

Dear Shareholders,



Robert H.C. Tsao
Chairman

Jackson Hu
CEO

In 2003, UMC saw a continuation of the upward trend in revenue and profits that began during the previous year. UMC's revenue in 2003 grew by 25.86% over 2002, and we achieved earnings of NTD 84.86 billion. Net profits grew by 98.25%, reaching NTD 14.02 billion. Furthermore, our business built positive momentum throughout the year, reflecting an improvement in the overall economic environment, and clearly demonstrating the successful execution of UMC's foundry strategy.

The Leader in 300mm Foundry Services

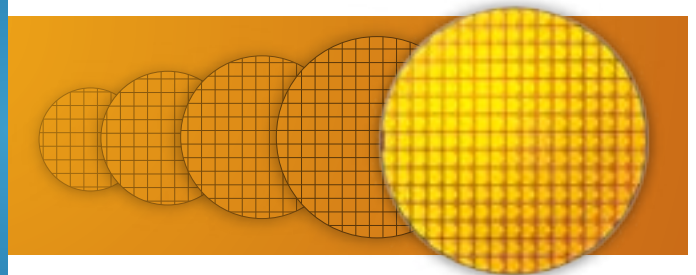
In 2003, UMC maintained its focus on enhancing

customer competitiveness by delivering the industry's most advanced production technologies and cost-effective foundry services. We achieved a major milestone, successfully moving our advanced 0.13-micron process technology to volume production on 300mm wafers. In 2003, our customers shipped millions of chips that leveraged the combination of our 0.13-micron technology on 300mm wafers, greatly contributing to the market competitiveness of their products. Going forward, we are convinced that UMC's technology leadership will continue to be a strong differentiating factor.

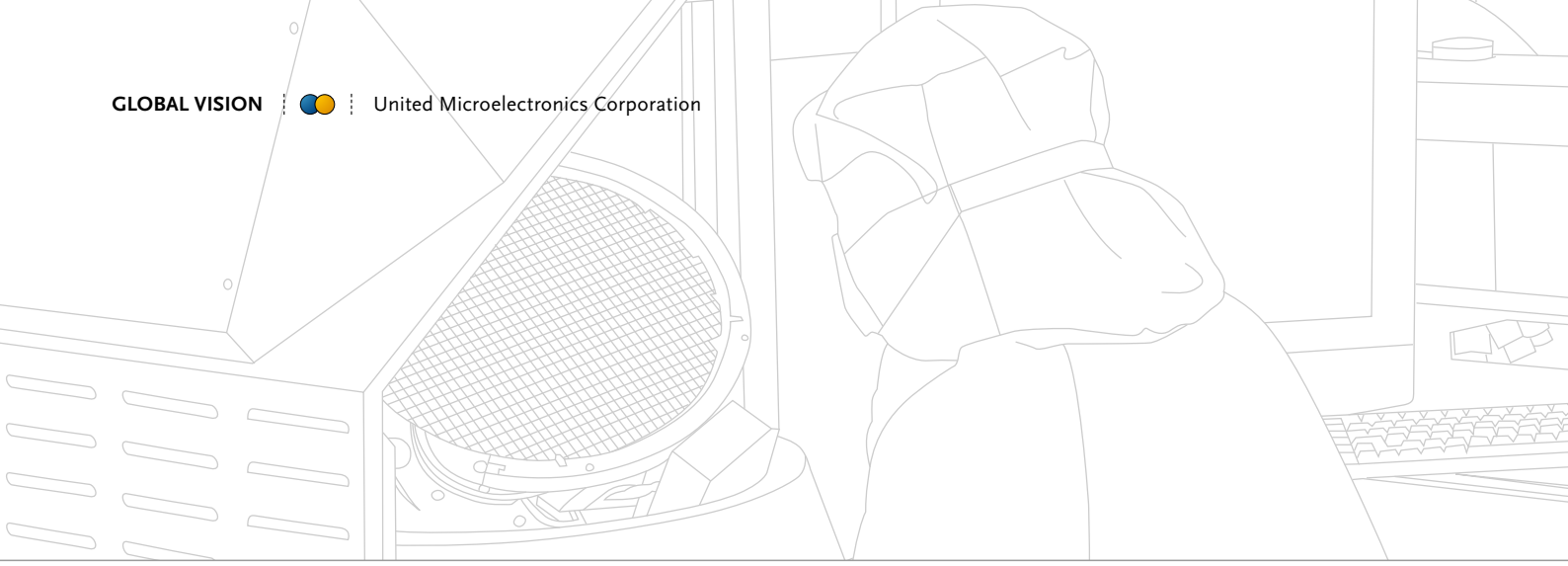
We continued to extend our position well ahead of our competitors on the learning curve for 300mm manufacturing. Back in 2000, we were the first foundry to produce ICs using the larger sized wafers. By the end of 2003, we reached 10,000 wafers per month production capacity at our 300mm facility in Taiwan's Southern Science Park, with production yields surpassing those of similar products on 200mm wafers. Our 300mm capacity is scheduled to reach 30,000 wafers per month by the end of 2004. We intend to achieve this target by increasing Fab 12A's capacity by another 10,000 wafers

In 2000, UMC was the first foundry to produce ICs using 300mm wafers, which has positioned UMC firmly at the front of the industry on the learning curve for 300mm manufacturing.

1970's▶ 1980's▶ 2000



100mm 125mm 150mm 200mm 300mm

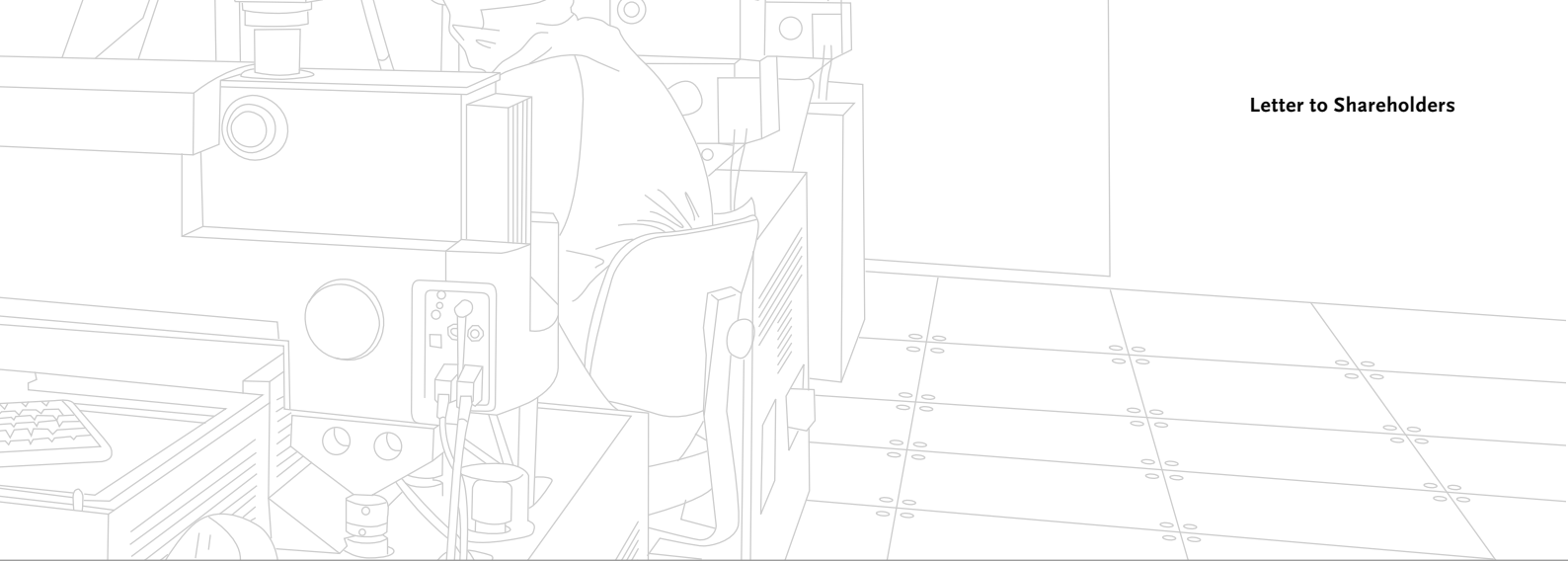


per month and by ramping production at UMCi, our subsidiary in Singapore, to 10,000 wafers per month. Furthermore, these two facilities have considerably larger design capacities, positioning us to rapidly respond to any stronger than expected market conditions with additional manufacturing volume.

Leading the Foundry Industry to 90-nanometer

In March of 2003, UMC announced the delivery of functional chips built using our industry leading 90-nanometer (nm) technology. This process

technology features 70-nanometer transistor gate lengths, 9 copper interconnect layers, and low-k intermetal dielectric material. We passed this milestone ahead of all competitors in the foundry industry, highlighting the superior abilities of UMC's world-class technology research and development team. We are on target to move our 90-nanometer technology to high volume production for multiple customers in the coming year, and will continue our advanced research and development programs for the 65 and 45-nanometer technology generations.



Global Vision

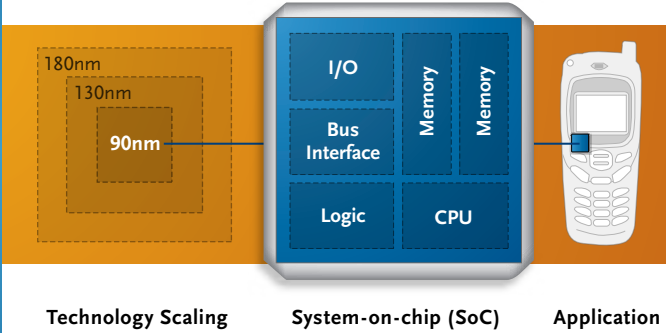
As a clear leader in the foundry industry, UMC has developed a truly global service network with sales offices located in all of our major markets and a diversified manufacturing network aimed at delivering customized foundry solutions that match the unique needs of our customers around the world.

In addition to our significant resources in Taiwan, our foundry subsidiaries in Singapore and Japan are key to our strategy of global coverage. In Singapore, we have built the world's first second-generation

300mm foundry facility, UMCi. In Japan, we were extremely successful in transferring our technology and manufacturing expertise and foundry discipline to our local subsidiary, UMCJ. As the only professional dedicated foundry in Japan, UMCJ delivers foundry services uniquely tailored to meet the demanding requirements of Japan's leading consumer electronics companies. Furthermore, the relations built through UMCJ have attracted Japanese customers to use our advanced manufacturing resources in Taiwan and Singapore.



UMC provides a total System-on-chip platform solution that is supported by a host of design services and technology offerings, helping our customers' cutting-edge ICs to reach their full potential.





The strategic significance of UMC's global vision with our inter-linked multi-country operations was again illustrated by UMCJ's recent decision to invest in the UMCi facility in Singapore. UMCJ thereby secured advanced 300mm wafer production capacity for its Japanese customers, and, in turn, UMCi gained a significant channel to access 300mm foundry business from Japan. Going forward, both UMCi, with its cutting-edge 300mm capabilities, and UMCJ, with more than 900 local Japanese engineers, technicians, and service staff, will play important roles in advancing UMC's global vision.

Building Closer Partnerships

As our process technologies become increasingly complex, we must work harder to understand the future requirements of our customers' products. To do so requires not only a deep understanding of the customers' IC designs, but also solid understanding of a wide range of applications and system requirements. In order to better focus on these opportunities, UMC appointed Dr. Jackson Hu to the position of CEO earlier this year. Dr. Hu's many years of experience in the IC design sector have been instrumental in enhancing UMC's design support capabili-

ties and strengthening the infrastructure necessary to support the implementation of advanced System-on-chip (SoC) designs. In order to best meet our customers' future requirements, we have optimized our process technology roadmap and focused more sharply on delivering the silicon intellectual property (IP) that will enable them to complete their product tape-outs in time to maximize market competitiveness. Another element of our strategy to enable customer SoC development programs is the continual enhancement of our relationships with the world's leading semiconductor equipment vendors, EDA

Tool and IP providers. As we move into 2004, our added emphasis on design support should begin to translate into an increased number of fabless semiconductor companies designing into UMC's process technology.

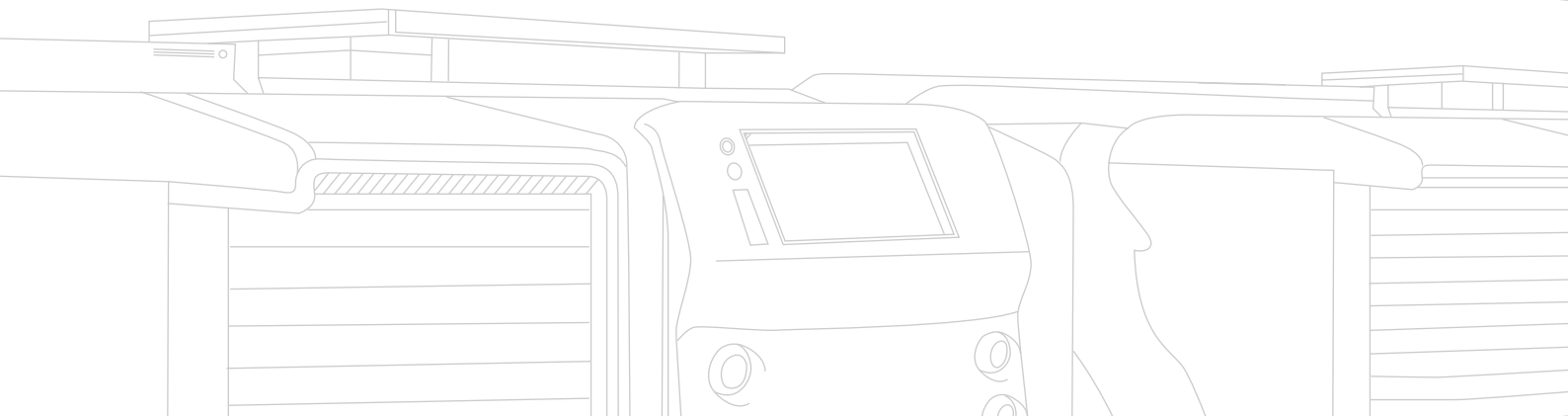
A Stronger UMC

The slower business conditions that followed the downturn of 2001 gave us a chance to fine-tune UMC's organization and to develop more effective ways to deliver our foundry services. We replaced our original organization chart with a new organiza-

UMCi delivers efficiency and flexibility through state-of-the-art automated systems featuring Front Opening Universal Pods (FOUPs), Automated Material Handling Systems (AMHs), and overhead Rail Guided Vehicles (RGV).

UMCi, Singapore





UMC Board of Directors and Key Management Staff



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Vice Chairman

Peter Chang
Vice Chairman

Shih-Wei Sun
Senior Vice President

Stan Hung
CFO

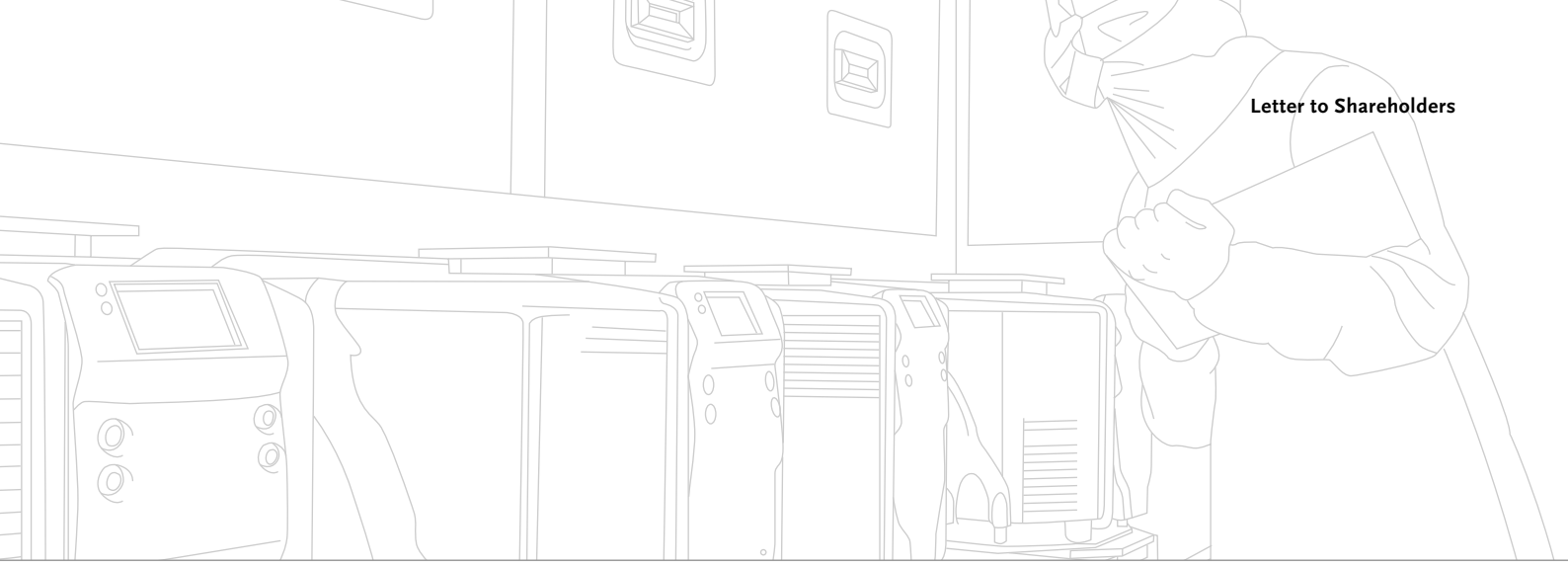
Peter J. Courture
Chief Strategic Officer

Hong-Jen Wu
*President,
Japan Business Group*

Ching-Chang Wen
*President,
Europe Business Group*

Chris Chi
*President,
UMCi*

Fu-Tai Liou
*President,
American Business Group*



tion matrix, carefully engineered to make us the most responsive, efficient and comprehensive foundry partner for our customers. Throughout the slowdown, we maintained our strong focus on the research and development of leading edge manufacturing technologies, bringing our 0.13-micron and 90-nanometer processes to production. We also followed through with our commitment to 300mm manufacturing, deploying two of the world's most advanced semiconductor fabs. Today, with our enhanced focus on meeting the design-related requirements of our customers' products, we lead the foundry industry in terms of ease of

engagement. We believe that all of these factors will work synergistically to bring maximum profits and benefits to UMC's partners, customers, employees, and shareholders in the coming year.

A handwritten signature in black ink, appearing to read 'R. Tsao'.

Robert H.C. Tsao,
Chairman

A handwritten signature in black ink, appearing to read 'Jackson Hu'.

Jackson Hu,
CEO