            | 16,630              |  | -                   |  |
| EE Solutions  | -                   |  | 52,343              |  |
| Subtotal  | <u>16,630</u>       |  | <u>52,343</u>       |  |
| Less: Allowance for loss on decline in market value | <u>(238,367)</u>    |  | <u>(62,888)</u>     |  |
| Total   | <u>\$32,712,278</u> |  | <u>\$38,859,249</u> |  |

Note A: The investments were accounted for under the equity method as the percentage of ownership directly and indirectly held was over 20% or significant influences were exercised by the Group.

Note B: Among the shares held by the Company in AU Optronics Corp., approximately 71,215 thousand and 337,455 thousand shares with the book value of NT\$959 million and NT\$4,772 million as of December 31, 2004 and 2003, respectively, were utilized as reference shares for the Company's zero coupon exchangeable bonds.

Note C: During the first quarter of 2003, the Company acquired additional interests in Silicon Integrated Systems Corp., an investee previously accounted for under the lower of cost or market value method. Percentage of voting rights held by the Company was the highest among shareholders and significant influences were exercised. Thus, equity method was applied.

Note D: The amount represented the investments in preferred shares. As the Group did not possess voting rights and significant influences, thus cost method was applied.

Note E: The amounts represented investments in limited partnership without voting rights. As the Group was not able to exercise significant influences, the investments were accounted for under the cost method.

- b. Investment income accounted for under the equity method, which were based on the audited financial statements of the investees, were NT\$552 million and NT\$301 million for the years ended December 31, 2004 and 2003, respectively. Among which, investment income amounting to NT\$885 million and NT\$385 million for the years ended December 31, 2004 and 2003, respectively, and the related long-term investment balances of NT\$7,194 million and NT\$6,969 million as of December 31, 2004 and 2003, respectively, were determined based on the investees' financial statements audited by other auditors.
- c. Long-term investments of Hsun Chieh, a subsidiary of the Company, in United Radiotek Incorporation, SerComm Corporation, Harvatek Corporation, Patentop, Ltd., UC Fund II, Advance Materials Corporation, High Bandwith Access Inc. (merged with AMIC Technology Corporation on December 31, 2003), RiRa Electronics, Inc., VistaPoint, Inc., Accelerated Communications Inc. (disposed on September 26, 2003), AFA Technology, Inc., Star Semiconductor Corp., VastView Technology, Inc., Ubit Technology, Inc., Chariotek Inc., Wiseware Technology Corporation, UCA Technology, Inc., Bravotek Corporation, Unitruth Investment Corp., Crystal Media, Inc., U-Media Technology, Inc., AMOD Technology Co., Ltd. and Smedia Technology Corp. were accounted for under the equity method, and the related investment income or loss is to be recognized in the next year. Investees of VastView Technology, Inc. and Advance Materials Corporation, which were accounted for under equity method in 2003, were accounted for under cost method in 2004 due to losing significant influences.
- d. The long-term investments were not pledged.

(8) PROPERTY, PLANT AND EQUIPMENT

|   | As of December 31, 2004 |                             |                      |
|---|-------------------------|-----------------------------|----------------------|
|   | Cost                    | Accumulated<br>Depreciation | Book Value           |
| Land  | \$1,320,095             | \$-                         | \$1,320,095          |
| Buildings                                   | 21,237,012              | (5,347,449)                 | 15,889,563           |
| Machinery and equipment                     | 358,364,726             | (216,336,818)               | 142,027,908          |
| Transportation equipment                    | 89,252                  | (55,385)                    | 33,867               |
| Furniture and fixtures                      | 2,638,541               | (1,631,683)                 | 1,006,858            |
| Leased assets                               | 47,783                  | (47,783)                    | -                    |
| Leasehold improvements                      | 38,620                  | (37,912)                    | 708                  |
| Construction in progress and<br>prepayments | 31,745,156              | -                           | 31,745,156           |
| Total                                       | <u>\$415,481,185</u>    | <u>\$(223,457,030)</u>      | <u>\$192,024,155</u> |

|   | As of December 31, 2003 |                             |                      |
|---|-------------------------|-----------------------------|----------------------|
|   | Cost                    | Accumulated<br>Depreciation | Book Value           |
| Land  | \$1,560,237             | \$-                         | \$1,560,237          |
| Buildings                                   | 17,721,538              | (4,341,358)                 | 13,380,180           |
| Machinery and equipment                     | 272,927,438             | (162,407,026)               | 110,520,412          |
| Transportation equipment                    | 90,955                  | (46,809)                    | 44,146               |
| Furniture and fixtures                      | 2,521,756               | (1,339,705)                 | 1,182,051            |
| Leased assets                               | 47,783                  | (31,855)                    | 15,928               |
| Leasehold improvements                      | 40,848                  | (34,162)                    | 6,686                |
| Construction in progress and<br>prepayments | 22,846,921              | -                           | 22,846,921           |
| Total                                       | <u>\$317,757,476</u>    | <u>\$(168,200,915)</u>      | <u>\$149,556,561</u> |

- a. Total interest expense before capitalization amounted to NT\$1,788 million and NT\$1,789 million for the years ended December 31, 2004 and 2003, respectively.

Details of capitalized interest are as follows :

|                                     | For the year ended December 31, |                    |
|-------------------------------------|---------------------------------|--------------------|
|                                     | 2004                            | 2003               |
| Machinery and equipment             | \$348,924                       | \$456,871          |
| Other property, plant and equipment | 3,956                           | 5,795              |
| Total interest capitalized          | <u>\$352,880</u>                | <u>\$462,666</u>   |
| Interest rates applied              | <u>1.55%-3.55%</u>              | <u>1.55%-3.50%</u> |

b. The insurance coverage for property, plant and equipment amounted to NT\$419,144 million and NT\$308,267 million as of December 31, 2004 and 2003, respectively.

c. Please refer to Note 6 for property, plant and equipment pledged as collateral.

(9) OTHER ASSETS - OTHERS

|                     | As of December 31, |                    |
|---------------------|--------------------|--------------------|
|                     | 2004               | 2003               |
| Leased assets       | \$1,382,090        | \$681,742          |
| Deposits-out        | 3,317,107          | 1,272,321          |
| Restricted deposits | 5,000              | 156,816            |
| Others              | 212,112            | 283,112            |
| Total               | <u>\$4,916,309</u> | <u>\$2,393,991</u> |

Please refer to Note 6 for restricted deposits pledged as collateral.

(10) SHORT-TERM LOANS

|                      | As of December 31, |                    |
|----------------------|--------------------|--------------------|
|                      | 2004               | 2003               |
| Unsecured bank loans | <u>\$2,986,919</u> | <u>\$1,884,899</u> |
| Interest rates       | <u>0.86%-2.89%</u> | <u>1.60%-1.74%</u> |

The unused short-term lines of credits amounted to NT\$8,129 million and NT\$16,312 million as of December 31, 2004 and 2003, respectively.

(11) BONDS PAYABLE

|                                  | As of December 31,  |                     |
|----------------------------------|---------------------|---------------------|
|                                  | 2004                | 2003                |
| Secured domestic bonds payable   | \$570,003           | \$1,710,002         |
| Unsecured domestic bonds payable | 32,750,000          | 40,000,000          |
| Convertible bonds payable        | 9,391,140           | 18,057,869          |
| Exchangeable bonds payable       | 3,107,029           | 14,804,484          |
| Premiums on exchangeable bonds   | -                   | 187,360             |
| Premiums on convertible bonds    | 20,592              | 33,151              |
| Compensation interest payable    | -                   | 126,763             |
| Subtotal                         | <u>45,838,764</u>   | <u>74,919,629</u>   |
| Less : Current portion           | <u>(2,820,003)</u>  | <u>(16,705,716)</u> |
| Net                              | <u>\$43,018,761</u> | <u>\$58,213,913</u> |

- a. On April 27, 2000, the Company issued five-year secured bonds amounting to NT\$3,990 million. The interest is paid semi-annually with stated interest rate of 5.6%. The bonds are repayable in installments every six months from April 27, 2002 to April 27, 2005.
- b. During the period from April 16 to April 27, 2001, the Company issued five-year and seven-year unsecured bonds totaling NT\$15,000 million, each with face value of NT\$7,500 million. The interest is paid annually with stated interest rates of 5.1195% through 5.1850% and 5.2170% through 5.2850%, respectively. The five-year bonds and seven-year bonds are repayable starting from April 2004 to April 2006 and April 2006 to April 2008, respectively, both in three yearly installments at the rates of 30%, 30% and 40%.
- c. During the period from October 2 to October 15, 2001, the Company issued three-year and five-year unsecured bonds totaling NT\$10,000 million, each with a face value of NT\$5,000 million. The interest is paid annually with stated interest rates of 3.3912% through 3.420% and 3.4896% through 3.520%, respectively. The three-year bonds were repaid at 100% of its principal amount during the period from October 2 to October 15, 2004. The five-year bonds will be repayable in October 2006, upon the maturity of the bonds.
- d. On December 12, 2001, the Company issued zero coupon convertible bonds amounting to US\$302.4 million on the Luxembourg Stock Exchange (LSE). The terms and conditions of the bonds are as follows:
  - (a) Final Redemption

Unless previously redeemed, repurchased, cancelled or converted, the bonds can be redeemed at 101.675% of their principal amount on March 1, 2004.
  - (b) Redemption at the Option of the Company

The Company may redeem all, but not some only, of the bonds, subject to giving no less than 30 nor more than 60 days' advance notice, at the early redemption amount, provided that:
    - i. On or at any time after June 13, 2003, the closing price of the ADSs on the NYSE or other applicable securities exchange on which the ADSs are listed on any ADS trading day for 20 out of 30 consecutive ADS trading days ending at any time within the period of 5 ADS trading days prior to the date of the redemption notice shall have been at least 130% of the conversion price or last adjusted conversion price, as the case may be, on each such day, or

ii. At any time prior to maturity at least 90% in principal amount of the bonds have already been redeemed, repurchased, cancelled or converted.

(c) Conversion Period

i. In respect of the common shares, on or after January 22, 2002, and on or prior to February 20, 2004, or

ii. In respect of the ADSs, on or after the later of January 22, 2002 and the date on which the shelf registration statement covering resales of certain ADSs issuable upon conversion of the bonds has been declared effective by the U.S. Securities and Exchange Commission, on or prior to February 20, 2004.

(d) Conversion Price

i. In respect of the common shares, will be NT\$66.67 per share, and

ii. In respect of the ADSs, will be US\$9.673 per ADS.

The applicable conversion price will be subject to adjustment upon the occurrence of certain events set out in the indenture.

(e) Reacquisition of the Bonds

As of December 31, 2004, the Company has reacquired a total amount of US\$63 million of the bonds from the open market. The corresponding loss on the reacquisition amounting to NT\$0.06 million for the year ended December 31, 2004 was recognized as other losses. As of December 31, 2003, the Company had reacquired a total amount of US\$62 million of the bonds from the open market. The corresponding loss on the reacquisition amounting to NT\$5 million for the year ended December 31, 2003 was recognized as other losses.

(f) Redemption of the Bonds

On February 27, 2004, the remaining balance of bonds was redeemed.

e. On May 10, 2002, the Company issued LSE listed zero coupon exchangeable bonds exchangeable for common shares or ADSs of AU Optronics, Corp. (AUO) with an aggregate principal amount of US\$235 million. The terms and conditions of the bonds are as follows:

(a) Final Redemption

Unless previously redeemed, exchanged or purchased and cancelled, the bonds must be redeemed at their principal amount in US Dollars on May 10, 2007.

(b) Redemption at the Option of the Company

The Company may redeem the bonds, in whole or in part, in principal amount thereof, on or after August 10, 2002 and prior to May 10, 2007 at their principal amount, if the closing price of the AUO common shares on the TSE, translated into US Dollars at the prevailing exchange rate, for a period of 20 consecutive trading days, the last of which occurs not more than 10 days prior to the date upon which notice of such redemption is published, is at least 120% of the exchange price then in effect translated into US Dollars at the rate of NT\$34.645=US\$1.00.

The Company may also redeem the bonds, in whole, but not in part, if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.

(c) Redemption at the Option of Bondholders

The Company will, at the option of the holders, redeem such bonds on February 10, 2005 at their principal amount.

(d) Tax Redemption

The Company may redeem all, but not part, of the bonds, at any time, in the event of certain changes in the ROC's tax rules which would require the Company to gross up for payments of principal, or to gross up for payments of interest or premium.

(e) Terms of Exchange

Subject to prior permitted redemption and as otherwise provided in the offering, the bonds are exchangeable at any time on or after June 19, 2002 and prior to April 10, 2007, into AUO shares or AUO ADSs at an exchange price of NT\$51.30 per share, determined on the basis of a fixed exchange rate of NT\$34.645=US\$1.00; provided however, that if the exercise date falls within 5 business days from the beginning of, and during, any closed period, the right of the exchanging holder of the bonds to vote with respect to the shares it receives will be subject to certain restrictions.

The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

(f) Exchange of the Bonds

As of December 31, 2004, certain bondholders have exercised their rights to exchange their bonds with the total principal amount of US\$137 million into AUO shares. The corresponding gain on the exchange amounting to NT\$3,457 million for the year ended December 31, 2004 was recognized as a gain on disposal of investments.

f. During the period from May 21 to June 24, 2003, the Company issued five-year and seven-year unsecured bonds totaling NT\$15,000 million, each with a face value of NT\$7,500 million. The interest is paid annually with stated interest rates of 4.0% minus USD 12-Month LIBOR and 4.3% minus USD 12-Month LIBOR, respectively. Stated interest rates are reset annually based on the prevailing USD 12-Month LIBOR. The five-year bonds and seven-year bonds are repayable in 2008 and 2010, respectively, upon the maturity of the bonds.

g. On July 15, 2003, the Company issued its second LSE listed zero coupon exchangeable bonds exchangeable for common shares of AUO with an aggregate principal amount of US\$206 million. The issue price was set at 103.0% of the principal amount. The terms and conditions of the bonds are as follows:

(a) Final Redemption

Unless previously redeemed, exchanged or purchased and cancelled, the bonds must be redeemed at their principal amount in US Dollars on July 15, 2008.

(b) Redemption at the Option of the Company

The Company may redeem the bonds, in whole or in part, in principal amount thereof, on or after January 15, 2004 and on or prior to July 15, 2005, at their principal amount, plus a certain premium (the "Early Redemption Amount") and thereafter until July 15, 2008 at their principal amount, if the closing price of the AUO common shares on the TSE, translated into US Dollars at the prevailing exchange rate, for a period of 20 consecutive trading days, the last of which occurs not more than 10 days prior to the date upon which notice of such redemption is published, is at least 125% of the exchange price then in effect translated into US Dollars at the rate of NT\$34.390=US\$1.00.

The Company may also redeem the bonds, in whole, but not in part, if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.

(c) Redemption at the Option of Bondholders

The Company will, at the option of any bondholders, redeem such bonds starting on July 15, 2005 at their principal amount.

(d) Tax Redemption

The Company may redeem all, but not part, of the bonds, at any time, in the event of certain changes in the ROC's tax rules which would require the Company to gross up for payments of principal, or to gross up for payments of interest or premium.

(e) Terms of Exchange

Subject to prior permitted redemption and as otherwise provided in the offering, the bonds are exchangeable at any time on or after August 14, 2003 and prior to June 30, 2008, into AUO shares at an exchange price of NT\$36.387 per share, determined on the basis of a fixed exchange rate of NT\$34.390=US\$1.00; provided however, that if the exercise date falls within 5 business days from the beginning of, and during, any closed period, the right of the exchanging holder of the bonds to vote with respect to the shares it receives will be subject to certain restrictions.

The exchange price will be subject to adjustment upon the occurrence of certain events set out in the indenture.

(f) Exchange of the Bonds

As of December 31, 2004, all bondholders have exercised their rights to exchange their bonds into AUO shares. The corresponding gain on the exchange amounting to NT\$4,349 million for the year ended December 31, 2004 was recognized as a gain on disposal of investments.

As of December 31, 2003, certain bondholders had exercised their rights to exchange their bonds with the total principal amount of US\$6 million into AUO shares. The corresponding gain on the exchange amounting to NT\$123 million for the year ended December 31, 2003 was recognized as a gain on disposal of investments.

h. On March 25, 2002, the Company's subsidiary, UMCJ, issued a LSE listed zero coupon convertible bonds with an aggregate principal amount of JPY 17,000 million and the issue price was set at 101.75% of the principal amount. The terms and conditions of the bonds are as follows:

(a) Final Redemption

Unless previously converted, purchased and cancelled or redeemed, the bonds must be redeemed on March 26, 2007 at their principal amount.

(b) Redemption at the Option of UMCJ

i. On or at any time after March 25, 2005, UMCJ may redeem all, but not part, of the bonds if the closing price of the shares on the Japan OTC Market is at least 120% of the conversion price then in effect for at least 20 out of 30 consecutive trading days ending on the trading day immediately prior to the date of the notice of redemption; or if the principal amount that has not been redeemed, repurchased and cancelled or converted is equal to or less than 10% of original aggregate principal amount.

ii. In case of a corporate split or share exchange/ share transfer, UMCJ may redeem all, but not part, of the bonds on or prior to the effective date of the transaction, provided that UMCJ is not able to ensure that the bondholders have the right to receive shares which they would have received had the conversion rights been exercised prior to the transaction.

iii. If a change in who controls UMCJ occurs, bondholders will be able to require UMCJ to redeem their bonds on the date that is 85 days after the change of control occurs.

(c) Conversion Period

At any time on or after May 3, 2002 to and including March 19, 2007.

(d) Conversion Price

The conversion price was set at JPY 400,000 per share, subject to adjustments upon the occurrence of certain events set out in the indenture.

(e) Reacquisition of the Bonds

As of December 31, 2004, UMCJ has reacquired and cancelled a total amount of JPY8,370 million and JPY7,650 million of the bonds from the open market. As of December 31, 2003, UMCJ has reacquired and cancelled a total amount of JPY7,650 million of the bonds from the open market. The corresponding gain on the reacquisition amounting to JPY505 million for the year ended December 31, 2003 was recognized as other income.

i. On November 25, 2003, the Company's subsidiary, UMCJ, issued its second LSE listed zero coupon convertible bonds with an aggregate principal amount of JPY21,500 million and the issue price was set at 101.25% of the principal amount. The terms and conditions of the bonds are as follows:

(a) Final Redemption

Unless previously converted, purchased and cancelled or redeemed, the bonds must be redeemed on November 25, 2013 at their principal amount.

(b) Redemption at the Option of UMCJ

i. On or at any time after November 27, 2006, UMCJ may redeem all, but not part, of the bonds if the closing price of the shares on the Japan OTC Market is at least 120% of the conversion price then in effect for at least 20 out of 30 consecutive trading days ending on the trading day immediately prior to the date of the notice of redemption; or if the principal amount that has been redeemed, repurchased and cancelled or converted is equal to or less than 10% of original aggregate principal amount.

ii. In case of a corporate split or share exchange/ share transfer, UMCJ may redeem all, but not part, of the bonds on or prior to the effective date of the transaction, provided that UMCJ is not able to ensure that the bondholders have the right to receive shares which they would have received had the conversion rights been exercised prior to the transaction.

iii. If a change in who controls UMCJ occurs, bondholders will be able to require UMCJ to redeem their bonds on the date that is 70 days after the change of control occurs.

(c) Conversion Period

At any time on or after January 5, 2004 and on or prior to November 11, 2013.

(d) Conversion Price

The conversion price was set at JPY187,500 per share, subject to adjustment upon the occurrence of certain events set out in the indenture.

j. Repayments of the above bonds in the future years are as follows:

(assuming the convertible bonds and exchangeable bonds are both paid off upon maturity)

| <u>Bonds repayable in</u> | <u>Amount</u>              |
|---------------------------|----------------------------|
| 2005                      | \$2,820,003                |
| 2006                      | 10,250,000                 |
| 2007                      | 8,059,519                  |
| 2008                      | 10,500,000                 |
| 2009 and thereafter       | 14,188,650                 |
| Total                     | <u><u>\$45,818,172</u></u> |

(12) LONG-TERM LOANS

|                           | <u>As of December 31,</u>  |                           |
|---------------------------|----------------------------|---------------------------|
|                           | <u>2004</u>                | <u>2003</u>               |
| Secured long-term loans   | \$4,666,500                | \$2,739,269               |
| Unsecured long-term loans | 19,044,000                 | 3,598,875                 |
| Total                     | 23,710,500                 | 6,338,144                 |
| Less: Current portion     | (5,441,143)                | (4,217,611)               |
| Net                       | <u><u>\$18,269,357</u></u> | <u><u>\$2,120,533</u></u> |
| Interest rates            | <u><u>0.81%-3.55%</u></u>  | <u><u>0.95%-2.53%</u></u> |

- a. The above long-term loans will be repaid by installments with the last payment on March 25, 2008. Repayments in the coming years respectively are as follows:

| <u>Long-term loans repayable in</u> | <u>Amount</u>              |
|-------------------------------------|----------------------------|
| 2005                                | \$5,441,143                |
| 2006                                | 7,774,393                  |
| 2007                                | 7,774,393                  |
| 2008                                | 2,720,571                  |
| Total                               | <u><u>\$23,710,500</u></u> |

- b. The long-term loans denominated in US Dollars amounted to US\$600 million and US\$48 million as of December 31, 2004 and 2003, respectively. The long-term loans denominated in Japanese Yen amounted to JPY 15,000 million and JPY 11,250 million as of December 31, 2004 and 2003, respectively.

- c. Assets pledged as collateral to secure these loans are detailed in Note 6.

(13) PENSION FUND

- a. Change in benefit obligation during the year:

|   | <u>For the year ended December 31,</u> |                             |
|---|--|-----------------------------|
|   | <u>2004</u>                            | <u>2003</u>                 |
| Projected benefit obligation at beginning of year | \$(3,725,630)                          | \$(3,287,327)               |
| Service cost                                      | (471,937)                              | (482,185)                   |
| Interest cost                                     | (123,181)                              | (123,168)                   |
| Benefits paid                                     | 36,894                                 | 15,720                      |
| Gain (loss) on projected benefit obligation       | (70,507)                               | 151,330                     |
| Projected benefit obligation at end of year       | <u><u>\$(4,354,361)</u></u>            | <u><u>\$(3,725,630)</u></u> |

- b. Change in pension assets during the year:

|  | <u>For the year ended December 31,</u> |                           |
|--|--|---------------------------|
|  | <u>2004</u>                            | <u>2003</u>               |
| Fair value of plan assets at beginning of year | \$1,196,723                            | \$991,059                 |
| Actual return on plan assets                   | 35,728                                 | 33,312                    |
| Contributions from employer                    | 193,711                                | 193,311                   |
| Benefits paid                                  | (36,894)                               | (15,720)                  |
| Transferred in from merger with SiSMC          | 3,703                                  | -                         |
| Others   | 11,159                                 | (5,239)                   |
| Fair value of plan assets at end of year       | <u><u>\$1,404,130</u></u>              | <u><u>\$1,196,723</u></u> |

c. The funding status of the pension plan is listed as follows :

|   | As of December 31,   |                      |
|---|----------------------|----------------------|
|   | 2004                 | 2003                 |
| Benefit obligation  |                      |                      |
| Vested benefit obligation                                   | \$(455,706)          | \$(424,662)          |
| Non-vested benefit obligation                               | (1,378,172)          | (1,210,526)          |
| Accumulated benefit obligation                              | (1,833,878)          | (1,635,188)          |
| Effect from projected salary increase                       | (2,520,483)          | (2,090,442)          |
| Projected benefit obligation                                | (4,354,361)          | (3,725,630)          |
| Fair value of plan assets                                   | 1,404,130            | 1,196,723            |
| Funded status   | (2,950,231)          | (2,528,907)          |
| Unrecognized net transitional benefit obligation            | 219,572              | 261,627              |
| Unrecognized loss   | 28,956               | 16,244               |
| Adjustment required to recognize minimum liabilities        | (11,705)             | (41,852)             |
| Accrued pension liabilities per actuarial report            | (2,713,408)          | (2,292,888)          |
| Over accrual  | -                    | (17,004)             |
| Accrued pension liabilities recognized in the balance sheet | <u>\$(2,713,408)</u> | <u>\$(2,309,892)</u> |

d. The components of net periodic pension cost are as follows:

|  | For the year ended December 31, |                  |
|--|---------------------------------|------------------|
|  | 2004                            | 2003             |
| Service cost   | \$471,937                       | \$482,185        |
| Interest cost  | 123,181                         | 123,168          |
| Expected return on plan assets                                   | (26,884)                        | (26,727)         |
| Amortization of unrecognized net transitional benefit obligation | 45,444                          | 45,927           |
| Amortization of unrecognized pension loss                        | 13,279                          | 13,784           |
| Transferred from SiSMC in the merger                             | 8,844                           | -                |
| Net periodic pension cost  | <u>\$635,801</u>                | <u>\$638,337</u> |

The actuarial assumptions underlying are as follows :

|                                | For the year ended December 31, |       |       |             |       |       |
|--------------------------------|---------------------------------|-------|-------|-------------|-------|-------|
|                                | 2004                            |       |       | 2003        |       |       |
|                                | The Company                     | UMO   | UMCJ  | The Company | UMO   | UMCJ  |
| Discount rate                  | 3.50%                           | 3.75% | 2.00% | 3.50%       | 3.50% | 2.00% |
| Rate of salary increase        | 5.00%                           | 4.00% | 3.71% | 5.00%       | 5.00% | 3.71% |
| Expected return on plan assets | 3.50%                           | 2.75% | 1.00% | 2.75%       | 2.75% | 1.00% |

(14) CAPITAL STOCK

- a. As recommended by the board of directors and approved by the shareholders' meeting on June 9, 2003, the Company issued 665,898 thousand new shares from the capitalization of retained earnings, of which NT\$6,079 million were stock dividends and NT\$580 million were employees' bonus.
- b. As of December 31, 2003, 22,000,000 thousand common shares were authorized to be issued and 16,140,744 thousand common shares were issued, each at a par value of NT\$10.
- c. Based on the resolution of the board of directors' meeting on February 26, 2004, the Company merged with SiSMC on July 1, 2004, the effective date, through the issuance of 357,143 thousand new shares at a par value of NT\$10 each. 2.24 shares of SiSMC were exchanged to 1 share of the Company, the surviving company.
- d. As recommended by the board of directors and amended by the shareholders' meeting on June 1, 2004, the Company issued 1,399,685 thousand new shares from the capitalization of retained earnings that amounted to NT\$13,335 million and capital reserve that amounted to NT\$661 million, of which NT\$12,224 million were stock dividends and NT\$1,111 million were employees' bonus.
- e. On July 22, 2004, the Company wrote off 149,728 thousand shares of treasury stock, which were bought back during the period from August 1 to September 28, 2001 and the period from August 14 to September 25, 2002 for conversion of the convertible bonds.
- f. The employee stock options issued by the Company on October 7, 2002 were exercised into 44,138 thousand shares during 2004. The effective date of issuance of new shares was December 28, 2004.
- g. As of December 31, 2004, 22,000,000 thousand common shares were authorized to be issued and 17,791,982 thousand common shares were issued, each at a par value of NT\$10.
- h. The Company has issued a total of 231,497 thousand ADSs which were traded on the NYSE as of December 31, 2004. The total number of common shares represented by all issued ADSs is 1,157,486 thousand shares (One ADS represents five common shares).

(15) EMPLOYEE STOCK OPTIONS

On September 11, 2002, October 8, 2003, and September 30, 2004, the Company was authorized by the relevant government authorities to issue Employee Stock Options with a total number of 1 billion, 150 million, and 150 million units, respectively. Each unit entitles an optionee to subscribe to 1 share of the Company's common stock. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company. The exercise price of options was set at the closing price of the Company's common stock on the date of grant. The grant period of the options is 6 years and an optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the date of grant. Detailed information relevant to the Employee Stock Options is disclosed as follows:

| <u>Date of grant</u> | <u>Total number of options granted (in thousands)</u> | <u>Total number of options outstanding (in thousands)</u> | <u>Exercise price (NTD)</u> |
|----------------------|---|---|-----------------------------|
| October 7, 2002      | 939,000   | 773,498   | \$17.7                      |
| January 3, 2003      | 61,000  | 50,920  | \$19.9                      |
| November 26, 2003    | 57,330  | 50,810  | \$27.8                      |
| March 23, 2004       | 33,330  | 28,570  | \$25.7                      |
| July 1, 2004         | 56,590  | 51,140  | \$23.2                      |
| October 13, 2004     | 20,200  | 18,920  | \$20.0                      |

- a. A summary of the Company's stock option plans, and related information for the years ended December 31, 2004 and 2003 are as follows:

|  | <u>For the year ended December 31,</u> |  |                              |  |
|--|--|--|------------------------------|--|
|  | <u>2004</u>                            |  | <u>2003</u>                  |  |
|  | <u>Option (in thousands)</u>           | <u>Weighted-Average Exercise Price (NTD)</u> | <u>Option (in thousands)</u> | <u>Weighted-Average Exercise Price (NTD)</u> |
| Outstanding at beginning of year                                     | 980,664                                | \$18.4                                       | 928,059                      | \$17.7                                       |
| Granted  | 110,120                                | \$23.4                                       | 118,330                      | \$23.7                                       |
| Exercised  | (44,138)                               | \$17.7                                       | -                            | -  |
| Forfeited  | (72,788)                               | \$19.3                                       | (65,725)                     | \$18.4                                       |
| Outstanding at end of year   | <u>973,858</u>                         | <u>\$18.9</u>                                | <u>980,664</u>               | <u>\$18.4</u>                                |
| Exercisable at end of year   | <u>368,896</u>                         |  | <u>-</u>                     |  |
| Weighted-average fair value of options granted during the year (NTD) | \$3.8                                  |  | \$3.0                        |  |

b. The information of the Company's outstanding stock options as of December 31, 2004 is as follows:

| Authorization Date | Range of Exercise Price | Outstanding Stock Options |   |                                       | Exercisable Stock Options |                                       |
|--------------------|-------------------------|---------------------------|---|---------------------------------------|---------------------------|---------------------------------------|
|                    |                         | Option (in thousands)     | Weighted-average Expected Remaining Years | Weighted-average Exercise Price (NTD) | Option (in thousands)     | Weighted-average Exercise Price (NTD) |
| 91.09.11           | \$17.7~\$19.9           | 824,418                   | 2.1                                       | \$17.8                                | 368,896                   | \$17.7                                |
| 92.10.08           | \$23.2~\$27.8           | 130,520                   | 3.6                                       | \$25.5                                | -                         | -                                     |
| 93.09.30           | \$20.0                  | 18,920                    | 4.2                                       | \$20.0                                | -                         | -                                     |
|                    |                         | <u>973,858</u>            | 2.4                                       | \$18.9                                | <u>368,896</u>            | \$17.7                                |

c. The Company has used the intrinsic value method to recognize compensation costs for its employee stock options issued since January 1, 2004. The compensation cost for the year ended December 31, 2004 is NT\$0. Pro forma information using the fair value method on net income and earnings per share is as follows:

|                                    | For the year ended December 31, 2004 |                            |
|------------------------------------|--------------------------------------|----------------------------|
|                                    | Basic earnings per share             | Diluted earnings per share |
| Net Income                         | \$31,843,381                         | \$31,873,101               |
| Earnings per share (NTD)           | \$1.89                               | \$1.86                     |
| Pro forma net income               | \$31,761,407                         | \$31,791,127               |
| Pro forma earnings per share (NTD) | \$1.89                               | \$1.86                     |

The fair value of the options granted after January 1, 2004 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the year ended December 31, 2004: expected dividend yields of 11.40%; volatility factors of the expected market price of the Company's common stock of 0.49%, 0.49%, and 0.48%, respectively; risk-free interest rate of 2.70%, 2.85%, and 2.70%, respectively; and a weighted-average expected life of the option of 4.4 years.

#### (16) TREASURY STOCK

a. The Company bought back its own shares from the open market during the years ended December 31, 2004 and 2003. Details of the treasury stock transactions are as follows:

##### For the year ended December 31, 2004

(In thousands of shares)

| Purpose   | As of January 1, 2004 | Increase       | Decrease       | As of December 31, 2004 |
|---|-----------------------|----------------|----------------|-------------------------|
| For transfer to employees                           | 49,114                | 192,067        | -              | 241,181                 |
| For conversion of the convertible bonds into shares | 149,728               | -              | 149,728        | -                       |
| Total shares  | <u>198,842</u>        | <u>192,067</u> | <u>149,728</u> | <u>241,181</u>          |

For the year ended December 31, 2003

*(In thousand shares)*

| Purpose   | As of           |               | As of          |                   |
|---|-----------------|---------------|----------------|-------------------|
|   | January 1, 2003 | Increase      | Decrease       | December 31, 2003 |
| For transfer to employees                           | 86,539          | 99,195        | 136,620        | 49,114            |
| For conversion of the convertible bonds into shares | 149,728         | -             | -              | 149,728           |
| Total shares  | <u>236,267</u>  | <u>99,195</u> | <u>136,620</u> | <u>198,842</u>    |

- b. On July 22, 2004, the Company wrote off 149,728 thousand shares of treasury stock, amounting to NT\$4,923 million, which were bought back for conversion of the convertible bonds into shares from August 1 to September 28, 2001 and from August 14 to September 25, 2002.
- c. According to the Securities and Exchange Law of the ROC, total shares of treasury stock shall not exceed 10% of the Company's stock issued. Total purchase amount shall not exceed the sum of the retained earnings, capital reserve-premiums, and realized capital reserve. As such, the maximum number of shares of treasury stock that the Company could hold as of December 31, 2004 and 2003 was 1,779,198 thousand shares and 1,614,074 thousand shares while the ceiling of the amount was NT\$89,425 million and NT\$67,177 million, respectively. As of December 31, 2004 and 2003, the Company held 241,181 thousand shares and 198,842 thousand shares of treasury stock, which amounted to NT\$7,376 million and NT\$7,101 million, respectively.
- d. Treasury stock shall not be pledged, nor does it entitle voting rights or receive dividends, in compliance with Securities and Exchange Law of the ROC.
- e. As of December 31, 2004, the Company's subsidiaries, Hsun Chieh and Fortune, held 543,732 thousand shares and 19,808 thousand shares of the Company's stock, with a book value of NT\$20.08 and NT\$8.68 per share, respectively. The average closing price during December 2004 was NT\$20.08.

As of December 31, 2003, the Company's subsidiaries, Hsun Chieh and Fortune, held 503,456 thousand shares and 18,340 thousand shares of the Company's stock, with a book value of NT\$29.32 and NT\$9.37 per share, respectively. The average closing price during December 2003 was NT\$29.32.

(17) RETAINED EARNINGS AND DIVIDEND POLICIES

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order :

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as a legal reserve;
- d. Set aside 0.1% of the remaining amount after deducting items (a), (b), and (c) as directors' and supervisors' remuneration; and
- e. After deducting items (a), (b) and (c) above from the current year's earnings, no less than 5% of the remaining amount together with the prior years' unappropriated earnings is to be allocated as employees' bonus which will be settled through issuance of new Company shares. Employees of the Company's subsidiaries, meeting certain requirements determined by the board of directors, are also eligible for the employees' bonus.
- f. The distribution of the remaining portion, if any, will be recommended by the board of directors and approved through the shareholders' meeting.

The Company is currently in its growth stage; the policy for dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the benefit of shareholders, share bonus equilibrium, and long-term financial planning. The board of directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that at least 50% of the dividends to shareholders, if any, must be paid in the form of stock dividends. Accordingly, no more than 50% of the dividends can be paid in the form of cash.

The appropriation of 2004 retained earnings has not yet been recommended by the board of directors as of the date of the Report of Independent Auditors. Information on the board of directors' recommendations and shareholders' approvals can be obtained from the "Market Observation Post System" on the website of the TSE.

Details of the 2003 employee bonus settlement and directors' and supervisors' remuneration are as follows:

|   | For the year ended December 31, 2003     |  |             |
|---|--|--|-------------|
|   | As approved by the shareholders' meeting | As recommended by the board of directors | Differences |
| 1. Settlement of employees' bonus by issuance of new shares   |  |  |             |
| a. Number of shares (in thousands)  | 111,127                                  | 111,127                                  | -           |
| b. Amount   | \$1,111,273                              | \$1,111,273                              | -           |
| c. Percentage on total number of outstanding shares at year end (%)   | 0.70                                     | 0.70                                     | -           |
| 2. Remuneration paid to directors and supervisors   | 12,618                                   | 12,618                                   | -           |
| 3. Effect on earnings per share before retroactive adjustments  |  |  |             |
| a. Basic and diluted earnings per share (NTD)   | \$0.92/0.90                              | \$0.92/0.90                              | -           |
| b. Pro forma basic and diluted earnings per share taking into consideration employees' bonus and directors' and supervisors' remuneration (NTD) | \$0.84/0.83                              | \$0.84/0.83                              | -           |

Pursuant to the Article 41 of the Securities and Exchange Law of the ROC, a special reserve is set aside from the current net income and prior unappropriated earnings for items that are accounted for as deductions to stockholders' equity such as unrealized loss on long-term investments and cumulative translation adjustments. However, there are the following exceptions for the Company's investees' unrealized loss on long-term investments arising from the merger which was recognized by the Company in proportion to the Company's ownership percentage:

- a. According to the explanatory letter No. 101801 of the Securities and Futures Commission (SFC), if the Company recognizes the investees' capital reserve – excess from the merger in proportion to the ownership percentage – then the special reserve is exempted for the amount originated from the acquisition of the long-term investments.
- b. However, if the Company and its investees transfer a portion of the capital reserve to increase capital, a special reserve equal to the amount of the transfer shall be provided according to the explanatory letter No.101801-1 of the SFC.
- c. In accordance with the explanatory letter No.170010 of the SFC applicable to listed companies, when the market value of the Company's stock held by its subsidiaries at year-end is lower than the book value, a special reserve shall be provided for in the Company's accounts in proportion to its ownership percentage.

For the 2003 appropriations approved by the shareholders' meeting on June 1, 2004, unrealized loss on long-term investments exempted from the provision of special reserve pursuant to the above regulations amounted to NT\$14,826 million.

(18) OPERATING COSTS AND EXPENSES

The Group's personnel, depreciation, and amortization expenses are summarized as follows:

|                            | For the year ended December 31, |                    |              |                 |                    |             |
|----------------------------|---------------------------------|--------------------|--------------|-----------------|--------------------|-------------|
|                            | 2004                            |                    |              | 2003            |                    |             |
|                            | Operating costs                 | Operating expenses | Total        | Operating costs | Operating expenses | Total       |
| Personnel expenses         |                                 |                    |              |                 |                    |             |
| Salaries                   | \$8,761,122                     | \$3,390,638        | \$12,151,760 | \$6,135,769     | \$2,453,842        | \$8,589,611 |
| Labor and health insurance | 525,172                         | 156,691            | 681,863      | 459,361         | 147,940            | 607,301     |
| Pension                    | 507,357                         | 182,194            | 689,551      | 337,911         | 166,287            | 504,198     |
| Other personnel expenses   | 154,281                         | 119,520            | 273,801      | 36,791          | 411,968            | 448,759     |
| Depreciation               | 43,435,482                      | 2,142,602          | 45,578,084   | 37,390,728      | 1,842,751          | 39,233,479  |
| Amortization               | 782,440                         | 1,386,967          | 2,169,407    | 172,533         | 1,292,831          | 1,465,364   |

The numbers of employees as of December 31, 2004 and 2003 were 12,531 and 10,576, respectively.

(19) INCOME TAX

a. Reconciliation between the income tax expense and the income tax calculated on pre-tax financial statement income based on the statutory tax rate is as follows :

|   | For the year ended December 31, |                  |
|---|---------------------------------|------------------|
|   | 2004                            | 2003             |
| Income tax on pre-tax income at statutory tax rate  | \$7,472,675                     | \$3,467,870      |
| Permanent differences                               | (5,276,989)                     | (1,229,800)      |
| Change in investment tax credit                     | (4,382,861)                     | (1,897,314)      |
| Temporary differences                               | 2,521,721                       | 533,054          |
| Change in tax rate                                  | 14,091                          | 1,063            |
| Estimated 10% income tax on unappropriated earnings | 29,419                          | 126,794          |
| Adjustment of prior year's tax expense              | 9,484                           | (28,547)         |
| Income tax on interest revenue separately taxed     | (13,740)                        | 6,349            |
| Income tax expense                                  | <u>\$373,800</u>                | <u>\$979,469</u> |

b. Significant components of deferred income tax assets and liabilities are as follows :

|   | As of December 31, |              |              |              |
|---|--------------------|--------------|--------------|--------------|
|   | 2004               |              | 2003         |              |
|   | Amount             | Tax effect   | Amount       | Tax effect   |
| Deferred income tax assets                        |                    |              |              |              |
| Investment tax credit                             |                    | \$22,271,168 |              | \$20,195,499 |
| Loss carry-forward                                | \$17,981,592       | 4,583,963    | \$16,083,498 | 4,161,872    |
| Pension   | 2,619,414          | 661,805      | 2,156,246    | 540,886      |
| Allowance on sales returns and discounts          | 1,074,859          | 268,715      | 369,579      | 92,395       |
| Allowance for loss on obsolescence of inventories | 1,298,501          | 324,625      | 521,648      | 130,412      |
| Compensation interest payable                     | -                  | -            | 122,347      | 30,587       |
| Organization cost                                 | 8                  | 2            | 748          | 234          |
| Others  | 2,849,139          | 814,924      | 2,171,816    | 614,866      |
| Total deferred income tax assets                  |                    | 28,925,202   |              | 25,766,751   |
| Valuation allowance                               |                    | (16,786,726) |              | (13,034,410) |
| Net deferred income tax assets                    |                    | 12,138,476   |              | 12,732,341   |
| Deferred income tax liabilities                   |                    |              |              |              |
| Unrealized exchange gain                          | (998,937)          | (249,734)    | (1,497,414)  | (374,353)    |
| Depreciation                                      | (17,872,634)       | (4,468,159)  | (19,572,978) | (4,893,245)  |
| Others  | (82,850)           | (20,712)     | (105,448)    | (26,362)     |
| Total deferred income tax liabilities             |                    | (4,738,605)  |              | (5,293,960)  |
| Total net deferred income tax assets              |                    | \$7,399,871  |              | \$7,438,381  |
| Deferred income tax assets – current              |                    | 9,923,193    |              | 9,242,541    |
| Deferred income tax liabilities – current         |                    | (249,734)    |              | (374,353)    |
| Valuation allowance                               |                    | (6,064,491)  |              | (5,914,810)  |
| Net   |                    | \$3,608,968  |              | \$2,953,378  |
| Deferred income tax assets – noncurrent           |                    | 19,002,009   |              | 16,524,210   |
| Deferred income tax liabilities – noncurrent      |                    | (4,488,871)  |              | (4,919,607)  |
| Valuation allowance                               |                    | (10,722,235) |              | (7,119,600)  |
| Net   |                    | \$3,790,903  |              | 4,485,003    |
| Total net deferred income tax assets              |                    | \$7,399,871  |              | \$7,438,381  |

c. The Company's income tax returns for all the fiscal years through 1999 and 2002 have been assessed and approved by the Tax Authority.

d. Pursuant to the "Statute for the Establishment and Administration of Science Park of ROC", the Company was granted several four-year income tax exemption periods with respect to income derived from the expansion of operations. The starting date of the exemption period attributable to the expansion in 2000 had not yet been decided by the Company. The income tax exemption for other periods will expire on December 31, 2009.

- e. The Group earns investment tax credits for the amount invested in production equipment, research and development, employee training, and investment in high technology industry and venture capital.

As of December 31, 2004, the Group's unused investment tax credit was as follows:

| Expiration Year | Investment tax credits earned | Balance of unused investment tax credits |
|-----------------|-------------------------------|--|
| 2004            | \$8,097,450                   | \$3,714,589                              |
| 2005            | 5,338,222                     | 5,338,222                                |
| 2006            | 4,044,620                     | 4,044,620                                |
| 2007            | 1,536,606                     | 1,536,606                                |
| 2008            | 7,637,131                     | 7,637,131                                |
|                 | \$26,654,029                  | \$22,271,168                             |

- f. Under the rules of the Income Tax Law of the ROC, net loss can be carried forward for 5 years. As of December 31, 2004, the unutilized accumulated loss was as follows:

| Expiration Year | Accumulated loss | Unutilized accumulated loss |
|-----------------|------------------|-----------------------------|
| 2006            | \$11,437,788     | \$11,437,788                |
| 2007            | 4,155,271        | 4,155,271                   |
| 2008            | 334,917          | 334,917                     |
| 2009            | 2,053,616        | 2,053,616                   |
|                 | \$17,981,592     | \$17,981,592                |

- g. The balance of the Company's imputation credit accounts as of December 31, 2004 and 2003 were NT\$0.4 million and NT\$10.4 million, respectively. The actual creditable ratio for 2003 and 2002 was 0.69% and 1.24%, respectively.

- h. The ending balances of unappropriated earnings as of December 31, 2004 and 2003 were as follows:

|                          | As of December 31, |              |
|--------------------------|--------------------|--------------|
|                          | 2004               | 2003         |
| Prior to January 1, 1998 | \$-                | \$64,220     |
| After January 1, 1998    | 29,498,329         | 13,972,602   |
| Total                    | \$29,498,329       | \$14,036,822 |

(20) EARNINGS PER SHARE

a. The Group held zero coupon convertible bonds and employee stock options during 2004, and thus has a complex capital structure. The calculation of basic and diluted earnings per share, for the years ended December 31, 2004 and 2003, was disclosed as follows:

| <i>(shares expressed in thousands)</i>                            | For the year ended December 31, |                                     |
|---|---------------------------------|-------------------------------------|
|   | 2004                            | 2003<br>(retroactively<br>adjusted) |
| Net income  | \$31,843,381                    | \$14,020,257                        |
| Effect of dilution:   |                                 |                                     |
| Employee stock options  | -                               | -                                   |
| Convertible bonds   | 29,720                          | 50,954                              |
| Adjusted net income assuming dilution                             | <u>\$31,873,101</u>             | <u>\$14,071,211</u>                 |
| Weighted average of shares outstanding                            | 16,828,205                      | 16,644,032                          |
| Effect of dilution:   |                                 |                                     |
| Employee stock options  | 245,983                         | 228,762                             |
| Convertible bonds   | 20,660                          | 152,565                             |
| Adjusted weighted average of shares outstanding assuming dilution | <u>17,094,848</u>               | <u>17,025,359</u>                   |
| Earnings per share-basic (NTD)                                    |                                 |                                     |
| Net income  | <u>\$1.89</u>                   | <u>\$0.84</u>                       |
| Earnings per share-diluted (NTD)                                  |                                 |                                     |
| Net income  | <u>\$1.86</u>                   | <u>\$0.83</u>                       |

b. Pro forma information on earnings per share as if the Company's unconsolidated subsidiary - Fortune Venture Capital Corporation's investment in the Company is not treated as treasury stock is set out as follows:

| <i>(shares expressed in thousands)</i>  | 2004                |                     |
|---|---------------------|---------------------|
|   | Basic               | Diluted             |
| Net income  | <u>\$31,843,381</u> | <u>\$31,873,101</u> |
| Weighted average of shares outstanding:   |                     |                     |
| Beginning balance   | 15,438,446          | 15,438,446          |
| Stock dividends and employees' bonus at 8.7% in 2004                                | 1,341,591           | 1,341,591           |
| Purchase of 192,067 thousand shares of treasury stock in 2004                       | (132,214)           | (132,214)           |
| Issuance of 357,143 thousand shares from merger with SiSMC                          | 195,150             | 195,150             |
| Exercise of 44,138 thousand units of employees' stock options                       | 5,166               | 5,166               |
| Dilutive shares of employee stock options accounted for under treasury stock method | -                   | 245,983             |
| Dilutive shares issued assuming conversion of bonds                                 | -                   | 20,660              |
| Ending balance  | <u>16,848,139</u>   | <u>17,114,782</u>   |
| Earnings per share  |                     |                     |
| Net income (NTD)  | <u>\$1.89</u>       | <u>\$1.86</u>       |

| <i>(shares expressed in thousands)</i>  | 2003 (retroactively adjusted) |              |
|---|-------------------------------|--------------|
|   | Basic                         | Diluted      |
| Net income  | \$14,020,257                  | \$14,071,211 |
| Weighted average of shares outstanding:   |                               |              |
| Beginning balance   | 14,754,533                    | 14,754,533   |
| Stock dividends and employees' bonus at 4.4% in 2003                                | 649,200                       | 649,200      |
| Stock dividends and employees' bonus at 8.7% in 2004                                | 1,338,574                     | 1,338,574    |
| Purchase of 99,195 thousand shares of treasury stock in 2003                        | (87,216)                      | (87,216)     |
| Treasury stock transferred to employees of 136,620 thousand shares in 2003          | 8,950                         | 8,950        |
| Dilutive shares of employee stock options accounted for under treasury stock method | -                             | 228,762      |
| Dilutive shares issued assuming conversion of bonds                                 | -                             | 152,565      |
| Ending balance  | 16,664,041                    | 17,045,368   |
| Earnings per share  |                               |              |
| Net income (NTD)  | \$0.84                        | \$0.83       |

(21) MERGER

In order to integrate resources, reduce operating costs, enlarge business scales, and improve its financial structure, profitability and global competitiveness, based on the resolution of the board of directors' meeting on February 26, 2004, the Company merged with SiSMC, the dissolved company, on July 1, 2004. The merger was approved by the relevant government authorities. All the assets, liabilities, rights, and obligations of SiSMC have been fully incorporated into the Company since July 1, 2004. The accounting treatment regarding the merger is in compliance with the ROC SFAS No. 25 "Enterprise Mergers - Accounting of Purchase Method."

Relevant information required by ROC SFAS No. 25 is disclosed as follows:

a. Information of the dissolved company:

SiSMC was split from Silicon Integrated Systems Corp. on December 15, 2003. It was mainly engaged in manufacturing of integrated circuits and components of semiconductors.

b. Effective date, percentage of acquisition and accounting treatment:

Based on the agreement and the resolution of the board of directors' meeting, the effective date of the merger was July 1, 2004. All the stocks of the dissolved company were exchanged by the surviving company's newly issued shares, and the merger was accounted for under the purchase method.

- c. The period of combining the dissolved company's operating result:  
The operating result for the period from July 1, 2004 to December 31, 2004 of the dissolved company was integrated into the operating result of the Company.
- d. Acquisition cost and the types, quantities, and amount of securities issued for the merger:  
According to the agreement, 357,143 thousand common shares, amounting to NT\$3,571 million, were newly issued by the Company for the merger. The newly issued shares were allocated to the dissolved company's shareholders in proportion to their ownership. 2.24 common shares were to be exchanged for 1 new share. Since SiSMC was not a public company, there is no market value. Thus, the acquisition cost was determined based on the appraisal made by China Property Appraising Center Co., Ltd.
- e. Amortization method and useful lives for goodwill or deferred credit:  
The difference between the acquisition cost and the fair value of identifiable net assets was recognized as goodwill, which was to be amortized under the straight-line method for 15 years according to the Article 35 of Enterprise Mergers and Acquisitions Law of the ROC.
- f. Contingent price, warrants, or commitments and accounting treatments in the merger contracts:  
None.
- g. Decisions of disposal of significant assets from the merger:  
None.
- h. Pro forma information on operating results:  
The operating result for the period from July 1, 2004 to December 31, 2004 of the dissolved company was consolidated into the financial statements of the Company.

Since SiSMC was split from Silicon Integrated Systems Corp. on December 15, 2003, the pro forma operating results from January 1, 2003 to December 14, 2003 of SiSMC are included in the following pro forma information. The pro forma information on the operating results stated below is based on the assumption that the Company merged with SiSMC on January 1, 2004 and 2003.

| <i>(Shares expressed in thousands)</i> | <u>For the year ended December 31,</u> |               |
|--|--|---------------|
|  | <u>2004</u>                            | <u>2003</u>   |
| Net operating revenues                 | \$131,446,247                          | \$102,508,661 |
| Net income                             | \$30,669,982                           | \$12,968,078  |
| Weighted average of shares outstanding | 17,021,234                             | 17,032,221    |
| Earnings per share-basic (NTD)         | \$1.80                                 | \$0.76        |

## 5. RELATED PARTY TRANSACTIONS

### (1) Name and Relationship of Related Parties

| Name of related parties   | Relationship with the Company                               |
|---|---|
| United Foundry Service, Inc.  | Equity investee   |
| UMC Capital Corporation   | Equity investee   |
| United Microelectronics Corp. (Samoa)   | Equity investee   |
| Fortune Venture Capital Corporation   | Equity investee   |
| DuPont Photomasks Taiwan Ltd. (DPT)   | Equity investee   |
| Holtek Semiconductor Inc. (Holtek)  | Equity investee   |
| Integrated Technology Express Inc.  | Equity investee   |
| Unimicron Technology Corp.  | Equity investee   |
| Applied Component Technology Corp.  | Equity investee   |
| Novatek Microelectronics Corp.  | Equity investee   |
| Faraday Technology Corp. (Faraday)  | Equity investee   |
| Silicon Integrated Systems Corp.  | Equity investee   |
| AMIC Technology Corporation   | Equity investee   |
| Pacific Venture Capital Co., Ltd.   | Equity investee   |
| MediaTek Incorporation (MediaTek)   | The Company is its supervisor                               |
| AU Optronics Corp. (Discharged on April 22, 2004)   | The Company is its director and supervisor                  |
| Industrial Bank of Taiwan Corp. (IBT) (Holding shares were below 5% in the 3rd quarter of 2004) | The Company is its major shareholder                        |
| Chiao Tung Bank Co., Ltd.(Chiao Tung)   | The Company is its parent company's director and supervisor |
| Davicom Semiconductor, Inc.   | Subsidiary's equity investee                                |
| Aptos (Taiwan) Corp.  | Subsidiary's equity investee                                |
| United Radiotek Incorporation   | Subsidiary's equity investee                                |
| UCA Technology, Inc.  | Subsidiary's equity investee                                |
| AFA Technologies, Inc.  | Subsidiary's equity investee                                |
| Harvatek Corp.  | Subsidiary's equity investee                                |
| Thintek Optronics Corp.   | Subsidiary's equity investee                                |
| Star Semiconductor Corp.  | Subsidiary's equity investee                                |
| AEVOE Inc.  | Subsidiary's equity investee                                |
| Ubit Technology Inc.  | Subsidiary's equity investee                                |
| Smedia Technology Corp.   | Subsidiary's equity investee                                |
| U-Media Technology, Inc.  | Subsidiary's equity investee                                |
| Averlogic Corporation   | Subsidiary is its director and supervisor                   |
| Epitech Corp.   | Subsidiary is its director and supervisor                   |

| Name of related parties                         | Relationship with the Company             |
|---|---|
| Coretronic Corporation                          | Subsidiary is its director and supervisor |
| Printech International, Inc.                    | Subsidiary is its director and supervisor |
| Fortune Semiconductor Corporation               | Subsidiary is its director                |
| Princeton Technology Corporation                | Subsidiary is its director                |
| Silicon 7, Inc.                                 | Subsidiary is its director                |
| Shin-Etsu Handotai Taiwan Co., Ltd. (Shin-Etsu) | Subsidiary is its director                |
| Kits Online Technology Corp.                    | Subsidiary is its director                |
| Giga Solution Tech. Co., Ltd.                   | Subsidiary is its director                |
| Pixart Imaging, Inc.                            | Subsidiary is its director                |
| InComm Technologies Co., Ltd.                   | Subsidiary is its director                |
| Trendchip Technologies Corp.                    | Subsidiary is its director                |
| Programmable Microelectronics (Taiwan) Corp.    | Subsidiary is its director                |
| LighTuning Tech., Inc.                          | Subsidiary is its director and supervisor |
| Cion Technology Corp.                           | Subsidiary is its director                |
| VastView Technology Inc.                        | Subsidiary is its director and supervisor |
| XGI Technology Inc.                             | Affiliate Company                         |

## (2) Significant Related Party Transactions

### a. Operating revenues

|          | For the year ended December 31, |            |                     |            |
|----------|---------------------------------|------------|---------------------|------------|
|          | 2004                            |            | 2003                |            |
|          | Amount                          | Percentage | Amount              | Percentage |
| MediaTek | \$8,494,486                     | 7          | \$9,298,407         | 10         |
| Others   | 12,138,274                      | 9          | 8,614,577           | 9          |
| Total    | <u>\$20,632,760</u>             | <u>16</u>  | <u>\$17,912,984</u> | <u>19</u>  |

The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for overseas sales was net 30~60 days for the related parties and 30~60 days for third-party customers, while the terms for domestic sales were month-end 30~60 days for the related parties and 30~60 days for the third-party customers.

### b. Purchases

|           | For the year ended December 31, |            |                    |            |
|-----------|---------------------------------|------------|--------------------|------------|
|           | 2004                            |            | 2003               |            |
|           | Amount                          | Percentage | Amount             | Percentage |
| Shin-Etsu | \$3,952,085                     | 15         | \$2,698,980        | 14         |
| Others    | 317,206                         | 1          | 288,289            | 2          |
| Total     | <u>\$4,269,291</u>              | <u>16</u>  | <u>\$2,987,269</u> | <u>16</u>  |

The purchases from the above related parties were dealt with in the ordinary course of business similar to those from third-party suppliers. The payment terms for purchase from overseas were net 60 days for the related parties and net 30~90 days for the third-party suppliers, respectively, while the terms for domestic purchases were month-end 60 days and month-end 30~90 days for the related parties and third-party suppliers.

c. Notes receivable

|        | As of December 31, |            |           |            |
|--------|--------------------|------------|-----------|------------|
|        | 2004               |            | 2003      |            |
|        | Amount             | Percentage | Amount    | Percentage |
| Holtek | \$39,034           | 95         | \$101,203 | 92         |
| Others | -                  | -          | 550       | -          |
| Total  | \$39,034           | 95         | \$101,753 | 92         |

d. Accounts receivable, net

|  | As of December 31, |            |             |            |
|--|--------------------|------------|-------------|------------|
|  | 2004               |            | 2003        |            |
|  | Amount             | Percentage | Amount      | Percentage |
| MediaTek   | \$1,026,286        | 8          | \$1,713,842 | 9          |
| Others   | 1,241,651          | 9          | 1,955,802   | 11         |
| Total  | 2,267,937          | 17         | 3,669,644   | 20         |
| Less : Allowance for sales returns and discounts | (200,143)          |            | (283,420)   |            |
| Less : Allowance for doubtful accounts           | (31,006)           |            | (100,853)   |            |
| Net  | \$2,036,788        |            | \$3,285,371 |            |

e. Accounts payable

|           | As of December 31, |            |           |            |
|-----------|--------------------|------------|-----------|------------|
|           | 2004               |            | 2003      |            |
|           | Amount             | Percentage | Amount    | Percentage |
| Shin-Etsu | \$628,641          | 12         | \$754,354 | 11         |
| Others    | 53,407             | 1          | 58,495    | 1          |
| Total     | \$682,048          | 13         | \$812,849 | 12         |

f. Loans

|            | For the year ended December 31, 2004 |         |          |                  |
|------------|--------------------------------------|---------|----------|------------------|
|            | Maximum balance                      | Ending  | Interest | Interest         |
|            | Amount                               | Month   | balance  | rate             |
| Chiao Tung | \$282,547                            | January | \$-      | 1.83%-2.53%      |
|            |                                      |         |          | Interest expense |
|            |                                      |         |          | \$2,453          |

For the year ended December 31, 2003

|            | Maximum balance |         | Ending balance   | Interest rate | Interest expense |
|------------|-----------------|---------|------------------|---------------|------------------|
|            | Amount          | Month   |                  |               |                  |
| Chiao Tung | \$865,796       | January | \$282,557        | 1.66%-2.68%   | \$15,840         |
| IBT        | 783,296         | January | -                | 2.54%-2.89%   | 2,535            |
| Total      |                 |         | <u>\$282,557</u> |               | <u>\$18,375</u>  |

g. Disposal of property, plant and equipment

The Group had no significant disposal of property, plant and equipment with related parties for the years ended December 31, 2004 and 2003.

h. Other transactions

The Group has made several other transactions, including service charges, joint development expenses of intellectual property, subcontract expenses, and commissions etc., with related parties totaling approximately NT\$596 million and NT\$493 million for the years ended December 31, 2004 and 2003, respectively.

As of December 31, 2004, the joint development contracts of intellectual property entered into with Faraday have amounted to approximately NT\$2,185 million, and a total amount of NT\$1,142 million has been paid. As of December 31, 2003, the joint development contracts of intellectual property entered into with Faraday have amounted to approximately NT\$1,589 million, and a total amount of NT\$584 million has been paid.

The Company has purchased approximately NT\$442 million and NT\$524 million of masks from DPT during the years ended December 31, 2004 and 2003, respectively.

As of December 31, 2004 and 2003, other receivables arising from usage of facilities and rental revenues from related parties are NT\$7 million and NT\$84 million, respectively.

6. ASSETS PLEDGED AS COLLATERAL

|  | As of December 31,  |                     | Purpose of collateral             |
|--|---------------------|---------------------|-----------------------------------|
|  | 2004                | 2003                |                                   |
| Time deposits                            | \$5,000             | \$178,691           | Long-term loans                   |
| Land                                     | -                   | 452,916             | Long-term loans                   |
| Buildings                                | -                   | 1,201,678           | Long-term loans                   |
| Machinery and equipment                  | 30,054,212          | 11,127,841          | Long-term loans and bonds payable |
| Construction in progress and prepayments | -                   | 1,151,543           | Long-term loans                   |
| Total                                    | <u>\$30,059,212</u> | <u>\$14,112,669</u> |                                   |

## 7. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) The Company has entered into several patent license agreements and joint development contracts of intellectual property for a total contract amount of approximately NT19 billion. Royalties and joint development fees for the future years are set out as follows:

| <u>For the year ended December 31,</u> | <u>Amount</u>             |
|--|---------------------------|
| 2005                                   | \$3,267,197               |
| 2006                                   | 1,421,768                 |
| 2007                                   | 1,521,573                 |
| 2008                                   | 293,444                   |
| 2009                                   | 127,449                   |
| Total                                  | <u><u>\$6,631,431</u></u> |

- (2) The Company signed several construction contracts for the expansion of its factory space. As of December 31, 2004, these construction contracts have amounted to approximately NT\$0.55 billion and the unpaid portion of the contracts was approximately NT\$0.42 billion.
- (3) Oak Technology, Inc. (Oak) and the Company entered into a settlement agreement on July 31, 1997 concerning a complaint filed with the United States International Trade Commission (ITC) by Oak against the Company and others, alleging unfair trade practices based on alleged patent infringement regarding certain CD-ROM controllers. On October 27, 1997, Oak filed a civil action in a California federal district court, alleging claims for breach of the settlement agreement and fraudulent misrepresentation. The Company has formally denied the material allegations of the Complaint, and asserted counterclaims against Oak for breach of contract, intentional interference with economic advantage and rescission and restitution based on fraudulent concealment and/or mistake. The Company also asserted declaratory judgment claims for invalidity and unenforceability of the relevant Oak patent. On May 2, 2001, the United States Court of Appeals for the Federal Circuit upheld the ITC's findings of no patent infringement and no unfair trade practice arising out of a second ITC case filed by Oak against the Company and others. Based on the Federal Circuit's opinion and on a covenant not to sue filed by Oak, the declaratory judgment patent counterclaims were disclaimed from the district court case. However, in connection with its breach of contract and other claims, Oak seeks damages in excess of US\$750 million. The district court has not yet set dates for dispositive motions or for trial. The Company believes that Oak's claims are meritless, and intends to vigorously defend the suit, and to pursue its counterclaims. As with all litigation, however, the Company cannot predict the outcome with certainty.

(4) The Group entered into several operating lease contracts for land. These operating leases expire in various years through 2032 and are renewable. Future minimum lease payments under those leases are as follows:

| <u>For the year ended December 31,</u> | <u>Amount</u>             |
|--|---------------------------|
| 2005                                   | \$210,875                 |
| 2006                                   | 205,125                   |
| 2007                                   | 190,028                   |
| 2008                                   | 186,833                   |
| 2009 and thereafter                    | <u>2,393,672</u>          |
| Total                                  | <u><u>\$3,186,533</u></u> |

(5) The Company entered into several wafer-processing contracts with its customers. According to the contracts, the Company shall guarantee processing capacity, while these customers make deposits to the Company.

#### 8. SIGNIFICANT DISASTER LOSS

None.

#### 9. SIGNIFICANT SUBSEQUENT EVENTS

None.

10. OTHERS

(1) Certain comparative amounts have been reclassified to conform to the current year's presentation.

(2) Significant intercompany eliminations between consolidated entities for the year ended December 31, 2004:

| Descriptions  | Elimination entries |              |              |            |           |            |            |
|---|---------------------|--------------|--------------|------------|-----------|------------|------------|
|   | Debit (Credit)      |              |              |            |           |            |            |
|   | The Company         | UMC-USA      | UME BV       | Hsun Chieh | UMO       | UMCJ       | UMCi       |
| 1. Elimination of long term investments against corresponding equity accounts of the subsidiaries | (59,554,919)        | 720,500      | 284,568      | 20,375,787 | 441,618   | 11,149,668 | 26,582,778 |
| 2. Elimination of reciprocal balances   |                     |              |              |            |           |            |            |
| (1) Accounts receivable vs. Accounts payable  | (7,411,851)         | 4,389,514    | 1,875,964    |            | 57,620    | 201,230    | 887,523    |
| (2) Other receivables vs. Other payables  | (6,826)             | 29           | 388          |            | 1,492     | 4,040      | 877        |
| (3) Intangible assets vs. Deferred credits  | (291,698)           |              | (13,326)     |            | 157,500   | 237,296    | (89,772)   |
| (4) Other current liabilities vs. Deposits-out  | 2,590               |              |              |            | (2,590)   |            |            |
| 3. Elimination of intercompany profits and losses   |                     |              |              |            |           |            |            |
| (1) Intercompany sales and purchases  | 70,951,020          | (53,804,953) | (19,685,139) |            | (245,755) | (514,572)  | 3,299,399  |
| 4. Elimination of intercompany investments  |                     |              |              |            |           |            |            |
| (1) Long-term investments vs. Treasury stock  | (29,592,654)        |              |              | 29,592,654 |           |            |            |

(3) Financial instruments

| Non-derivative<br>Financial Instruments                          | As of December 31, |               |               |               |
|--|--------------------|---------------|---------------|---------------|
|  | 2004               |               | 2003          |               |
|  | Book Value         | Fair Value    | Book Value    | Fair Value    |
| <b>Financial assets</b>  |                    |               |               |               |
| Cash and cash equivalents  | \$101,381,973      | \$101,381,973 | \$118,771,773 | \$118,771,773 |
| Marketable securities  | 3,143,697          | 3,176,319     | 1,820,328     | 2,278,195     |
| Notes and accounts receivables                                   | 14,007,099         | 14,007,099    | 19,183,894    | 19,183,894    |
| Long-term investments  | 32,712,278         | 75,610,904    | 38,859,249    | 83,057,858    |
| <b>Financial liabilities</b>                                     |                    |               |               |               |
| Short-term loans   | 2,986,919          | 2,986,919     | 1,884,899     | 1,884,899     |
| Payables   | 23,113,196         | 23,113,196    | 19,563,678    | 19,563,678    |
| Bonds payable (current portion included)                         | 45,838,764         | 46,217,941    | 74,919,629    | 77,402,957    |
| Long-term loans (current portion included)                       | 23,710,500         | 23,710,500    | 6,338,144     | 6,338,144     |
| <b>Derivative Financial Instruments</b>                          |                    |               |               |               |
| Credit-linked deposits and repackage bonds - Non-trading purpose | \$2,942,434        | \$2,942,434   | \$4,166,594   | \$4,166,594   |
| Interest rate swaps - Non-trading purpose                        | 35,532             | (416,149)     | 128,539       | (18,882)      |
| Forward contracts - Non-trading purpose                          | 38,633             | 38,633        | -             | -             |

The methods and assumptions used to measure the fair value of financial instruments are as follows :

- a. The book values of short-term financial instruments and other financial assets (credit-linked deposits and repackage bonds) approximate fair values due to their short maturities. The majority of investment portfolios of the credit-linked deposits and repackage bonds are either corporate bonds of maturity within one year, or highly liquidable secondary market bonds. Short-term financial instruments include cash and cash equivalents, notes receivable, accounts receivable, short-term loans, and payables.

- b. The fair values of marketable securities and long-term investments are based on the quoted market value. If the market values of marketable securities and long-term investments are unavailable, the net assets values of the investees are used as fair values.
- c. The fair values of bonds payable are determined by the market value. The book values of long-term loans approximate the fair values as the loans bear floating rates.
- d. The fair values of derivative financial instruments are based on the amount the Company expects to receive (positive) or to pay (negative) assuming that the contracts are settled early at the balance sheet date.
- (4) The Company and its subsidiary, UMCJ, held credit-linked deposits and repackage bonds for the earning of interest income. Details are disclosed as follows:
- a. Principal amount in original currency

As of December 31, 2004

The Company

| <u>Credit-linked deposits and repackage bonds referenced to</u>                 |     | <u>Amount</u> | <u>Due Date</u> |
|---|-----|---------------|-----------------|
| Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans | NTD | 400 million   | 2007.02.05      |
| Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans | NTD | 200 million   | 2007.02.05      |
| Chi Feng Blinds Industry Co., Ltd. European Convertible Bonds                   | USD | 2 million     | 2005.12.19      |
| HannStar Display Corporation European Convertible Bonds                         | USD | 5 million     | 2005.10.19      |
| UMC Japan European Convertible Bonds  | JPY | 640 million   | 2007.03.28      |
| UMC Japan European Convertible Bonds  | JPY | 600 million   | 2007.11.29      |
| UMC Japan European Convertible Bonds  | JPY | 400 million   | 2007.11.29      |
| Cathay Financial Holding Co., Ltd. European Convertible Bonds                   | USD | 3 million     | 2005.05.23      |
| Cathay Financial Holding Co., Ltd. European Convertible Bonds                   | USD | 2 million     | 2005.05.23      |
| Advanced Semiconductor Engineering Inc. European Convertible Bonds and Loans    | NTD | 200 million   | 2007.09.25      |

UMCJ

| <u>Credit-linked deposits and repackage bonds referenced to</u> |     | <u>Amount</u> | <u>Due Date</u> |
|---|-----|---------------|-----------------|
| UMC Japan European Convertible Bonds                            | JPY | 1,000 million | 2007.03.29      |
| UMC Japan European Convertible Bonds                            | JPY | 2,000 million | 2007.11.28      |
| UMC Japan European Convertible Bonds                            | JPY | 1,100 million | 2007.03.29      |

As of December 31, 2003

The Company

| <u>Credit-linked deposits and repackage bonds referenced to</u>  |     | <u>Amount</u> | <u>Due Date</u> |
|--|-----|---------------|-----------------|
| Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans                                  | USD | 5 million     | 2004.07.30      |
| Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans                                  | USD | 5 million     | 2004.07.30      |
| Siliconwave Precision Industries Co., Ltd. European Convertible Bonds  | USD | 5 million     | 2004.07.28      |
| Siliconwave Precision Industries Co., Ltd. European Convertible Bonds  | USD | 10 million    | 2004.08.02      |
| Siliconwave Precision Industries Co., Ltd. European Convertible Bonds  | USD | 5 million     | 2004.08.01      |
| Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans                                  | NTD | 210 million   | 2004.07.30      |
| King Yuan Electronics Co., Ltd. European Convertible Bonds   | USD | 4.2 million   | 2004.04.18      |
| Chi Feng Blinds Industry Co., Ltd. European Convertible Bonds  | USD | 2 million     | 2005.12.19      |
| Stark Technology, Inc. European convertible Bonds  | USD | 5 million     | 2004.07.10      |
| UMCi Ltd. Loans  | USD | 15 million    | 2004.03.10      |
| UMC Japan European Convertible Bonds   | JPY | 1,000 million | 2007.03.28      |
| UMC Japan European Convertible Bonds   | JPY | 600 million   | 2007.11.29      |
| UMC Japan European Convertible Bonds   | JPY | 400 million   | 2007.11.02      |
| The Company's Convertible Bonds  | NTD | 100 million   | 2004.03.05      |
| Cathay Financial Holding Co., Ltd. European Convertible Bonds  | USD | 3 million     | 2005.05.23      |
| Cathay Financial Holding Co., Ltd. European Convertible Bonds  | USD | 2 million     | 2005.05.23      |
| Fubon Holding Co., Ltd., Siliconwave Precision Industries Co., Ltd. and the Company's European Convertible Bonds | USD | 5 million     | 2004.07.30      |

UMCJ

| <u>Credit-linked deposits and repackage bonds referenced to</u> |     | <u>Amount</u> | <u>Due Date</u> |
|---|-----|---------------|-----------------|
| UMC Japan European Convertible Bonds                            | JPY | 1,000 million | 2007.03.29      |
| UMC Japan European Convertible Bonds                            | JPY | 2,000 million | 2007.11.28      |
| UMC Japan European Convertible Bonds                            | JPY | 1,100 million | 2007.03.29      |

b. Credit risk

The counterparties of the above investments are major international financial institutions. The repayment in full of these investments is subject to the non-occurrence of one or more credit events, which are referenced to the entities' fulfillment of their own obligations as well as repayment of their corporate bonds. Upon the occurrence of one or more of such credit events, the Company and its subsidiary - UMCJ may receive nil or less than full amount of these investments. The Company and its subsidiary - UMCJ have selected reference entities with high credit ratings to minimize the credit risk.

c. Liquidity risk

Early withdrawal is not allowed for the above investments unless called by the issuer. However, the anticipated liquidity risk is low since most of the investments will be matured within 1 year or are relatively liquid in the secondary market.

d. Market risk

There is no market risk for the above investments except for the fluctuations in the exchange rates of US Dollars and Japanese Yen to NT Dollars on the balance sheet date and the settlement date.

(5) The Company entered into interest rate swap and forward contracts and its subsidiaries, UMCi and UMCJ, entered into forward contracts for hedging the interest rate risks arising from the counter-floating rate of domestic bonds and for hedging the exchange rate risks arising from the net assets or liabilities denominated in foreign currency. The hedging strategy was developed with the objective to reduce the market risk, and not for trading purpose. The relevant information on the derivative financial instruments entered into by the Company and its subsidiaries, UMCi and UMCJ, is as follows:

a. The Company utilized interest rate swap agreements to hedge its interest rate risks on its counter-floating rate domestic bonds issued from May 21 to June 24, 2003. The periods of the interest rate swap agreements are the same as those of the domestic bonds, which are five and seven years. The floating rate is reset annually. The details of interest rate swap agreements are summarized as follows:

As of December 31, 2004, and 2003, the Company had the following interest rate swap agreements in effect:

| <u>Notional Amount</u> | <u>Contract Period</u>       | <u>Interest Rate Received</u>    | <u>Interest Rate Paid</u> |
|------------------------|------------------------------|----------------------------------|---------------------------|
| NT\$7,500 million      | May 20, 2003 to May 20, 2008 | 4.0% minus USD<br>12-month LIBOR | 1.52%                     |
| NT\$7,500 million      | May 20, 2003 to May 20, 2010 | 4.3% minus USD<br>12-month LIBOR | 1.48%                     |

- b. The details of forward contracts entered into by the Company and its subsidiaries, UMCi and UMCJ, are summarized as follows:

As of December 31, 2004

The Company

| <u>Type</u>       | <u>Notional Amount</u> | <u>Contract Period</u>                |
|-------------------|------------------------|---------------------------------------|
| Forward contracts | Sell USD 77 million    | December 23, 2004 to January 20, 2005 |

UMCJ

| <u>Type</u>       | <u>Notional Amount</u> | <u>Contract Period</u>                |
|-------------------|------------------------|---------------------------------------|
| Forward contracts | Sell USD 10 million    | December 30, 2004 to January 04, 2005 |

As of December 31, 2003

UMCi

| <u>Type</u>       | <u>Notional Amount</u>                    | <u>Contract Period</u>                |
|-------------------|---|---------------------------------------|
| Forward contracts | Buy EUR 67 million<br>Sell USD 84 million | December 31, 2003 to January 26, 2004 |

- c. Transaction risk

- (a) Credit risk

There is no significant credit risk exposure with respect to the above transactions because the counterparties are reputable financial institutions with good global standing.

- (b) Liquidity and cash flow risk

The cash flow requirements on the interest rate swap agreements are limited to the net interest payables or receivables arising from the differences in the swap rates. The cash flow requirements on forward contracts are limited to the net difference between the forward and spot rates at the settlement date. Therefore, no significant cash flow risk is anticipated since the working capital is sufficient to meet the cash flow requirements.

(c) Market risk

Interest rate swap agreements and forward contracts are intended for hedging purposes. Gains or losses arising from the fluctuations in interest rates and exchange rates are likely to be offset against the gains or losses from the hedged items. As a result, no significant exposure to market risk is anticipated.

d. The presentation of derivative financial instruments on financial statements

The net receivables or payables resulting from interest rate swap and forward contracts were recorded under current assets or current liabilities.

As of December 31, 2004 and 2003, the balances of current assets arising from interest rate swap were NT\$36 million and NT\$129 million, respectively.

As of December 31, 2004, the balance of current assets arising from forward contracts was NT\$39 million and related exchange loss in NT\$310 million was recorded under non-operating expenses for the year ended December 31, 2004.

## 11. ADDITIONAL DISCLOSURES

(1) The following are additional disclosures for the Company and its affiliates pursuant to SFC requirements:

- a. Financing provided to others for the year ended December 31, 2004 : Please refer to Attachment-1.
- b. Endorsement/Guarantee provided to others for the year ended December 31, 2004 : Please refer to Attachment-2.
- c. Securities held as of December 31, 2004 : Please refer to Attachment-3.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2004 : Please refer to Attachment-4.
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2004 : Please refer to Attachment-5.
- f. Disposal of individual real estate with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2004 : Please refer to Attachment-6.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2004 : Please refer to Attachment-7.

h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of December 31, 2004 : Please refer to Attachment-8.

The above significant intercompany transactions have been eliminated. Please refer to Note 10 for intercompany eliminations.

i. Names, locations and related information of investee companies as of December 31, 2004 : Please refer to Attachment-9.

j. Derivative financial instruments : Please refer to Note 10.

(2) Investment in Mainland China

None.

12. SEGMENT INFORMATION

(1) Operations in different industries

The Group's major business is operating as a full service semiconductor foundry.

(2) Operations in different geographic areas

| For the year ended December 31, 2004               |                      |                           |                     |                      |                       |                      |
|--|----------------------|---------------------------|---------------------|----------------------|-----------------------|----------------------|
|  | Taiwan               | Asia, excluding<br>Taiwan | North<br>America    | Europe and<br>others | Eliminations          | Consolidated         |
| Sales to unaffiliated customers                    | \$43,369,100         | \$11,139,860              | \$54,856,841        | \$19,824,939         | \$-                   | \$129,190,740        |
| Sales between geographic areas                     | 74,281,797           | 3,629,222                 | -                   | -                    | (77,911,019)          | -                    |
| Net operating revenues                             | <u>\$117,650,897</u> | <u>\$14,769,082</u>       | <u>\$54,856,841</u> | <u>\$19,824,939</u>  | <u>\$(77,911,019)</u> | <u>\$129,190,740</u> |
| Gross profit                                       | <u>\$35,720,094</u>  | <u>\$(499,468)</u>        | <u>\$943,143</u>    | <u>\$189,746</u>     | <u>\$444,910</u>      | <u>\$36,798,425</u>  |
| Operating expenses                                 |                      |                           |                     |                      |                       | (14,992,028)         |
| Non-operating income                               |                      |                           |                     |                      |                       | 16,399,481           |
| Non-operating expenses                             |                      |                           |                     |                      |                       | (6,461,309)          |
| Income before income tax and<br>minority interests |                      |                           |                     |                      |                       | <u>\$31,744,569</u>  |
| Minority interests                                 |                      |                           |                     |                      |                       | <u>\$472,612</u>     |
| Identifiable assets                                | <u>\$259,833,371</u> | <u>\$81,686,877</u>       | <u>\$6,286,933</u>  | <u>\$2,182,505</u>   | <u>\$(6,397,081)</u>  | <u>\$343,592,605</u> |
| Funds and long-term investments                    |                      |                           |                     |                      |                       | <u>32,712,278</u>    |
| Total assets                                       |                      |                           |                     |                      |                       | <u>\$376,304,883</u> |

For the year ended December 31, 2003

|  | Taiwan               | Asia, excluding<br>Taiwan | North<br>America    | Europe and<br>others | Eliminations          | Consolidated         |
|--|----------------------|---------------------------|---------------------|----------------------|-----------------------|----------------------|
| Sales to unaffiliated customers                    | \$42,870,696         | \$10,548,816              | \$35,698,268        | \$6,585,952          | \$-                   | \$95,703,732         |
| Sales between geographic areas                     | 42,048,167           | 53,624                    | -                   | -                    | (42,101,791)          | -                    |
| Net operating revenues                             | <u>\$84,918,863</u>  | <u>\$10,602,440</u>       | <u>\$35,698,268</u> | <u>\$6,585,952</u>   | <u>\$(42,101,791)</u> | <u>\$95,703,732</u>  |
| Gross profit                                       | <u>\$19,440,237</u>  | <u>\$1,427,756</u>        | <u>\$665,764</u>    | <u>\$101,316</u>     | <u>\$130,846</u>      | <u>\$21,765,919</u>  |
| Operating expenses                                 |                      |                           |                     |                      |                       | (12,025,992)         |
| Non-operating income                               |                      |                           |                     |                      |                       | 10,413,498           |
| Non-operating expenses                             |                      |                           |                     |                      |                       | <u>(5,457,720)</u>   |
| Income before income tax and<br>minority interests |                      |                           |                     |                      |                       | <u>\$14,695,705</u>  |
| Minority interests                                 |                      |                           |                     |                      |                       | <u>\$304,021</u>     |
| Identifiable assets                                | <u>\$249,472,546</u> | <u>\$68,324,300</u>       | <u>\$6,487,037</u>  | <u>\$1,657,512</u>   | <u>\$(10,286,841)</u> | <u>\$315,654,554</u> |
| Funds and long-term investments                    |                      |                           |                     |                      |                       | <u>38,859,249</u>    |
| Total assets                                       |                      |                           |                     |                      |                       | <u>\$354,513,803</u> |

(3) Export sales

Export sales to unaffiliated customers is less than 10% of the total sales amount on the consolidated income statement, therefore disclosure is not required.

(4) Major customers

Individual customers accounting for at least 10% of net sales for the years ended December 31, 2004 and 2003 are as follows:

|            | For the year ended December 31, |            |                     |            |
|------------|---------------------------------|------------|---------------------|------------|
|            | 2004                            |            | 2003                |            |
|            | Sales amount                    | Percentage | Sales amount        | Percentage |
| Customer A | \$13,989,041                    | 11         | \$4,618,049         | 5          |
| Customer B | 13,542,021                      | 10         | 7,528,820           | 8          |
| Customer C | 8,494,486                       | 7          | 9,298,407           | 10         |
| Total      | <u>\$36,025,548</u>             | <u>28</u>  | <u>\$21,445,276</u> | <u>23</u>  |

ATTACHMENT-1 (Financing provided to others for the year ended December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

| No. | Lender          | Counterparty     | Financial statement account      | Maximum balance for the period | Ending balance | Interest rate | Nature of financing | Amount of sales to (purchases from) counterparty | Reason for financing | Allowance for doubtful accounts | Collateral |       | Limit of financing amount for individual counterparty | Limit of total financing amount |
|-----|-----------------|------------------|----------------------------------|--------------------------------|----------------|---------------|---------------------|--|----------------------|---------------------------------|------------|-------|---|---------------------------------|
|     |                 |                  |                                  |                                |                |               |                     |  |                      |                                 | Item       | Value |   |                                 |
| 1   | UMC Group (USA) | Former Employees | Receivable from employees' loans | USD 986                        | USD 986        | 7%            | Note                | None   | Employee loan        | USD295                          | Securities | Lower | N/A   | N/A                             |

Note : Need for short-term financing.

ATTACHMENT-2 (Endorsement/Guarantee provided to others for the year ended December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

| No. | Endorsor/Guarantor | Counterparty        | Relationship | Limit of<br>guarantee/endorsement<br>amount for individual<br>counterparty | Maximum balance for the<br>period | Ending balance | Amount of collateral<br>guarantee/endorsement | Ratio of accumulated<br>guarantee amount to net<br>assets value from the<br>latest financial statement | Limit of total<br>guarantee/endorsement<br>amount |
|-----|--------------------|---------------------|--------------|--|-----------------------------------|----------------|---|--|---|
| 1   | UMCi Ltd.          | UMCi Ltd. employees | Employees    | N/A  | USD 5,268                         | -              | -   | -  | N/A   |

## ATTACHMENT-3 (Securities held as of December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

United Microelectronics Corporation

|                    |   |  |                             |  | December 31, 2004 |                               |                                  |                                       |  |
|--------------------|---|--|-----------------------------|--|-------------------|-------------------------------|----------------------------------|---------------------------------------|--|
| Type of securities | Name of securities                          | Relationship                               | Financial statement account | Units(thousand)/bonds/<br>shares(thousand) | Book value        | Percentage of<br>ownership(%) | Market value/Net<br>assets value | Shares as<br>collateral<br>(thousand) |  |
| Convertible bonds  | King Yuan Electronics Co., Ltd.             | -  | Short-term investment       | 800  | \$271,600         | -                             | \$242,395                        | None                                  |  |
| Convertible bonds  | EPSTAR Corporation                          | -  | Short-term investment       | 100  | 34,140            | -                             | 31,640                           | None                                  |  |
| Convertible bonds  | Ching Feng Home Fashions Co., Ltd.          | -  | Short-term investment       | 2,000                                      | 68,300            | -                             | 63,280                           | None                                  |  |
| Convertible bonds  | International Semiconductor Technology Ltd. | -  | Short-term investment       | 4,000                                      | 135,800           | -                             | 113,271                          | None                                  |  |
| Convertible bonds  | Everlight Electronics Co., Ltd.             | -  | Short-term investment       | 100  | 33,745            | -                             | 31,640                           | None                                  |  |
| Convertible bonds  | Siliconware Precision Industries            | -  | Short-term investment       | 8,000                                      | 270,120           | -                             | 230,656                          | None                                  |  |
| Convertible bonds  | Mega Financial Holding Company              | The Company is its director and supervisor | Short-term investment       | 5,000                                      | 166,650           | -                             | 160,573                          | None                                  |  |
| Convertible bonds  | Quanta Storage Inc.                         | -  | Short-term investment       | 4,500                                      | 152,778           | -                             | 131,702                          | None                                  |  |
| Convertible bonds  | L & K Engineering Co., Ltd.                 | -  | Short-term investment       | 3,000                                      | 98,925            | -                             | 94,920                           | None                                  |  |
| Convertible bonds  | EDOM Technology Co., Ltd.                   | -  | Short-term investment       | 60   | 201,990           | -                             | 189,840                          | None                                  |  |
| Convertible bonds  | Action Electronics Co., Ltd.                | -  | Short-term investment       | 10,000                                     | 322,200           | -                             | 316,400                          | None                                  |  |
| Stock              | SpringSoft, Inc.                            | -  | Short-term investment       | 8,183                                      | 415,728           | -                             | 537,754                          | None                                  |  |
| Stock              | King Yuan Electronics Co., Ltd.             | -  | Short-term investment       | 20,076                                     | 356,781           | -                             | 440,634                          | None                                  |  |
| Stock              | SerComm Corporation                         | Subsidiary's equity investee               | Short-term investment       | 129  | 3,093             | -                             | 3,497                            | None                                  |  |
| Stock              | Yang Ming Marine Transport Corp.            | -  | Short-term investment       | 3,254                                      | 128,057           | -                             | 97,526                           | None                                  |  |
| Stock              | Micronas Semiconductor Holding AG           | -  | Short-term investment       | 280  | 398,672           | -                             | 405,530                          | None                                  |  |
| Stock              | UMC Group (USA)                             | Investee company                           | Long-term investment        | 16,438                                     | 720,500           | 100.00                        | 720,500                          | None                                  |  |
| Stock              | United Foundry Service, Inc.                | Investee company                           | Long-term investment        | 2,005                                      | 103,881           | 100.00                        | 103,881                          | None                                  |  |
| Stock              | United Microelectronics (Europe) B.V.       | Investee company                           | Long-term investment        | 9  | 284,568           | 100.00                        | 271,242                          | None                                  |  |
| Stock              | UMC Capital Corporation                     | Investee company                           | Long-term investment        | 55,000                                     | 1,310,493         | 100.00                        | 1,310,493                        | None                                  |  |
| Stock              | United Microelectronics Corp. (Samoa)       | Investee company                           | Long-term investment        | 700  | 5,854             | 100.00                        | 5,854                            | None                                  |  |
| Stock              | UMCi Ltd.                                   | Investee company                           | Long-term investment        | 880,006                                    | 26,582,778        | 100.00                        | 23,076,037                       | None                                  |  |
| Stock              | Fortune Venture Capital Corporation         | Investee company                           | Long-term investment        | 299,994                                    | 2,354,878         | 99.99                         | 2,543,963                        | None                                  |  |
| Stock              | Hsun Chieh Investment Co., Ltd.             | Investee company                           | Long-term investment        | 1,417,294                                  | 10,296,356        | 99.97                         | 21,212,798                       | None                                  |  |
| Stock              | United Microdisplay Optronics Corp.         | Investee company                           | Long-term investment        | 104,345                                    | 441,618           | 83.48                         | 441,618                          | None                                  |  |
| Stock              | Pacific Venture Capital Co., Ltd.           | Investee company                           | Long-term investment        | 30,000                                     | 304,810           | 49.99                         | 304,873                          | None                                  |  |
| Stock              | UMC Japan                                   | Investee company                           | Long-term investment        | 484  | 8,842,456         | 47.42                         | 6,577,631                        | None                                  |  |
| Stock              | DuPont Photomasks Taiwan Ltd.               | Investee company                           | Long-term investment        | 106,621                                    | 1,058,515         | 45.35                         | 1,058,439                        | None                                  |  |
| Stock              | Unitech Capital Inc.                        | Investee company                           | Long-term investment        | 21,000                                     | 730,930           | 42.00                         | 730,930                          | None                                  |  |
| Stock              | Holtek Semiconductor Inc.                   | Investee company                           | Long-term investment        | 48,980                                     | 731,442           | 25.23                         | 1,704,077                        | None                                  |  |
| Stock              | Integrated Technology Express Inc.          | Investee company                           | Long-term investment        | 24,229                                     | 281,313           | 22.23                         | 294,702                          | None                                  |  |
| Stock              | Unimicron Technology Corp.                  | Investee company                           | Long-term investment        | 185,626                                    | 3,465,809         | 21.43                         | 4,057,221                        | None                                  |  |
| Stock              | Faraday Technology Corp.                    | Investee company                           | Long-term investment        | 47,682                                     | 794,298           | 18.38                         | 2,307,615                        | None                                  |  |
| Stock              | Novatek Microelectronics Corp.              | Investee company                           | Long-term investment        | 72,775                                     | 1,615,328         | 18.30                         | 7,402,632                        | None                                  |  |
| Stock              | Applied Component Technology Corp.          | Investee company                           | Long-term investment        | 8,848                                      | 19,874            | 16.44                         | 76,228                           | None                                  |  |
| Stock              | Silicon Integrated Systems Corp.            | Investee company                           | Long-term investment        | 219,092                                    | 4,226,303         | 16.16                         | 2,634,800                        | None                                  |  |

## ATTACHMENT-3 (Securities held as of December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

United Microelectronics Corporation

|                       |                                      |  |                             | December 31, 2004                          |            |                               |                                  | Shares as                |
|-----------------------|--------------------------------------|--|-----------------------------|--|------------|-------------------------------|----------------------------------|--------------------------|
| Type of securities    | Name of securities                   | Relationship                               | Financial statement account | Units(thousand)/bonds/<br>shares(thousand) | Book value | Percentage of<br>ownership(%) | Market value/Net<br>assets value | collateral<br>(thousand) |
| Stock                 | AMIC Technology Corporation          | Investee company                           | Long-term investment        | 16,200                                     | \$79,395   | 11.83                         | \$112,753                        | None                     |
| Stock                 | MediaTek Incorporation               | The Company is its supervisor              | Long-term investment        | 77,428                                     | 969,048    | 10.06                         | 16,384,438                       | None                     |
| Stock                 | United Industrial Gases Co., Ltd.    | -  | Long-term investment        | 13,185                                     | 146,250    | 8.11                          | Note                             | None                     |
| Stock                 | Industrial Bank of Taiwan Corp.      | -  | Long-term investment        | 118,303                                    | 1,139,196  | 4.95                          | Note                             | None                     |
| Stock                 | Subtron Technology Co., Ltd.         | -  | Long-term investment        | 11,520                                     | 172,800    | 4.92                          | Note                             | None                     |
| Stock                 | Billinton Systems Inc.               | The Company is its director                | Long-term investment        | 1,826                                      | 30,948     | 2.77                          | 33,209                           | None                     |
| Stock                 | AU Optronics Corp.                   | -  | Long-term investment        | 71,215                                     | 959,082    | 1.44                          | 3,136,529                        | None                     |
| Stock                 | Mega Financial Holding Company       | The Company is its director and supervisor | Long-term investment        | 95,577                                     | 3,108,656  | 0.84                          | 2,034,161                        | None                     |
| Stock                 | Premier Image Technology Corporation | -  | Long-term investment        | 3,395                                      | 27,964     | 0.59                          | 93,468                           | None                     |
| Fund                  | Pacific Technology Partners, L.P.    | -  | Long-term investment        | -  | 336,099    | -                             | Note                             | None                     |
| Fund                  | Pacific United Technology, L.P.      | -  | Long-term investment        | -  | 126,560    | -                             | Note                             | None                     |
| Stock-Preferred stock | Taiwan High Speed Rail Corporation   | -  | Long-term investment        | 30,000                                     | 300,000    | -                             | N/A                              | None                     |

Hsun Chieh Investment Co., Ltd.

|                    |                                |                                |                             | December 31, 2004                          |            |                               |                                  | Shares as                |
|--------------------|--------------------------------|--------------------------------|-----------------------------|--|------------|-------------------------------|----------------------------------|--------------------------|
| Type of securities | Name of securities             | Relationship                   | Financial statement account | Units(thousand)/bonds/<br>shares(thousand) | Book value | Percentage of<br>ownership(%) | Market value/Net<br>assets value | collateral<br>(thousand) |
| Stock              | Shanghai Fudan H Share         | -                              | Short-term investment       | 516  | \$2,511    | 0.10                          | \$821                            | None                     |
| Stock              | Premier Image Technology Corp. | -                              | Short-term investment       | 2,094                                      | 112,925    | 0.40                          | 57,640                           | None                     |
| Stock              | SinoPac Holdings               | -                              | Short-term investment       | 1,464                                      | 28,535     | 0.04                          | 26,600                           | None                     |
| Stock              | Unitruth Investment Corp.      | Investee company               | Long-term investment        | 10,000                                     | 100,115    | 100.00                        | 100,115                          | None                     |
| Stock              | United Radiotek Incorporation  | Investee company               | Long-term investment        | 12,750                                     | 86,107     | 49.04                         | 86,107                           | None                     |
| Stock              | UCA Technology, Inc.           | Investee company               | Long-term investment        | 4,950                                      | 43,097     | 49.50                         | 43,097                           | None                     |
| Stock              | VistaPoint, Inc.               | Investee company               | Long-term investment        | 6,828                                      | 31,263     | 48.77                         | 31,263                           | None                     |
| Stock              | Ubit Technology, Inc.          | Investee company               | Long-term investment        | 2,563                                      | 17,120     | 18.99                         | 17,120                           | None                     |
| Fund               | UC Fund II                     | Investee company               | Long-term investment        | 5,000                                      | 150,079    | 35.45                         | 150,079                          | None                     |
| Stock              | RiRa Electronics, Inc.         | Investee company               | Long-term investment        | 6,499                                      | 13,106     | 32.50                         | 13,106                           | None                     |
| Stock              | Star Semiconductor Corp.       | Investee company               | Long-term investment        | 6,555                                      | 37,161     | 28.20                         | 37,161                           | None                     |
| Stock              | AFA Technology, Inc.           | Investee company               | Long-term investment        | 5,838                                      | 42,660     | 26.53                         | 42,660                           | None                     |
| Stock              | Crystal Media, Inc.            | Investee company               | Long-term investment        | 2,115                                      | 21,150     | 24.88                         | 21,150                           | None                     |
| Stock              | Harvatek Corporation           | Investee company               | Long-term investment        | 22,392                                     | 349,074    | 18.23                         | 471,773                          | None                     |
| Stock              | Patentop, Ltd.                 | Investee company               | Long-term investment        | 720  | 6,599      | 18.00                         | 6,599                            | None                     |
| Stock              | Unimicron Technology Corp.     | Investee of UMC and Hsun Chieh | Long-term investment        | 97,180                                     | 1,814,626  | 11.22                         | 2,124,071                        | None                     |

## ATTACHMENT-3 (Securities held as of December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

Hsun Chieh Investment Co., Ltd.

|                    |   |  |                             |  | December 31, 2004 |                               |                                  |                                       |
|--------------------|---|--|-----------------------------|--|-------------------|-------------------------------|----------------------------------|---------------------------------------|
| Type of securities | Name of securities  | Relationship                               | Financial statement account | Units(thousand)/bonds/<br>shares(thousand) | Book value        | Percentage of<br>ownership(%) | Market value/Net<br>assets value | Shares as<br>collateral<br>(thousand) |
| Stock              | U-Media Technology, Inc.                                  | Investee company                           | Long-term investment        | 1,200                                      | \$12,000          | 11.11                         | \$12,000                         | None                                  |
| Stock              | Smedia Technology Corp.                                   | Investee company                           | Long-term investment        | 1,800                                      | 18,000            | 10.59                         | 18,000                           | None                                  |
| Stock              | SerComm Corporation                                       | Investee company                           | Long-term investment        | 10,176                                     | 174,903           | 9.80                          | 274,797                          | None                                  |
| Stock              | AMOD Technology Co., Ltd.                                 | Investee company                           | Long-term investment        | 470  | 5,875             | 9.40                          | 5,875                            | None                                  |
| Stock              | Faraday Technology Corp.                                  | Investee of UMC and Hsun Chieh             | Long-term investment        | 14,265                                     | 1,146,473         | 5.50                          | 690,369                          | None                                  |
| Stock              | AMIC Technology Corporation                               | Investee of UMC and Hsun Chieh             | Long-term investment        | 6,830                                      | 45,676            | 4.99                          | 45,676                           | None                                  |
| Stock              | UMC Japan   | Investee of UMC and Hsun Chieh             | Long-term investment        | 45   | 840,341           | 4.51                          | 613,535                          | None                                  |
| Stock              | Davicom Semiconductor, Inc.                               | Investee company                           | Long-term investment        | 1,598                                      | 22,958            | 2.50                          | 22,958                           | None                                  |
| Stock              | Novatek Microelectronics Corp.                            | Investee of UMC and Hsun Chieh             | Long-term investment        | 3,249                                      | 120,333           | 0.82                          | 330,488                          | None                                  |
| Stock              | VastView Technology, Inc.                                 | The Company is its director and supervisor | Long-term investment        | 4,487                                      | 29,759            | 19.94                         | Note                             | None                                  |
| Stock              | Kits OnLine Technology Corp.                              | The Company is its director                | Long-term investment        | 4,455                                      | 56,231            | 15.91                         | Note                             | None                                  |
| Stock              | Advance Materials Corporation                             | -  | Long-term investment        | 14,994                                     | 152,321           | 15.78                         | Note                             | None                                  |
| Stock              | Everglory Resource Technology Co., Ltd.                   | -  | Long-term investment        | 3,700                                      | 74,000            | 15.14                         | Note                             | None                                  |
| Stock              | LighTuning Tech., Inc.                                    | The Company is its director and supervisor | Long-term investment        | 1,900                                      | 24,772            | 15.08                         | Note                             | None                                  |
| Stock              | Printech International Inc.                               | The Company is its director and supervisor | Long-term investment        | 3,000                                      | 30,000            | 12.00                         | Note                             | None                                  |
| Stock              | Golden Technology Venture Capital Investment Corp.        | The Company is its director                | Long-term investment        | 8,000                                      | 80,000            | 10.67                         | Note                             | None                                  |
| Stock              | NCTU Spring I Technology Venture Capital Investment Corp. | -  | Long-term investment        | 4,284                                      | 43,482            | 10.06                         | Note                             | None                                  |
| Stock              | Trendchip Technologies Corp.                              | The Company is its director                | Long-term investment        | 3,775                                      | 60,406            | 9.25                          | Note                             | None                                  |
| Stock              | InComm Technologies Co., Ltd.                             | The Company is its director                | Long-term investment        | 2,600                                      | 36,140            | 8.67                          | Note                             | None                                  |
| Stock              | Fortune Semiconductor Corporation                         | The Company is its director                | Long-term investment        | 2,183                                      | 71,500            | 6.64                          | Note                             | None                                  |
| Stock              | EE Solution, Inc.   | -  | Long-term investment        | 1,950                                      | 51,900            | 7.28                          | Note                             | None                                  |
| Stock              | Ralink Technology Corporation                             | -  | Long-term investment        | 3,700                                      | 55,500            | 7.40                          | Note                             | None                                  |
| Stock              | Chipsence Corp.   | -  | Long-term investment        | 3,800                                      | 41,800            | 6.91                          | Note                             | None                                  |
| Stock              | Epitech Corporation                                       | -  | Long-term investment        | 5,875                                      | 117,823           | 6.75                          | Note                             | None                                  |
| Stock              | Giga Solution Technology Co., Ltd.                        | The Company is its director                | Long-term investment        | 8,750                                      | 105,000           | 6.83                          | Note                             | None                                  |
| Stock              | Beyond Innovation Technology Co., Ltd.                    | -  | Long-term investment        | 1,045                                      | 18,096            | 4.86                          | Note                             | None                                  |
| Stock              | NCTU Spring Venture Capital Co., Ltd.                     | The Company is its director                | Long-term investment        | 2,000                                      | 20,000            | 6.28                          | Note                             | None                                  |
| Stock              | Riselink Venture Capital Corp.                            | -  | Long-term investment        | 8,000                                      | 80,000            | 6.20                          | Note                             | None                                  |
| Stock              | Animation Technologies Corp.                              | -  | Long-term investment        | 1,980                                      | 29,700            | 4.74                          | Note                             | None                                  |
| Stock              | Cosmos Technology Venture Capital Investment Corp.        | The Company is its director                | Long-term investment        | 4,000                                      | 40,000            | 5.03                          | Note                             | None                                  |
| Stock              | Parawin Venture Capital Corp.                             | The Company is its director                | Long-term investment        | 5,000                                      | 50,000            | 5.00                          | Note                             | None                                  |
| Stock              | Programmable Microelectronics(Taiwan) Corp.               | -  | Long-term investment        | 1,980                                      | 23,760            | 4.95                          | Note                             | None                                  |

ATTACHMENT-3 (Securities held as of December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

Hsun Chieh Investment Co., Ltd.

|                       |                                       |  |                             |  | December 31, 2004 |                               |                                  |                                       |  |
|-----------------------|---------------------------------------|--|-----------------------------|--|-------------------|-------------------------------|----------------------------------|---------------------------------------|--|
| Type of securities    | Name of securities                    | Relationship                               | Financial statement account | Units(thousand)/bonds/<br>shares(thousand) | Book value        | Percentage of<br>ownership(%) | Market value/Net<br>assets value | Shares as<br>collateral<br>(thousand) |  |
| Stock                 | Coretronic Corporation                | The Company is its director                | Long-term investment        | 18,787                                     | \$276,192         | 4.32                          | \$581,022                        | None                                  |  |
| Stock                 | Taiwan Asia Pacific Venture Fund      | -  | Long-term investment        | 85   | 21,625            | 4.15                          | Note                             | None                                  |  |
| Stock                 | IBT Venture Co.                       | The Company is its director                | Long-term investment        | 7,614                                      | 76,142            | 3.81                          | Note                             | None                                  |  |
| Stock                 | ZyDAS Technology Corp.                | -  | Long-term investment        | 1,000                                      | 23,000            | 3.33                          | Note                             | None                                  |  |
| Stock                 | HiTop Communications Corp.            | The Company is its director and supervisor | Long-term investment        | 1,198                                      | 17,964            | 4.99                          | Note                             | None                                  |  |
| Stock                 | United Microelectronics Corporation   | Investor Company                           | Long-term investment        | 543,732                                    | 29,592,654        | 3.04                          | 10,919,772                       | None                                  |  |
| Stock                 | ProSys Technology Integration, Inc.   | -  | Long-term investment        | 186  | 2,790             | 3.08                          | Note                             | None                                  |  |
| Stock                 | Brodweb Corp.                         | -  | Long-term investment        | 500  | 8,000             | 2.86                          | Note                             | None                                  |  |
| Stock                 | Uli Electronics Inc.                  | -  | Long-term investment        | 2,100                                      | 44,940            | 2.63                          | Note                             | None                                  |  |
| Stock                 | Sheng-Hua Venture Capital Corp.       | -  | Long-term investment        | 5,000                                      | 50,000            | 2.50                          | Note                             | None                                  |  |
| Stock                 | Subtron Technology Co., Ltd.          | The Company is its director and supervisor | Long-term investment        | 5,616                                      | 71,280            | 2.37                          | Note                             | None                                  |  |
| Stock                 | Princeton Technology Corporation      | The Company is its director                | Long-term investment        | 3,277                                      | 97,901            | 2.36                          | 84,958                           | None                                  |  |
| Stock                 | Pixart Imaging, Inc.                  | -  | Long-term investment        | 1,143                                      | 16,107            | 1.84                          | Note                             | None                                  |  |
| Stock                 | ULTRA CHIP, Inc.                      | -  | Long-term investment        | 792  | 15,048            | 1.19                          | Note                             | None                                  |  |
| Stock                 | Trident Technologies, Inc.            | -  | Long-term investment        | 650  | 12,025            | 0.97                          | Note                             | None                                  |  |
| Stock                 | Averlogic Corporation                 | -  | Long-term investment        | 43   | 1,159             | 0.16                          | 545                              | None                                  |  |
| Stock                 | C-Com Corporation                     | -  | Long-term investment        | 1,110                                      | 9,806             | 0.96                          | 3,746                            | None                                  |  |
| Stock                 | Largan Optoelectronics, Co., Ltd.     | The Company is its director                | Long-term investment        | 745  | 39,866            | 0.69                          | 132,084                          | None                                  |  |
| Stock                 | Mega Financial Holding Company        | -  | Long-term investment        | 59,539                                     | 1,882,974         | 0.52                          | 1,267,176                        | None                                  |  |
| Stock                 | Taimide Tech., Inc.                   | -  | Long-term investment        | 1,500                                      | 37,500            | 1.83                          | Note                             | None                                  |  |
| Stock-Preferred Stock | Alpha and Omega Semiconductor, Inc.   | -  | Long-term investment        | 1,500                                      | 46,883            | -                             | N/A                              | None                                  |  |
| Stock-Preferred Stock | Aurora System, Inc.                   | -  | Long-term investment        | 550  | 6,355             | -                             | N/A                              | None                                  |  |
| Stock-Preferred Stock | Formerica International Holding, Inc. | -  | Long-term investment        | 2,000                                      | 30,898            | -                             | N/A                              | None                                  |  |
| Stock-Preferred Stock | ForteMedia, Inc.                      | -  | Long-term investment        | 5,694                                      | 108,456           | -                             | N/A                              | None                                  |  |
| Fund                  | VenGlobal Capital fund III, L.P.      | -  | Long-term investment        | -  | 33,195            | -                             | N/A                              | None                                  |  |

UMC Capital Corporation

|                       |                      |                  |                             |  | December 31, 2004 |                               |                                  |                                       |  |
|-----------------------|----------------------|------------------|-----------------------------|--|-------------------|-------------------------------|----------------------------------|---------------------------------------|--|
| Type of securities    | Name of securities   | Relationship     | Financial statement account | Units(thousand)/bonds/<br>shares(thousand) | Book value        | Percentage of<br>ownership(%) | Market value/Net<br>assets value | Shares as<br>collateral<br>(thousand) |  |
| Stock                 | UMC Capital (USA)    | Investee company | Long-term investment        | 200  | USD 298           | 100.00                        | USD 298                          | None                                  |  |
| Stock-Preferred Stock | MaXXan Systems, Inc. | -                | Long-term investment        | 2,317                                      | USD 1,237         | -                             | N/A                              | None                                  |  |
| Stock-Preferred Stock | Aicent, Inc.         | -                | Long-term investment        | 2,000                                      | USD 1,000         | -                             | N/A                              | None                                  |  |

ATTACHMENT-3 (Securities held as of December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UMC Capital Corporation

|                       |                                 |                             |                             | December 31, 2004                          |            |                               |                                  |                                       |
|-----------------------|---------------------------------|-----------------------------|-----------------------------|--|------------|-------------------------------|----------------------------------|---------------------------------------|
| Type of securities    | Name of securities              | Relationship                | Financial statement account | Units(thousand)/bonds/<br>shares(thousand) | Book value | Percentage of<br>ownership(%) | Market value/Net<br>assets value | Shares as<br>collateral<br>(thousand) |
| Stock-Preferred Stock | Spreadtrum Communications, Inc. | -                           | Long-term investment        | 1,581                                      | USD 1,250  | -                             | N/A                              | None                                  |
| Stock-Preferred Stock | WIS Technologies, Inc.          | -                           | Long-term investment        | 1,733                                      | USD 3,354  | -                             | N/A                              | None                                  |
| Stock-Preferred Stock | Silicon 7, Inc.                 | The Company is its director | Long-term investment        | 1,203                                      | USD 4,000  | -                             | N/A                              | None                                  |
| Stock-Preferred Stock | GCT Semiconductor, Inc.         | -                           | Long-term investment        | 1,571                                      | USD 1,000  | -                             | N/A                              | None                                  |
| Stock-Preferred Stock | Intellon Corporation            | -                           | Long-term investment        | 6,711                                      | USD 2,500  | -                             | N/A                              | None                                  |
| Stock-Preferred Stock | ForteMedia Inc.                 | -                           | Long-term investment        | 2,000                                      | USD 1,500  | -                             | N/A                              | None                                  |
| Stock-Preferred Stock | Zylogic Semiconductor Corp.     | -                           | Long-term investment        | 750  | USD 500    | -                             | N/A                              | None                                  |
| Stock-Preferred Stock | Berkana Wireless Inc.           | -                           | Long-term investment        | 1,244                                      | USD 2,000  | -                             | N/A                              | None                                  |
| Stock-Preferred Stock | Maxlinear, Inc.                 | -                           | Long-term investment        | 1,474                                      | USD 2,580  | -                             | N/A                              | None                                  |
| Stock-Preferred Stock | Smart Vanguard Limited          | -                           | Long-term investment        | 5,000                                      | USD 5,000  | -                             | N/A                              | None                                  |
| Stock-Preferred Stock | Wisair, Inc.                    | -                           | Long-term investment        | 93   | USD 1,000  | -                             | N/A                              | None                                  |

Fortune Venture Capital Corporation

|                    |  |  |                             | December 31, 2004                          |            |                               |                                  |                                       |
|--------------------|--|--|-----------------------------|--|------------|-------------------------------|----------------------------------|---------------------------------------|
| Type of securities | Name of securities                           | Relationship                               | Financial statement account | Units(thousand)/bonds/<br>shares(thousand) | Book value | Percentage of<br>ownership(%) | Market value/Net<br>assets value | Shares as<br>collateral<br>(thousand) |
| Stock              | AEVOE Inc.                                   | Investee company                           | Long-term investment        | 1,500                                      | \$15,000   | 45.45                         | \$15,000                         | None                                  |
| Stock              | Smedia Technology Corp.                      | Investee company                           | Long-term investment        | 5,079                                      | 50,790     | 29.88                         | 50,790                           | None                                  |
| Stock              | Aptos (Taiwan) Corp.                         | Investee company                           | Long-term investment        | 43,705                                     | 380,767    | 26.38                         | 374,552                          | None                                  |
| Stock              | Davicom Semiconductor, Inc.                  | Investee company                           | Long-term investment        | 12,200                                     | 125,135    | 19.06                         | 125,172                          | None                                  |
| Stock              | Ubit Technology, Inc.                        | Investee company                           | Long-term investment        | 1,718                                      | 17,188     | 12.72                         | 17,188                           | None                                  |
| Stock              | AMIC Technology Corporation                  | Investee of UMC and Fortune                | Long-term investment        | 16,575                                     | 131,257    | 12.32                         | 110,555                          | None                                  |
| Stock              | Crystal Media, Inc.                          | Investee company                           | Long-term investment        | 950  | 9,500      | 11.18                         | 9,500                            | None                                  |
| Stock              | U-Media Technology Corp.                     | Investee company                           | Long-term investment        | 1,200                                      | 12,000     | 11.11                         | 12,000                           | None                                  |
| Stock              | AMOD Technology Co., Ltd.                    | Investee company                           | Long-term investment        | 530  | 6,625      | 10.60                         | 6,625                            | None                                  |
| Stock              | Star Semiconductor Corp.                     | Investee company                           | Long-term investment        | 1,337                                      | 17,381     | 5.75                          | 17,381                           | None                                  |
| Stock              | AFA Technologies, Inc.                       | Investee company                           | Long-term investment        | 1,050                                      | 26,250     | 4.77                          | 26,250                           | None                                  |
| Stock              | Pixart Imaging, Inc.                         | The Company is its director                | Long-term investment        | 10,690                                     | 207,004    | 17.20                         | Note                             | None                                  |
| Stock              | Aimtron Technology Inc.                      | The Company is its director                | Long-term investment        | 672  | 28,300     | 2.44                          | Note                             | None                                  |
| Stock              | HiTop Communications Corp.                   | -  | Long-term investment        | 3,142                                      | 47,136     | 13.09                         | Note                             | None                                  |
| Stock              | Epitech Corp.                                | The Company is its director and supervisor | Long-term investment        | 8,394                                      | 132,539    | 9.65                          | Note                             | None                                  |
| Stock              | SIMPal Electronics Co., Ltd.                 | The Company is its director                | Long-term investment        | 6,009                                      | 70,179     | 7.34                          | Note                             | None                                  |
| Stock              | Programmable Microelectronics (Taiwan) Corp. | The Company is its director                | Long-term investment        | 3,302                                      | 37,156     | 8.25                          | Note                             | None                                  |

## ATTACHMENT-3 (Securities held as of December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

Fortune Venture Capital Corporation

|                       |   |  |                             | December 31, 2004                          |            |                               |                                  |                                       |
|-----------------------|---|--|-----------------------------|--|------------|-------------------------------|----------------------------------|---------------------------------------|
| Type of securities    | Name of securities                        | Relationship                               | Financial statement account | Units(thousand)/bonds/<br>shares(thousand) | Book value | Percentage of<br>ownership(%) | Market value/Net<br>assets value | Shares as<br>collateral<br>(thousand) |
| Stock                 | Shin-Etsu Handotai Taiwan Co., Ltd.       | The Company is its director                | Long-term investment        | 10,500                                     | \$105,000  | 7.00                          | Note                             | None                                  |
| Stock                 | XGI Technology, Inc.                      | -  | Long-term investment        | 20,726                                     | 71,504     | 9.27                          | Note                             | None                                  |
| Stock                 | LighTuning Tech., Inc.                    | -  | Long-term investment        | 600  | 9,629      | 4.76                          | Note                             | None                                  |
| Stock                 | Averlogic Corporation                     | The Company is its director and supervisor | Long-term investment        | 1,051                                      | 17,628     | 3.80                          | \$13,330                         | None                                  |
| Stock                 | Animation Technologies Inc.               | -  | Long-term investment        | 1,500                                      | 22,500     | 3.59                          | Note                             | None                                  |
| Stock                 | WavePlus Technology Inc.                  | -  | Long-term investment        | 1,200                                      | 30,000     | 4.00                          | Note                             | None                                  |
| Stock                 | RDC Semiconductor Co., Ltd.               | -  | Long-term investment        | 1,100                                      | 28,000     | 3.22                          | Note                             | None                                  |
| Stock                 | ProSys Technology Integration, Inc.       | -  | Long-term investment        | 186  | 1,860      | 3.08                          | Note                             | None                                  |
| Stock                 | EE Solution, Inc.                         | -  | Long-term investment        | 650  | 14,800     | 2.43                          | Note                             | None                                  |
| Stock                 | Trident Technologies, Inc.                | -  | Long-term investment        | 1,550                                      | 14,793     | 2.30                          | Note                             | None                                  |
| Stock                 | Subtron Technology Co., Ltd.              | The Company is its director and supervisor | Long-term investment        | 3,701                                      | 52,870     | 1.58                          | Note                             | None                                  |
| Stock                 | SiRF Technology Holding, Inc.             | -  | Long-term investment        | 611  | 83,346     | 1.34                          | 248,370                          | None                                  |
| Stock                 | Forture Semiconductor Corporation         | -  | Long-term investment        | 349  | 10,461     | 1.06                          | Note                             | None                                  |
| Stock                 | United Microelectronics Corporation       | Investor company                           | Long-term investment        | 19,808                                     | 171,857    | 0.11                          | 397,797                          | None                                  |
| Stock                 | Advanced Chip Engineering Technology Inc. | -  | Long-term investment        | 4,160                                      | 49,920     | 3.56                          | Note                             | None                                  |
| Stock                 | Cion Technology Corporation               | The Company is its director                | Long-term investment        | 2,160                                      | 21,600     | 18.00                         | Note                             | None                                  |
| Fund                  | Iglobe Partners Fund II, L.P.             | -  | Long-term investment        | -  | 42,092     | 3.45                          | Note                             | None                                  |
| Fund                  | Crystal Internet Venture Fund II          | -  | Long-term investment        | -  | 38,855     | 0.99                          | Note                             | None                                  |
| Stock-Preferred Stock | Alpha and Omega Semiconductor, Inc.       | -  | Long-term investment        | 1,500                                      | 46,313     | -                             | N/A                              | None                                  |
| Stock-Preferred Stock | Integrant Technologies, Inc.              | -  | Long-term investment        | 120  | 34,413     | 4.95                          | N/A                              | None                                  |
| Stock-Preferred Stock | Arcadia Design Systems, Inc.              | -  | Long-term investment        | 162  | 1,620      | -                             | N/A                              | None                                  |
| Stock-Preferred Stock | Aurora System, Inc.                       | -  | Long-term investment        | 5,133                                      | 59,317     | -                             | N/A                              | None                                  |

United Microdiplay Optronics Corp.

|                    |                         |                  |                             | December 31, 2004                          |            |                               |                                  |                                       |
|--------------------|-------------------------|------------------|-----------------------------|--|------------|-------------------------------|----------------------------------|---------------------------------------|
| Type of securities | Name of securities      | Relationship     | Financial statement account | Units(thousand)/bonds/<br>shares(thousand) | Book value | Percentage of<br>ownership(%) | Market value/Net<br>assets value | Shares as<br>collateral<br>(thousand) |
| Stock              | Thintek Optronics Corp. | Investee company | Long-term investment        | 9,999                                      | \$53,618   | 49.99                         | \$53,618                         | None                                  |

Note : The net assets values for unlisted investees accounted for under the cost method were not available as of December 31, 2004.

ATTACHMENT-4 (Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTS100 million or 20 percent of the capital stock for the year ended December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

United Microelectronics Corporation

| Type of securities | Name of the securities                      | Financial statement account | Counterparty                                 | Relationship    | Beginning balance      |            | Addition               |            | Disposal               |            |           | Gain (Loss) from disposal | Ending balance         |            |
|--------------------|---|-----------------------------|--|-----------------|------------------------|------------|------------------------|------------|------------------------|------------|-----------|---------------------------|------------------------|------------|
|                    |   |                             |  |                 | Units(thousand)/bonds/ | Amount     | Units(thousand)/bonds/ | Amount     | Units(thousand)/bonds/ | Amount     | Cost      |                           | Units(thousand)/bonds/ | Amount     |
|                    |   |                             |  |                 | shares(thousand)       |            | shares(thousand)       |            | shares(thousand)       |            |           |                           | shares(thousand)       |            |
| Convertible bonds  | King Yuan Electronics Co., Ltd.             | Short-term investment       | Open market                                  | -               | -                      | 800        | \$271,600              | -          | \$-                    | \$-        | \$-       | -                         | 800                    | \$271,600  |
| Convertible bonds  | Evergreen Marine Corporation                | Short-term investment       | Open market                                  | -               | -                      | 1,300      | 130,000                | 1,300      | 162,531                | 130,000    | 32,531    | -                         | -                      | -          |
| Convertible bonds  | Chunghwa Picture Tubes Ltd.                 | Short-term investment       | Open market                                  | -               | -                      | 7,000      | 244,780                | 7,000      | 253,352                | 244,780    | 8,572     | -                         | -                      | -          |
| Convertible bonds  | Ability Enterprise Co., Ltd.                | Short-term investment       | Open market                                  | -               | -                      | 4,000      | 135,800                | 4,000      | 139,513                | 135,800    | 3,713     | -                         | -                      | -          |
| Convertible bonds  | International Semiconductor Technology Ltd. | Short-term investment       | Open market                                  | -               | -                      | 5,000      | 169,750                | 1,000      | 34,120                 | 33,950     | 170       | 4,000                     | 135,800                | -          |
| Convertible bonds  | Quanta Display Inc.                         | Short-term investment       | Open market                                  | -               | -                      | 5,000      | 168,825                | 5,000      | 215,750                | 168,825    | 46,925    | -                         | -                      | -          |
| Convertible bonds  | Siliconware Precision Industries            | Short-term investment       | Open market                                  | -               | -                      | 8,000      | 270,120                | -          | -                      | -          | -         | 8,000                     | 270,120                | -          |
| Convertible bonds  | Mega Financial Holding Company              | Short-term investment       | Open market                                  | -               | -                      | 5,000      | 166,650                | -          | -                      | -          | -         | 5,000                     | 166,650                | -          |
| Convertible bonds  | China Airlines                              | Short-term investment       | Open market                                  | -               | -                      | 2,900      | 290,000                | 2,900      | 309,334                | 290,000    | 19,334    | -                         | -                      | -          |
| Convertible bonds  | Quanta Storage Inc.                         | Short-term investment       | Open market                                  | -               | -                      | 4,500      | 152,778                | -          | -                      | -          | -         | 4,500                     | 152,778                | -          |
| Convertible bonds  | EDOM Technology Co., Ltd.                   | Short-term investment       | Open market                                  | -               | -                      | 60         | 201,990                | -          | -                      | -          | -         | 60                        | 201,990                | -          |
| Convertible bonds  | Action Electronics Co., Ltd.                | Short-term investment       | Open market                                  | -               | -                      | 10,000     | 322,200                | -          | -                      | -          | -         | 10,000                    | 322,200                | -          |
| GDR                | HannStar Display Corporation                | Short-term investment       | Open market                                  | -               | -                      | 663        | 169,717                | 663        | 170,550                | 169,717    | 833       | -                         | -                      | -          |
| Stock              | ChinaSteel Corporation                      | Short-term investment       | Open market                                  | -               | -                      | 3,400      | 117,521                | 3,519      | 125,244                | 117,521    | 7,723     | -                         | -                      | -          |
| Stock              | Yang Ming Marine Transport Corp.            | Short-term investment       | Open market                                  | -               | -                      | 3,100      | 128,057                | -          | -                      | -          | -         | 3,254                     | 128,057                | -          |
| Stock              | UMC Capital Corporation                     | Long-term investment        | Capitalization from cash                     | -               | 40,000                 | 1,265,822  | 15,000                 | 493,075    | -                      | -          | -         | 55,000                    | 1,310,493              | -          |
| Stock              | Novatek Microelectronics Corp.              | Long-term investment        | Open market                                  | -               | 69,147                 | 1,285,319  | -                      | -          | 6,000                  | 513,144    | 127,783   | 376,694                   | 72,775                 | 1,615,328  |
| Stock              | UMCi Ltd.                                   | Long-term investment        | Infineon, UMCJ, employees of UMCi and others | Investee of UMC | 657,438                | 20,972,846 | 227,938                | 10,761,903 | 5,370                  | 196,840    | 173,334   | 24,191                    | 880,006                | 26,582,778 |
| Stock              | AU Optronics Corp.                          | Long-term investment        | Open market                                  | -               | 423,700                | 5,991,447  | -                      | -          | 359,897                | 15,278,509 | 5,031,554 | 10,289,430                | 71,215                 | 959,082    |
| Stock              | MediaTek Incorporation                      | Long-term investment        | Open market                                  | -               | 71,386                 | 1,055,237  | -                      | -          | 6,700                  | 1,612,355  | 86,189    | 1,520,602                 | 77,428                 | 969,048    |

Hsun Chieh Investment Co., Ltd.

| Type of securities | Name of the securities                | Financial statement account | Counterparty             | Relationship | Beginning balance      |           | Addition               |         | Disposal               |           |           | Gain (Loss) from disposal | Ending balance         |         |
|--------------------|---------------------------------------|-----------------------------|--------------------------|--------------|------------------------|-----------|------------------------|---------|------------------------|-----------|-----------|---------------------------|------------------------|---------|
|                    |                                       |                             |                          |              | Units(thousand)/bonds/ | Amount    | Units(thousand)/bonds/ | Amount  | Units(thousand)/bonds/ | Amount    | Cost      |                           | Units(thousand)/bonds/ | Amount  |
|                    |                                       |                             |                          |              | shares(thousand)       |           | shares(thousand)       |         | shares(thousand)       |           |           |                           | shares(thousand)       |         |
| Convertible bonds  | Gemtek Technology Co. Ltd.            | Short-term investment       | Open market              | -            | 1,080                  | \$108,000 | -                      | \$-     | 1,080                  | \$132,845 | \$108,000 | \$24,845                  | -                      | \$-     |
| Stock              | Opto Tech Corporation                 | Short-term investment       | Open market              | -            | 10,000                 | 100,000   | -                      | -       | 10,000                 | 127,407   | 100,000   | 27,407                    | -                      | -       |
| Stock              | King Yuan Electronics Co., Ltd.       | Short-term investment       | Open market              | -            | 15,090                 | 366,101   | 1,008                  | -       | 16,098                 | 478,660   | 366,101   | 112,559                   | -                      | -       |
| Stock              | Taishin Financial Holding Co., Ltd.   | Short-term investment       | Open market              | -            | -                      | -         | 10,000                 | 275,466 | 10,000                 | 290,642   | 275,466   | 15,176                    | -                      | -       |
| Stock              | Shinkong Synthetic Fibers Corporation | Long-term investment        | Open market              | -            | -                      | -         | 17,574                 | 185,832 | 17,574                 | 170,142   | 185,832   | (15,690)                  | -                      | -       |
| Stock              | Unitruth Investment Corp.             | Long-term investment        | Capitalization from cash | -            | -                      | -         | 10,000                 | 100,000 | -                      | -         | -         | -                         | 10,000                 | 100,000 |

ATTACHMENT-4 (Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTS100 million or 20 percent of the capital stock for the year ended December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

Fortune Venture Capital Corporation

| Type of securities | Name of the securities        | Financial statement account | Counterparty               | Relationship    | Beginning balance                      |           | Addition                               |         | Disposal                               |           |           | Ending balance            |  |        |
|--------------------|-------------------------------|-----------------------------|----------------------------|-----------------|--|-----------|--|---------|--|-----------|-----------|---------------------------|--|--------|
|                    |                               |                             |                            |                 | Units(thousand)/bonds/shares(thousand) | Amount    | Units(thousand)/bonds/shares(thousand) | Amount  | Units(thousand)/bonds/shares(thousand) | Amount    | Cost      | Gain (Loss) from disposal | Units(thousand)/bonds/shares(thousand) | Amount |
| Stock              | Advance Materials Corporation | Long-term investment        | Unimicron Technology Corp. | Investee of UMC | 12,800                                 | \$142,194 | -                                      | \$-     | 12,800                                 | \$134,541 | \$142,194 | (\$7,653)                 | -                                      | \$-    |
| Stock              | XGI Technology Inc.           | Long-term investment        | Capitalization from cash   | -               | 9,000                                  | 90,270    | 11,726                                 | 140,711 | -                                      | -         | -         | -                         | 20,726                                 | 71,504 |
| Stock              | Triscend Corporation          | Long-term investment        | Xilinx                     | -               | 3,500                                  | 95,000    | -                                      | -       | 3,500                                  | 165,138   | 95,000    | 70,138                    | -                                      | -      |

UMC Japan

| Type of securities | Name of the securities | Financial statement account | Counterparty | Relationship | Beginning balance                      |            | Addition                               |            | Disposal                               |             |             | Ending balance            |  |        |
|--------------------|------------------------|-----------------------------|--------------|--------------|--|------------|--|------------|--|-------------|-------------|---------------------------|--|--------|
|                    |                        |                             |              |              | Units(thousand)/bonds/shares(thousand) | Amount     | Units(thousand)/bonds/shares(thousand) | Amount     | Units(thousand)/bonds/shares(thousand) | Amount      | Cost        | Gain (Loss) from disposal | Units(thousand)/bonds/shares(thousand) | Amount |
| Stock              | UMCi Ltd.              | Long-term investment        | Note 2       | Note 2       | 45,000                                 | ¥4,820,850 | 45,000                                 | ¥6,496,306 | 90,000                                 | ¥13,280,954 | ¥11,720,261 | ¥1,560,693                | -                                      | ¥-     |

Note 3

Note 1 : Gain (loss) from disposal might include the adjustment of additional paid-in capital. The ending balance might also include other additions or deductions not shown on the above schedule, including long-term equity investment income or loss, cumulative translation adjustment, changes in long-term investment due to unproportionate changes in ownership, and unrealized loss in long-term investment, etc.

Note 2 : Purchase from UMCi's new share issuance and sell to parent company (United Microelectronics Corporation).

Note 3 : The cost of disposal includes exchange gain of ¥403,105 thousand.

ATTACHMENT-5 (Acquisition of individual real estate with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

United Microelectronics Corporation

Prior transaction details for related counterparty

| <u>Name of properties</u> | <u>Transaction date</u> | <u>Transaction amount</u> | <u>Payment status</u> | <u>Counterparty</u> | <u>Relationship</u> | <u>Prior owner who sold the property to the counterparty</u> | <u>Relationship of the prior owner with the acquirer</u> | <u>Date of prior transaction</u> | <u>Prior transaction amount</u> | <u>Price reference</u> | <u>Date of acquisition and status of utilization</u> | <u>Other commitments</u> |
|---------------------------|-------------------------|---------------------------|-----------------------|---------------------|---------------------|--|--|----------------------------------|---------------------------------|------------------------|--|--------------------------|
|---------------------------|-------------------------|---------------------------|-----------------------|---------------------|---------------------|--|--|----------------------------------|---------------------------------|------------------------|--|--------------------------|

None

ATTACHMENT-6 (Disposal of individual real estate with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

United Microelectronics Corporation

| <u>Names of properties</u> | <u>Transaction date</u> | <u>Date of original acquisition</u> | <u>Book value</u> | <u>Transaction amount</u> | <u>Collecting status</u> | <u>Gain (Loss) from disposal</u> | <u>Counterparty</u> | <u>Relationship</u> | <u>Reason of disposal</u> | <u>Price reference</u> | <u>Other commitments</u> |
|----------------------------|-------------------------|-------------------------------------|-------------------|---------------------------|--------------------------|----------------------------------|---------------------|---------------------|---------------------------|------------------------|--------------------------|
|----------------------------|-------------------------|-------------------------------------|-------------------|---------------------------|--------------------------|----------------------------------|---------------------|---------------------|---------------------------|------------------------|--------------------------|

None

ATTACHMENT-7( Related party transactions for purchases and sales amounts exceeding the lower of NTD\$100 million or 20 percent of the capital stock for the year ended December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

United Microelectronics Corporation

| Related party                                | Relationship                  | Transactions      |              |   | Transaction details for non-arm's length transaction |            |      | Notes & accounts receivable (payable) |                                     |      |
|--|-------------------------------|-------------------|--------------|---|--|------------|------|---------------------------------------|-------------------------------------|------|
|  |                               | Purchases (Sales) | Amount       | Percentage of total purchases (sales) (%) | Term   | Unit price | Term | Balance                               | Percentage of total receivables (%) | Note |
| UMC Group (USA)                              | Investee company              | Sales             | \$53,751,976 | 45.82                                     | 45days   | N/A        | N/A  | \$4,389,514                           | 41.04                               |      |
| United Microelectronics (Europe) B.V.        | Investee company              | Sales             | 19,685,139   | 16.78                                     | 45days   | N/A        | N/A  | 1,875,964                             | 17.54                               |      |
| UMC Japan                                    | Investee company              | Sales             | 567,549      | 0.48                                      | 45days   | N/A        | N/A  | 90,191                                | 0.84                                |      |
| Silicon 7, Inc.                              | Subsidiary is its director    | Sales             | 333,969      | 0.28                                      | 45days   | N/A        | N/A  | 9,048                                 | 0.08                                |      |
| XGI Technology Inc.                          | Affiliate company             | Sales             | 351,370      | 0.30                                      | 45days   | N/A        | N/A  | 3,496                                 | 0.03                                |      |
| United Microdisplay Optronics Corp.          | Investee company              | Sales             | 245,755      | 0.21                                      | 45days   | N/A        | N/A  | 57,620                                | 0.54                                |      |
| Silicon Integrated Systems Corp.             | Investee company              | Sales             | 1,676,873    | 1.43                                      | 45days   | Note       | N/A  | 680,936                               | 6.37                                |      |
| Holtek Semiconductor Inc.                    | Investee company              | Sales             | 736,611      | 0.63                                      | 45days   | N/A        | N/A  | 69,007                                | 0.65                                |      |
| Novatek Microelectronics Corp.               | Investee company              | Sales             | 4,352,639    | 3.71                                      | 45days   | N/A        | N/A  | 732,496                               | 6.85                                |      |
| Faraday Technology Corp.                     | Investee company              | Sales             | 1,840,978    | 1.57                                      | 45days   | N/A        | N/A  | 372,077                               | 3.48                                |      |
| AMIC Technology Corp.                        | Investee company              | Sales             | 550,651      | 0.47                                      | 45days   | N/A        | N/A  | 13,945                                | 0.13                                |      |
| MediaTek Incorporation                       | The Company is its supervisor | Sales             | 7,692,163    | 6.56                                      | 45days   | N/A        | N/A  | 784,279                               | 7.33                                |      |
| Pixart Imaging, Inc.                         | Subsidiary is its director    | Sales             | 683,622      | 0.58                                      | 45days   | N/A        | N/A  | 25,015                                | 0.23                                |      |
| Programmable Microelectronics (Taiwan) Corp. | Subsidiary is its director    | Sales             | 283,602      | 0.24                                      | 45days   | N/A        | N/A  | 25,192                                | 0.24                                |      |
| Integrated Technology Express Inc.           | Investee company              | Sales             | 326,263      | 0.28                                      | 45days   | N/A        | N/A  | 42,137                                | 0.39                                |      |
| Fortune Semiconductor Corp.                  | Subsidiary is its director    | Sales             | 259,861      | 0.22                                      | 45days   | N/A        | N/A  | 15,881                                | 0.15                                |      |
| Princeton Technology Corporation             | Subsidiary is its director    | Sales             | 250,456      | 0.21                                      | 45days   | N/A        | N/A  | 36,347                                | 0.34                                |      |
| InComm Technologies Co., Ltd.                | Subsidiary is its director    | Sales             | 157,098      | 0.13                                      | 45days   | N/A        | N/A  | 42,742                                | 0.40                                |      |
| Shin-Etsu Handotai Taiwan Co., Ltd.          | Subsidiary is its director    | Purchases         | 3,952,085    | 14.45                                     | 60days   | N/A        | N/A  | 628,641                               | 14.15                               |      |
| Applied Component Technology Corp.           | Investee company              | Purchases         | 116,452      | 0.43                                      | 60days   | N/A        | N/A  | 20,856                                | 0.47                                |      |
| UMCi Ltd.                                    | Investee company              | Purchases         | 2,987,721    | 10.93                                     | 60days   | N/A        | N/A  | 800,805                               | 18.02                               |      |

Note : The sales price was determined on mutual agreement based on the market conditions.

UMC Group (USA)

| Related party                       | Relationship      | Transactions      |               |   | Transaction details for non-arm's length transaction |            |      | Notes & accounts receivable (payable) |                                     |      |
|-------------------------------------|-------------------|-------------------|---------------|---|--|------------|------|---------------------------------------|-------------------------------------|------|
|                                     |                   | Purchases (Sales) | Amount        | Percentage of total purchases (sales) (%) | Term   | Unit price | Term | Balance                               | Percentage of total receivables (%) | Note |
| United Microelectronics Corporation | Investor company  | Purchases         | USD 1,604,234 | 99.52                                     | Net 55 Days  | N/A        | N/A  | USD 138,735                           | 97.64                               |      |
| UMCi Ltd.                           | Affiliate company | Purchases         | USD 5,963     | 0.37                                      | Net 60 Days  | N/A        | N/A  | USD 305                               | 0.21                                |      |

ATTACHMENT-7( Related party transactions for purchases and sales amounts exceeding the lower of NTD\$100 million or 20 percent of the capital stock for the year ended December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UMCi Ltd.

| Related party                       | Relationship      | Transactions      |            |   |      | Transaction details for non-arm's length transaction |      | Notes & accounts receivable (payable) |                                     |      |
|-------------------------------------|-------------------|-------------------|------------|---|------|--|------|---------------------------------------|-------------------------------------|------|
|                                     |                   | Purchases (Sales) | Amount     | Percentage of total purchases (sales) (%) | Term | Unit price   | Term | Balance                               | Percentage of total receivables (%) | Note |
| UMC Group (USA)                     | Affiliate company | Sales             | USD 5,938  | 5.85                                      | N/A  | N/A  | N/A  | USD 305                               | 1.08                                |      |
| United Microelectronics Corporation | Investor company  | Sales             | USD 93,531 | 92.13                                     | N/A  | N/A  | N/A  | USD 27,655                            | 97.63                               |      |

United Microelectronics (Europe) B. V.

| Related party                       | Relationship     | Transactions      |             |   |             | Transaction details for non-arm's length transaction |      | Notes & accounts receivable (payable) |                                     |      |
|-------------------------------------|------------------|-------------------|-------------|---|-------------|--|------|---------------------------------------|-------------------------------------|------|
|                                     |                  | Purchases (Sales) | Amount      | Percentage of total purchases (sales) (%) | Term        | Unit price   | Term | Balance                               | Percentage of total receivables (%) | Note |
| United Microelectronics Corporation | Investor company | Purchases         | USD 587,054 | 100.00                                    | Net 60 Days | N/A  | N/A  | USD 59,303                            | 100.00                              |      |

ATTACHMENT-8( Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

United Microelectronics Corporation

| Related party                         | Relationship                  | Ending balance   |                     |                   |             | Turnover rate (times) | Overdue receivables |                   | Amount received in subsequent period | Allowance for doubtful accounts |
|---------------------------------------|-------------------------------|------------------|---------------------|-------------------|-------------|-----------------------|---------------------|-------------------|--------------------------------------|---------------------------------|
|                                       |                               | Notes receivable | Accounts receivable | Other receivables | Total       |                       | Amount              | Collecting status |                                      |                                 |
| UMC Group (USA)                       | Investee company              | \$-              | \$4,389,514         | \$29              | \$4,389,543 | 12.28                 | \$-                 | Credit Collecting | \$1,616,284                          | \$84,264                        |
| United Microelectronics (Europe) B.V. | Investee company              | -                | 1,875,964           | 388               | 1,876,352   | 12.00                 | -                   | Credit Collecting | -                                    | 86,974                          |
| Novatek Microelectronics Corp.        | Investee company              | -                | 732,496             | -                 | 732,496     | 4.87                  | -                   | Credit Collecting | -                                    | 7,551                           |
| Faraday Technology Corp.              | Investee company              | -                | 372,077             | 2,755             | 374,832     | 6.23                  | 40,009              | Credit Collecting | -                                    | 4,617                           |
| MediaTek Incorporation                | The Company is its supervisor | -                | 784,279             | -                 | 784,279     | 6.16                  | -                   | Credit Collecting | -                                    | 8,111                           |
| Silicon Integrated Systems Corp.      | Investee company              | -                | 680,936             | 1,812             | 682,748     | 4.94                  | 96,608              | Credit Collecting | -                                    | 8,059                           |

UMCi Ltd.

| Related party                       | Relationship     | Ending balance   |                     |                   |           | Turnover rate (times) | Overdue receivables |                   | Amount received in subsequent period | Allowance for doubtful accounts |
|-------------------------------------|------------------|------------------|---------------------|-------------------|-----------|-----------------------|---------------------|-------------------|--------------------------------------|---------------------------------|
|                                     |                  | Notes receivable | Accounts receivable | Other receivables | Total     |                       | Amount              | Collecting status |                                      |                                 |
| United Microelectronics Corporation | Investor company | -                | USD27,614           | USD41             | USD27,655 | 6.38                  | -                   | -                 | USD8,475                             | USD276                          |
| UMC Group (USA)                     | Investee of UMC  | -                | USD305              | -                 | USD305    | 38.96                 | USD143              | -                 | -                                    | USD36                           |

ATTACHMENT-9(Names, locations and related information of investee companies as of December 31, 2004)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

United Microelectronics Corporation

| Investee company                          | Address                    | Main businesses and products                           | Initial Investment |                   | Investment as of Dec. 31, 2004 |                               |            | Net income (loss)<br>of investee company | Investment<br>income (loss)<br>recognized | Note |
|---|----------------------------|--|--------------------|-------------------|--------------------------------|-------------------------------|------------|--|---|------|
|   |                            |  | Ending balance     | Beginning balance | Shares (thousand)              | Percentage of<br>ownership(%) | Book value |  |   |      |
| UMC Group (USA)                           | Sunnyvale, California, USA | IC Sales   | USD16,438          | USD16,438         | 16,438                         | 100.00                        | \$720,500  | \$346,066                                | \$315,615                                 |      |
| United Foundry Service, Inc.              | Sunnyvale, California, USA | Supervising and monitoring group projects              | USD2,005           | USD2,005          | 2,005                          | 100.00                        | 103,881    | 15,638                                   | 15,690                                    |      |
| United Microelectronics (Europe) B.V.     | The Netherlands            | IC Sales   | USD5,421           | USD5,421          | 9                              | 100.00                        | 284,568    | 66,953                                   | 59,742                                    |      |
| UMC Capital Corporation                   | Cayman, Cayman Islands     | Investment holding                                     | USD55,000          | USD40,000         | 55,000                         | 100.00                        | 1,310,493  | (367,466)                                | (367,466)                                 |      |
| United Microelectronics Corp. (Samoa)     | Apia, Samoa                | Investment holding                                     | USD700             | USD700            | 700                            | 100.00                        | 5,854      | (1,170)                                  | (1,170)                                   |      |
| UMCi Ltd.                                 | Singapore                  | Sales and manufacturing of integrated circuits         | USD839,880         | USD640,563        | 880,006                        | 100.00                        | 26,582,778 | (3,356,684)                              | (2,783,241)                               |      |
| Fortune Venture Capital Corporation       | Taipei, Taiwan             | Consulting and planning for investment in new business | 2,999,940          | 2,999,940         | 299,994                        | 99.99                         | 2,354,878  | 81,119                                   | 81,117                                    |      |
| Hsun Chieh Investment Co., Ltd.           | Taipei, Taiwan             | Investment holding                                     | 14,172,940         | 14,172,940        | 1,417,294                      | 99.97                         | 10,296,356 | 20,614                                   | 20,608                                    |      |
| United Microdisplay Optronics Corporation | Science Park, Hsin-Chu     | Sales and manufacturing of LCOS                        | 818,453            | 1,043,453         | 104,345                        | 83.48                         | 441,618    | (260,649)                                | (172,580)                                 |      |
| Pacific Venture Capital Co., Ltd.         | Taipei, Taiwan             | Venture capital consultation                           | 300,000            | 300,000           | 30,000                         | 49.99                         | 304,810    | 15,445                                   | 7,723                                     |      |
| UMC Japan                                 | Chiba, Japan               | Sales and manufacturing of integrated circuits         | ¥20,537,634        | ¥20,537,634       | 484                            | 47.42                         | 8,842,456  | (238,351)                                | (375,925)                                 |      |
| DuPont Photomasks Taiwan Ltd.             | Science Park, Hsin-Chu     | Manufacturing of photomasks                            | 773,795            | 773,795           | 106,621                        | 45.35                         | 1,058,515  | (24,594)                                 | (11,154)                                  |      |
| Unitech Capital Inc.                      | British Virgin Islands     | Investment holding                                     | USD21,000          | USD21,000         | 21,000                         | 42.00                         | 730,930    | 63,198                                   | 26,543                                    |      |
| Holtek Semiconductor Inc.                 | Science Park, Hsin-Chu     | IC design production and sales                         | 357,628            | 357,628           | 48,980                         | 25.23                         | 731,442    | 777,528                                  | 184,424                                   |      |
| Integrated Technology Express, Inc.       | Science Park, Hsin-Chu     | Sales and manufacturing of integrated circuits         | 186,898            | 205,025           | 24,229                         | 22.23                         | 281,313    | 43,406                                   | 4,968                                     |      |
| Unimicron Technology Corp.                | Taoyuan, Taiwan            | PCB production   | 2,592,013          | 2,592,013         | 185,626                        | 21.43                         | 3,465,809  | 2,208,392                                | 445,785                                   |      |
| Faraday Technology Corp.                  | Science Park, Hsin-Chu     | ASIC design and production                             | 81,032             | 81,032            | 47,682                         | 18.38                         | 794,298    | 1,293,403                                | 241,606                                   |      |
| Novatek Microelectronics Corp.            | Science Park, Hsin-Chu     | Sales and manufacturing of integrated circuits         | 115,567            | 155,941           | 72,775                         | 18.30                         | 1,615,328  | 3,568,834                                | 675,960                                   |      |
| Applied Component Technology Corp.        | Taipei, Taiwan             | IC production sales                                    | 64,659             | 44,604            | 8,848                          | 16.44                         | 19,874     | (33,958)                                 | (5,505)                                   |      |
| Silicon Integrated Systems Corp.          | Science Park, Hsin-Chu     | Sales and manufacturing of integrated circuits         | 5,684,865          | 5,684,865         | 219,092                        | 16.16                         | 4,226,303  | (1,997,176)                              | (861,303)                                 |      |
| AMIC Technology Corporation               | Science Park, Hsin-Chu     | IC design, production and sales                        | 135,000            | 135,000           | 16,200                         | 11.83                         | 79,395     | (132,409)                                | (10,724)                                  |      |