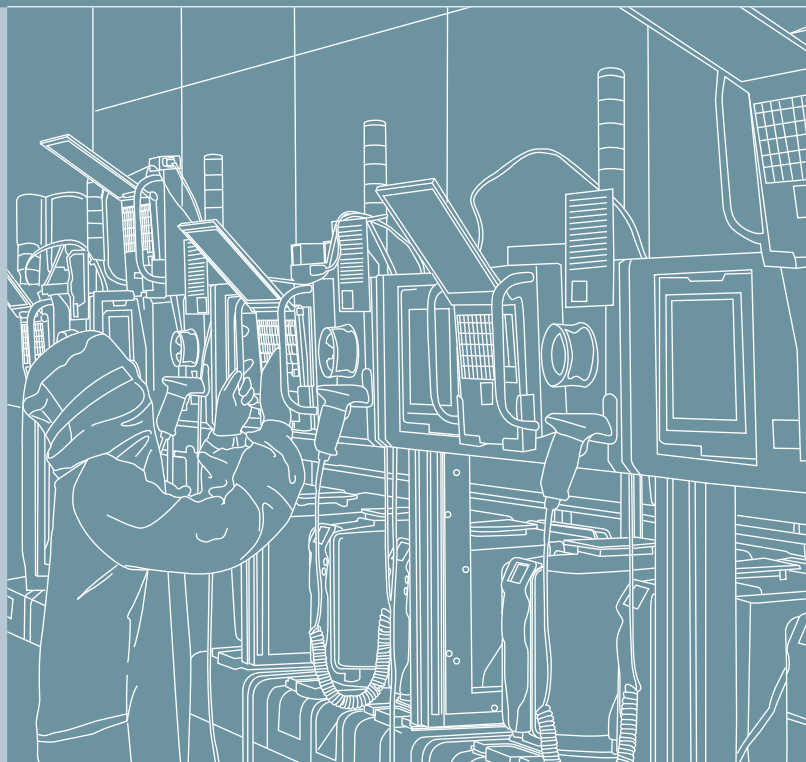


## REVIEW OF FINANCIAL POSITION, OPERATING RESULTS, RISK MANAGEMENT AND EVALUATION, AND CORPORATE GOVERNANCE PRACTICES

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## Analysis of Financial Position

Item / Year	<i>In thousand NTD</i>			
	2003	2002	Difference	% Change
Current assets	122,306,834	86,658,337	35,648,497	41
Property, plant and equipment	117,184,749	146,075,886	(28,891,137)	(20)
Other assets	7,527,580	8,332,799	(805,219)	(10)
Total assets	320,113,838	297,332,646	22,781,192	8
Current liabilities	32,751,363	20,949,418	11,801,945	56
Long-term interest-bearing liabilities	48,552,355	55,066,424	(6,514,069)	(12)
Total liabilities	87,871,914	79,899,283	7,972,631	10
Capital	161,407,435	154,748,456	6,658,979	4
Capital reserve	80,074,184	81,875,491	(1,801,307)	(2)
Retained earnings	26,794,291	20,004,054	6,790,237	34
Total equity	232,241,924	217,433,363	14,808,561	7

**Explanation for significant changes (over 20%) in financial position include:** (a) The increase in working capital was mainly attributed to a positive operating situation. (b) The decrease in property, plant and equipment was largely due to the recognition of depreciation. (c) The increase in

current liabilities was mainly resulted from the increase in current portion of long-term interest-bearing liabilities. (d) The increase in retained earnings was the result of the increase in net income for 2003.

## Analysis of Operating Results

In thousand NTD

	2003	2002	Difference	% Change
Sales revenues	81,977,207	65,101,970	16,875,237	26
Sales returns and discounts	(499,177)	(719,276)	(220,099)	(31)
Net sales	81,478,030	64,382,694	17,095,336	27
Other operating revenues	3,384,040	3,043,051	340,989	11
Net operating revenues	84,862,070	67,425,745	17,436,325	26
Operating costs	(65,381,657)	(56,233,456)	9,148,201	16
Gross profit	19,480,413	11,192,289	8,288,124	74
Realized (unrealized) intercompany profit	(38,144)	2,861	(41,005)	(1,433)
Net	19,442,269	11,195,150	8,247,119	74
Operating expenses	(9,505,935)	(11,054,179)	(1,548,244)	(14)
Operating income	9,936,334	140,971	9,795,363	6,948
Non-operating income	9,033,180	10,483,535	(1,450,355)	(14)
Non-operating expenses	(4,154,145)	(3,540,412)	613,733	17
Income from continuing operations before income taxes	14,815,369	7,084,094	7,731,275	109
Income tax expenses	(795,112)	(12,062)	783,050	6,492
Net income	14,020,257	7,072,032	6,948,225	98

### Explanation for significant changes (over 20%) in operating results include:

#### (a) Net Operating Revenues:

The increase in net operating revenues was primarily resulted from the recovery of the semiconductor industry and the increased number of orders received.

#### (b) Gross Profit Analysis:

The increase in gross profit for 2003 was due primarily to increases in sales quantity and the capacity utilization rate, and a decrease in the product unit cost. Reasons for difference in gross profit are as follows:

Reasons for Difference	In thousand NTD
Average selling price	(4,246,695)
Unit cost	8,721,441
Product mix	–
Quantity	3,456,329
Others	357,049
Difference	8,288,124

#### (c) Income Tax Expenses:

The increase in income tax expenses was primarily due to the rise in sales revenue and the taxable income.

### Estimated Sales Quantities

With the industry shifting towards the vertical disintegration business model, UMC, with its position as an industry leader and pioneer in 300mm manufacturing and SoC (System-on-chip) technologies, should be able to reach a revenue growth rate higher than the overall semiconductor industry. Based on our capacity and customers' demand forecast, the estimated sales quantity for 2004 is approximately 2.8 million 200mm wafer equivalents.

## Liquidity Analysis

### Analysis of Cash Flows for 2003

In thousand NTD

Cash Balance at Beginning of Year	Net Cash Provided by Operating Activities	Net Cash Used in Investing and Financial Activities	Cash Balance at End of Year	Source of Funding in case of Cash Shortfall	
				Investing Plan	Financing Plan
57,192,459	45,597,452	(9,924,354)	92,865,557	–	–

**Explanation for liquidity:** (a) Cash inflows from operating activities are the result of the recovery of the semiconductor industry and a positive operating situation. (b) Cash outflows from investing activities are attributed to the capital expenditures for the expansion in the 12-inch fab.

(c) Cash outflows from financing activities resulted from the repayment of long-term loans. However, cash outflows were partially offset by proceeds from the issuance of exchangeable bonds.

### Projected Cash Flows for 2004

In thousand NTD

Cash Balance at Beginning of Year	Projected Cash Inflow from Operating Activities	Projected Cash Outflow	Projected Cash Balance at End of Year	Source of Funding in case of Cash Shortfall	
				Investing Plan	Financing Plan
92,865,557	58,873,917	59,288,182	92,451,292	–	–

## Major Capital Expenditures and Sources of Funding

### Execution Status of Major Capital Expenditures and Sources of Funding

In thousand NTD

Project	Sources of Funding	Completion Status	Total Amount	Capital Expenditures Plan	
				2002	2003
Production Equipment	Cash flows generated from operations, bank loans and issuance of bonds	Completed	35,455,742	25,439,000	10,016,742
R&D Equipment	Cash flows generated from operations, bank loans and issuance of bonds	Completed	5,023,854	2,458,000	2,565,854

### Expected Benefit from Capital Expenditures

Starting from 2004, production capability for the Company's 0.25-micron and below technologies will increase to

55% or more as a percentage of total production capacity due to the above mentioned capital expenditures.

## Analysis for Investment Over 5% of Paid-in Capital in 2003

In thousand NTD

Explanation Item	Amount (Note)	Policy	Reasons for Profit / Loss	Improvement Plan	Other Future Investment Projects
UMCi Ltd.	NTD 12,379,072	Globalization Strategy — stay close to local customers and markets	The production output has not met the economy of scale yet	Speed up the mass production process and increase wafer production quantity	The future investment project will be dependent on the global semiconductor condition

**Note** The annual investment amount is over 5% of paid in capital.

## Risk Management and Evaluation

### ***Impact on corporate profitability from fluctuating interest rates, exchange rates, and inflation.***

The impact on the Company from fluctuating interest rates, exchange rates, and inflation has been minimal due to effective monitoring and control. The Company will continue to watch market movement in interest and exchange rates to avoid losses.

### ***Profit or loss from activities in high risk and highly leveraged investments, loans provided to others, endorsements and guarantees, and derivatives.***

The Company has not engaged in any transaction of high risk and highly leveraged investments, loans provided to others, or endorsements and guarantees in the recent fiscal year. Any derivatives transaction is to elevate operating performance and reduce operating and financial risks.

### ***Upcoming R&D plans and their status***

For the upcoming year, UMC will continue to maintain the role as one of the manufacturing yield leaders for 90-nanometer production. We are also pushing aggressively on the progress of next generation 65-nanometer technology, as well as exploratory technology development beyond the 65-nanometer generation. At 65-nanometer, UMC plans a two-phase approach on the use of low-k dielectric materials. The first will seek k-values of 2.9, using the same chemical vapor deposition-based material as we used at 90-nanometer. UMC plans to go below a 2.5 k value with CVD material at phase two. The nickel silicide will be formally adopted for sub 90-nanometer technology, which has demonstrated its advantages and maturity. UMC will also apply chrome-less phase-shift mask technology, using 193-nanometer wavelength lithography, for the migration to the 65-nanometer manufacturing process node.

In advanced gate engineering, high-k gate dielectrics will be debuted in tandem with metal electrodes. UMC is currently working on a fully silicided poly gate. Extensive research will be conducted on potential material options for metal gate electrodes. UMC will also focus on rolling out strained silicon process technology. UMC is performing research to increase the local stress in channels to improve the device performance.

The R&D expenditures in 2004 are expected to exceed 6% of total revenue for these technologies. This demonstrates that UMC is dedicated to continuing a rapid pace of development. UMC also plans to maintain its aggressive recruiting and training of world-class R&D staff to meet the ongoing challenges of providing industry-leading technologies. We are committed to providing the shortest time-to-market for customers, offering comprehensive design resources (including libraries and IP) to complement

our technology, and turning research achievements into profits for our customers.

### ***Impact on the Company's financial operations and contingency action regarding recent changes in domestic and international policies and regulations***

The Company strictly follows governing policies and regulations. The finance and legal departments constantly monitor any changes in related policies and regulations, and adjust internal operating procedures and business activities accordingly so that business operations continue smoothly.

### ***Impact on the Company's financial operations and contingency action regarding recent changes in technology***

The Company has been active in the development of advanced technology. In 2003, the Company's R&D expenses were approximately NTD 57 billion. The Company has moved well ahead of its competitors both on 300mm and 90nm technologies. In March 2003, the Company announced the delivery of functional customer chips utilizing 90nm technology ahead of its competitors. The Company expects to migrate 90nm chips to mass production in 2004, which will be the growth driver of revenue for the following few years. The Company's current financial situation is sound and cash on hand is sufficient for future technology development.

### ***Impact on the Company's risk management and contingency action regarding recent changes in corporate image***

To ensure the long-term success of the Company and to further the corporate goal of building long-term partnerships with our customers and our community, the Company holds Shareholders Meetings and Investors Conferences regularly to maintain a high-level of financial transparency. The company consistently meets its obligations as an exemplary corporate citizen by participating in a wide range of public activities that benefit our community and society as a whole. In addition, we have established a comprehensive and robust set of response procedures aimed at addressing the needs of almost every type of emergency condition, reducing management uncertainty to the lowest achievable level.

## Other Necessary Supplements

None.

## Disclosure Committee

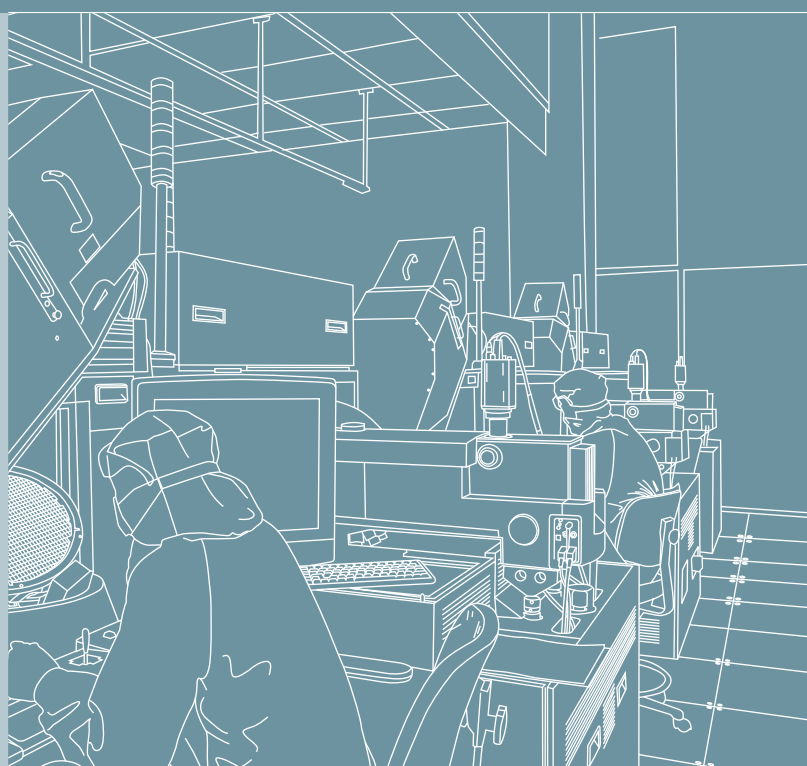
The primary purpose of the Disclosure Committee is to assist the Company in establishing and maintaining "disclosure controls and procedures" designed to ensure the quality of filing reports on a timely basis.

## Corporate Governance Practices

<i>Item</i>	<i>Executions</i>	<i>The Reasons for the Differences between the Company's Governance and Recognized Corporate Governance</i>
<b>Corporate shareholder structure and shareholders' rights:</b>		
(a) How the Company handles shareholders' recommendations or disputes:	The Company has designated a specific body and established an email address to handle shareholders' recommendations or disputes.	–
(b) How the Company regularly monitors the list of key shareholders who have management control of the Company, or those who have ultimate control of key shareholders:	There is no single shareholder who holds more than 10% of the Company's total outstanding shares.	–
(c) How the Company establishes proper risk control mechanisms and firewalls between the Company and its affiliated enterprises:	The obligations and rights between the Company and its affiliated enterprises have been clearly defined. Any transaction between the Company and its affiliated enterprises complies with related regulations.	–
<b>The structure and responsibilities of the board:</b>		
(a) How the company institutes independent directors:	–	The Company has instituted two independent supervisors.
(b) How the Company periodically evaluates the independence of its auditors:	The Company's auditor is one of the largest and best regarded in its industry. The auditor assiduously avoids conflicts of interests.	–
<b>The composition and responsibilities of supervisors:</b>		
(a) How the company institutes supervisors:	The Company currently has two independent supervisors.	–
(b) How the supervisors communicate with the Company's employees and shareholders:	At any time, a supervisor may individually investigate the business and financial conditions of the Company, and may ask the Board of Directors or executive managers to prepare a report.	–
<b>The Company's communication channels for its stakeholders:</b>	The Company has designated a specific unit and established an email address to handle stakeholders' concerns.	–
<b>Information disclosure:</b>		
(a) How the Company establishes a website to disclose financial and corporate governance information:	The Company regularly publishes up-to-date detailed financial and corporate governance information on its website in both Chinese and English.	–
(b) The other channels for the disclosure of the Company's information:	The Company has designated a specific body to collect and disclose information about the Company. Besides, the Company has established standard procedures for an authorized spokesperson to make statements for the Company. The Company has one main spokesperson and two deputy spokespersons.	–
<b>The operation of the audit committee work within the Board of Directors of the Company:</b>	–	Based upon Taiwan's regulations, the Company has entrusted its supervisors the same responsibilities as an audit committee.
<b>The comparison between the Company's corporate governance mechanism and the recognized corporate governance principles:</b>		
The Company bases its corporate governance structures and practices on Taiwan's Company Law, the Securities and Exchange Law, and their related rules and regulations. The Company's corporate governance mechanism follows recognized corporate governance principles.		
<b>Other information disclosure:</b>		
(a) Has the Company established any educational programs for its board members?	The Company provides information related to professional educational opportunities to all board members.	
(b) The attendance of directors and supervisors to the board meeting:	In 2003, the attendance of directors is 83%; the attendance of supervisors is 96%.	
(c) Has the Company established a risk management policy and standards for evaluating risk and implementing its risk management policy?	Not Applicable.	
(d) Has the Company established policies to protect consumers or its customers and regularly evaluate the policies' implementation?	Not Applicable.	
(e) Is there a policy to ensure board members avoid introducing topics of discussion that would advance their own vested interests?	The board is well disciplined and enforces a strict policy of separating personal and company interests amongst its members.	
(f) Has the Company purchased liability insurance for its directors and supervisors?	The Company has purchased liability insurance for its directors since 2000.	
(g) Has the Company valued its social responsibilities?	The Company is actively participates in environmental protection and philanthropic activities. The Company believes it has a responsibility to give back to the community.	
(h) The Corporate Governance Statement: <a href="http://www.umc.com/english/investors/corp_gov.asp">http://www.umc.com/english/investors/corp_gov.asp</a>		

## AFFILIATED ENTERPRISES OVERVIEW

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## Summary of Affiliated Enterprises

### Organization Chart

United Microelectronics Corporation			
Fortune Venture Capital Corporation	99.99%		
Hsun Chieh Investment Co., Ltd.	99.97%		
UMC Group (USA)	100.00%		
UMC Japan	47.48%		
United Foundry Service, Inc.	100.00%		
UMC Capital Corporation	100.00%	> UMC Capital (USA)	100.00%
UMCi Ltd.	75.05%		
United Microelectronics Corp. (Samoa)	100.00%		
United Microelectronics (Europe) B.V.	100.00%		
United Microdisplay Optronics Corp.	83.48%		
Silicon Integrated Systems Corp.	16.18%		

### Basic Data of Affiliated Enterprises

In thousand NTD

Name of Corporation	Date of Establishment	Address	Capital	Major Business / Production Items
Fortune Venture Capital Corporation	1993.9.21	2F, 76, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan 106, R.O.C.	3,000,000	Consulting and planning for investment in new business
Hsun Chieh Investment Co., Ltd.	2000.1.12	2F, 76, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan 106, R.O.C.	14,177,110	Investment holding
UMC Group (USA)	1997.8.11	488 DeGuigne Drive Sunnyvale, CA 94085, USA	566 (USD 16,438)	IC sales
UMC Japan	1984.5.15	1580, Yamamoto, Tateyama-City, Chiba, Japan	8,054,240 (JPY 27,100,405,000)	Sales and manufacturing of integrated circuits
United Foundry Service, Inc.	1996.7.29	488 DeGuigne Drive Sunnyvale, CA 94085, USA	69 (USD 2,005)	Supervising and monitoring group projects
UMC Capital Corporation	2001.1.16	P.O. Box 1034GT, Grand Cayman, Cayman Islands	1,376,560 (USD 40,000,000)	Investment holding
UMC Capital (USA)	2001.2.13	488 DeGuigne Drive Sunnyvale, CA 94085, USA	7 (USD 200)	Investment holding
UMCi Ltd.	2001.1.18	6 Temasek Boulevard, #26-01 Suntec Tower Four, Singapore 038986	30,147 (USD 876,000)	Sales and manufacturing of integrated circuits
United Microelectronics Corp. (Samoa)	2000.10.12	Offshore Chambers, PO Box 217, Apia, Samoa	24,090 (USD 700,000)	Investment holding
United Microelectronics (Europe) B.V.	1989.5.23	Hogehilweg 19, 1101 CB, Amsterdam, The Netherlands	133,365 (USD 3,875,309)	IC sales
United Microdisplay Optronics Corporation	2002.9.11	2F, 3, Li-Hsin 2nd Rd., Hsinchu Science Park, Taiwan 300, R.O.C.	1,250,000	Sales and manufacturing of LCOS
Silicon Integrated Systems Corp.	1987.8.26	16, Creation 1st Rd., Hsinchu Science Park, Taiwan 300, ROC	13,380,166	Sales and manufacturing of integrated circuits

Note USD : NTD = 1:34.414; JPY : NTD = 1:0.2972

### Data for Common Shareholders of Treated-as Controlled Companies and Affiliates

None.

### **Business of United Microelectronics Corporation (UMC) and its Affiliated Enterprises**

The business of UMC and its affiliated enterprises includes semiconductor wafer manufacturing, manufacturing, electronics, investment activities, and trade.

### **Directors, Supervisors and Presidents of Affiliated Enterprises**

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
Fortune Venture Capital Corporation	Chairman	United Microelectronics Corporation	299,994,000	99.99
		Representative: Robert H.C. Tsao	0	0.00
	Director	United Microelectronics Corporation	299,994,000	99.99
		Representative: John Hsuan	0	0.00
	Director	United Microelectronics Corporation	299,994,000	99.99
		Representative: Frank Jang	0	0.00
	Director	United Microelectronics Corporation	299,994,000	99.99
Representative: Stan Hung		0	0.00	
Supervisor	Antonius Wu	0	0.00	
	United Microelectronics Corporation	299,994,000	99.99	
Hsun Chieh Investment Co., Ltd.	Chairman	United Microelectronics Corporation	1,417,294,000	99.97
		Representative: Robert H.C. Tsao	0	0.00
	Director	United Microelectronics Corporation	1,417,294,000	99.97
		Representative: John Hsuan	0	0.00
	Director	United Microelectronics Corporation	1,417,294,000	99.97
		Representative: Stan Hung	0	0.00
	Supervisor	United Microelectronics Corporation	1,417,294,000	99.97
Representative: Frieda Shih		0	0.00	
UMC Group (USA)	President	Henry Liu	0	0.00
	Director	Peter J. Courture	0	0.00
	Director	Tony Yu	0	0.00
UMC Japan	Chairman	Robert H.C. Tsao	0	0.00
	Director	John Hsuan	0	0.00
	Director	Peter Chang	0	0.00
	Director and President	Hong-Jen Wu	0	0.00
	Director	Stan Hung	0	0.00
	Director	Chris Chi	0	0.00
	Director	Oliver Chang	0	0.00
	Director	Jenn Tsao	0	0.00
	Director	Yen Huang	100	0.01
	Director	Toshiji Sugawara	948	0.09
	Supervisor	Minetaka Suzuki	70	0.01
	Supervisor	Wei Chung Lian	0	0.00
	Supervisor	Eiichi Arakawa	172	0.02
United Foundry Service, Inc.	Director and President	Peter J. Courture	0	0.00
UMC Capital Corporation	Director	United Microelectronics Corporation	40,000,000	100.00
		Representative: Robert H.C. Tsao	0	0.00
UMC Capital (USA)	Director and President	Peter J. Courture	0	0.00
	Director	Stan Hung	0	0.00
UMCi Ltd.	Chairman	Robert H.C. Tsao	4,500,010	0.51
	Director	Jackson Hu	0	0.00
	Director	Peter Chang	562,500	0.06
	Director and President	Chris Chi	562,500	0.06
	Director	Liow Voon Kheong	0	0.00

*Continued on next page*

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
<i>Continued from previous page</i>				
United Microelectronics Corp. (Samoa)	Director	United Microelectronics Corporation	700,000	100.00
		Representative: Stan Hung	0	0.00
United Microelectronics (Europe) B.V.	Director	Robert H.C. Tsao	0	0.00
	Director	John Hsuan	0	0.00
United Microdisplay Optronics Corporation	Chairman	United Microelectronics Corporation	104,345,300	83.48
		Representative: John Hsuan	0	0.00
	Director	United Microelectronics Corporation	104,345,300	83.48
		Representative: Robert H. C. Tsao	0	0.00
	Director	United Microelectronics Corporation	104,345,300	83.48
		Representative: Stan Hung	0	0.00
Supervisor	United Microelectronics Corporation	104,345,300	83.48	
	Representative: Duen-Chian Cheng	0	0.00	
Silicon Integrated Systems Corp.	Chairman	United Microelectronics Corporation	216,435,200	16.18
		Representative: John Hsuan	0	0.00
	Director	United Microelectronics Corporation	216,435,200	16.18
		Representative: Jackson Hu	0	0.00
	Director	United Microelectronics Corporation	216,435,200	16.18
		Representative: Chun Kuan	0	0.00
	Director	Lanching Investment Ltd.	496,059	0.04
		Representative: Chi-Chuan Huang	166,111	0.00
	Director	Ming-Chi Hwang	597,796	0.04
	Director	Hsin-Shen Liu	17,484,766	1.31
	Supervisor	Pinh-Ping Chang Chao	2,083,813	0.16
	Supervisor	United Microelectronics Corporation	216,435,200	16.18
		Representative: Wei Chung Lian	0	0.00

**Summarized Operation Results of Affiliated Enterprises**
*In thousand NTD*

Name of Corporation	Capital	Total Assets	Total Liabilities	Net Worth	Net Operating Revenues	Operating Income (Loss)	Net Income (Loss)	Earnings (Loss) Per Share (NTD)
Fortune Venture Capital Corporation	3,000,000	2,591,743	122,343	2,469,399	951,359	(151,783)	(267,008)	(0.89)
Hsun Chieh Investment Co., Ltd.	14,177,110	25,495,195	107,307	25,387,888	1,308,622	(640,868)	(730,570)	(0.52)
UMC Group (USA)	566	6,581,513	6,105,897	475,616	35,698,268	149,370	(8,417)	(0.51)
UMC Japan	8,054,240	35,905,326	17,083,771	18,821,554	10,548,816	817,929	611,908	604.04
United Foundry Service, Inc.	69	101,928	5,038	96,890	102,382	5,835	6,419	3.20
UMC Capital Corporation	1,376,560	1,286,840	2,582	1,284,258	4,295	(79,278)	(79,278)	(2.64)
UMC Capital (USA)	7	9,304	373	8,931	30,294	1,443	1,205	6.02
UMCi Ltd.	30,147	33,137,665	4,622,883	28,514,782	0	(1,574,702)	(1,203,614)	(2.06)
United Microelectronics Corp. (Samoa)	24,090	7,572	0	7,572	10	(5,932)	(5,932)	(9.62)
United Microelectronics (Europe) B.V.	133,365	1,681,652	1,448,260	233,392	6,602,601	14,863	8,184	909.36
United Microdisplay Optronics Corp.	1,250,000	889,377	99,693	789,684	56,793	(232,831)	(386,799)	(4.04)
Silicon Integrated Systems Corp.	13,380,166	26,900,758	7,437,389	19,463,369	16,725,174	650,972	204,211	0.15

Note USD : NTD = 1:34.414; JPY : NTD = 1:0.2972

## Representation Letter

The pro forma consolidated balance sheet of United Microelectronics Corporation and its affiliates as of December 31, 2003 and the pro forma consolidated statement of income for the year ended December 31, 2003 are in conformity with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", regulations governing the preparation of financial statements of public company, and accounting principles generally accepted in the Republic of China.

The pro forma consolidated financial statements of United Microelectronics Corporation and its affiliates as of and

for the year ended December 31, 2003 were made without omission of material information and did not include any false or misleading information.



Robert H.C. Tsao  
Chairman  
United Microelectronics Corporation  
January 15, 2004

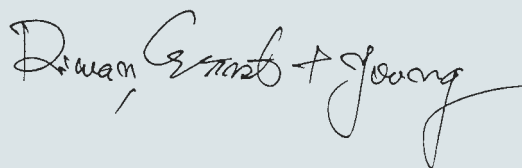
## Report of Independent Auditors

*English Translation of a Report Originally Issued in Chinese*

To the Board of Directors and Shareholders of  
United Microelectronics Corporation,

We have reviewed the accompanying pro forma consolidated balance sheet of United Microelectronics Corporation and its affiliates as of December 31, 2003, and the related pro forma consolidated statement of income for the year ended December 31, 2003. Our review was made in accordance with the “Guidelines for the Review of Consolidated Financial Statements of Affiliated Enterprises”. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the pro forma consolidated balance sheet and the pro forma consolidated statement of income taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications or adjustments that should be made to the financial statements referred to above in order for them to be in conformity with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, regulations governing the preparation of financial statements of public company, and accounting principles generally accepted in the Republic of China.



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 in accordance with accounting principles and practices generally accepted in the Republic of*

*China and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.*

## Pro Forma Consolidated Balance Sheets

Assets	Notes	As of December 31, 2003
<b>Current assets</b>		
Cash and cash equivalents	2, 4(1)	\$121,484,409
Marketable securities, net	2, 4(2)	5,282,711
Notes receivable	4(3)	56,014
Notes receivable - related parties	5	101,753
Accounts receivable, net	2, 4(4)	18,303,496
Accounts receivable - related parties, net	2, 5	3,444,520
Other receivables	2	881,560
Other financial assets, current	2, 4(5)	2,515,250
Inventories, net	2, 4(6)	10,664,162
Prepaid expenses		824,973
Deferred income tax assets, current	2, 4(18)	3,402,616
Restricted deposits	6	21,875
Other current assets		92,067
Total current assets		167,075,406
<b>Funds and long-term investments</b>		
Long-term investments accounted for under the equity method	2, 4(7)	16,929,682
Long-term investments accounted for under the cost method		17,498,018
Prepaid long-term investments		52,343
Other long-term investments		60,000
Less: Allowance for loss on decline in market value		(62,888)
Total funds and long-term investments		34,477,155
<b>Other financial assets, noncurrent</b>	4(5)	1,848,530
<b>Property, plant and equipment</b>		
Land	2, 4(8), 5, 6, 7	1,999,908
Buildings		20,182,620
Machinery and equipment		297,558,725
Transportation equipment		93,335
Furniture and fixtures		2,640,494
Leased assets		421,663
Leasehold improvements		40,848
Total cost		322,937,593
Less : Accumulated depreciation		(180,891,353)
Add : Construction in progress and prepayments		22,988,151
Property, plant and equipment, net		165,034,391
<b>Intangible assets</b>		
Trademarks		427
Patents	2	6,956
Technological know-how	2	559,237
Other intangible assets		2,171,427
Total intangible assets		2,738,047
<b>Other assets</b>		
Deferred charges	2	3,245,296
Deferred income tax assets, noncurrent	2, 4(18)	5,661,649
Other assets-others	4(9), 6	2,889,969
Total other assets		11,796,914
<b>Total assets</b>		\$382,970,443

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

In thousand NTD

<b>Liabilities and Stockholders' Equity</b>	<b>Notes</b>	<b>As of December 31, 2003</b>
<b>Current liabilities</b>		
Short-term loans	4(10)	\$1,884,899
Notes payable		153,892
Accounts payable		7,067,908
Accounts payable - related parties	5	812,849
Income tax payable	2	224,930
Accrued expenses		6,626,415
Other payables		7,521,984
Current portion of long-term interest-bearing liabilities	4(11), 4(12), 5, 6	26,084,631
Other current liabilities	7	2,029,195
<b>Total current liabilities</b>		<b>52,406,703</b>
<b>Long-term interest-bearing liabilities</b>		
Bonds payable	2, 4(7), 4(11), 6	59,063,918
Long-term loans	4(12), 5, 6	5,302,351
<b>Total long-term interest-bearing liabilities</b>		<b>64,366,269</b>
<b>Other liabilities</b>		
Accrued pension liabilities	2, 4(13)	2,365,705
Deposits-in		9,600
Minority interests		31,189,021
Other liabilities-others		481,034
<b>Total other liabilities</b>		<b>34,045,360</b>
<b>Total liabilities</b>		<b>150,818,332</b>
<b>Capital</b>		
Common stock	4(14)	161,407,435
<b>Capital reserve</b>		
Premiums	2	41,729,589
Change in equities of long-term investments		21,192,141
Excess from merger		17,152,454
<b>Retained earnings</b>		
Legal reserve	4(16)	11,410,475
Special reserve		1,346,994
Unappropriated earnings		14,036,822
<b>Adjusting items in stockholders' equity</b>		
Unrealized loss on long-term investments		(90,864)
Cumulative translation adjustment		913,877
<b>Treasury stock</b>	2, 4(15)	<b>(36,946,812)</b>
<b>Total stockholders' equity</b>		<b>232,152,111</b>
<b>Total liabilities and stockholders' equity</b>		<b>\$382,970,443</b>

## Pro Forma Consolidated Statements of Income

*In thousand NTD*

Content	Notes	For the year ended December 31, 2003
<b>Operating revenues</b>	2, 5	
Sales revenues		\$110,015,667
Less: Sales returns and discounts		(1,295,526)
Net Sales		108,720,141
Other operating revenues		3,311,495
Net operating revenues		112,031,636
<b>Operating costs</b>	4(17)	
Cost of goods sold	5	(83,041,010)
Other operating costs		(2,536,442)
Operating costs		(85,577,452)
<b>Gross profit</b>		26,454,184
Unrealized intercompany profit	2	(174,410)
Realized intercompany profit	2	68,558
Net		26,348,332
<b>Operating expenses</b>	4(17)	
Sales and marketing expenses		(4,194,694)
General and administrative expenses		(4,824,992)
Research and development expenses		(7,512,451)
Subtotal		(16,532,137)
<b>Operating income</b>		9,816,195
<b>Non-operating income</b>		
Interest revenue		1,164,165
Investment income accounted for under the equity method, net	2, 4(7)	599,154
Dividend income		898,644
Gain on disposal of property, plant and equipment	2	219,714
Gain on disposal of investment	2, 4(11)	7,077,220
Exchange gain, net	2	284,859
Recovery on decline in market value of marketable securities	2	10,806
Other income		951,815
Subtotal		11,206,377
<b>Non-operating expenses</b>		
Interest expense	4(8), 5	(1,746,982)
Other investment loss	2	(1,935,919)
Loss on disposal of property, plant and equipment	2	(170,576)
Loss on decline in market value and obsolescence of inventories	2	(1,443,565)
Financial expenses		(387,916)
Other losses	4(11)	(473,787)
Subtotal		(6,158,745)
Income before income tax and minority interests		14,863,827
Income tax expense	2, 4(18)	(980,427)
Income before minority interests		13,883,400
Minority interests loss		136,857
<b>Net income</b>		\$14,020,257
<b>Earnings per share-basic</b>	2, 4(19)	
Net income (in NTD)		\$0.92
<b>Earnings per share-diluted</b>	2, 4(19)	
Net income (in NTD)		\$0.90
<b>Pro forma information on earnings as if unconsolidated subsidiaries' investment in the Company is not treated as treasury stock</b>	2, 4(19)	
Net income		\$14,020,257
Earnings per share-basic (in NTD)		\$0.91
Earnings per share-diluted (in NTD)		\$0.90

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

## Notes to Pro Forma Consolidated Financial Statements

December 31, 2003

Expressed in thousands of NTD unless otherwise specified

### Note 1. General Descriptions of Reporting Entities

United Microelectronics Corporation (the Company) was incorporated in May 1980 and commenced operations in April 1982. The Company is a full service semiconductor wafer foundry, and provides a variety of services to fit individual customer 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.

The pro forma consolidated affiliates (hereinafter referred to collectively as the Group) are summarized as follows:

Hsun Chieh Investment Co., Ltd. (Hsun Chieh) was incorporated in January 2000 and the principal activity is investment holding. The Company owned 99.97% of interest in Hsun Chieh as of December 31, 2003.

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

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

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

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

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

Silicon Integrated Systems Corp. (SiS) was incorporated in August 1987 and is engaged in the business of sales

and manufacturing of integrated circuits. The Company owned 16.18% of interest in SiS as of December 31, 2003. The consolidated financial statements of SiS, including the accounts of SiS, SiS Microelectronics Corp. (SMC), Silicon Integrated Systems Corporation (USA), Silicon Integrated Systems Limited (HK), and InveStar CPU Venture Capital Fund, Inc. LDC, were used in the preparation of the pro forma consolidated financial statements of the Group.

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

### Note 2. Summary of Significant Accounting Policies

The pro forma consolidated financial statements were prepared in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" in the Republic of China (ROC), regulations governing the preparation of financial statements of public company, and accounting principles generally accepted in the ROC.

Summary of significant accounting policies is as follows:

#### Principles of Pro Forma Consolidation

The pro forma consolidated financial statements include the accounts of the Company and certain majority-owned (above 50%) subsidiaries as well as those investees that the Company has controlling influence over the personnel, financing and operational decisions. All intercompany accounts and transactions have been eliminated in the pro forma consolidated financial statements, in accordance with the requirements of the Statements of Financial Accounting Standards of the Republic of China (ROC SFAS) No.7.

Pursuant to ROC SFAS No. 7, if the total assets and operating revenues of a subsidiary are less than 10% of the non-consolidated total assets and operating revenues of the Company, respectively, the subsidiary's financial statements may, at the option of the Company, not be consolidated. Irrespective of the above test, when the total consolidated assets or operating revenues of all such non-consolidated subsidiaries constitute up to 30% of the Company's non-consolidated total assets or operating revenues, then each individual subsidiary with total assets or operating revenues up to 3% of the Company's non-consolidated total assets or operating revenues has to be included in the combination.

The difference of the acquisition cost and the underlying equity in the affiliate's net assets is amortized over 5 years.

#### **Foreign Currency Transactions**

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.

#### **Translation of Foreign Currency Financial Statements**

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

#### **Use of Estimates**

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

#### **Cash Equivalents**

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

#### **Marketable Securities**

Marketable securities are recorded at cost when acquired and are stated at the lower of aggregate cost or market value 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 Group, are accounted for by the lower of aggregate cost or market value method. The unrealized loss resulting from the decline in market value of investments that are held for long-term investment 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 Group owns at least 20% of the outstanding voting shares of the investees and has significant influence on operational decisions of the investees. The difference of the acquisition cost and the underlying equity in the investee's net assets is amortized over 5 years.

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

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

### **Property, Plant and Equipment**

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

Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital 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 - 3 to 55 years; machinery and equipment - 3 to 10 years; transportation equipment - 2 to 5 years; furniture and fixtures - 2 to 20 years; leased assets and leasehold improvements - the lease period, or estimated economic life, whichever is shorter.

### **Intangible Assets**

Patents are stated at cost and amortized over their estimated economic life using the straight-line method. Technological know-how is stated at cost and amortized over its estimated economic life using the straight-line method. At each balance sheet date, the Group assesses whether there is any indication of impairment other than temporary. If any such indication exists, the recoverable amount is estimated and provision for impairment loss is provided accordingly. The book value after 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; software and molds - 3 years; and facility use right - 15 years.

At each balance sheet date, the Group assesses whether there is any indication of impairment other than temporary. If any such indication exists, the recoverable amount is estimated and provision for impairment 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 net pension cost is computed based on an actuarial valuation, 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***

Treasury stock is 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 Group and the expenditure exceeds a predetermined certain level. Otherwise it is charged to expense when incurred.

#### ***Income Tax***

Income tax is accounted for under the inter-period and intra-period income tax allocation method. 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 state-

ments 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.

The Group recognized the tax benefit from the purchase of equipment and technology, research and development expenditure, employee training, and certain equity investments.

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

#### ***Earnings per Share***

Basic earnings per share is computed by dividing net income (loss) by weighted average number of shares outstanding during the year. Diluted earnings per share is computed by taking basic earnings per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued. The net income (loss) would also be adjusted for the interest and other income or expenses derived from any underlying dilutive share equivalents. The weighted average outstanding shares are adjusted retroactively for stock dividends and bonus share issues.

#### ***Derivative Financial Instruments***

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

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

**Note 3. Accounting Changes**

None.

**Note 4. Contents of Significant Accounts****(1) Cash and Cash Equivalents**

	<i>As of December 31, 2003</i>
<i>Cash</i>	
Cash on hand	\$3,625
Checking and savings accounts	5,873,671
Time deposits	105,680,663
Subtotal	<u>111,557,959</u>
<i>Cash equivalents</i>	
Commercial paper	9,926,450
Total	<u>\$121,484,409</u>

**(2) Marketable Securities, Net**

	<i>As of December 31, 2003</i>
Mutual fund	\$3,000,000
Listed equity securities	1,905,928
Convertible bonds	376,783
Total	<u>5,282,711</u>
Less: Allowance for loss on decline in market value	—
Net	<u>\$5,282,711</u>

**(3) Notes Receivable**

	<i>As of December 31, 2003</i>
Notes receivable	\$56,014

**(4) Accounts Receivable, Net**

	<i>As of December 31, 2003</i>
Accounts receivable	\$18,919,901
Less: Allowance for sales returns and discounts	(446,745)
Less: Allowance for doubtful accounts	(169,660)
Net	<u>\$18,303,496</u>

**(5) Other Financial Assets, Current**

	<i>As of December 31, 2003</i>
Credit-linked deposits and repackaged bonds	\$4,234,534
Interest rate swaps	128,539
Forward contracts	707
Total	<u>4,363,780</u>
Less: Noncurrent portion	(1,848,530)
Net	<u>\$2,515,250</u>

**(6) Inventories, Net**

	<i>As of December 31, 2003</i>
Raw materials	\$241,690
Supplies and spare parts	1,828,503
Work in process	8,441,526
Finished goods	1,756,056
Merchandise	847
Total	<u>12,268,622</u>
Less: Allowance for loss on decline in market value and obsolescence	(1,604,460)
Net	<u>\$10,664,162</u>

- a. The insurance coverage for inventories amounted to \$10,609 million as of December 31, 2003.
- b. Inventories were not pledged.

**(7) Long-term Investments**

a. Details of long-term investments are as follows: (Equity securities refer to common shares unless otherwise stated)

<b>As of December 31, 2003</b>		
<b>Investee Company</b>	<b>Percentage of Ownership or Voting Rights</b>	<b>Amount</b>
<b>Investments accounted for under the equity method:</b>		
United Foundry Service, Inc.	100.00	\$95,484
UMC Capital Corporation	100.00	1,265,822
United Microelectronics Corp. (Samoa)	100.00	7,463
Fortune Venture Capital Corporation	99.99	2,280,265
Bravotek Corporation	50.00	37,500
Thintek Optronics Corp.	49.99	73,421
Pacific Venture Capital Co., Ltd.	49.99	313,298
United Radiotek Incorporation	49.50	91,426
UCA Technology, Inc.	49.50	49,500
Afa Technology, Inc.	48.97	70,372
VistaPoint, Inc.	48.77	62,030
Star Semiconductor Corp.	48.48	47,022
Chariotek Inc.	47.50	28,500
DuPont Photomasks Taiwan Ltd.	45.35	1,069,669
Unitech Capital Inc.	42.00	757,050
Ubit Technology, Inc.	39.80	19,900
UC Fund II	35.45	164,162
VastView Technology, Inc.	33.81	60,567
Unimicron Technology Corp.	33.41	4,875,575
RiRa Electronics, Inc.	32.50	43,355
XGI Technology, Inc.	30.00	312,744
Holtek Semiconductor Inc.	27.59	715,142
Wiseware Technology Corporation	25.00	37,500
Faraday Technology Corp.	24.82	1,918,758
Integrated Technology Express Inc.	24.38	341,310
Applied Component Technology Corp.	21.42	43,872
Novatek Microelectronics Corp.	20.95	1,380,336
Harvatek Corporation (Note A)	18.84	278,527
Patentop, Ltd. (Note A)	18.00	11,688
AMIC Technology Corporation (Note A)	16.96	142,154
Advance Materials Corporation (Note A)	15.78	166,443
SerComm Corporation (Note A)	10.46	168,827
Subtotal		<u>16,929,682</u>
<b>Investments accounted for under the cost method or the lower of cost or market value method:</b>		
Giga Solution Technology Co., Ltd.	19.44	105,000
Kits On Line Technology Corp.	15.91	56,231
Everglory Resource Technology Co., Ltd.	15.14	74,000
LightTuning International, Inc.	15.08	24,772
C-Com Corporation	14.97	62,681
Enovation Group, Inc.	14.34	11,809
InComm Technologies Co., Ltd.	12.60	44,480
PrintTech International, Inc.	12.00	30,000
MediaTek Incorporation	11.13	1,055,237
Golden Technology Venture Capital Investment Corp.	10.67	80,000
NCTU Spring I Technology Venture Capital Investment Corp.	10.06	43,482
ATP Electronics Taiwan, Inc.	10.00	50,000
RF Integration Corporation	9.76	98,610
AU Optronics Corp. (Note B)	9.74	5,991,447
Trendchip Technologies Corp.	9.25	60,406
United Industrial Gases Co., Ltd.	8.27	146,250
Fortune Semiconductor Corporation	8.21	71,500

Continued on next page

<b>As of December 31, 2003</b>		
<b>Investee Company</b>	<b>Percentage of Ownership or Voting Rights</b>	<b>Amount</b>
<i>Continued from previous page</i>		
<b>Investments accounted for under the cost method or the lower of cost or market value method:</b>		
Subtron Technology Co., Ltd.	8.14	\$244,080
Beyond Innovation Technology Co., Ltd.	8.00	22,158
Ralink Technology Corporation	7.40	55,500
Epitech Corporation	6.90	94,613
NCTU Spring Venture Capital Co., Ltd.	6.28	20,000
Union Technology Corp.	5.14	18,000
Cosmos Technology Venture Capital Investment Corp.	5.03	40,000
Industrial Bank of Taiwan Corp.	5.00	1,150,000
Parawin Venture Capital Corp.	5.00	50,000
Leadtek Research, Inc.	4.74	99,875
Coretronic Corp.	4.46	276,192
Taiwan Asia Pacific Venture Fund	4.15	29,295
IBT Venture Co.	3.81	90,000
King Yuan Electronics Co., Ltd.	3.33	366,101
ProSys Technology Integration, Inc.	3.08	2,790
Billionton Systems Inc.	3.05	30,948
ULTRA CHIP, Inc.	3.01	38,000
Sheng-Hua Venture Capital Corp.	2.50	50,000
Princeton Technology Corporation	2.43	97,901
Pixart Imaging, Inc.	1.91	16,107
Silicon Data International Co., Ltd.	1.75	10,200
Mega Financial Holding Company	1.36	4,991,630
Largan Optoelectronics, Co., Ltd.	0.71	39,866
Premier Image Technology Corporation	0.62	27,964
Averlogic Corporation	0.19	1,391
Orient Semiconductor Electronics, Ltd. (Note C)	–	533,250
Taiwan High Speed Rail Corporation (Note C)	–	300,000
Pacific Technology Partners, L.P. (Note D)	–	282,086
ForteMedia, Inc. (Note C)	–	108,456
Linden Technologies, Inc. (Note C)	–	92,385
Pacific United Technology, L.P. (Note D)	–	69,260
Chip Express Corporation (Note C)	–	68,198
Alpha and Omega Semiconductor, Inc. (Note C)	–	46,883
Primarion, Inc. (Note C)	–	38,816
VenGlobal Capital Fund III, L.P. (Note D)	–	33,195
Formerica International Holding, Inc. (Note C)	–	30,898
Broadcom Corporation (Note C)	–	7,093
Aurora System, Inc. (Note C)	–	6,355
SandCraft, Inc. (Note C)	–	4,832
Triscend Corp. (Note C)	–	4,600
Netlogic Microsystems, Inc. (Note C)	–	3,195
Subtotal		17,498,018
<b>Others:</b>		
Golf Club Membership Card		60,000
<b>Prepaid long-term investments:</b>		
EE Solutions		52,343
Less: Allowance for loss on decline in market value		(62,888)
Total		\$34,477,155

**Note A** The investments were accounted for under the equity method as the percentage of ownership directly and indirectly held was over 20% or significant influences were exercised by the Group. **Note B** Among the shares held by the Company in AU Optronics Corp., approximately 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 C** Amounts represented the investments in preferred shares. As the Group did not possess voting rights and significant influences, the cost method was applied. **Note D** Amounts represented the investments in limited partnership without voting rights. As the Group was not able to exercise significant influences, the investments were accounted for under the cost method.

- b. Investment income accounted for under the equity method, which was based on the audited financial statements of the investees, was NTD 599 million for the year ended December 31, 2003. Among which, investment income amounting to NTD 385 million for the year ended December 31, 2003, and the related long-term investment balances of NTD 6,969 million as of December 31, 2003, was determined based on the investees' financial statements audited by other auditors.
- c. Long-term investments of Hsun Chieh, an affiliate of the Company, in United Radiotek Incorporation, SerComm Corporation, Harvatek Corporation, Patentop, Ltd., UC Fund II, Advance Materials Corporation, RiRa Electronics, Inc., VistaPoint, Inc., Afa Technology, Inc., Star Semiconductor Corp., VastView Technology, Inc., Ubit Technology, Inc., Chariotek Inc., Wiseware Technology Corporation, UCA Technology, Inc., and Bravotek Corporation were accounted for under the equity method, and the related investment income or loss is to be recognized in the next year.
- d. The long-term investments were not pledged.

### (8) Property, Plant And Equipment

As of December 31, 2003	Cost	Accumulated Depreciation	Book Value
Land	\$1,999,908	\$-	\$1,999,908
Buildings	20,182,620	(4,843,009)	15,339,611
Machinery and equipment	297,558,725	(174,233,158)	123,325,567
Transportation equipment	93,335	(48,183)	45,152
Furniture and fixtures	2,640,494	(1,411,507)	1,228,987
Leased assets	421,663	(321,334)	100,329
Leasehold improvements	40,848	(34,162)	6,686
Construction in progress and prepayments	22,988,151	-	22,988,151
<b>Total</b>	<b>\$345,925,744</b>	<b>\$(180,891,353)</b>	<b>\$165,034,391</b>

- a. Total interest expense before capitalization amounted to NTD 2,210 million for the year ended December 31, 2003.

Details of capitalized interest are as follows:

For the year ended December 31, 2003	
Machinery and equipment	\$456,871
Other property, plant and equipment	5,795
<b>Total Interest capitalized</b>	<b>\$462,666</b>
Interest rates applied	1.55% ~ 3.50%

- b. The insurance coverage for property, plant and equipment amounted to NTD 337,074 million as of December 31, 2003.
- c. Please refer to Note 6 for property, plant and equipment pledged as collateral.

### (9) Other Assets - Others

As of December 31, 2003	
Assets leased to others	\$681,742
Deposits-out	1,304,208
Restricted deposits	156,816
Others	747,203
<b>Total</b>	<b>\$2,889,969</b>

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

### (10) Short-term Loans

As of December 31, 2003	
Unsecured bank loans	\$1,884,899
Interest rates	1.60% ~ 1.74%

The unused short-term lines of credits amounted to NTD 20,646 million as of December 31, 2003.

### (11) Bonds Payable

As of December 31, 2003	
Secured domestic bonds payable	\$3,420,005
Unsecured domestic bonds payable	40,000,000
Convertible bonds payable	20,892,666
Exchangeable bonds payable	14,804,484
Premiums on exchangeable bonds	187,360
Premiums on convertible bonds	33,151
Compensation interest payable	320,545
<b>Total</b>	<b>79,658,211</b>
Less: Current portion	(20,594,293)
<b>Net</b>	<b>\$59,063,918</b>

- 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, 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 the holders, redeem such bonds on July 15, 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 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 basis 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 exchange of NTD 123 million for the year ended December 31, 2003 was recognized as a gain on disposal of investments.

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

a) Final Redemption:

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

b) Redemption at Option of UMCJ:

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

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

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

c) Conversion Period:

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

d) Conversion Price:

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

## e) Reacquisition of the Bonds:

As of December 31, 2003, UMCJ has reacquired a total amount of JPY 3,800 million of the bonds from the open market. The corresponding gain on the reacquisition amounting to JPY 505 million for the year ended December 31, 2003 was recognized as other income. As of December 31, 2002, UMCJ has reacquired a total amount of JPY 3,850 million of the bonds from the open market. The corresponding gain on the reacquisition amounting to JPY 927 million for the year ended December 31, 2002 was recognized as other income.

## i. On November 25, 2003, the Company's affiliate - UMCJ issued its second LSE listed zero coupon convertible bonds with an aggregate principal amount of JPY 21,500 million and the issue price was set at 101.25% of the principal amount. The terms and conditions of the bonds are as follows:

## a) Final Redemption:

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

## b) Redemption at the Option of UMCJ:

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

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

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

## c) Conversion Period:

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

## d) Conversion Price:

The conversion price was set at JPY 187,500 per share, subject to adjustments upon the occurrence of certain events set out in the indenture.

j. On July 4, 2000, the Company's affiliate - SiS issued five-year secured bonds amounting to NTD 3,000 million. The interest is paid semi-annually with a stated interest rate of 5.42%. The bonds are repayable in installments every 6 months from July 2002 to July 2005.

k. On July 18, 2002, the Company's affiliate - SiS issued zero coupon convertible bonds amounting to USD 100 million on the 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 their principal amount plus compensation interest payable on July 18, 2007.

## b) Redemption at the Option of the SiS:

i. SiS may redeem the bonds, in whole but not part, in principal amount thereof, on or at any time after January 18, 2004, if the closing price of the shares on the TSE on any trading day for a period of 20 consecutive trading days, is at least 125% of the conversion price, or

ii. SiS may also redeem the bonds if at least 90% in principal amount of the bonds has already been redeemed, repurchased, cancelled or converted.

## c) Redemption at the Option of the Bondholders:

SiS will, at the option of the holders, redeem such bonds on or after July 18, 2004 at its principal amount plus compensation interest payable. SiS may also redeem all, but not part, of the bonds, in the event of delisting of SiS shares from the TSE.

## d) Conversion Period:

At any time on or after August 18, 2002 and on or prior to June 18, 2007.

## e) Conversion Price:

The conversion price was set at NTD 31.66 per share, subject to adjustments upon the occurrence of certain events set out in the indenture.

## f) Conversion of the Bonds:

As of December 31, 2003, certain bondholders have exercised their rights to convert their bonds with the total principal amount of USD 17 million into SiS common shares.

l. Expected repayments of the above bonds in the future years are as follows:

<i>Bonds Repayable in</i>	<i>Amount</i>
2004	\$20,594,293
2005	3,670,009
2006	10,250,000
2007	13,235,765
2008	17,309,783
2009 and thereafter	14,377,850
<i>Total</i>	<u>\$79,437,700</u>

## (12) Long-term Loans

<i>As of December 31, 2003</i>	
Secured long-term loans	\$7,193,814
Unsecured long-term loans	3,598,875
<b>Total</b>	<b>10,792,689</b>
Less: Current portion	(5,490,338)
<b>Net</b>	<b>\$5,302,351</b>
Interest rates	0.95% ~ 2.53%

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

<i>Long-term Loans Repayable in</i>	<i>Amount</i>
2004	\$5,490,338
2005	2,907,260
2006	1,467,127
2007	830,764
2008	97,200
<b>Total</b>	<b>\$10,792,689</b>

b. The long-term loans denominated in US dollars amounted to USD 48 million as of December 31, 2003. The long-term loans denominated in Japanese Yen amounted to JPY 11,250 million as of December 31, 2003.

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

## (13) Pension Fund

a. Change in benefit obligation during the year:

<i>For the year ended December 31, 2003</i>	
Projected benefit obligation at beginning of year	\$(3,469,667)
Service cost	(524,023)
Interest cost	(129,485)
Benefits paid	15,720
Gain on projected benefit obligation	193,617
Projected benefit obligation at end of year	<b>\$(3,913,838)</b>

b. Change in pension assets during the year:

<i>For the year ended December 31, 2003</i>	
Fair value of plan assets at beginning of year	\$1,102,961
Actual return on plan assets	35,075
Contributions from employer	217,137
Benefits paid	(15,720)
Others	(5,238)
Fair value of plan assets at end of year	<b>\$1,334,215</b>

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

<i>As of December 31, 2003</i>	
Benefit obligation	
Vested benefit obligation	\$(424,662)
Non-vested benefit obligation	(1,303,675)
Accumulated benefit obligation	(1,728,337)
Effect from projected salary increase	(2,185,501)
Projected benefit obligation	(3,913,838)
Fair value of plan assets	1,334,215
Funded status	(2,579,623)
Unrecognized transitional net benefit obligation	266,968
Unrecognized gain	(19,524)
Unrecognized prior service cost	47,953
Adjustment required to recognize minimum liabilities	(63,573)
Accrued pension liabilities per actuarial report	(2,347,799)
Over accrual	(17,906)
Accrued pension liabilities recognized in the balance sheet	<b>\$(2,365,705)</b>

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

<i>For the year ended December 31, 2003</i>	
Service cost	\$524,023
Interest cost	129,485
Expected return on plan assets	(31,096)
Amortization of unrecognized transitional net benefit obligation	46,330
Amortization of unrecognized pension loss	13,784
Gain from curtailment	(57,173)
Net periodic pension cost	<b>\$625,353</b>

The actuarial assumptions underlying are as follows:

	<i>For the year ended December 31, 2003</i>				
	<i>The Company</i>	<i>UMO</i>	<i>UMCJ</i>	<i>SIS</i>	<i>SMC</i>
Discount rate	3.50%	3.50%	2.00%	3.50%	3.50%
Rate of salary increase	5.00%	5.00%	3.71%	3.50%	3.50%
Expected return on plan assets	2.75%	2.75%	1.00%	3.50%	-

## (14) Capital Stock

a. As recommended by the board of directors and approved by the shareholders' meeting on June 9, 2003, the Company issued 665,898 thousand new shares from the capitalization of retained earnings, of which NTD 6,079 million were stock dividends and NTD 580 million were employees' bonus. The effective date of the issuance was July 21, 2003.

b. As of December 31, 2003, 22,000,000 thousand common shares were authorized to be issued and 16,140,744 thousand common shares were issued, each

- at a par value of NTD 10.
- c. 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.
- d. 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:

<i>Date of Grant</i>	<i>Total Number of Options Granted (In thousands)</i>	<i>Total Number of Options Outstanding (In thousands)</i>	<i>Exercise Price (In NTD)</i>
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 year ended December 31, 2003. Details of the treasury stock transactions are as follows:

*In thousands of shares*

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

- 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 was 1,614,074 thousand shares while the ceiling of the amount was NTD 67,177 million. As of December 31, 2003, the Company held 198,842 thousand shares of

- treasury stock, which amounted to NTD 7,101 million.
- 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, Hsun Chieh, SiS and Fortune held 503,456 thousand shares, 2,600 thousand shares and 18,340 thousand shares of the Company's stock, with a book value of NTD 29.32, NTD 31.13 and NTD 9.37 per share, respectively. The average closing price during December 2003 was NTD 29.32.

### (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:

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

	<i>For the year ended December 31, 2003</i>		
	<i>Operating Costs</i>	<i>Operating Expenses</i>	<i>Total</i>
<i>Personnel expenses</i>			
Salaries	\$6,610,554	\$3,072,503	\$9,683,057
Labor and health insurance	503,536	197,079	700,615
Pension	334,350	157,246	491,596
Other personnel expenses	103,357	463,831	567,188
Depreciation	41,196,856	2,149,961	43,346,817
Amortization	264,785	2,153,473	2,418,258

The number of employees as of December 31, 2003 was 12,120.

**(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:

	<i>For the year ended December 31, 2003</i>
Income tax on pre-tax income at statutory tax rate	\$3,468,460
Temporary and permanent differences	(2,961,901)
Change in investment tax credit	(243,481)
Change in loss carry-forward	(172,274)
Change in valuation allowance against deferred income tax assets	784,428
Change in tax rate	1,063
Estimated 10% income tax on unappropriated earnings	126,794
Adjustment of prior year's tax expense	(29,011)
Income tax on interest revenue separately taxed	6,349
Income tax expense	<u>\$980,427</u>

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

	<i>As of December 31, 2003</i>	
	<i>Amount</i>	<i>Tax Effect</i>
<i>Deferred income tax assets</i>		
Investment tax credit		\$23,729,581
Loss carry-forward	\$24,425,221	6,248,954
Pension	2,199,783	551,770
Allowance on sales returns and discounts	399,000	99,750
Allowance for loss on obsolescence of inventories	1,604,460	401,115
Compensation interest payable	122,347	30,587
Organization cost	748	234
Unrealized loss on decline of assets	1,361,012	340,253
Others	2,983,327	817,743
Total deferred income tax assets		<u>32,219,987</u>
Valuation allowance		(16,542,700)
Net deferred income tax assets		<u>15,677,287</u>
<i>Deferred income tax liabilities</i>		
Unrealized exchange gain	(1,497,414)	(374,353)
Depreciation	(24,832,713)	(6,208,178)
Others	(121,962)	(30,491)
Total deferred income tax liabilities		<u>(6,613,022)</u>
Total net deferred income tax assets		<u>\$9,064,265</u>
<i>Deferred income tax assets - current</i>		\$9,852,507
<i>Deferred income tax liabilities - current</i>		(378,482)
Valuation allowance		(6,071,409)
Net		<u>3,402,616</u>
<i>Deferred income tax assets - noncurrent</i>		22,367,480
<i>Deferred income tax liabilities - noncurrent</i>		(6,234,540)
Valuation allowance		(10,471,291)
Net		<u>5,661,649</u>
Total net deferred income tax assets		<u>\$9,064,265</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 Group earns investment tax credits for the amount invested in production equipment, research and development, employee training, and investments in high technology industry and venture capital.

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

<i>Expiration Year</i>	<i>Investment Tax Credits Earned</i>	<i>Balance of Unused Investment Tax Credits</i>
2003	\$3,967,380	\$2,248,078
2004	8,482,286	8,482,286
2005	6,063,783	5,999,044
2006	2,841,832	2,841,832
2007	4,158,341	4,158,341
<i>Total</i>	<u>\$25,513,622</u>	<u>\$23,729,581</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:

<i>Expiration Year</i>	<i>Accumulated Loss</i>	<i>Unutilized Accumulated Loss</i>
2004	\$6,604	\$6,604
2005	1,810,352	1,810,352
2006	13,730,481	13,730,481
2007	7,609,569	7,609,569
2008	1,274,819	1,274,819
<i>Total</i>	<u>\$24,431,825</u>	<u>\$24,431,825</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 retained earnings was 1.24%.

h. The ending balance of unappropriated earnings as of December 31, 2003 was as follows:

	<i>As of December 31, 2003</i>
<i>Prior to January 1, 1998</i>	\$64,220
<i>After January 1, 1998</i>	<u>13,972,602</u>
<i>Total</i>	<u>\$14,036,822</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 year ended December 31, 2003, was disclosed as follows:

	<i>Shares expressed in thousands</i>
	<b>For the year ended December 31, 2003</b>
Net income	\$14,020,257
Effect of dilution:	
Employee stock options	–
Convertible bonds	50,954
Adjusted net income assuming dilution	<u>\$14,071,211</u>
Weighted average of shares outstanding	15,311,642
Effect of dilution:	
Employee stock options	210,473
Convertible bonds	140,367
Adjusted weighted average of shares outstanding assuming dilution	<u>15,662,482</u>
Earnings per share-basic (in NTD)	
Net income	<u>\$0.92</u>
Earnings per share-diluted (in NTD)	
Net income	<u>\$0.90</u>

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

	<i>Shares expressed in thousands</i>	
	<b>For the year ended December 31, 2003</b>	
	<b>Basic</b>	<b>Diluted</b>
Net income	<u>\$14,020,257</u>	<u>\$14,071,211</u>
Weighted average of shares outstanding:		
Beginning balance	14,754,533	14,754,533
Stock dividends and employees' bonus at 4.4% in 2003	649,200	649,200
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
Treasury stock purchased by affiliate	(1,673)	(1,673)
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	<u>15,330,051</u>	<u>15,680,891</u>
Earnings per share		
Net income (in NTD)	<u>\$0.91</u>	<u>\$0.90</u>

## Note 5. Related Party Transactions

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

<i>Name of Related Parties</i>	<i>Relationship</i>
United Foundry Service, Inc.	Equity investee
UMC Capital Corporation	Equity investee
United Microelectronics Corp. (Samoa)	Equity investee
Fortune Venture Capital Corporation	Equity investee
DuPont Photomasks Taiwan Ltd. (DPT)	Equity investee
Holtek Semiconductor Inc. (Holtek)	Equity investee
Integrated Technology Express Inc.	Equity investee
Unimicron Technology Corp.	Equity investee
Applied Component Technology Corp.	Equity investee
Novatek Microelectronics Corp.	Equity investee
Faraday Technology Corp. (Faraday)	Equity investee
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.	Affiliate's equity investee
United Radiotek Incorporation	Affiliate's equity investee
RiRa Electronics, Inc.	Affiliate's equity investee
Star Semiconductor Corp.	Affiliate's equity investee
UCA Technology, Inc.	Affiliate's equity investee
Thintek Optronics Corp.	Affiliate's equity investee
XGI Technology, Inc.	Affiliate's equity investee
Ascend Semiconductor Corp. (liquidated on May 14, 2003)	Affiliate is its director and supervisor
Averlogic Corporation	Affiliate is its director and supervisor
Trident Technologies, Inc.	Affiliate is its director and supervisor
Epitech Corp.	Affiliate is its director and supervisor
LighTuning Tech, Inc.	Affiliate is its director and supervisor
Printech International, Inc.	Affiliate is its director and supervisor
Fortune Semiconductor Corporation	Affiliate is its director
Princeton Technology Corporation	Affiliate is its director
Silicon 7, Inc.	Affiliate is its director
Shin-Etsu Handotai Taiwan Co., Ltd. (Shin-Etsu)	Affiliate is its director
Giga Solution Technology Co., Ltd.	Affiliate is its director
Pixart Imaging, Inc.	Affiliate is its director
InComm Technologies Co., Ltd.	Affiliate is its director

### (2) Significant Related Party Transactions

#### a. Operating revenues

	<i>For the year ended December 31, 2003</i>	
	<i>Amount</i>	<i>Percentage</i>
MediaTek	\$9,298,407	8
Others	8,217,443	8
Total	\$17,515,850	16

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

	<i>For the year ended December 31, 2003</i>	
	<i>Amount</i>	<i>Percentage</i>
Shin-Etsu	\$2,698,980	11
Others	285,350	1
Total	\$2,984,330	12

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 days for the related parties and net 30~90 days for the third-party suppliers.

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

c. Notes receivable

	As of December 31, 2003	
	Amount	Percentage
Holtek	\$101,203	64
Others	550	—
Total	\$101,753	64

d. Accounts receivable, net

	As of December 31, 2003	
	Amount	Percentage
MediaTek	\$1,713,842	8
Others	2,114,951	10
Total	3,828,793	18
Less: Allowance for sales returns and discounts	(283,420)	
Less: Allowance for doubtful accounts	(100,853)	
Net	\$3,444,520	

e. Accounts payable

	As of December 31, 2003	
	Amount	Percentage
Shin-Etsu	\$754,354	10
Others	58,495	—
Total	\$812,849	10

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

g. Disposal of property, plant and equipment  
None.

h. Other transactions

The Group has made several other transactions, including service charges, joint development expenses of intellectual property, subcontract expenses and commissions etc., with related parties totaling approximately NTD 493 million for the year ended December 31, 2003.

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 of masks from DPT during the year ended December 31, 2003.

## Note 6. Assets Pledged as Collateral

As of December 31,	2003	Purpose of Pledge
Time deposits	\$178,691	Long-term loans
Land	452,916	Long-term loans
Buildings	1,528,132	Long-term loans and bonds payable
Machinery and equipment	18,241,666	Long-term loans and bonds payable
Construction in progress and prepayments	1,151,543	Long-term loans
Total	\$21,552,948	

## 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's affiliate - SiS entered into several license agreements with overseas vendors. Under the agreements, SiS shall pay royalties based on a fixed percentage of the sales volumes or sales amounts of the licensed products. The terms of these agreements range from 2 to 10 years. SiS also entered into several production licensing agreements with a domestic vendor. Under the agreement, SiS shall pay royalties based on the production volumes of the licensed products. The term of the agreement is 3 years.

(3) The Group signed several construction contracts for the expansion of its factory space. As of December 31, 2003, these construction contracts have amounted to approximately NTD 1.87 billion and the unaccrued portion of the contracts was approximately NTD 0.67 billion.

(4) 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 dispositive motions or for trial. The Company believes that Oak's claims are meritless, and intends to vigorously defend the suit, and to pursue its counterclaims. As with all litigation, however, the Company cannot predict the outcome with certainty.

(5) The Group entered into several operating lease contracts for land. These operating leases expire in various years through 2031 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	\$255,035
2005	227,707
2006	191,965
2007	178,759
2008	176,450
2009 and thereafter	2,484,655
<i>Total</i>	\$3,514,571

(6) 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.

(7) As a condition precedent to the making of the loan contemplated by a USD 600 million Amortizing Term Loan Facility Agreement among UMCi and several financial institutions, 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.

(8) Unused letters of credit for the Company's affiliate - SiS were approximately USD 5.5 million, JPY 0.5 million and EUR 0.5 million.

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**Note 8. Significant Disaster Loss**

None.

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**Note 9. Significant Subsequent Events**

None.

## Note 10. Others

(1) Significant intercompany eliminations between pro forma consolidated entities for the year ended December 31, 2003:

Descriptions	Elimination Entries Debit (Credit)							
	The Company	UMC-USA	UMC-BV	Hsun Chieh	UMO	UMCJ	UMCi	SiS and Its Subsidiaries
<b>Elimination of long-term investments against corresponding equity accounts of the affiliates</b>	(65,034,265)	451,046	244,869	24,488,564	659,198	12,929,654	20,972,846	5,288,088
<b>Elimination of reciprocal balances</b>								
a. Accounts receivable vs. Accounts payable	(5,766,731)	4,279,810	1,406,079		1,478	68,208	12,790	(1,634)
b. Other receivables vs. Other payables	(14,115)		4,051		9,783	59	222	
c. Intangible assets vs. Deferred credits	4,222,463				(202,500)		(4,019,963)	
d. Other current liabilities vs. Deposits-out	1,268,406	(1,268,406)						
<b>Elimination of intercompany profits and losses</b>								
a. Intercompany sales and purchases	42,498,926	(35,062,132)	(6,447,584)		(85,829)	(274,765)	(231,481)	(397,135)
<b>Elimination of intercompany investments</b>								
a. Long-term investments vs. Treasury stock	(29,592,654)			29,592,654				
b. Marketable securities vs. Treasury stock	(80,935)							80,935

## (2) Financial instruments

As of December 31,	2003	
	Book Value	Fair Value
<b>Non-derivative financial instruments</b>		
<i>Financial assets</i>		
Cash and cash equivalents	\$121,484,409	\$121,484,409
Marketable securities	5,282,711	5,768,032
Notes and accounts receivables	22,787,343	22,787,343
Long-term investments	34,477,155	78,909,826
<i>Financial liabilities</i>		
Short-term loans	1,884,899	1,884,899
Payables	22,407,978	22,407,978
Bonds payable (current portion included)	79,658,211	82,141,538
Long-term loans (current portion included)	10,792,689	10,792,689
<b>Derivative financial instruments</b>		
Other financial assets (credit-linked deposits and repackaged bonds)	\$4,243,534	\$4,243,534
Other financial assets (interest rate swaps)	128,539	(18,882)
Other financial assets (forward contracts)	707	707

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 repackaged 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 and forward contracts) are based on the amount the Group expects to get (positive) or to pay (negative) assuming that the contracts are early settled at the balance sheet date.

(3) The Group held credit-linked deposits and repackaged bonds for the earning of interest income as of December 31, 2003. Details are disclosed as follows:

## a. Principal amount in original currency:

As of December 31,	2003
<b>The Company</b>	
<b>Credit-linked deposits and repackage bonds referenced to</b>	
Convertible bonds (in NTD '000)	310,000
Convertible bonds (in USD '000)	66,200
Convertible bonds (in JPY '000)	2,000,000
<b>UMCJ</b>	
<b>Repackage bonds referenced to</b>	
Convertible bonds (in JPY '000)	3,100,000
<b>SiS</b>	
<b>Repackage bonds referenced to</b>	
Convertible bonds (in USD '000)	2,000

## b. Credit risk:

The counterparties of the above investments are major international financial institutions. The repayment in full of these investments is subject to the non-occurrence of one or more credit events, which are referenced to the entities' fulfillment of their own obligations as well as repayment of their corporate bonds. Upon the occurrence of one or more of such credit events, the Group may receive nil or less than full amount of these investments. The Group 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 Group 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%

## b. In order to hedge the risk resulting from the volatility in exchange rate, the Group 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 Group had the following forward contracts in effect:

**UMCi**

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

**SiS**

Type	Notional Amount	Contract Period
Forward contracts	Buy NTD 171 million Sell USD 5 million	December 2, 2003 to January 5, 2004

## c. Transaction risk

## a) Credit risk:

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

## b) Liquidity and cash flow risk:

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

## c) Market risk:

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

## d) 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.

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

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

### (2) Operations in Different Geographic Areas

	Taiwan	Asia, excluding Taiwan	North America	Europe and Others	Eliminations	Pro Forma Consolidated
<b>For the year ended December 31, 2003</b>						
Sales to unaffiliated customers	\$36,102,607	\$27,623,573	\$36,233,939	\$12,071,517	\$-	\$112,031,636
Sales between geographic areas	482,964	506,246	35,062,132	6,447,584	(42,498,926)	-
Net operating revenues	\$36,585,571	\$28,129,819	\$71,296,071	\$18,519,101	\$(42,498,926)	\$112,031,636
Gross profit	\$24,102,563	\$1,427,756	\$665,764	\$101,316	\$50,933	\$26,348,332
Operating expenses						(16,532,137)
Non-operating income						11,206,377
Non-operating expenses						(6,158,745)
Income before income tax and minority interests						\$14,863,827
Minority interests loss						\$136,857
Identifiable assets	\$280,458,857	\$68,324,300	\$6,487,037	\$1,657,512	\$(8,434,418)	\$348,493,288
Funds and long-term investments						34,477,155
Total assets						\$382,970,443

### (3) Export Sales

Area	For the year ended December 31, 2003
Asia, excluding Taiwan	\$27,363,387
North America	34,316,222
Europe and others	11,506,857
Total export sales	\$73,186,466

### (4) Major Customers

There was no individual customer accounting for at least 10% of net sales for the year ended December 31, 2003.

## 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
<b>United Microelectronics Corporation</b>		
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>
<b>United Microelectronics Corporation</b> <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	–
<b>Hsun Chieh Investment Co., Ltd.</b>		
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>
<b>Hsun Chieh Investment Co., Ltd.</b> <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.	–
<b>UMC Capital Coporation</b>		
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	–
<b>Fortune Venture Capital Corporation</b>		
Stock	Aptos (Taiwan) Corp.	Investee company
Stock	Davicom Semiconductor, Inc.	Investee company
Stock	Advance Materials Corporation	Investee company
Stock	AMIC Technology Corporation	Investee of UMC and Fortune
Stock	Averlogic Corporation	The Company is its director and supervisor
Stock	C-Com Corporation	–

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

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	
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	

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>
<b>Fortune Venture Capital Corporation</b> <i>(Continued from previous page)</i>		
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 Systems, Inc.	–
Stock-Preferred stock	SiRF Technology Holding, Inc.	–
Stock-Preferred stock	Triscend Corporation	–
Stock-Preferred stock	Velio Communications, Inc.	–
<b>United Microdisplay Optronics Corp.</b>		
Stock	Thintek Optronics Corp.	Investee company
Stock	Bravotek Corporation	–
<b>UMC Japan</b>		
Bond	Morgan Stanley Repackage Bond	–
Bond	Lehman Brothers Repackage Bond	–
Stock	UMCi Ltd.	Investee of UMC and UMCJ
<b>Silicon Integrated Systems Corp.</b>		
Fund	UBS Taiwan Money Market Fund	–
Fund	UBS Soaring Eagle Money Market Fund	–
Fund	Truswell Hua-Win Money Market Fund	–
Fund	Shinkong Chi Shin Money Market Fund	–
Fund	ABN AMRO Money Market Fund	–
Fund	Barits Money Market Fund	–
Fund	Polaris De Li Money Market Fund	–
Fund	Chung Hsing Ping-An Money Market Fund	–
Fund	NITC Money Market Fund	–
Fund	KGI Victory Money Market Fund	–
Fund	Yuan Ta Wan Tai Money Market Fund	–
Stock	United Microelectronics Corporation	Investor company
Stock	UMC Japan	Investee of UMC
Stock	Yang Ming Marine Transport Corp.	–
Stock	Mega Financial Holding Company	–
Stock	International Display Technology Corporation	–
Stock	Vanguard International Semiconductor Corp.	–
Stock	Holtek Semiconductor Inc.	–

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	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
Short-term investment	20,285	290,000	–	290,000	None
Short-term investment	27,788	290,000	–	290,000	None
Short-term investment	28,581	290,000	–	290,000	None
Short-term investment	21,074	290,000	–	290,000	None
Short-term investment	26,641	290,000	–	290,000	None
Short-term investment	24,830	290,000	–	290,000	None
Short-term investment	19,993	290,000	–	290,000	None
Short-term investment	28,270	290,000	–	290,000	None
Short-term investment	1,838	290,000	–	290,000	None
Short-term investment	9,677	100,000	–	100,000	None
Short-term investment	21,578	290,000	–	290,000	None
Short-term investment	2,600	80,935	–	76,235	None
Short-term investment	5,510	208,004	–	189,709	None
Short-term investment	1,700	56,646	–	55,833	None
Short-term investment	2,700	55,807	–	55,312	None
Short-term investment	3,000	137,015	–	110,595	None
Short-term investment	20,006	212,914	–	268,080	None
Short-term investment	1	1	–	17	None

Continued on next page

**Attachment-3** Securities held as of December 31, 2003

Type of Securities	Name of Securities	Relationship
<b>Silicon Integrated Systems Corp.</b> <i>(Continued from previous page)</i>		
Stock	Silicon Integrated Systems Corporation (SiS-USA)	Investee company
Stock	Silicon Integrated Systems Limited (SiS-HK)	Investee company
Stock	SiS Microelectronics Corp.	Investee company
Stock	InveStar CPU Venture Capital Fund, Inc. LDC	Investee company
Stock	XGI Technology, Inc.	Investee company
Stock-Preferred stock	VADEM Corporation	–
Stock-Preferred stock	GlobiTech Incorporation	–
Stock-Preferred stock	Orient Semiconductor Electronics, Ltd.	–
<b>InveStar CPU Venture Capital Fund, Inc. LDC</b>		
Stock-Preferred stock	Rise Technology Company	–

**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

Type of Securities	Name of Securities	Financial Statement Account	Counterparty	Relationship
<b>United Microelectronics Corporation</b>				
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	–
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	–
<b>Hsun Chieh Investment Co., Ltd.</b>				
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	–

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	80,100	\$42,765	100.00	\$42,765	None
Long-term investment	1,000	11,836	100.00	11,836	None
Long-term investment	800,000	9,588,547	100.00	9,588,547	None
Long-term investment	3,500	6,715	62.50	6,715	None
Long-term investment	44,999	312,744	30.00	312,744	None
Long-term investment	269	–	–	–	None
Long-term investment	1,333	–	–	–	None
Long-term investment	90,000	533,250	–	533,250	None
Long-term investment	1,600	–	6.72	–	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
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

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>
<b>UMC Capital Corporation</b>				
Stock	Silicon 7, Inc	Long-term investment	–	–
<b>Fortune Venture Capital Corporation</b>				
Stock	Pixart Imaging, Inc.	Long-term investment	Capitalization from cash	–
Stock	Cadence Design Systems, Inc.	Long-term investment	Morgan Stanley	–
<b>UMCi Ltd.</b>				
Convertible bonds	United Microelectronics Corporation	Short-term investment	–	–
<b>UMC Japan</b>				
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	–
<b>Silicon Integrated System Corp.</b>				
Convertible bonds	United Microelectronics Corporation	Short-term investment	–	–
Fund	Yuan Ta Wan Tai Money Market Fund	Short-term investment	–	–
Fund	ABN AMRO Income Money Market Fund	Short-term investment	–	–
Fund	NITC Money Market Fund	Short-term investment	–	–
Fund	Ta Chong Gallop Money Market Fund	Short-term investment	–	–
Fund	ABN AMRO Select Money Market Fund	Short-term investment	–	–
Fund	Barits Money Market Fund	Short-term investment	–	–
Fund	Polaris De Li Money Market Fund	Short-term investment	–	–
Fund	Prudential Unique Money Market Fund	Short-term investment	–	–
Fund	JF Taiwan Money Market Fund	Short-term investment	–	–
Fund	Prudential Aggressive Growth 2 Money Market Fund	Short-term investment	–	–
Fund	Prudential Well Pool Money Market Fund	Short-term investment	–	–
Fund	Dresdner Bond DAM Money Market Fund	Short-term investment	–	–
Fund	JF First Money Market Fund	Short-term investment	–	–
Fund	Invesco GP R.O.C Money Market Fund	Short-term investment	–	–
Fund	NITC Money Market Fund	Short-term investment	–	–
Fund	Fubon Dragon Money Market Fund	Short-term investment	–	–
Fund	Fubon JU-I Money Market Fund	Short-term investment	–	–
Fund	Fubon JU-I-II Money Market Fund	Short-term investment	–	–
Fund	UBS Taiwan Money Market Fund	Short-term investment	–	–
Fund	UBS Soaring Eagle Money Market Fund	Short-term investment	–	–
Fund	Truswell Hua-Win Money Market Fund	Short-term investment	–	–
Fund	Shinkong Chi Shin Money Market Fund	Short-term investment	–	–
Fund	ABN AMRO Money Market Fund	Short-term investment	–	–
Fund	Chung Hsing Ping-An Money Market Fund	Short-term investment	–	–
Fund	KGI Victory Money Market Fund	Short-term investment	–	–
Stock	United Microelectronics Corporation	Short-term investment	–	–
Stock	Yang Ming Marine Transport Corp.	Short-term investment	–	–
Stock	Sunplus Technology Corporation	Short-term investment	–	–
Stock	International Display Technology Corporation	Short-term investment	–	–
Stock	UMC Japan	Short-term investment	–	–
Stock	XGI Technology, Inc.	Long-term investment	XGI Technology, Inc.	Investee company
Stock	SiS Microelectronics Corp.	Long-term investment	SiS Microelectronics Corp.	Investee company

**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

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	
–	\$–	1,203	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	
–	–	800	283,374	800	291,374	283,374	8,000	–	–	
–	–	65,865	880,000	44,287	593,993	590,000	3,993	21,578	290,000	
–	–	6,757	100,000	6,757	101,473	100,000	1,473	–	–	
–	–	4,968	780,000	3,130	490,886	490,000	886	1,838	290,000	
–	–	29,264	300,000	29,264	300,723	300,000	723	–	–	
–	–	27,999	300,000	27,999	303,626	300,000	3,626	–	–	
–	–	75,855	880,000	51,025	594,824	590,000	4,824	24,830	290,000	
–	–	61,056	880,000	41,063	594,519	590,000	4,519	19,993	290,000	
–	–	20,848	300,000	20,848	304,815	300,000	4,815	–	–	
–	–	20,755	200,000	20,755	303,030	300,000	3,030	–	–	
–	–	13,637	200,000	13,637	202,671	200,000	2,671	–	–	
–	–	8,444	100,000	8,444	101,281	100,000	1,281	–	–	
–	–	18,297	200,000	18,297	202,099	200,000	2,099	–	–	
–	–	22,466	300,000	22,466	302,651	300,000	2,651	–	–	
–	–	21,233	300,000	21,233	302,544	300,000	2,544	–	–	
–	–	1,261	553,670	1,261	555,074	553,670	1,404	–	–	
–	–	25,830	290,000	25,830	291,090	290,000	1,090	–	–	
–	–	19,088	290,000	19,088	290,983	290,000	983	–	–	
–	–	20,854	290,000	20,854	290,983	290,000	983	–	–	
–	–	40,633	580,000	20,348	290,901	290,000	901	20,285	290,000	
–	–	55,667	580,000	27,879	290,951	290,000	951	27,788	290,000	
–	–	57,266	580,000	28,685	291,053	290,000	1,053	28,581	290,000	
–	–	42,225	580,000	21,151	291,060	290,000	1,060	21,074	290,000	
–	–	46,751	580,000	20,110	290,997	290,000	997	26,641	290,000	
–	–	56,591	580,000	28,321	290,527	290,000	527	28,270	290,000	
–	–	19,368	200,000	9,691	100,148	100,000	148	9,677	100,000	
–	–	12,700	297,880	10,100	273,863	216,945	56,918	2,600	80,935	
–	–	5,800	180,171	4,100	130,460	123,525	6,935	1,700	56,646	
–	–	2,488	136,160	2,488	141,602	136,160	5,442	–	–	
–	–	3,000	137,015	–	–	–	–	3,000	137,015	
–	–	7,658	289,092	2,148	104,215	81,088	23,127	5,510	208,004	
–	–	44,999	449,990	–	–	–	–	44,999	312,744 (Note)	
–	–	800,000	9,687,783	–	–	–	–	800,000	9,588,547 (Note)	

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

**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>
<b>United Microelectronics Corporation</b>					
UMC Recreation Center (Buildings)	2003.3.4	\$153,049	Paid	Yi Shin Construction Corp. Hua He Construction Consulting Corp. Fujitec Taiwan Co., Ltd.	–

**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

<i>Related Party</i>	<i>Relationship</i>		
		<i>Purchases (Sales)</i>	<i>Amount</i>
<b>United Microelectronics Corporation</b>			
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
<b>UMC Group (USA)</b>			
United Microelectronics Corporation	Investor company	Purchase	USD 1,017,972

Amount in thousand; Currency denomination in NTD unless otherwise specified

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

Amount in thousand; Currency denomination in NTD unless otherwise specified

<b>Percentage of Total Purchases (Sales) (%)</b>	<b>Transactions</b>	<b>Transaction Details for Non-arm's Length Transaction</b>		<b>Notes &amp; Accounts Receivable (Payable)</b>		
	<b>Term</b>	<b>Unit Price</b>	<b>Term</b>	<b>Balance</b>	<b>Percentage of Total Receivables (%)</b>	<b>Note</b>
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	–

**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
<b>United Microelectronics Corporation</b>				
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	–

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

Investee Company	Address	Main Businesses and Products	Initial Investment	
			Ending Balance	Beginning Balance
<b>United Microelectronics Corporation</b>				
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
<b>UMC Japan</b>				
UMCi Ltd.	Singapore	Sales and manufacturing of integrated circuits	JPY 4,820,850	–

Amount in thousand; Currency denomination in NTD unless otherwise specified

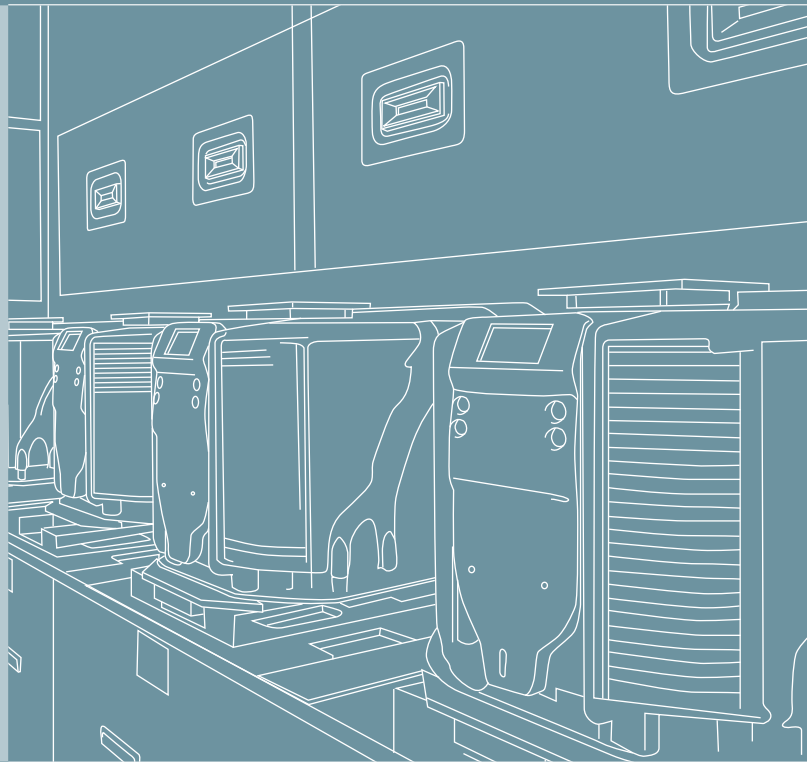
Ending Balance	Turnover Rate (Times)	Overdue Receivables		Amount Received in Subsequent Period	Allowance for Doubtful Accounts
		Amount	Collecting Status		
<b>Total</b>					
\$4,366,183	9.17	\$-	Credit collecting	\$887,274	\$43,749
1,406,079	6.62	-	Credit collecting	-	14,090
109,423	4.35	674	Credit collecting	-	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

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)	-	-

## SPECIAL DISCLOSURES

- 194 Status of Internal Control
- 195 Acquisition or Disposal of UMC Shares  
by Subsidiaries
- 196 Major Resolutions of the Shareholders' Meeting  
and the Board of Directors' Meetings



## Status of Internal Control

### Statement of Internal Control

The self-assessment of UMC's internal control was conducted for the year ended December 31, 2003 based on UMC's internal control system. The results are described as follows:

1. UMC acknowledges that the Board of Directors and the management are responsible for establishing, executing and maintaining a sufficient internal control system, which has been already set up. The purposes of the internal control system are to provide a reasonable assurance of achieving the goals of efficiency and effectiveness of the operations, such as profitability, performance and the safeguard of the assets, the reliability of the financial reports and the compliance with the applicable laws and regulations.
2. The internal control system has its inherent constraints, and it could only provide reasonable assurance of achieving the three goals mentioned above no matter how well it has been designed. The effectiveness of the internal control system could be changed due to changes of the environment and the situations. UMC has established an internal control system with the function of self-monitoring which could undertake corrective actions whenever a shortcoming is identified.
3. UMC's assessment of the effectiveness of the design and execution of the internal control system is based on the Standards governing the establishment of internal control system by public companies (the Standards). The Standards are covered by the guidelines of establishing the public company's internal control system issued by the Securities and Futures Commission of the Ministry of Finance, which specify the judgement items for evaluating the effectiveness of internal control.

The internal control is divided into five components,

based on the process of management control, according to the judgement items for internal control employed by the Standards, such as: (1) Control Environment, (2) Risk Assessments, (3) Control Activities, (4) Information and Communication, and (5) Monitoring. Each component consists of certain items, which could be referred to the Standards.

4. UMC has employed the judgement items mentioned above to evaluate the effectiveness of the design and execution of the internal control system.
5. UMC believes that the effectiveness of the design and execution of its internal control system (including subsidiaries) during the above mentioned assessment period provides reasonable assurance of achieving the goals of acknowledging the efficiency and effectiveness of operations, the reliability of financial reports and the compliance with applicable laws and regulations.
6. The Statement of Internal Control will be an integral part of UMC's annual report and prospectus that are open to the public, and within which any illegal acts, such as misstatement or concealment, would subject to the legal liabilities of Code 20, Code 32, Code 171 and Code 174 of the Securities Exchange Laws.
7. UMC's Board of Directors has approved the Statement of Internal Control (the Statement) on February 26, 2004. 10 directors attended and agreed with the content of the Statement.



Robert H.C. Tsao,  
Chairman

February 26, 2004



Jackson Hu,  
CEO

**The Company was not required to engage with a CPA to attest to the internal control system; therefore there is no CPA audit report on internal control to be disclosed for 2003.**

## Directors' or Supervisors' Objections on the Important Resolution of Board Meeting

None.

## Issuance of Private Placement Securities

None.

## Acquisition or Disposal of UMC Shares by Subsidiaries

*In thousand NTD, Share*

<i>Subsidiary</i>	<i>Paid-in Capital</i>	<i>Source of Capital</i>	<i>Holding % by the Company</i>	<i>Acquisition or Disposal Date</i>	<i>Shares Acquired and Amount</i>	<i>Disposal Shares and Amount</i>	<i>Profit / Loss</i>	<i>As of Annual Report Printing Date</i>
<i>Fortune Venture Capital Corporation</i>	3,000,000	New shares for cash	99.99	2003	707,096 (Note 1)	–	–	Shares: 18,340,427 Amount: 171,857
				2004	–	–	–	Shares: 18,340,427 Amount: 171,857
<i>Hsun Chieh Investment Co., Ltd.</i>	14,177,110	Merger	99.97	2003	19,410,222 (Note 2)	–	–	Shares: 503,455,675 Amount: 29,592,654
				2004	–	–	–	Shares: 503,455,675 Amount: 29,592,654

**Notes** (1) 707,096 shares were distributed as a dividend in 2003. (2) 19,410,222 shares were distributed as a dividend in 2003. (3) Data represented for 2004 was gathered up until March 12, 2004. (4) None of the above companies pledged UMC shares as collateral. (5) The Company did not provide endorsements or guarantees to these subsidiaries. (6) The Company did not provide loans to these subsidiaries.

## Major Resolutions of the Shareholders' Meeting and the Board of Directors' Meetings

### *Major Resolutions of the 2003 Regular Shareholders' Meeting*

1. All attending shareholders unanimously approved the amendment of the Company's Procedure of Acquisition or Disposal of Assets.
2. All attending shareholders unanimously approved the amendment of the Company's "Endorsements and Guarantees Method", and the change of its title to "Endorsements and Guarantees Procedures".
3. All attending shareholders unanimously approved the amendment of the Company's "Loan Procedures".
4. All attending shareholders unanimously approved the amendment of the Company's "Financial Derivatives Transactions Procedures".
5. All attending shareholders unanimously approved the Company's director, John Hsuan, to serve as a director for other companies that engage in similar or the same type of business as UMC.
6. The majority of the attending shareholders approved to capitalize NTD 6,658,978,170 from the unappropriated earnings of 2002 and previous years as paid-in capital for the Company's investment and fab expansion plans.
7. All attending shareholders unanimously approved the amendment of Articles 2 and 25 of the Articles of Incorporation.

### *Major Resolutions of the Board of Directors' Meetings*

1. All attending directors unanimously approved the subscription roll and the number of the stock options to be granted for the first employee stock option plan.
2. All attending directors unanimously approved the amendment of the Statement of the Company's Internal Control, which appends provisions regarding the mechanism of supervising the internal control operation of the subsidiaries of the Company.
3. All attending directors unanimously approved to launch the sixth round of the share buy-back program on the

stock exchange, and to set forth the transfer rules for the treasury shares and to finalize a statement declaring that the program will not affect the maintenance of the Company's capital.

4. All attending directors unanimously approved the statement of the Company's internal control in 2002.
5. All attending directors unanimously approved the amendment of the Company's Procedure of Acquisition or Disposal of Assets, and will forward the amended Procedure to supervisors and propose the amended Procedure at the Company's shareholders' meeting for its approval.
6. All attending directors unanimously approved the amendment of the Company's "Endorsements and Guarantees Method", and the change of its title to "Endorsements and Guarantees Procedure" and will forward the amended Procedure to supervisors and propose the amended Procedure at the Company's shareholders' meeting for its approval.
7. All attending directors unanimously approved the amendment of the Company's "Loan Procedures", and will forward the amended Procedure to supervisors and propose the amended Procedure at the Company's shareholders' meeting for its approval.
8. All attending directors unanimously approved the amendment of the Company's "Financial Derivatives Transactions Procedures", and will forward the amended Procedure to supervisors and propose the amended Procedure at the Company's shareholders' meeting for its approval.
9. All attending directors unanimously approved the Company's director, John Hsuan, to serve as a director of other companies that engage in similar or the same type of business as UMC and will make this proposal at the Company's shareholders' meeting for its approval.
10. All attending directors unanimously approved the Company's 2002 business report and 2002 financial statement, and will forward the approved business report and financial statement to supervisors and propose the approved documentation at the Company's shareholders' meeting for its ratification.
11. All attending directors unanimously approved the

- Company's 2002 surplus earning distribution chart and will forward the approved chart to supervisors and propose it at the Company's shareholders' meeting for its ratification.
12. All attending directors unanimously approved to capitalize NTD 6,658,978,170 from the unappropriated earnings of 2002 and previous years as paid-in capital for the Company's investment and fab expansion plans.
  13. All attending directors unanimously approved the amendment of Article 2 and 25 of the Articles of Incorporation.
  14. The Company has resolved to hold its 2003 annual general shareholders' meeting on June 9, 2003.
  15. All attending directors unanimously approved the application for a derivative credit line of USD 30.6 million from Citibank's Taipei branch to satisfy its financial operation requirements.
  16. All attending directors unanimously approved the issuance of a third round of NTD 15 billion domestic unsecured corporate bonds for the purchase of raw materials and to hedge the generated floating rate interest position.
  17. All attending directors unanimously approved the amendment of the Company's 2002 surplus earning distribution chart and will forward the amended chart to supervisors and propose it at the Company's shareholders' meeting for its ratification.
  18. All attending directors unanimously approved to authorize the Chairman to set the record date and handle all relevant matters for the handling of the 2002 stock dividend payout procedure.
  19. All attending directors unanimously approved the issuance of a second round of overseas exchangeable bonds, the size of which will not exceed USD 212 million.
  20. All attending directors unanimously approved to cooperate with TECO, which will issue an overseas bond exchangeable for the Company's common shares or the ADSs, and cope with the matters relevant to the ADS issuance.
  21. All attending directors unanimously approved the appointment of Dr. Jackson Hu as the Company's CEO in accordance with Article 29 of the Company Law Act.
  22. All attending directors unanimously approved the audited semi-annual financial reports of the first half of 2003.
  23. All attending directors unanimously approved to sell no more than 17 million shares of common stock of Novatek Microelectronics Corp., through public offering.
  24. All attending directors unanimously approved the issuance of 150,000,000 units of employee stock options in order to motivate employees.
  25. All attending directors unanimously approved the amendment of the Company's "Policy for UMC Conversion Sale Program".
  26. All attending directors unanimously approved to sell no more than 77,069,000 shares of common stock of TECO Electric & Machinery Co. through public offering to enhance working capital.
  27. All attending directors unanimously approved to sell no more than 5,000,000 shares of common stock of MediaTek Inc. through public offering to enhance working capital.
  28. All attending directors unanimously approved to authorize the Company to sponsor the issuance of ADSs for the Company's shareholders who have applied for the participation in the sale program in accordance with the "Policy for UMC Conversion Sale Program".
  29. All attending directors unanimously approved the subscription roll and the number of the second employee stock option to be granted.
  30. All attending directors unanimously approved the appointment of the Company's 2003 auditor.
  31. All attending directors unanimously approved the Company's 2004 budget plan.
  32. All attending directors unanimously approved the appointment of the auditors for Company's subsidiaries for year 2003.
  33. All attending directors unanimously approved the amendment of the Company's organization chart in response to the government's high technology development policy and to strengthen the Company's R&D ability.
  34. All attending directors unanimously approved the

- amendment of the Company's Internal Control Procedure in accordance with SFC's 091005800 order.
35. All attending directors have acknowledged that Chuin Li Investment Corporation has assigned Jackson Hu as the director, replacing Peter J. Courture.
  36. All attending directors unanimously approved the 2003 announcement of the Company's Internal Control Procedure.
  37. All attending directors unanimously approved the amendment of the Company's Internal Auditing Implementation Processes.
  38. All attending directors unanimously agreed to apply for a security trading account at Taiwan Securities (HK) Co., Ltd., to authorize the Chairman to sign its application documents, and the CFO, Stan Hung, to approve future transactions.
  39. All attending directors unanimously approved the proposition to acquire the subsidiary of Silicon Integrated Systems Corp. – SiS Microelectronics Corp., except John Hsuan and Jackson Hu who did not participate in this voting.
  40. All attending directors unanimously approved the new share issuance for the merger, except John Hsuan and Jackson Hu who did not participate in this voting.
  41. All attending directors unanimously approved the Company's 2003 business report and 2003 financial statement, and will forward these documents to supervisors and propose the approved documentation at the Company's shareholders' meeting for its ratification.
  42. All attending directors unanimously approved the Company's 2003 surplus earning distribution chart and will forward this to supervisors and propose it at the Company's shareholders' meeting for its ratification.
  43. All attending directors unanimously approved to capitalize NT\$13,335,556,780 from the unappropriated earnings of 2003 and previous years as paid-in capital for the Company's investment and fab expansion plans.
  44. All attending directors unanimously approved the amendment of Article 12 and 25 of the Articles of Incorporation.
  45. The Company has resolved to hold its 2004 annual general shareholders' meeting on June 1, 2004.

## Description of Violations/Infringement of Regulations and the Company's Response

None.

## Other Necessary Supplements

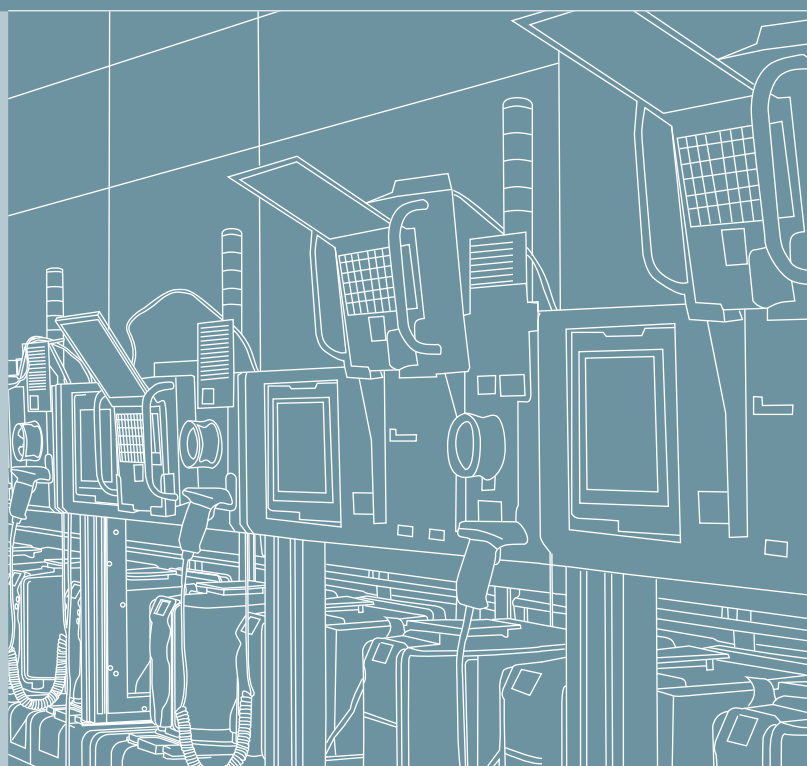
None.

## Disclosures of events which may have a significant influence on stockholders' equity or share price, in compliance with Item 2, Paragraph 2 in Article 36 of the Securities and Exchange Law of the ROC:

1. Please refer to the Section: " Mergers and Acquisitions or the Issue of New Shares to Acquire Another Company's Shares".
2. At the 25<sup>th</sup> boarding meeting of the 8<sup>th</sup> term on July 15, 2003, Dr. Jackson Hu was named as Chief Executive Officer of UMC.

## US GAAP ADJUSTED FINANCIAL STATEMENTS

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## US GAAP Financial Information

The Company's complete 2003 US GAAP reconciled financial statements and footnotes will be available in our full annual report, which will be filed with US SEC in the

form of Form 20-F on or before June 30, 2004, and be accessible on both US SEC and UMC websites.

## Consolidated Balance Sheets

As of December 31,

Assets	2003		2002
	NTD	USD	NTD
<b>Current assets</b>			
Cash and cash equivalents	118,771,773	3,494,315	74,902,448
Marketable securities, net	1,820,328	53,555	2,526,365
Notes receivable	8,756	257	83,001
Notes receivable – related parties	101,753	2,994	2,370
Accounts receivable, net	15,079,068	443,632	9,800,607
Accounts receivable – related parties, net	3,285,371	96,657	2,201,045
Other receivables	624,562	18,375	1,249,212
Other receivables – related parties	84,384	2,483	1,910,268
Other financial assets, current	2,446,603	71,980	5,980,960
Inventories, net	8,370,165	246,254	8,440,005
Prepaid expenses	752,697	22,144	800,491
Deferred income tax assets, current	2,953,378	86,890	2,994,572
Restricted deposits	21,875	643	–
Other current assets	1,089	32	30,833
Total current assets	154,321,802	4,540,211	110,922,177
<b>Funds and long-term investments</b>			
Long-term investments accounted for under the equity method	21,905,026	644,455	16,771,590
Long-term investments accounted for under the cost method	16,964,768	499,110	22,023,110
Prepaid long-term investments	52,343	1,540	54,486
Other long-term investments	60,000	1,765	60,000
Less: Allowance for loss on decline in market value	(62,888)	(1,850)	(1,108,690)
Total funds and long-term investments	38,919,249	1,145,020	37,800,496
<b>Other financial assets, noncurrent</b>	1,848,530	54,385	873,000
<b>Property, plant and equipment</b>			
Land	1,560,237	45,903	1,796,419
Buildings	17,721,538	521,375	16,985,813
Machinery and equipment	272,927,438	8,029,639	253,898,858
Transportation equipment	90,955	2,676	63,416
Furniture and fixtures	2,521,756	74,191	2,424,267
Leased assets	47,783	1,406	47,783
Leasehold improvements	40,848	1,202	86,319
Total cost	294,910,555	8,676,392	275,302,875
Less: Accumulated depreciation	(168,200,915)	(4,948,541)	(131,461,473)
Add: Construction in progress and prepayments	22,846,921	672,166	23,235,508
Property, plant and equipment, net	149,556,561	4,400,017	167,076,910
<b>Intangible assets</b>			
Trademarks	427	13	728
Patents	6,956	205	18,880
Technological know-how	559,237	16,453	631,462
Other intangible assets	9,978	293	34,625
Total intangible assets	576,598	16,964	685,695
<b>Other assets</b>			
Idle assets	–	–	22,361
Deferred charges	2,472,069	72,729	2,879,026
Deferred income tax assets, noncurrent	4,485,003	131,951	5,232,928
Other assets-others	2,333,991	68,667	1,536,294
Total other assets	9,291,063	273,347	9,670,609
<b>Total assets (as reported under ROC GAAP)</b>	354,513,803	10,429,944	327,028,887
<b>US GAAP Adjustments:</b>			
Change in fair value of marketable securities	32,968,417	969,945	18,617,203
Impairment loss on marketable securities	(2,176,217)	(64,025)	(3,653,835)
Difference in application of equity accounting	396,777	11,673	–
Equity investments	1,844,944	54,279	2,247,057
Compensation	141,774	4,171	73,338
Treasury stock	(3,372)	(99)	(8,024)
Goodwill upon conversion of convertible bonds	325,302	9,570	325,302
Goodwill due to acquisition	98,268,000	2,891,086	98,268,000
Income tax effect	(81,000)	(2,383)	(323,000)
Consolidation of unconsolidated subsidiaries	127,634	3,755	70,113
Interest rate swaps	(18,882)	(556)	–
Credit-linked deposits/repackage bonds	52,435	1,543	–
<b>Total assets (as reported under US GAAP)</b>	486,359,615	14,308,903	442,645,041

**Notes (1)** The USD amounts are presented solely for the convenience of the readers and were translated at the noon buying rate of NTD 33.99 to USD 1.00 in effect on December 31, 2003 at the Federal Reserve, the central bank of the United States. **(2)** Certain comparative amounts have been reclassified to conform to the current year's presentation.

In thousands

Liabilities and Stockholders' Equity	2003		2002
	NTD	USD	NTD
<b>Current liabilities</b>			
Short-term loans	1,884,899	55,455	1,178,800
Notes payable	153,892	4,527	89,313
Accounts payable	5,787,440	170,269	4,420,351
Accounts payable – related parties	812,849	23,914	398,681
Income tax payable	224,930	6,618	284,678
Accrued expenses	5,213,758	153,391	4,032,474
Other payables	7,370,809	216,852	8,788,838
Current portion of long-term interest-bearing liabilities	20,923,327	615,573	7,781,598
Other current liabilities	1,767,910	52,013	2,172,680
Total current liabilities	44,139,814	1,298,612	29,147,413
<b>Long-term interest-bearing liabilities</b>			
Bonds payable	58,213,913	1,712,678	49,441,484
Long-term loans	2,120,533	62,387	12,879,512
Total long-term interest-bearing liabilities	60,334,446	1,775,065	62,320,996
<b>Other liabilities</b>			
Accrued pension liabilities	2,309,892	67,958	2,030,786
Deposits-in	5,255	154	2,698
Other liabilities-others	413,326	12,160	78,623
Total other liabilities	2,728,473	80,272	2,112,107
<b>Total liabilities (as reported under ROC GAAP)</b>	<b>107,202,733</b>	<b>3,153,949</b>	<b>93,580,516</b>
<b>US GAAP Adjustments:</b>			
Compensation	12,618	371	6,365
Accrued interest for convertible bonds	638,845	18,795	490,545
Bifurcation of exchangeable feature from exchangeable bonds	854,431	25,138	(1,551,190)
Consolidation of unconsolidated subsidiaries	127,584	3,754	69,794
Credit-linked deposits/repackage bonds	88,763	2,611	–
Others	–	–	62
<b>Total liabilities (as reported under US GAAP)</b>	<b>108,924,974</b>	<b>3,204,618</b>	<b>92,596,092</b>
<b>Minority interests (as reported under ROC GAAP)</b>	<b>15,078,024</b>	<b>443,602</b>	<b>16,023,886</b>
<b>US GAAP Adjustments:</b>			
Interest expense for subsidiary's convertible bonds	(39,856)	(1,172)	–
Consolidation of unconsolidated subsidiaries	50	1	319
Others	31	1	(73)
<b>Minority interests (as reported under US GAAP)</b>	<b>15,038,249</b>	<b>442,432</b>	<b>16,024,132</b>
<b>Stockholders' equity</b>			
<b>Capital</b>			
Common stock	161,407,435	4,748,674	154,748,456
<b>Capital reserve</b>			
Premiums	41,729,589	1,227,702	41,729,589
Change in equities of long-term investments	21,192,141	623,482	22,993,448
Excess from merger	17,152,454	504,632	17,152,454
<b>Retained earnings</b>			
Legal reserve	11,410,475	335,701	10,686,225
Special reserve	1,346,994	39,629	631,982
Unappropriated earnings	14,036,822	412,969	8,685,847
<b>Adjusting items in stockholders' equity</b>			
Unrealized loss on long-term investments	(90,864)	(2,673)	(1,349,248)
Cumulative translation adjustment	913,877	26,886	728,851
<b>Treasury stock</b>	<b>(36,865,877)</b>	<b>(1,084,609)</b>	<b>(38,583,119)</b>
<b>Total stockholders' equity (as reported under ROC GAAP)</b>	<b>232,233,046</b>	<b>6,832,393</b>	<b>217,424,485</b>
<b>US GAAP Adjustments:</b>			
Compensation	129,156	3,800	66,973
Equity investments	474,399	13,957	967,853
Change in fair value of marketable securities	32,968,417	969,945	18,617,203
Difference in application of equity accounting	396,777	11,673	–
Impairment loss on marketable securities	(2,176,217)	(64,025)	(3,653,835)
Treasury stock	(3,372)	(99)	(8,024)
Adjustments due to change in interest of investee companies	1,652,828	48,627	1,604,517
Convertible/Exchangeable bonds	(1,310,203)	(38,547)	(691,394)
Embedded derivatives in exchangeable bonds	(100,229)	(2,949)	1,752,039
Unamortized goodwill due to acquisition	98,268,000	2,891,086	98,268,000
Income tax effect	(81,000)	(2,383)	(323,000)
Interest rate swaps	(18,882)	(556)	–
Credit-linked deposits/repackage bonds	(36,328)	(1,069)	–
<b>Total stockholders' equity (as reported under US GAAP)</b>	<b>362,396,392</b>	<b>10,661,853</b>	<b>334,024,817</b>
<b>Total liabilities and stockholders' equity (as reported under US GAAP)</b>	<b>486,359,615</b>	<b>14,308,903</b>	<b>442,645,041</b>

## Consolidated Statements of Income

For the years ended December 31,

In thousands

Contents	2003		2002
	NTD	USD	NTD
<b>Operating revenues</b>			
Sales revenues	93,695,738	2,756,568	73,803,609
Less: Sales returns and discounts	(1,009,836)	(29,710)	(1,418,433)
Net Sales	92,685,902	2,726,858	72,385,176
Other operating revenues	3,017,830	88,786	3,040,180
Net operating revenues	95,703,732	2,815,644	75,425,356
<b>Operating costs</b>			
Cost of goods sold	(71,363,227)	(2,099,536)	(60,309,494)
Other operating costs	(2,536,442)	(74,623)	(2,580,669)
Operating costs	(73,899,669)	(2,174,159)	(62,890,163)
<b>Gross profit</b>	21,804,063	641,485	12,535,193
Unrealized intercompany profit	(106,702)	(3,140)	(68,558)
Realized intercompany profit	68,558	2,017	71,419
Net	21,765,919	640,362	12,538,054
<b>Operating expenses</b>			
Sales and marketing expenses	(2,170,897)	(63,868)	(1,526,907)
General and administrative expenses	(3,996,466)	(117,578)	(3,530,756)
Research and development expenses	(5,858,629)	(172,363)	(7,368,133)
Subtotal	(12,025,992)	(353,809)	(12,425,796)
<b>Operating income</b>	9,739,927	286,553	112,258
<b>Non-operating income</b>			
Interest revenue	1,141,264	33,576	1,644,100
Investment income accounted for under the equity method, net	300,724	8,847	230,600
Dividend income	837,696	24,645	256,543
Gain on disposal of property, plant and equipment	216,992	6,384	66,236
Gain on disposal of investments	6,885,374	202,571	8,473,213
Exchange gain, net	256,452	7,545	–
Recovery on decline in market value of marketable securities	10,806	318	–
Other income	764,190	22,483	702,287
Subtotal	10,413,498	306,369	11,372,979
<b>Non-operating expenses</b>			
Interest expense	(1,326,155)	(39,016)	(1,455,374)
Other investment loss	(1,866,454)	(54,912)	(1,419,371)
Loss on disposal of property, plant and equipment	(170,576)	(5,018)	(45,814)
Exchange loss, net	–	–	(103,703)
Loss on decline in market value and obsolescence of inventories	(1,443,565)	(42,470)	(955,074)
Financial expenses	(387,916)	(11,413)	(426,560)
Depreciation and loss on idle assets	–	–	(50,954)
Other losses	(263,054)	(7,739)	(12,139)
Subtotal	(5,457,720)	(160,568)	(4,468,989)
Income before income tax and minority interests	14,695,705	432,354	7,016,248
Income tax expense	(979,469)	(28,816)	(270,731)
Income before minority interests	13,716,236	403,538	6,745,517
Minority interests loss	304,021	8,944	326,515
<b>Net income (as reported under ROC GAAP)</b>	14,020,257	412,482	7,072,032
<b>US GAAP Adjustments:</b>			
Compensation	(2,914,994)	(85,760)	(7,348,917)
Equity investments	(531,785)	(15,646)	(597,772)
Change in fair value of marketable securities	504,386	14,839	30,206
Difference in application of equity accounting	464,555	13,667	–
Impairment loss on marketable securities	1,477,618	43,472	(348,906)
Adjustments due to change in interests of investee companies	(278,721)	(8,200)	449,365
Embedded derivatives in exchangeable bonds	(1,852,268)	(54,494)	1,752,039
Convertible/Exchangeable bonds	(725,225)	(21,336)	(691,394)
Gain on reacquisition of bonds	106,416	3,131	–
Income tax effect	242,000	7,120	(23,000)
Credit-linked deposits/repackage bonds	(36,328)	(1,069)	–
<b>Net income (as reported under US GAAP)</b>	10,475,911	308,206	293,653

**Notes (1)** The USD amounts are presented solely for the convenience of the readers and were translated at the noon buying rate of NTD 33.99 to USD 1.00 in effect on December 31, 2003 at the Federal Reserve, the central bank of the United States. **(2)** Certain comparative amounts have been reclassified to conform to the current year's presentation.





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**Exchangeable Bond****Exchange Marketplace**

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EB Search Code:  
ISIN XS0147090533  
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