

# Special Disclosures



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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	47.06%		
United Foundry Service, Inc.	100.00%		
UMC Capital Corporation	100.00%	> UMC Capital (USA)	100.00%
UMCi Pte. Ltd.	49.82%		
United Microelectronics Corp. (Samoa)	100.00%		
United Microelectronics (Europe) B.V.	100.00%		
United Microdisplay Optronics Corp.	85.00%		

### 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	2Fl., No. 76, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan 106, ROC	3,000,000	Consulting and planning for investment in new business
Hsun Chieh Investment Co., Ltd.	2000.1.12	2Fl., No. 76, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan 106, ROC	14,177,110	Investment
UMC Group (USA)	1997.8.11	488 DeGuigne Drive Sunnyvale, CA 94085, USA	568 (US\$16,438)	IC sales
UMC Japan	1984.5.15	No. 1580, Yamamoto, Tateyama-City, Chiba, Japan	7,467,884 (¥27,028,174,000)	IC foundry business
United Foundry Service, Inc.	1996.7.29	488 DeGuigne Drive Sunnyvale, CA 94085, USA	69 (US\$2,005)	Supervising and monitoring group projects
UMC Capital Corporation	2001.1.16	P.O. Box 1034GT, Grand Cayman, Cayman Islands	1,037,280 (US\$30,000,000)	Investment
UMC Capital (USA)	2001.2.13	488 DeGuigne Drive Sunnyvale, CA 94085, USA	7 (US\$200)	Investment
UMCi Pte. Ltd.	2001.1.18	6 Temasek Boulevard, #26-01 Suntec Tower Four, Singapore 038986	14,729 (US\$426,000)	IC foundry business
United Microelectronics Corp. (Samoa)	2002.1.9	Offshore Chambers, PO Box 217, Apia, Samoa	17,288 (US\$500,000)	Investment
United Microelectronics (Europe) B.V.	1989.05.23	Hogehilweg 19, 1101 CB, Amsterdam, The Netherlands	133,993 (US\$3,875,309)	IC sales
United Microdisplay Optronics Corp.	2002.09.11	2F, No. 3, Li-Hsin Rd. II Science-Based Industrial Park, Hsinchu City, Taiwan 300, ROC	900,000	Manufacturing and sales of chips for LCOS

Note USD:NTD = 1:34.576; JPY:NTD = 1:0.2763

### Data of 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 investment activities, manufacturing, trade, electronics, and semiconductor wafer manufacturing.

### 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	
	Director	Antonius Wu	1,000	0.00	
	Supervisor	United Microelectronics Corporation	299,994,000	99.99	
Representative: Tzyy-Jang Tseng		0	0.00		
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: Ing-Dar Liu	0	0.00	
	Supervisor	United Microelectronics Corporation	1,417,294,000	99.97	
		Representative: Stan Hung	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	Gary Hong	0	0.00	
	Director	Henry Liu	1028	0.10	
	Director	Jenn Tsao	0	0.00	
	Director	Wei Chung Lian	100	0.01	
	Director	Keiichi Hamazaki	1132	0.11	
	Supervisor	Minetaka Suzuki	70	0.01	
	Supervisor	Tsing-Yuan Hwang	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	30,000,000	100.00	
		Representative: Robert H.C. Tsao	0	0.00	

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Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
UMC Capital (USA)	Director and President	Peter J. Courture	0	0.00
	Director	Stan Hung	0	0.00
UMCi Pte. Ltd.	Chairman	Robert H.C. Tsao	4,500,010	1.06
	Director	John Hsuan	1,687,510	0.40
	Director	Peter Chang	562,500	0.13
	Director and President	Chris Chi	562,500	0.13
	Director	Liow Voon Kheong	0	0.00
	Director	Loh Kin Wah	0	0.00
	Director	Werner Eugen Mohr	0	0.00
United Microelectronics Corp. (Samoa)	Director	United Microelectronics Corporation	500,000	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 Corp.	Chairman	United Microelectronics Corporation	76,499,000	85.00
		Representative: Robert H.C. Tsao	0	0.00
	Director	United Microelectronics Corporation	76,499,000	85.00
		Representative: John Hsuan	0	0.00
	Director	United Microelectronics Corporation	76,499,000	85.00
		Representative: Ker Wen Teng	0	0.00
Supervisor	United Microelectronics Corporation	76,499,000	85.00	
	Representative: Stan Hung	0	0.00	

## Summarized Operation Results of Affiliated Enterprises

Name of Corporation	Capital	Total Assets	Total Liabilities	Net Worth	In thousand NTD			
					Net Operating Revenues	Operating Income (Loss)	Net Income (Loss)	Earnings (Loss) per Share (NTD)
Fortune Venture Capital Corporation	3,000,000	3,273,380	70,961	3,202,419	416,296	(61,896)	(136,125)	(0.45)
Hsun Chieh Investment Co., Ltd.	14,177,110	22,174,229	89,490	22,084,740	1,646,940	229,440	165,720	0.12
UMC Group (USA)	568	5,770,002	5,283,690	486,312	28,612,474	(128,270)	(107,167)	(6.52)
UMC Japan	7,467,884	29,461,136	12,313,337	17,147,799	7,298,697	186,344	(108,623)	(182.61)
United Foundry Service, Inc.	69	92,544	1,647	90,897	121,233	7,965	4,735	2.36
UMC Capital Corporation	1,037,280	1,026,345	2,150	1,024,195	5,209	(12,648)	(11,784)	(0.39)
UMC Capital (USA)	7	7,985	154	7,831	17,546	836	731	3.65
UMCi Pte. Ltd.	14,729	16,383,347	2,084,254	14,299,093	0	(562,135)	(401,586)	(0.94)
United Microelectronics Corp. (Samoa)	17,288	6,653	0	6,653	0	(10,651)	(10,635)	(21.27)
United Microelectronics (Europe) B.V.	133,993	738,623	545,987	192,636	3,891,956	4,950	5,214	579.35
United Microdisplay Optronics Corp.	900,000	863,311	36,828	826,483	0	(76,204)	(73,517)	(0.82)

Note USD:NTD = 1:34.576; JPY:NTD = 1:0.2763

## Status of Internal Control

### Statement of Internal Control

The self-assessment of UMC's internal control was conducted for the year ended December 31, 2002 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 can 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 may vary due to changes in the environment and circumstances. UMC has established an internal control system with self-monitoring capabilities which can 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.
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 during the above mentioned assessment period provides reasonable assurance of achieving the goals of 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 March 25, 2003. Nine directors attended and agreed with the content of the Statement.



UMC Chairman



UMC President

March 25, 2003

The internal control is divided into five components, based on the process of management control, according to the judgement items for internal control

The Company was not required to engage a CPA to attest to the internal control system, therefore there is no CPA's audit report on internal control to be disclosed for 2002.

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

None.

## Current Status and Future Improvements to Corporate Governance Practices

Item	Yes/No	Current Status	Explanation for Incompletion	Future Plan	Note
<i>Corporate governance structure and principles</i>					
Has the Company established a corporate governance mechanism which follows recognized corporate governance principles?	Yes	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.	-	-	-
Has the Company set up a comprehensive internal control system and effectively executed it?	Yes	The internal audit division performs regular and surprise audits on other departments in the Company, and makes proposals for improvements.	-	-	-
<i>Corporate shareholder structure and shareholders' rights</i>					
Has the Company mandated a meeting agenda and rules for shareholders' meetings?	Yes	The Company has mandated a meeting agenda and rules for shareholders' meetings, which were approved in a general shareholders' meeting.	-	-	-
Has the Company assigned a specific body to handle shareholders' recommendations or disputes?	Yes	The Company has designated a specific body and established an email address to handle shareholders' recommendations or disputes	-	-	-
Has the Company regularly monitored the list of key shareholders who have management control of the Company, or those who have ultimate control of key shareholders?	No	-	No single shareholder holds more than 10% of the Company's total outstanding shares.	-	-
Has the Company disclosed information when major shareholders change their shareholdings or use their shares as collateral?	No	-	No single shareholder holds more than 10% of the Company's total outstanding shares. However, the Company does disclose information when directors or supervisors change their shareholdings or use their shares as collateral.	-	-
Has the Company established proper risk control mechanisms and firewalls between the Company and its affiliated enterprises?	Yes	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.	-	-	-
<i>Structure of the board of directors and the board's independence</i>					
Are there two or more independent Company board directors?	No	-	The Company has two independent supervisors.	-	-
Is there an audit committee within the board of directors of the Company?	No	-	Based upon Taiwan's regulations, the Company has entrusted its supervisors with the same responsibilities as an audit committee.	-	-
Are the Chairman, CEO, and President of the Company different people and not immediate family members?	Yes	The Chairman, CEO, and President of the Company are different people and are not immediate family members.	-	-	-
Is there a policy to ensure board members avoid introducing topics of discussion that would advance their own vested interests?	Yes	The board is well disciplined and enforces a strict policy of separating personal and company interests amongst its members.	-	-	-

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Item	Yes/No	Current Status	Explanation for Incompletion	Future Plan	Note
<i>Duties of the board of directors and managers</i>					
Has the Company mandated a meeting agenda and rules for board of directors' meetings?	No	–	The board meetings of the Company comply with the Company's Articles of Incorporation, Taiwan Company Law, and their related regulations.	The Company may implement this if there is a need in the future.	–
Are there regulations for special committees to exercise their authority?	No	–	The current corporate structure serves the needs of the Company.	The Company may implement this if there is a need in the future.	–
Has the Company periodically evaluated the independence of its auditors?	Yes	The Company's auditor is one of the largest and best regarded in its industry. The auditor assiduously avoids conflicts of interests.	–	–	–
Has the Company purchased liability insurance for its board members?	Yes	The Company has purchased liability insurance for its board members since 2000.	–	–	–
Has the Company established any educational programs for its board members?	Yes	The Company provides information related to professional educational opportunities to all board members.	–	–	–
Has the Company established a risk management policy and standards for evaluating risk and implementing its risk management policy?	N/A	–	–	–	Applies to securities firms only.
<i>The composition, duties and independence of the supervisory body</i>					
Is there at least one independent supervisor of the Company?	Yes	The Company currently has two independent supervisors.	–	–	–
Are the supervisors of the Company able to communicate with the Company's employees, shareholders, and stakeholders?	Yes	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.	–	–	–
Has the Company scheduled supervisors meetings and mandated the agenda and rules of supervisors' meetings?	No	–	Supervisors may exercise their rights at any time, and may express their opinions at board meetings.	The Company may implement this if there is a need in the future.	–
Has the Company purchased liability insurance for its supervisors?	Yes	The Company has purchased liability insurance for its supervisors since 2000.	–	–	–
Has the Company established any education programs for its supervisors?	Yes	The Company provides information related to professional educational opportunities to all supervisors.	–	–	–
<i>Stakeholders' rights and relationships</i>					
Has the Company established communication channels for its stakeholders?	Yes	The Company has designated a specific unit and established an email address to handle stakeholders' concerns.	–	–	–
Has the Company valued its social responsibilities?	Yes	The Company is actively participates in environmental protection and philanthropic activities. The Company believes it has a responsibility to give back to the community.	–	–	–
Has the Company established policies to protect consumers or its customers and regularly evaluate the policies' implementation?	N/A	–	–	–	Applies to securities firms only.

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Item	Yes/No	Current Status	Explanation for Incompletion	Future Plan	Note
<i>Information Disclosure</i>					
Has the Company designated a specific body to collect and disclose information about the Company?	Yes	The Company has designated a specific body to collect and disclose information about the Company.	–	–	–
Has the Company designated a spokesperson?	Yes	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.	–	–	–
Has the Company established a website to disclose financial and corporate governance information?	Yes	The Company regularly publishes up-to-date detailed financial and corporate governance information on its website.	–	–	–
<i>Other disclosures</i>					
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.

## Issuance of Private Placement Securities

None.

## Acquisition or Disposal of UMC Shares by Subsidiaries

Subsidiary	Paid-in Capital	Source of Capital	Holding % by the Company	Acquisition or Disposal Date	Acquisition Shares and Amount	Disposal Shares and Amount	Profit / Loss	In thousand NTD, Share	
								As of Annual Report Printing Date	
								Shares	Amount
Fortune Venture Capital Corporation	3,000,000	New shares for cash	99.99	2002	2,299,999 Note 1	0	0	17,633,331	171,857
				2003	0	0	0	17,633,331	171,857
Hsun Chieh Investment Co., Ltd.	14,177,110	Merger	99.97	2002	63,136,363 Note 2	0	0	484,045,453	29,592,654
				2003	0	0	0	484,045,453	29,592,654

**Note** (1) 2,299,999 shares of stock were distributed as a dividend in 2002. (2) 63,136,363 shares of stock were distributed as a dividend in 2002. (3) Data represented for 2003 was gathered up until March 25, 2003. (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 Shareholders' Meeting and Board's Meeting

### Discussions and major resolutions of the 2002 regular shareholders' meeting

- 1) To approve the policy of election on the Company's directors and supervisors. Resolution: After Chairman's request, all attending shareholders unanimously agreed.
- 2) To approve allowing the Company's director, Robert H.C. Tsao, and five other directors serve as directors of the companies that are in the same or similar industry as UMC. Resolution: After Chairman's request, all attending shareholders unanimously agreed.
- 3) To approve reinvesting as capital NT\$21,391,502,300 of the unappropriated earnings in and prior to the year 2000 in order to accommodate fab expansion and investment plans. Resolution: After Chairman's request, all attending shareholders unanimously agreed.
- 4) It is proposed that Articles 2, 5 to 10, 12, 16-1, 19 to 22 and 25 of the Company's Articles of Incorporation be amended. Resolution: Except for the following two items stated below, requested by Chairman and agreed unanimously from all attending shareholders, after Chairman's request, all attending shareholders unanimously agreed.

Article 5 Item 2 is amended as follows: "Within the authorized share capital stated in previous item, depending upon the business needs of the Company, the board of directors is authorized to issue corporate bonds with equity warrants in installments of no more than NT\$15 billion, which represents one thousand five hundred million shares at a par value of NT\$10 per share. In addition, depending upon the business needs of the Company, the board of directors is authorized to issue stock warrants in installments of no more than NT\$20 billion, which represents two billion shares at a par value of NT\$10 per share."

Article 5 Item 1 of the Company's Articles of Incorporation authorizes that within the authorized share capital and depending on the business needs of the Company, the board of directors is authorized to issue domestic and overseas convertible bonds and corporate bonds with equity warrants in installments of no more than NT\$15 billion, which represents one thousand five hundred million shares, at a par value of NT\$10 per share.

### Discussions and major resolutions of board's meeting

- 1) To propose launching the fourth round of the share buy-back program, which will begin discus-

sion of buying back Company shares on the stock exchange, issuing the transfer rules for the shares to be bought back and a statement clarifying that the program will not affect the Company's capital maintenance. Resolution: All attending directors unanimously agreed.

- 2) To approve amending the Company's loan procedures. Resolution: All attending directors unanimously agreed.
- 3) To approve the policy of election on the Company's directors and supervisors. Resolution: All attending directors unanimously agreed.
- 4) To approve proposing at the shareholders' meeting to allow the Company's director Tsao, and five other directors serve as directors of other companies that are in the same or similar industry as UMC. Resolution: All attending directors unanimously agreed.
- 5) To approve proposing at the shareholders' meeting to transfer from the capital reserve account to the retained earnings account the net gain after tax from disposal of assets. Resolution: All attending directors unanimously agreed.
- 6) To approve the Company's 2001 business report and financial statement. Resolution: All attending directors unanimously agreed.
- 7) To approve the Company's 2001 retained earnings distribution chart. Resolution: All attending directors unanimously agreed.
- 8) To approve capitalizing NT\$21,391,502,300 of unappropriated retained earnings from 2000 and earlier to paid-in capital for the purpose of investment and expansion. Resolution: All attending directors unanimously agreed.
- 9) To approve amending Articles No.2, 5-10, 12, 16-1, 19-22, and 25 of the company's Articles of Incorporation. Resolution: All attending directors unanimously agreed.
- 10) To approve convening the shareholders' meeting on June 3, 2002 in the Hsinchu Science Park. The shareholders' meeting agenda will be distributed before the meeting on that date. Resolution: All attending directors unanimously agreed.
- 11) To approve selling common stock held in AU Optronics Corp., through public offering in the maximum amount of 80 million shares, in order to provide working capital. Resolution: All attending directors unanimously agreed.
- 12) To approve issuing exchangeable bonds in the amount of approximately US\$ 270 million in order to procure machinery and equipment for UMC's Fab 8D

- plant. Resolution: All attending directors unanimously agreed.
- 13) To approve issuing employee stock options totaling 1,000,000,000 units in order to motivate employees. Resolution: All attending directors unanimously agreed.
- 14) To approve launching the fifth round of the share buy-back program on the stock exchange to accommodate the conversion of the Company's overseas convertible bonds and issuing a statement clarifying that the program will not affect the maintenance of the Company's capital. Resolution: All attending directors unanimously agreed.
- 15) To approve the audited semi-annual financial reports of first half of 2002. Resolution: All attending directors unanimously agreed.
- 16) To approve amending Articles 13 to 15 of the first employee stock option plan. Resolution: All attending directors unanimously agreed.
- 17) To approve the subscription roll and quantity of the first employee stock option plan. Resolution: All attending directors unanimously agreed.
- 18) To approve revising the statement of the Company's internal control in 2001 to supervise the internal control operation of the subsidiaries of the Company. Resolution: All attending directors unanimously agreed.
- 19) To approve launching the sixth round of the share buy-back program on the stock exchange, and issuing the transfer rule for the shares to be bought back and a statement clarifying that the program will not affect the maintenance of the Company's capital. Resolution: All attending directors unanimously agreed.
- 20) To approve the statement of the Company's internal control in 2002. Resolution: All attending directors unanimously agreed.
- 21) To approve the amendment of the Company's Procedure of Acquisition or Disposal of Assets. Resolution: 1. All attending directors unanimously agreed. 2. Will forward the Procedure to supervisors and propose the Procedure to the Company's shareholders' meeting for its approval.
- 22) To approve the amendment of the Company's "Endorsements and Guarantees Method", and change its title to "Endorsements and Guarantees Procedures". Resolution: 1. All attending directors unanimously agreed. 2. Will forward the Procedure to supervisors and propose the Procedure to the Company's shareholders' meeting for its approval.
- 23) To approve the amendment of the Company's "Loan Procedures". Resolution: 1. All attending directors unanimously agreed. 2. Will forward the Procedure to supervisors and propose the Procedure to the Company's shareholders' meeting for its approval.
- 24) To approve the amendment of the Company's "Financial Derivatives Transactions Procedures". Resolution: 1. All attending directors unanimously agreed. 2. Will forward the Procedure to supervisors and propose the Procedure to the Company's shareholders' meeting for its approval.
- 25) To approve allowing the Company's director, John Hsuan serving as director of the companies that are in the same or similar industry as UMC. Resolution: All attending directors unanimously agreed.
- 26) To approve the Company's 2002 business report and the 2002 financial statement. Resolution: 1. All attending directors unanimously agreed. 2 Will forward the business report and the financial statement to supervisors and propose the documentation to the Company's shareholders' meeting for its approval.
- 27) To approve the Company's 2002 surplus earning distribution chart. Resolution: 1. All attending directors unanimously agreed. 2. The Company's 2002 surplus earning distribution chart was attached. 3. Will forward the chart to supervisors and propose the chart to the Company's shareholders' meeting for its approval.
- 28) It was proposed that the Company will capitalize NT\$6,658,978,170 of unappropriated earnings from 2002 and previous years to paid-in capital for the purpose of investment and fab expansion. Resolution: 1. All attending directors unanimously agreed. 2. The surplus earning distribution chart was attached.
- 29) To approve the amendment of Articles of Incorporation No.2 and 25. Resolution: All attending directors unanimously agreed.
- 30) It was proposed that the Company's shareholders' meeting is to be held on June 9, 2003 in the Auditorium of Activity Center, No.2, Hsin-An Rd., Science-Based Industrial Park, Hsinchu, 300, Taiwan, ROC. The shareholders' meeting agenda containing the cause and/or subject of the meeting to be convened and the operation timeline for the Company's shareholders' meeting will be distributed on the date of the board meeting. Resolution: 1. The Company's shareholders' meeting is to be held on June 9, 2003. The meeting agenda was attached. 2. The operation timeline for the Company's shareholders' meeting was attached.

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

For failing to establish a contractor coordination organization at Fab 8C and thus violating Article 18 of the Labor Safety Health Law, the Company was fined

NT\$ 60,000 by the Hsinchu Science-Based Industrial Park Administration in 2002. Since then, the Company has fully complied with the Law.

## Other Necessary Supplements

None.

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**Disclosures of events which may have 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 ROC**

None.

# US GAAP Adjusted Financial Statements



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## US GAAP Financial Information

The Company's complete 2002 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, 2003, and be accessible on both SEC and UMC websites.

# Consolidated Balance Sheets

December 31, 2002 and 2001

Assets	2002		2001
	NT\$	US\$	NT\$
<b>Current Assets</b>			
Cash and cash equivalents	\$80,883,408	\$2,330,934	\$76,904,068
Marketable securities, net	2,526,365	72,806	1,286,434
Notes receivable	83,001	2,392	113,681
Notes receivable - related parties	2,370	68	102,011
Accounts receivable, net	9,800,607	282,438	7,126,712
Accounts receivable - related parties, net	2,201,045	63,431	1,760,888
Other receivables	1,249,212	36,000	1,081,576
Other receivables - related parties	1,910,268	55,051	1,949,597
Inventories, net	8,440,005	243,228	5,717,203
Prepaid expenses	800,491	23,069	788,936
Deferred income tax assets	2,994,572	86,299	3,954,867
Other current assets	30,833	889	567
Subtotal	110,922,177	3,196,605	100,786,540
<b>Funds and Long-term Investments</b>			
Long-term investments	39,727,700	1,144,891	41,225,981
Prepaid long-term investments	54,486	1,570	-
Allowance for loss on decline in market value	(1,108,690)	(31,951)	(469,303)
Subtotal	38,673,496	1,114,510	40,756,678
<b>Property, Plant and Equipment</b>			
Land	1,796,419	51,770	1,854,306
Buildings	16,985,813	489,505	15,458,094
Machinery and equipment	253,898,858	7,316,970	214,105,828
Transportation equipment	63,416	1,827	52,718
Furniture and fixtures	2,424,267	69,864	1,785,562
Leased assets	47,783	1,377	-
Leasehold improvements	86,319	2,487	93,535
Total Cost	275,302,875	7,933,800	233,350,043
Less: Accumulated depreciation	(131,461,473)	(3,788,515)	(95,327,241)
Plus: Construction in progress and prepayments	23,235,508	669,611	31,098,366
Net	167,076,910	4,814,896	169,121,168
<b>Intangible Assets</b>			
Trademarks	728	21	806
Patents	18,880	544	30,805
Technological know-how	631,462	18,198	646,312
Others	34,625	998	72,063
Subtotal	685,695	19,761	749,986
<b>Other Assets</b>			
Assets leased to others	170,032	4,900	149,734
Idle assets	22,361	644	29,976
Deposits out	937,995	27,032	617,787
Deferred charges	2,879,026	82,969	2,935,595
Deferred income tax assets	5,232,928	150,805	4,371,231
Restricted deposits	-	-	264,700
Others	428,267	12,342	910,862
Subtotal	9,670,609	278,692	9,279,885
<b>Total Assets (as reported under ROC GAAP)</b>	<b>\$327,028,887</b>	<b>\$9,424,464</b>	<b>\$320,694,257</b>
<b>US GAAP Adjustments:</b>			
Change in fair value of marketable securities	18,617,474	536,526	40,325,522
Impairment loss in marketable securities	(3,654,106)	(105,306)	(3,304,929)
Equity investments	2,247,057	64,757	1,032,432
Compensation	73,338	2,113	-
Treasury stock	(8,024)	(231)	(176,221)
Goodwill upon conversion of convertible bonds	325,302	9,375	325,302
Goodwill due to acquisition	98,268,000	2,831,931	98,268,000
Income tax effect	(323,000)	(9,308)	(300,000)
Consolidation of unconsolidated subsidiaries	70,113	2,020	15,078
<b>Total Assets (as reported under US GAAP)</b>	<b>\$442,645,041</b>	<b>\$12,756,341</b>	<b>\$456,879,441</b>

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In thousands

Liabilities and Stockholders' Equity	2002		2001
	NT\$	US\$	NT\$
<b>Current Liabilities</b>			
Short-term loans	\$1,178,800	\$33,971	\$753,450
Notes payable	89,313	2,574	21,128
Accounts payable	4,420,351	127,388	2,439,892
Accounts payable - related parties	398,681	11,489	490,427
Income tax payable	284,678	8,204	219,877
Accrued expenses	4,032,474	116,210	5,678,713
Other payables	8,788,838	253,281	12,482,283
Current portion of long-term debts	7,781,598	224,253	9,720,178
Other current liabilities	2,172,680	62,613	2,718,257
Subtotal	29,147,413	839,983	34,524,205
<b>Long-term Liabilities</b>			
Bonds payable	49,441,484	1,424,827	38,450,511
Long-term loans	12,879,512	371,167	16,244,823
Subtotal	62,320,996	1,795,994	54,695,334
<b>Other Liabilities</b>			
Accrued pension liabilities	2,030,786	58,524	1,591,022
Capacity deposits and other deposits	2,698	78	865,546
Minority interests	16,023,886	461,784	15,594,468
Others	78,623	2,266	101,429
Subtotal	18,135,993	522,652	18,152,465
<b>Total Liabilities (as reported under ROC GAAP)</b>	<b>109,604,402</b>	<b>3,158,629</b>	<b>107,372,004</b>
<b>US GAAP Adjustments:</b>			
Compensation	6,365	183	-
Accrued interest for convertible bonds	490,545	14,137	-
Bifurcation of exchangeable feature from exchangeable bonds	(1,551,190)	(44,703)	-
Consolidation of unconsolidated subsidiaries	70,113	2,020	15,078
Others	(11)	-	126
<b>Total Liabilities (as adjusted under US GAAP)</b>	<b>108,620,224</b>	<b>3,130,266</b>	<b>107,387,208</b>
<b>Stockholders' Equity</b>			
<b>Capital</b>			
Common stock	154,748,456	4,459,610	133,356,954
<b>Capital Reserve</b>			
Premiums	41,729,589	1,202,582	41,729,589
Gain on disposal of property, plant and equipment	-	-	170,473
Change in equities of long-term investments	22,993,448	662,635	23,063,166
Excess from merger	17,152,454	494,307	17,152,454
<b>Retained Earnings</b>			
Legal reserve	10,686,225	307,960	10,686,225
Special reserve	631,982	18,213	2,242,284
Unappropriated earnings	8,685,847	250,313	21,223,870
<b>Adjusting Items in Stockholders' Equity</b>			
Unrealized loss on long-term investments	(1,349,248)	(38,883)	(470,931)
Cumulative translation adjustment	728,851	21,004	(160,470)
<b>Treasury Stock</b>	<b>(38,583,119)</b>	<b>(1,111,906)</b>	<b>(35,671,361)</b>
<b>Total Stockholders' Equity (as reported under ROC GAAP)</b>	<b>217,424,485</b>	<b>6,265,835</b>	<b>213,322,253</b>
<b>US GAAP Adjustments:</b>			
Compensation	66,973	1,930	-
Equity investments	967,853	27,892	(169,976)
Change in fair value of marketable securities	18,617,474	536,526	40,325,522
Impairment loss on marketable securities	(3,654,106)	(105,306)	(3,304,929)
Treasury stock	(8,024)	(231)	(176,221)
Adjustments due to change in interest of investee companies	1,604,517	46,240	1,527,584
Convertible/Exchangeable bonds	(691,394)	(19,925)	-
Embedded derivatives	1,752,039	50,491	-
Unamortized goodwill due to acquisition	98,268,000	2,831,931	98,268,000
Income tax effect	(323,000)	(9,308)	(300,000)
<b>Total Stockholders' Equity (as reported under US GAAP)</b>	<b>334,024,817</b>	<b>9,626,075</b>	<b>349,492,233</b>
<b>Total Liabilities and Stockholders' Equity (as reported under US GAAP)</b>	<b>\$442,645,041</b>	<b>\$12,756,341</b>	<b>\$456,879,441</b>

# Consolidated Statements of Income

For the years ended December 31, 2002 and 2001

In thousands

Contents	2002		2001
	NT\$	US\$	NT\$
<b>Operating Revenues</b>			
Sales revenues	\$73,803,609	\$2,126,905	\$67,611,481
Less : Sales returns and allowances	(1,418,433)	(40,877)	(711,210)
Net Sales	72,385,176	2,086,028	66,900,271
Other operating revenues	3,040,180	87,613	2,916,528
Net Operating Revenues	75,425,356	2,173,641	69,816,799
<b>Operating Costs</b>			
Cost of goods sold	(60,309,494)	(1,738,025)	(60,498,905)
Other operating costs	(2,580,669)	(74,371)	(489,353)
Operating Costs	(62,890,163)	(1,812,396)	(60,988,258)
<b>Gross Profit</b>	12,535,193	361,245	8,828,541
Unrealized Intercompany Profit	(68,558)	(1,976)	(71,419)
Realized Intercompany Profit	71,419	2,058	491,768
Net	12,538,054	361,327	9,248,890
<b>Operating Expenses</b>			
Selling expenses	(1,526,907)	(44,003)	(2,275,884)
General and administrative expenses	(3,530,756)	(101,751)	(4,425,568)
Research and development expenses	(7,368,133)	(212,338)	(8,959,691)
Subtotal	(12,425,796)	(358,092)	(15,661,143)
<b>Operating Income (Loss)</b>	112,258	3,235	(6,412,253)
<b>Non-operating Income</b>			
Interest revenue	1,644,100	47,380	2,487,485
Gain on disposal of property, plant and equipment	66,236	1,909	186,013
Gain on disposal of investments	8,473,213	244,185	2,347,219
Exchange gain	-	-	648,169
Lease income	72,782	2,097	96,525
Other income	629,033	18,128	504,889
Subtotal	10,885,364	313,699	6,270,300
<b>Non-operating Expenses</b>			
Interest expense	(1,455,374)	(41,942)	(2,525,937)
Investment loss	(931,756)	(26,852)	(1,828,341)
Loss on disposal of property, plant and equipment	(45,814)	(1,320)	(231,536)
Exchange loss	(103,703)	(2,988)	-
Inventory loss	(955,074)	(27,524)	(1,529,823)
Banking charges	(426,560)	(12,293)	(220,610)
Depreciation and loss on idle assets	(50,954)	(1,468)	(28,160)
Other losses	(12,139)	(350)	(59,677)
Subtotal	(3,981,374)	(114,737)	(6,424,084)
Income (Loss) Before Income Taxes and Minority Interests	7,016,248	202,197	(6,566,037)
Income Tax (Expense) Benefit	(270,731)	(7,802)	3,039,989
Income (Loss) Before Minority Interests	6,745,517	194,395	(3,526,048)
Minority Interests Loss	326,515	9,410	368,746
<b>Net Income (Loss) (as reported under ROC GAAP)</b>	<b>\$7,072,032</b>	<b>\$203,805</b>	<b>\$(3,157,302)</b>
<b>US GAAP Adjustments:</b>			
Compensation	(7,348,917)	(211,784)	(4,525,785)
Equity investments	(597,772)	(17,227)	(1,787,063)
Change in fair value of marketable securities	30,477	879	315,737
Impairment loss in marketable securities	(349,177)	(10,063)	(3,304,929)
Adjustments due to change in interests of investee companies	449,365	12,950	795,851
Embedded derivatives	1,752,039	50,491	-
Convertible/Exchangeable bonds	(691,394)	(19,925)	-
Consolidated goodwill amortization	-	-	(12,283,500)
Income tax effect	(23,000)	(663)	700,000
<b>Net Income (Loss) (as reported under US GAAP)</b>	<b>\$293,653</b>	<b>\$8,463</b>	<b>\$(23,246,991)</b>

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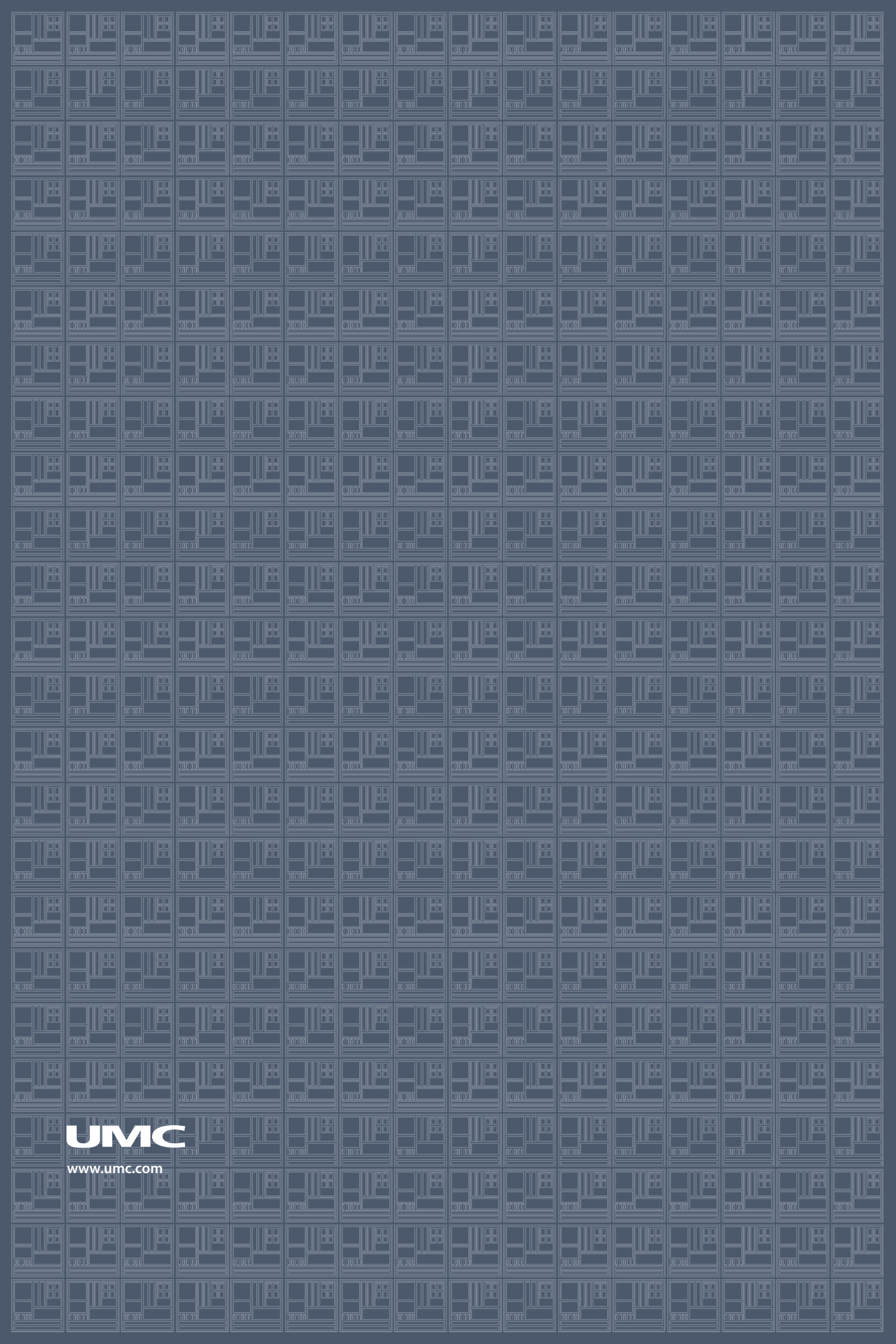
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