

Financial Report 2003
United Microelectronics Corporation

FINANCIAL REVIEW UNCONSOLIDATED

- 48 Condensed Balance Sheets
- 49 Condensed Statements of Income
- 50 Financial Analysis
- 51 Supervisors' Report
- 52 Report of Independent Auditors
- 53 Balance Sheets
- 55 Statements of Income
- 56 Statements of Changes in Stockholders' Equity
- 57 Statements of Cash Flows
- 59 Notes to Financial Statements
- 79 Attachments to Notes



Condensed Balance Sheets

In thousand NTD

		2003	2002	2001	2000	1999
Current assets		122,306,834	86,658,337	77,251,780	82,785,436	20,549,107
Funds and long-term investments		72,218,479	56,246,744	77,051,045	67,363,540	86,585,485
Property, plant and equipment		117,184,749	146,075,886	155,211,838	152,181,162	36,728,053
Intangible assets		6,956	18,880	30,805	–	–
Other assets		7,527,580	8,332,799	7,839,477	8,798,125	2,276,396
Total assets		320,113,838	297,332,646	317,384,945	311,128,263	146,139,041
Current liabilities	Before distribution	32,751,363	20,949,418	26,936,406	35,853,347	17,190,521
	After distribution	*	20,955,068	26,936,406	36,286,386	17,286,258
Long-term interest-bearing liabilities		48,552,355	55,066,424	52,462,437	34,357,021	9,147,685
Other liabilities		6,568,196	3,883,441	4,520,403	2,916,242	489,187
Total liabilities	Before distribution	87,871,914	79,899,283	83,919,246	73,126,610	26,827,393
	After distribution	*	79,904,933	83,919,246	73,559,649	26,923,130
Capital		161,407,435	154,748,456	133,356,954	114,714,519	66,549,966
Capital reserve		80,074,184	81,875,491	82,115,682	82,161,068	36,836,033
Retained earnings	Before distribution	26,794,291	20,004,054	34,152,379	56,385,155	15,709,863
	After distribution	*	13,339,425	12,760,877	37,309,681	5,777,965
Unrealized loss on long-term investments		(9,537,237)	(10,795,621)	(9,920,139)	(13,804,227)	(319,448)
Cumulative translation adjustment		913,877	728,851	(160,470)	24,202	535,234
Unrecognized pension cost, contra equity account, charge to stockholders' equity (excess of additional pension liability over unrecognized prior service cost)		0	0	0	0	0
Total equity	Before distribution	232,241,924	217,433,363	233,465,699	238,001,653	119,311,648
	After distribution	*	217,427,713	233,465,699	237,568,614	119,215,911

* Subject to change following resolutions decided during the 2004 shareholders' meeting.

Condensed Statements of Income

In thousand NTD

	2003	2002	2001	2000	1999
Net operating revenues	84,862,070	67,425,745	64,493,407	105,084,720	29,147,056
Gross profit	19,442,269	11,195,150	9,130,995	53,601,521	9,831,988
Operating income (loss)	9,936,334	140,971	(5,590,174)	43,573,127	5,521,394
Non-operating income	9,033,180	10,483,535	5,157,410	10,495,729	7,253,604
Non-operating expenses	4,154,145	3,540,412	5,919,983	3,510,786	2,249,334
Income (loss) from continuing operations before income tax	14,815,369	7,084,094	(6,352,747)	50,558,070	10,525,664
Income (loss) from continuing operations	14,020,257	7,072,032	(3,157,302)	50,780,378	10,497,892
Discontinued operations	–	–	–	–	–
Extraordinary items	–	–	–	–	–
Cumulative effect of change in accounting principle	–	–	–	–	–
Net income (loss)	14,020,257	7,072,032	(3,157,302)	50,780,378	10,497,892
Earnings (loss) per share (NTD)	0.92	0.46	(0.19)	3.24	0.94

Note The EPS calculations for 1999-2002 were based on the retroactive adjustment for capitalization of unappropriated earnings and bonuses to employees, and the EPS calculation for 2003 was based on weighted average shares outstanding for the period.

Auditors' Opinion

Year	CPA	Auditors' Opinion
1999	Albert Hsueh, James Tsai	An unqualified opinion
2000	James Wang, Thomas Yue	An unqualified opinion
2001	James Wang, Thomas Yue	An unqualified opinion
2002	James Wang, Thomas Yue	An unqualified opinion
2003	James Wang, Thomas Yue	An unqualified opinion

Financial Analysis

		2003	2002	2001	2000	1999
Capital structure analysis (%)	Debts ratio	27.45	26.87	26.45	23.50	18.36
	Long-term funds to fixed assets	239.62	186.55	184.22	178.97	349.76
Liquidity analysis (%)	Current ratio	373.44	413.66	286.79	230.90	119.54
	Quick ratio	340.19	359.62	250.66	198.99	105.10
	Times interest earned	9.58	4.32	(1.46)	16.76	9.51
Operating performance analysis	Average collection turnover (times)	7.23	8.12	5.56	7.70	6.93
	Average collection days	50	45	66	47	53
	Average inventory turnover (times)	8.45	8.40	7.31	7.05	6.17
	Average payable turnover (times)	7.13	4.93	3.73	4.13	3.63
	Average inventory turnover days	43	43	50	52	59
	Fixed assets turnover (times)	0.64	0.45	0.42	0.84	0.94
	Total assets turnover (times)	0.27	0.22	0.21	0.39	0.23
Profitability analysis (%)	Return on total assets	4.84	2.65	(0.41)	19.52	9.18
	Return on equity	6.24	3.14	(1.34)	25.48	10.72
	Operating income to capital	6.16	0.09	(4.19)	37.98	8.30
	Income before income tax to capital	9.18	4.58	(4.76)	44.07	15.82
	Net income to sales	16.52	10.49	(4.88)	48.32	36.02
	Earnings per share (NTD)	0.92	0.46	(0.19)	3.24	0.94
Cash flow (%)	Cash flow ratio	139.22	133.89	145.82	186.60	59.22
	Cash flow adequacy ratio	105.92	87.59	90.34	85.99	97.94
	Cash flow reinvestment ratio	10.37	7.06	10.37	20.16	6.87
Leverage	Operating leverage	6.65	421.35	(9.52)	1.88	3.52
	Financial leverage	1.14	(0.11)	0.69	1.06	1.22

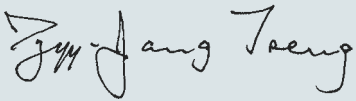
Notes (1) The beginning figures of 2000 were based on the pro forma consolidated balance sheet as of the merger date on January 3, 2000. **(2)** The EPS calculations for 1999-2002 were based on the retroactive adjustment for capitalization of unappropriated earnings and bonus to employees; and the EPS calculation for 2003 was based on weighted average shares outstanding for the period. **(3)** The calculation formulas of financial analysis are listed as follows:

- **Capital structure analysis** (1) Debts ratio=Total liabilities / Total assets (2) Long-term funds to fixed assets=(Stockholders' equity + Long-term interest-bearing liabilities) / Net fixed assets
- **Liquidity analysis** (1) Current ratio= Current assets / Current liabilities (2) Quick ratio= (Current assets - Inventories - Prepaid expenses - Current deferred income tax assets) / Current liabilities (3) Times interest earned=Earnings before interest and tax / Interest expense
- **Operating performance analysis** (1) Average collection turnover (times)=Net sales / Average trade receivables (2) Average collection days=365 / Average collection turnover (times) (3) Average inventory turnover (times)=Cost of goods sold / Average inventory (4) Average payable turnover (times)=Cost of goods sold / Average trade payables (5) Average inventory turnover days=365 / Average inventory turnover (times) (6) Fixed assets turnover (times)=Net sales / Average fixed assets (7) Total assets turnover (times)=Net sales / Average total assets
- **Profitability analysis** (1) Return on total assets={Net income + Interest expense x (1 - Tax rate)} / Average total assets (2) Return on equity=Net income / Average stockholders' equity (3) Operating income to capital=Operating income / Capital (4) Income before income tax to capital=Income before income tax / Capital (5) Net income to sales=Net income / Net sales (6) Earnings per share=(Net income - Preferred stock dividend) / Weighted average number of shares outstanding
- **Cash flow** (1) Cash flow ratio=Net cash provided by operating activities / Current liabilities (2) Cash flow adequacy ratio=Five-year sum of cash from operation / Five-year sum of capital expenditures, Inventory additions, and Cash dividends (3) Cash flow reinvestment ratio=(Cash provided by operating activities - Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital)
- **Leverage** (1) Operating leverage=(Net sales - Variable cost) / Operating income (2) Financial leverage=Operating income / (Operating income - Interest expense)

Supervisors' Report

The board of directors has prepared and submitted to us the Company's 2003 financial statements. These statements have been audited by Diwan, Ernst & Young. The financial statements present fairly the financial position of the Company and the results of its operations and cash flows. We, as the Supervisors of the Company, have reviewed these statements, the report of operations and the proposals relating to distribution of net profit. According to article 219 of the Company Law, we hereby submit this report.

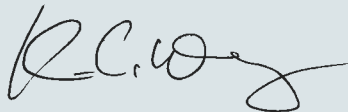
United Microelectronics Corporation
Supervisors:



Tzyy-Jang Tseng



Mao-Chung Lin



Jack K.C. Wang

March 12, 2004

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 balance sheets of United Microelectronics Corporation as of December 31, 2003 and 2002, and the related statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2003 and 2002. 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 financial statements, certain long-term investments were accounted for under the equity method based on the 2003 and 2002 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 NTD 233 million and NTD 146 million for the years ended December 31, 2003 and 2002, respectively, and the related long-term investment balances of NTD 5,048 million and NTD 5,514 million as of December 31, 2003 and 2002, respectively, is based solely on the reports of the other auditors.

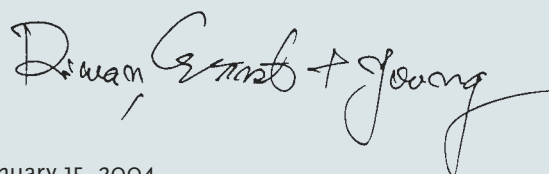
We conducted our audits in accordance with auditing standards generally accepted in the Republic of China and "Guidelines for Certified Public Accountants' Examination and Reports on Financial Statements", which require that we plan and perform the audit to obtain reasonable assurance about whether the 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 ac-

counting principles used and significant estimates made by management, and evaluating the overall 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 financial position of United Microelectronics Corporation as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years ended December 31, 2003 and 2002, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China.

As described in Note 3 to the financial statements, United Microelectronics Corporation has adopted the Statements of Financial Accounting Standards of the Republic of China No. 30, "Accounting for Treasury Stock", to account for its stock held by subsidiaries as treasury stock since January 1, 2002.

We have also audited the consolidated financial statements of United Microelectronics Corporation as of and for the years ended December 31, 2003 and 2002, and have expressed an unqualified opinion with explanatory paragraph on such financial statements.



January 15, 2004
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.

Balance Sheets

As of December 31, 2003 and 2002

Assets	Notes	2003	2002
Current assets			
Cash and cash equivalents	2, 4(1)	\$92,865,557	\$57,192,459
Marketable securities, net	2, 4(2)	1,456,402	2,501,748
Notes receivable	4(3)	8,756	83,001
Notes receivable - related parties	5	101,753	2,370
Accounts receivable, net	2, 4(4)	5,016,767	3,214,909
Accounts receivable - related parties, net	2, 5	8,995,850	6,066,568
Other receivables	2	523,579	990,336
Other financial assets, current	2, 4(5)	2,446,603	5,286,560
Inventories, net	2, 4(6)	7,367,759	7,692,278
Prepaid expenses		676,145	730,062
Deferred income tax assets, current	2, 4(18)	2,847,663	2,898,046
Total current assets		122,306,834	86,658,337
Funds and long-term investments			
Long-term investments accounted for under the equity method	2, 3, 4(7)	59,883,831	39,677,449
Long-term investments accounted for under the cost method		12,334,648	16,569,295
Total funds and long-term investments		72,218,479	56,246,744
Other financial assets, noncurrent			
	4 (5)	869,240	—
Property, plant and equipment			
Land	2, 4(8), 5, 6, 7	1,367,344	1,618,731
Buildings		12,095,043	12,180,376
Machinery and equipment		247,164,445	233,423,940
Transportation equipment		80,684	61,368
Furniture and fixtures		1,906,651	1,908,301
Leased assets		47,783	47,783
Leasehold improvements		—	44,930
Total cost		262,661,950	249,285,429
Less: Accumulated depreciation		(153,364,906)	(121,042,789)
Add: Construction in progress and prepayments		7,887,705	17,833,246
Property, plant and equipment, net		117,184,749	146,075,886
Intangible assets			
Patents	2	6,956	18,880
Total intangible assets		6,956	18,880
Other assets			
Idle assets	2	—	22,361
Deferred charges	2	1,640,285	2,079,314
Deferred income tax assets, noncurrent	2, 4(18)	4,363,241	5,117,101
Other assets - others	4(9)	1,524,054	1,114,023
Total other assets		7,527,580	8,332,799
Total assets		\$320,113,838	\$297,332,646

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

Liabilities and Stockholders' Equity	Notes	<i>In thousand NTD</i>	
		2003	2002
Current liabilities			
Short-term loans	4(10)	\$-	\$100,000
Accounts payable		3,325,689	2,271,635
Accounts payable - related parties	5	789,988	389,906
Income tax payable	2	49,693	63,281
Accrued expenses		4,532,562	3,483,171
Other payables		4,057,940	7,015,908
Current portion of long-term interest-bearing liabilities	4(11), 4(12), 5, 6	18,524,077	5,569,098
Other current liabilities	7	1,471,414	2,056,419
Total current liabilities		32,751,363	20,949,418
Long-term interest-bearing liabilities			
Bonds payable	2, 4(7), 4(11)	48,311,847	45,505,662
Long-term loans	4(12), 5, 6	240,508	9,560,762
Total long-term interest-bearing liabilities		48,552,355	55,066,424
Other liabilities			
Accrued pension liabilities	2, 4(13)	2,252,491	1,934,159
Deposits-in		7,845	2,698
Deferred credits	2	4,307,860	1,946,584
Total other liabilities		6,568,196	3,883,441
Total liabilities		87,871,914	79,899,283
Capital			
Common stock	4(14)	161,407,435	154,748,456
Capital reserve			
Premiums	2	41,729,589	41,729,589
Change in equities of long-term investments		21,192,141	22,993,448
Excess from merger		17,152,454	17,152,454
Retained earnings			
Legal reserve	4(16)	11,410,475	10,686,225
Special reserve		1,346,994	631,982
Unappropriated earnings		14,036,822	8,685,847
Adjusting items in stockholders' equity			
Unrealized loss on long-term investments	2	(9,537,237)	(10,795,621)
Cumulative translation adjustment		913,877	728,851
Treasury stock	2, 3, 4(15)	(27,410,626)	(29,127,868)
Total stockholders' equity		232,241,924	217,433,363
Total liabilities and stockholders' equity		\$320,113,838	\$297,332,646

Statements of Income

For the years ended December 31, 2003 and 2002

In thousand NTD

Contents	Notes	2003	2002
Operating revenues	2, 5		
Sales revenues		\$81,977,207	\$65,101,970
Less: Sales returns and discounts		(499,177)	(719,276)
Net sales		81,478,030	64,382,694
Other operating revenues		3,384,040	3,043,051
Net operating revenues		84,862,070	67,425,745
Operating costs	4(17)		
Cost of goods sold	5	(62,862,392)	(53,652,787)
Other operating costs		(2,519,265)	(2,580,669)
Operating costs		(65,381,657)	(56,233,456)
Gross profit		19,480,413	11,192,289
Unrealized intercompany profit	2	(106,702)	(68,558)
Realized intercompany profit	2	68,558	71,419
Net		19,442,269	11,195,150
Operating expenses	4(17)		
Sales and marketing expenses		(1,633,353)	(831,432)
General and administrative expenses		(2,175,815)	(3,190,776)
Research and development expenses		(5,696,767)	(7,031,971)
Subtotal		(9,505,935)	(11,054,179)
Operating income		9,936,334	140,971
Non-operating income			
Interest revenue		966,973	1,332,907
Investment income accounted for under the equity method, net	2, 4(7)	–	490,347
Dividend income		791,259	229,692
Gain on disposal of property, plant and equipment	2, 5	202,242	65,077
Gain on disposal of investments	2, 4(11)	6,573,588	7,879,533
Exchange gain, net	2	253,906	117,896
Other income		245,212	368,083
Subtotal		9,033,180	10,483,535
Non-operating expenses			
Interest expense	4(8), 5	(1,234,134)	(1,418,142)
Investment loss accounted for under the equity method, net	2, 4(7)	(629,404)	–
Other investment loss	2	(713,122)	(976,232)
Loss on disposal of property, plant and equipment	2, 5	(147,195)	(29,539)
Loss on decline in market value and obsolescence of inventories	2	(973,651)	(710,405)
Financial expenses		(365,606)	(348,818)
Depreciation and loss on idle assets	2	–	(50,954)
Other losses	4(11)	(91,033)	(6,322)
Subtotal		(4,154,145)	(3,540,412)
Income before income tax		14,815,369	7,084,094
Income tax expense	2, 4(18)	(795,112)	(12,062)
Net income		\$14,020,257	\$7,072,032
Earnings per share-basic (in NTD)	2, 4(19)		
Income before income tax		\$0.97	\$0.46
Net income		\$0.92	\$0.46
Earnings per share-diluted (in NTD)	2, 4(19)		
Income before income tax		\$0.95	\$0.46
Net income		\$0.90	\$0.46
Pro forma information on earnings as if subsidiaries' investment in the Company is not treated as treasury stock	2, 4(19)		
Net income		\$14,020,257	\$7,072,032
Earnings per share-basic (in NTD)		\$0.89	\$0.44
Earnings per share-diluted (in NTD)		\$0.87	\$0.44

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

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2003 and 2002

In thousand NTD

Contents	Common Stock	Capital Reserve	Retained Earnings			Treasury Stock	Unrealized Loss on Long-term Investments	Cumulative Translation Adjustment	Total
			Legal Reserve	Special Reserve	Unappropriated Earnings				
Balance as of Jan. 1, 2002	\$133,356,954	\$82,115,682	\$10,686,225	\$2,242,284	\$21,223,870	\$(6,078,707)	\$(9,920,139)	\$(160,470)	\$233,465,699
Appropriation of 2001 retained earnings:									
Special reserve	—	—	—	(1,610,302)	1,610,302	—	—	—	—
Stock dividends	19,680,182	—	—	—	(19,680,182)	—	—	—	—
Employees' bonus	1,711,320	—	—	—	(1,711,320)	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	(2,739,918)	—	—	(2,739,918)
Treasury stock held by subsidiaries	—	—	—	—	—	(20,309,243)	—	—	(20,309,243)
Net income in 2002	—	—	—	—	7,072,032	—	—	—	7,072,032
Transfer of capital reserve arising from gain on disposal of property, plant and equipment to retained earnings	—	(170,473)	—	—	170,473	—	—	—	—
Transfer of capital reserve arising from gain on disposal of property, plant and equipment of investees to retained earnings	—	(672)	—	—	672	—	—	—	—
Adjustment of capital reserve accounted for under the equity method	—	(69,046)	—	—	—	—	—	—	(69,046)
Changes in unrealized loss on long-term investments of investees	—	—	—	—	—	—	(875,482)	—	(875,482)
Changes in cumulative translation adjustment	—	—	—	—	—	—	—	889,321	889,321
Balance as of Dec. 31, 2002	154,748,456	81,875,491	10,686,225	631,982	8,685,847	(29,127,868)	(10,795,621)	728,851	217,433,363
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 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 investees	—	—	—	—	—	—	1,258,384	—	1,258,384
Changes in cumulative translation adjustment	—	—	—	—	—	—	—	185,026	185,026
Balance as of Dec. 31, 2003	\$161,407,435	\$80,074,184	\$11,410,475	\$1,346,994	\$14,036,822	\$(27,410,626)	\$(9,537,237)	\$913,877	\$232,241,924

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

Statements of Cash Flows

For the years ended December 31, 2003 and 2002

In thousand NTD

Contents	2003	2002
Cash flows from operating activities:		
Net income	\$14,020,257	\$7,072,032
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	35,855,265	33,531,540
Amortization	1,556,282	2,193,472
Bad debt expenses (reversal on allowance for doubtful accounts)	82,389	(62,695)
Loss on decline in market value and obsolescence of inventories	973,651	710,405
Cash dividends received under the equity method	232,167	146,064
Investment loss (income) accounted for under the equity method	629,404	(490,347)
Impairment loss on long-term investments	713,122	976,232
Gain on disposal of investments	(6,573,588)	(7,879,533)
Gain on disposal of property, plant and equipment	(55,047)	(35,538)
Donation of property, plant and equipment	22,584	–
Depreciation and loss on idle assets	–	50,954
Exchange gain on long-term liabilities	(519,544)	(145,671)
Amortization of bond premiums	(19,386)	–
Loss on reacquisition of bonds	5,098	–
Changes in assets and liabilities:		
Notes receivable	(25,138)	217,922
Accounts receivable	(5,391,660)	(2,731,240)
Other receivables	849,336	(146,072)
Inventories	(649,132)	(3,212,549)
Prepaid expenses	128,434	7,312
Deferred income tax assets	804,243	–
Accounts payable	1,563,186	309,997
Income tax payable	(13,588)	–
Accrued expenses	1,027,902	(1,938,438)
Other current liabilities	45,124	(43,661)
Compensation interest payable	67,938	78,977
Capacity deposits	(50,179)	(984,835)
Accrued pension liabilities	318,332	425,196
Net cash provided by operating activities	<u>45,597,452</u>	<u>28,049,524</u>
Cash flows from investing activities:		
Decrease (increase) in marketable securities, net	1,041,707	(1,381,478)
Decrease (increase) in other financial assets, net	1,970,717	(3,623,416)
Acquisition of long-term investments	(17,994,271)	(3,546,762)
Proceeds from disposal of long-term investments	8,830,794	11,415,056
Acquisition of property, plant and equipment	(12,582,596)	(27,897,707)
Proceeds from disposal of property, plant and equipment	1,326,646	601,845
Increase in deferred charges	(683,685)	(1,580,610)
Decrease (increase) in other assets, net	65,024	(296,323)
Net cash used in investing activities	<u>(18,025,664)</u>	<u>(26,309,395)</u>

Continued on next page

For the years ended December 31, 2003 and 2002

In thousand NTD

Contents (Continued from previous page)	2003	2002
Cash flows from financing activities:		
(Decrease) increase in short-term loans, net	\$(100,000)	\$100,000
Repayment of long-term loans	(11,870,397)	(5,718,446)
Proceeds from bonds issued	22,217,589	8,095,500
Redemption of bonds	(1,139,998)	(1,140,000)
Reacquisition of bonds	(2,156,908)	–
Remuneration paid to directors and supervisors	(5,650)	–
Increase in deposits-in, net	5,147	1,152
Purchase of treasury stock	(2,056,063)	(2,739,918)
Treasury stock transferred to employees	3,207,590	–
Net cash provided by (used in) financing activities	<u>8,101,310</u>	<u>(1,401,712)</u>
Net increase in cash and cash equivalents	35,673,098	338,417
Cash and cash equivalents at beginning of year	57,192,459	56,854,042
Cash and cash equivalents at end of year	<u>\$92,865,557</u>	<u>\$57,192,459</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$1,513,463</u>	<u>\$1,941,517</u>
Cash paid for income tax	<u>\$76,545</u>	<u>\$101,240</u>
Investing activities partially paid by cash:		
Acquisition of property, plant and equipment	\$9,624,628	\$25,020,104
Add: Payable at beginning of year	7,015,908	9,893,511
Less: Payable at end of year	(4,057,940)	(7,015,908)
Cash paid for acquiring property, plant and equipment	<u>\$12,582,596</u>	<u>\$27,897,707</u>
Investing and financing activities not affecting cash flows:		
Principal amount of exchangeable bonds exchanged by bondholders	\$194,304	\$–
Book value of reference shares delivered for exchange	(75,505)	–
Elimination of related balance sheet accounts	4,348	–
Recognition of gain on disposal of investments	<u>\$123,147</u>	<u>\$–</u>

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

Notes to Financial Statements

December 31, 2003 and 2002

Expressed in thousands of NTD unless otherwise specified

Note 1. History and Organization

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 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 Depositary Shares (ADSs) were listed on the New York Stock Exchange in September 2000.

Note 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:

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.

Foreign Currency Transactions

The accounts of the Company are maintained in New Taiwan dollars, the functional currency. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing at the transaction dates. Receivables, other monetary assets, and liabilities denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing at 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.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount 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 at the balance sheet date. 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 value of listed debt and equity securities, or closed-end funds is determined by the average closing price during the last month of the fiscal year. The market value of open-end funds is determined by the equity per unit 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 judgment 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 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 ownership interest in listed investees, where significant influence on operational decisions of the investees does not reside with the Com-

pany, 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 purposes 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 ownership interest 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 Company 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 Company'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 Company'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 Company'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 Company's ownership percentages; while those arising from transactions between majority-owned subsidiaries are eliminated in proportion to the Company's ownership percentage in the subsidiary that incurs a gain or loss.

Consolidated financial statements including the accounts of the Company and certain majority-owned subsidiaries are prepared at the end of fiscal year. If the total assets and operating revenues of a subsidiary are less than 10% of the total non-consolidated 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 total non-consolidated assets or operating revenues, then each individual subsidiary with total assets or operating

revenues up to 3% of the Company's total non-consolidated assets or operating revenues has to be included in the consolidation. Such subsidiaries are included in the consolidated financial statements, unless the percentage of the combined total assets or operating revenues for all such subsidiaries is less than 20% of the Company's respective unconsolidated amount.

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 expenditure 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 - 20 to 55 years; machinery and equipment - 5 years; transportation equipment - 5 years; furniture and fixtures - 5 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. At each balance sheet date, the Company 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 recognition of 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 Company 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 recognition of 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 the 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 bonds is to be offset against the book value of the investments in reference shares and the related stockholders' equity accounts, with the difference recognized as gain or loss on disposal of investments.

Pension Plan

The Company has a funded defined benefit pension plan covering all regular employees and the pension fund is managed by an independently administered pension fund committee. 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.

Treasury Stock

The Company adopted the ROC SFAS No. 30, which requires that treasury stock held by the Company 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 Company's stock held by its subsidiaries is also treated as treasury stock in the Company's account.

Revenue Recognition

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 to the expenditure will flow to the Company and the expenditure exceeds a predetermined level. Otherwise it is charged to expense when incurred.

Income Tax

The Company 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 Company 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.

Note 3. Accounting Change

Since January 1, 2002, the Company has adopted the ROC SFAS No. 30 to further include the Company's stock held by its subsidiaries as treasury stock in the Company's account. As of December 31, 2002, this adoption has decreased the amount of long-term investment and stockholder's equity in the Company's balance sheet by NTD 11,722 million, respectively, while the net income for the year then ended was not affected.

Note 4. Contents of Significant Accounts

(1) Cash and Cash Equivalents

As of December 31,	2003	2002
Cash:		
Cash on hand	\$1,415	\$1,470
Checking and savings accounts	586,523	1,437,824
Time deposits	82,501,065	47,061,756
Subtotal	83,089,003	48,501,050
Cash equivalents:		
Commercial paper	9,776,554	8,691,409
Total	\$92,865,557	\$ 57,192,459

(2) Marketable Securities, Net

As of December 31,	2003	2002
Listed equity securities	\$1,187,619	\$-
Convertible bonds	268,783	2,501,748
Total	\$1,456,402	\$2,501,748
Less: Allowance for loss on decline in market value	-	-
Net	\$1,456,402	\$2,501,748

(3) Notes Receivable

As of December 31,	2003	2002
Notes receivable	\$8,756	\$83,001

(4) Accounts Receivable, Net

As of December 31,	2003	2002
Accounts receivable	\$5,194,434	\$3,345,509
Less: Allowance for sales returns and discounts	(86,159)	(89,301)
Less: Allowance for doubtful accounts	(91,508)	(41,299)
Net	\$5,016,767	\$3,214,909

(5) Other Financial Assets, Current

As of December 31,	2003	2002
Credit-linked deposits and repackage bonds	\$3,187,304	\$5,286,560
Interest rate swaps	128,539	-
Total	\$3,315,843	5,286,560
Less: Noncurrent portion	(869,240)	-
Net	\$2,446,603	\$5,286,560

(6) Inventories, Net

As of December 31,	2003	2002
Raw materials	\$172,964	\$260,382
Supplies and spare parts	1,332,944	1,312,516
Work in process	6,070,918	5,965,352
Finished goods	178,710	560,364
Total	7,755,536	8,098,614
Less: Allowance for loss on decline in market value and obsolescence	(387,777)	(406,336)
Net	\$7,367,759	\$7,692,278

- The insurance coverage for inventories was sufficient as of December 31, 2003 and 2002, respectively.
- 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)

<i>As of December 31,</i>	2003		2002	
<i>Investee Company</i>	<i>Percentage of Ownership or Voting Rights</i>	<i>Amount</i>	<i>Percentage of Ownership or Voting Rights</i>	<i>Amount</i>
<i>Investments accounted for under the equity method:</i>				
UMC Group (USA)	100.00	\$451,046	100.00	\$481,982
United Foundry Service, Inc	100.00	95,484	100.00	91,270
United Microelectronics (Europe) B.V.	100.00	244,869	100.00	216,606
UMC Capital Corporation	100.00	1,265,822	100.00	1,028,460
United Microelectronics Corp. (Samoa)	100.00	7,463	100.00	6,680
Fortune Venture Capital Corporation	99.99	2,280,265	99.99	3,013,016
Hsun Chieh Investment Co., Ltd.	99.97	10,622,554	99.97	10,528,383
United Microdisplay Optronics Corp.	83.48	659,198	85.00	702,501
UMCi Ltd.	75.05	20,972,846	49.82	7,150,473
Pacific Venture Capital Co., Ltd.	49.99	313,298	49.99	316,270
UMC Japan	47.48	9,531,141	47.06	7,857,204
DuPont Photomasks Taiwan Ltd.	45.35	1,069,669	45.51	1,145,403
Unitech Capital Inc.	42.00	757,050	42.00	729,999
Holtek Semiconductor Inc.	25.44	624,432	25.61	563,906
Integrated Technology Express Inc.	24.38	341,310	24.58	309,445
Unimicron Technology Corp.	21.93	3,214,325	23.81	3,024,848
Applied Component Technology Corp.	21.42	43,872	23.66	94,055
Novatek Microelectronics Corp.	20.44	1,285,319	25.83	1,195,123
Faraday Technology Corp. (Note A)	19.10	729,058	19.71	570,897
Silicon Integrated Systems Corp. (Note B)	16.18	5,288,088	–	–
AMIC Technology Corporation (Note A)	11.83	86,722	13.62	56,894
Integrated Telecom Express, Inc. (Note A)	–	–	16.36	594,034
Subtotal		59,883,831		39,677,449
<i>Investments accounted for under the cost method or the lower of cost or market value method:</i>				
MediaTek Incorporation	11.13	1,055,237	13.21	1,213,655
AU Optronics Corp. (Note C)	9.74	5,991,447	11.37	6,759,855
Aptos Corp.	9.68	–	9.68	30,302
Vialta, Inc.	8.90	–	8.90	622,835
United Industrial Gases Co., Ltd.	8.27	146,250	8.44	146,250
Subtron Technology Co., Ltd.	5.47	172,800	7.41	240,000
Industrial Bank of Taiwan Corp.	5.00	1,150,000	5.00	1,150,000
Billionton Systems Inc.	3.05	30,948	–	–
Mega Financial Holding Company	0.84	3,108,656	0.83	3,108,656
Premier Image Technology Corporation	0.62	27,964	0.64	27,964
Silicon Integrated Systems Corp. (Note B)	–	–	4.46	1,267,580
TECO Electric & Machinery Co., Ltd.	–	–	4.02	1,535,298
SAMPO Corporation	–	–	1.73	224,044
Pacific Technology Partners, L.P. (Note D)	–	282,086	–	208,256
Pacific United Technology, L.P. (Note D)	–	69,260	–	34,600
Taiwan High Speed Rail Corporation (Note E)	–	300,000	–	–
Subtotal		12,334,648		16,569,295
Total		\$72,218,479		56,246,744

Note A The percentage of ownership directly and indirectly held by the Company was over 20%, therefore, the equity method was applied. **Note B** 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, the equity method was applied. **Note C** Among the shares held by the Company in AU Optronics Corp., approximately 337,455 thousand shares with the book value of NTD 4,772 million were utilized as reference shares for the Company's zero coupon exchangeable bonds. **Note D** Amounts represented the investments in limited partnership without voting rights. As the Company was not able to exercise significant influences, the investments were accounted for under the cost method. **Note E** The amount represented the investment in 30 million preferred shares. As the Company did not possess voting rights or significant influences, the cost method was applied.

- b. Investment loss and income accounted for under the equity method, which were based on the audited financial statements of the investees, were NTD 629 million and NTD 490 million for the years ended December 31, 2003 and 2002, respectively. Among which, investment income and loss amounting to NTD 233 million and NTD 146 million for the years ended December 31, 2003 and 2002, respectively, and the related long-term investment balances of NTD 5,048 million and NTD 5,514 million as of December 31, 2003 and 2002, respectively, were determined based on the investees' financial statements audited by other auditors.
- c. The long-term investments were not pledged.

(8) Property, Plant and Equipment

As of December 31, 2003	Cost	Accumulated Depreciation	Book Value
Land	\$1,367,344	\$-	\$1,367,344
Buildings	12,095,043	(3,082,067)	9,012,976
Machinery and equipment	247,164,445	(149,213,023)	97,951,422
Transportation equipment	80,684	(45,112)	35,572
Furniture and fixtures	1,906,651	(992,849)	913,802
Leased assets	47,783	(31,855)	15,928
Construction in progress and prepayments	7,887,705	-	7,887,705
Total	\$270,549,655	\$(153,364,906)	\$117,184,749

As of December 31, 2002	Cost	Accumulated Depreciation	Book Value
Land	\$1,618,731	\$-	\$1,618,731
Buildings	12,180,376	(2,516,949)	9,663,427
Machinery and equipment	233,423,940	(117,572,705)	115,851,235
Transportation equipment	61,368	(37,245)	24,123
Furniture and fixtures	1,908,301	(878,514)	1,029,787
Leased assets	47,783	(15,927)	31,856
Leasehold improvements	44,930	(21,449)	23,481
Construction in progress and prepayments	17,833,246	-	17,833,246
Total	\$267,118,675	\$(121,042,789)	\$146,075,886

- a. Total interest expense before capitalization amounted to NTD 1,676 million and NTD 1,969 million for the years ended December 31, 2003 and 2002, respectively. Details of capitalized interest are as follows:

For the year ended December 31,	2003	2002
Machinery and equipment	\$435,878	\$545,551
Other property, plant and equipment	5,795	5,162
Total interest capitalized	\$441,673	\$550,713
Interest rates applied	3.18% ~ 3.50%	3.34% ~ 3.89%

- b. The insurance coverage for property, plant and equipment was sufficient as of December 31, 2003 and 2002,

respectively.

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

(9) Other Assets-Others

As of December 31,	2003	2002
Assets leased to others	\$681,742	\$170,032
Deposits-out	721,721	821,340
Others	120,591	122,651
Total	\$1,524,054	\$1,114,023

(10) Short-term Loans

As of December 31,	2003	2002
Unsecured bank loans	\$-	\$100,000
Interest rates	-	1.60%

The Company's unused short-term lines of credits amounted to NTD 13,828 million and NTD 16,667 million as of December 31, 2003 and 2002, respectively.

(11) Bonds Payable

As of December 31,	2003	2002
Secured domestic bonds payable	\$1,710,002	\$2,850,001
Unsecured domestic bonds payable	40,000,000	25,000,000
Convertible bonds payable	8,188,954	10,529,568
Exchangeable bonds payable	14,804,484	8,182,700
Premiums on exchangeable bonds	187,360	-
Compensation interest payable	126,763	83,392
Total	65,017,563	46,645,661
Less: Current portion	(16,705,716)	(1,139,999)
Net	\$48,311,847	\$45,505,662

- a. On April 27, 2000, the Company issued five-year secured bonds amounting to NTD 3,990 million. The interest is paid semi-annually with a 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 NTD 15,000 million, each with a face value of NTD 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 NTD 10,000 million, each with a face value of NTD 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 and five-year bonds are repayable

in October 2004 and October 2006, respectively, upon the maturity of the bonds.

- d. On December 12, 2001, the Company issued zero coupon convertible bonds amounting to USD 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 will 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 New York Stock Exchange 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 the resale of certain ADSs issuable upon conversion of the bonds has been declared effective by the US SEC, up to and including February 20, 2004.
- d) Conversion Price:
- i. In respect of the common shares, will be NTD 66.67 per share, and
- ii. In respect of the ADSs, will be USD 9.673 per ADS. The applicable conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.
- e) Reacquisition of the Bonds:
As of December 31, 2003, the Company has reacquired a total amount of USD 62 million of the bonds from the open market. The corresponding loss on the reacquisition amounting to NTD 5 million for the year ended December 31, 2003 was recognized as other losses. As of December 31, 2002, the Company had not reacquired any of such bonds from the open market.

- 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 USD 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 will 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 NTD 34.645=USD 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 its 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 NTD 54.91 per share, determined on the basis of a fixed exchange rate of NTD 34.645=USD 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. During the period from May 21 to June 24, 2003, the

Company issued five-year and seven-year unsecured bonds totaling NTD 15,000 million, each with a face value of NTD 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 USD 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 will 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 NTD 34.390=USD 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 bondholder, redeem such bonds 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 NTD 36.387 per share, determined on the ba-

sis of a fixed exchange rate of NTD 34.390=USD 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, 2003, certain bondholders have exercised their rights to exchange their bonds with the total principal amount of USD 6 million into AUO shares. The corresponding gain on the exchange amounting to NTD 123 million for the year ended December 31, 2003 was recognized as a gain on disposal of investments.

h. 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)

<i>Bonds Repayable in</i>	<i>Amount</i>
2004	\$16,705,716
2005	2,820,004
2006	10,250,000
2007	10,244,700
2008	17,309,783
2009 and thereafter	7,500,000
<i>Total</i>	<u>\$64,830,203</u>

(12) Long-term Loans

<i>As of December 31,</i>	<i>2003</i>	<i>2002</i>
<i>Secured long-term loans</i>	\$2,058,869	\$13,989,861
<i>Less: Current portion</i>	(1,818,361)	(4,429,099)
<i>Net</i>	\$240,508	\$9,560,762
<i>Interest rates</i>	1.82% ~ 2.53%	2.07% ~ 3.35%

a. The above long-term loans will be repaid by installments with the last payment on September 18, 2005. Repayments in the coming years respectively are as follows:

<i>Long-term Loans Repayable in</i>	<i>Amount</i>
2004	\$1,818,361
2005	240,508
<i>Total</i>	<u>\$2,058,869</u>

b. The Company's long-term loans denominated in foreign currency amounted to USD 28 million and USD 100 million as of December 31, 2003 and 2002, respectively.

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

(13) Pension Fund

a. All of the regular employees of the Company are covered by the pension plan. Pension benefits are generally based on the units of service years and the average sal-

ary in the last month of the service year. Two units per year are entitled for the first 15 years of services while one unit per year is entitled after the completion of the fifteenth year. The total units shall not exceed 45.

Under the plan, as prescribed by local labor standards law, the Company contributes an amount equal to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Central Trust of China. Retirement benefits are paid from fund previously provided. The unrecognized net asset or obligation at transition based on actuarial valuation is amortized on a straight-line basis over 15 years.

b. Change in benefit obligation during the year:

<i>For the year ended December 31,</i>	2003	2002
<i>Projected benefit obligation at beginning of year</i>	\$(2,829,736)	\$(2,270,860)
<i>Service cost</i>	(421,332)	(377,985)
<i>Interest cost</i>	(113,189)	(102,189)
<i>Benefits paid</i>	–	4,096
<i>Gain (loss) on projected benefit obligation</i>	158,791	(82,798)
<i>Projected benefit obligation at end of year</i>	\$(3,205,466)	\$(2,829,736)

c. Change in pension assets during the year:

<i>For the year ended December 31,</i>	2003	2002
<i>Fair value of plan assets at beginning of year</i>	\$737,911	\$624,302
<i>Actual return on plan assets</i>	15,653	23,482
<i>Contributions from employer</i>	91,442	94,223
<i>Benefits paid</i>	–	(4,096)
<i>Fair value of plan assets at end of year</i>	\$845,006	\$737,911

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

<i>As of December 31,</i>	2003	2002
<i>Benefit obligation</i>		
<i>Vested benefit obligation</i>	\$(9,071)	\$(1,512)
<i>Non-vested benefit obligation</i>	(1,195,467)	(932,188)
<i>Accumulated benefit obligation</i>	(1,204,538)	(933,700)
<i>Effect from projected salary increase</i>	(2,000,928)	(1,896,036)
<i>Projected benefit obligation</i>	(3,205,466)	(2,829,736)
<i>Fair value of plan assets</i>	845,006	737,911
<i>Funded status</i>	(2,360,460)	(2,091,825)
<i>Unrecognized transitional net benefit obligation</i>	197,171	225,338
<i>Unrecognized (gain) loss</i>	(89,202)	61,261
<i>Accrued pension liabilities per actuarial report</i>	(2,252,491)	(1,805,226)
<i>Over accrual</i>	–	(128,933)
<i>Accrued pension liabilities</i>	\$(2,252,491)	\$(1,934,159)

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

<i>For the year ended December 31,</i>	2003	2002
<i>Service cost</i>	\$421,332	\$377,985
<i>Interest cost</i>	113,189	102,189
<i>Expected return on plan assets</i>	(23,982)	(28,094)
<i>Amortization of unrecognized transitional net benefit obligation</i>	28,167	28,167
<i>Net periodic pension cost</i>	\$538,706	\$480,247

The actuarial assumptions underlying are as follows:

<i>For the year ended December 31,</i>	2003	2002
<i>Discount rate</i>	3.50%	4.00%
<i>Rate of salary increase</i>	5.00%	5.50%
<i>Expected return on plan assets</i>	2.75%	3.25%

(14) Capital Stock

- As recommended by the board of directors and approved by the shareholders' meeting on June 3, 2002, the Company issued 2,139,150 thousand new shares from the capitalization of retained earnings, of which NTD 19,680 million were stock dividends and NTD 1,711 million were employees' bonus. The effective date of the issuance was August 11, 2002.
- As of December 31, 2002, 22,000,000 thousand common shares were authorized to be issued and 15,474,846 thousand common shares were issued, each at a par value of NTD 10.
- 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 NTD 6,079 million were stock dividends and NTD 580 million were employees' bonus. The effective date of the issuance was July 21, 2003.
- 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 NTD 10.
- As of December 31, 2003, the Company has issued 185,805 thousand ADSs, each representing 5 common shares. The number of common shares represented by the ADSs is 929,023 thousand shares. These ADSs have been listed on the New York Stock Exchange.
- On September 11, 2002 and October 8, 2003, the Company was authorized by the relevant government authorities to issue Employee Stock Options with a total number of 1 billion 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 for 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:

Date of Grant	Total Number of Options Granted (In thousands)	Total Number of Options Outstanding (In thousands)	Exercise Price (In NTD)
October 7, 2002	939,000	873,534	\$19.2
January 3, 2003	61,000	52,170	\$21.6
November 26, 2003	57,330	54,960	\$30.2

(15) Treasury Stock

a. The Company bought back its own shares from the open market during the years ended December 31, 2003 and 2002. Details of the treasury stock transactions are as follows:

For the year ended December 31, 2003 (In thousands of shares)

Purpose	As of January 1, 2003	Increase	Decrease	As of 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	236,267	99,195	136,620	198,842

For the year ended December 31, 2002 (In thousands of shares)

Purpose	As of January 1, 2002	Increase	Decrease	As of December 31, 2002
For transfer to employees	37,425	49,114	—	86,539
For conversion of the convertible bonds into shares	129,035	20,693	—	149,728
Total shares	166,460	69,807	—	236,267

- b. 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 can hold as of December 31, 2003 and 2002 was 1,614,074 thousand shares and 1,547,485 thousand shares while the ceiling of the amount was NTD 67,177 million and NTD 61,102 million, respectively. As of December 31, 2003 and 2002, the Company held 198,842 thousand shares and 236,267 thousand shares of treasury stock, which amounted to NTD 7,101 million and NTD 8,819 million, respectively.
- c. 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.
- d. As of December 31, 2003, the Company's subsidiaries, Hsun Chieh Investment Co., Ltd. and Fortune Venture

Capital Corporation, held 503,456 thousand shares and 18,340 thousand shares of the Company's stock, with a book value of NTD 29.32 and NTD 9.37 per share, respectively. The average closing price during December 2003 was NTD 29.32.

As of December 31, 2002, the Company's subsidiaries, Hsun Chieh Investment Co., Ltd. and Fortune Venture Capital Corporation, held 484,045 thousand shares and 17,633 thousand shares of the Company's stock, with a book value of NTD 23.87 and NTD 9.75 per share, respectively. The average closing price during December 2002 was NTD 23.87.

(16) 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:

- Payment of all taxes and dues;
- Offset prior years' operation losses;
- Set aside 10% of the remaining amount after deducting items (a) and (b) as a legal reserve;
- Set aside 0.1% of the remaining amount after deducting items (a), (b), and (c) as directors' and supervisors' remuneration; and
- 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.
- 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 2003 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' recommendation and shareholders' approval can be obtained from the "Market Observation Post System" on the website of the TSE.

Details of the 2002 employee bonus settlement and directors' and supervisors' remuneration are as follows:

For the year ended December 31, 2002		As Approved by the Shareholders' Meeting	As Recommended by the Board of Directors	Differences
Settlement of employees' bonus by issuance of new shares	Number of shares (in thousands)	57,973	57,973	–
	Amount	\$579,727	\$579,727	–
	Percentage on total number of outstanding shares at year end	0.38%	0.38%	–
Remuneration paid to directors and supervisors		\$5,650	\$5,650	–
Effect on earnings per share before retroactive adjustments	Basic and diluted earnings per share (NTD)	\$0.48	\$0.48	–
	Pro forma basic and diluted earnings per share taking into consideration employees' bonus and directors' and supervisors' remuneration (NTD)	\$0.44	\$0.44	–

Pursuant to 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 2002 appropriations approved by the shareholders' meeting on June 9, 2003, unrealized loss on long-term investments exempted from the provision of special reserve pursuant to the above regulations amounted to NTD 18,036 million.

(17) Operating Costs and Expenses

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

For the year ended December 31,	2003			2002		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
<i>Personnel expenses</i>						
Salaries	\$4,857,636	\$1,523,111	\$6,380,747	\$4,285,523	\$1,510,235	\$5,795,758
Labor and health insurance	320,460	89,985	410,445	301,532	102,968	404,500
Pension	263,362	146,412	409,774	398,256	121,163	519,419
Other personnel expenses	35,062	19,005	54,067	47,772	33,652	81,424
Depreciation	34,060,531	1,794,734	35,855,265	31,904,566	1,626,974	33,531,540
Amortization	132,336	1,255,284	1,387,620	326,379	1,695,222	2,021,601

The numbers of employees as of December 31, 2003 and 2002 were 8,897 and 9,134, respectively.

(18) 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.	2003	2002
Income tax on pre-tax income at statutory tax rate	\$3,703,842	\$1,771,024
Temporary and permanent differences	(2,366,597)	(729,540)
Change in investment tax credit	723,648	(3,867,934)
Change in valuation allowance against deferred income tax assets	(1,272,130)	2,826,450
Income tax on interest revenue separately taxed	6,349	12,062
Income tax expense	\$795,112	\$12,062

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

As of December 31,	2003		2002	
	Amount	Tax Effect	Amount	Tax Effect
<i>Deferred income tax assets</i>				
Investment tax credit		\$20,051,808		\$22,494,758
Loss carry-forward	\$14,953,722	3,738,431	\$15,045,502	3,761,376
Pension	2,140,749	535,187	1,822,417	455,604
Allowance on sales returns and discounts	369,579	92,395	540,310	135,078
Allowance for loss on obsolescence of inventories	387,777	96,944	406,336	101,584
Compensation interest payable	122,347	30,587	–	–
Organization cost	–	–	550	137
Others	132,730	33,182	181,599	45,399
<i>Total deferred income tax assets</i>		<u>24,578,534</u>		<u>26,993,936</u>
Valuation allowance		(12,100,032)		(13,372,162)
<i>Net deferred income tax assets</i>		<u>12,478,502</u>		<u>13,621,774</u>
<i>Deferred income tax liabilities</i>				
Unrealized exchange gain	(1,497,414)	(374,353)	(1,298,167)	(324,542)
Depreciation	(19,572,978)	(4,893,245)	(21,128,340)	(5,282,085)
<i>Total deferred income tax liabilities</i>		<u>(5,267,598)</u>		<u>(5,606,627)</u>
<i>Total net deferred income tax assets</i>		<u>\$7,210,904</u>		<u>\$8,015,147</u>
<i>Deferred income tax assets - current</i>		\$9,015,802		\$10,477,877
<i>Deferred income tax liabilities - current</i>		(374,353)		(324,542)
<i>Valuation allowance</i>		(5,793,786)		(7,255,289)
Net		<u>2,847,663</u>		<u>2,898,046</u>
<i>Deferred income tax assets - noncurrent</i>		15,562,732		16,516,059
<i>Deferred income tax liabilities - noncurrent</i>		(4,893,245)		(5,282,085)
<i>Valuation allowance</i>		(6,306,246)		(6,116,873)
Net		<u>4,363,241</u>		<u>5,117,101</u>
<i>Total net deferred income tax assets</i>		<u>\$7,210,904</u>		<u>\$8,015,147</u>

c. The Company's income tax returns for all the fiscal years through 1999 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 1999 and 2000 had not yet been decided by the Company. The income tax exemption for other periods will expire on December 31, 2007.

e. The Company earns investment tax credits for the amount invested in production equipment, research and development, and employee training.

As of December 31, 2003, the Company's unused investment tax credit was as follows:

Expiration Year	Investment Tax Credits Earned	Balance of Unused Investment Tax Credits
2003	\$3,967,380	\$2,248,078
2004	6,515,708	6,515,708
2005	5,043,638	5,043,638
2006	2,467,786	2,467,786
2007	3,776,598	3,776,598
<i>Total</i>	<u>\$21,771,110</u>	<u>\$20,051,808</u>

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, 2003, the unutilized accumulated loss was as follows:

Expiration Year	Accumulated Loss	Unutilized Accumulated Loss
2006	\$11,096,582	\$11,096,582
2007	3,857,140	3,857,140
<i>Total</i>	<u>\$14,953,722</u>	<u>\$14,953,722</u>

g. As of December 31, 2003, the balance of imputation credit account (ICA) was NTD 10 million. The actual creditable ratio for the appropriation of 2002 and 2001 retained earnings was 1.24% and 1.79%, respectively.

h. The ending balances of unappropriated earnings as of December 31, 2003 and 2002 were as follows:

As of December 31,	2003	2002
Prior to January 1, 1998	\$64,220	\$64,220
After January 1, 1998	13,972,602	8,621,627
<i>Total</i>	<u>\$14,036,822</u>	<u>\$8,685,847</u>

(19) Earnings per Share

a. The Company held zero coupon convertible bonds and employee stock options as of December 31, 2003, and thus has a complex capital structure. The calculation of basic and diluted earnings per share, for the years ended December 31, 2003 and 2002, was disclosed as follows:

<i>For the year ended December 31,</i>	<i>Shares expressed in thousands</i>	
	2003	2002 (Retroactively Adjusted)
Income before income tax	\$14,815,369	\$7,084,094
Effect of dilution:		
Employee stock options	–	–
Convertible bonds	67,939	78,977
Adjusted income before income tax assuming dilution	\$14,883,308	\$7,163,071
Net income	\$14,020,257	\$7,072,032
Effect of dilution:		
Employee stock options	–	–
Convertible bonds	50,954	59,233
Adjusted net income assuming dilution	\$14,071,211	\$7,131,265
Weighted average of shares outstanding	15,313,315	15,402,328
Effect of dilution:		
Employee stock options	210,473	43,420
Convertible bonds	140,367	156,321
Adjusted weighted average of shares outstanding assuming dilution	15,664,155	15,602,069
Earnings per share-basic (in NTD)		
Income before income tax	\$0.97	\$0.46
Net income	\$0.92	\$0.46
Earnings per share-diluted (in NTD)		
Income before income tax	\$0.95	\$0.46
Net income	\$0.90	\$0.46

b. Pro forma information on earnings as if subsidiaries' investment in the Company is not treated as treasury stock is set out as follows:

	<i>Shares expressed in thousands</i>	
2003	Basic	Diluted
Net income	\$14,020,257	\$14,071,211
Weighted average of shares outstanding:		
Beginning balance	15,238,579	15,238,579
Stock dividends and employees' bonus at 4.4% in 2003	670,497	670,497
Purchase of 99,195 thousand shares of treasury stock in 2003	(80,243)	(80,243)
Treasury stock transferred to employees of 136,620 thousand shares in 2003	8,234	8,234
Dilutive shares of employee stock options accounted for under treasury stock method	–	210,473
Dilutive shares issued assuming conversion of bonds	–	140,367
Ending balance	15,837,067	16,187,907
Earnings per share		
Net income (in NTD)	\$0.89	\$0.87
2002	Basic	Diluted
Net income	\$7,072,032	\$7,131,265
Weighted average of shares outstanding:		
Beginning balance	13,169,235	13,169,235
Stock dividends and employees' bonus at 16.30% in 2002	2,146,586	2,146,586
Stock dividends and employees' bonus at 4.4% in 2003	673,896	673,896
Purchase of 69,807 thousand shares of treasury stock in 2002	(57,716)	(57,716)
Dilutive shares of employee stock options accounted for under treasury stock method	–	43,420
Dilutive shares issued assuming conversion of bonds	–	156,321
Ending balance	15,932,001	16,131,742
Earnings per share		
Net income (in NTD)	\$0.44	\$0.44

Note 5. Related Party Transactions

(1) Name and Relationship of Related Parties

<i>Name of Related Parties</i>	<i>Relationship with the Company</i>
UMC Group (USA) (UMC-USA)	Equity investee
United Foundry Service, Inc.	Equity investee
United Microelectronics (Europe) B.V. (UMC-BV)	Equity investee
UMC Capital Corporation	Equity investee
United Microelectronics Corp. (Samoa)	Equity investee
Fortune Venture Capital Corporation	Equity investee
Hsun Chieh Investment Co., Ltd.	Equity investee
United Microdisplay Optronics Corp. (UMO)	Equity investee
UMCi Ltd.	Equity investee
UMC Japan (UMCJ)	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
MediaTek Incorporation (MediaTek)	The Company is its supervisor
AU Optronics Corp.	The Company is its director and supervisor
Industrial Bank of Taiwan Corp. (IBT)	The Company is its major shareholder
Chiao Tung Bank (Chiao Tung)	The Company is its parent company's director and supervisor
Davicom Semiconductor, Inc.	Subsidiary's equity investee
United Radiotek Incorporation	Subsidiary's equity investee
RiRa Electronics, Inc.	Subsidiary's equity investee
Star Semiconductor Corp.	Subsidiary's equity investee
UCA Technology, Inc.	Subsidiary's equity investee
Ascend Semiconductor Corp. (liquidated on May 14, 2003)	Subsidiary is its director and supervisor
Averlogic Corporation	Subsidiary is its director and supervisor
Trident Technologies, Inc.	Subsidiary is its director and supervisor
Epitech Corp.	Subsidiary is its director and supervisor
LighTuning Tech, Inc.	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
Giga Solution Technology Co., Ltd.	Subsidiary is its director
Pixart Imaging, Inc.	Subsidiary is its director
InComm Technologies Co., Ltd.	Subsidiary is its director

(2) Significant Related Party Transactions

a. Operating revenues

For the year ended December 31,	2003		2002	
	Amount	Percentage	Amount	Percentage
UMC-USA	\$35,062,132	41	\$27,917,057	41
MediaTek	8,185,306	10	7,313,672	11
Others	15,602,632	18	10,567,630	16
Total	\$58,850,070	69	\$45,798,359	68

The sales to the above related parties were dealt with in the ordinary course of business with the sales price made in the way similar to the sales to third-party customers. The collection period for overseas sales was net 45 days for the related parties and third-party customers, while the terms for domestic sales were month-end 30~60 days for both the related parties and the third-party customers.

b. Purchases

For the year ended December 31,	2003		2002	
	Amount	Percentage	Amount	Percentage
Shin-Etsu	\$2,698,980	15	\$2,273,128	15
Others	186,760	1	219,235	1
Total	\$2,885,740	16	\$2,492,363	16

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 30~60 days for the related parties and net 30~90 days for the third-party suppliers, while the terms for domestic purchase were month-end 60~90 days for the related parties and month-end 30~90 days for the third-party suppliers, respectively.

c. Notes receivable

As of December 31,	2003		2002	
	Amount	Percentage	Amount	Percentage
Holtek	\$101,203	92	\$-	-
Others	550	-	2,370	3
Total	\$101,753	92	\$2,370	3

d. Accounts receivable, net

As of December 31,	2003		2002	
	Amount	Percentage	Amount	Percentage
UMC-USA	\$4,366,183	31	\$3,284,149	35
MediaTek	1,713,842	12	\$1,431,362	16
UMC-BV	1,406,079	10	542,296	6
Others	1,894,019	14	1,330,263	14
Total	9,380,123	67	6,588,070	71
Less: Allowance for sales returns and discounts	(283,420)		(451,009)	
Less: Allowance for doubtful accounts	(100,853)		(70,493)	
Net	\$8,995,850		\$6,066,568	

e. Accounts payable

As of December 31,	2003		2002	
	Amount	Percentage	Amount	Percentage
Shih-Etsu	\$754,354	18	\$375,116	14
Others	35,634	1	14,790	1
Total	\$789,988	19	\$389,906	15

f. Loans

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			\$282,557		\$18,375

For the year ended December 31, 2002	Maximum Balance		Ending Balance	Interest Rate	Interest Expense
	Amount	Month			
Chiao Tung	\$1,224,575	January	\$868,195	2.07% ~ 4.00%	\$32,717
IBT	998,750	January	783,296	2.89% ~ 3.94%	16,216
Total			\$1,651,491		\$48,933

g. Disposal of property, plant and equipment

For the year ended December 31,	Item	Amount	Gain (Loss)
2003 UMCJ	Machinery and equipment	\$523,574	\$11,564
2002 UMO	Machinery and equipment	\$276,645	\$(6)

h. Other transactions

The Company has made several other transactions, including service charges, joint development expenses of intellectual property, subcontract expenses and commissions etc., with related parties totaling approximately NTD 495 million and NTD 370 million for the years ended December 31, 2003 and 2002, respectively.

As of December 31, 2003, the joint development contracts of intellectual property entered into with Faraday has amounted to approximately NTD 1,589 million, and a total amount of NTD 584 million has been paid.

The Company has purchased approximately NTD 524 million and NTD 917 million of masks from DPT during the years ended December 31, 2003 and 2002, respectively.

Note 6. Assets Pledged as Collateral

As of December 31,	2003	2002	Financial Institution that Assets were Pledged to	Purpose of Pledge
Land	\$452,916	\$452,916	Taiwan Corporation Bank	Long-term loans
Buildings	1,201,678	2,533,152	Chiao Tung Bank, etc.	Long-term loans
Machinery and equipment	11,127,841	21,537,463	Chiao Tung Bank, etc.	Long-term loans
Total	\$12,782,435	\$24,523,531		

Note 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

NTD 16.3 billion. Royalties and joint development fees for the future years are set out as follows:

For the year ended December 31,	Amount
2004	\$2,456,799
2005	1,246,867
2006	1,235,956
2007	1,253,240
2008	17,010
Total	\$6,209,872

(2) The Company signed several construction contracts for the expansion of its factory space. As of December 31, 2003, these construction contracts have amounted to approximately NTD 0.77 billion and the unaccrued portion of the contracts was approximately NTD 0.33 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 USD 750 million. The district court has not yet set dates for disposi-

tive 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 Company entered into several operating lease contracts for land. These operating leases expire in various years through 2020 and are renewable. Future minimum lease payments under those leases are as follows:

<i>For the year ended December 31,</i>	<i>Amount</i>
2004	\$120,091
2005	120,091
2006	120,091
2007	106,895
2008	104,256
2009 and thereafter	1,016,963
<i>Total</i>	<i>\$1,588,387</i>

(5) The Company entered into several wafer-processing contracts with its major customers. According to the contract, the Company shall guarantee processing capacity, while the customer makes deposits to the Company. In case the orders do not meet the capacity guaranteed, the customer needs to pay the Company penalties.

(6) As a condition precedent to the making of the loan contemplated by a USD 600 million Amortizing Term Loan Facility Agreement among UMCi Ltd. (UMCi), a subsidiary of the Company, and several financial institu-

tions, the Company has provided a letter of undertaking to the Citicorp investment Bank (Singapore) Ltd., the facility agent, to undertake that:

- a. The Company shall continue to own and control, directly or indirectly, a minimum of 40% of the total issued and outstanding shares of UMCi. The Company shall also provide technical support to UMCi and maintain management control with no less than half of the seats of the board of directors.
- b. The Company shall take necessary actions to ensure UMCi has at least USD 600 million in cash of issued and paid-in capital by December 31, 2003, to make investments necessary to complete the 300mm fab plant on time, and to meet all the obligations under the Facility Agreement.

Note 8. Significant Disaster Loss

None.

Note 9. Significant Subsequent Event

None.

Note 10. Others

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

(2) Financial instruments

As of December 31,	2003		2002	
	Book Value	Fair Value	Book Value	Fair Value
Non-derivative financial instruments				
<i>Financial assets</i>				
Cash and cash equivalents	\$92,865,557	\$92,865,557	\$57,192,459	\$57,192,459
Marketable securities	1,456,402	1,896,798	2,501,748	2,517,624
Notes and accounts receivables	14,646,705	14,646,705	10,357,184	10,357,184
Long-term investments	72,218,479	116,675,828	56,246,744	76,582,200
<i>Financial liabilities</i>				
Short-term loans	–	–	100,000	100,000
Payables	12,755,872	12,755,872	13,223,901	13,223,901
Bonds payable (current portion included)	65,017,563	67,907,346	46,645,661	47,201,827
Long-term loans (current portion included)	2,058,869	2,058,869	13,989,861	13,989,861
Derivative financial instruments				
Other financial assets (credit-linked deposits and repackage bonds)	\$3,187,304	\$3,187,304	\$5,286,560	\$5,286,560
Other financial assets (interest rate swaps)	128,539	(18,882)	–	–

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

- 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. Short-term financial instruments include cash and cash equivalents, notes receivable, accounts receivable, short-term loans, and payables.
- 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.
- The fair values of bonds payable is determined by the market value. The book values of long-term loans approximate the fair values as the loans bear floating rates.
- The fair values of other financial assets (interest rate swaps) are based on the amount the Company expects to get (positive) or to pay (negative) assuming that the contracts are early settled at the balance sheet date.

(3) The Company and its subsidiary – UMCJ held credit-linked deposits and repackage bonds for the earning of interest income. Details are disclosed as follows:

- Principal amount in original currency:

As of December 31,	2003	2002
The Company		
Credit-linked deposits and repackage bonds referenced to		
Convertible bonds (in NTD '000)	310,000	–
Convertible bonds (in USD '000)	66,200	135,500
Convertible bonds (in JPY '000)	2,000,000	2,000,000
UMCJ		
Repackage bonds referenced to		
Convertible bonds (in JPY '000)	3,100,000	3,000,000

- 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 occur-

rence 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 has 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 at the balance sheet date and the settlement date.

(4) The relevant information on the derivative financial instruments entered into by the Company and its subsidiaries is as follow:

a. The Company utilized interest rate swap agreements to manage its interest rate risks on its floating rate domestic bonds. The details are summarized as follows:

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

Notional Amount	Contract Period	Interest Rate Received	Interest Rate Paid
NTD 7,500 million	May 20, 2003 to May 20, 2008	4.0% minus USD 12-month LIBOR	1.52%
NTD 7,500 million	May 20, 2003 to May 20, 2010	4.3% minus USD 12-month LIBOR	1.48%

There were no interest rate swap agreements outstanding as of December 31, 2002.

b. In order to hedge the risk resulting from the volatility in exchange rate, the Company's subsidiary – UMCi entered into forward contracts. The hedging strategy was developed with an objective to reduce the market risk. The details are summarized as follows:

As of December 31, 2003, the Company's subsidiary – UMCi had the following forward contract in effect:

Type	Notional Amount	Contract Period
Forward contracts	Buy EUR 66.72 million Sell USD 83.87 million	December 31, 2003 to January 26, 2004

There were no forward contracts outstanding as of December 31, 2002.

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) Categories, purposes and strategies:

Derivative financial instruments are held for non-trading purposes and the objective is to eliminate most of the market risk and cash flow risk. Interest rate swap agreements are held to hedge the interest rate risk arising from the floating rate corporate bonds. Forward contracts are held to hedge the exchange rate risk arising from the net assets or liabilities denominated in foreign currency.

Note 11. Additional Disclosures

- (1) The followings are the additional disclosures for the Company and its affiliates pursuant to SFC requirements:
- Financing provided to others for the year ended December 31, 2003: Please refer to Attachment-1.
 - Endorsement/Guarantee provided to others for the year ended December 31, 2003: Please refer to Attachment-2.
 - Securities held as of December 31, 2003: Please refer to Attachment-3.
 - Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2003: Please refer to Attachment-4.
 - Acquisition of individual real estate with amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2003: Please refer to Attachment-5.
 - Disposal of individual real estate with amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2003: Please refer to Attachment-6.
 - 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, 2003: Please refer to Attachment-7.
 - Receivables from related parties with amounts exceeding the lower of NTD 100 million or 20 percent of the capital stock as of December 31, 2003: Please refer to Attachment-8.
 - Names, locations and related information of investee companies as of December 31, 2003: Please refer to Attachment-9.
 - Derivative financial instruments: Please refer to Note 10.

(2) Investment in Mainland China

None.

Note 12. Segment Information**(1) Operations in Different Industries**

The Company operates principally in one industry, and the major business is operating as a full service semiconductor foundry.

(2) Operations in Different Geographic Areas

The Company has no foreign operations.

(3) Export Sales

<i>For the year ended December 31,</i>	2003	2002
North America	\$33,456,822	\$25,793,685
Europe	12,438,120	7,751,122
Asia, excluding Taiwan	6,882,560	4,532,832
Others	–	2,653
Total export sales	\$52,777,502	\$38,080,292

(4) Major Customers

Individual customer accounting for at least 10% of net sales for the years ended December 31, 2003 and 2002 was as follows:

<i>For the year ended December 31,</i>	2003		2002	
	Sales Amount	Percentage	Sales Amount	Percentage
Customer A	\$35,062,132	41	\$27,917,057	41
Customer B	8,185,306	10	7,313,672	11
Total	\$43,247,438	51	\$35,230,729	52

Attachments to Notes

Attachment-1 Financing provided to others for the year ended December 31, 2003

No.	Lender	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing
1	UMC Group (USA)	Employees	Receivable from employees' loans	USD 891	USD 891	7%	Note

Note Need for short-term financing.

Attachment-2 Endorsement / Guarantee provided to others for the year ended December 31, 2003

No.	Endorsor/ Guarantor	Counterparty	Relationship	Limit of Guarantee/Endorsement Amount for Individual Counterparty	Maximum Balance for the Period	Ending Balance
1	UMCi Ltd.	Employees	Employees	N/A	USD 5,268	USD 5,268

Attachment-3 Securities held as of December 31, 2003

Type of Securities	Name of Securities	Relationship
United Microelectronics Corporation		
Convertible bonds	SerComm Corporation	Subsidiary's equity investee
Convertible bonds	Pou Chen Group	–
Convertible bonds	EPISTAR Corporation	–
Convertible bonds	Ching Feng Home Fashions Co., Ltd.	–
Convertible bonds	Career Technology (MFG.) Co., Ltd.	–
Stock	King Yuan Electronics Co., Ltd.	–
Stock	SpringSoft, Inc.	–
Stock	Micronas Semiconductor Holding AG	–
Stock	UMC Group (USA)	Investee company
Stock	United Foundry Service, Inc.	Investee company
Stock	United Microelectronics (Europe) B.V.	Investee company
Stock	UMC Capital Corporation	Investee company
Stock	United Microelectronics Corp. (Samoa)	Investee company
Stock	Fortune Venture Capital Corporation	Investee company
Stock	Hsun Chieh Investment Co., Ltd.	Investee company
Stock	United Microdisplay Optronics Corp.	Investee company
Stock	UMCi Ltd.	Investee company
Stock	Pacific Venture Capital Co., Ltd.	Investee company
Stock	UMC Japan	Investee company
Stock	DuPont Photomasks Taiwan Ltd.	Investee company
Stock	Unitech Capital Inc.	Investee company
Stock	Holtek Semiconductor Inc.	Investee company
Stock	Integrated Technology Express Inc.	Investee company
Stock	Unimicron Technology Corp.	Investee company
Stock	Applied Component Technology Corp.	Investee company
Stock	Novatek Microelectronics Corp.	Investee company
Stock	Faraday Technology Corp.	Investee company
Stock	Silicon Integrated Systems Corp.	Investee company
Stock	AMIC Technology Corporation	Investee company
Stock	MediaTek Incorporation	The Company is its supervisor

Amount in thousand; Currency denomination in NTD unless otherwise specified

Amount of Sales to (Purchase from) Counterparty	Reason for Financing	Allowance for Doubtful Accounts	Collateral Item	Collateral Value	Limit of Financing Amount for Individual Counterparty	Limit of Total Financing Amount
None	Employee loan	–	Securities	Higher	N/A	N/A

Amount in thousand; Currency denomination in NTD unless otherwise specified

Amount of Collateral Guarantee/ Endorsement	Ratio of Accumulated Guarantee Amount to Net Assets Value from the Latest Financial Statement	Limit of Total Guarantee/ Endorsement Amount
USD 5,268	0.64%	N/A

Amount in thousand; Currency denomination in NTD unless otherwise specified

Financial Statement Account	December 31, 2003					Shares as Collateral (In thousands)
	Units (In thousands) / Bonds / Shares (In thousands)	Book Value	Percentage of Ownership (%)	Market Value / Net Assets Value		
Short-term investment	300	\$30,000	–	\$39,009	None	
Short-term investment	2,000	68,040	–	70,411	None	
Short-term investment	100	34,141	–	33,920	None	
Short-term investment	2,000	68,301	–	67,840	None	
Short-term investment	2,000	68,301	–	67,840	None	
Short-term investment	19,423	370,120	3.35	652,271	None	
Short-term investment	7,162	418,828	5.72	552,534	None	
Short-term investment	280	398,671	–	412,973	None	
Long-term investment	16,438	451,046	100.00	451,046	None	
Long-term investment	2,005	95,484	100.00	95,484	None	
Long-term investment	9	244,869	100.00	225,833	None	
Long-term investment	40,000	1,265,822	100.00	1,265,822	None	
Long-term investment	700	7,463	100.00	7,463	None	
Long-term investment	299,994	2,280,265	99.99	2,469,350	None	
Long-term investment	1,417,294	10,622,554	99.97	25,380,421	None	
Long-term investment	104,345	659,198	83.48	659,198	None	
Long-term investment	657,438	20,972,846	75.05	21,083,067	None	
Long-term investment	30,000	313,298	49.99	313,361	None	
Long-term investment	484	9,531,141	47.48	16,672,743	None	
Long-term investment	106,621	1,069,669	45.35	1,069,592	None	
Long-term investment	21,000	757,050	42.00	757,050	None	
Long-term investment	46,648	624,432	25.44	1,352,186	None	
Long-term investment	26,579	341,310	24.38	668,657	None	
Long-term investment	176,706	3,214,325	21.93	4,844,737	None	
Long-term investment	10,922	43,872	21.42	88,657	None	
Long-term investment	69,147	1,285,319	20.44	6,797,445	None	
Long-term investment	42,138	729,058	19.10	3,266,615	None	
Long-term investment	216,435	5,288,088	16.18	4,994,026	None	
Long-term investment	16,200	86,722	11.83	127,735	None	
Long-term investment	71,386	1,055,237	11.13	22,632,266	None	

Continued on next page

Attachment-3 Securities held as of December 31, 2003

<i>Type of Securities</i>	<i>Name of Securities</i>	<i>Relationship</i>
United Microelectronics Corporation <i>(Continued from previous page)</i>		
Stock	AU Optronics Corp.	The Company is its director and supervisor
Stock	United Industrial Gases Co., Ltd.	–
Stock	Subtron Technology Co., Ltd.	–
Stock	Industrial Bank of Taiwan Corp.	The Company is its major shareholder
Stock	Billionton Systems Inc.	The Company is its director
Stock	Mega Financial Holding Company	The Company is its director and supervisor
Stock	Premier Image Technology Corporation	–
Fund	Pacific Technology Partners, L.P.	–
Fund	Pacific United Technology, L.P.	–
Stock-Preferred stock	Taiwan High Speed Rail Corporation	–
Hsun Chieh Investment Co., Ltd.		
Stock	Opto Tech Corporation	–
Stock	Shanghai Fudan H Share	–
Stock	Premier Image Technology Corp.	–
Convertible bonds	Gemtek Technology Co., Ltd.	–
Stock	United Radiotek Incorporation	Investee company
Stock	UCA Technology, Inc.	Investee company
Stock	Afa Technology, Inc.	Investee company
Stock	VistaPoint, Inc.	Investee company
Stock	Star Semiconductor Corp.	Investee company
Stock	Chariotek, Inc.	Investee company
Stock	Bravotek Corporation	Investee company
Stock	Ubit Technology, Inc.	Investee company
Fund	UC Fund II	Investee company
Stock	VastView Technology, Inc.	Investee company
Stock	RiRa Electronics, Inc.	Investee company
Stock	Wiseware Technology Corporation	Investee company
Stock	Harvatek Corporation	Investee company
Stock	Patentop, Ltd.	Investee company
Stock	Advance Materials Corporation	Investee company
Stock	Unimicron Technology Corp.	Investee of UMC and Hsun Chieh
Stock	SerComm Corporation	Investee company
Stock	Faraday Technology Corp.	Investee of UMC and Hsun Chieh
Stock	AMIC Technology Corporation	Investee of UMC and Hsun Chieh
Stock	UMC Japan	Investee of UMC and Hsun Chieh
Stock	Holtek Semiconductor Inc.	Investee of UMC and Hsun Chieh
Stock	Novatek Microelectronics Corp.	Investee of UMC and Hsun Chieh
Stock	C-Com Corporation	–
Stock	Leadtek Research, Inc.	–
Stock	Coretronic Corporation	The Company is its director and supervisor
Stock	King Yuan Electronics Co., Ltd.	–
Stock	United Microelectronics Corporation	Investor company
Stock	Princeton Technology Corporation	The Company is its director
Stock	Largan Optoelectronics, Co., Ltd.	The Company is its director
Stock	Mega Financial Holding Company	–
Stock	Averlogic Corporation	–
Stock-Preferred stock	Broadcom Corporation	–
Stock	Giga Solution Technology Co., Ltd.	The Company is its director
Stock	Kits On Line Technology Corp.	The Company is its director
Stock	Everglory Resource Technology Co., Ltd.	–
Stock	LighTuning Tech, Inc.	The Company is its director and supervisor
Stock	Enovation Group, Inc.	–
Stock	InComm Technologies Co., Ltd.	The Company is its director

Amount in thousand; Currency denomination in NTD unless otherwise specified

Financial Statement Account	December 31, 2003					Shares as Collateral (In thousands)
	Units (In thousands) / Bonds / Shares (In thousands)	Book Value	Percentage of Ownership (%)	Market Value / Net Assets Value		
Long-term investment	423,700	\$5,991,447	9.74	\$17,184,007	None	
Long-term investment	13,185	146,250	8.27	Note	None	
Long-term investment	11,520	172,800	5.47	Note	None	
Long-term investment	119,425	1,150,000	5.00	Note	None	
Long-term investment	1,739	30,948	3.05	48,654	None	
Long-term investment	95,577	3,108,656	0.84	1,958,082	None	
Long-term investment	3,233	27,964	0.62	180,159	None	
Long-term investment	–	282,086	–	N/A	None	
Long-term investment	–	69,260	–	N/A	None	
Long-term investment	30,000	300,000	–	N/A	None	
Short-term investment	10,000	100,000	1.54	97,413	None	
Short-term investment	7,280	35,424	1.40	24,127	None	
Short-term investment	2,144	120,502	0.41	119,457	None	
Short-term investment	1,080	108,000	–	140,400	None	
Long-term investment	9,900	91,426	49.50	91,426	None	
Long-term investment	4,950	49,500	49.50	49,500	None	
Long-term investment	7,346	70,372	48.97	70,372	None	
Long-term investment	6,828	62,030	48.77	62,030	None	
Long-term investment	4,739	47,022	48.48	47,022	None	
Long-term investment	2,850	28,500	47.50	28,500	None	
Long-term investment	3,375	33,750	45.00	33,750	None	
Long-term investment	1,990	19,900	39.80	19,900	None	
Long-term investment	5,000	164,162	35.45	164,162	None	
Long-term investment	5,072	60,567	33.81	60,567	None	
Long-term investment	6,499	43,355	32.50	43,355	None	
Long-term investment	3,750	37,500	25.00	37,500	None	
Long-term investment	18,686	278,527	18.84	1,026,491	None	
Long-term investment	720	11,688	18.00	11,688	None	
Long-term investment	14,994	166,443	15.78	166,443	None	
Long-term investment	92,510	1,661,250	11.48	2,536,358	None	
Long-term investment	9,070	168,827	10.46	306,716	None	
Long-term investment	12,606	1,189,700	5.72	977,277	None	
Long-term investment	7,030	55,432	5.13	55,432	None	
Long-term investment	45	896,316	4.41	1,544,861	None	
Long-term investment	3,949	90,710	2.15	114,466	None	
Long-term investment	1,725	95,017	0.51	169,574	None	
Long-term investment	7,095	62,681	6.16	49,591	None	
Long-term investment	6,278	99,875	4.74	82,445	None	
Long-term investment	17,095	276,192	4.46	526,909	None	
Long-term investment	15,090	366,101	3.33	506,767	None	
Long-term investment	503,456	29,592,654	3.12	14,762,327	None	
Long-term investment	2,731	97,901	2.43	153,065	None	
Long-term investment	677	39,866	0.71	228,172	None	
Long-term investment	59,539	1,882,974	0.52	1,219,783	None	
Long-term investment	48	1,391	0.19	1,496	None	
Long-term investment	3	7,093	–	2,960	None	
Long-term investment	8,750	105,000	19.44	Note	None	
Long-term investment	4,455	56,231	15.91	Note	None	
Long-term investment	3,700	74,000	15.14	Note	None	
Long-term investment	1,900	24,772	15.08	Note	None	
Long-term investment	1,148	11,809	14.34	Note	None	
Long-term investment	3,200	44,480	12.60	Note	None	

Continued on next page

Attachment-3 Securities held as of December 31, 2003

<i>Type of Securities</i>	<i>Name of Securities</i>	<i>Relationship</i>
Hsun Chieh Investment Co., Ltd. <i>(Continued from previous page)</i>		
Stock	Printech International, Inc.	The Company is its director and supervisor
Stock	Golden Technology Venture Capital Investment Corp.	The Company is its director
Stock	NCTU Spring I Technology Venture Capital Investment Corp.	–
Stock	ATP Electronics Taiwan, Inc.	–
Stock	RF Integration Corporation	–
Stock	Trendchip Technologies Corp.	–
Stock	Fortune Semiconductor Corporation	The Company is its director
Stock	Beyond Innovation Technology Co., Ltd.	–
Stock	Ralink Technology Corporation	–
Stock	Epitech Corporation	–
Stock	NCTU Spring Venture Capital Co., Ltd.	The Company is its director
Stock	Union Technology Corp.	–
Stock	Cosmos Technology Venture Capital Investment Corp.	The Company is its director
Stock	Parawin Venture Capital Corp.	The Company is its director
Fund	Taiwan Asia Pacific Venture Fund	–
Stock	IBT Venture Co.	The Company is its director and supervisor
Stock	ProSys Technology Integration, Inc.	–
Stock	ULTRA CHIP, Inc.	–
Stock	Subtron Technology Co., Ltd.	The Company is its director and supervisor
Stock	Sheng-Hua Venture Capital Corp.	–
Stock	Pixart Imaging, Inc.	–
Stock	Silicon Data International Co., Ltd.	–
Stock-Preferred stock	Chip Express Corporation	–
Stock-Preferred stock	Alpha and Omega Semiconductor, Inc.	–
Stock-Preferred stock	Aurora System, Inc.	–
Stock-Preferred stock	Formerica International Holding, Inc.	–
Stock-Preferred stock	ForteMedia, Inc.	–
Stock-Preferred stock	Linden Technologies, Inc.	–
Stock-Preferred stock	Netlogic Microsystems, Inc.	–
Stock-Preferred stock	Primarion, Inc.	–
Stock-Preferred stock	SandCraft, Inc.	–
Stock-Preferred stock	Triscend Corp.	–
Fund	VenGlobal Capital fund III, L.P.	–
UMC Capital Coporation		
Stock	UMC Capital (USA)	Investee company
Stock-Preferred stock	Corrent Corp.	–
Stock-Preferred stock	MaXXan Systems, Inc.	–
Stock-Preferred stock	Teraburst Networks	–
Stock-Preferred stock	Virtual Silicon Technology, Inc.	–
Stock-Preferred stock	Aicent, Inc.	The Company is its director
Stock-Preferred stock	Spreadtrum Communications, Inc.	–
Stock-Preferred stock	WIS Technologies, Inc.	The Company is its director
Stock-Preferred stock	Silicon 7, Inc.	The Company is its director
Stock-Preferred stock	GCT Semiconductor, Inc.	–
Stock-Preferred stock	Silicon Wave, Inc.	–
Stock-Preferred stock	Jaalaa, Inc.	–
Stock-Preferred stock	Intellon Corporation	–
Fortune Venture Capital Corporation		
Stock	Aptos (Taiwan) Corp.	Investee company
Stock	Davicom Semiconductor, Inc.	Investee company
Stock	Advance Materials Corporation	Investee company

Amount in thousand; Currency denomination in NTD unless otherwise specified

Financial Statement Account	December 31, 2003					Shares as Collateral (In thousands)
	Units (In thousands) / Bonds / Shares (In thousands)	Book Value	Percentage of Ownership (%)	Market Value / Net Assets Value		
Long-term investment	3,000	\$30,000	12.00	Note		None
Long-term investment	8,000	80,000	10.67	Note		None
Long-term investment	4,284	43,482	10.06	Note		None
Long-term investment	5,000	50,000	10.00	Note		None
Long-term investment	3,900	98,610	9.76	Note		None
Long-term investment	3,775	60,406	9.25	Note		None
Long-term investment	1,819	71,500	8.21	Note		None
Long-term investment	1,200	22,158	8.00	Note		None
Long-term investment	3,700	55,500	7.40	Note		None
Long-term investment	5,172	94,613	6.90	Note		None
Long-term investment	2,000	20,000	6.28	Note		None
Long-term investment	1,800	18,000	5.14	Note		None
Long-term investment	4,000	40,000	5.03	Note		None
Long-term investment	5,000	50,000	5.00	Note		None
Long-term investment	115	29,295	4.15	Note		None
Long-term investment	9,000	90,000	3.81	Note		None
Long-term investment	186	2,790	3.08	Note		None
Long-term investment	2,000	38,000	3.01	Note		None
Long-term investment	5,616	71,280	2.67	Note		None
Long-term investment	5,000	50,000	2.50	Note		None
Long-term investment	879	16,107	1.91	Note		None
Long-term investment	850	10,200	1.75	Note		None
Long-term investment	2,667	68,198	–	Note		None
Long-term investment	1,500	46,883	–	Note		None
Long-term investment	550	6,355	–	Note		None
Long-term investment	2,000	30,898	–	Note		None
Long-term investment	4,000	108,456	–	Note		None
Long-term investment	300	92,385	–	Note		None
Long-term investment	100	3,195	–	Note		None
Long-term investment	500	38,816	–	Note		None
Long-term investment	450	4,832	–	Note		None
Long-term investment	360	4,600	–	Note		None
Long-term investment	–	33,195	–	Note		None
Long-term investment	200	USD 260	100.00	USD 260		None
Long-term investment	1,732	USD 1,473	–	Note		None
Long-term investment	1,655	USD 1,000	–	Note		None
Long-term investment	301	USD 2,506	–	Note		None
Long-term investment	619	USD 1,000	–	Note		None
Long-term investment	2,000	USD 1,000	–	Note		None
Long-term investment	1,333	USD 1,000	–	Note		None
Long-term investment	12,399	USD 2,000	–	Note		None
Long-term investment	1,203	USD 4,000	–	Note		None
Long-term investment	1,571	USD 1,000	–	Note		None
Long-term investment	7,619	USD 2,667	–	Note		None
Long-term investment	1,429	USD 1,000	–	Note		None
Long-term investment	2,685	USD 2,000	–	Note		None
Long-term investment	43,705	418,021	26.49	418,021		None
Long-term investment	12,200	114,703	22.96	114,703		None
Long-term investment	12,800	142,194	13.47	142,194		None

Continued on next page

Attachment-3 Securities held as of December 31, 2003

<i>Type of Securities</i>	<i>Name of Securities</i>	<i>Relationship</i>
Fortune Venture Capital Corporation <i>(Continued from previous page)</i>		
Stock	AMIC Technology Corporation	Investee of UMC and Fortune
Stock	Averlogic Corporation	The Company is its director and supervisor
Stock	C-Com Corporation	–
Stock	United Microelectronics Corporation	Investor company
Stock	Pixart Imaging, Inc.	The Company is its director
Stock	Thin Film Module, Inc.	The Company is its director and supervisor
Stock	Epitech Corp.	The Company is its director and supervisor
Stock	SIMpal Electronics Co. Ltd.	The Company is its director
Stock	Shin-Etsu Handotai Taiwan Co., Ltd.	The Company is its director
Fund	Iglobe Partners Fund II, L.P.	–
Stock	XGI Technology, Inc.	–
Stock	Programmable Microelectronics (Taiwan) Corp.	–
Stock	LighTuning Tech, Inc.	–
Stock	WavePlus Technology Inc.	–
Stock	Trident Technologies, Inc.	The Company is its director and supervisor
Stock	RDC Semiconductor Co., Ltd.	–
Stock	ProSys Technology Integration, Inc.	–
Stock	ULTRA CHIP, Inc.	–
Stock	Aimtron Technology Inc.	–
Fund	Crystal Internet Venture Fund II	–
Stock-Preferred stock	Alpha and Omega Semiconductor, Inc.	–
Stock-Preferred stock	Arcadia Design Systems, Inc.	–
Stock-Preferred stock	Aurora System, Inc.	–
Stock-Preferred stock	SiRF Technology Holding, Inc.	–
Stock-Preferred stock	Triscend Corporation	–
Stock-Preferred stock	Velio Communications, Inc.	–
United Microdisplay Optronics Corp.		
Stock	Thintek Optronics Corp.	Investee company
Stock	Bravotek Corporation	–
UMC Japan		
Bond	Morgan Stanley Repackage Bond	–
Bond	Lehman Brothers Repackage Bond	–
Stock	UMCi Ltd.	Investee of UMC and UMCJ

Note The net assets values for unlisted investees accounted for under the cost method were not available as of December 31, 2003

Attachment-4 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2003

<i>Type of Securities</i>	<i>Name of Securities</i>	<i>Financial Statement Account</i>	<i>Counterparty</i>	<i>Relationship</i>
United Microelectronics Corporation				
Convertible bonds	King Yuan Electronics Co., Ltd.	Short-term investment	–	–
Convertible bonds	China Development Financial Holding Corporation	Short-term investment	–	–
Convertible bonds	CMC Magnetics Corporation	Short-term investment	–	–
Fund	Union Money Market Fund	Short-term investment	–	–
Stock	Chunghwa Telecom Co., Ltd.	Short-term investment	–	–
Stock	ChinaSteel Corporation	Short-term investment	–	–
Stock	Micronas Semiconductor Holding AG	Short-term investment	–	–
Stock	UMC Japan	Long-term investment	Open market	–
GDR and stock	Silicon Integrated Systems Corp.	Long-term investment	Open market	–
Stock-Preferred stock	Taiwan High Speed Rail Corporation	Long-term investment	Open market	–

Amount in thousand; Currency denomination in NTD unless otherwise specified

Financial Statement Account	December 31, 2003					Shares as Collateral (In thousands)
	Units (In thousands) / Bonds / Shares (In thousands)	Book Value	Percentage of Ownership (%)	Market Value / Net Assets Value		
Long-term investment	16,875	\$172,696	12.32	\$172,696	None	
Long-term investment	1,174	21,154	4.62	36,585	None	
Long-term investment	2,571	22,716	2.23	17,972	None	
Long-term investment	18,340	171,857	0.12	537,778	None	
Long-term investment	8,223	207,004	17.88	Note	None	
Long-term investment	5,287	52,870	13.91	Note	None	
Long-term investment	8,033	108,050	10.71	Note	None	
Long-term investment	5,000	50,000	7.47	Note	None	
Long-term investment	10,500	105,000	7.00	Note	None	
Long-term investment	–	42,092	6.30	N/A	None	
Long-term investment	9,000	90,270	6.00	Note	None	
Long-term investment	2,282	24,916	5.70	Note	None	
Long-term investment	600	9,629	4.76	Note	None	
Long-term investment	1,200	30,000	4.00	Note	None	
Long-term investment	2,200	21,000	3.38	Note	None	
Long-term investment	1,000	28,000	3.33	Note	None	
Long-term investment	186	1,860	3.08	Note	None	
Long-term investment	1,200	24,000	1.80	Note	None	
Long-term investment	200	7,500	1.25	Note	None	
Long-term investment	–	41,757	0.99	N/A	None	
Long-term investment	1,500	46,313	–	Note	None	
Long-term investment	162	26,203	–	Note	None	
Long-term investment	5,133	59,317	–	Note	None	
Long-term investment	875	119,436	–	Note	None	
Long-term investment	3,500	95,000	–	Note	None	
Long-term investment	110	30,817	–	Note	None	
Long-term investment	9,999	73,421	49.99	73,421	None	
Long-term investment	375	3,750	5.00	N/A	None	
Long-term investment	–	¥2,100,000	–	N/A	None	
Long-term investment	–	¥1,000,000	–	N/A	None	
Long-term investment	–	¥4,820,850	5.14	1,443,930	None	

Amount in thousand; Currency denomination in NTD unless otherwise specified

Beginning Balance		Addition		Disposal				Ending Balance	
Units (In thousands) / Bonds / Shares (In thousands)	Amount	Units (In thousands) / Bonds / Shares (In thousands)	Amount	Units (In thousands) / Bonds / Shares (In thousands)	Amount	Cost	Gain (Loss) from Disposal	Units (In thousands) / Bonds / Shares (In thousands)	Amount
–	\$–	1,065	\$370,120	–	\$–	\$–	\$–	19,423	\$370,120
60,000	2,052,000	–	–	60,000	2,052,000	2,052,000	–	–	–
–	–	3,000	101,461	3,000	105,053	101,461	3,592	–	–
–	–	7,986	99,000	7,986	100,111	99,000	1,111	–	–
–	–	4,200	206,087	4,200	215,986	206,087	9,899	–	–
–	–	5,000	121,170	5,000	131,521	121,170	10,351	–	–
–	–	280	398,672	–	–	–	–	280	398,672
479	7,857,204	5	120,560	–	–	–	–	484	9,531,141
48,483	1,267,580	167,952	4,417,285	–	–	–	–	216,435	5,288,088
–	–	30,000	300,000	–	–	–	–	30,000	300,000

Continued on next page

Attachment-4 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2003

<i>Type of Securities</i>	<i>Name of Securities</i>	<i>Financial Statement Account</i>	<i>Counterparty</i>	<i>Relationship</i>
United Microelectronics Corporation <i>(Continued from previous page)</i>				
Stock	SAMPO Corporation	Long-term investment	Open market	–
Stock	UMCi Ltd.	Long-term investment	Infineon and capitalization from cash	–
Stock	MediaTek Incorporation	Long-term investment	Open market	–
Stock	Novatek Microelectronics Corp.	Long-term investment	Open market	–
Stock	UMC Capital Corporation	Long-term investment	Capitalization from cash	–
Stock	United Microdisplay Optronics Corp.	Long-term investment	Capitalization from cash	–
Stock	AU Optronics Corp.	Long-term investment	Open market	–
Stock	TECO Corp.	Long-term investment	Open market	–
Hsun Chieh Investment Co., Ltd.				
Convertible bonds	Gemtek Technology Co., Ltd.	Short-term investment	–	–
Stock	Premier Image Technology Corp.	Short-term investment	–	–
Stock	Opto Tech Corporation	Short-term investment	–	–
Stock	Novatek Microelectronics Corp.	Long-term investment	Open market	–
Stock	Smart Idea Holding Limited	Long-term investment	Hemingway International Limited	Investee of Unimicron
Stock	King Yuan Electronics Co., Ltd.	Long-term investment	Open market	–
Stock	Princeton Technology Corporation	Long-term investment	Open market	–
Stock	Amkor Technology, Inc.	Long-term investment	Morgan Stanley	–
Stock	Advanced Microelectronic Products, Inc.	Long-term investment	Open market	–
Stock	AMIC Technology Corporation	Long-term investment	Capitalization from cash	–
Stock	Lattice Semiconductor Corporation	Long-term investment	Open market	–
Stock	Largan Optoelectronics Co., Ltd.	Long-term investment	Open market	–
UMC Capital Corporation				
Stock	Silicon 7, Inc	Long-term investment	–	–
Fortune Venture Capital Corporation				
Stock	Pixart Imaging, Inc.	Long-term investment	Capitalization from cash	–
Stock	Cadence Design Systems, Inc.	Long-term investment	Morgan Stanley	–
UMCi Ltd.				
Convertible bonds	United Microelectronics Corporation	Short-term investment	–	–
UMC Japan				
Bonds	Morgan Stanley Repackage Bond	Long-term investment	Open market	–
Bonds	Lehman Brothers Repackage Bond	Long-term investment	Open market	–
Convertible bonds	UMC Japan	Long-term investment	Open market	–
Stock	UMCi Ltd.	Long-term investment	Capitalization from cash	–

Note 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

Attachment-5 Acquisition of individual real estate with amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2003

<i>Name of Properties</i>	<i>Transaction Date</i>	<i>Transaction Amount</i>	<i>Payment Status</i>	<i>Counterparty</i>	<i>Relationship</i>
United Microelectronics Corporation					
UMC Recreation Center (Buildings)	2003.3.4	\$153,049	Paid	Yi Shin Construction Corp. Hua He Construction Consulting Corp. Fujitec Taiwan Co., Ltd.	–

Amount in thousand; Currency denomination in NTD unless otherwise specified

Beginning Balance		Addition		Disposal				Ending Balance	
Units (In thousands) / Bonds / Shares (In thousands)	Amount	Units (In thousands) / Bonds / Shares (In thousands)	Amount	Units (In thousands) / Bonds / Shares (In thousands)	Amount	Cost	Gain (Loss) from Disposal	Units (In thousands) / Bonds / Shares (In thousands)	Amount
17,773	\$224,044	–	\$–	17,773	\$251,586	\$224,044	\$27,542	–	\$–
212,250	7,150,473	445,567	12,385,691	379	13,499	12,406	1,093	657,438	20,972,846
60,806	1,213,655	20,050	–	9,470	3,243,347	158,418	3,079,534	71,386	1,055,237
74,611	1,195,123	11,536	17,912	17,000	1,625,914	280,641	1,322,793	69,147	1,285,319
30,000	1,028,460	10,000	340,650	–	–	–	–	40,000	1,265,822
76,499	702,501	27,846	278,463	–	–	–	–	104,345	659,198
455,276	6,759,855	22,764	–	54,340	2,446,991	768,285	1,684,975	423,700	5,991,447
77,079	1,535,298	–	–	77,079	886,423	1,535,298	(648,875)	–	–
–	–	1,080	108,000	–	–	–	–	1,080	108,000
–	–	2,144	120,502	–	–	–	–	2,144	120,502
–	–	10,000	100,000	–	–	–	–	10,000	100,000
–	–	1,725	100,066	–	–	–	–	1,725	95,017
6,000	205,069	–	–	6,000	211,226	205,069	6,157	–	–
1,600	70,000	13,490	296,101	–	–	–	–	15,090	366,101
–	–	2,731	102,453	–	–	–	–	2,731	97,901
218	101,696	–	–	218	69,515	101,696	(32,181)	–	–
7,420	126,000	–	–	7,420	78,929	126,000	(47,071)	–	–
7,246	82,934	8,650	129,754	33	695	378	317	7,030	55,432
492	65,740	–	–	492	133,602	65,740	67,862	–	–
1,235	79,989	124	–	682	241,798	40,123	201,675	677	39,866
–	–	1,203	USD 4,000	–	–	–	–	1,203	USD 4,000
6,530	105,409	1,693	101,595	–	–	–	–	8,223	207,004
66	7,342	881	–	947	346,213	7,342	338,871	–	–
–	–	50,000	USD 5,150	50,000	USD 5,311	USD 5,150	USD 161	–	–
–	¥3,000,000	–	¥1,600,000	–	¥2,500,000	–	–	–	¥2,100,000
–	–	–	¥1,000,000	–	–	–	–	–	¥1,000,000
–	–	380	¥3,342,000	380	¥3,847,104	¥3,342,000	¥505,104	–	–
–	–	45,000	¥5,223,955	–	–	–	–	45,000	¥4,820,850

unproportionate changes in ownership, and unrealized loss in long-term investment, etc.

Amount in thousand; Currency denomination in NTD unless otherwise specified

Prior Transaction Details for Related Counterparty				Price Reference	Date of Acquisition and Status of Utilization	Other Commitments
Prior Owner who Sold the Property to the Counterparty	Relationship of the Prior Owner with the Acquirer	Date of Prior Transaction	Prior Transaction Amount			
–	–	–	\$–	Cost	2003.3.4	–

Attachment-6 Disposal of individual real estate with amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2003

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, 2003

Related Party	Relationship		
		Purchases (Sales)	Amount
United Microelectronics Corporation			
UMC Group (USA)	Investee company	Sales	\$35,062,132
United Microelectronics (Europe) B.V.	Investee company	Sales	6,447,584
UMC Japan	Investee company	Sales	223,160
UMCi Ltd.	Investee company	Sales	231,480
Silicon 7, Inc.	Subsidiary is its director	Sales	386,696
Integrated Technology Express Inc.	Investee company	Sales	498,255
Holtek Semiconductor Inc.	Investee company	Sales	626,107
Novatek Microelectronics Corp.	Investee company	Sales	3,789,267
Faraday Technology Corp.	Investee company	Sales	1,147,971
AMIC Technology Corp.	Investee company	Sales	610,796
Silicon Integrated Systems Corp.	Investee company	Sales	397,134
MediaTek Incorporation	The Company is its supervisor	Sales	8,185,306
Fortune Semiconductor Corp.	Subsidiary is its director	Sales	238,178
Pixart Imaging, Inc.	Subsidiary is its director	Sales	558,487
Princeton Technology Corporation	Subsidiary is its director	Sales	263,049
Shin-Etsu Handotai Taiwan Co., Ltd.	Subsidiary is its director	Purchase	2,698,980
UMC Group (USA)			
United Microelectronics Corporation	Investor company	Purchase	USD 1,017,972

Attachment-8 Receivables from related parties with amounts exceeding the lower of NTD 100 million or 20 percent of the capital stock as of December 31, 2003

Related Party	Relationship			
		Notes Receivable	Accounts Receivable	Other Receivables
United Microelectronics Corporation				
UMC Group (USA)	Investee company	\$-	\$4,366,183	\$-
United Microelectronics (Europe) B.V.	Investee company	-	1,406,079	-
Integrated Technology Express Inc.	Investee company	-	108,749	674
Holtek Semiconductor Inc.	Investee company	101,203	83,673	-
Novatek Microelectronics Corp.	Investee company	-	1,054,925	337
Faraday Technology Corp.	Investee company	-	219,088	-
MediaTek Incorporation	The Company is its supervisor	-	1,713,842	-
Pixart Imaging, Inc.	Subsidiary is its director	-	117,300	-

Amount in thousand; Currency denomination in NTD unless otherwise specified

Percentage of Total Purchases (Sales) (%)	Transactions	Transaction Details for Non-arm's Length Transaction		Notes & Accounts Receivable (Payable)		
	Term	Unit Price	Term	Balance	Percentage of Total Receivables (%)	Note
41.32	45 days	N/A	N/A	\$4,366,183	29.73	–
7.60	45 days	N/A	N/A	1,406,079	9.57	–
0.26	45 days	N/A	N/A	11,210	0.08	–
0.27	45 days	N/A	N/A	12,790	0.09	–
0.46	45 days	N/A	N/A	97,120	0.66	–
0.59	45 days	N/A	N/A	108,749	0.74	–
0.74	45 days	N/A	N/A	184,876	1.26	–
4.47	45 days	N/A	N/A	1,054,925	7.18	–
1.35	45 days	N/A	N/A	219,088	1.49	–
0.72	45 days	N/A	N/A	67,512	0.46	–
0.47	45 days	N/A	N/A	–	–	–
9.65	45 days	N/A	N/A	1,713,842	11.67	–
0.28	45 days	N/A	N/A	25,528	0.17	–
0.66	45 days	N/A	N/A	117,300	0.80	–
0.31	45 days	N/A	N/A	57,935	0.39	–
14.59	60 ~ 90 days	N/A	N/A	754,354	18.33	–
100.00	Net 45 days	N/A	N/A	USD 128,839	99.98	–

Amount in thousand; Currency denomination in NTD unless otherwise specified

Ending Balance	Turnover Rate (Times)	Overdue Receivables		Amount Received in Subsequent Period	Allowance for Doubtful Accounts
Total		Amount	Collecting Status		
\$4,366,183	9.17	\$–	Credit collecting	\$887,274	\$43,749
1,406,079	6.62	–	Credit collecting	–	14,090
109,423	4.35	674	Credit collecting	–	1,102
184,876	3.32	–	Credit collecting	–	837
1,055,262	5.05	388,407	Credit collecting	388,704	14,424
219,088	5.45	106	Credit collecting	–	2,195
1,713,842	5.20	42,527	Credit collecting	–	17,587
117,300	6.82	–	Credit collecting	–	1,175

Attachment-9 Names, locations and related information of investee companies as of December 31, 2003

<i>Investee Company</i>	<i>Address</i>	<i>Main Businesses and Products</i>	<i>Initial Investment</i>	
			<i>Ending Balance</i>	<i>Beginning Balance</i>
United Microelectronics Corporation				
UMC Group (USA)	Sunnyvale, California, USA	IC Sales	USD 16,438	USD 16,438
United Foundry Service, Inc.	Sunnyvale, California, USA	Supervising and monitoring group projects	USD 2,005	USD 2,005
UMC Capital Corporation	Cayman, Cayman Islands	Investment holding	USD 40,000	USD 30,000
United Microelectronics Corp. (Samoa)	Apia, Samoa	Investment holding	USD 700	USD 500
United Microelectronics (Europe) B.V.	The Netherlands	IC Sales	USD 5,421	USD 5,421
Fortune Venture Capital Corporation	Taipei, Taiwan	Consulting and planning for investment in new business	2,999,940	2,999,940
Hsun Chieh Investment Co., Ltd.	Taipei, Taiwan	Investment holding	14,172,940	14,172,940
United Microdisplay Optronics Corporation	Science Park, Hsin-Chu	Sales and manufacturing of LCOS	1,043,453	764,990
UMCi Ltd.	Singapore	Sales and manufacturing of integrated circuits	USD 640,563	USD 212,250
Pacific Venture Capital Co., Ltd.	Taipei, Taiwan	Venture capital consultation	300,000	300,000
UMC Japan	Chiba, Japan	Sales and manufacturing of integrated circuits	JPY 20,537,634	JPY 20,126,316
DuPont Photomasks Taiwan Ltd.	Science Park, Hsin-Chu	Manufacturing of photomasks	773,795	773,795
Unitech Capital Inc.	British Virgin Islands	Investment holding	USD 21,000	USD 21,000
Holtek Semiconductor Inc.	Science Park, Hsin-Chu	IC design production and sales	357,628	357,628
Integrated Technology Express, Inc.	Science Park, Hsin-Chu	Sales and manufacturing of integrated circuits	205,025	205,025
Unimicron Technology Corp.	Taoyuan, Taiwan	PCB production	2,592,013	2,592,013
Applied Component Technology Corp.	Taipei, Taiwan	IC production sales	44,604	49,284
Novatek Microelectronics Corp.	Science Park, Hsin-Chu	Sales and manufacturing of integrated circuits	155,941	138,030
Faraday Technology Corp.	Science Park, Hsin-Chu	ASIC design and production	81,032	81,032
Silicon Integrated Systems Corp.	Science Park, Hsin-Chu	Sales and manufacturing of integrated circuits	5,684,865	1,267,580
AMIC Technology Corporation	Science Park, Hsin-Chu	IC design, production and sales	135,000	135,000
UMC Japan				
UMCi Ltd.	Singapore	Sales and manufacturing of integrated circuits	JPY 4,820,850	–

Amount in thousand; Currency denomination in NTD unless otherwise specified

Shares (In thousands)	Investment as of December 31, 2003		Net Income (Loss) of Investee Company	Investment Income (Loss) Recognized	Note
	Percentage of Ownership(%)	Book Value			
16,438	100.00	\$451,046	USD (245)	\$(17,344)	–
2,005	100.00	95,484	USD 187	6,419	–
40,000	100.00	1,265,822	USD (2,304)	(79,278)	–
700	100.00	7,463	USD (172)	(5,932)	–
9	100.00	244,869	USD 238	37,751	–
299,994	99.99	2,280,265	(267,008)	(266,734)	–
1,417,294	99.97	10,622,554	(730,570)	(730,177)	–
104,345	83.48	659,198	(386,799)	(327,298)	–
657,438	75.05	20,972,846	USD (34,975)	(679,281)	–
30,000	49.99	313,298	(5,948)	(2,972)	–
484	47.48	9,531,141	JPY 2,058,911	845,942	–
106,621	45.35	1,069,669	(149,598)	(71,878)	–
21,000	42.00	757,050	USD 3,079	44,510	–
46,648	25.44	624,432	482,627	112,135	–
26,579	24.38	341,310	224,774	53,062	–
176,706	21.93	3,214,325	1,118,197	219,441	–
10,922	21.42	43,872	(151,666)	(33,265)	–
69,147	20.44	1,285,319	2,125,668	491,122	–
42,138	19.10	729,058	1,024,262	195,787	–
216,435	16.18	5,288,088	204,211	(464,555)	–
16,200	11.83	86,722	128,375	25,143	–
45,000	5.14	JPY 4,820,850	USD (34,975)	–	–