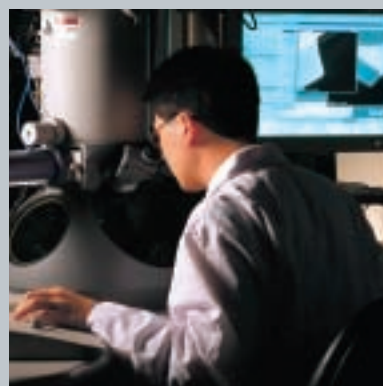


United Microelectronics Corporation

2001 Annual Report



UMC IS...

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886 (3) 578 2258

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Fab 6A

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Science-Based Industrial Park
Hsin-Chu County, Taiwan 300, R.O.C.
886 (3) 578 2259

Fab 8A

No. 3, Li-Hsin Rd. II
Science-Based Industrial Park
Hsin-Chu City, Taiwan 300, R.O.C.
886 (3) 578 9158

Fab 8B

No. 5, Li-Hsin Rd. II
Science-Based Industrial Park
Hsin-Chu City, Taiwan 300, R.O.C.
886 (3) 579 5158

Fab 8C

No. 6, Li-Hsin Rd. III
Science-Based Industrial Park
Hsin-Chu City, Taiwan 300, R.O.C.
886 (3) 578 9388

Fab 8D

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Fab 8E

No. 17, Li-Hsin Rd.
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Hsin-Chu City, Taiwan 300, R.O.C.
886 (3) 567 9797

Fab 8F

No. 3, Li-Hsin Rd. VI
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Fab 12A

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NYSE Symbol UMC
TSE Code 2303

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UMC IS...

...RESHAPING THE SEMICONDUCTOR INDUSTRY

Pure-play foundries are a crucial part of the current shift sweeping the semiconductor industry as more and more high-tech companies are realizing the competitive benefits of outsourcing their cutting-edge designs to foundries. Without the burden of high manufacturing costs, design companies are able to concentrate their efforts on creating next generation product designs. As a world leading independent foundry, UMC stands out by offering our customers world-class service and delivering industry-leading manufacturing technologies.



→ After Development Inspection, Operators inspect the quality of individual 300mm wafers.



→ Over-Head Transfer System. Fab 12A's state-of-the-art FOUP automatic transfer system safely and efficiently transports wafer pods between stations with just the push of a few buttons.



A photograph of a semiconductor manufacturing facility. In the foreground, a worker wearing a white cleanroom suit and a red headband is seen from the side, working on a piece of equipment. The background shows a complex system of blue overhead tracks and white machinery, with a red-lit area visible in one of the units. The ceiling is a grid of white tiles with recessed lighting.

...INVESTING FOR OUR CUSTOMERS' GROWTH

As foundries take on an increasingly centralized role in the manufacture of the world's integrated circuits (ICs), customers are taking advantage of the latest in cutting-edge semiconductor process technology, design services and manufacturing processes. UMC's continued investment in these critical areas directly benefits UMC customers by giving them the necessary resources to increase their overall market competitiveness and pave the way for growth and market success.

A modern interior scene featuring a light-colored sofa, a floor lamp with a white disc shade, and a large window with a grid pattern. The scene is brightly lit, with strong shadows cast across the wall and floor.

...PARTNERING FOR THE SUCCESS OF TOMORROW'S MARKET LEADERS

Many of today's start-up IC design companies will undoubtedly grow to become tomorrow's market leaders. That's why we partner with our customers through every part of their engagement with UMC from design-in to product delivery. With quick and easy access to our technology through user-friendly customer service programs and comprehensive design resources, market leaders of today and tomorrow can rely on UMC as their foundry partner for success.



→ Engineers check the wafer processing status at a 300mm coater/developer station.



...RESPONDING TO THE NEEDS OF A NEW GENERATION OF IC DESIGNERS

Tomorrow's technology products won't be powered by today's technologies. Instead, they will be powered by IC designs taking advantage of next generation semiconductor manufacturing and processes. UMC is empowering the next generation of IC designers by providing open access to the world's most advanced technologies such as copper interconnects, 300mm manufacturing, low-k dielectrics and embedded DRAM to enable tomorrow's system-on-chip (SOC) designs.







...BUILDING A GLOBAL SERVICE NETWORK

The semiconductor industry is a global industry. Today, integrated circuits might be designed in North America or Europe, manufactured in Taiwan, and assembled in Asia. UMC has established an extensive service network with offices that span throughout these key semiconductor regions to satisfy the needs of our global customers. UMC's worldwide service network provides customers with convenient access to regional support, increasing the ease and speed in which global customers can access our foundry services.





...LEVERAGING THE POWER OF THE INTERNET

Three years ago, UMC achieved an industry first with the introduction of the My UMC online service portal, providing customers with 24-hour Internet access to individual account information. Today, My UMC has evolved to provide an even broader range of advanced e-service applications, services that allow customers to track individual orders throughout the entire manufacturing process, manage corporate account information, and even book manufacturing capacity in advance through the industry's first Available-to-Promise (ATP) online system.

→ Wafer patterns are developed in the fab's photolithography area, which can be distinguished by its special colored lighting.



...DELIVERING TECHNOLOGIES THAT ARE ENABLING A WHOLE NEW WORLD OF PRODUCTS

UMC continues to be the Foundry of Choice for leading IC companies by responding to the needs of customers through our continued customization of both technologies and services. UMC's commitment to providing access to the latest in process and manufacturing technologies, service, and support is allowing today's IC designers to bring to life tomorrow's technology products.



Robert H.C. Tsao



John Hsuan

Dear stockholders,

In 2001, the global semiconductor industry experienced a severe downturn. In this environment, UMC's revenue fell from NT\$105.1 billion in 2000 to only NT\$64.5 billion in 2001. The company also slipped from profitability with earnings dropping from NT\$50.8 billion in 2000 to a loss of NT\$3.2 billion in 2001. Although we managed to achieve our financial forecast for revenue and earnings figures for 2001, the magnitude of the decline was unprecedented.

In 2000, our company's performance in the European market was outstanding, particularly in the communications sector where we secured major customers such as Alcatel, Infineon, and ST Microelectronics. By comparison, our competitor, TSMC was unable to build a meaningful market position in the region. However, due to the poor performance of the communications sector in 2001, our success in building market share in this sector in 2000 caused us to under-perform our competitor this year. As other areas of the industry, such as PC and Consumer related markets, remained relatively stable, our competition suffered less in terms of revenue falloff.

Although our major competitor, TSMC, has taken every opportunity to promote the idea that its market share leadership grew significantly over the course of the year, careful analysis shows that UMC was successful in building up a dominant market position for foundry services in the Asia, Japan and European markets. In fact, our major competitor only managed to establish a lead in the North American market, with almost 80% of its revenue coming from North American customers, and the vast majority of this revenue coming from a small number of large-volume customers. Therefore, it is clear that any claims of increased market share were limited to the North American market, and do not reflect global foundry market leadership.

Although UMC's revenue and earnings suffered in 2001, the industry slowdown provided us an opportunity to reorganize and re-evaluate our internal policies and operations. During the year, in order to enhance competitiveness, we made considerable adjustments to our Marketing, Sales and R&D departments, as well as in quality control and fab operations. We have also re-evaluated our investment and partnership policies, and have taken steps that we believe will significantly benefit UMC in the future. One example was our decision to forgo further participation in our joint venture with Hitachi, Trecenti Technologies. Due to our inability to take management control over the joint venture foundry, we decided to sell our equity stake back to Hitachi. Although we discontinued our participation in Trecenti, during the course of this cooperation, we gained valuable experience in 300mm manufacturing and were able to recoup

the majority of our original investment in the joint venture. At the same time, we stopped incurring any financial losses associated with its operations while maintaining our good relationship with Hitachi. We will continue to re-evaluate our business strategies going forward, and are confident that future operations will be more focused, rational and transparent.

Looking ahead, we have abundant reason to be optimistic and confident. Due to the massive cost associated with investing in 300mm facilities, most integrated device manufacturers (IDMs) become increasingly reluctant to bear the investment burden associated with building and equipping a 300mm fab. Therefore, it is clear that outsourcing to foundries will grow in the coming years.

From a technology standpoint, we have built a remarkable track record, with our accomplishments being increasingly recognized by others in the industry. Texas Instruments' CEO, Tom Engibous, recently commented that UMC's 0.13um process is in the same technology league as that of Intel, TI and IBM. In order to deliver even more advanced process technologies, UMC has already laid the groundwork for the development of 90-nanometer, 65-nanometer, and 45-nanometer devices, and continues to enhance its research and development planning and development roadmaps.

As a further testament to our technology leadership, in February of 2002, AMD signed a long-term agreement with UMC. This alliance includes many exciting aspects such as R&D for high-speed CPU applications, a volume wafer manufacturing agreement, and the establishment

of a joint venture 300mm facility in Singapore. This partnership ensures that we can provide "ultimate performance processes" to our foundry customers for the foreseeable future. Consequently, it enables UMC to enjoy a significant and long-term advantage over its competition in the field of process technology regardless of any inflated claims they may choose to make. Such strategic partnerships will allow us to further expand our market share, and establish ourselves as the leader in the foundry industry.

As the semiconductor industry recovers in 2002, we expect our operations to improve greatly over 2001. We will also continue to work our hardest for the benefit of our customers, stockholders, and employees.



Robert H.C. Tsao
Chairman, UMC



John Hsuan
CEO, UMC

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CORPORATE OVERVIEW

CORPORATE PROFILE

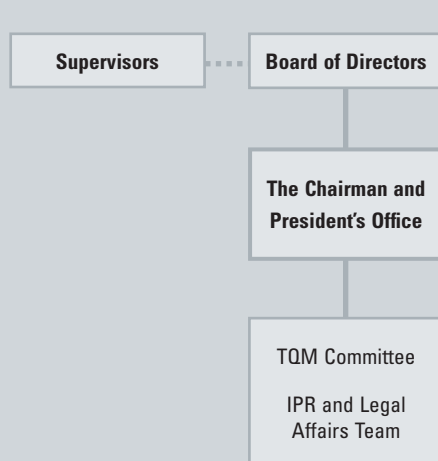
Milestones (Date incorporated: May 22nd, 1980)

1980	May	UMC established
1985	July	First IC company to list on Taiwan Stock Exchange
1995	July	Begins transformation into a pure-play foundry
	July - September	Three joint venture foundry companies established
	September	200mm fab begins production
1996	January	0.35-micron mass production
1997	October	0.25-micron mass production
1998	April	Acquires Holtek Semiconductor
	December	Acquires Nippon Steel Semiconductor Corp. (Renamed as UMCJ in 2001)
1999	March	0.18-micron mass production
	November	Begins construction of a 300mm fab in Taiwan's Tainan Science-Based Industrial Park
	December	UMC/Hitachi joint venture 300mm Fab-named Trecenti
2000	January	UMC completes consolidation of 5 companies: UMC, USC, UTEK, USI and UICC
	January	UMC, Infineon and IBM form alliance to develop leading chip technologies
	March	UMC ships first foundry chips using copper process
	May	UMC produces foundry industry's first 0.13-micron integrated circuit
	September	UMC makes its debut on the New York Stock Exchange
	December	UMC's joint venture, Trecenti Technologies, produces world's first 300mm foundry wafer
	December	UMC announces plan to establish advanced 300mm foundry in Singapore (UMCi)
2001	April	UMCi holds groundbreaking ceremony for 300mm fab in Singapore
	May	Board of directors elected at the annual stockholders' meeting, more than 1/3 of directors are new to the board
	June	UMC re-focuses top management
2002	February	UMC and AMD to collaborate on 300mm fab in Singapore (AU Pte. Ltd.)

CORPORATE ORGANIZATION

Corporate Organizational Chart

Mar. 26th, 2002



Fab 6A	Responsible for 6-inch wafer production
Fab 8AB	Responsible for 8-inch wafer production
Fab 8C	Responsible for 8-inch wafer production
Fab 8E	Responsible for 8-inch wafer production
Fab 8F	Responsible for 8-inch wafer production
Fab 12A	Responsible for 12-inch wafer production
Accounting Division	Responsible for tax and accounting related issues
Administration Division	Responsible for human resources and general affairs related issues
America and Europe Customer Engineering Division	Responsible for America and Europe sales and customer engineering issues
Asia Sales and Customer Engineering Division	Responsible for Asia sales and customer engineering issues
Auditing Division	Responsible for internal auditing
Central Integration Division	Responsible for integration issues
Central R&D Division	Responsible for process, integration and device technology R&D
Corporate Communications Division	Responsible for media relations and marketing communications issues
Corporate Marketing Division	Responsible for marketing and technical analysis issues
Design Support Division	Responsible for design support related issues
Enterprise Operation Planning Division	Responsible for operation planning and industrial engineering issues
Facility Operation and Construction Division	Responsible for facility operation and construction related issues
Finance Division	Responsible for finance related issues
Group Risk Management, Environmental Safety and Health Division	Responsible for risk management and environmental safety issues
Information Technology Division	Responsible for IT related issues
Investor Relations Division	Responsible for investor relations issues
LCDoS MicroDisplay Division	Responsible for LCD on silicon micro display R&D
Mask Engineering and Service Division	Responsible for mask engineering and service
Operations Support Division	Responsible for equipment and materials procurement and import/export issues
Quality and Reliability Assurance Division	Responsible for products' quality and reliability
Strategic Business Division	Responsible for new business development
Test and Product Engineering Service Division	Responsible for testing and product engineering service

Directors, Supervisors and Officers

Name	Title	Date Elected (Date Assumed)	Term (Years)	Shareholding When Elected		Present Shareholding		Spouse & Minor Shareholding		Experience	Also Serves Concurrently as
				Common Stock	%	Common Stock	%	Common Stock	%		
Robert H.C. Tsao	Director Chairman	2001.5.30 (2001.6.6)	3	60,266,853	0.53	69,306,880	0.52	3,556,209	0.03	Chairman, UMC Group	Director, Chiao Tung Bank Director, TECO Electric & Machinery Co., Ltd. Director, Unimicron Technology Corp. Chairman, UMCJ Chairman, UMCi Pte. Ltd.
John Hsuan	Director Chief Executive Officer	2001.5.30 (2002.4.1)	3	56,275,121	0.49	65,816,389	0.49	4,185,422	0.03	Chairman, UMC	Director, Unimicron Technology Corp. Director, Chiao Tung Bank Director, UMCJ Director, UMCi Pte. Ltd.
Ing-Dar Liu	Director	2001.5.30	3	39,699,824	0.35	46,704,797	0.35	1,427,922	0.01	Vice Chairman, AU Optronics Corp.	Vice Chairman, AU Optronics Corp. Chairman, Harvatek Corporation Director, Optoma Corp. Supervisor, Chiao Tung Bank
Peter Chang	Director President	2001.5.30 (2000.1.3)	3	366,007,905	3.19	420,909,090	3.16	—	—	President, UMC	Director, UMCJ Director, UMCi Pte. Ltd.
Peter J. Courture	Director	2001.5.30	3	23,142,600	0.20	26,613,990	0.20	—	—	Director, UMC	Director, UMC Group (USA) Director, United Foundry Service, Inc. Director, UMC Capital (USA)
Hong-Jen Wu	Director General Manager	2001.5.30 (1997.12.1)	3	55,542,240	0.48	63,873,576	0.48	—	—	Director, UMC	Chairman, Dupont Photomasks Taiwan Limited Director, UMCJ
Ching-Chang Wen	Director General Manager	2001.5.30 (2000.1.3)	3	55,542,240	0.48	63,873,576	0.48	—	—	Director, UMC	Director, Giga Solution Technology Co., Ltd.
Chris Chi	Director Senior Vice President	2001.5.30 (1997.9.22)	3	23,142,600	0.20	26,613,990	0.20	—	—	Senior Vice President, UMC	Director, UMCi Pte. Ltd.
Fu-Tai Liou	Director Senior Vice President	2001.5.30 (1997.12.22)	3	35,838,584	0.31	41,214,371	0.31	—	—	Senior Vice President, UMC	Director, Dupont Photomasks Taiwan Limited
Stan Hung	Director Chief Financial Officer	2001.5.30 (2000.1.3)	3	35,838,584	0.31	41,214,371	0.31	—	—	Chief Financial Officer, UMC	Director, UMCJ Supervisor, TECO Electric & Machinery Co., Ltd. Supervisor, Faraday Technology Corp. Supervisor, Novatek Microelectronics Corp.
Tsing-Yuan Hwang	Director	2001.5.30	3	366,007,905	3.19	420,909,090	3.16	—	—	Executive Officer, Daiwa Securities SMBC Co., Ltd.	Executive Officer, Daiwa Securities SMBC Co., Ltd. Director, President Chain Store Corp., Director, Hon Hai Precision Industry Co., Ltd.
Tzyy-Jang Tseng	Supervisor	2001.5.30	3	366,007,905	3.19	420,909,090	3.16	—	—	Chairman, Unimicron Technology Corp.	Chairman, Unimicron Technology Corp. Director, Premier Image Tech Corp.
Mao-Chung Lin	Supervisor	2001.5.30	3	10,864,632	0.09	12,494,326	0.09	624,991	0.00	President, Sunrox International Inc.	President, Sunrox International Inc.
Jack K.C. Wang	Supervisor	2001.5.30	3	16,102,632	0.14	18,518,026	0.14	165	0.00	Chairman, Sen Dah Investment Co., Ltd.	Chairman, Sen Dah Investment Co., Ltd.

Note 1. Present shareholding is based on actual holding shares, Dec. 31st, 2001. **2.** Peter Chang represents Hsun Chieh Investment Corporation. Peter J. Courture represents Chuin Li Investment Corporation. Hong-Jen Wu represents Chuin Tsie Investment Corporation. Ching-Chang Wen represents Chuin Tsie Investment Corporation. Chris Chi represents Chuin Li Investment Corporation. Fu-Tai Liou represents Shieh Li Investment Corporation. Stan Hung represents Shieh Li Investment Corporation. Tsing-Yuan Hwang represents Hsun Chieh Investment Corporation. Tzyy-Jang Tseng represents Hsun Chieh Investment Corporation. **3.** Directors, supervisors, and officers are not spouses or siblings of other managers, directors, and supervisors. **4.** Directors' and supervisors' elected date is the same as the assumed date.

List of Major Stockholders of UMC's Major Institutional Stockholders

Major Institutional Stockholders	Major Stockholders of UMC's Major Institutional Stockholders
Hsun Chieh Investment Corporation	United Microelectronics Corporation
Chuin Tsie Investment Corporation	Robert H.C. Tsao, John Hsuan
Chuin Li Investment Corporation	Robert H.C. Tsao, John Hsuan
Shieh Li Investment Corporation	Robert H.C. Tsao, John Hsuan

Directors' and Supervisors' Information

Requirement	Robert H.C. Tsao	John Hsuan	Ing-Dar Liu	Hsun Chieh Investment Corporation	Chuin Li Investment Corporation	Chuin Tsie Investment Corporation	Shieh Li Investment Corporation	Mao-Chung Lin	Jack K. C. Wang
Five years or above experience in business, finance, law, or corporate business related fields	•	•	•	N/A	N/A	N/A	N/A	•	•
Is not the Company's employee; or is not a director, supervisor, or employee of its affiliated enterprises				N/A	N/A	N/A	N/A	•	•
Does not directly or indirectly own more than 1% of the issued shares; or is a top ten beneficial owner of the Company	•	•	•	N/A	N/A	N/A	N/A	•	•
Is not a spouse or is not a child, parent, grandchild, grandparent, or sibling to that of the previous two rows	•	•	•	N/A	N/A	N/A	N/A	•	•
Is not a director, supervisor, or employee of a legal entity which directly or indirectly owns more than 5% of the Company's issued shares; or a director, supervisor or employee of the top five legal entity owners				N/A	N/A	N/A	N/A	•	•
Is not a director, supervisor, or manager of a company which has a business relationship with the Company; or a stockholder who owns more than 5% of the Company				N/A	N/A	N/A	N/A	•	•
Is not an owner, partner, director, supervisor, or manager and their spouses of a professional or entity which provides the Company and its affiliates with financial, consulting, or legal services				N/A	N/A	N/A	N/A	•	•

Note 1. For those directors and supervisors who match the above requirements, "•" is marked on each appropriate blank.

2. Hsun Chieh Investment Corporation, Chuin Li Investment Corporation, Chuin Tsie Investment Corporation, and Shieh Li Investment Corporation are institutional stockholders.

CAPITAL AND SHARES

Source of Capital

Date	Issue Price	Authorized Shares		Issued Shares		Source of Capital	Remark	
		Shares (in thousand)	Amount (in thousand NTD)	Shares (in thousand)	Amount (in thousand NTD)		Asset Other than Cash Used for Capital	Other
June, 2001	NT\$ 10 per share	15,000,000	150,000,000	13,335,695.4	133,356,954	Note	—	—

Note On June 18th, 2001, ROC SFC approved the issuance of NT\$18,642,435,160 from the capitalization of retained earnings. The Company's paid-in capital was increased to NT\$133,356,954,160.

Share Type	Authorized Shares			Allotment for Convertible Bonds (in shares)
	Issued Shares	Un-issued Shares	Total	
Listed on TSE - Registered Common Shares	13,335,695,416	1,664,304,584	15,000,000,000	1,500,000,000

Note TSE: Taiwan Stock Exchange

Market Price, Net Worth, Earnings, and Dividends Per Share

In NTD

		2002(Note 6)	2001	2000
Market price per share	Highest market price	54.50	61.50	128.00
	Lowest market price	41.70	23.40	42.30
	Average market price	47.66	44.90	85.36
Net worth per share	Before distribution	—	17.73	20.81
	After distribution	—	*	17.86
Earnings per share	Weighted average shares	—	13,256,090,988	11,120,134,880
	Earnings per share (Note 1)	—	(0.24)	4.57
	Earnings per share (Note 2)	—	*	3.93
Dividends per share	Cash dividends	—	*	—
	Stock dividends	- Dividends from retained earnings	*	1.5
		- Dividends from capital reserve	*	—
	Accumulated unappropriated dividend	—	—	—
Return on investment	Price/Earning ratio (Note 3)	—	N/A	18.68
	Price/Dividends ratio (Note 4)	—	*	—
	Cash dividends yield rate (Note 5)	—	*	—

* Subject to change following 2002 stockholders' meeting resolution.

Note 1. The calculation of EPS was based on weighted average shares outstanding for the year.

2. The calculation of EPS was based on retroactive adjustment for capitalization of unappropriated earnings and bonus to employees.

3. Price/Earning ratio = Average market price/Earnings per share.

4. Price/Dividends ratio = Average market price/Cash dividends per share.

5. Cash dividends yield rate = Cash dividends per share/Average market price.

6. The data represented for 2002 was gathered up until Mar. 26th, 2002.

Dividend Policy and Status

Dividend Policy in the Company's Articles of Incorporation

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

- (a) Payment of all taxes and dues;
- (b) Offset prior years' operation losses;
- (c) Set aside 10% of the remaining amount after deducting items (a) and (b) as a legal reserve;
- (d) Set aside 0.1% of the remaining amount after deducting items (a), (b), and (c) as directors' and supervisors' remuneration; and
- (e) After distributing items (a), (b), (c) and (d) above from the current year's earning, any portion of the remaining amount is allocated as follows: 92% as stockholders' dividends; and 8% as employees' bonus.

The Company is in the growth stage. The policy for distribution for share bonuses should reflect such factors as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the benefits of stockholders, share bonus equilibrium, and long-term financial planning. The board of directors shall make the distribution proposal annually and present it at the stockholders' meeting. Our Articles of Incorporation further provide that at least 65% of the dividends to our stockholders, if any, must be paid in the form of stock dividends. Accordingly, no more than 35% of the dividends can be paid in the form of cash.

Proposed Distribution of Dividend

The Company's distribution of dividend in 2001 was passed on the 8th term, 11th board meeting, in which a proposal is to be discussed at the stockholders' meeting for the distribution of a stock dividend of 150 common shares for every 1000 shares held by stockholders.

Impacts of Dividends on Operation Results, EPS and ROE

In Thousand NTD, except for earnings per share

			2001	2000
Paid-in capital at January 1 of the year			\$ 114,714,519	\$ 66,549,966
Dividends	Cash dividends per share		—	—
	Stock dividends from earnings per share		0.15	0.10
	Stock dividends from capital reserve per share		—	0.10
Operation results	Operating (loss) income		\$ (5,590,174)	\$ 43,573,127
	% (Decrease) increase of operating (loss) income (Year over year)		(113)%	689%
	Net (loss) income		\$ (3,157,302)	\$ 50,780,378
	% (Decrease) increase of net (loss) income (Year over year)		(106)%	384%
	(Loss) earnings per share		\$ (0.24)	\$ 4.57
	% (Decrease) increase of (loss) earnings per share (Year over year)		(105)%	186%
	Annual return on investment (Reciprocal of annual P/E ratio)		(0.53)%	5.35%
Pro forma earnings per share and P/E ratio	If stock dividends from earnings distributed in full as cash dividends	Pro forma (loss) earnings per share	\$ (0.39)	\$ 4.94
		Pro forma annual return on investment	(0.87)%	5.79%
	If no stock dividends from capital reserve distributed	Pro forma (loss) earnings per share	\$ (0.24)	\$ 4.97
		Pro forma annual return on investment	(0.53)%	5.82%
	If no stock dividends from capital reserve distributed, and stock dividends from earnings distributed in full as cash dividends	Pro forma (loss) earnings per share	\$ (0.39)	\$ 5.42
		Pro forma annual return on investment	(0.87)%	6.35%

Note 1. Assumptions of estimated or pro forma data applied on this table are as follows:

- (1) The 1999 effective tax rate of 3% is applied for 2000.
- (2) The 2000 effective tax rate of 8% is applied for tax rate estimation in 2001. The tax rate is calculated based on the formula: income tax payable / income before tax.
- (3) The estimated annual primary interest rate is 7.538%.

2. The pro forma earnings per share if stock dividends from earnings was distributed in full as a cash dividends = [Net income - assumed interest accrued from cash dividends* X (1 - tax rate %)] / (The outstanding shares at year-end - shares increased due to the stock dividends from earnings**).

* The capitalized earnings X the annual primary interest rate.

** Shares increased by the capitalized earnings of the previous year.

3. The total outstanding number of shares at year-end and shares increased by capital reserve and stock dividends are calculated based on weighted average method.

4. The annual P/E ratio = (The annual average market price of the share) / (earnings per share of the year).

5. Capital stock at the beginning of the year does not eliminate the effect of the treasury stock.

Chairman

CFO

Manager

Certified Public Accountant

CORPORATE SECURITIES

Corporate Bonds

Type	Secured Corporate Bonds	Unsecured Corporate Bonds
Issue Date	2000.4.27	2001.4.16 - 2001.4.27
Face Amount	NT\$ 1,000,000	NT\$ 1,000,000
Listing Exchange	R.O.C. OTC Securities Exchange	R.O.C. OTC Securities Exchange
Issue Amount	NT\$ 1,000,000	NT\$ 1,000,000
Issue Size	NT\$ 3.99 billion	NT\$ 15 billion
Coupon Rate	5.60%	1A01 - 1A10:5.1850%; 1A11 - 1A19:5.1195%; 1B01 - 1B10:5.2850%; 1B11 - 1B19:5.2170%
Maturity	5 years 2005.4.27	1A - 5 years 2006.4.16 - 2006.4.27 1B - 7 years 2008.4.16 - 2008.4.27
Guarantor	ICBC and twenty other banks	—
Trustee	Chiao Tung Bank-Trust Department	Chiao Tung Bank-Trust Department
Underwriter	Daiwa Global Securities Co., Ltd.	—
Legal Counsel	Chen & Lin Attorneys-at-Law	Chen & Lin Attorneys-at-Law
Auditor	PricewaterhouseCoopers	Diwan, Ernst & Young
Redemption	Principle will be paid semi-annually after two years, in seven installments. Interest will be paid semi-annually.	1A is a 5-year term, and total size is NT\$7.5 billion. Principle will be paid after 3, 4, 5 years at 30%, 30%, and 40% respectively. 1B is a 7-year term, and total size is NT\$7.5 billion. Principle will be paid after 5, 6, 7 years at 30%, 30%, and 40% respectively. Interest will be paid annually.
Principle Payable	NT\$ 3.99 billion	NT\$ 15 billion
Redemption or Early Redemption	—	—
Covenant	—	—
Name of the Rating Company, Date of Rating, Result of Rating	—	Taiwan Ratings Corporation, 2001.3.8, twAA
Other Obligation		
Balance of converting (exchangeable or warrant) share, ADR, or other type of securities as of printing date	—	—
Policy of issuing or converting (exchangeable or warrant)	—	—
Effect on the Current Stockholders due to Dilution	—	—
Name of Custodian	—	—

Corporate Bonds (Continued)

Type	Unsecured Corporate Bonds	Zero Coupon Convertible Bonds Due 2004
Issue Date	2001.10.2 - 2001.10.15	2001.12.12
Face Amount	NT\$ 1,000,000	US\$ 10,000
Listing Exchange	R.O.C. OTC Securities Exchange	Luxembourg Stock Exchange
Issue Amount	NT\$ 1,000,000	US\$ 10,000
Issue Size	NT\$ 10 billion	US\$ 302,400,000
Coupon Rate	2A01 - 2A09:3.420%; 2A10 - 2A17:3.3912%; 2B01 - 2B09:3.520%; 2B10 - 2B18:3.4896%	0%
Maturity	2A - 3 years 2004.10.2 - 2004.10.15 2B - 5 years 2006.10.2 - 2006.10.15	2 years and 3 months 2004.3.1
Guarantor	—	—
Trustee	Chiao Tung Bank- Trust Department	Citibank N.A.
Underwriter	—	Morgan Stanley
Legal Counsel	Chen & Lin Attorneys-at-Law	Simpson Thacher & Bartlett
Auditor	Diwan, Ernst & Young	Diwan, Ernst & Young
Redemption	2A is a 3-year term, and total size is NT\$5 billion. Principle will be paid in full after 3 years. 2B is a 5-year term, and total size is NT\$5 billion. Principle will be paid in full after 5 years. Interest will be paid annually.	Unless previously redeemed, repurchased, cancelled or converted, the bonds will be redeemed at 101.675% of their principal in accordance with the indenture.
Principle Payable	NT\$ 10 billion	US\$ 302,400,000
Redemption or Early Redemption	—	After 1.5 years from the issue date, if the US\$ market value of the ADSs into which the bonds are convertible is at least 130% of the early redemption amount of the bonds for 20 out of 30 consecutive trading days prior to the publication of the redemption notice. The issuer may also redeem the bonds in whole but not in part at any time at the early redemption amount if less than 10% of the issue size in principal amount of the bonds remains outstanding pursuant to the provisions of the indenture.
Covenant	—	—
Name of the Rating Company, Date of Rating, Result of Rating	Taiwan Ratings Corporation, 2001.8.28, twAA	—
Other Obligation		
Balance of converting (exchangeable or warrant) share, ADR, or other type of securities as of printing date	—	—

Continued on next page

Corporate Bonds (Continued)

	Unsecured Corporate Bonds	Zero Coupon Convertible Bonds Due 2004
Continued from previous page.		
Other Obligation		
Policy of issuing or converting (exchangeable or warrant)	—	Except during the closed period, the bonds are convertible at any time (1) into the common shares of the issuer, on or after 40 days after the issue date up to and including 10 days before the maturity date, or (2) into the ADSs representing the common shares of the issuer, on or after the date on which the shelf registration statement in respect of the ADSs and common shares into which the bonds are convertible undertaken to be filed by the issuer with the United States Securities and Exchange Commission (the "Commission") is first declared effective by the Commission, but in no case later than 180 days after issue date, up to and including 10 days before the maturity date. Unless otherwise provided in the indenture, the closed period refers to (1) the period during which under the laws of the ROC, the issuer is required to close its stock transfer books, or (2) the period beginning on the 3rd business day prior to the date on which the issuer holds its board meeting for approving the annual dividend up to (and including) the dividend record date.
Effect on the Current Stockholders due to Dilution	—	The dilution effect to original stockholders is no more than 0.98% after conversion. The dilution effect is insignificant.
Name of Custodian	—	—

	Zero Coupon Convertible Bonds Due 2004	
Convertible Bonds Information	2002	2001
Market Price		
High	114.75	112.00
Low	103.88	108.25
Average	108.77	109.63
Adjusted Conversion Price	NT\$ 80.76 (US\$ 11.718)	NT\$ 80.76 (US\$ 11.718)
Issue Date and Conversion Price	2001.12.12 NT\$ 80.76 (US\$ 11.718)	2001.12.12 NT\$ 80.76 (US\$ 11.718)
Underlying Conversion	Treasury stock	Treasury stock

Note The data represented for 2002 was gathered up until Mar. 26th, 2002.

Exchangeable Bonds, Warrant Bonds Information

None

Preferred Stock

None

American Depositary Receipt

Issue Date	2002.3.19	2001.8.17	2000.9.19
Listing Exchange	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange
Issue Amount	US\$ 439.7 million	Stock dividend	US\$ 1,291.5 million
Listing Price/Unit	US\$ 9.25	—	US\$ 14.35
Issue Share	47,537,780	13,500,000	90,000,000
Underlying Representing Share	UMC common share	UMC common share	UMC common share
Number of Equivalent Local Shares per ADS	5 shares	5 shares	5 shares
Rights and Obligations of ADS Holder	Same as the common stockholder	Same as the common stockholder	Same as the common stockholder
Trustee Bank	Citibank N.A.	Citibank N.A.	Citibank N.A.
Depository Bank	Citibank N.A.	Citibank N.A.	Citibank N.A.
Custodian Bank	Citibank N.A. Taipei Branch	Citibank N.A. Taipei Branch	Citibank N.A. Taipei Branch
Outstanding Balance	47,537,780	13,500,000	90,000,000
Issuing Expenses and Maintenance Fees	During the term of the ADR, the issuing expenses will be borne by the issuer, and maintenance fees will be borne by the Company.	During the term of the ADR, the issuing expenses will be borne by the issuer, and maintenance fees will be borne by the Company.	During the term of the ADR, the issuing expenses will be borne by the issuer, and maintenance fees will be borne by the Company.
Important Terms and Conditions of Depositary Agreement and Custodian Agreement	—	—	—

American Depositary Receipt Information	2002	2001
Closing Price Per Share (USD)		
High	10.20	9.88
Low	7.40	4.50
Average	8.85	6.87

Note The data represented for 2002 was gathered up until Mar. 26th, 2002.

Stock Warrants for Employee

None

Mergers and Acquisitions

None

OPERATIONS OVERVIEW

BUSINESS CONTENTS

Major Business

Full Service Semiconductor Wafer Foundry.

Current Products and Services

Wafer foundry services, including intellectual property, embedded IC design, design verification, mask tooling, wafer fabrication, testing, etc. Wafer fabrication accounts for 95.4% of the 2001 revenues.

Future Products and Services

Finer Geometry Process Technologies

UMC has reached world-class manufacturing levels and leads most of the major semiconductor companies in the introduction of advanced deep sub-micron processes. In 2000, customer products were successfully produced using UMC's advanced 0.13-micron Copper/low-k process technology. Significant progress is also being made for UMC's 0.09-micron process.

300mm Manufacturing Technologies

UMC is a leader in 300mm manufacturing with three 300mm fabs strategically located to serve its global customer base. UMC's 300mm facility in Taiwan's Tainan Science-Based Industrial Park, Fab 12A, began qualification in the 3rd quarter of 2001. UMC's joint venture with Infineon, UMCi Pte. Ltd., began construction of a 300mm fab in Singapore in 2001. The Company has also established another 300mm semiconductor foundry company with AMD in Singapore, named AU Pte. Ltd.

SOC Process Technologies

In response to the growing trend towards System-on-Chip (SOC) products, the Company continues to develop embedded memory macros, mixed-signal process technology, and other system integration technologies used for SOC designs.

R&D Expenditures

In Thousand NTD

	2002	2001	2000
Expenditures	1,361,681	8,580,775	5,953,962

Note The data represented for 2002 was gathered up until Mar. 26th, 2002. The figure represented was unaudited.

Research and Development Achievements and Plans

Successfully Developed Technologies and other R&D Achievements

Through the years, we at UMC have offered many examples of our continued commitment to provide customers with leading-edge technologies ahead of the competition. In 2001, over half of all wafers manufactured at UMC were for 0.25-micron and beyond (including 0.21-micron, 0.18-micron, 0.15-micron and 0.13-micron), providing solid testimony to our customers' confidence in UMC's advanced technology in helping them maintain their competitive advantage.

In recognition of UMC's outstanding achievements in semiconductor technology research, the ROC government bestowed awards on UMC several times, acknowledging contributions in innovative semiconductor research made by both individual and company's efforts. UMC was also honored by receiving the "Outstanding Technology Award" from the ROC President.

After we announced in 2000 that we had started building chips using 0.13-micron logic technology with our strategic development partners, IBM and Infineon, UMC has focused most of our efforts to driving 0.13-micron technology into the last stage of mass production. This is the 1st true 0.13-micron technology that offers customers up to 8 layers of copper interconnect and low-k dielectric material (with $k = 2.7$). In this 0.13-micron generation, we currently provide one of the most competitive embedded SRAMs (cell size equal to 2.28-micron^2) with transistors made as small as 0.08-micron. UMC's 0.13-micron supports high speed/standard performance/low leakage applications, offering our

customers the most advanced foundry process for applications including PC periphery/graphics, ASIC, and MPU (Microprocessors) designs. Also, the multiple sources of supply make this unprecedented design platform truly a global process. This 0.13-micron technology has attracted worldwide attention, with a wide range of customers deciding to take advantage of this technology for production of their most advanced products.

In addition to the 0.13-micron standard logic process, mixed-signal and RF CMOS technologies remain high priorities due to the rapidly expanding markets in applications involving communications, digital consumer products, and the Internet. Efforts to develop technologies in these areas have allowed us to realize the successful delivery of 0.25-micron and 0.18-micron mixed-signal and RF CMOS technologies to our customers. Moreover, the 0.13-micron technology developed with IBM and Infineon includes high quality passive mixed-signals and RF CMOS components such as metal-metal capacitors and metal inductors. These have been put into pilot production as the best offerings for our customers to use in their product designs.

Regarding our memory technologies, the 0.18-micron of (stack-type) DRAM process has been successfully produced this year. In addition, we co-developed deep trench embedded DRAM at the 0.13-micron generation with IBM and Infineon. With our embedded Flash and embedded EEPROM technologies, UMC provides complete solutions for our customers' leading-edge System-on-Chip (SOC) designs.

Fundamental Research

Since becoming the first international member of the Semiconductor Research Corp. (SRC) in 2000, UMC has held an active presence at every SRC program, including determining future research directions, providing guidance, and sending senior staff to help manage SRC research programs as their liaisons. These are perfect opportunities for us to work with other SRC member companies such as Intel, IBM, TI, Motorola, and AMD for fundamental research in semiconductor technologies. Also through the SRC, UMC has facilitated the entry of many Taiwanese universities into international research programs, giving them the opportunity to compete with top North American universities. These types of competitions help us to cultivate our future designers and process engineers by stimulating innovation and raising their R&D standards to international levels. These activities will further enhance UMC's competitiveness, allowing us to pursue fundamental research while sponsoring university education. Additionally, the universities we sponsor provide us with the best quality students for our technology development now and in the future.

Patent Disclosure and Granted

In 2001, there were 1,059 patents filed by UMC. For the year, UMC was granted 1,093 ROC patents, 633 US patents, and 77 patents from other countries.

Upcoming R&D Plans

UMC has always been devoted to developing next generation technologies. Since 0.18-micron, we have achieved parity with the most advanced IC manufacturing companies in terms of process maturity, complexity and time-to-market. Furthermore, our 0.15-micron and 0.13-micron logic technologies were developed in a very short period of time, one to two years ahead of the International Technology Roadmap for Semiconductors (ITRS) roadmap for current and next generation technologies. We expect to continue this rapid pace for R&D. Our 90-nanometer technology will be put into production next year. Our 65-nanometer project is well underway; and studies on the key modules for 45-nanometer have been initiated with the SRC. In addition, we are developing Silicon Germanium (SiGe) and Silicon-on-Insulator (SOI) technologies to satisfy high frequency, low power and high-speed requirements. We expect to offer these technologies to our customers starting from 2002. Moreover, UMC aggressively recruits and trains our world-class R&D staff to meet the ongoing challenges of providing the best technical service along with our industry leading technologies.

UMC is committed to providing the shortest time-to-market for our customers. We offer the comprehensive design resources (such as Library and IP) along with our technology, enabling our research achievements to become the real world tools that turn profits for our customers.

MARKET AND SALES CONDITIONS

Major Sales Regions

Currently, the majority of customers is located in North America and Asia, with Europe following closely behind. To better diversify its customer base and reduce risk, the Company also continues to place strong emphasis on the development of major accounts in Japan.

Market Share

TSMC & Chartered are considered to be the major competitors. TSMC, UMC and Chartered together hold about 80% of the foundry market share. In 2001, sales revenues for TSMC, UMC, and Chartered were US\$3,597 million, US\$1,840 million, and US\$463 million respectively. TSMC, UMC and Chartered held 49%, 25% and 6% of the market share respectively in year 2001.

Future Supply/Demand Situation and Growth Potential

According to reports by World Semiconductor Trade Statistics (WSTS), the Semiconductor Industry Association (SIA), and IC Insights, the world's semiconductor market in 2001 is estimated to decline about 31% - 33%. However, they have also estimated that the market has reached the bottom and will bounce back with 1% - 6% growth in 2002.

According to Dataquest, after the global computer market dropped by 6.8% in 2001, the computer market is estimated to grow 5.5%, 21%, 12% and 8% in 2002, 2003, 2004, and 2005 respectively. Dataquest has also estimated the communication market to drop 38% to US\$40.3 billion in 2001 and to remain flat (US\$40.4 billion) in 2002 due to excess inventory.

With the trend towards vertical disintegration of IC design and manufacturing, more and more IDMs are adopting the strategy of using external foundry services, which helps the growth of the foundry service market. Therefore, the foundry market is expected to grow at a faster rate compared to the overall semiconductor industry.

Estimated Sales Quantities

With the industry shifting towards the vertical disintegration business model, UMC should be able to reach a revenue growth that is higher than the semiconductor industry through its industry leadership position, pioneering of 300mm manufacturing and SOC technologies. Based on our capacity and customers' demand forecast, the estimated sales quantity for 2002 is approximately 1.95 million 8-inch wafer equivalents.

Competitive Advantages

IC design companies in Taiwan are developing favorably, second only to companies in North America. UMC can directly enjoy the advantages brought by the rapid growth of Taiwan's IC design companies through geographic proximity as well as the ease of communication.

The IC industry in Taiwan is well structured; the industry is very competitive in terms of efficiency and cost. UMC plays an important role in the IC industry supply chain and is therefore able to realize the competitive advantages of Taiwan's IC industry.

Positive and Negative Factors Relating to Future Development

Positive factors

- UMC has distinguished itself as a top-tier player amidst the foundry industry boom. The trend towards industry disintegration will create new opportunities for the Company as the market for foundry services continues to grow.
- Major IDMs are shifting to the strategy of using external foundry services, which will help the growth of the foundry service market.
- UMC maintains stable long-term orders through its strategic alliances with global industry leaders.
- UMC has an exceptional management team, operating with a heavy emphasis on research and development for advanced process technologies.
- UMC is the leader in the implementation of 300mm wafer production with three 300mm projects underway. In Taiwan, the Company has a 300mm facility, Fab 12A, in the Tainan Science-Based Industrial Park. The Company has also established two separate 300mm semiconductor foundry companies in Singapore, UMCi Pte. Ltd. with Infineon and AU Pte. Ltd. with AMD.
- UMC has implemented advanced 0.13-micron process production. This shift towards production of more advanced technologies creates higher profits for the Company, while offering value-added benefits to the customer.

- In response to the growing trend towards SOC products, UMC continues to develop embedded memory macros, mixed-signal process technology, and other system integration technologies used for SOC designs.
- The global semiconductor industry declined by 31% - 33% in 2001, but it is estimated that the market will pick up with a 1% - 6% growth in 2002.

Negative factors

- After a 38% decline in the communications sector in 2001, the market is estimated to remain flat in 2002 due to excess inventory. This may therefore affect the growth of the semiconductor market.
- The slow-down in demand for the Personal Computer markets (from high growth to medium-low growth) may have negative influences on the industry.
- The recent prosperity of the foundry market has attracted many new competitors into the market; this may have a negative impact on the market balance.

Adaptations to Market Situations

UMC will try to avoid unnecessary expenditures in order to conserve resources to grow and benefit when the market recovers.

In response to the foundry companies entering the market, UMC will build on our competitive advantages in advanced technologies, high yields and comprehensive services, etc., to widen the gap with these new competitors, and at the same time differentiate UMC from the rest of the industry. This strategy allows UMC to always be the customers' best choice.

The Applications of Major Processes

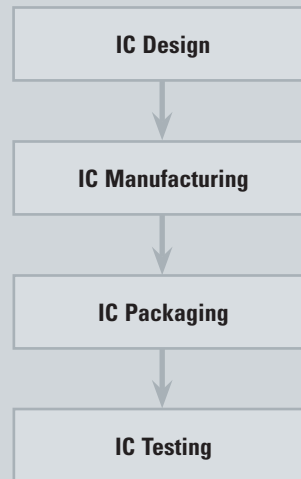
CMOS-logic processes: Chips for logic-calculation functions, e.g. graphics chips, audio chips, and microprocessors.

Mixed-signal processes: Chips for processing mixed-signals, e.g. broadband communications and MPEG chips.

RF CMOS processes: Chips for wireless communications, e.g. cellular phones, WLAN, Bluetooth chips.

Embedded memory processes: Chips combining logic and memory functions for high performance, low power consumption chips, e.g. graphics and router chips.

Product Manufacturing Process



Market Conditions of the Major Raw Materials Used at UMC

UMC obtains its raw materials from reputable vendors with whom long-term credible relationships have been established. This ensures reasonable pricing, high quality, and quick delivery from raw material suppliers.

Major Vendors

In Thousand NTD

	2001		2000	
	Amount	Percentage of net purchases	Amount	Percentage of net purchases
Shin-Etsu Handotai Taiwan Co.	1,847,945	14%	2,530,281	12%

Major Customers

In Thousand NTD

	2001		2000	
	Amount	Percentage of net sales	Amount	Percentage of net sales
UMC Group (USA)	27,055,238	42%	42,609,198	41%
UMC (Europe) BV	6,038,583	9%	11,849,367	11%

Production Figures

In Thousand NTD

	2001	2000
Wafers		
Quantity (pcs)	1,284,593	2,050,481
Amount	\$ 46,037,705	\$ 41,674,246
Chips		
Quantity (thousands)	19,832	32,959
Amount	\$ 701,396	\$ 1,282,286
Packaged ICs		
Quantity (thousands)	104,907	175,153
Amount	\$ 8,936,365	\$ 9,440,178
Total Amount	\$ 55,675,466	\$ 52,396,710
Capacity (pcs)	2,859,061	2,339,134

Note Wafer quantity and capacity are expressed in 8-inch wafer equivalents.

Sales Figures

In Thousand NTD

	2001	2000
Wafers		
Domestic Sales		
Quantity (pcs)	556,276	644,025
Amount	\$ 17,007,210	\$ 21,826,367
Export Sales		
Quantity (pcs)	661,922	1,332,299
Amount	\$ 34,632,498	\$ 65,014,466
Chips		
Domestic Sales		
Quantity (thousands)	15,897	303
Amount	\$ 176,930	\$ 38,326
Export Sales		
Quantity (thousands)	32,842	31,804
Amount	\$ 3,394,360	\$ 2,678,371
Packaged ICs		
Domestic Sales		
Quantity (thousands)	56,481	81,315
Amount	\$ 2,723,014	\$ 6,455,281
Export Sales		
Quantity (thousands)	46,951	60,436
Amount	\$ 3,575,021	\$ 5,461,416
Total		
Domestic Sales		
Amount	\$ 19,907,154	\$ 28,319,974
Export Sales		
Amount	\$ 41,601,879	\$ 73,154,253

Note Wafer quantity is expressed in 8-inch wafer equivalents.

EMPLOYEE ANALYSIS

Number of Employees

	2002	2001	2000
Engineers	3,913	3,753	3,877
Administrators	430	425	454
Clerks	106	114	101
Technicians	4,251	4,251	4,941
Total	8,700	8,543	9,373

Average Age

	2002	2001	2000
Average Age	30.7	30.5	29.4

Average Years of Employment

	2002	2001	2000
Average Years	4.3	4.0	3.9

Level of Education

	2002	2001	2000
Ph.D.	1.5%	1.5%	1.4%
Masters Degree	20.6%	19.8%	18.6%
Bachelors and Associate Degree	42.6%	42.5%	40.9%
Secondary School	34.7%	35.6%	38.4%
Others	0.6%	0.6%	0.7%

Note The data represented for 2002 was gathered up until Mar. 26th, 2002.

ENVIRONMENTAL PROTECTION

Environmental protection is always a major consideration for UMC. With a philosophy of sustainable development and responsibility towards society, UMC not only complies with, but also strives to exceed all applicable environmental and safety regulations. In our goal towards making UMC a more environmental-friendly corporation, all production facilities are required to make efforts toward clean production, waste reduction, pollution prevention, and risk management in addition to incorporating international environmental standards.

UMC's capital investment and operational expenses are clear indicators of the Company's determination towards environmental protection. In 2001, cumulative investment for pollution control equipment exceeded NT\$2 billion, with the environmental protection investment for new fab construction in the Tainan Science-Based Industrial Park reaching NT\$0.8 billion. Additionally, operation costs for relevant pollution control equipment are approximately NT\$20 million per month, plus a monthly waste treatment fee of around NT\$5 million. The annual cost for environmental-monitoring sampling and analysis is around NT\$22 million. The major expenditures for future environmental protection programs include: (a) the costs required for pollution control equipment in new fabs, (b) the costs required to upgrade or replace existing systems, and (c) approximately NT\$20 million per month on operation costs for relevant pollution control equipment and NT\$5 million per month on waste treatment.

In addition to high efficiency pollution control equipment, UMC also employs a large number of professionals who work to ensure environmental protection. These efforts have helped UMC receive numerous awards recognizing performance in energy conservation, water conservation, and industrial pollution control.

UMC has been devoted to establishing and maintaining an effective ISO-14001 Environmental Management

System (EMS) and OHSAS-18001 (Occupational Health and Safety Assessment Series). UMC follows the Plan-Do-Check-Act (PDCA) model of environmental management to continuously improve the environmental performance. In 2001, UMC received both ISO-14001 and OHSAS-18001 certifications, and integrated both environmental and safety-health management systems successfully.

UMC pays great attention to international environmental issues, taking active roles not only through environmental organizations, but also through educational conferences about environmental technology, and also participates in a PerFluorinated Compounds (PFCs) reduction program to protect the atmosphere. UMC also attends the Joint Prevention and Rescue Team, and other public activities focused on raising the quality of environmental protection efforts. In 2001, UMC started to publish the Company Environmental Report (CER) to show the achievements in environmental protection and the commitment of promoting environmental friendly technology.

Notwithstanding, total fines from environmental authorities amounted to approximately NT\$1.1 million in 2001. These fines resulted solely from the administrative control of environmental regulations, rather than from true pollution violations. UMC has filed petitions for administrative review of those penalties. In order to avoid any penalty from environmental authorities, UMC will continue to communicate with environmental authorities regarding applications and implementations of environmental regulations. UMC will also continue to promote pollution control technology and rigidly follow the environmental management system to avoid any penalty. If any future penalties are incurred as a result of administrative control of environmental regulations, penalty amount would be determined by the type of penalty and would be difficult to estimate.

LABOR RELATIONS

UMC places great importance on employee salaries and benefits, and actively engages in employee training, the enforcement of all labor laws, and the protection of employee rights in an effort to provide the best possible working environment. Employees can communicate with management through many avenues, including departmental meetings, colleague symposiums, and opinion boxes. In addition, UMC has set up employee counseling services to further ensure the mental and physical health of UMC employees and to develop a harmonious atmosphere between employees and management.

To provide our employees with a space to enjoy their leisure time, UMC started establishing an employee recreation center in 2001. It is scheduled to open in December 2002. The employee recreation center is well-equipped to support a variety of activities, such as sports, entertainments, arts, association reunions, etc.

Due to its continuous efforts in creating good labor relationships, UMC has received several awards from the Council of Labor Affairs and other related organizations. These awards include such titles as “Model Institution for the Promotion of Labor Welfare”, “Model Enterprise for the Promotion of Labor Education”, and “Model Enterprise for Industrial Relations”.

MAJOR AGREEMENTS

Major Long-term Supply and Marketing Agreements

In order to maintain a worldwide marketing presence, UMC has entered into long-term distribution, sales, service and support agreements. In addition, UMC has maintained long-term supply

business relationship with major wafer material vendors. The major contents of these agreements are described below:

Company Names	Contract Period	Major Contents	Limitations
UMC Group (USA)	1998.9.1 - 2002.12.31	Semiconductor products sales and relevant services	None material
UMC (Europe) BV	Indefinite Period	Semiconductor products sales and relevant services	None material
Shin-Etsu Handotai Taiwan Co.,Ltd.	Indefinite Period	6-inch, 8-inch and 12-inch wafer materials supply	None material

Major License Agreements

UMC is committed to the protection and enhancement of intellectual property. Based on over twenty years of investment, UMC has been awarded more US patents in the semiconductor field than any other independent foundry in the world. UMC has also

entered cross licensing with major semiconductor company patent holders to ensure that UMC customers do not face infringement claims as a result of our wafer processing. The major licenses include:

Cross License (Company Names)	License Period	Fields of Protection	Limitations
AT&T Corporation/Lucent Technologies GRL Corporation/Agere Systems Guardian Corporation	1999.1.1 - 2003.12.31	Process and topography	None material
Harris Corporation	1997.11.28 - 2003.12.31	Process and topography	None material
Hitachi, Ltd.	1999.4.8 - 2003.12.31	Process and topography	None material
International Business Machines Corporation	1998.8.1 - 2005.12.31	Process, topography and design	None material
Motorola, Inc.	1995.1.1 - 2002.12.31	Process, topography and design	None material
Texas Instruments Incorporated	1998.8.28 - 2007.12.31	Process, topography and memory content	None material

Major Joint Venture and Construction Agreements

Company Names	Contract Period	Major Contents	Limitations
UMCi Pte. Ltd. Infineon Technologies AG, EDB Investments Pte Ltd	Since 2001.3.30	UMC, UMCi, Infineon and EBD Investments entered into a joint venture in Pasir Ris Wafer Fab Park in Singapore for manufacturing of 300mm wafers with leading technology; UMC will be the controlling stockholder with rights to more than 60% of the output.	None material
Various construction or engineering companies, such as: Yih Shin Construction Co., Ltd., Asea Brown Boveri Ltd., Hueng Luei Co., Ltd., San Fu Chemical Co., Ltd.	2001.1.1 - 2002.12.31	UMC contracted with major construction and engineering companies to build or expand semiconductor facilities in the Hsin-chu and Tainan Science-Based Industrial Parks; total contract amounts exceed NT\$1.0 billion.	None material
Advanced Micro Devices, Inc.	2002.1.31 - indefinite	UMC and AMD entered into agreements for joint development of 90-nanometer and 65-nanometer processes, a joint venture fabrication facility in Singapore, and a foundry relationship covering the manufacture of a significant portion of AMD's semiconductor fabrication needs.	AMD and UMC agreed to avoid using jointly developed processes in direct competition with one another.

Major Long-term Loan Agreements

UMC is committed to building and maintaining state of the art wafer fabrication facilities that will allow UMC to maintain its status as a premier independent wafer foundry and maintain the capacity needed to

support its continued growth. In order to provide the necessary capital required to support such projects, UMC has, from time to time, obtained loans from commercial banks. Some of these loans include:

Company Names	Contract Period	Major Contents	Limitations
Chinatrust Commercial Bank and 12 other participant banks	1995.2.23 - 2002.2.23	Chinatrust Commercial Bank arranged the syndicated loan and the facility amount was approximately NT\$8.8 billion. The loan was for Fab 8A capital expenditure.	None material
Citibank and 13 other participant banks	1996.6.19 - 2002.8.2	Citibank arranged the syndicated loan and the facility amount was US\$100 million. The loan was for Fab 8A capital expenditure.	None material
Chiao Tung Bank and 9 other participant banks	1996.6.20 - 2004.4.11	Chiao Tung Bank arranged the syndicated loan, and the facility amount was approximately NT\$4.3 billion. The loan was for Fab 8E capital expenditure.	None material
Chiao Tung Bank and 17 other participant banks	1996.9.20 - 2005.5.26	Chiao Tung Bank arranged the syndicated loan and the facility amount was approximately NT\$12.3 billion. The loan was for Fab 8C capital expenditure.	None material
Citibank and 13 other participant banks	1998.8.18 - 2003.8.18	Citibank arranged the syndicated loan and the facility amount was NT\$2.7 billion. The loan was for Fab 8C capital expenditure.	None material
Chiao Tung Bank and 8 other participant banks	1998.2.18 - 2005.9.18	Chiao Tung Bank arranged the syndicated loan and the facility amount was approximately NT\$4.3 billion. The loan was for Fab 8E capital expenditure.	None material
Taiwan Cooperative Bank	1998.11.14 - 2009.5.14	UMC contracted with Taiwan Cooperative Bank for Testing Building financing. The facility amount was NT\$700 million.	None material
Taipei Bank	1999.3.25 - 2009.2.25	UMC contracted with Taipei Bank for United Tower Building financing. The facility amount was NT\$1.5 billion.	None material
Chiao Tung Bank and 13 other participant banks	1999.11.22 - 2007.9.25	Chiao Tung Bank arranged the syndicated loan and the facility amount was approximately NT\$3.9 billion. The loan was for Fab 8E capital expenditure.	None material
The Int'l Commercial Bank and 20 other participant banks	2000.1.28 - 2007.1.28	The Int'l Commercial Bank arranged the syndicated loan and the facility amount was approximately NT\$8 billion. The loan was for Fab 8F capital expenditure.	None material

LITIGATION AND NON-LITIGATED INCIDENTS

In February 1997, Micron Technology Inc. ("Micron") filed an antidumping petition regarding Static Random Access Memory (SRAM) made in Taiwan. An antidumping order, issued in April 1998, imposed various dumping duties on SRAM made in Taiwan, if and when those SRAM are imported into the USA. This order was subsequently reversed by the United States Court of International Trade. This reversal was then upheld, on September 21, 2001, by the United States Court of Appeals for the Federal Circuit. On January 3, 2002 (USA time), the US International Trade Commission announced in the Federal Register its final negative determination, made pursuant to this reversal. Accordingly, this matter will have no material effect on the Company's business or financial performance.

Oak Technology, Inc. ("Oak") and UMC entered into a settlement agreement on July 31, 1997 concerning a complaint filed with the United States International Trade Commission ("ITC") against UMC 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 that UMC had breached the settlement agreement. 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. Accordingly, UMC believes this matter will have no material adverse effect on its business or financial performance.

Micron Technology Inc. ("Micron") filed another antidumping petition against Taiwan in October 1998, this time complaining about Dynamic Random Access Memory (DRAM). By an order issued in November 1999, the ITC rejected Micron's allegations and found that there was no injury or threat of injury to U.S. industry by reason of "unfairly" traded subject DRAMs from Taiwan. Micron did not file any appeal of this decision, and, accordingly, this matter will have no material effect on the Company's business or financial performance.

UMC filed a civil action in California federal district court against Silicon Integrated Systems and its U.S. subsidiary (collectively, "SIS") in December 2000, for patent infringement, unfair competition, breach of contract, intentional interference with contract, misappropriation of trade secrets, and unjust enrichment. This matter is in the early stages of discovery. In January 2001, UMC filed a complaint against SIS with the United States International Trade Commission, alleging patent infringement regarding certain processes for the manufacture of integrated circuits and regarding certain integrated circuit devices. The hearings in this matter took place during November and December of 2001, and the Administrative Law Judge's Initial Determination is expected in the second quarter of 2002. Whatever the outcome of the ITC or district court cases, UMC believes these matters will have no material adverse effect on its business or financial performance.

ACQUISITION AND DISPOSAL OF MAJOR ASSETS

Acquisition of Major Assets

Assets	Acquisition Date	Purchase Price (in thousand)	Seller	Relation with the Company	Used for
United Microelectronics Corporation					
Equipment	2000.12.20 - 2001.1.11	NT\$ 860,483	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Equipment	2000.12.28 - 2001.2.6	NT\$ 373,810	Iwatani International Corporation	None	IC manufacturing
Equipment	2000.11.5 - 2001.2.19	NT\$ 547,893	Mitsubishi Chemical Engineering Corp.	None	IC manufacturing
Construction contract	2001.3.8 - 2001.12.31	NT\$ 344,571	Yih Shin Construction Co., Ltd.	None	Construction of employees' recreation center
Unipac Optoelectronics Corp. stock	2001.3.21	NT\$ 1,335,842	Unipac Optoelectronics Corp.	Investee company	Long-term investment
UMCi Pte. Ltd. stock	2001.3.23 - 2001.4.6	US\$ 87,188	UMCi Pte. Ltd.	Investee company	Long-term investment
Equipment	2001.1.15 - 2001.6.29	NT\$ 498,453	ASML Hong Kong Ltd.	None	IC manufacturing
Equipment	2000.11.10 - 2001.6.29	NT\$ 575,485	KLA-Tencor Corporation	None	IC manufacturing
Equipment	2000.12.15 - 2001.9.14	NT\$ 587,046	Tokyo Electron Limited	None	IC manufacturing
UMCi Pte. Ltd. stock	2001.9.28	US\$ 74,438	UMCi Pte. Ltd.	Investee company	Long-term investment
UMC Capital Corporation stock	2001.4.30 - 2001.10.26	US\$ 10,000	UMC Capital Corporation	Investee company	Long-term investment
Goldman Sachs US\$ Enhanced Cash Fund	2001.12.18	US\$ 150,000	Goldman Sachs (Asia) L.L.C.	None	Short-term investment
Equipment	2001.8.8 - 2002.2.7	NT\$ 320,206	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Equipment	2002.3.15 - 2002.3.22	NT\$ 731,284	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
UMCi Pte. Ltd.					
Construction contract	2001.5.10 - 2001.7.16	US\$ 115,313	Kajima Overseas Asia Pte. Ltd.	None	Production

Note 1. Acquisition of assets with purchase price over 20% of paid-in capital or over NT\$300 million.

2. The data represented for 2002 was gathered up until Mar. 26th, 2002.

Disposal of Major Assets

In Thousand NTD

Asset	Acquisition Date	Disposal Date	Book Value	Selling Price	Profit (Loss)	Buyer	Relation with the Company
United Microelectronics Corporation							
Equipment	1994.11 - 2001.12	2002.1	8,887,582	8,905,875	18,293	Happy Wealth Holdings Limited	None
Novatek Microelectronics Corp. stock	1997.6	2001.4	60,292	332,233	271,941	IPO-OTC	None
MediaTek Incorporation stock	1997.6	2001.7	277,273	1,921,258	1,643,985	IPO-TSE	None
MediaTek Incorporation stock	1997.6 - 2001.12	2002.1 - 2002.3	50,968	1,297,578	1,246,610	TSE	None

Note 1. Disposal of assets with selling price over 20% of paid-in capital or over NT\$300 million.

2. Disposal of equipment will be cancelled on Apr. 3rd, 2002 and will be returned to UMC.

3. The data represented for 2002 was gathered up until Mar. 26th, 2002.

FINANCING PLANS AND EXECUTION STATUS

In April 2001, NT\$15 billion of unsecured domestic bond issuance was used to invest in UMCi Pte. Ltd. The investment project requires a total of NT\$20.475 billion. There are three funding resources for this project: (a) domestic bonds issuance (NT\$15 billion), (b) the Company's own resources, and (c) other financial instruments (b + c = NT\$5.475 billion). The actual completed expenditure was 25.65% by the end of 2001, compared to our original expectations of 25%. UMCi is currently in the fab construction stage. This investment project is expected to complete the capital injection by the third quarter of 2003, and will hold 46.25% of equity interest. When this fab reaches full production in 2005, it will have a production capacity of 40,000 12-inch wafers per month.

(Date which information was submitted to TSE website: 2001.2.27.)

In December 2001, US\$302.4 million of zero coupon convertible bond issuance was used to purchase raw materials abroad and for general corporate purposes. The investment project requires a total of US\$302.4 million (approximately NT\$10.42 billion). The funding resource for this project is through the issuance of zero coupon convertible bonds (US\$302.4 million). The actual completed expenditure was 82.67% by the end of 2001, compared to our original expectations of 0%. It is expected that stockholders' interest will be increased and interest expenses will be reduced. The fund used for general corporate purposes will make up the shortfall from purchasing treasury shares. And the fund used for purchasing raw materials abroad will save the interest expenses approximately NT\$135.88 million per year.

(Date which information was submitted to TSE website: 2001.10.26.)

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Brief Balance Sheets

	In Thousand NTD				
	2001	2000	1999	1998	1997
Current assets	77,251,780	82,785,436	20,549,107	33,964,353	29,820,936
Funds and long-term investments	77,051,045	67,363,540	86,585,485	42,456,010	31,575,502
Property, plant and equipment	155,211,838	152,181,162	36,728,053	25,386,540	23,503,948
Intangible assets	30,805	—	—	12,403	20,958
Other assets	7,839,477	8,798,125	2,276,396	2,218,142	2,463,861
Total assets	317,384,945	311,128,263	146,139,041	104,037,448	87,385,205
Current liabilities					
Before distribution	26,936,406	35,853,347	17,190,521	8,384,035	8,818,905
After distribution	*	36,286,386	17,286,258	8,419,075	8,905,573
Long-term liabilities	52,462,437	34,357,021	9,147,685	18,765,061	11,461,861
Other liabilities	4,520,403	2,916,242	489,187	351,603	341,570
Total liabilities					
Before distribution	83,919,246	73,126,610	26,827,393	27,500,699	20,622,336
After distribution	*	73,559,649	26,923,130	27,535,739	20,709,004
Capital	133,356,954	114,714,519	66,549,966	55,418,013	41,344,647
Capital reserve	82,115,682	82,161,068	36,836,033	12,869,484	12,439,900
Retained earnings					
Before distribution	34,152,379	56,385,155	15,709,863	8,591,256	12,830,383
After distribution	*	37,309,681	5,777,965	5,533,967	4,204,732
Unrealized loss on long-term investments	(9,920,139)	(13,804,227)	(319,448)	(443,534)	—
Cumulative translation adjustment	(160,470)	24,202	535,234	101,530	147,939
Total equity					
Before distribution	233,465,699	238,001,653	119,311,648	76,536,749	66,762,869
After distribution	*	237,568,614	119,215,911	76,501,709	66,676,201

* Subject to change following 2002 stockholders' meeting resolution.

Brief Statements of Income

In Thousand NTD

	2001	2000	1999	1998	1997
Operating revenues	64,493,407	105,084,720	29,147,056	18,431,602	25,088,995
Gross profit	9,130,995	53,601,521	9,831,988	4,099,729	7,556,340
Operating (loss) income	(5,590,174)	43,573,127	5,521,394	392,231	3,586,394
Non-operating income	5,157,410	10,495,729	7,253,604	6,245,264	7,867,379
Non-operating expenses	5,919,983	3,510,786	2,249,334	2,682,233	1,595,499
Income from continuing operations before income tax	(6,352,747)	50,558,070	10,525,664	3,955,262	9,858,274
Discontinued operations	—	—	—	—	—
Extraordinary item	—	—	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—	—
Net (loss) income	(3,157,302)	50,780,378	10,497,892	4,407,021	9,739,552
Earnings (loss) per share (NT\$)	(0.24)	3.93	1.14	0.50	1.16

Note The EPS calculation of 1997 - 2000 were based on the retroactive adjustment for capitalization of unappropriated earnings and bonus to employees; and the EPS calculation of 2001 is based on weighted average shares outstanding for the period.

Auditors' Opinion

Year	CPA	Auditors' opinion
1997	Albert Hsueh, James Tsai	An unqualified opinion
1998	Albert Hsueh, James Tsai	An unqualified opinion
1999	Albert Hsueh, James Tsai	An unqualified opinion
2000	James Wang, Thomas Yue	An unqualified opinion
2001	James Wang, Thomas Yue	An unqualified opinion

Financial Analysis

	2001	2000	1999	1998	1997
Capital structure analysis (%)					
Debts ratio	26.45	23.50	18.36	26.43	23.60
Long-term funds to fixed assets	184.22	178.97	349.76	375.40	332.82
Liquidity analysis (%)					
Current ratio	286.79	230.90	119.54	405.11	338.15
Quick ratio	250.66	198.99	105.10	365.74	305.98
Interest guarantee (times)	(1.46)	16.76	9.51	3.03	11.36
Operating performance analysis					
Average collection turnover (times)	5.56	7.70	6.93	4.81	6.46
Average collection days	66.00	47.40	52.67	76.00	57.00
Average inventory turnover (times)	7.31	7.05	6.17	4.51	4.89
Average payable turnover (times)	13.43	12.47	7.33	5.91	6.56
Average inventory turnover days	50.00	51.77	59.17	80.93	75.00
Fixed assets turnover (times)	0.42	0.84	0.94	0.75	1.10
Total assets turnover (times)	0.21	0.39	0.23	0.19	0.33
Return on investment analysis (%)					
Return on total assets	(0.41)	19.52	9.18	6.33	13.87
Return on equity	(1.34)	25.48	10.72	6.15	17.20
Operating income to capital	(4.19)	37.98	8.30	0.71	8.67
Income before tax to capital	(4.76)	44.07	15.82	7.14	23.84
Net income to sales	(4.88)	48.32	36.02	23.91	38.82
Simple earnings per share (NT\$)	(0.24)	3.93	1.14	0.50	1.16
Cash flow (%)					
Cash flow ratio	145.82	186.60	59.22	91.22	114.98
Cash flow adequacy ratio	90.34	85.99	97.94	118.22	119.20
Cash flow reinvestment ratio	10.37	20.16	6.87	6.87	11.23
Degree					
Degree of operating leverage	(9.52)	1.88	3.52	24.55	7.00
Degree of financial leverage	0.69	1.06	1.22	(0.31)	1.36

Note 1. The beginning figures of 2000 are based on the pro forma consolidated balance sheet as of the merger date on January 3rd, 2000.

2. The EPS calculations of 1997 - 2000 were based on the retroactive adjustment for capitalization of unappropriated earnings and bonus to employees; and the EPS calculation of 2001 is based on weighted average shares outstanding for the period.

Financial Forecasts and Results

In Thousand NTD

	2001 Forecast (reviewed)		2001 Actual (audited)	
	Original	Updated	Achievement	Achievement %
Net operating revenues	85,018,598	63,546,101	64,493,407	101%
Operating costs	(60,679,530)	(55,515,029)	(55,869,710)	101%
Gross profit	24,339,068	8,031,072	8,623,697	107%
Realized (unrealized) intercompany profit	197,254	459,949	507,298	110%
Realized gross profit	24,536,322	8,491,021	9,130,995	108%
Operating expenses	(13,205,705)	(13,794,404)	(14,721,169)	107%
Operating income (loss)	11,330,617	(5,303,383)	(5,590,174)	95%
Non-operating income	5,847,959	4,900,213	5,157,410	105%
Non-operating expenses	(3,840,101)	(5,999,892)	(5,919,983)	99%
Income (loss) before income tax	13,338,475	(6,403,062)	(6,352,747)	101%
Net income (loss)	13,330,968	(3,207,525)	(3,157,302)	102%

Note Date of forecast update: Oct. 6th, 2001

Reasons for the forecast update:

Due to the decline in the semiconductor business, sales unit price and quantities were readjusted. Investment income was also expected to decrease. These factors prevent us from achieving our original forecast.

	2000 Forecast (reviewed)		2000 Actual (audited)	
	Original	Updated	Achievement	Achievement %
Net operating revenues	88,028,920	105,506,683	105,084,720	100%
Operating costs	(52,116,342)	(52,355,419)	(51,337,139)	98%
Gross profit	35,912,578	53,151,264	53,747,581	101%
Realized (unrealized) intercompany profit	0	(478,046)	(146,060)	31%
Realized gross profit	35,912,578	52,673,218	53,601,521	102%
Operating expenses	(9,679,041)	(9,513,048)	(10,028,394)	105%
Operating income	26,233,537	43,160,170	43,573,127	101%
Non-operating income	6,557,796	9,541,612	10,495,729	110%
Non-operating expenses	(2,653,326)	(2,907,156)	(3,510,786)	121%
Income before income tax	30,138,007	49,794,626	50,558,070	102%
Net income	30,036,472	50,028,972	50,780,378	102%

Note Date of forecast update: Oct. 22nd, 2000

Reasons for the forecast update:

(a) The semiconductor market boom led to an increase in the sales unit price and quantities. (b) Higher investment income was realized from equity investees. (c) Exchange gain from exchange rate fluctuations brought a higher income than the original forecast; original financial forecast was no longer applicable.

Review and Analysis of Financial Status and Operating Results

Liquidity Analysis

	December 31, 2001	December 31, 2000	Change %
Cash flow ratio (%)	145.82	186.60	(22)
Cash flow adequacy ratio (%)	90.34	85.99	5
Cash flow reinvestment ratio (%)	10.37	20.16	(49)

Analysis of Operating Results

	2001	2000	Change Amount	In Thousand NTD Change %
Sales revenues	62,463,287	103,492,357	(41,029,070)	(40)
Sales returns and allowances	(954,254)	(2,018,130)	1,063,876	(53)
Net sales	61,509,033	101,474,227	(39,965,194)	(39)
Other operating revenues	2,984,374	3,610,493	(626,119)	(17)
Net operating revenues	64,493,407	105,084,720	(40,591,313)	(39)
Operating costs	(55,869,710)	(51,337,139)	(4,532,571)	9
Gross profit	8,623,697	53,747,581	(45,123,884)	(84)
Realized (unrealized) intercompany profit	507,298	(146,060)	653,358	447
Realized gross profit	9,130,995	53,601,521	(44,470,526)	(83)
Operating expenses	(14,721,169)	(10,028,394)	(4,692,775)	47
Operating (loss) income	(5,590,174)	43,573,127	(49,163,301)	(113)
Non-operating income	5,157,410	10,495,729	(5,338,319)	(51)
Non-operating expenses	(5,919,983)	(3,510,786)	(2,409,197)	69
Loss (income) before income tax	(6,352,747)	50,558,070	(56,910,817)	(113)
Income tax benefit	3,195,445	222,308	2,973,137	1337
Net (loss) income	(3,157,302)	50,780,378	(53,937,680)	(106)

Impact on UMC's Financial Status if UMC and Its Affiliated Enterprises were to Face Financial Difficulty

N/A

Supervisors' Report

The Board of Directors has prepared and submitted to us the Company's 2001 financial statements. These statements have been audited by Diwan, Ernst & Young. The financial statements present fairly the financial position of the Company and the results of its operations and the cash flows. We, as the Supervisors of the Company, have reviewed these statements, report of operations and the proposals relating to distribution of net profit. According to article 219 of the Company Law, we hereby submit this report.

United Microelectronics Corporation

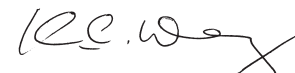
Supervisors:



Tzyy-Jang Tseng



Mao-Chung Lin



Jack K. C. Wang

March 14th, 2002

Report of Independent Auditors

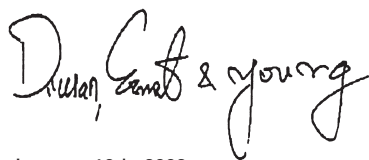
(English Translation of a Report Originally Issued in Chinese)

To the Board of Directors and Stockholders of United Microelectronics Corporation

We have audited the accompanying balance sheets of United Microelectronics Corporation as of December 31, 2001 and 2000, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As described in Note 4(6) to the financial statements, certain long-term investments were accounted for under the equity method based on the 2001 and 2000 financial statements of the investees, which were audited by other auditors. Our opinion insofar as it relates to the investment (loss) income amounting to NT\$(1,331) million and NT\$ 2,765 million for the years ended December 31, 2001 and 2000, respectively, and the related long-term investment balances of NT\$7,156 million and NT\$16,342 million as of December 31, 2001 and 2000, respectively, is based solely on the reports of the other auditors. As described in Note 3 to the financial statements, the Company's long-term investments in two investee companies were changed from equity method to the lower of aggregate cost or market value method because the Company became unable to exercise significant influence over the two investees' operating and financial policies.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of United Microelectronics Corporation as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the Republic of China.



January 18th, 2002

Taipei, Taiwan

Republic of China

Notice to Readers

The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

Balance Sheets

December 31, 2001 and 2000

In Thousand NTD

Assets	Notes	2001	2000
Current Assets			
Cash and cash equivalents	2, 4(1)	\$ 58,517,186	\$ 54,107,647
Marketable securities	2, 4(2)	1,086,434	—
Notes receivable	4(3)	113,681	288,067
Notes receivable - related parties	5	102,011	189,545
Accounts receivable	2, 4(4)	2,848,724	5,028,330
Accounts receivable - related parties	2, 5	4,176,719	10,438,893
Other receivables	2	640,529	1,180,612
Other receivables - related parties	2	34,373	111,144
Inventories	2, 4(5)	5,190,134	10,090,495
Prepaid expenses		737,374	472,416
Deferred income tax assets - current	2, 4(16)	3,804,615	878,287
Subtotal		77,251,780	82,785,436
Funds and Long-term Investments	2, 3, 4(6)		
Long-term investments		77,051,045	68,850,277
Prepaid long-term investments		—	27,560
Allowance for market decline in long-term investment		—	(1,514,297)
Subtotal		77,051,045	67,363,540
Property, Plant and Equipment	2, 4(7), 5, 6, 7, 9		
Land		1,692,677	1,630,239
Buildings		11,750,573	9,419,843
Machinery and equipment		199,390,426	176,617,330
Transportation equipment		50,855	58,150
Furniture and fixtures		1,325,953	1,018,248
Leasehold improvements		53,005	53,096
Total Cost		214,263,489	188,796,906
Less: Accumulated depreciation		(88,240,091)	(56,588,857)
Plus: Construction in progress and prepayments		29,188,440	19,973,113
Net		155,211,838	152,181,162
Intangible Assets	2		
Patents		30,805	—
Subtotal		30,805	—
Other Assets			
Leased assets	2	149,734	212,911
Idle assets		29,976	24
Deposits out		525,017	248,972
Deferred charges	2	2,426,275	1,847,974
Deferred income tax assets - noncurrent	2, 4(16)	4,210,532	3,723,519
Restricted deposits	6	—	2,660,800
Others		497,943	103,925
Subtotal		7,839,477	8,798,125
Total Assets		\$ 317,384,945	\$ 311,128,263

Continued on next page

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

Balance Sheets (Continued)

December 31, 2001 and 2000

In Thousand NTD

Liabilities and Stockholders' Equity	Notes	2001	2000
Current Liabilities			
Short-term loans	4(8)	\$ —	\$ 3,489,325
Accounts payable		2,316,518	5,380,827
Accounts payable - related parties	5	253,311	370,034
Income tax payable	2	63,281	248,485
Accrued expenses		5,181,602	4,153,019
Other payables		9,893,511	11,269,188
Current portion of long-term debts	4(9), 4(10), 5	7,002,725	8,790,741
Other current liabilities	2	2,225,458	2,151,728
Subtotal		26,936,406	35,853,347
Long-term Liabilities			
Bonds payable	2, 4(9)	38,450,511	3,990,000
Long-term loans	4(10), 5	14,011,926	30,367,021
Subtotal		52,462,437	34,357,021
Other Liabilities			
Accrued pension liabilities	2, 4(11)	1,508,963	1,038,164
Capacity deposits and other deposits	7	1,279,551	1,828,342
Others		1,731,889	49,736
Subtotal		4,520,403	2,916,242
Total Liabilities		83,919,246	73,126,610
Stockholders' Equity			
Capital	4(12)		
Common stock		133,356,954	114,714,519
Capital reserve			
Premiums		41,729,589	41,582,503
Gain on disposal of property, plant and equipment		170,473	170,473
Change in equities of long-term investments		23,063,166	23,255,638
Excess from merger		17,152,454	17,152,454
Retained earnings	4(14)		
Legal reserve		10,686,225	5,625,234
Special reserve		2,242,284	—
Unappropriated earnings		21,223,870	50,759,921
Unrealized loss on long-term investments	2, 4(6)	(9,920,139)	(13,804,227)
Cumulative translation adjustment	2, 4(6)	(160,470)	24,202
Treasury stock	2, 4(13)	(6,078,707)	(1,479,064)
Total Stockholders' Equity		233,465,699	238,001,653

Total Liabilities and Stockholders' Equity
\$ 317,384,945
\$ 311,128,263

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

Statements of Income

For the years ended December 31, 2001 and 2000

In Thousand NTD, except for earnings per share

	Notes	2001	2000
Operating Revenues			
Sales revenues	2, 5	\$ 62,463,287	\$ 103,492,357
Less: Sales returns and allowances		(954,254)	(2,018,130)
Net Sales		61,509,033	101,474,227
Other operating revenues		2,984,374	3,610,493
Net Operating Revenues		64,493,407	105,084,720
Operating Costs			
Cost of goods sold	5	(53,642,740)	(48,987,514)
Other operating costs		(2,226,970)	(2,349,625)
Operating Costs		(55,869,710)	(51,337,139)
Gross Profit		8,623,697	53,747,581
Unrealized Intercompany Profit	2	(71,419)	(164,123)
Realized Intercompany Profit	2	578,717	18,063
Net		9,130,995	53,601,521
Operating Expenses			
Selling expenses		(1,705,073)	(781,576)
General and administrative expenses		(4,435,321)	(3,292,856)
Research and development expenses		(8,580,775)	(5,953,962)
Subtotal		(14,721,169)	(10,028,394)
Operating (Loss) Income		(5,590,174)	43,573,127
Non-operating Income			
Interest revenue		2,223,825	1,817,382
Investment income	2, 4(6)	—	5,024,119
Gain on disposal of property, plant and equipment	2, 5	59,401	236,964
Gain on disposal of investments	5	2,235,378	174,908
Exchange gain	2	438,105	2,835,809
Lease income		96,525	115,246
Other income		104,176	291,301
Subtotal		5,157,410	10,495,729
Non-operating Expenses			
Interest expense	4(7), 5	(2,488,239)	(2,343,013)
Investment loss	2, 4(6)	(1,730,447)	—
Loss on disposal of property, plant and equipment	2	(101,119)	(238,292)
Inventory loss	2	(1,322,072)	(610,327)
Banking charges		(219,956)	(224,863)
Depreciation and loss on idle assets		(28,160)	(61,797)
Other losses		(29,990)	(32,494)
Subtotal		(5,919,983)	(3,510,786)
(Loss) Income Before Income Taxes		(6,352,747)	50,558,070
Income Tax Benefit	2, 4(16)	3,195,445	222,308
Net (Loss) Income		\$ (3,157,302)	\$ 50,780,378
Earnings Per Share			
Net (Loss) Income (in New Taiwan Dollars)	2, 4(15)	\$ (0.24)	\$ 3.93

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

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2001 and 2000

In Thousand NT\$

	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappro- priated Earnings	Unrealized Loss on Long-term Investments	Cumulative Translation Adjustment	Treasury Stock	Total
Balance as of January 1, 2000	\$ 66,549,966	\$ 36,836,033	\$ 4,579,516	\$ —	\$ 11,130,347	\$ (319,448)	\$ 535,234	\$ —	\$ 119,311,648
New shares issued due to merger on January 3, 2000	23,836,503	17,152,454	—	—	—	—	(1,083)	—	40,987,874
Appropriation of 1999 earnings:									
Appropriation for legal reserve	—	—	1,045,718	—	(1,045,718)	—	—	—	—
Stock dividends	9,049,268	—	—	—	(9,049,268)	—	—	—	—
Directors' and supervisors' remuneration	—	—	—	—	(95,737)	—	—	—	(95,737)
Capitalization of employees' bonus	786,893	—	—	—	(786,893)	—	—	—	—
Capitalization of capital reserve	9,049,269	(9,049,269)	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	(1,479,064)	(1,479,064)
Net income for 2000	—	—	—	—	50,780,378	—	—	—	50,780,378
Gain on disposal of property, plant and equipment	—	170,473	—	—	(170,473)	—	—	—	—
Gain on disposal of property, plant and equipment from investees	—	2,715	—	—	(2,715)	—	—	—	—
Conversion of convertible bonds issued	942,620	2,486,512	—	—	—	—	—	—	3,429,132
Adjustment arising from changes in ownership percentage in investees	—	547,377	—	—	—	—	—	—	547,377
Unrealized loss on long-term investments	—	—	—	—	—	(1,194,849)	—	—	(1,194,849)
Unrealized loss on long-term investments of investees	—	—	—	—	—	(12,289,930)	—	—	(12,289,930)
Shares issued for American Depository Shares	4,500,000	34,014,773	—	—	—	—	—	—	38,514,773
Cumulative translation adjustment	—	—	—	—	—	—	(509,949)	—	(509,949)
Balance as of December 31, 2000	\$ 114,714,519	\$ 82,161,068	\$ 5,625,234	\$ —	\$ 50,759,921	\$ (13,804,227)	\$ 24,202	\$ (1,479,064)	\$ 238,001,653
Appropriation of 2000 earnings:									
Appropriation for legal reserve	—	—	5,060,991	—	(5,060,991)	—	—	—	—
Appropriation for special reserve	—	—	—	2,242,284	(2,242,284)	—	—	—	—
Stock dividends	17,151,040	—	—	—	(17,151,040)	—	—	—	—
Directors' and supervisors' remuneration	—	—	—	—	(433,039)	—	—	—	(433,039)
Capitalization of employees' bonus	1,491,395	—	—	—	(1,491,395)	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	(4,599,643)	(4,599,643)
Net loss for 2001	—	—	—	—	(3,157,302)	—	—	—	(3,157,302)
Adjustment arising from changes in ownership percentage in investees	—	(192,472)	—	—	—	—	—	—	(192,472)
Unrealized loss on long-term investments	—	—	—	—	—	1,514,297	—	—	1,514,297
Unrealized loss on long-term investments of investees	—	—	—	—	—	2,369,791	—	—	2,369,791
Issuance cost adjustment for American Depository Shares	—	147,086	—	—	—	—	—	—	147,086
Cumulative translation adjustment	—	—	—	—	—	—	(184,672)	—	(184,672)
Balance as of December 31, 2001	\$ 133,356,954	\$ 82,115,682	\$ 10,686,225	\$ 2,242,284	\$ 21,223,870	\$ (9,920,139)	\$ (160,470)	\$ (6,078,707)	\$ 233,465,699

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

Statements of Cash Flows

For the years ended December 31, 2001 and 2000

In Thousand NTD

	2001	2000
Cash flows from operating activities:		
Net (loss) income	\$ (3,157,302)	\$ 50,780,378
Adjustments to reconcile net (loss) income to cash and cash equivalents:		
Depreciation	31,998,131	22,856,468
Amortization	2,292,771	1,660,705
(Reversal) provision for bad debts expense	(97,609)	43,409
Provision for inventory loss	1,322,072	610,327
Long-term investment (loss) income accounted for under the equity method	1,461,275	(5,343,140)
Cash dividends received under the equity method	221,376	18,900
Loss on decline in market value of long-term investments	420,242	368,684
Gain on disposal of investments	(2,235,378)	(174,908)
Loss on disposal of property, plant and equipment	41,718	1,328
Depreciation and loss on idle assets	28,160	61,797
Interest saving on bonds payable transferred to capital reserve	—	74,313
Changes in assets and liabilities:		
Notes receivable	261,920	199,444
Accounts receivable	8,539,389	(4,835,332)
Other receivables	616,854	(374,295)
Inventories	3,578,289	(6,223,526)
Prepaid expenses	(409,478)	(302,327)
Deferred income tax assets	(3,413,341)	270,799
Accounts payable	(3,181,032)	2,128,268
Income tax payable	(185,204)	(59,395)
Other liabilities	—	(30,063)
Accrued expenses	1,175,669	1,615,605
Other current liabilities	(712,324)	68,546
Compensation interest payable	4,415	(11,494)
Capacity deposit	236,902	3,083,578
Accrued pension liabilities	470,799	433,914
Net cash provided by operating activities	39,278,314	66,921,983
Cash flows from investing activities:		
Marketable securities	(1,060,106)	1,289,615
Acquisition of long-term investments	(7,353,051)	(8,234,109)
Proceeds from disposal of long-term investments	3,002,713	737,849
Acquisition of property, plant and equipment	(37,609,128)	(76,594,203)
Proceeds from disposal of property, plant and equipment	392,789	1,297,568
Withdrawal of prepayments for long-term investments	—	1,000,000
Increase in deferred charges	(2,373,213)	(2,665,544)
Decrease (increase) in restricted deposits	2,660,800	(2,660,800)
Increase in intangible assets	(35,773)	—
Increase in other assets	(285,145)	(56,295)
Cash proceeds from merger	—	26,702,025
Net cash used in investing activities	(42,660,114)	(59,183,894)

Continued on next page

Statements of Cash Flows (Continued)

For the years ended December 31, 2001 and 2000

In Thousand NTD

	2001	2000
Cash flows from financing activities:		
Decrease in short-term loans, net	\$ (3,489,325)	\$ (7,176,850)
Proceeds from long-term loans	—	8,247,011
Repayment for long-term loans	(19,283,111)	(6,681,765)
Proceeds from bonds issued	35,596,096	3,990,000
Proceeds from issuance of American Depositary Shares	—	38,514,773
Redemption of bonds	—	(33,015)
Cash payment for fraction of one share arising from bonds conversion	—	(4)
Increase in deposits in	361	608
Purchase of treasury stock	(4,599,643)	(1,479,064)
Directors' and supervisors' remuneration paid	(433,039)	(95,737)
Net cash provided by financing activities	7,791,339	35,285,957
Net increase in cash and cash equivalents	4,409,539	43,024,046
Cash and cash equivalents at the beginning of the year	54,107,647	11,083,601
Cash and cash equivalents at the end of the year	\$ 58,517,186	\$ 54,107,647
Supplemental disclosures of cash flow information:		
Cash paid for interest (excluding interest capitalized)	\$ 2,111,416	\$ 2,135,064
Cash paid for income tax	\$ 482,815	\$ 58,569
Investing activities partially paid by cash:		
Acquisition of property, plant and equipment	\$ 36,233,451	\$ 79,637,010
Add: Payable at the beginning of the year	11,269,188	4,178,066
Add: Increase in payable from merger	—	4,048,315
Less: Payable at the end of the year	(9,893,511)	(11,269,188)
Cash paid for acquiring property, plant and equipment	\$ 37,609,128	\$ 76,594,203
Cash proceeds from merger:		
Stock issuance for merger	\$ —	\$ 23,836,503
Erasure of shares for merged companies	—	23,227,738
Capital reserve arising from merger	—	17,152,454
Increase in net assets (excluding cash) from merger	—	(37,514,670)
Cash proceeds from merger	\$ —	\$ 26,702,025
Financing activities not affecting cash flows:		
Conversion of convertible bonds issued	\$ —	\$ 2,896,492

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

Notes to Financial Statements

December 31, 2001 and 2000

1. History and Organization

United Microelectronics Corporation ("United Microelectronics" or "the Company") was incorporated in May 1980 and commenced operations in April 1982. The Company's major business activity is the dedicated manufacturing or fabrication of semiconductor products. The Company has a broad base of clients throughout the world. The Company's products are used in a range of applications in the telecommunications, computing, networking, consumer electronics and other markets. The Company's common shares were publicly listed on the Taiwan Stock Exchange in July 1985 and its American Depository Shares ("ADSs") were listed on the New York Stock Exchange in September of 2000.

United Microelectronics, United Integrated Circuits Corporation ("United Integrated Circuits"), United Silicon Incorporated ("United Silicon"), United Semiconductor Corporation ("United Semiconductor") and UTEK Semiconductor Corporation ("UTЕК Semiconductor") were merged into one publicly-traded entity, United Microelectronics, on January 3, 2000 (See Note 10 to the financial statements).

2. Summary of Significant Accounting Policies

Principle of Business Combinations

United Microelectronics' merger in 2000 was accounted for under the purchase method.

Use of Estimates

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

Translation of Foreign Currency Transactions

The accounts of United Microelectronics are maintained in New Taiwan Dollars, the functional currency. Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the exchange rates prevailing on the transaction dates. Receivables, other monetary assets, and liabilities denominated in foreign currencies are translated into New Taiwan Dollars at the exchange rates prevailing at the balance sheet date. Exchange gains or losses are included in the current year's results. The financial statements of foreign subsidiaries and investees 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 and historical exchange rates for equity accounts. The cumulative translation effects for subsidiaries and investees using functional currencies other than the New Taiwan Dollars are included in the cumulative translation adjustment in stockholders' equity.

Derivative Financial Instruments

The Company has entered into interest rate swap and cap agreements to manage its exposure to interest rate risk. These agreements are accounted for on an accrual basis with cash settlements recorded as an adjustment to interest expense.

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 or changes in value because of changes in interest rates.

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. The market value of listed equity securities or closed-end funds is determined by the average closing price during the last month of the fiscal year. The market value for open-ended funds is determined by their equity per unit at the balance sheet date. The amount by which aggregate cost exceeds market value is reported as a loss in the current year. In subsequent periods, recoveries of 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 recorded at cost when acquired and stated at the lower of aggregate cost, based on weighted average method, or market value at the balance sheet date. The market values of raw materials and supplies are determined on the basis of net realizable value. An allowance for loss on decline in market value and obsolescence is provided, when necessary.

Long-term Investments

Investments in less than 20% owned listed companies where significant influence on operational decisions of the investees does not reside with the Company, 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 Company's investments in less than 20% owned unlisted companies are accounted for under the cost method, unless an other than temporary impairment is evident, in which case they are written down to fair value as a new cost basis.

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

Unrealized intercompany gains and losses are eliminated under the equity method. Profit from sales of depreciable assets between the investee and the Company is amortized and recognized based on the assets' economic service lives. Profit from other types of intercompany transactions is recognized when realized. The increase in the Company's proportionate share in the net assets of its investee resulting from its subscription to additional shares of stock, issued by such investee, at the rate not proportionate to its existing equity ownership in such investee, is credited to a capital reserve account. Any decrease in the Company's proportionate share in the net assets of investee is debited against the existing balance of the similar capital reserve account, where the credit balance can only be offset to zero. If any excess amount exists, it will be debited against unappropriated retained earnings.

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.

Depreciation is provided on the straight-line basis using the economic service lives of the assets less any salvage value. When the economic service lives are completed, property, plant and equipment, which are still in use, are depreciated over the newly estimated remaining useful lives of the salvage value. The economic service lives of the property, plant and equipment are as follows: buildings - 20 to 55 years; leasehold improvements - the lease period, or economic service lives, whichever is shorter; others - 5 years.

Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital expenditures and are depreciated accordingly. When property, plant and equipment are disposed of, their original cost and accumulated depreciation are written off and related gain, net of income tax, is transferred to capital reserve in the current year. While, gain from disposal of property, plant and equipment shall not be transferred to capital reserve starting 2001 in accordance with an amendment to Taiwan's Company Law.

Intangible Assets

Patents are amortized using the straight-line method over economic service lives.

Deferred Charges

Deferred charges are stated at cost and amortized on a straight-line basis as follows: intellectual property - the contract period or economic services lives, whichever is shorter; software - 3 years; and bonds issuance costs - over the life of the bonds.

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

Pension Plan

The Company has a funded defined benefit pension plan covering all regular employees. The net pension cost is computed based on an actuarial valuation in accordance with the provision of ROC SFAS No. 18, which requires consideration of pension cost components such as service cost, interest cost, expected return on plan assets and amortization of net obligation at transition. The unrecognized net asset or obligation at transition is amortized on a straight-line basis over 15 years. The pension fund is managed by an independently administered pension fund association.

Income Tax

Provision for income tax includes deferred tax resulting from temporary differences and investment tax credits. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized.

Income taxes (10%) on unappropriated earnings generated starting January 1, 1998 and recorded as expense in the year when the stockholders have resolved that the earnings shall be retained.

Revenue Recognition

The Company has two revenue channels. In the first channel, direct sales, the Company receives orders directly from the customers and bills and ships products to the customers. In the second channel, the Company receives orders from the agents of the customers but bills and ships products to the customer directly. The agents that initiated the sales are entitled to a commission, which is billed separately by the agent to the Company. In both revenue channels, revenue is recognized based on the invoiced amounts to the customers when shipment is made and when the payment is realized or realizable.

Research and Development

Costs incurred by the Company in research and development activities are expensed as incurred.

Earnings Per Share

Simple earnings per share is applied and calculated by dividing net income by weighted average number of shares outstanding during the year.

Certain Risks and Uncertainties

The Company is engaged in the foundry business of manufacturing semiconductor products and sells its products primarily in Taiwan, Asia, North America and Europe, generally without requiring collateral. The Company's products are concentrated in the semiconductor industry, which is highly competitive and rapidly changing, and its inventories are subject to rapid technological obsolescence. While the Company has programs to minimize the required inventories on hand and considers technological obsolescence in estimating required allowances to reduce amount to fair market value, such estimates could change in the future. Significant technological changes in the industry could affect operating results adversely.

Treasury Stock

The Company adopted ROC SFAS No.30, "Accounting for Treasury Stocks" for treasury stocks held by the Company itself in accordance with the notice issued by the Securities and Futures Commission. The Statement requires that treasury stocks be accounted for under the cost method. Cost of treasury stock is shown as a deduction to stockholders' equity, while gain or loss of selling treasury stocks is treated as adjustment to capital reserves.

3. Accounting Change

The Company's long-term investments in Unipac Optoelectronics Corporation and MediaTek Incorporation were previously accounted for under the equity method. As of September 1, 2001, Unipac Optoelectronics Corporation was merged into Acer Display Technology Inc. which is the surviving corporate entity and was renamed as AU Optronics Corporation where significant influence on operational decisions does not reside with the Company anymore. Therefore, the valuation method of the Company's investment in AU Optronics Corporation has been changed and accounted for by the lower of aggregate cost or market value method. In addition, after MediaTek Incorporation's common shares were publicly listed on the Taiwan Stock Exchange, the Company became unable to exercise significant influence over MediaTek Incorporation's decisions on its operations, personnel, and financial policies. Accordingly, the valuation method of the Company's investment in MediaTek Incorporation has been changed and accounted for by the lower of aggregate cost or market value method since the third quarter of 2001. The net impact caused by the accounting changes is considered insignificant.

4. Contents of Significant Accounts

(1) Cash and Cash Equivalents

As of December 31	In Thousand NTD	
	2001	2000
Cash:		
Cash on hand	\$ 1,590	\$ 2,269
Checking and savings accounts	9,246,309	2,918,926
Certificates of deposit	39,407,278	42,546,681
Subtotal	48,655,177	45,467,876
Cash equivalents:		
Commercial paper	592,644	3,223,898
Repurchase obligations	9,269,365	5,415,873
Subtotal	9,862,009	8,639,771
Total	\$ 58,517,186	\$ 54,107,647

(2) Marketable Securities

As of December 31	In Thousand NTD	
	2001	2000
Mutual funds	\$ 1,003,900	\$ —
Listed equity securities	42,634	—
Convertible bond	39,900	—
Net	\$ 1,086,434	\$ —

(3) Notes Receivable

As of December 31	In Thousand NTD	
	2001	2000
Notes receivable	\$ 113,681	\$ 288,067
Less: Allowance for doubtful accounts	—	—
Net	\$ 113,681	\$ 288,067

(4) Accounts Receivable

As of December 31	In Thousand NTD	
	2001	2000
Accounts receivable	\$ 3,052,997	\$ 5,927,637
Less: Allowance for sales returns and discounts	(157,205)	(753,286)
Less: Allowance for doubtful accounts	(47,068)	(146,021)
Net	\$ 2,848,724	\$ 5,028,330

(5) Inventories

As of December 31

In Thousand NTD

	2001	2000
Raw materials	\$ 209,479	\$ 386,513
Supplies and spare parts	1,136,274	1,354,151
Work in process	3,463,727	6,263,190
Finished goods	1,040,138	2,722,847
Subtotal	5,849,618	10,726,701
Less: Allowance for loss on decline in market value and obsolescence	(659,484)	(636,206)
Net	\$ 5,190,134	\$ 10,090,495

a. The insurance coverage for inventories was sufficient as of December 31, 2001 and 2000, respectively.

b. Inventories were not pledged.

(6) Long-Term Investments

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

As of December 31

In Thousand NTD

Invested Company	2001		2000	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Investments accounted for under the equity method:				
UMC Group (USA)	100.00	\$ 593,171	100.00	\$ 718,271
United Foundry Service, Inc.	100.00	78,226	100.00	67,432
UMC Capital Corporation	100.00	338,228	—	—
Fortune Venture Capital Corporation	99.99	3,413,388	99.99	3,766,868
Hsun Chieh Investment Corporation	99.97	31,062,635	99.97	28,611,676
Pacific Venture Capital Co., Ltd.	49.99	351,420	49.99	353,158
UMCi Pte. Ltd.	49.82	7,167,916	—	—
UMC Japan	47.10	7,149,137	47.10	6,960,008
DuPont Photomasks Taiwan Ltd.	46.32	1,093,113	47.16	942,897
Trecenti Technologies, Inc.	40.00	1,789,838	40.00	3,427,304
Broadmedia, Inc.	39.28	—	39.38	—
Applied Component Technology Corporation	31.00	154,821	27.96	120,328
Integrated Technology Express Inc.	28.78	330,522	28.78	336,495
Holtek Semiconductor Inc.	28.76	555,441	35.39	657,281
Novatek Microelectronics Corp.	26.82	1,019,532	29.80	861,690
Unimicron Technology Corp.	24.20	2,850,322	38.97	2,596,312
Faraday Technology Corp.	20.45	435,458	21.43	346,998
Integrated Telecom Express, Inc.	16.39	634,606	16.39	826,184
AMIC Technology (Taiwan), Inc.	13.62	37,120	14.06	126,066
MediaTek Incorporation	—	—	18.98	1,246,785
United MicroMachining Corp.	—	—	60.91	26,399
Unipac Optoelectronics Corp.	—	—	38.71	7,774,055
Subtotal		<u>59,054,894</u>		<u>59,766,207</u>

Continued on next page

(6) Long-Term Investments (Continued)

As of December 31

In Thousand NTD

Invested Company	2001		2000	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Investments accounted for under the cost method or the lower of cost or market value method:				
Pacific United Technology, L.P.	25.00	34,600	—	—
AU Optronics Corporation	18.86	8,317,535	—	—
PixTech, Inc.	17.63	561,080	18.10	561,080
MediaTek Incorporation	15.17	1,339,839	—	—
Sino-Aerospace Investment Corp.	11.11	25,748	11.11	86,588
National Venture Capital Corp.	11.09	60,000	11.09	60,000
Pacific Technology Partners, L.P.	9.85	104,755	11.00	51,353
Aptos Corp.	9.68	23,087	—	—
United Technology Co., Ltd.	8.52	146,250	11.25	146,250
TECO Information Systems Co., Ltd.	8.05	145,654	8.05	500,880
Subtron Technology Co., Ltd.	7.41	240,000	7.41	240,000
Industrial Bank of Taiwan	5.00	1,150,000	5.00	1,150,000
TECO Electric & Machinery Co., Ltd.	3.94	1,535,895	3.96	1,535,895
Vialta, Inc.	3.10	622,835	7.82	622,835
Chiao Tung Bank	3.07	3,108,656	3.07	3,108,656
SAMPO Corporation	2.95	443,598	2.96	443,598
Tonbu, Inc.	2.93	243,750	3.43	243,750
Premier Camera Taiwan Ltd.	0.70	27,964	0.72	27,964
Stark Technology Inc.	0.19	1,824	1.16	10,552
Dyna Image Corp.	—	—	1.67	28,663
National Securities Corporation	—	—	1.26	239,316
Lexar Media, Inc.	—	—	0.17	2,488
Subtotal		18,133,070		9,059,868
Prepaid long-term investment		—		27,560
Subtotal		77,187,964		68,853,635
Cumulative translation adjustment		(136,919)		24,202
Allowance for loss on decline in market value		—		(1,514,297)
Total		\$ 77,051,045		\$ 67,363,540

b. Investment loss or income accounted for under the equity method, which was based on the audited financial statements of the investees, were NT\$(1,446) million and NT\$5,343 million for the years ended December 31, 2001 and 2000, respectively. Investment loss or income amounting to NT\$(1,331) million and NT\$2,765 million for the years ended December 31, 2001 and 2000, respectively and the related long-term investment balances of NT\$7,156 million and NT\$16,342 million as of December 31, 2001 and 2000, respectively, were determined based on the investees' financial statements, which were audited by other auditors.

c. The Company's investments in Unipac Optoelectronics Corp. and MediaTek Incorporation were previously accounted for under the equity method. As of September 1, 2001, Unipac Optoelectronics was merged into Acer Display Technology Inc. which is the surviving corporate entity and was renamed AU Optronics Corporation. The Company owned 18.86% interest of AU Optronics Corporation upon completion of the merger and became unable to exercise significant influence over AU Optronics' operations, personnel and financial policies. MediaTek Incorporation's shares have been publicly listed on the Taiwan Stock Exchange since July 2001. The Company also became unable to exercise significant influence over MediaTek's operations, personnel and financial policies. Accordingly, the valuation method of the Company's investments in MediaTek Incorporation and AU Optronics Corporation have been changed and accounted for by the lower of aggregate cost or market value method since the third quarter of 2001. The net impact caused by the accounting changes is considered insignificant.

d. The long-term equity investments were not pledged.

(7) Property, Plant and Equipment

a. Total interest expense before capitalization amounted to NT\$2,651 million and NT\$3,156 million for the years ended December 31, 2001 and 2000, respectively.

b. Details of capitalized interest are as follows:

For the year ended December 31	In Thousand NTD	
	2001	2000
Machinery and equipment	\$ 161,220	\$ 807,653
Other property, plant and equipment	1,150	5,757
Total interest capitalized	\$ 162,370	\$ 813,410
Interest rates applied	4.08% - 7.25%	5.08% - 7.15%

c. The insurance coverage for property, plant and equipment amounted to NT\$241,706 million and NT\$207,208 million as of December 31, 2001 and 2000, respectively.

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

(8) Short-Term Loans

As of December 31

In Thousand NTD

	2001	2000
Unsecured bank loans	\$ —	\$ 3,454,640
Secured bank loans	—	34,685
Total	\$ —	\$ 3,489,325
Interest rates	—	0.83% - 8.00%

a. The Company's unused short-term lines of credits amounted to NT\$20,097 million and NT\$32,135 million as of December 31, 2001 and 2000, respectively.

b. Please refer to Note 6 for assets pledged for short-term loans.

(9) Bonds Payable

As of December 31

In Thousand NTD

	2001	2000
Secured domestic bonds payable	\$ 3,990,000	\$ 3,990,000
Unsecured domestic bonds payable	25,000,000	—
Euro convertible bonds payable	10,596,096	—
Compensation interest payable	4,415	—
Less: Current portion	(1,140,000)	—
	\$ 38,450,511	\$ 3,990,000

a. On April 27, 2000, the Company issued five-year secured bond amounting to NT\$3,990 million with stated interest rate of 5.6%. The bonds are repayable in installments every six months from April 27, 2002 to April 27, 2005.

b. During the period from April 16 to April 27, 2001, the Company issued five-year and seven-year unsecured bonds totaling NT\$15,000 million, with face value of NT\$7,500 million, with stated interest rates of 5.1850% through 5.1195% and 5.2850% through 5.2170%, respectively. The five-year bonds and seven-year bonds are repayable starting April 2004 to April 2006 and April 2006 to April 2008, respectively, both in three yearly installments at the rates of 30%, 30% and 40%.

c. During the period from October 2 to October 15, 2001, the Company issued three-year and five-year unsecured bonds totaling NT\$10,000 million, each with face value of NT\$5,000 million, and 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 US\$302.4 million on the Luxembourg Stock Exchange. 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 five 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 Shares, on or after January 22, 2002 up to and including February 20, 2004 or
- ii. In respect of the ADSs, on or after the later of January 22, 2002 and the date on which the shelf registration statement covering resales of certain ADSs issuable upon conversion of the bonds has been declared effective by the US SEC, up to and including February 20, 2004.

(d) Conversion Price

The initial conversion price

- i. In respect of the Shares, will be NT\$80.76 per Share, and
- ii. In respect of the ADSs, will be US\$11.718 per ADS.

The applicable conversion price will be subject to adjustment for, among other things, subdivision or consolidation of Shares, including Shares represented by ADSs, bonus issues, right issues, distributions of cash and stock dividends and other dilutive events.

(10) Long-Term Loans

As of December 31

In Thousand NTD

	2001	2000
Secured bank loans	\$ 19,874,651	\$ 39,157,762
Less: Current portion	(5,862,725)	(8,790,741)
Net	\$ 14,011,926	\$ 30,367,021
Interest rates	2.69% - 5.34%	5.098% - 8.03%

a. The above long-term loans will be repaid by installments with the last payment on May 14, 2009.

b. The Company's long-term loans denominated in foreign currency amounted to US\$176 million and US\$390 million as of December 31, 2001 and 2000, respectively.

c. Please refer to Note 6 for assets pledged for long-term loans.

(11) Pension Fund

a. All of the regular employees of the Company are covered by the pension plan. Under the plan, the Company contributes an amount equal to 2% of the employees' total salaries on a monthly basis to the pension fund, deposited at the Central Trust of China. Pension benefits are generally based on service years. Retirement benefits are paid from fund previously provided.

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

For the year ended December 31

In Thousand NTD

	2001	2000
Service cost	\$ 340,206	\$ 374,756
Interest cost	134,234	106,244
Expected return on plan assets	(30,232)	(26,106)
Recognition of transition assets	28,167	28,167
Recognition of actuarial (loss) gain	11,383	13,582
Net periodic cost	\$ 483,758	\$ 496,643

The actuarial assumptions underlying are as follows:

For the year ended December 31

	2001	2000
Discount rate	4.5%	6.0%
Increase rate of compensation	6.5%	6.0%
Expected return on plan assets	4.5%	6.0%

c. The transition obligation is amortized equally over 15 years.

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

As of December 31

In Thousand NTD

	2001	2000
Vested benefit obligation	\$ (4,513)	\$ (5,558)
Non-vested benefit obligation	(528,543)	(571,136)
Accumulated benefit obligation	(533,056)	(576,694)
Effect on projected salary increase	(1,737,804)	(1,660,536)
Projected benefit obligation	(2,270,860)	(2,237,230)
Market-related value of plan assets	624,302	503,865
Funded status	(1,646,558)	(1,733,365)
Unrecognized transition obligation	253,505	281,672
Unrecognized gain or loss	(26,150)	428,616
Accrued pension cost per actuarial report	(1,419,203)	(1,023,077)
Over accrual	(89,760)	(15,087)
Accrued pension liabilities	\$ (1,508,963)	\$ (1,038,164)
Vested benefit	\$ 4,513	\$ 5,558

(12) Capital Stock

- a. As of January 3, 2000, the official merger date, the Company completed its merger with United Semiconductor, United Integrated Circuits, United Silicon, and UTEK Semiconductor through the issuance of 2,383,650,273 common shares at par of NT\$10. According to the merger agreement, the Company is the surviving company.
- b. Based on the resolution of the stockholders' meeting on April 7, 2000, the Company issued 1,888,543,007 new shares from the capitalization of retained earnings of NT\$9,049 million, employees' bonus of NT\$787 million and capital reserve of NT\$9,049 million. The Company's authorized capital was also increased to 15,000,000,000 shares.
- c. Based on the resolution of the stockholders' meeting on April 7, 2000, the Company issued 90,000,000 units of American Depositary Shares ("ADSs"), representing 450,000,000 common shares, on the New York Stock Exchange, on September 19, 2000. Owners of ADSs are able to withdraw the underlying shares from the Company's ADSs facility after three months of the issuing date. As of December 31, 2001, the outstanding ADSs was 103,500,000 units.
- d. Based on the resolution of the stockholders' meeting on May 30, 2001, the Company issued 1,864,243,516 new shares from the capitalization of retained earnings of NT\$17,151 million and employees' bonus of NT\$1,491 million.
- e. As of December 31, 2001, 15,000,000,000 common shares were authorized to be issued and 13,335,695,416 common shares were issued with 13,169,235,416 common shares outstanding, each at par of NT\$10.

(13) Treasury Stock

The Company brought back its own shares from open market during the years ended December 31, 2001 and 2000.

Details of the treasury stock transactions are as follows:

Purpose	Shares brought during the year ended December 31		In Thousand Shares As of December 31
	2001	2000	2001
For transfer to employees	4,990	32,435	37,425
For conversion of the convertible bonds into shares	129,035	—	129,035
Total	134,025	32,435	166,460

According to Stock Exchange Regulations of Taiwan, total shares of treasury stocks shall not exceed 10% of the Company's stocks issued. Total purchase amount shall not exceed sum of retained earnings and capital reserve-premiums and realized capital reserve. The Company's treasury stock possession did not, at any time during 2001, violate the regulation stated above. As of December 31, 2001, the Company held 166,460,000 shares of treasury stocks, which amounted to NT\$6,079 million.

Treasury stock shall not be pledged, nor does it possess voting rights or receive dividends, in compliance with Stock Exchange Regulations of Taiwan.

(14) Retained Earnings

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

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items a and b as a legal reserve;
- d. Set aside 0.1% (the year 2000: 1%) of the remaining amount after deducting items a, b, and c as directors' and supervisors' remuneration; and
- e. After distributing items a, b, c and d above from the current year's earning, any portion of the remaining amount is allocated as follows: 8% as employees' bonus; and 92% as stockholders' dividends.

Our articles of incorporation further provide that at least 65% of the dividends to our stockholders, if any, must be paid in the form of stock dividends. Accordingly, no more than 35% of the dividends can be paid in the form of cash.

(15) Earnings Per Share

For the year ended December 31

	2001	In Thousand NTD 2000
Net (loss) income	\$ (3,157,302)	\$ 50,780,378
		In Thousand Shares
Outstanding shares at beginning	11,439,017	6,654,997
New shares issued due to merger	—	2,383,650
Equivalent shares due to ADSs offering	—	127,500
Stock dividends and employees' bonus at 20.87%	—	1,886,366
Shares converted from convertible bonds	—	67,952
Weighted average treasury stocks	(47,169)	(330)
Stock dividends and employees' bonus at 16.30%	1,864,244	1,812,582
Outstanding weighted average shares	13,256,092	12,932,717
		Earnings per share
Net (loss) income (in New Taiwan Dollars)	\$ (0.24)	\$ 3.93

(16) Income Tax

Reconciliation between the income tax benefit and the income tax calculated on pre-tax financial income based on the statutory tax rate is as follows:

For the year ended December 31	In Thousand NTD	
	2001	2000
Tax on pre-tax income at statutory tax rate	\$ (1,588,187)	\$ 10,111,614
Estimated temporary and permanent differences	(132,940)	(5,104,391)
Change in investment tax credit	(8,842,305)	(6,459,674)
Change in valuation allowance against deferred tax assets	6,459,593	1,171,575
Change in tax rate	(1,142,582)	—
10% income tax on unappropriated earnings	1,833,079	—
Adjustment of prior year's tax expense	196,209	28,226
Tax on interest revenue separately taxed	21,688	30,342
Income tax benefit	<u>\$ (3,195,445)</u>	<u>\$ (222,308)</u>

Deferred income tax assets and liabilities were as follows:

As of December 31	In Thousand NTD	
	2001	2000
Deferred income tax assets - current	\$ 7,100,615	\$ 3,269,940
Deferred income tax liabilities - current	—	(23,211)
Valuation allowance for deferred tax assets	(3,296,000)	(2,368,442)
Net	<u>\$ 3,804,615</u>	<u>\$ 878,287</u>
Deferred income tax assets - noncurrent	\$ 15,685,290	\$ 9,179,575
Deferred income tax liabilities - noncurrent	(4,225,046)	(2,238,379)
Valuation allowance for deferred tax assets	(7,249,712)	(3,217,677)
Net	<u>\$ 4,210,532</u>	<u>\$ 3,723,519</u>

Significant components of deferred income tax assets and liabilities were as follows:

As of December 31

In Thousand NTD

	2001		2000	
	Amount	Tax Effect	Amount	Tax Effect
Current items:				
Temporary difference				
Allowance for sales returns and discounts	\$ 448,037	\$ 112,009	\$ 1,063,161	\$ 212,632
Others	1,094,443	273,611	622,437	124,487
Loss carryforward	13,666,452	3,416,613	—	—
Investment tax credits		3,298,382		2,909,610
Valuation allowance		(3,296,000)		(2,368,442)
Net		<u>\$ 3,804,615</u>		<u>\$ 878,287</u>
Non-current items:				
Temporary difference				
Depreciation	\$ (16,793,892)	\$ (4,198,473)	\$ (11,191,893)	\$ (2,238,379)
Recovery on loss of idle assets	(106,293)	(26,573)	—	—
Pension	1,397,221	349,305	926,423	185,284
Amortization of organization cost	550	138	408,883	81,777
Amortization of expertise	—	—	787,500	157,500
Others	29,624	7,405	235,128	47,026
Investment tax credits		15,328,442		8,707,988
Valuation allowance		(7,249,712)		(3,217,677)
Net		<u>\$ 4,210,532</u>		<u>\$ 3,723,519</u>

The Company's income tax returns through the year 1997 were assessed and approved by the Tax Authority.

Pursuant to the "Statute for the Establishment and Administration of Science-Based Industrial Park", the Company was granted several periods of tax holidays with respect to income derived from approved investments. The tax holidays will expire on December 31, 2003. As of December 31, 2001, the Company's unused investment tax credits amounted to NT\$18,627 million.

The Company is located in the Hsin-Chu Science-Based Industrial Park ("HSIP"). In order for business operations to be eligible to locate in the HSIP, the operations must be high technology related manufacturing activities. Based on the HSIP regulation, a preferential income tax rate of 20%, instead of 25% applicable to other business entities located in Taiwan, is imposed on profits generated from HSIP business operations through 2000. Starting 2001, the preferential income tax rate of 20% is no longer available to HSIP business operations and was changed to the standard rate of 25%.

The new Taiwan imputation tax system requires that any undistributed current earnings, on tax basis of a company derived on or after January 1, 1998 be subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional tax on undistributed earnings paid by the Company can be used as tax credit by stockholders, including foreign stockholders, against the withholding tax on dividends. In addition, the domestic stockholders can claim a proportionate share in the Company's corporate income tax as tax credit against its individual income tax liability effective 1998.

As of December 31, 2001, the ending balance of unappropriated earnings amounted to NT\$ 21,179 million, of which NT\$64 million was earned prior to January 1, 1998.

As of December 31, 2001, the balance of imputation credit account ("ICA") was NT\$372 million. The expected creditable ratio for the appropriation of 2001 earnings is 1.76 %. The actual creditable ratio for the appropriation of 2000 earnings was 1.04%.

5. Related Party Transactions

(1) Name and Relationship of Related Parties

Name of related parties	Relationship with the Company
UMC Group (USA) (UMC-USA)	Investee company
DuPont Photomasks Taiwan Ltd. (DPT)	Investee company
Holtek Semiconductor Inc. (Holtek)	Investee company
Faraday Technology Corporation (Faraday)	Investee company
AMIC Technology (Taiwan), Inc. (AMIC-Taiwan)	Investee company
MediaTek Incorporation (MediaTek)	The Company is its director and supervisor
Chiao Tung Bank (Chiao Tung)	The Company is its director and supervisor
Industrial Bank of Taiwan (IBT)	The Company is its major stockholder
United Microelectronics (Europe) B.V. (UMC BV)	A director is the chairman of the Company

(2) Significant Related Party Transactions

a. Operating revenues

For the year ended December 31

	2001		2000	
	Amount	Percentage	Amount	Percentage
UMC-USA	\$ 27,055,238	42	\$ 42,609,198	40
UMC BV	6,038,583	9	11,849,367	11
MediaTek	3,569,172	6	4,938,704	5
Others	5,249,313	8	10,039,989	10
Total	\$ 41,912,306	65	\$ 69,437,258	66

The sales to 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. Prior to June 2000, the collection period was net 60 days for overseas sales while month end 60 days for domestic sales. Starting from June 2000, the collection periods for overseas sales are net 45 - 60 days for the related parties and third-party customers, while the terms for domestic sales are month end 45 - 60 days for both the related parties as well as the third-party customers.

b. Purchases

For the year ended December 31

In Thousand NTD

	2001		2000	
	Amount	Percentage	Amount	Percentage
DPT	\$ 1,080,725	8	\$ 961,567	5
Others	302,279	2	1,073,473	5
Total	\$ 1,383,004	10	\$ 2,035,040	10

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

c. Notes receivable

As of December 31

In Thousand NTD

	2001		2000	
	Amount	Percentage	Amount	Percentage
Holtek	\$ 77,843	36	\$ 161,785	34
Others	24,168	11	27,760	6
Net	\$ 102,011	47	\$ 189,545	40

d. Accounts receivable

As of December 31

In Thousand NTD

	2001		2000	
	Amount	Percentage	Amount	Percentage
UMC-USA	\$ 2,482,744	35	\$ 6,854,152	44
MediaTek	1,046,372	15	189,338	1
UMC BV	116,965	1	2,119,103	14
Others	917,010	13	1,848,312	12
Subtotal	4,563,091	64	11,010,905	71
Less: Allowance for sales returns and discounts	(290,832)	(4)	(454,747)	(3)
Less: Allowance for doubtful accounts	(95,540)	(1)	(117,265)	(1)
Net	\$ 4,176,719	59	\$ 10,438,893	67

e. Accounts Payable

As of December 31

In Thousand NTD

	2001		2000	
	Amount	Percentage	Amount	Percentage
DPT	\$ 218,285	9	\$ 181,075	3
Others	35,026	1	188,959	3
Total	<u>\$ 253,311</u>	<u>10</u>	<u>\$ 370,034</u>	<u>6</u>

f. Loans

For the year ended December 31, 2001

In Thousand NTD

	Maximum balance		Ending balance	Interest rate	Interest expense
	Amount	Month			
Chiao Tung	\$ 4,091,316	January	\$ 1,224,575	4.00% - 7.00%	\$ 221,359
IBT	998,750	January	998,750	3.94% - 6.42%	54,582
			<u>\$ 2,223,325</u>		<u>\$ 275,941</u>

For the year ended December 31, 2000

In Thousand NTD

	Maximum balance		Ending balance	Interest rate	Interest expense
	Amount	Month			
Chiao Tung	\$ 5,543,077	March	\$ 4,014,861	0.87% - 8.39%	\$ 285,863
IBT	998,750	June	998,750	6.10% - 6.43%	64,137
			<u>\$ 5,013,611</u>		<u>\$ 350,000</u>

g. Disposal of long-term investments

None for the year ended December 31, 2001

For the year ended December 31, 2000

In Thousand NTD

	Item	Amount	Gain (Loss)
AMIC-Taiwan	Common stocks of AMIC Technology Inc.	<u>\$ 135,000</u>	<u>\$ (80,517)</u>

h. Disposal of property, plant and equipment

For the year ended December 31, 2001

In Thousand NTD

	Item	Amount	Gain (Loss)
Holtek	Building and facilities	<u>\$ 173,250</u>	<u>\$ 31,468</u>

None for the year ended December 31, 2000

i. Other transactions

The Company has made several transactions, including processing expenditures, commissions, service charges etc, with other related parties totaled to approximately NT\$396 million and NT\$602 million for the years ended December 31, 2001 and 2000, respectively.

Among other transactions, the Company has entered into an intellectual property development contract, amounted to approximately NT\$526 million, with Faraday Technology Corporation during 2001. As of December 31, 2001, the Company had paid NT\$72 million with the unaccrued portion of the contract in approximately NT\$454 million.

6. Assets Pledged as Collateral

As of December 31

In Thousand NTD

	2001	2000	Subject of collateral
Restricted deposits	\$ —	\$ 2,660,800	Long-term loans
Land	452,915	452,915	Long-term loans
Buildings	3,720,173	2,778,469	Long-term loans
Machinery and equipment	31,183,019	50,905,639	Short-term and long-term loans
Total	<u>\$ 35,356,107</u>	<u>\$ 56,797,823</u>	

7. Commitments and Contingent Liabilities

(1) The Company's unused letters of credit for import machinery were approximately NT\$ 2,289 million as of December 31, 2001.

(2) The Company entered into contracts, amounted to approximately NT\$21.8 billion, with third parties for rights to use patents registered by the third parties. Royalty payable for the consecutive 5 years starting 2002 through 2006 are approximately NT\$4.5 billion, NT\$2.9 billion, NT\$1.2 billion, NT\$1.3 billion, and NT\$1.3 billion, respectively, with the rest of the contract period, starting 2007 through 2011, payable of NT\$0.5 billion.

(3) The Company has signed several construction contracts for the expansion of its factory space. As of December 31, 2001, these construction contracts amounted to approximately NT\$1.8 billion with the unaccrued portion of the contracts in approximately NT\$0.6 billion.

(4) A number of third parties have notified the Company of its alleged infringement on the patents held by those third parties (including EMI, Intel, NEC, etc.), and have demanded that the Company obtain a license for various semiconductor fabrication techniques and circuit designs. The Company commenced evaluation of the specific patents involved, and the preliminary discussions with the third parties regarding licensing terms. Company management indicated a willingness to obtain licenses, wherever required and necessary, to continue the Company's business. As of December 31, 2001, the Company evaluated that there was no need to accrue any related expense yet.

(5) In April 1998, Oak Technology Inc. filed a lawsuit with International Trade Commission (ITC) of USA against the Company for alleged violation of the settlement agreement for patents held in relation to its CD ROM controller chip. On September 27, 1999, the ITC issued a ruling affirming that there was no infringement. Oak has appealed the finding of non-infringement to the Federal Circuit Court of Appeals. The Company's management believes that this complaint will not have a material adverse effect on the Company's operations and financial performances, since the Company no longer includes any sales of UMC CD ROM controllers in its financial plans.

(6) The Company entered into several operating lease contracts for land. Future minimum lease payments under those leases with original maturities, which extend for more than one year as of December 31, 2001, are as follows:

For the year ended	Amount	In Thousand NTD
December 31, 2002	\$ 112,185	
December 31, 2003	112,185	
December 31, 2004	112,185	
December 31, 2005	112,185	
December 31, 2006	112,185	
January 1, 2007 and thereafter	889,401	
Total	<u>\$ 1,450,326</u>	

(7) The Company entered into several wafer-processing contracts with its main clients. According to the contracts, the Company shall guarantee processing capacity, while the clients make deposits to the Company. In case the clients' orders do not meet the capacity guaranteed, the client needs to pay the Company penalties.

(8) The Company entered into two three-year purchase agreements that committed the Company to purchase at least 75% of its 8-inch wafer consumption from two of its suppliers for the contract period.

8. Significant Disaster Loss

None.

9. Significant Subsequent Event

At January 18, 2002, the Company has entered into an agreement with Happy Wealth Holdings Limited to sell certain machinery and equipment at the price of approximately US\$255 million. The carrying value of the machinery to be sold as of December 31, 2001 was approximately NT\$8.9 billion.

10. Business Acquisition

(1) The Company completed its merger with United Semiconductor, United Integrated Circuits, United Silicon and UTEK Semiconductor on January 3, 2000 through the issuance of 2,383,650,273 shares. Under ROC GAAP, the fair value of

the net assets received is deemed to be the value of the consideration for the acquisition of the remaining interests in United Semiconductor, United Silicon, UTEK Semiconductor and United Integrated Circuits and is reflected in the common stock and capital reserve in the balance sheet.

(2) Certain reclassifications have been made for consistent presentation.

11. Investment in Mainland China

None.

12. Additional Disclosures

The followings are the additional disclosure requirements for United Microelectronics and affiliates pursuant to SFC requirements:

- (1) Loans to others attributed to financial activities as of December 31, 2001: Please see attachment 1.
- (2) The endorsements and guarantees provided to others as of December 31, 2001: Please see attachment 2.
- (3) The ending balance of securities held as of December 31, 2001: Please see attachment 3.
- (4) The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001: Please see attachment 4.
- (5) Acquisition of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of capital stock for the year 2001: Please see attachment 5.
- (6) Disposal of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of capital stock for the year 2001: Please see attachment 6.
- (7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year 2001: Please see attachment 7.
- (8) Receivables from related parties exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2001: Please see attachment 8.
- (9) Related information on invested companies as of December 31, 2001: Please see attachment 9.
- (10) Financial instruments

a. Derivative Financial Instruments

The Company entered into some Interest Rate Swap ("IRS") contracts with certain banks. The major information is as follows:

- (a) Purpose: to hedge interest rate risk. The Company entered into several Interest Rate Swap contracts in 2000. The related interest revenue amounted to approximately NT\$8 million.

(b) Notional amount and contract period:

As of December 31, 2000

Notional amount	Contract period
US\$ 10 million	November 28, 1996 - May 28, 2001 (As a result of last closing for the contract, there was no more mutual interest obligation for the period from November 28, 2000 through May 28, 2001.)

(c) Terms and characteristics of the swaps:

- i. Terms: These transactions were settled on a semi-annual basis. The Company agreed to pay to the banks on each payment date, an amount equal to the notional amount multiplied by a fixed rate. The Company received the floating rate interest, which was based on the 6 months USD-LIBOR-BBA rate on the day that was two London Banking Days preceding any reset date, from bank.
- ii. Credit risk: There was no significant credit risk with respect to the above transaction because the banks had good global standing.
- iii. Market risk: The market risk was low due to the nature of the swaps.
- iv. The gains resulted from the IRS contract were NT\$0.4 million for the year ended December 31, 2000.

b. Non-derivative Financial Instruments

As of December 31

In Thousand NTD

	2001		2000	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Cash and cash equivalents	\$ 58,517,186	\$ 58,517,186	\$ 54,107,647	\$ 54,107,647
Marketable securities	1,086,434	1,099,430	—	—
Notes and accounts receivable	7,916,037	7,916,037	17,236,591	17,236,591
Long-term investments	77,051,045	144,285,722	67,363,540	98,029,567
Financial Liabilities				
Short-term loans	—	—	\$ 3,489,325	\$ 3,489,325
Payables	17,708,223	17,708,223	21,421,553	21,421,553
Long-term loans (current portion included)	19,874,651	19,874,651	39,157,762	39,157,762
Bonds payable (current portion included)	39,590,511	41,805,353	3,990,000	4,024,031

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

- (a) The carrying amounts of short-term financial assets and liabilities (excluding marketable securities) approximate fair values due to their short maturities.
- (b) The fair values of marketable securities and long-term investments are based on the market value of the securities or, if market value is unavailable, the net equities of the investee companies are used as fair value.
- (c) Fair value of bonds payable is determined by the market value.
- (d) The carrying value of long-term loans approximates the fair value as the loans bear floating rates.

13. Segmental Information

(1) Operations in different industries

The Company operates principally in one industry. The Company's major operation is the manufacture of semiconductor products.

(2) Operations in different geographic areas

The Company has no significant foreign operations.

(3) Export sales

For the year ended December 31

In Thousand NTD

Area	2001	2000
North America	\$ 25,776,028	\$ 46,625,687
Europe	10,384,521	18,672,062
Asia, other than Taiwan	4,430,729	6,787,493
Other	1,010,601	1,069,011
Total	\$ 41,601,879	\$ 73,154,253

(4) Major Customers

For the year ended December 31

In Thousand NTD

Customers	2001	
	Sales amount	Percentage
UMC Group (USA)	\$ 27,055,238	42
UMC BV	6,038,583	9
Total	\$ 33,093,821	51

For the year ended December 31

In Thousand NTD

Customers	2000	
	Sales amount	Percentage
UMC Group (USA)	\$ 42,609,198	41
UMC BV	11,849,367	11
Total	\$ 54,458,565	52

Attachments to Notes

Attachment 1 Loans to others attributed to financial activities as of December 31, 2001 (Amount in Thousand NTD unless otherwise stated)

No.	Name of the lending company	Name of the borrowers	Accounts name	The highest balance during 2001	The ending balance	Interest rate	Nature of financing	The yearly amount of sales to (purchase from) the borrower	The reason for lending	Bad debt allowance provided	Collateral	Value of collateral	The credit limit set up by the Company for its respective borrower	The ceiling of fund financing
1	UMC Group (USA)	The Company's employees	Receivable from employees' loans	US\$ 2,729,341	US\$ 2,708,451	7.00%	Note	None	Employee loan	—	Employee securities	Higher	N/A	N/A
2	UMCi Pte. Ltd.	Infineon Technologies, Asia Pacific Pte Ltd.	Other receivable	US\$ 55,000,000	US\$ 55,000,000	BBA 3-Months Libor	Note	None	Company's loan	—	None	N/A	N/A	N/A

Note Need for short-term financing.

Attachment 2 The endorsements and guarantees provided by the Company to others as of December 31, 2001 (Amount in Thousand NTD unless otherwise stated)

No.	Guarantor	Guarantee	Relationship with the Company	The limit of guarantee for such party	The highest outstanding guarantee amount during 2001	The outstanding guarantee amount at December 31, 2001	The amount of guarantee with collateral placed	The ratio of accumulated guarantee amount to net value of the Company	The ceiling of the outstanding guarantee for the respective party
1	UMC Japan	A director and employee	A director and employee	N/A	¥ 1,200,640,000	¥ 138,240,000	¥ 1,000,000,000	0.20	¥ 1,000,000,000

Attachment 3 The ending balance of securities held by the Company as of December 31, 2001 (Amount in Thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)
United Microelectronics Corporation								
Fund	KGI Pioneer Fund	None	Short-term investment	500	5,000	N/A	5,505	None
Fund	IIT Increment Fund	None	Short-term investment	6,862	95,000	N/A	95,360	None
Fund	PITC Home Run Bond Fund	None	Short-term investment	7,337	93,900	N/A	94,236	None
Fund	FGIT Duo-Li-II Bond Fund	None	Short-term investment	6,735	90,000	N/A	90,343	None
Fund	Capital Safe Income Bond Fund	None	Short-term investment	7,090	95,000	N/A	95,340	None
Fund	NITC Taiwan Bond Fund	None	Short-term investment	6,238	80,000	N/A	80,284	None
Fund	Jih Sun Bond Fund	None	Short-term investment	6,436	80,000	N/A	80,282	None
Fund	FGIT Wan-Tai Bond Fund	None	Short-term investment	7,404	95,000	N/A	95,349	None
Fund	FGIT Duo-Li Bond Fund	None	Short-term investment	5,913	90,000	N/A	90,320	None
Fund	Apolloyes B.B Bond Fund	None	Short-term investment	8,720	90,000	N/A	90,326	None
Fund	PITC Janes Bond Fund	None	Short-term investment	6,736	95,000	N/A	95,301	None
Fund	IIT High-Yield Fund	None	Short-term investment	7,224	95,000	N/A	95,296	None
Convertible bonds	Coretronic Corp. - Convertible bonds	None	Short-term investment	399	39,900	N/A	49,073	None
Stock	Aluminum Corporation of China Ltd.	None	Short-term investment	7,000	42,634	N/A	42,415	None
Stock	United Foundry Service, Inc.	Investee company	Long-term investment	2,005	78,226	100.00	N/A	None
Stock	UMC Group (USA)	Investee company	Long-term investment	16,438	593,171	100.00	N/A	None
Stock	UMC Capital Corporation	Investee company	Long-term investment	10,000	338,228	100.00	N/A	None
Stock	Fortune Venture Capital Corporation	Investee company	Long-term investment	299,994	3,413,388	99.99	N/A	None
Stock	Hsun Chieh Investment Corporation	Investee company	Long-term investment	1,417,294	31,062,635	99.97	N/A	None
Stock	UMCi Pte. Ltd.	Investee company	Long-term investment	212,250	7,167,916	49.82	N/A	None
Stock	Pacific Venture Capital Co., Ltd.	Investee company	Long-term investment	30,000	351,420	49.99	N/A	None
Stock	UMC Japan	Investee company	Long-term investment	120	7,149,137	47.10	33,281,183	None
Stock	DuPont Photomasks Taiwan Ltd.	Investee company	Long-term investment	88,057	1,093,113	46.32	N/A	None
Stock	Trecenti Technologies, Inc.	Investee company	Long-term investment	240	1,789,838	40.00	N/A	None
Stock	Broadmedia, Inc.	Investee company	Long-term investment	10,000	—	39.28	N/A	None
Stock	Applied Component Technology Corporation	Investee company	Long-term investment	15,808	154,821	31.00	288,271	None
Stock	Integrated Technology Express Inc.	Investee company	Long-term investment	26,854	330,522	28.78	N/A	None
Stock	Holtek Semiconductor Inc.	Investee company	Long-term investment	44,114	555,441	28.76	N/A	None

Continued on next page

Attachment 3 (Continued) The ending balance of securities held by the Company as of December 31, 2001

(Amount in Thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)
United Microelectronics Corporation								
Stock	Novatek Microelectronics Corp.	Investee company	Long-term investment	63,068	1,019,532	26.82	5,420,778	None
Stock	Unimicron Technology Corp.	Investee company	Long-term investment	157,879	2,850,322	24.20	5,267,135	None
Stock	Faraday Technology Corp.	Investee company	Long-term investment	25,958	435,458	20.45	4,142,888	None
Stock	AU Optronics Corp.	The Company is the director and supervisor	Long-term investment	560,276	8,317,535	18.86	18,379,862	None
Stock	PixTech, Inc.	None	Long-term investment	9,883	561,080	17.63	129,084	None
Stock	Integrated Telecom Express, Inc.	Investee company	Long-term investment	7,000	634,606	16.39	392,795	None
Stock	MediaTek Incorporation	The Company is the director and supervisor	Long-term investment	47,949	1,339,839	15.17	24,289,322	None
Stock	AMIC Technology (Taiwan), Inc.	Investee company	Long-term investment	16,200	37,120	13.62	N/A	None
Stock	Sino-Aerospace Investment Corp.	None	Long-term investment	28,500	25,748	11.11	N/A	None
Stock	National Venture Capital Corporation	None	Long-term investment	6,000	60,000	11.09	N/A	None
Stock	Aptos Corp.	None	Long-term investment	1,772	23,087	9.68	N/A	None
Stock	United Technology Co., Ltd.	None	Long-term investment	13,185	146,250	8.52	N/A	None
Stock	TECO Information Systems Co., Ltd.	None	Long-term investment	19,417	145,654	8.05	N/A	None
Stock	Subtron Technology Co., Ltd.	None	Long-term investment	16,000	240,000	7.41	N/A	None
Stock	Industrial Bank of Taiwan	The Company is its major stockholder	Long-term investment	118,242	1,150,000	5.00	N/A	None
Stock	TECO Electric & Machinery Co., Ltd.	None	Long-term investment	77,109	1,535,895	3.94	839,179	None
Stock	Tonbu, Inc.	None	Long-term investment	938	243,750	2.93	N/A	None
Stock	Vialta, Inc.	None	Long-term investment	8,360	622,835	3.10	N/A	None
Stock	Chiao Tung Bank	The Company is the director and supervisor	Long-term investment	83,250	3,108,656	3.07	1,734,753	None
Stock	SAMPO Corporation	None	Long-term investment	35,190	443,598	2.95	294,087	None
Stock	Premier Camera Taiwan Ltd.	None	Long-term investment	2,450	27,964	0.70	158,117	None
Stock	Stark Technology Inc.	None	Long-term investment	254	1,824	0.19	33,086	None
Fund	Pacific United Technology, L.P.	None	Long-term investment	—	34,600	25.00	N/A	None
Fund	Pacific Technology Partners, L.P.	None	Long-term investment	—	104,755	9.85	N/A	None
Hsun Chieh Investment Corporation								
Stock	UC Fund II	Investee company	Long-term investment	5,000	161,225	35.45	N/A	None
Stock	Cheng Hsun Electronics Inc.	Investee company	Long-term investment	3,150	30,322	31.50	N/A	None
Stock	Harvatek Corporation	Investee company	Long-term investment	14,033	179,295	26.14	N/A	None
Stock	Plato Electronics (Cayman) Limited	Investee company	Long-term investment	14,193	657,858	24.50	N/A	None
Stock	Elite Flash Storage Technology, Inc.	The Company is the director and supervisor	Long-term investment	1,950	19,500	19.50	N/A	None
Stock	Giga Solution Technology Co., Ltd.	The Company is the director and supervisor	Long-term investment	8,750	105,000	19.44	N/A	None
Stock	Everglory Resource Technology Co., Ltd.	The Company is the director	Long-term investment	3,700	74,000	19.03	N/A	None
Stock	Patentop, Ltd.	Investee company	Long-term investment	720	20,963	18.00	N/A	None
Stock	Kits On Line Technology Corp.	The Company is the director	Long-term investment	3,200	38,656	16.41	N/A	None
Stock	Aptos Corp.	The Company is the director	Long-term investment	3,000	81,774	16.39	N/A	None
Stock	InComm Technology Co., Ltd.	The Company is the director	Long-term investment	3,200	44,480	16.00	N/A	None
Stock	Advance Materials Corporation	Investee company	Long-term investment	14,994	183,209	15.78	N/A	None
Stock	Union Technology Corp.	The Company is the director and supervisor	Long-term investment	1,800	18,000	15.00	N/A	None
Stock	Enovation Group, Inc.	The Company is the director	Long-term investment	7,172	73,807	14.34	N/A	None
Stock	High Bandwidth Access, Inc.	Investee company	Long-term investment	2,861	19,191	11.92	N/A	None
Stock	Integrated Photonics, Inc.	None	Long-term investment	300	6,244	11.46	N/A	None
Stock	Golden Technology Venture Capital Investment Corp.	The Company is the director	Long-term investment	8,000	80,000	10.67	N/A	None
Stock	RF Integration Corporation	The Company is the director	Long-term investment	3,900	98,610	4.51	N/A	None
Stock	NTCU Spring I Technology Venture Capital Investment Corp.	The Company is the director	Long-term investment	4,284	43,482	10.06	N/A	None
Stock	Ascend Semiconductor Corporation	The Company is the director and supervisor	Long-term investment	3,600	36,000	9.00	N/A	None

Continued on next page

Attachment 3 (Continued) The ending balance of securities held by the Company as of December 31, 2001

(Amount in Thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)
Hsun Chieh Investment Corporation								
Stock	ProSys Technology Integration, Inc.	The Company is the director	Long-term investment	1,200	18,000	6.70	N/A	None
Stock	NCTU Spring Venture Capital Co., Ltd.	The Company is the director	Long-term investment	2,000	20,000	6.28	N/A	None
Stock	Faraday Technology Corp.	Investee company to UMC	Long-term investment	7,908	1,250,990	6.23	1,262,117	None
Stock	Advance Microelectronics Product Inc.	None	Long-term investment	7,420	126,000	5.50	N/A	None
Stock	Coretronic Corp.	The Company is the director and supervisor	Long-term investment	12,388	276,192	5.49	710,827	None
Stock	Fortune Semiconductor Corporation	The Company is the director	Long-term investment	1,000	40,000	5.13	N/A	None
Stock	Cosmos Technology Venture Capital Investment Corp.	The Company is the director	Long-term investment	4,000	40,000	5.03	N/A	None
Stock	UMC Japan	Investee company to UMC	Long-term investment	11	698,286	4.41	3,050,775	None
Fund	Taiwan Asia Pacific Venture Fund	None	Long-term investment	115	29,295	4.15	N/A	None
Stock	IBT Venture Corp.	The Company is the director	Long-term investment	9,000	90,000	3.81	N/A	None
Stock	Subtron Technology Co., Ltd.	The Company is the director and supervisor	Long-term investment	7,800	99,000	3.61	N/A	None
Stock	United Microelectronics Corporation	Investor company	Long-term investment	420,909	29,592,654	3.16	20,143,446	None
Stock	Hantek Technology Co., Ltd.	None	Long-term investment	1,411	42,330	3.14	N/A	None
Stock	Prokia Technology Co., Ltd.	None	Long-term investment	4,000	48,000	3.13	N/A	None
Stock	Amkor Technology, Inc.	None	Long-term investment	139	99,541	0.09	79,085	None
Stock	Alpha & Omega Semiconductor Inc.	None	Long-term investment	1,500	46,883	—	N/A	None
Stock	Integrated Telecom Express, Inc.	Investee company to UMC	Long-term investment	1,113	183,742	2.60	N/A	None
Stock	Sheng-Hua Venture Capital Corporation	None	Long-term investment	5,000	50,000	2.50	N/A	None
Stock	PixArt Imaging Inc.	None	Long-term investment	1,000	10,000	2.00	N/A	None
Stock	Largan Optoelectronics, Co., Ltd.	The Company is the director	Long-term investment	1,216	102,380	1.96	N/A	None
Stock	Chiao Tung Bank	None	Long-term investment	51,860	1,882,974	1.91	1,080,660	None
Stock	TECO Information Systems Co., Ltd.	None	Long-term investment	2,926	21,948	1.21	N/A	None
Stock	Ingenus Corp.	None	Long-term investment	240	29,812	0.65	5,434	None
Stock	King Yuan Electronics Co., Ltd.	None	Long-term investment	1,600	70,000	0.37	20,781	None
Stock	Vialta, Inc.	None	Long-term investment	8,360	625,622	3.10	N/A	None
Stock	ChinaYES Infomedia (Cayman), Inc.	None	Long-term investment	10,000	63,146	—	N/A	None
Fund	VenGlobal Capital Fund III, L.P.	None	Long-term investment	—	33,195	—	N/A	None
Stock	AEM Technology, Inc.	None	Long-term investment	1,760	28,715	—	N/A	None
Stock	Epogy Communication, Inc.	None	Long-term investment	3,200	49,704	—	N/A	None
Stock	Tonbu, Inc.	None	Long-term investment	2,000	185,017	—	N/A	None
Stock	Formerica International Holding Inc.	None	Long-term investment	2,000	30,898	—	N/A	None
Stock	Broadcom Corp.	None	Long-term investment	3	7,092	—	4,413	None
Stock	Triscend Corp.	None	Long-term investment	360	17,409	—	N/A	None
Stock	Radio Tek Corporation	Investee company	Long-term investment	1,345	13,450	26.90	N/A	None
Stock	Unimicron Technology Corp.	Investee company to UMC	Long-term investment	82,654	1,432,919	12.67	2,757,503	None
Stock	SerComm Corporation	Investee company	Long-term investment	4,798	58,619	7.81	N/A	None
Stock	Linden Technologies, Inc.	None	Long-term investment	300	92,385	—	N/A	None
Stock	NetEmpower Software Technologies, Inc.	None	Long-term investment	1,500	92,388	—	N/A	None
Stock	Aurora System, Inc.	None	Long-term investment	550	72,226	—	N/A	None
Stock	Primarion, Inc.	None	Long-term investment	418	31,800	—	N/A	None
Stock	NetLogic Microsystems Inc.	None	Long-term investment	100	3,195	—	N/A	None
Stock	ForteMedia, Inc.	None	Long-term investment	4,000	65,000	—	N/A	None
Stock	LightCross, Inc.	None	Long-term investment	3,896	206,880	—	N/A	None
Stock	SandCraft, Inc.	None	Long-term investment	450	43,063	—	N/A	None
Stock	Octillion Communication, Inc.	None	Long-term investment	2,500	65,740	—	N/A	None
Stock	The Supply, Inc.	None	Long-term investment	588	—	—	N/A	None
Membership Card	Golf Club Membership Card	None	Long-term investment	—	60,000	—	N/A	None
Convertible bonds	AU Optronics Corp. - Convertible bonds	None	Short-term investment	2,000	200,000	—	362,180	None

Continued on next page

Attachment 3 (Continued) The ending balance of securities held by the Company as of December 31, 2001

(Amount in Thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)
UMC Capital Corporation								
Stock	UMC Capital (USA)	Investee company	Long-term investment	200	US\$ 205,356	100.00	N/A	None
Stock	LightCross, Inc.	None	Long-term investment	649	US\$ 1,000,000	—	N/A	None
Stock	Corrent Corp.	None	Long-term investment	500	US\$ 571,750	—	N/A	None
Stock	MaXXan System, Inc.	None	Long-term investment	828	US\$ 500,000	—	N/A	None
Stock	Leda System, Inc.	None	Long-term investment	1,000	US\$ 1,006,000	—	N/A	None
Stock	Virtual Silicon Technology, Inc.	None	Long-term investment	641	US\$ 1,000,000	—	N/A	None
Fortune Venture Capital Corporation								
Stock	Aptos (Taiwan) Corp.	Investee company	Long-term investment	36,886	334,218	35.13	N/A	None
Stock	Davicom Semiconductor, Inc.	Investee company	Long-term investment	13,000	110,025	24.46	N/A	None
Stock	High Bandwidth Access, Inc.	Investee company	Long-term investment	4,308	77,544	17.95	N/A	None
Stock	PixArt Imaging Inc.	The Company is the supervisor	Long-term investment	8,372	117,917	16.74	N/A	None
Stock	Thin Film Module, Inc.	The Company is the director and supervisor	Long-term investment	5,287	52,870	13.91	N/A	None
Stock	Advance Materials Corporation	Investee company	Long-term investment	12,800	156,717	13.47	N/A	None
Stock	AMIC Technology (Taiwan), Inc.	Investee company to UMC	Long-term investment	15,259	163,491	12.83	N/A	None
Stock	Urex Precision, Inc.	None	Long-term investment	2,537	26,766	12.68	N/A	None
Stock	Epitech Corp.	The Company is the director and supervisor	Long-term investment	4,658	47,300	11.65	N/A	None
Stock	Integrated Telecom Express Inc.	Investee company to UMC	Long-term investment	4,000	413,363	9.35	N/A	None
Stock	Averlogic Corporation	The Company is the director and supervisor	Long-term investment	1,385	34,450	7.93	N/A	None
Stock	Shin-Etsu Handotai Taiwan Co., Ltd.	None	Long-term investment	10,500	105,000	7.00	N/A	None
Stock	Trident Technologies, Inc.	The Company is the director and supervisor	Long-term investment	1,350	16,875	6.75	N/A	None
Stock	ProSys Technology Integration, Inc.	None	Long-term investment	1,200	12,000	6.70	N/A	None
Fund	Iglobe Partners Fund, L.P.	None	Long-term investment	—	80,603	6.34	N/A	None
Stock	Programmable Microelectronics (Taiwan) Corp.	None	Long-term investment	3,392	33,920	6.17	N/A	None
Stock	CTS Computer Technology System Corp.	None	Long-term investment	1,717	6,267	2.04	N/A	None
Stock	Hsin Chu Chen-Tao CATV Co., Ltd.	None	Long-term investment	349	3,489	1.40	N/A	None
Fund	Crystal Internet Venture Fund II	None	Long-term investment	—	41,757	0.99	N/A	None
Stock	Alpha & Omega Semiconductor Inc.	None	Long-term investment	1,500	46,313	—	N/A	None
Stock	Vialta, Inc.	None	Long-term investment	4,180	313,205	1.60	N/A	None
Stock	Monterey Design Systems Inc.	None	Long-term investment	394	34,201	—	N/A	None
Stock	Spring Soft, Inc.	The Company is the supervisor	Long-term investment	285	6,821	0.44	36,540	None
Stock	Sino-American Silicon Products, Inc.	None	Long-term investment	297	6,032	0.30	3,071	None
Stock	Shuttle Inc.	None	Long-term investment	360	7,828	0.26	8,830	None
Stock	Orchid BioSciences, Inc.	None	Long-term investment	56	13,310	0.14	9,102	None
Stock	United Microelectronics Corporation	Investor company	Long-term investment	15,333	171,857	0.11	733,807	None
Stock	Systematic Designs International Inc.	None	Long-term investment	1,300	10,178	—	N/A	None
Stock	Cadence Design Systems, Inc.	None	Long-term investment	522	57,600	—	415,643	None
Stock	Aurora Systems Inc.	None	Long-term investment	2,500	222,072	—	N/A	None
Stock	Triscend Corp.	None	Long-term investment	1,750	188,957	—	N/A	None
Stock	The 3CX U.S.A.	None	Long-term investment	513	55,348	—	N/A	None
Stock	SiRF Technology Inc.	None	Long-term investment	875	119,436	—	N/A	None
Stock	EPIC Technologies Inc.	None	Long-term investment	23	34,240	—	N/A	None
Stock	Rise Technology Inc.	None	Long-term investment	500	41,811	—	N/A	None
Stock	Arcadia Design Systems Inc.	The Company is the director	Long-term investment	162	26,203	—	N/A	None
Stock	Velio Communications Inc.	None	Long-term investment	110	30,817	—	N/A	None

Attachment 4 The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001 (Amount in Thousand NTD unless otherwise stated)

Name of the securities	Beginning balance		Addition		Disposal			Ending Balance		Gain/Loss from disposal	Note
	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Cost	Number of shares (thousand)	Amount		
United Microelectronics Corporation											
UMCi Pte. Ltd.	—	—	212,250	6,332,378	—	—	—	212,250	7,167,916	—	
UMC Capital Corporation	—	—	10,000	339,500	—	—	—	10,000	338,228	—	
Holtek Semiconductor Inc.	43,170	657,281	—	—	6,100	274,500	92,874	44,114	555,441	181,626	
Novatek Microelectronics Corp.	45,045	861,690	—	—	3,000	332,233	60,292	63,068	1,019,532	271,941	
National Securities Corporation	14,251	239,315	—	—	14,251	171,187	239,315	—	—	(68,128)	
Stark Technology Inc.	967	10,552	—	—	845	168,050	8,728	254	1,824	159,322	
Unipac Optoelectronics Corp.	503,247	7,774,055	66,792	1,335,842	—	—	—	—	—	—	Note 2
MediaTek Incorporation	41,160	1,246,785	—	—	6,911	1,921,258	277,273	47,949	1,339,839	1,643,985	
Fortune Venture Capital Corporation											
Tripath Technology Inc.	500	158,235	—	—	500	89,432	158,235	—	—	(68,803)	
UMC Japan											
World Wise Electronics	20	¥ 2,217,629,000	—	—	20	¥ 2,215,624,000	¥ 2,217,629,000	—	—	¥ (2,005,000)	
Optoma Corp.	—	—	1.4	¥ 1,632,540,000	1.4	¥ 1,730,705,000	¥ 1,632,540,000	—	—	¥ 98,165,000	
Premier Image Tech.	—	—	10	¥ 1,164,479,000	10	¥ 1,273,648,000	¥ 1,164,479,000	—	—	¥ 109,169,000	
Hsun Chieh Investment Corporation											
Plato Electronics (Cayman) Limited	9,187	424,538	5,006	212,607	—	—	—	14,193	657,858	—	
UC Fund II	—	—	5,000	161,225	—	—	—	5,000	161,225	—	
LightCross, Inc.	—	—	3,896	206,880	—	—	—	3,896	206,880	—	
Unicap Electronics Industrial Corp.	—	—	7,028	194,441	7,028	126,738	194,441	—	—	(67,703)	
Coretronic Corporation	—	—	10,323	276,192	—	—	—	12,388	276,192	—	

Note 1. The ending balance also includes 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 unappropriated changes in ownership, and unrealized loss in long-term investment, etc.

2. The Company's investment in Unipac Optoelectronics Corp. was previously accounted for on equity method. As of September 1, 2001, Unipac Optoelectronics Corp. , which is the expiry corporate entity, was merged into Acer Display Technology Inc.

Attachment 5 Acquisition of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001. (Amount in Thousand NTD unless otherwise stated)

Name of the properties	Date of transaction	Transaction amount	Status of payment	Counter party	The relationship with the Company	Original owner who sold the property to the counter party	The relationship of the original owner with the Company	Date of the original transaction	Amount	The basis or reference used in deciding the price	Other commitments
United Microelectronics Corporation											
Employees' dormitory	2001.10.1 - 2001.11.21	266,000	Not Paid	N/A	N/A	N/A	N/A	N/A	N/A	Acquisition cost	None
Fab 12A	2001.9.28 - 2001.11.28	2,163,000	Not Paid	N/A	N/A	N/A	N/A	N/A	N/A	Acquisition cost	None

Attachement 6 Disposal of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001. (Amount in Thousand NTD unless otherwise stated)

Name of the properties	Date of transaction	Acquisition date of the properties	Book Value	Transaction Amount	Status of payment receiving	Gain/Loss on disposal	Counter party	The relationship with the Company	Reason for disposal	The basis or reference used in deciding the price	Other commitments
United Microelectronics Corporation											
Building and facilities	2001.2.15	2000.1.3	141,782	173,250	Received	31,468	Holtek Semiconductor Inc.	Investee company	Products combination change	Market value	None

Attachment 7 Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001 (Amount in Thousand NTD unless otherwise stated)

Transactions						Notes & accounts receivable (payable)	
Name of related parties transactions	Relationship with the Company	Purchase (sales)	Amount	Percentage of purchase (sales)	Term	Balance	Percentage of account
United Microelectronics Corporation							
UMC Group (USA)	Investee company	Sales	27,055,238	41.95	60 days	2,482,744	31.70
United Microelectronics (Europe) B.V	The director is the chairman of the Company	Sales	6,038,583	9.36	60 days	116,965	1.49
MediaTek Incorporation	The Company is the director and supervisor	Sales	3,569,172	5.53	45 days	1,046,372	13.36
Novatek Microelectronics Corp.	Investee company	Sales	1,558,517	2.42	45 days	262,223	3.35
AMIC Technology (Taiwan) Inc.	Investee company	Sales	781,834	1.21	45 days	275,175	3.51
Faraday Technology Corp.	Investee company	Sales	714,583	1.11	45 days	160,393	2.05
Holtek Semiconductor Inc.	Investee company	Sales	547,928	0.85	45 days	121,856	1.56
Applied Component Technology Corp.	Investee company	Sales	497,592	0.77	45 days	891	0.01
Integrated Technology Express Inc.	Investee company	Sales	398,744	0.62	45 days	70,460	0.90
Formosa Links Pte Ltd.	The director is the chairman of the Company	Sales	307,769	0.48	60 days	—	—
Ascend Semiconductor Corp.	The director and supervisor is the investee company of the Company	Sales	214,470	0.33	60 days	60,864	0.78
DuPont Photomasks Taiwan Ltd.	Investee company	Purchase	1,080,725	8.10	60 days	(218,285)	8.49
Applied Component Technology Corp.	Investee company	Purchase	234,153	1.75	Note	(20,300)	0.79

Note Invoice date net 30 days.

UMC Group (USA)

United Microelectronics Corporation	Investor company	Purchase	US\$ 804,028,220	100.00	Net 55 days	US\$ (68,505,921)	100.00
UMC Japan	Affiliated company	Purchase	US\$ 136,019	—	Net 60 days	—	—

Attachment 8 Receivable from related parties exceeding the lower of NT\$100 million or 20 percent of the capital stock as of December 31, 2001. (Amount in Thousand NTD unless otherwise stated)

		Balance of receivable from related party					Overdue receivable		Subsequent received amount	Bad debt allowance provided
Name of the counter party	Relationship with the counter party	Notes receivable	Accounts receivable	Other receivables	Amount	Turnover rate (times)	Amount	Collection		
United Microelectronics Corporation										
UMC Group (USA)	Investee company	—	2,482,744	—	2,482,744	5.80	—	Credit Collecting	278,236	74,769
United Microelectronics (Europe) B.V	The director is the chairman of the Company	—	116,965	—	116,965	5.40	36,579	Credit Collecting	—	1,154
AMIC Technology (Taiwan) Inc.	Investee company	7,288	267,887	55	275,230	1.86	77,968	Credit Collecting	—	3,423
MediaTek Incorporation	The Company is the director and supervisor	—	1,046,372	377	1,046,749	5.78	—	Credit Collecting	377	10,318
Novatek Microelectronics Corp.	Investee company	—	262,223	365	262,588	7.18	—	Credit Collecting	134,893	2,590
Holtek Semiconductor Inc.	Investee company	77,843	44,013	—	121,856	2.52	—	Credit Collecting	—	435
Faraday Technology Corp.	Investee company	—	160,393	—	160,393	4.69	3,087	Credit Collecting	—	1,612

Attachment 9 Related information on invested companies as of December 31, 2001 (Amount in Thousand NTD unless otherwise stated)

Invested company	Address	Main business scopes	Initial Investment		Shares held by the Company			The net income of the invested company	The gain (loss) recorded by the Company	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage	Book value			
United Microelectronics Corporation										
UMC Capital Corporation	Cayman, Cayman Islands	Investment	US\$ 10,000,000	—	10,000	100.00	338,228	US\$ (38,000)	(1,272)	
UMC Group (USA)	Sunnyvale, California, USA	IC Sales	US\$ 16,438,000	US\$ 16,438,000	16,438	100.00	593,171	US\$ (3,338,000)	(125,100)	
United Foundry Service, Inc.	Sunnyvale, California, USA	Supervising and monitoring group project	US\$ 2,005,000	US\$ 2,005,000	2,005	100.00	78,226	US\$ 319,000	10,794	
Fortune Venture Capital Corporation	Taipei, Taiwan	Consulting and planning for investment in new business	2,999,940	2,999,940	299,994	99.99	3,413,388	(271,185)	(288,401)	
Hsun Chieh Investment Corporation	Taipei, Taiwan	Investment	14,172,940	14,172,940	1,417,294	99.97	31,062,635	151,506	151,439	
Pacific Venture Capital Co., Ltd.	Taipei, Taiwan	Venture capital consultation	300,000	300,000	30,000	49.99	351,420	88,326	44,162	
UMCi Pte. Ltd.	Singapore	Sales and manufacturing of integrated circuit fabrication	US\$ 212,250,000	—	212,250	49.82	7,167,916	US\$ (829,973)	1,547	
UMC Japan	Chiba, Japan	Sales and manufacturing of integrated circuit fabrication	¥ 20,126,316,000	¥ 20,126,316,000	120	47.10	7,149,137	¥ (3,044,396,000)	189,129	
DuPont Photomasks Taiwan Ltd.	Science-Based Industrial Park, Hsin-Chu	Manufacturing of photomasks	777,016	780,502	88,057	46.32	1,093,113	360,560	168,878	
Trecenti Technologies, Inc.	Ibaraki-ken, Japan	Sales and manufacturing of integrated circuit fabrication	¥ 12,000,000,000	¥ 12,000,000,000	240	40.00	1,789,838	¥ (14,574,833,000)	(1,626,957)	Note
Broadmedia, Inc.	Sunnyvale, California, USA	Telecom IC design and sales	US\$ 5,000,000	US\$ 5,000,000	10,000	39.28	—	—	—	
Applied Component Technology	Taipei, Taiwan	IC production sales	64,557	15,558	15,808	31.00	154,821	(39,399)	(10,785)	
Integrated Technology Express, Inc.	Science-Based Industrial Park, Hsin-Chu	Sales and manufacturing of integrated circuit fabrication	239,770	239,770	26,854	28.78	330,522	81,140	23,567	
Holtek Semiconductor Inc.	Science-Based Industrial Park, Hsin-Chu	IC design production and sales	392,176	456,709	44,114	28.76	555,441	310,735	86,330	
Novatek Microelectronics Corp.	Science-Based Industrial Park, Hsin-Chu	Sales and manufacturing of integrated circuit fabrication	140,010	150,000	63,068	26.82	1,019,532	889,848	274,243	
Unimicon Technology Corp.	Taoyuan, Taiwan	PCB production	2,592,013	2,548,658	157,879	24.20	2,850,322	1,227,686	252,648	
Faraday Technology Corp.	Science-Based Industrial Park, Hsin-Chu	ASIC design and production	62,455	62,455	25,958	20.45	435,458	602,503	126,488	
Integrated Telecom Express, Inc.	Santa Clara, California, USA	Sales and manufacturing of integrated circuit fabrication	US\$ 2,000,000	US\$ 2,000,000	7,000	16.39	634,606	US\$ (39,174,000)	(212,043)	
AMIC Technology (Taiwan) Inc.	Science-Based Industrial Park, Hsin-Chu	IC design production and sales	135,000	135,000	16,200	13.62	37,120	(529,756)	(85,387)	

Continued on next page

Note Investment income/loss was recognized in the next season.

Attachment 9 (Continued) Related information on invested companies as of December 31, 2001 (Amount in Thousand NTD unless otherwise stated)

Invested company	Address	Main business scopes	Initial Investment		Shares held by the Company			The net income of the invested company	The gain (loss) recorded by the Company	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage	Book value			
Hsun Chieh Investment Corporation										
UC Fund II	Grand Cayman Island West British	Venture capital business	161,225	—	5,000	35.45	161,225	N/A	N/A	Note 1
Cheng Hsun Electronics Inc.	Taipei, Taiwan	Electronic component production	31,500	31,500	3,150	31.50	30,322	(3,741)	(1,178)	Note 1
Radio Tek Corporation	Science-Based Industrial Park, Hsin-Chu	PF and IC design	13,450	—	1,345	26.90	13,450	N/A	N/A	Note 1
Harvatek Corporation	Hsin-Chu, Taiwan	IC testing, production, packaging and sales	162,945	204,991	14,033	26.14	179,295	88,022	21,545	Note 1
Plato Electronic (Cayman) Limited	Cayman Islands, British West Indies	Holding Company	637,146	424,539	14,193	24.50	657,858	83,124	8,016	Note 1
Patentop, Ltd	Tortola, British Virgin Island	Patent sales	22,356	22,356	720	18.00	20,963	(20,695)	(3,725)	Note 1
Advance Materials Corporation	Taoyuan, Taiwan	Synthetic resin and electronic component production	208,162	208,162	14,994	15.78	183,209	12,207	706	Note 1
Unimicron Technology Corp.	Taoyuan, Taiwan	PCB production	1,070,213	1,123,352	82,654	12.67	1,432,919	1,227,686	21,697	Note 2
High Bandwidth Access, Inc.	Science-Based Industrial Park, Hsin-Chu	Product design and software sales	29,094	31,000	2,861	11.92	19,191	(37,052)	(11,486)	Note 1
SerComm Corporation	Science-Based Industrial Park, Hsin-Chu	Server product and sales	58,619	—	4,798	7.81	58,619	N/A	N/A	Note 1
Faraday Technology Corp.	Science-Based Industrial Park, Hsin-Chu	IC design	1,308,880	1,308,880	7,908	6.23	1,250,990	602,503	(23,942)	
UMC Japan	Chiba, Japan	Sales and manufacturing of integrated circuit fabrication	240,665	240,665	11	4.41	698,286	¥ (3,044,396,000)	(19,670)	
Integrated Telecom Express, Inc.	Santa Clara, California, USA	Sales and manufacturing of integrated circuit fabrication	92,108	96,248	1,113	2.60	183,742	US\$ (39,174,000)	(55,458)	

Note 1. Investment income/loss was recognized in the next year.

2. The Company's investment in Unimicron Technology Corp. were previously accounted for using equity method. As of October 31, 2001, Unimicron Technology Corp. was merged into World Wiser Electronics Incorporated, which is the surviving corporate entity, renamed as Unimicron Technology Corp.

CONSOLIDATED FINANCIAL REVIEW

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Letter of Representation

We confirm, to the best of our knowledge and belief, the following representations:

1. The companies represented in the consolidated financial statements of “United Microelectronics Corporation and its Affiliated Enterprises” for the year ended December 31, 2001 made in accordance with “The Rules Governing Preparation of Affiliated Enterprises Consolidated Operating Report, Affiliated Enterprises Consolidated Financial Statements and Relationship Report” are the identical companies represented in the consolidated financial statements of “United Microelectronics Corporation and Subsidiaries” for the year ended December 31, 2001 made in accordance with ROC Statement of Financial Accounting Standards No. 7.
2. The disclosures to the consolidated financial statements of “United Microelectronics Corporation and Its Affiliated Enterprises” for the year ended December 31, 2001 made in accordance with “The Rules Governing Preparation of Affiliated Enterprises Consolidated Operating Report, Affiliated Enterprises Consolidated Financial Statements and Relationship Report” are fully presented in the consolidated financial statements of “United Microelectronics Corporation and Subsidiaries” for the year ended December 31, 2001 made in accordance with ROC Statement of Financial Accounting Standards No. 7.
3. Accordingly, we will not present separately a set of consolidated financial statements of “United Microelectronics Corporation and Its Affiliated Enterprises” for the year ended December 31, 2001 made in accordance with “The Rules Governing Preparation of Affiliated Enterprises Consolidated Operating Report, Affiliated Enterprises Consolidated Financial Statements and Relationship Report”.



Robert H. C. Tsao

Chairman

United Microelectronics Corporation

January 18th, 2002

Report of Independent Auditors

English Translation of a Report Originally Issued in Chinese

To the Board of Directors and Stockholders of United Microelectronics Corporation

We have audited the accompanying consolidated balance sheets of United Microelectronics Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of UMC Group (USA), a wholly-owned subsidiary, and UMC Japan, a 51.74% owned subsidiary, whose statements reflect total assets of NT\$10,171 million and NT\$25,759 million, respectively, as of December 31, 2000, and total revenues of NT\$43,491 million and NT\$10,542 million, respectively, for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for UMC Group (USA) and UMC Japan, is based solely on the reports of the other auditors. As described in Note 4(6) to the consolidated financial statements, certain long-term investments were accounted for under the equity method based on the 2001 and 2000 financial statements of the investees, which were audited by other auditors. Our opinion insofar as it relates to the investment (loss) income amounting to NT\$(1,357) million and NT\$320 million for the years ended December 31, 2001 and 2000, respectively, and the related long-term investment balances of NT\$9,490 million and NT\$9,376 million as of December 31, 2001 and 2000, respectively, is based solely on the reports of the other auditors. As described in Note 3 to the consolidated financial statements, the Company's long-term investments in two investee companies were changed from equity method to the lower of aggregate cost or market value method because the Company became unable to exercise significant influence over the two investees' operating and financial policies.

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

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Microelectronics Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles in the Republic of China.



January 18th, 2002

Taipei, Taiwan

Republic of China

Notice to Readers

The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

Consolidated Balance Sheets

December 31, 2001 and 2000

In Thousand NTD

Assets	Notes	2001	2000
Current Assets			
Cash and cash equivalents	2, 4(1)	\$ 76,904,068	\$ 62,470,073
Marketable securities	2, 4(2)	1,286,434	—
Notes receivable	4(3)	113,681	296,032
Notes receivable - related parties	5	102,011	189,545
Accounts receivable	2, 4(4), 6	7,126,712	16,237,479
Accounts receivable - related parties	2, 5	1,760,888	3,623,787
Other receivables	2	1,081,576	1,344,417
Other receivables - related parties	2, 5	1,949,597	111,006
Inventories	2, 4(5)	5,717,203	10,790,577
Prepaid expenses		788,936	536,759
Deferred income tax assets - current	2, 4(16)	3,954,867	1,154,801
Other current assets		567	5,759
Subtotal		100,786,540	96,760,235
Funds and Long-term Investments			
	2, 3, 4(6)		
Long-term investments		41,225,981	41,526,766
Prepaid long-term investments		—	256,960
Allowance for market decline in long-term investment		(469,303)	(2,268,967)
Subtotal		40,756,678	39,514,759
Property, Plant and Equipment			
	2, 4(7), 5, 6, 7, 9		
Land		1,854,306	1,805,241
Buildings		15,458,094	13,010,416
Machinery and equipment		214,105,828	188,973,848
Transportation equipment		52,718	59,967
Furniture and fixtures		1,785,562	1,435,473
Leasehold improvements		93,535	91,318
Total Cost		233,350,043	205,376,263
Less: Accumulated depreciation		(95,327,241)	(62,621,111)
Plus: Construction in progress and prepayments		31,098,366	20,660,283
Net		169,121,168	163,415,435
Intangible Assets			
	2		
Trademarks		806	1,028
Patents		30,805	14
Technology know-how		646,312	—
Others		72,063	1,713
Subtotal		749,986	2,755
Other Assets			
Leased assets	2	149,734	212,911
Idle assets		29,976	24
Deposits out		617,787	322,860
Deferred charges	2	2,935,595	2,268,374
Deferred income tax assets - noncurrent	2, 4(16)	4,371,231	3,816,370
Restricted deposits	6	264,700	2,947,400
Others		910,862	527,729
Subtotal		9,279,885	10,095,668
Total Assets		\$ 320,694,257	\$ 309,788,852

Continued on next page

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

Consolidated Balance Sheets (Continued)

December 31, 2001 and 2000

In Thousand NTD

Liabilities and Stockholders' Equity	Notes	2001	2000
Current Liabilities			
Short-term loans	4(8), 6	\$ 753,450	\$ 3,968,550
Notes payable		21,128	410,733
Accounts payable		2,895,641	6,431,653
Accounts payable - related parties	5	252,963	323,695
Income tax payable	2	219,877	803,933
Accrued expenses		5,460,428	4,882,225
Other payables		12,482,283	13,991,449
Current portion of long-term debts	4(9), 4(10), 5, 6	9,720,178	9,212,111
Other current liabilities		2,718,257	2,082,931
Subtotal		34,524,205	42,107,280
Long-term Liabilities			
Bonds payable	2, 4(9)	38,450,511	3,990,000
Long-term loans	4(10), 5, 6	16,244,823	31,543,951
Subtotal		54,695,334	35,533,951
Other Liabilities			
Accrued pension liabilities	2, 4(11)	1,591,022	1,083,895
Capacity deposits and other deposits	7	865,546	1,833,832
Minority interest	2	15,594,468	9,153,591
Others		101,429	128,356
Subtotal		18,152,465	12,199,674
Total Liabilities		107,372,004	89,840,905
Stockholders' Equity			
Capital	4(12)		
Common stock		133,356,954	114,714,519
Capital reserve			
Premiums		41,729,589	41,582,503
Gain on disposal of property, plant and equipment		170,473	170,473
Change in equities of long-term investments		23,063,166	23,255,638
Excess from merger		17,152,454	17,152,454
Retained earnings	4(14)		
Legal reserve		10,686,225	5,625,234
Special reserve		2,242,284	—
Unappropriated earnings		21,223,870	50,759,921
Unrealized loss on long-term investments	2, 4(6)	(470,931)	(2,265,279)
Cumulative translation adjustment	2, 4(6)	(160,470)	24,202
Treasury stock	2, 4(13)	(35,671,361)	(31,071,718)
Total Stockholders' Equity		213,322,253	219,947,947

Total Liabilities and Stockholders' Equity

\$ 320,694,257 \$ 309,788,852

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

Consolidated Statements of Income

For the years ended December 31, 2001 and 2000

In Thousand NTD, except for earnings per share

Contents	Notes	2001	2000
Operating Revenues			
Sales revenues	2, 5	\$ 67,611,481	\$ 115,429,323
Less: Sales returns and allowances		(711,210)	(1,934,402)
Net Sales		66,900,271	113,494,921
Other operating revenues		2,916,528	2,114,418
Net Operating Revenues		69,816,799	115,609,339
Operating Costs			
Cost of goods sold	5	(60,498,905)	(54,712,570)
Other operating costs		(489,353)	(2,349,625)
Operating Costs		(60,988,258)	(57,062,195)
Gross Profit		8,828,541	58,547,144
Unrealized Intercompany Profit	2	(71,419)	(164,123)
Realized Intercompany Profit	2	491,768	(184,727)
Net		9,248,890	58,198,294
Operating Expenses			
Selling expenses		(2,275,884)	(1,153,160)
General and administrative expenses		(4,425,568)	(3,195,464)
Research and development expenses		(8,959,691)	(6,306,273)
Subtotal		(15,661,143)	(10,654,897)
Operating (Loss) Income		(6,412,253)	47,543,397
Non-operating Income			
Interest revenue		2,487,485	2,018,926
Investment income	2, 4(6)	—	1,726,345
Gain on disposal of property, plant and equipment	2, 5	186,013	372,938
Gain on disposal of investments	5	2,347,219	588,202
Exchange gain	2	648,169	2,922,412
Lease income		96,525	115,186
Other income		504,889	711,395
Subtotal		6,270,300	8,455,404
Non-operating Expenses			
Interest expense	4(7), 5	(2,525,937)	(2,367,401)
Investment loss	2, 4(6)	(1,828,341)	—
Loss on disposal of property, plant and equipment	2	(231,536)	(273,238)
Inventory loss	2	(1,529,823)	(610,327)
Banking charges		(220,610)	(306,387)
Depreciation and loss on idle assets		(28,160)	(61,797)
Other losses		(59,677)	(50,493)
Subtotal		(6,424,084)	(3,669,643)
(Loss) Income Before Income Taxes and Minority Interest		(6,566,037)	52,329,158
Income Tax Benefit	2, 4(16)	3,039,989	91,062
(Loss) Income Before Minority Interest		(3,526,048)	52,420,220
Minority Interest in Loss (Income)		368,746	(1,639,842)
Net (Loss) Income		\$ (3,157,302)	\$ 50,780,378
Earnings Per Share			
Net (Loss) Income (in NTD)	2, 4(15)	\$ (0.25)	\$ 4.06

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

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2001 and 2000

In Thousand NTD

Contents	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappro- priated Earnings	Unrealized Loss on Long-term Investments	Cumulative Translation Adjustment	Treasury Stock	Total
Balance as of January 1, 2000	\$ 66,549,966	\$ 36,836,033	\$ 4,579,516	\$ —	\$ 11,130,347	\$ (319,448)	\$ 535,234	\$ (16,691,822)	\$ 102,619,826
New shares issued due to merger on January 3, 2000	23,836,503	17,152,454	—	—	—	—	(1,083)	—	40,987,874
Appropriation of 1999 earnings:									
Appropriation for legal reserve	—	—	1,045,718	—	(1,045,718)	—	—	—	—
Stock dividends	9,049,268	—	—	—	(9,049,268)	—	—	—	—
Directors' and supervisors' remuneration	—	—	—	—	(95,737)	—	—	—	(95,737)
Capitalization of employees' bonus	786,893	—	—	—	(786,893)	—	—	—	—
Capitalization of capital reserve	9,049,269	(9,049,269)	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	(1,479,064)	(1,479,064)
Net income for 2000	—	—	—	—	50,780,378	—	—	—	50,780,378
Gain on disposal of property, plant and equipment	—	170,473	—	—	(170,473)	—	—	—	—
Gain on disposal of property, plant and equipment from investees	—	2,715	—	—	(2,715)	—	—	—	—
Conversion of convertible bonds issued	942,620	2,486,512	—	—	—	—	—	—	3,429,132
Adjustment arising from changes in ownership percentage in investees	—	547,377	—	—	—	—	—	—	547,377
Unrealized loss on long-term investments	—	—	—	—	—	(1,194,849)	—	—	(1,194,849)
Unrealized loss on long-term investments of investees	—	—	—	—	—	(750,982)	—	—	(750,982)
Shares issued for American Depository Shares	4,500,000	34,014,773	—	—	—	—	—	—	38,514,773
Cumulative translation adjustment	—	—	—	—	—	—	(509,949)	—	(509,949)
Treasury stock due to consolidation	—	—	—	—	—	—	—	(12,900,832)	(12,900,832)
Balance as of December 31, 2000	\$ 114,714,519	\$ 82,161,068	\$ 5,625,234	\$ —	\$ 50,759,921	\$ (2,265,279)	\$ 24,202	\$ (31,071,718)	\$ 219,947,947
Appropriation of 2000 earnings:									
Appropriation for legal reserve	—	—	5,060,991	—	(5,060,991)	—	—	—	—
Appropriation for special reserve	—	—	—	2,242,284	(2,242,284)	—	—	—	—
Stock dividends	17,151,040	—	—	—	(17,151,040)	—	—	—	—
Directors' and supervisors' remuneration	—	—	—	—	(433,039)	—	—	—	(433,039)
Capitalization of employees' bonus	1,491,395	—	—	—	(1,491,395)	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	(4,599,643)	(4,599,643)
Net loss for 2001	—	—	—	—	(3,157,302)	—	—	—	(3,157,302)
Adjustment arising from changes in ownership percentage in investees	—	(192,472)	—	—	—	—	—	—	(192,472)
Unrealized loss on long-term investments	—	—	—	—	—	1,514,297	—	—	1,514,297
Unrealized loss on long-term investments of investees	—	—	—	—	—	280,051	—	—	280,051
Issuance cost adjustment for American Depository Shares	—	147,086	—	—	—	—	—	—	147,086
Cumulative translation adjustment	—	—	—	—	—	—	(184,672)	—	(184,672)
Balance as of December 31, 2001	\$ 133,356,954	\$ 82,115,682	\$ 10,686,225	\$ 2,242,284	\$ 21,223,870	\$ (470,931)	\$ (160,470)	\$ (35,671,361)	\$ 213,322,253

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2001 and 2000

In Thousand NTD

	2001	2000
Cash flows from operating activities:		
Net (loss) income	\$ (3,157,302)	\$ 50,780,378
Adjustments to reconcile net (loss) income to cash and cash equivalents:		
Minority interest in (loss) income	(368,746)	1,639,842
Depreciation	34,390,192	24,403,320
Amortization	1,877,551	1,176,713
(Reversal) provision for bad debts expense	(108,892)	52,940
Provision for inventory loss	1,529,823	610,327
Long-term investment loss (income) accounted for under equity method	1,554,402	(2,077,487)
Cash dividends received under equity method	227,025	18,900
Loss on decline in market value of long-term investments	535,890	414,560
Gain on disposal of investments	(2,347,219)	(588,202)
Loss (gain) on disposal of property, plant and equipment	45,523	(99,700)
Depreciation and loss on idle assets	28,160	61,797
Patent right return	(93,990)	—
Interest saving on bonds payable transferred to capital reserve	—	74,313
Changes in assets and liabilities:		
Notes receivable	261,920	1,394,574
Accounts receivable	11,341,957	(7,426,562)
Other receivable	(1,384,871)	(373,817)
Inventories	3,493,492	(6,428,624)
Prepaid expenses	(399,153)	(352,588)
Other current assets	—	(454,005)
Deferred income tax assets	(3,394,095)	(7,239)
Notes payable	—	(59,309)
Accounts payable	(4,266,257)	(1,016,603)
Income tax payable	(754,950)	(18,625)
Other liabilities	—	(119,689)
Accrued expenses	726,672	2,667,916
Other current liabilities	(693,509)	269,347
Compensation interest payable	4,415	(11,494)
Capacity deposit	236,902	3,083,578
Accrued pension liabilities	471,411	462,623
Net cash provided by operating activities	39,756,351	68,077,184
Cash flows from investing activities:		
Marketable securities	(1,256,567)	1,838,352
Acquisition of long-term investments	(4,417,786)	(10,041,492)
Proceeds from disposal of long-term investments	4,878,280	1,723,271
Acquisition of property, plant and equipment	(43,050,831)	(83,482,670)
Proceeds from disposal of property, plant and equipment	544,099	1,509,680
Withdrawal of prepayments for long-term investments	1,772	1,000,000
Increase in deferred charges	(2,373,213)	(2,579,618)
Decrease (increase) in restricted deposits	2,660,800	(2,580,724)
Increase in intangible assets	(35,849)	—
Increase in other assets	(207,749)	(231,642)
Cash proceeds from merger	—	19,162,146
Net cash used in investing activities	(43,257,044)	(73,682,697)

Continued on the next page.

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2001 and 2000

In Thousand NTD

	2001	2000
Cash flows from financing activities:		
Decrease in short-term loans, net	\$ (3,243,955)	\$ (7,111,095)
Proceeds from long-term loans	5,185,910	9,423,941
Repayment for long-term loans	(20,996,521)	(6,681,765)
Proceeds from bonds issued	35,596,096	6,896,000
Proceeds from issuance of American Depositary Shares	—	38,514,773
Redemption of bonds	—	(33,015)
Cash payment for fraction of one share arising from bonds conversion	—	(4)
Increase in deposits in	361	608
Purchase of treasury stock	(4,599,643)	(1,479,064)
Directors' and supervisors' remuneration paid	(433,039)	(95,737)
Proceeds from minority stockholders on stock issuance of subsidiaries	7,106,287	1,976,031
Net cash provided by financing activities	18,615,496	41,410,673
Effect of exchange rates on cash and cash equivalents	(680,808)	(137,522)
Net increase in cash and cash equivalents	14,433,995	35,667,638
Cash and cash equivalents at the beginning of the year	62,470,073	26,802,435
Cash and cash equivalents at the end of the year	\$ 76,904,068	\$ 62,470,073
Supplemental disclosures of cash flow information:		
Cash paid for interest (excluding interest capitalized)	\$ 2,189,369	\$ 2,155,932
Cash paid for income tax	\$ 1,196,418	\$ 436,766
Investing activities partially paid by cash:		
Acquisition of property, plant and equipment	\$ 41,541,665	\$ 86,325,850
Add: Payable at the beginning of the year	13,991,449	7,099,954
Add: Increase in payable from merger	—	4,048,315
Less: Payable at the end of the year	(12,482,283)	(13,991,449)
Cash paid for acquiring property, plant and equipment	\$ 43,050,831	\$ 83,482,670
Cash proceeds from merger:		
Stock issuance for merger	\$ —	\$ 23,836,503
Erasure of shares for merged companies	—	23,227,738
Capital reserve arising from merger	—	17,152,454
Increase in net assets (excluding cash) from merger	—	(37,514,670)
Less: Cash and cash equivalents of merged subsidiary, which has been included at the beginning of year	—	(7,539,879)
Cash proceeds from merger	\$ —	\$ 19,162,146
Financing activities not affecting cash flows:		
Conversion of convertible bonds issued	\$ —	\$ 7,255,492

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

Notes to Consolidated Financial Statements

December 31, 2001 and 2000

1. General Descriptions of Reporting Entities

United Microelectronics Corporation (“United Microelectronics” or “the Company”) was incorporated in May 1980 and commenced operations in April 1982. The Company’s major business activity is the dedicated manufacturing or fabrication of semiconductor products. The Company has a broad base of clients throughout the world. The Company’s products are used in a range of applications in the telecommunications, computing, networking, consumer electronics and other markets. The Company’s common shares were publicly listed on the Taiwan Stock Exchange in July 1985 and its American Depository Shares (“ADSs”) were listed on the New York Stock Exchange in September of 2000.

United Microelectronics, United Integrated Circuits Corporation (“United Integrated Circuits”), United Silicon Incorporated (“United Silicon”), United Semiconductor Corporation (“United Semiconductor”) and UTEK Semiconductor Corporation (“UTEK Semiconductor”) were merged into one publicly-traded entity, United Microelectronics, on January 3, 2000 (See Note 10 to the consolidated financial statements).

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of United Microelectronics and certain majority owned (50% or more) subsidiaries. All inter-company accounts and transactions have been eliminated in the consolidated financial statements.

Pursuant to ROC Financial Accounting Standard No. 7 and the regulations of the Taiwan Securities and Futures Commission (“SFC”), if the total assets and operating revenues of a subsidiary are less than 10% of the total non-consolidated assets and operating revenues of United Microelectronics, respectively, the subsidiary’s financial statements may, at the option of United Microelectronics, not be consolidated. Irrespective of the above test, when the total combined assets or operating revenues of all such non-consolidated subsidiaries constitute up to 30% of United Microelectronics’ total non-consolidated assets or operating revenues, then each individual subsidiary with total assets or operating revenues up to 3% of United Microelectronics’ total non-consolidated assets or operating revenues has to be included in the consolidation.

The Company’s consolidated financial statements include the following subsidiaries:

Hsun Chieh Investment Co., Ltd. (“Hsun Chieh”), incorporated on December 31, 1999, was created for the purpose of merging the following six companies as of that date: Hung Tien Investment Corporation (“Hung Tien”), Ta Lien Investment Corporation (“Ta Lien”), Hung Lien Investment Corporation (“Hung Lien”), Tung Hsin Investment Corporation, Hsun Chieh Corporation and Holtek Investment Corporation. The Company owned 99.97% of interest in Hsun Chieh as of December 31, 2001 and December 31, 2000.

Nippon Foundry Inc. (“Nippon Foundry”) was incorporated in May 1984 in Japan and is in the business of manufacturing semiconductor products. During the year 2001, Nippon Foundry was renamed to UMC Japan (“UMCJ”). The Company owned 51.51% and 51.74% of interest in UMC Japan as of December 31, 2001 and 2000, respectively.

UMC Group (USA) ("UMC-USA") was incorporated on August 5, 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, 2001 and 2000.

UMCi Pte. Ltd. ("UMCi") was incorporated in January, 2001. United Microelectronics held a 49.82% equity interest in UMCi as of December 31, 2001. In accordance with the foundry venture agreement, The Company has the controlling influence over the UMCi's decisions on its operations, personnel, and financial policies. Therefore, UMCi is included in the consolidation.

Fortune Venture Capital Corporation and United Foundry Services Inc. were excluded from consolidation in accordance with the exclusion rules (see Note 2 - Principles of Consolidation) for the years ended December 31, 2001 and 2000. UMC Capital Corporation was excluded from consolidation in accordance with the same exclusion rules for the year ended December 31, 2001.

Principle of Business Combinations

United Microelectronics' merger in 2000 was accounted for under the purchase method.

Use of Estimates

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

Translation of Foreign Currency Transactions

The accounts of United Microelectronics are maintained in New Taiwan Dollars, the functional currency. Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the exchange rates prevailing on the transaction dates. Receivables, other monetary assets, and liabilities denominated in foreign currencies are translated into New Taiwan Dollars at the exchange rates prevailing at the balance sheet date. Exchange gains or losses are included in the current year's results. The financial statements of foreign subsidiaries and investees 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 and historical exchange rates for equity accounts. The cumulative translation effects for subsidiaries and investees using functional currencies other than the New Taiwan Dollars are included in the cumulative translation adjustment in stockholders' equity.

Derivative Financial Instruments

The Company has entered into interest rate swap and cap agreements to manage its exposure to interest rate risk. These agreements are accounted for on an accrual basis with cash settlements recorded as an adjustment to interest expense.

UMC Japan has entered into forward foreign exchange contract in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. In accordance with the Japanese new accounting standard for financial instruments which became effective January 1, 2001, derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or liability.

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 or changes in value because of changes in interest rates.

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. The market value of listed equity securities or closed-end funds is determined by the average closing price during the last month of the fiscal year. The market value for open-ended funds is determined by their equity per unit at the balance sheet date. The amount by which aggregate cost exceeds market value is reported as a loss in the current year. In subsequent periods, recoveries of 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 recorded at cost when acquired and stated at the lower of aggregate cost, based on weighted average method, or market value at the balance sheet date. The market values of raw materials and supplies are determined on the basis of net realizable value. An allowance for loss on decline in market value and obsolescence is provided, when necessary.

Long-term Investments

Investments in less than 20% owned listed companies where significant influence on operational decisions of the investees does not reside with the Company, 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 Company's investments in less than 20% owned unlisted companies are accounted for under the cost method, unless an other than temporary impairment is evident, in which case they are written down to fair value as a new cost basis.

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

Unrealized intercompany gains and losses are eliminated under the equity method. Profit from sales of depreciable assets between the investee and the Company is amortized and recognized based on the assets' economic service lives. Profit from other types of intercompany transactions is recognized when realized. The increase in the Company's proportionate share in the net assets of its investee resulting from its subscription to additional shares of stock, issued by such investee, at the rate not proportionate to its existing equity ownership in such investee, is credited to a capital reserve account. Any decrease in the Company's proportionate share in the net assets of investee is debited against the existing balance of the similar capital reserve account, where the credit balance can only be offset to zero. If any excess amount exists, it will be debited against unappropriated retained earnings.

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.

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

Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital expenditures and are depreciated accordingly. When property, plant and equipment are disposed of, their original cost and accumulated depreciation are written off and related gain, net of income tax, is transferred to capital reserve in the current year. While, gain from disposal of property, plant and equipment shall not be transferred to capital reserve starting 2001 in accordance with an amendment to Taiwan's Company Law.

Intangible Assets

Patents are amortized using the straight-line method over economic service lives. Technology know-how which consists of par value of technical shares issued to Infineon Technologies AG, will be amortized over 5 years on the straight-line basis starting from the date of operation of UMCi.

Deferred Charges

Deferred charges are stated at cost and amortized on a straight-line basis as follows: intellectual property - the contract period, or economic service lives, which ever is shorter; software - 3 years; right to use facility - 15 years; and bond issuance costs - over the life of the bonds.

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

Pension Plan

The Company has a funded defined benefit pension plan covering all regular employees. The net pension cost is computed based on an actuarial valuation in accordance with the provision of ROC SFAS No. 18, which requires consideration of pension cost components such as service cost, interest cost, expected return on plan assets and amortization of net obligation at transition. The unrecognized net asset or obligation at transition is amortized on a straight-line basis over 15 years. The pension fund is managed by an independently administered pension fund association.

Income Tax

Provision for income tax includes deferred tax resulting from temporary differences and investment tax credits. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences

between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized.

Income taxes (10%) on unappropriated earnings generated starting January 1, 1998 are recorded as expenses in the year when the stockholders have resolved that the earnings shall be retained.

Revenue Recognition

The Company has two revenue channels. In the first channel, direct sales, the Company receives orders directly from the customers and bills and ships products to the customers. In the second channel, the Company receives orders from the agents of the customers but bills and ships products to the customer directly. The agents that initiated the sales are entitled to a commission, which is billed separately by the agent to the Company. In both revenue channels, revenue is recognized based on the invoiced amounts to the customers when shipment is made and when the payment is realized or realizable.

Research and Development

Costs incurred by the Company in research and development activities are expensed as incurred.

Minority Interests

Minority interest in the income statement includes interest in the earnings or losses of less than wholly owned subsidiaries and the pre-acquisition earnings of companies acquired during the year that the Company was not entitled to recognize.

Earnings Per Share

Simple earnings per share is applied and calculated by dividing net income by weighted average number of shares outstanding during the year.

Certain Risks and Uncertainties

The Company is engaged in the foundry business of manufacturing semiconductor products and sells its products primarily in Taiwan, Asia, North America and Europe, generally without requiring collateral. The Company's products are concentrated in the semiconductor industry, which is highly competitive and rapidly changing, and its inventories are subject to rapid technological obsolescence. While the Company has programs to minimize the required inventories on hand and considers technological obsolescence in estimating required allowances to reduce amount to fair market value, such estimates could change in the future. Significant technological changes in the industry could affect operating results adversely.

Treasury Stock

The Company adopted ROC SFAS No. 30, "Accounting for Treasury Stocks" for treasury stocks held by the Company itself in accordance with the notice issued by the Securities and Futures Commission. The Statement requires that treasury stocks be accounted for under the cost method. Cost of treasury stock is shown as a deduction to stockholders' equity, while gain or loss of selling treasury stocks is treated as adjustment to capital reserves.

3. Accounting Changes

The Company's long-term investments in Unipac Optoelectronics Corporation and MediaTek Incorporation were previously accounted for under the equity method. As of September 1, 2001, Unipac Optoelectronics Corporation was merged into Acer Display Technology Inc. which is the surviving corporate entity and was renamed as AU Optronics Corporation where significant influence on operational decisions does not reside with the Company anymore. Therefore, the valuation method of the Company's investment in AU Optronics Corporation has been changed and accounted for by the lower of aggregate cost or market value method. In addition, after MediaTek Incorporation's common shares were publicly listed on the Taiwan Stock Exchange, the Company became unable to exercise significant influence over MediaTek Incorporation's decisions on its operations, personnel, and financial policies. Accordingly, the valuation method of the Company's investment in MediaTek Incorporation has been changed and accounted for by the lower of aggregate cost or market value method since the third quarter of 2001. The net impact caused by the accounting changes is considered insignificant.

4. Contents of Significant Accounts

(1) Cash and Cash Equivalents

As of December 31

In Thousand NTD

	2001	2000
Cash:		
Cash on hand	\$ 4,050	\$ 3,287
Checking and savings accounts	19,837,524	3,487,621
Certificates of deposit	47,070,856	49,999,821
Subtotal	66,912,430	53,490,729
Cash equivalents:		
Commercial paper	722,273	3,563,471
Repurchase obligations	9,269,365	5,415,873
Subtotal	9,991,638	8,979,344
Total	\$ 76,904,068	\$ 62,470,073

(2) Marketable Securities

As of December 31

In Thousand NTD

	2001	2000
Mutual funds	\$ 1,003,900	\$ —
Listed equity securities	242,634	—
Convertible bonds	39,900	—
Net	\$ 1,286,434	\$ —

(3) Notes Receivable

As of December 31

In Thousand NTD

	2001	2000
Notes receivable	\$ 113,681	\$ 296,032
Less: Allowance for doubtful accounts	—	—
Net	\$ 113,681	\$ 296,032

(4) Accounts Receivable

As of December 31

In Thousand NTD

	2001	2000
Accounts receivable	\$ 7,336,782	\$ 17,155,008
Less: Allowance for sales returns and discounts	(157,205)	(753,286)
Less: Allowance for doubtful accounts	(52,865)	(164,243)
Net	\$ 7,126,712	\$ 16,237,479

(5) Inventories

As of December 31

In Thousand NTD

	2001	2000
Raw materials	\$ 219,166	\$ 390,616
Supplies and spare parts	1,206,801	1,438,100
Work in process	3,863,899	6,721,770
Finished goods	1,284,206	2,876,297
Subtotal	6,574,072	11,426,783
Less: Allowance for loss on decline in market value and obsolescence	(856,869)	(636,206)
Net	\$ 5,717,203	\$ 10,790,577

a. The insurance coverage for inventories was sufficient as of December 31, 2001 and 2000, respectively.

b. Inventories were not pledged.

(6) Long-Term Investments

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

As of December 31

In Thousand NTD

Invested Company	2001		2000	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Investments accounted for under the equity method:				
UMC Capital Corporation	100.00	\$ 338,228	—	\$ —
United Foundry Service, Inc.	100.00	78,226	100.00	67,432
Fortune Venture Capital Corporation	99.99	3,413,388	99.99	3,766,868
Pacific Venture Capital Co., Ltd.	49.99	351,420	49.99	353,158
DuPont Photomasks Taiwan Ltd.	46.32	1,093,113	47.16	942,897
Trecenti Technologies, Inc.	40.00	1,789,838	40.00	3,427,304
Broadmedia, Inc.	39.28	—	39.38	—
Unimicron Technology Corp.	36.87	4,283,241	38.97	2,596,312
UC Fund II	35.45	161,225	—	—
Cheng Hsun Electronics Inc.	31.50	30,322	31.50	31,500
Applied Component Technology Corporation	31.00	154,821	27.96	120,328
Integrated Technology Express Inc.	28.78	330,522	28.78	336,495
Holtek Semiconductor Inc.	28.76	555,441	35.39	657,281
Radio Tek Corporation	26.90	13,450	—	—
Novatek Microelectronics Corp.	26.82	1,019,532	29.80	861,690
Faraday Technology Corp.	26.68	1,686,448	27.96	1,633,509
Harvatek Corporation	26.14	179,295	33.37	204,541
Plato Electronics (Cayman) Limited	24.50	657,858	30.00	424,539
Integrated Telecom Express, Inc.	18.99	818,348	21.24	1,039,205
Patentop, Ltd.	18.00	20,963	—	—
Advance Materials Corporation	15.78	183,209	15.78	207,521
AMIC Technology (Taiwan), Inc.	13.62	37,120	14.06	126,066
High Bandwidth Access, Inc.	11.92	19,191	31.00	31,000
SerComm Corporation	7.81	58,619	—	—
United MicroMachining Corp.	—	—	60.91	26,399
Unimicron Technology Corp. (Note)	—	—	43.93	1,364,153
Unipac Optoelectronics Corp.	—	—	38.71	7,774,055
MediaTek Incorporation	—	—	18.98	1,246,785
Enovation Group, Inc.	—	—	14.34	73,807
Subtotal		17,273,818		27,312,845

Continued on next page

Note Hsun Chieh's investment in Unimicron Technology Corp. was previously accounted for under the equity method. As of October 31, 2001, Unimicron Technology Corp. was merged into World Wiser Electronics Incorporated which is the surviving corporate entity, renamed as Unimicron Technology Corp.

(6) Long-Term Investments (Continued)

As of December 31

In Thousand NTD

Invested Company	2001		2000	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Investments accounted for under the cost method or the lower of cost or market method:				
Aptos Corp.	26.07	\$ 104,861	—	\$ —
Pacific United Technology, L.P.	25.00	34,600	—	—
Elite Flash Storage Technology Inc.	19.50	19,500	19.50	19,500
Giga Solution Technology Co., Ltd.	19.44	105,000	19.44	105,000
Everglory Resource Technology Co., Ltd.	19.03	74,000	—	—
AU Optonics Corp.	18.86	8,317,535	—	—
PixTech, Inc.	17.63	561,080	18.10	561,080
Kits On Line Technology Corp.	16.41	38,656	16.41	38,656
InComm Technology Co., Ltd.	16.00	44,480	—	—
MediaTek Incorporation	15.17	1,339,839	—	—
Union Technology Corp.	15.00	18,000	15.00	18,000
Enovation Group, Inc.	14.34	73,807	—	—
Integrated Photonics, Inc.	11.46	6,244	11.46	6,244
Sino-Aerospace Investment Corp.	11.11	25,748	11.11	86,588
National Venture Capital Corp.	11.09	60,000	11.09	60,000
Subtron Technology Co., Ltd.	11.02	339,000	11.02	339,000
Golden Technology Venture Capital Investment Corp.	10.67	80,000	10.67	80,000
NCTU Spring I Technology Venture Capital Investment Corp.	10.06	43,482	8.57	30,000
Pacific Technology Partners, L. P.	9.85	104,755	11.00	51,353
TECO Information Systems Co., Ltd.	9.26	167,602	9.26	607,924
Ascend Semiconductor Corp.	9.00	36,000	9.00	36,000
United Technology Co., Ltd.	8.52	146,250	11.25	146,250
ProSys Technology Integration, Inc	6.70	18,000	6.70	18,000
NCTU Spring Venture Capital Co., Ltd.	6.28	20,000	6.28	20,000
Vialta, Inc.	6.20	1,248,457	16.17	1,241,718
Advanced Microelectronics Product Inc.	5.50	126,000	6.36	126,000
Coretronic Corp.	5.49	276,192	—	—
Fortune Semiconductor Corp.	5.13	40,000	—	—
Cosmos Technology Venture Capital Investment Corp.	5.03	40,000	5.03	40,000
Industrial Bank of Taiwan	5.00	1,150,000	8.81	1,240,000
Chiao Tung Bank	4.98	4,991,630	4.98	4,991,630
RF Integration Corporation	4.51	98,610	—	—
Taiwan Asia Pacific Venture Fund	4.15	29,295	4.17	29,295
TECO Electric & Machinery Co., Ltd.	3.94	1,535,895	3.96	1,535,895
IBT Venture Corp.	3.81	90,000	—	—

Continued on next page

(6) Long-Term Investments (Continued)

As of December 31

In Thousand NTD

Invested Company	2001		2000	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Hantek Technology Co., Ltd.	3.14	42,330	3.34	45,030
Prokia Technology Co., Ltd.	3.13	48,000	—	—
SAMPO Corporation	2.95	443,598	2.96	443,598
Tonbu, Inc.	2.93	428,767	3.43	428,767
Sheng-Hua Venture Capital Corp.	2.50	50,000	2.50	50,000
PixArt Imaging Inc.	2.00	10,000	2.00	10,000
Largan Optoelectronics, Co., Ltd.	1.96	102,380	—	—
Premier Camera Taiwan Ltd.	0.70	27,964	0.27	27,964
Ingenus Corp.	0.65	29,812	—	29,812
King Yuan Electronics Co., Ltd.	0.37	70,000	0.38	70,000
Stark Technology Inc.	0.19	1,824	1.16	10,552
Amkor Technology, Inc.	0.09	99,541	—	—
LightCross, Inc.	—	206,880	—	—
NetEmpower Software Technologies, Inc.	—	92,388	9.42	92,388
Linden Technologies, Inc.	—	92,385	11.17	92,385
Aurora Systems, Inc.	—	72,226	2.99	72,226
Octillion Communications, Inc.	—	65,740	—	—
ForteMedia, Inc.	—	65,000	—	—
ChinaYES Infomedia (Cayman), Inc.	—	63,146	—	—
Epogy Communication, Inc.	—	49,704	—	—
Alpha & Omega Semiconductor Inc.	—	46,883	9.09	46,883
SandCraft, Inc.	—	43,063	—	—
VenGlobal Capital Fund III, L.P.	—	33,195	4.00	16,190
Primarion, Inc.	—	31,800	1.26	31,800
Formerica International Holding Inc.	—	30,898	6.51	30,898
AEM Technology, Inc.	—	28,715	17.60	28,715
Triscend Corp.	—	17,409	2.19	16,913
Broadcom Corporation	—	7,092	3.38	70,941
NetLogic Microsystems Inc.	—	3,195	0.34	3,195
Patentop, Ltd.	—	—	18.00	22,356
cnYes. Com	—	—	9.81	62,640
Sampo Semiconductor Corp.	—	—	3.38	84,420
Dyna Image Corp.	—	—	1.67	28,663
National Securities Corporation	—	—	1.26	239,316
Lite Lineonit Corp.	—	—	0.33	58,400
Lexar Media, Inc.	—	—	0.17	2,488
Unimicron Technology Corp. (convertible bonds)	—	—	—	635,572
Subtotal		23,708,453		14,180,245

Continued on next page

(6) Long-Term Investments (Continued)

As of December 31

In Thousand NTD

Invested Company	2001		2000	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Prepaid long-term investments:				
Pacific Technology Partners, L.P.	—	—	—	27,560
NCTU Spring I Technology Venture Capital Investment Corp.	—	—	—	135,995
Epogy Communication, Inc.	—	—	—	62,130
Evertrac, Inc.	—	—	—	31,275
Subtotal		—		256,960
Golf Club Membership Card		60,000		60,000
Subtotal		41,042,271		41,810,050
Cumulative translation adjustment		183,710		(26,324)
Allowance for loss on decline in market value		(469,303)		(2,268,967)
Total		<u>\$ 40,756,678</u>		<u>\$ 39,514,759</u>

b. Investment loss and income accounted for under the equity method, which were based on the audited financial statements of the investees, were NT\$(1,510) million and NT\$2,077 million for the years ended December 31, 2001 and 2000, respectively. Investment loss and income amounting to NT\$(1,357) million and NT\$320 million for the years ended December 31, 2001 and 2000, respectively and the related long-term investment balances of NT\$9,490 million and NT\$9,376 million as of December 31, 2001 and 2000, respectively, were determined based on the investees' financial statements, which were audited by other auditors.

c. The Company's investments in Unipac Optoelectronics Corp. and MediaTek Incorporation were previously accounted for under the equity method. As of September 1, 2001, Unipac Optoelectronics was merged into Acer Display Technology Inc. which is the surviving corporate entity and was renamed AU Optronics Corporation. The Company owned 18.86% interest of AU Optronics Corporation upon completion of the merger and became unable to exercise significant influence over AU Optronics' operations, personnel and financial policies. MediaTek Incorporation's shares have been publicly listed on the Taiwan Stock Exchange since July 2001. The Company also became unable to exercise significant influence over MediaTek's operations, personnel and financial policies. Accordingly, the valuation method of the Company's investments in MediaTek Incorporation and AU Optronics Corporation has been changed and accounted for by the lower of aggregate cost or market value method since the third quarter of 2001. The net impact caused by the accounting changes is considered insignificant.

d. Long-term investments of Hsun Chieh in Radio Tek Corporation, SerComm Corporation, UC Fund II, Patentop, Ltd, Harvatek Corporation, Advance Materials Corporation, High Bandwidth Access, Inc., Cheng Hsun Electronics Inc. and Plato Electronics (Cayman) Limited were accounted for under the equity method, and related investment income (loss) were recognized in the next year.

e. The long-term equity investments were not pledged.

(7) Property, Plant and Equipment

a. Total interest expense before capitalization amounted to NT\$2,730 million and NT\$3,181 million for the years ended December 31, 2001 and 2000, respectively.

b. Details of capitalized interest are as follows:

For the year ended December 31		In Thousand NTD
	2001	2000
Machinery and equipment	\$ 202,873	\$ 807,653
Other property, plant and equipment	1,150	5,757
Total interest capitalized	\$ 204,023	\$ 813,410
Interest rates applied	1.55% - 7.25%	5.08% - 7.15%

c. The insurance coverage for property, plant and equipment amounted to NT\$262,593 million and NT\$223,681 million as of December 31, 2001 and 2000, respectively.

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

(8) Short-term Loans

As of December 31		In Thousand NTD
	2001	2000
Unsecured bank loans	\$ 403,050	\$ 3,933,865
Secured bank loans	350,400	34,685
Total	\$ 753,450	\$ 3,968,550
Interest rates	0.59% - 9.50%	0.68% - 9.50%

a. The Company's unused short-term lines of credits amounted to NT\$20,272 million and NT\$32,151 million as of December 31, 2001 and 2000, respectively.

b. Please refer to Note 6 for assets pledged for short-term loans.

(9) Bonds Payable

As of December 31		In Thousand NTD
	2001	2000
Secured domestic bonds payable	\$ 3,990,000	\$ 3,990,000
Unsecured domestic bonds payable	25,000,000	—
Euro convertible bonds payable	10,596,096	—
Compensation interest payable	4,415	—
Subtotal	\$ 39,590,511	\$ 3,990,000
Less: Current portion	(1,140,000)	—
Net	\$ 38,450,511	\$ 3,990,000

a. On April 27, 2000, the Company issued five-year secured bond amounting to NT\$3,990 million with stated interest rate of 5.6%. The bonds are repayable in installments every six months from April 27, 2002 to April 27, 2005.

b. During the period from April 16 to April 27, 2001, the Company issued five-year and seven-year unsecured bonds totaling NT\$15,000 million, with face value of NT\$7,500 million, with stated interest rates of 5.1850% through 5.1195% and 5.2850% through 5.2170%, respectively. The five-year bonds and seven-year bonds are repayable starting April 2004 to April 2006 and April 2006 to April 2008, respectively, both in three yearly installments at the rates of 30%, 30% and 40%.

c. During the period from October 2 to October 15, 2001, the Company issued three-year and five-year unsecured bonds totaling NT\$10,000 million, each with face value of NT\$5,000 million, and 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 US\$302.4 million on the Luxembourg Stock Exchange. 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 five 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 shares, on or after January 22, 2002 up to and including February 20, 2004 or
- ii. In respect of the ADSs, on or after the later of January 22, 2002 and the date on which the shelf registration statement covering resales of certain ADSs issuable upon conversion of the bonds has been declared effective by the US SEC, up to and including February 20, 2004.

(d) Conversion Price

The initial conversion price

- i. In respect of the Shares, will be NT\$80.76 per Share, and
- ii. In respect of the ADSs, will be US\$11.718 per ADS.

The applicable conversion price will be subject to adjustment for, among other things, subdivision or consolidation of Shares, including Shares represented by ADSs, bonus issues, right issues, distributions of cash and stock dividends and other dilutive events.

(10) Long-term Loans

As of December 31

In Thousand NTD

	2001	2000
Unsecured long-term loans	\$ 3,022,875	\$ 290,600
Secured long-term loans	21,802,126	40,465,462
Less: Current portion	(8,580,178)	(9,212,111)
Net	\$ 16,244,823	\$ 31,543,951
Interest rates	1.55% - 5.34%	1.60% - 8.03%

a. The above long-term loans will be repaid by installments with the last payment on May 14, 2009.

b. The Company's long-term loans denominated in foreign currency amounted to US\$176 million, ¥18,423 million and US\$390 million, ¥5,500 million as of December 31, 2001 and 2000, respectively.

c. Please refer to Note 6 for assets pledged for long-term loans.

(11) Pension Fund

a. All of the regular employees of the Company are covered by the pension plan. Under the plan, the Company contributes an amount equal to 2% of the employees' total salaries on a monthly basis to the pension fund, deposited at the Central Trust of China. Pension benefits are generally based on service years. Retirement benefits are paid from fund previously provided.

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

For the year ended December 31

In Thousand NTD

	2001	2000
Service cost	\$ 375,812	\$ 413,264
Interest cost	142,885	115,600
Expected return on plan assets	(38,335)	(34,870)
Recognition of transition assets	38,523	39,367
Recognition of actuarial loss	11,433	13,636
Net periodic cost	\$ 530,318	\$ 546,997

The actuarial assumptions underlying are as follows:

For the year ended December 31

In Thousand NTD

	2001		2000	
	The Company	UMC Japan	The Company	UMC Japan
Discount rate	4.50%	2.00%	6.00%	3.00%
Increase rate of compensation	6.50%	3.71%	6.00%	3.71%
Expected return on plan assets	4.50%	1.00%	6.00%	4.62%

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

As of December 31

In Thousand NTD

	2001	2000
Vested benefit obligation	\$ (267,530)	\$ (232,773)
Non-vested benefit obligation	(544,677)	(583,038)
Accumulated benefit obligation	(812,207)	(815,811)
Effect on projected salary increase	(1,824,856)	(1,733,296)
Projected benefit obligation	(2,637,063)	(2,549,107)
Market-related value of plan assets	824,092	693,559
Funded status	(1,812,971)	(1,855,548)
Unrecognized transition obligation	326,000	322,759
Unrecognized gain or loss	63,354	460,289
Other	(2,699)	—
Accrued pension payable	(74,946)	—
Accrued pension cost per actuarial report	(1,501,262)	(1,072,500)
Over accrual	(89,760)	(11,395)
Accrued pension liabilities	\$ (1,591,022)	\$ (1,083,895)
Vested benefit	\$ 267,530	\$ 232,773

(12) Capital Stock

a. As of January 3, 2000, the official merger date, the Company completed its merger with United Semiconductor, United Integrated Circuits, United Silicon, and UTEK Semiconductor through the issuance of 2,383,650,273 shares at par of NT\$10. According to the merger agreement, the Company is the surviving company.

b. Based on the resolution of the stockholders' meeting on April 7, 2000, the Company issued 1,888,543,007 new shares from the capitalization of retained earnings of NT\$9,049 million, employees' bonus of NT\$787 million and capital reserve of NT\$9,049 million. The Company's authorized capital was also increased to 15,000,000,000 shares.

c. Based on the resolution of the stockholders' meeting on April 7, 2000, the Company issued 90,000,000 units of American Depositary Shares ("ADSs"), representing 450,000,000 common shares, on the New York Stock Exchange on September 19, 2000. Owners of ADSs are able to withdraw the underlying shares from the Company's ADSs facility after three months of the issuing date. As of December 31, 2001, the outstanding ADS was 103,500,000 units.

d. Based on the resolution of the stockholders' meeting on May 30, 2001, the Company issued 1,864,243,516 new shares from the capitalization of retained earnings of NT\$17,151 million and employees' bonus of NT\$1,491 million.

e. As of December 31, 2001, 15,000,000,000 common shares were authorized to be issued and 13,335,695,416 common shares were issued with 13,169,235,416 common shares outstanding, each at par of NT\$10.

f. Capital information of UMC Japan for 2001 and 2000 was as follows:

(a) UMC Japan had issued consecutive convertible bonds, which were fully converted into common stocks during the year 2000. Total common shares converted amounted to 17,303 shares, and capital was increased by ¥6,499 million.

(b) On February 18, 2000, UMC Japan had a two-for-one stock split, which increases common shares by 113,171 shares. On November 22, 2000, UMC Japan issued 10,627 shares at premium of ¥941,000 per share, which resulted in the increase of ¥5,000 million on both capital and capital reserve.

(c) As of December 31, 2001, UMC Japan had paid-in capital amounted to ¥26,921 million, representing 254,272 shares

(13) Treasury Stock

The Company brought back its own shares from open market during the years ended December 31, 2001 and 2000.

Details of the treasury stock transactions are as follows:

Purpose	Shares brought during the year ended December 31		In Thousand Shares As of December 31
	2001	2000	2001
For transfer to employees	4,990	32,435	37,425
For conversion of the convertible bonds into shares	129,035	—	129,035
Total	134,025	32,435	166,460

According to Stock Exchange Regulations of Taiwan, total shares of treasury stocks shall not exceed 10% of the Company's stocks issued. Total purchase amount shall not exceed sum of retained earnings and capital reserve-premiums and realized capital reserves. The Company's treasury stock possession did not, at any time during 2001, violate the regulation stated above. As of December 31, 2001, the Company held 166,460,000 shares of treasury stocks, which amounted to NT\$6,079 million.

Treasury stock shall not be pledged, nor does it possess voting rights or receive dividends, in compliance with Stock Exchange Regulations of Taiwan.

The Company and subsidiary (Hsun Chieh) owned treasury stocks of 587,369,090 shares in total cost of NT\$35,671 million as of December 31, 2001.

(14) Retained Earnings

In accordance with the United Microelectronics' Articles of Incorporation, current year's earnings before tax, if any, shall be distributed in the following order:

- Payment of all taxes and dues;
- Offset prior years' operating losses;
- Set aside 10% of the remaining amount after deducting items a and b as legal reserve;
- Set aside 0.1% (the year 2000: 1%) of the remaining amount after deducting items a, b, and c as directors' and supervisors' remuneration; and
- After deducting items a, b, c and d above from the current year's earning, any portion of the remaining amount is allocated as follows: 8% as employees' bonus; and 92% as stockholders' dividends.

Our articles of incorporation further provide that at least 65% of the dividends to our stockholders, if any, must be paid in the form of stock dividends. Accordingly, no more than 35% of the dividends can be paid in the form of cash.

(15) Earnings Per Share

For the year ended December 31

In Thousand NTD

	2001	2000
Net (loss) income	\$ (3,157,302)	\$ 50,780,378
	In Thousand Shares	
Outstanding shares at beginning	11,439,017	6,654,997
New shares issued due to merger	—	2,383,650
Equivalents shares due to ADSs offering	—	127,500
Stock dividends and employees' bonus at 20.87%	—	1,886,366
Shares converted from convertible bonds	—	67,952
Stock dividends and employees' bonus at 16.30%	1,864,244	1,812,636
Weighted average treasury stocks	(473,646)	(426,051)
Outstanding weighted average shares	12,829,615	12,507,050
Earnings per share		
Net (loss) income (in New Taiwan Dollars)	\$ (0.25)	\$ 4.06

(16) Income Tax

Reconciliation between the income tax benefit and the income tax calculated on pre-tax financial income based on the statutory tax rate is as follows:

For the year ended December 31

In Thousand NTD

	2001	2000
Tax on pre-tax (loss) income at statutory tax rate	\$ (1,868,553)	\$ 11,750,697
Estimated temporary and permanent differences	(180,903)	(5,037,098)
Change in investment tax credit	(8,842,305)	(5,288,099)
Change in valuation allowance against deferred tax assets	6,861,925	—
Change in tax rate	(1,142,582)	—
10% income tax on unappropriated earnings	1,909,261	—
Adjustment of prior year's tax expense	201,480	(136,744)
Loss carryforward	—	(1,410,160)
Tax on interest revenue separately taxed	21,688	30,342
Income tax benefit	\$ (3,039,989)	\$ (91,062)

Deferred income tax assets and liabilities were as follows:

As of December 31

In Thousand NTD

	2001	2000
Deferred income tax assets - current	\$ 7,407,818	\$ 3,546,454
Deferred income tax liabilities - current	(18,177)	(23,211)
Valuation allowance for deferred tax assets	(3,434,774)	(2,368,442)
Net	\$ 3,954,867	\$ 1,154,801
Deferred income tax assets - noncurrent	\$ 16,091,885	\$ 9,272,426
Deferred income tax liabilities - noncurrent	(4,222,898)	(2,238,379)
Valuation allowance for deferred tax assets	(7,497,756)	(3,217,677)
Net	\$ 4,371,231	\$ 3,816,370

Significant components of deferred income tax assets and liabilities were as follows:

As of December 31

In Thousand NTD

	2001		2000	
	Amount	Tax Effect	Amount	Tax Effect
Current items:				
Temporary difference				
Allowance for sales returns and discounts	\$ 448,037	\$ 112,009	\$ 1,063,161	\$ 212,632
Others	1,504,156	446,295	1,288,802	401,001
Loss carryforward	13,945,181	3,532,955	—	—
Investment tax credits		3,298,382		2,909,610
Valuation allowance		(3,434,774)		(2,368,442)
Net		\$ 3,954,867		\$ 1,154,801
Non-current items:				
Temporary difference				
Depreciation	\$ (16,786,227)	\$ (4,195,274)	\$ (11,184,189)	\$ (2,235,162)
Pension	1,404,227	352,229	932,463	187,805
Others	256,107	70,182	1,640,217	373,416
Loss carryforward	750,853	313,407	—	—
Investment tax credits		15,328,442		8,707,988
Valuation allowance		(7,497,755)		(3,217,677)
Net		\$ 4,371,231		\$ 3,816,370

The Company's income tax returns through the year 1997 were assessed and approved by the Tax Authority.

Pursuant to the "Statute for the Establishment and Administration of Science-Based Industrial Park", the Company was granted several periods of tax holidays with respect to income derived from approved investments. The tax holidays will expire on December 31, 2003. As of December 31, 2001, the Company's unused investment tax credits amounted to NT\$18,627 million.

The Company is located in the Hsin-Chu Science-Based Industrial Park ("HSIP"). In order for business operations to be eligible to locate in the HSIP, the operations must be high technology related manufacturing activities. Based on the HSIP regulations, a preferential income tax rate of 20%, instead of 25% applicable to other business entities located in Taiwan, is imposed on profits generated from HSIP business operations through 2000. Starting 2001, the preferential income tax rate of 20% is no longer available to HSIP business operations and was changed to the standard rate of 25%.

The new Taiwan imputation tax system requires that any undistributed current earnings, on tax basis of a company derived on or after January 1, 1998 be subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional tax on undistributed earnings paid by the Company can be used as tax credit by stockholders, including foreign stockholders, against the withholding tax on dividends. In addition, the domestic stockholders can claim a proportionate share in the Company's corporate income tax as tax credit against its individual income tax liability effective 1998.

As of December 31, 2001, the ending balance of unappropriated earnings amounted to NT\$ 21,179 million, of which NT\$64 million was earned prior to January 1, 1998.

As of December 31, 2001, the balance of imputation credit account ("ICA") was NT\$372 million. The expected creditable ratio for the appropriation of 2001 earnings is 1.76 %. The actual creditable ratio for the appropriation of 2000 earnings was 1.04%.

5. Related Party Transaction

(1) Name and Relationship of Related Parties

Name of related parties	Relationship with the Company and subsidiaries
AMIC Technology (Taiwan), Inc. (AMIC-Taiwan)	Investee of the Company
DuPont Photomasks Taiwan Ltd. (DPT)	Investee of the Company
Holtek Semiconductor Inc. (Holtek)	Investee of the Company
Faraday Technology Corporation (Faraday)	Investee of the Company
MediaTek Incorporation (MediaTek)	The Company is its director and supervisor
Chiao Tung Bank (Chiao Tung)	The Company is its director and supervisor
Industrial Bank of Taiwan (IBT)	The Company is its major stockholder
United Microelectronics (Europe) B.V.(UMC BV)	A director is the chairman of the Company
Infineon Technologies, Asia Pacific Pte Ltd.(ITAP)	Affiliated company of UMCi

(2) Significant Related Party Transactions**a. Operating revenues**

For the year ended December 31

In Thousand NTD

	2001		2000	
	Amount	Percentage	Amount	Percentage
UMC BV	\$ 6,038,583	9	\$ 11,922,113	11
MediaTek	3,569,172	5	4,938,704	4
Others	5,249,313	7	11,856,181	10
Total	\$ 14,857,068	21	\$ 28,716,998	25

The sales to 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. Prior to June 2000, the collection period was net 60 days for overseas sales while month end 60 days for domestic sales. Starting from June 2000, the collection periods for overseas sales are net 45 - 60 days for the related parties and third-party customers, while the terms for domestic sales are month end 45 - 60 days for both the related parties as well as the third-party customers.

b. Purchases

For the year ended December 31

In Thousand NTD

	2001		2000	
	Amount	Percentage	Amount	Percentage
DPT	\$ 1,080,725	6	\$ 961,567	2
Others	255,872	1	493,646	1
Total	\$ 1,336,597	7	\$ 1,455,213	3

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

c. Notes receivable

As of December 31

In Thousand NTD

	2001		2000	
	Amount	Percentage	Amount	Percentage
Holtek	\$ 77,843	36	\$ 161,785	33
Others	24,168	11	27,760	6
Total	\$ 102,011	47	\$ 189,545	39

d. Accounts receivable

As of December 31

In Thousand NTD

	2001		2000	
	Amount	Percentage	Amount	Percentage
MediaTek	\$ 1,046,372	12	\$ 189,338	1
UMC BV	116,965	1	2,119,103	10
Others	983,923	11	1,887,358	10
Subtotal	2,147,260	24	4,195,799	21
Less: Allowance for sales returns and discounts	(290,832)	(3)	(454,747)	(2)
Less: Allowance for doubtful accounts	(95,540)	(1)	(117,265)	(1)
Net	\$ 1,760,888	20	\$ 3,623,787	18

e. Other receivables

As of December 31

In Thousand NTD

	2001		2000	
	Amount	Percentage	Amount	Percentage
ITAP	\$ 1,922,207	63	\$ —	—
Others	28,095	1	111,509	8
Subtotal	1,950,302	64	111,509	8
Less: Allowance for doubtful accounts	(705)	—	(503)	—
Net	\$ 1,949,597	64	\$ 111,006	8

f. Accounts payable

As of December 31

In Thousand NTD

	2001		2000	
	Amount	Percentage	Amount	Percentage
DPT	\$ 218,285	7	\$ 181,075	3
Others	34,678	1	142,620	2
Total	\$ 252,963	8	\$ 323,695	5

g. Loans

For the year ended December 31, 2001

In Thousand NTD

	Maximum Balance		Ending Balance	Interest Rate	Interest Expense
	Amount	Month			
Chiao Tung	\$ 4,091,316	January	\$ 1,224,575	4.00% - 7.00%	\$ 221,359
IBT	998,750	January	998,750	3.94% - 6.42%	54,582
			<u>\$ 2,223,325</u>		<u>\$ 275,941</u>

For the year ended December 31, 2000

In Thousand NTD

	Maximum Balance		Ending Balance	Interest Rate	Interest Expense
	Amount	Month			
Chiao Tung	\$ 5,543,077	March	\$ 4,014,861	0.87% - 8.39%	\$ 285,863
IBT	998,750	June	998,750	6.10% - 6.43%	64,137
			<u>\$ 5,013,611</u>		<u>\$ 350,000</u>

h. Disposal of long-term investments

None for the year ended December 31, 2001

For the year ended December 31, 2000

In Thousand NTD

Item		Amount	Gain (Loss)
AMIC-Taiwan	Common stocks of AMIC Technology Inc.	\$ 135,000	\$ (80,517)

i. Disposal of property, plant and equipment

For the year ended December 31, 2001

In Thousand NTD

Item		Amount	Gain (Loss)
Holtek	Building and facilities	\$ 173,250	\$ 31,468

None for the year ended December 31, 2000

j. Other transactions

The Company and subsidiaries have made several transactions, including processing expenditures, commissions, service charges etc, with other related parties totaled to approximately NT\$249 million and NT\$474 million for the years ended December 31, 2001 and 2000, respectively.

Among other transactions, the Company has entered into an intellectual property development contract, amounted to approximately NT\$526 million, with Faraday Technology Corporation during 2001. As of December 31, 2001, the Company had paid NT\$72 million with the unaccrued portion of the contract in approximately NT\$454 million.

6. Assets Pledged as Collateral

In Thousand NTD

	As of December 31		Subject of Collateral
	2001	2000	
Accounts receivable	\$ 2,798,906	\$ —	Short-term loans
Restricted deposits	264,700	2,947,400	Long-term loans
Land	614,544	627,917	Long-term loans
Buildings	6,126,811	5,442,085	Long-term loans
Machinery and equipment	33,513,570	53,433,054	Long-term and short-term loans
Total	\$ 43,318,531	\$ 62,450,456	

7. Commitments and Contingent Liabilities

(1) The Company's and subsidiary's unused letters of credit for import machinery were approximately NT\$2,292 million as of December 31, 2001.

(2) The Company and subsidiary entered into contracts, amounted to approximately NT\$21.9 billion, with third parties for rights to use patents registered by the third parties. Royalty payable for the consecutive 5 years starting 2002 through 2006 are approximately NT\$4.6 billion, NT\$2.9 billion, NT\$1.2 billion, NT\$1.3 billion, and NT\$1.3 billion, respectively, with the rest of the contract period, starting 2007 through 2011, payable of NT\$0.5 billion.

(3) The Company and subsidiaries have signed several construction contracts for the expansion of factory space. As of December 31, 2001, these construction contracts amounted to approximately NT\$5.9 billion with the unaccrued portion of the contracts in approximately NT\$4 billion.

(4) A number of third parties have notified the Company of its alleged infringement on the patents held by those third parties (including EMI, Intel, NEC, etc.), and have demanded that the Company obtain a license for various semiconductor fabrication techniques and circuit designs. The Company commenced evaluation of the specific patents involved, and the preliminary discussions with the third parties regarding licensing terms. The Company's management indicated a willingness to obtain licenses, wherever required and necessary, to continue the Company's business. As of December 31, 2001, the Company evaluated that there was no need to accrue any related expense yet.

(5) In April 1998, Oak Technology Inc. filed a lawsuit with International Trade Commission (ITC) of USA against the Company for alleged violation of the settlement agreement for patents held in relation to its CD ROM controller chip. On September 27, 1999, the ITC issued a ruling affirming that there was no infringement. Oak has appealed the finding of non-infringement to the Federal Circuit Court of Appeals. The Company's management believes that this complaint will not have a material adverse effect on the Company's operations and financial performances, since the Company no longer includes any sales of UMC CD ROM controllers in its financial plans.

(6) The Company and subsidiaries entered into several operating lease contracts. Future minimum lease payments under those leases with original maturities, which extend for more than one year as of December 31, 2001, are as follows:

For the year ended	Amount	In Thousand NTD
December 31, 2002	\$ 185,244	
December 31, 2003	187,662	
December 31, 2004	186,050	
December 31, 2005	178,342	
December 31, 2006	153,288	
January 1, 2007 and thereafter	1,886,149	
Total	<u>\$ 2,776,735</u>	

(7) The Company entered into several wafer-processing contracts with its main clients. According to the contracts, the Company shall guarantee processing capacity, while the clients make deposits to the Company. In case the clients' orders do not meet the capacity guaranteed, the clients need to pay the Company penalties.

(8) The Company entered into two three-year purchase agreements that committed the Company to purchase at least 75% of its 8-inch wafer consumption from two of its suppliers for the contract period.

(9) As of December 31, 2001, Hsun Chieh has committed to repurchase marketable securities at the amount of NT\$130 million.

(10) As of December 31, 2001, UMC Japan has guaranteed the debts of its employees amounted to ¥138 million.

8. Significant Disaster Loss

None.

9. Significant Subsequent Event

At January 18, 2002, the company has entered into an agreement with Happy Wealth Holdings Limited to sell certain machinery and equipment at the price of approximately US\$255 million. The carrying value of the machinery to be sold as of December 31, 2001 was approximately NT\$8.9 billion.

10. Others

(1) The Company completed its merger with United Semiconductor, United Integrated Circuits, United Silicon and UTEK Semiconductor on January 3, 2000 through the issuance of 2,383,650,273 shares. Under ROC GAAP, the fair value of

the net assets received is deemed to be the value of the consideration for the acquisition of the remaining interests in United Semiconductor, United Silicon, UTEK Semiconductor and United Integrated Circuits and is reflected in the common stock and capital reserve in the balance sheet.

(2) Certain reclassifications have been made for consistent presentation.

(3) The elimination entries between the controlling company and subsidiaries.

a. Elimination of the investment in subsidiaries and the related equity balances

In Thousand NTD

Entries	2001		2000	
	Debit	Credit	Debit	Credit
Accumulated depreciation	1,556,809		1,057,094	
Other intangible assets	22,779		1,713	
Common Stock	21,927,913		17,109,886	
Capital reserve	46,250,900		28,426,769	
Cumulative translation adjustment	—		134,675	
Retained earnings	6,322,206		9,757,395	
Long-term investments		46,200,091		33,338,210
Minority interests		16,006,978		7,513,749
General and administrative expenses		545,518		551,976
Unrealized loss on long-term investments		9,918,510		12,293,617
Buildings		1,729,788		1,729,788
Machinery and equipment		864,894		864,894
Deferred charges		78,119		195,298
Treasury stock		8		—
Cumulative translation adjustment		736,701		—

b. Elimination of holding interests

In Thousand NTD

Entries	2001		2000	
	Debit	Credit	Debit	Credit
Treasury stock	29,592,654		29,592,654	
Allowance for loss on decline of long-term investments	9,449,208		11,538,948	
Long-term investment		29,592,654		29,592,654
Unrealized loss on long-term investments		9,449,208		11,538,948

c. Elimination of inter-company profits and losses

In Thousand NTD

Entries	2001		2000	
	Debit	Credit	Debit	Credit
Minority interests	412,510		—	
Sales revenue	27,542,970		42,191,764	
Other operating revenues	67,846		1,623,192	
Realized intercompany profit	86,949		202,790	
Other current liabilities	—		89,625	
Investment income	197,345		3,714,197	
Other income	3,206		3,171	
Rental revenue	—		60	
Minority interest in income	—		1,639,842	
Cost of goods sold		25,568,589		43,427,238
Selling expenses		—		127,961
General and administrative expenses		3,146		60
Other operating costs		1,737,617		—
Other losses		60		3,171
Deferred charges		—		89,625
Inventories		—		90,684
Minority interest in loss		368,746		—
Sales returns and allowances		482,243		306,745
Long-term investments		150,425		3,779,315
Minority interest		—		1,639,842

d. Elimination of other reciprocal balance

In Thousand NTD

Entries	2001		2000	
	Debit	Credit	Debit	Credit
Capacity deposits and other deposits	414,005		2,010,494	
Other liabilities - other	1,712,138		—	
Accounts payable - related parties	2,415,901		6,918,723	
Accrued expenses	89,510		—	
Other current liabilities	1,555,766		—	
Accounts receivable - related parties		2,415,831		6,918,245
Other receivables - related parties		89,580		478
Prepaid expenses		60		—
Technology know-how		1,712,138		—
Deposits out		1,969,711		2,010,494

11. Investment in Mainland China

None.

12. Additional Disclosures

The followings are the additional disclosure requirements for United Microelectronics and affiliates pursuant to SFC requirements:

- (1) Loans to others attributed to financial activities as of December 31, 2001: Please see Attachment 1.
- (2) The endorsements and guarantees provided to others as of December 31, 2001: Please see Attachment 2.
- (3) The ending balance of securities held as of December 31, 2001: Please see Attachment 3.
- (4) The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001: Please see Attachment 4.
- (5) Acquisition of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of capital stock for the year 2001: Please see Attachment 5.
- (6) Disposal of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of capital stock for the year 2001: Please see Attachment 6.
- (7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year 2001: Please see Attachment 7.
- (8) Receivables from related parties exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2001: Please see Attachment 8.
- (9) Related information on invested companies as of December 31, 2001: Please see Attachment 9.
- (10) Transactions of derivative financial instruments:

The relevant information on the derivative financial instruments entered into by the Company and subsidiary is as follows:

a. The Company entered into some Interest Rate Swap ("IRS") contracts with certain banks. The major information is as follows:

(a) Purposes: to hedge interest rate risk. The Company entered into several Interest Rate Swap contracts in 2000. The related interest revenue amounted to approximately NT\$8 million.

(b) Notional amount and contract period:

As of December 31, 2000

Notional amount	Contract period
US\$ 10 million	November 28, 1996 - May 28, 2001 (As a result of last closing for the contract, there was no more mutual interest obligation for the period from November 28, 2000 through May 28, 2001.)

(c) Terms and characteristics of the swaps:

- i. Term: These transactions were settled on a semi-annual basis. The Company agreed to pay to the banks on each payment date, an amount equal to the notional amount multiplied by a fixed rate. The Company received the floating rate interest, which was based on the 6 months USD-LIBOR-BBA rate on the day that was two London Banking Days preceding any reset date, from the bank.
- ii. Credit risk: There was no significant credit risk with respect to the above three transactions because the banks had good global standing.
- iii. Market risk: The market risk was low due to the nature of the swaps.
- iv. The gains resulted from the IRS contracts were NT\$0.4 million for the year ended December 31, 2000.

b. UMC Japan entered into foreign currency forward exchange contract with certain bank on December 17, 2001.

The major information is as follows:

(a) Purposes: to manage certain risks arising from adverse fluctuations in foreign currency exchange rates.

(b) Notional amount and contract period:

As of December 31, 2001

Notional amount	Contract period
US\$ 3 million	January 4, 2002 - January 31, 2002

(c) Terms and characteristics of the forward exchange:

i. Term: UMC Japan agrees to purchase US\$3 million using the contracted forward rate in USD/¥127.77 during the contract period.

ii. Credit risk: There is no significant credit risk with respect to the above transaction because the bank has good global standing.

iii. Market risk: The market risk is low due to the nature of the forward exchange.

c. Non-derivative financial instruments

As of December 31

In Thousand NTD

	2001		2000	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Cash and cash equivalents	\$ 76,904,068	\$ 76,904,068	\$ 62,470,073	\$ 62,470,073
Marketable securities	1,286,434	1,461,610	—	—
Receivables	12,134,465	12,134,465	21,802,266	21,802,266
Long-term investments	40,756,678	82,879,283	39,514,759	45,029,489
Financial Liabilities				
Short-term loans	\$ 753,450	\$ 753,450	\$ 3,968,550	\$ 3,968,550
Payables	21,332,320	21,332,320	26,843,688	26,843,688
Long-term loans (current portion included)	24,825,001	24,825,001	40,756,062	40,756,062
Bonds payable (current portion included)	39,590,511	41,805,353	3,990,000	4,024,031

The methods and assumptions used to measure the fair values of non-derivative financial instruments are as follows:

(a) The carrying amounts of short-term financial assets and liabilities (excluding marketable securities) approximate fair values due to their short maturities.

(b) The fair values of marketable securities and long-term investments are based on the market value of the securities or, if market value is unavailable, the net equities of the investees are used as fair value.

(c) Fair value of bonds payable is determined by the market value.

(d) The carrying value of long-term loans approximates the fair value as the loans bear floating rates.

13. Segment Information

(1) Operations in different industries:

The Company operates principally in one industry. The Company's major operation is the manufacture of semiconductor products.

(2) Operations in different geographic areas:

In Thousand NTD

2001	Taiwan	North America	Others	Eliminations	Consolidated
Sales to unaffiliated customers	\$ 37,415,078	\$ 27,732,855	\$ 4,668,866	\$ —	\$ 69,816,799
Sales between geographic areas	27,078,329	—	50,244	(27,128,573)	—
Net operating revenues	\$ 64,493,407	\$ 27,732,855	\$ 4,719,110	\$ (27,128,573)	\$ 69,816,799
Gross profit	\$ 9,130,995	\$ 529,532	\$ (502,321)	\$ 90,684	\$ 9,248,890
Operating expenses					(15,661,143)
Non-operating income					6,270,300
Non-operating expenses					(6,424,084)
Net loss before income taxes and minority interest					\$ (6,566,037)
Minority interest in loss					\$ 368,746
Identifiable assets	\$ 241,286,977	\$ 5,538,479	\$ 40,392,656	\$ (7,280,533)	\$ 279,937,579
Long-term investments					40,756,678
Total assets					\$ 320,694,257
2000	Taiwan	North America	Others	Eliminations	Consolidated
Sales to unaffiliated customers	\$ 62,136,345	\$ 43,490,898	\$ 9,982,096	\$ —	\$ 115,609,339
Sales between geographic areas	42,948,375	—	559,836	(43,508,211)	—
Net operating revenues	\$ 105,084,720	\$ 43,490,898	\$ 10,541,932	\$ (43,508,211)	\$ 115,609,339
Gross profit	\$ 53,601,521	\$ 678,815	\$ 4,201,721	\$ (283,763)	\$ 58,198,294
Operating expenses					(10,654,897)
Non-operating income					8,455,404
Non-operating expenses					(3,669,643)
Net income before income taxes and minority interest					\$ 52,329,158
Minority interest in (income)					\$ (1,639,842)
Identifiable assets	\$ 245,943,055	\$ 10,170,841	\$ 25,000,896	\$ (10,840,699)	\$ 270,274,093
Long-term investments					39,514,759
Total assets					\$ 309,788,852

(3) Export sales:

For the year ended December 31

In Thousand NTD

	2001	2000
	Sales Revenue	Sales Revenue
Asia (Taiwan excluded)	\$ 8,787,824	\$ 13,076,590
North America	24,671,440	50,246,886
Europe and others	13,533,853	21,851,471
Total	\$ 46,993,117	\$ 85,174,947

(4) Major customers:

The customer that accounts for at least 10% of net sales for the years ended December 31, 2001 and 2000:

For the year ended December 31

In Thousand NTD

	2001		2000	
	Amount	Percentage	Amount	Percentage
Customer A	\$ 7,727,540	11	\$ 13,846,867	12

Attachments to Notes

Attachment 1 Loans to others attributed to financial activities as of December 31, 2001 (Amount in Thousand NTD unless otherwise stated)

No.	Name of the lending company	Name of the borrowers	Accounts name	The highest balance during 2001	The ending balance	Interest rate	Nature of financing	The yearly amount of sales to (purchase from) the borrower	The reason for lending	Bad debt allowance provided	Collateral	Value of collateral	The credit limit set up by the Company for its respective borrower	The ceiling of fund financing
1	UMC Group (USA)	The Company's employees	Receivable from employees' loans	US\$ 2,729,341	US\$ 2,708,451	7.00%	Note	None	Employee loan	—	Employee securities	Higher	N/A	N/A
2	UMCi Pte. Ltd.	Infineon Technologies, Asia Pacific Pte Ltd.	Other receivable	US\$ 55,000,000	US\$ 55,000,000	BBA 3-Months Libor	Note	None	Company's loan	—	None	N/A	N/A	N/A

Note Need for short-term financing.

Attachment 2 The endorsements and guarantees provided by the Company to others as of December 31, 2001 (Amount in Thousand NTD unless otherwise stated)

No.	Guarantor	Guarantee	Relationship with the Company	The limit of guarantee for such party	The highest outstanding guarantee amount during 2001	The outstanding guarantee amount at December 31, 2001	The amount of guarantee with collateral placed	The ratio of accumulated guarantee amount to net value of the Company	The ceiling of the outstanding guarantee for the respective party
1	UMC Japan	A director and employee	A director and employee	N/A	¥ 1,200,640,000	¥ 138,240,000	¥ 1,000,000,000	0.20	¥ 1,000,000,000

Attachment 3 The ending balance of securities held by the Company as of December 31, 2001 (Amount in Thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)
United Microelectronics Corporation								
Fund	KGI Pioneer Fund	None	Short-term investment	500	5,000	N/A	5,505	None
Fund	IIT Increment Fund	None	Short-term investment	6,862	95,000	N/A	95,360	None
Fund	PITC Home Run Bond Fund	None	Short-term investment	7,337	93,900	N/A	94,236	None
Fund	FGIT Duo-Li-II Bond Fund	None	Short-term investment	6,735	90,000	N/A	90,343	None
Fund	Capital Safe Income Bond Fund	None	Short-term investment	7,090	95,000	N/A	95,340	None
Fund	NITC Taiwan Bond Fund	None	Short-term investment	6,238	80,000	N/A	80,284	None
Fund	Jih Sun Bond Fund	None	Short-term investment	6,436	80,000	N/A	80,282	None
Fund	FGIT Wan-Tai Bond Fund	None	Short-term investment	7,404	95,000	N/A	95,349	None
Fund	FGIT Duo-Li Bond Fund	None	Short-term investment	5,913	90,000	N/A	90,320	None
Fund	Apolloles B.B Bond Fund	None	Short-term investment	8,720	90,000	N/A	90,326	None
Fund	PITC Janes Bond Fund	None	Short-term investment	6,736	95,000	N/A	95,301	None
Fund	IIT High-Yield Fund	None	Short-term investment	7,224	95,000	N/A	95,296	None
Convertible bonds	Coretronic Corp. - Convertible bonds	None	Short-term investment	399	39,900	N/A	49,073	None
Stock	Aluminum Corporation of China Ltd.	None	Short-term investment	7,000	42,634	N/A	42,415	None
Stock	United Foundry Service, Inc.	Investee company	Long-term investment	2,005	78,226	100.00	N/A	None
Stock	UMC Group (USA)	Investee company	Long-term investment	16,438	593,171	100.00	N/A	None
Stock	UMC Capital Corporation	Investee company	Long-term investment	10,000	338,228	100.00	N/A	None
Stock	Fortune Venture Capital Corporation	Investee company	Long-term investment	299,994	3,413,388	99.99	N/A	None
Stock	Hsun Chieh Investment Corporation	Investee company	Long-term investment	1,417,294	31,062,635	99.97	N/A	None
Stock	UMCi Pte. Ltd.	Investee company	Long-term investment	212,250	7,167,916	49.82	N/A	None
Stock	Pacific Venture Capital Co., Ltd.	Investee company	Long-term investment	30,000	351,420	49.99	N/A	None
Stock	UMC Japan	Investee company	Long-term investment	120	7,149,137	47.10	33,281,183	None
Stock	DuPont Photomasks Taiwan Ltd.	Investee company	Long-term investment	88,057	1,093,113	46.32	N/A	None
Stock	Trecenti Technologies, Inc.	Investee company	Long-term investment	240	1,789,838	40.00	N/A	None
Stock	Broadmedia, Inc.	Investee company	Long-term investment	10,000	—	39.28	N/A	None
Stock	Applied Component Technology Corporation	Investee company	Long-term investment	15,808	154,821	31.00	288,271	None
Stock	Integrated Technology Express Inc.	Investee company	Long-term investment	26,854	330,522	28.78	N/A	None
Stock	Holtek Semiconductor Inc.	Investee company	Long-term investment	44,114	555,441	28.76	N/A	None

Continued on next page

Attachment 3 (Continued) The ending balance of securities held by the Company as of December 31, 2001

(Amount in Thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)
United Microelectronics Corporation								
Stock	Novatek Microelectronics Corp.	Investee company	Long-term investment	63,068	1,019,532	26.82	5,420,778	None
Stock	Unimicron Technology Corp.	Investee company	Long-term investment	157,879	2,850,322	24.20	5,267,135	None
Stock	Faraday Technology Corp.	Investee company	Long-term investment	25,958	435,458	20.45	4,142,888	None
Stock	AU Optronics Corp.	The Company is the director and supervisor	Long-term investment	560,276	8,317,535	18.86	18,379,862	None
Stock	PixTech, Inc.	None	Long-term investment	9,883	561,080	17.63	129,084	None
Stock	Integrated Telecom Express, Inc.	Investee company	Long-term investment	7,000	634,606	16.39	392,795	None
Stock	MediaTek Incorporation	The Company is the director and supervisor	Long-term investment	47,949	1,339,839	15.17	24,289,322	None
Stock	AMIC Technology (Taiwan), Inc.	Investee company	Long-term investment	16,200	37,120	13.62	N/A	None
Stock	Sino-Aerospace Investment Corp.	None	Long-term investment	28,500	25,748	11.11	N/A	None
Stock	National Venture Capital Corporation	None	Long-term investment	6,000	60,000	11.09	N/A	None
Stock	Aptos Corp.	None	Long-term investment	1,772	23,087	9.68	N/A	None
Stock	United Technology Co., Ltd.	None	Long-term investment	13,185	146,250	8.52	N/A	None
Stock	TECO Information Systems Co., Ltd.	None	Long-term investment	19,417	145,654	8.05	N/A	None
Stock	Subtron Technology Co., Ltd.	None	Long-term investment	16,000	240,000	7.41	N/A	None
Stock	Industrial Bank of Taiwan	The Company is its major stockholder	Long-term investment	118,242	1,150,000	5.00	N/A	None
Stock	TECO Electric & Machinery Co., Ltd.	None	Long-term investment	77,109	1,535,895	3.94	839,179	None
Stock	Tonbu, Inc.	None	Long-term investment	938	243,750	2.93	N/A	None
Stock	Vialta, Inc.	None	Long-term investment	8,360	622,835	3.10	N/A	None
Stock	Chiao Tung Bank	The Company is the director and supervisor	Long-term investment	83,250	3,108,656	3.07	1,734,753	None
Stock	SAMPO Corporation	None	Long-term investment	35,190	443,598	2.95	294,087	None
Stock	Premier Camera Taiwan Ltd.	None	Long-term investment	2,450	27,964	0.70	158,117	None
Stock	Stark Technology Inc.	None	Long-term investment	254	1,824	0.19	33,086	None
Fund	Pacific United Technology, L.P.	None	Long-term investment	—	34,600	25.00	N/A	None
Fund	Pacific Technology Partners, L.P.	None	Long-term investment	—	104,755	9.85	N/A	None
Hsun Chieh Investment Corporation								
Stock	UC Fund II	Investee company	Long-term investment	5,000	161,225	35.45	N/A	None
Stock	Cheng Hsun Electronics Inc.	Investee company	Long-term investment	3,150	30,322	31.50	N/A	None
Stock	Harvatek Corporation	Investee company	Long-term investment	14,033	179,295	26.14	N/A	None
Stock	Plato Electronics (Cayman) Limited	Investee company	Long-term investment	14,193	657,858	24.50	N/A	None
Stock	Elite Flash Storage Technology, Inc.	The Company is the director and supervisor	Long-term investment	1,950	19,500	19.50	N/A	None
Stock	Giga Solution Technology Co., Ltd.	The Company is the director and supervisor	Long-term investment	8,750	105,000	19.44	N/A	None
Stock	Everglory Resource Technology Co., Ltd.	The Company is the director	Long-term investment	3,700	74,000	19.03	N/A	None
Stock	Patentop, Ltd.	Investee company	Long-term investment	720	20,963	18.00	N/A	None
Stock	Kits On Line Technology Corp.	The Company is the director	Long-term investment	3,200	38,656	16.41	N/A	None
Stock	Aptos Corp.	The Company is the director	Long-term investment	3,000	81,774	16.39	N/A	None
Stock	InComm Technology Co., Ltd.	The Company is the director	Long-term investment	3,200	44,480	16.00	N/A	None
Stock	Advance Materials Corporation	Investee company	Long-term investment	14,994	183,209	15.78	N/A	None
Stock	Union Technology Corp.	The Company is the director and supervisor	Long-term investment	1,800	18,000	15.00	N/A	None
Stock	Enovation Group, Inc.	The Company is the director	Long-term investment	7,172	73,807	14.34	N/A	None
Stock	High Bandwidth Access, Inc.	Investee company	Long-term investment	2,861	19,191	11.92	N/A	None
Stock	Integrated Photonics, Inc.	None	Long-term investment	300	6,244	11.46	N/A	None
Stock	Golden Technology Venture Capital Investment Corp.	The Company is the director	Long-term investment	8,000	80,000	10.67	N/A	None
Stock	RF Integration Corporation	The Company is the director	Long-term investment	3,900	98,610	4.51	N/A	None
Stock	NTCU Spring I Technology Venture Capital Investment Corp.	The Company is the director	Long-term investment	4,284	43,482	10.06	N/A	None
Stock	Ascend Semiconductor Corporation	The Company is the director and supervisor	Long-term investment	3,600	36,000	9.00	N/A	None

Continued on next page

Attachment 3 (Continued) The ending balance of securities held by the Company as of December 31, 2001

(Amount in Thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)
Hsun Chieh Investment Corporation								
Stock	ProSys Technology Integration, Inc.	The Company is the director	Long-term investment	1,200	18,000	6.70	N/A	None
Stock	NCTU Spring Venture Capital Co., Ltd.	The Company is the director	Long-term investment	2,000	20,000	6.28	N/A	None
Stock	Faraday Technology Corp.	Investee company to UMC	Long-term investment	7,908	1,250,990	6.23	1,262,117	None
Stock	Advance Microelectronics Product Inc.	None	Long-term investment	7,420	126,000	5.50	N/A	None
Stock	Coretronic Corp.	The Company is the director and supervisor	Long-term investment	12,388	276,192	5.49	710,827	None
Stock	Fortune Semiconductor Corporation	The Company is the director	Long-term investment	1,000	40,000	5.13	N/A	None
Stock	Cosmos Technology Venture Capital Investment Corp.	The Company is the director	Long-term investment	4,000	40,000	5.03	N/A	None
Stock	UMC Japan	Investee company to UMC	Long-term investment	11	698,286	4.41	3,050,775	None
Fund	Taiwan Asia Pacific Venture Fund	None	Long-term investment	115	29,295	4.15	N/A	None
Stock	IBT Venture Corp.	The Company is the director	Long-term investment	9,000	90,000	3.81	N/A	None
Stock	Subtron Technology Co., Ltd.	The Company is the director and supervisor	Long-term investment	7,800	99,000	3.61	N/A	None
Stock	United Microelectronics Corporation	Investor company	Long-term investment	420,909	29,592,654	3.16	20,143,446	None
Stock	Hantek Technology Co., Ltd.	None	Long-term investment	1,411	42,330	3.14	N/A	None
Stock	Prokia Technology Co., Ltd.	None	Long-term investment	4,000	48,000	3.13	N/A	None
Stock	Amkor Technology, Inc.	None	Long-term investment	139	99,541	0.09	79,085	None
Stock	Alpha & Omega Semiconductor Inc.	None	Long-term investment	1,500	46,883	—	N/A	None
Stock	Integrated Telecom Express, Inc.	Investee company to UMC	Long-term investment	1,113	183,742	2.60	N/A	None
Stock	Sheng-Hua Venture Capital Corporation	None	Long-term investment	5,000	50,000	2.50	N/A	None
Stock	PixArt Imaging Inc.	None	Long-term investment	1,000	10,000	2.00	N/A	None
Stock	Largan Optoelectronics, Co., Ltd.	The Company is the director	Long-term investment	1,216	102,380	1.96	N/A	None
Stock	Chiao Tung Bank	None	Long-term investment	51,860	1,882,974	1.91	1,080,660	None
Stock	TECO Information Systems Co., Ltd.	None	Long-term investment	2,926	21,948	1.21	N/A	None
Stock	Ingenus Corp.	None	Long-term investment	240	29,812	0.65	5,434	None
Stock	King Yuan Electronics Co., Ltd.	None	Long-term investment	1,600	70,000	0.37	20,781	None
Stock	Vialta, Inc.	None	Long-term investment	8,360	625,622	3.10	N/A	None
Stock	ChinaYES Infomedia (Cayman), Inc.	None	Long-term investment	10,000	63,146	—	N/A	None
Fund	VenGlobal Capital Fund III, L.P.	None	Long-term investment	—	33,195	—	N/A	None
Stock	AEM Technology, Inc.	None	Long-term investment	1,760	28,715	—	N/A	None
Stock	Epogy Communication, Inc.	None	Long-term investment	3,200	49,704	—	N/A	None
Stock	Tonbu, Inc.	None	Long-term investment	2,000	185,017	—	N/A	None
Stock	Formerica International Holding Inc.	None	Long-term investment	2,000	30,898	—	N/A	None
Stock	Broadcom Corp.	None	Long-term investment	3	7,092	—	4,413	None
Stock	Triscend Corp.	None	Long-term investment	360	17,409	—	N/A	None
Stock	Radio Tek Corporation	Investee company	Long-term investment	1,345	13,450	26.90	N/A	None
Stock	Unimicron Technology Corp.	Investee company to UMC	Long-term investment	82,654	1,432,919	12.67	2,757,503	None
Stock	SerComm Corporation	Investee company	Long-term investment	4,798	58,619	7.81	N/A	None
Stock	Linden Technologies, Inc.	None	Long-term investment	300	92,385	—	N/A	None
Stock	NetEmpower Software Technologies, Inc.	None	Long-term investment	1,500	92,388	—	N/A	None
Stock	Aurora System, Inc.	None	Long-term investment	550	72,226	—	N/A	None
Stock	Primarion, Inc.	None	Long-term investment	418	31,800	—	N/A	None
Stock	NetLogic Microsystems Inc.	None	Long-term investment	100	3,195	—	N/A	None
Stock	ForteMedia, Inc.	None	Long-term investment	4,000	65,000	—	N/A	None
Stock	LightCross, Inc.	None	Long-term investment	3,896	206,880	—	N/A	None
Stock	SandCraft, Inc.	None	Long-term investment	450	43,063	—	N/A	None
Stock	Octillion Communication, Inc.	None	Long-term investment	2,500	65,740	—	N/A	None
Stock	The Supply, Inc.	None	Long-term investment	588	—	—	N/A	None
Membership Card	Golf Club Membership Card	None	Long-term investment	—	60,000	—	N/A	None
Convertible bonds	AU Optronics Corp. - Convertible bonds	None	Short-term investment	2,000	200,000	—	362,180	None

Continued on next page

Attachment 3 (Continued) The ending balance of securities held by the Company as of December 31, 2001

(Amount in Thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)
UMC Capital Corporation								
Stock	UMC Capital (USA)	Investee company	Long-term investment	200	US\$ 205,356	100.00	N/A	None
Stock	LightCross, Inc.	None	Long-term investment	649	US\$ 1,000,000	—	N/A	None
Stock	Corrent Corp.	None	Long-term investment	500	US\$ 571,750	—	N/A	None
Stock	MaXXan System, Inc.	None	Long-term investment	828	US\$ 500,000	—	N/A	None
Stock	Leda System, Inc.	None	Long-term investment	1,000	US\$ 1,006,000	—	N/A	None
Stock	Virtual Silicon Technology, Inc.	None	Long-term investment	641	US\$ 1,000,000	—	N/A	None
Fortune Venture Capital Corporation								
Stock	Aptos (Taiwan) Corp.	Investee company	Long-term investment	36,886	334,218	35.13	N/A	None
Stock	Davicom Semiconductor, Inc.	Investee company	Long-term investment	13,000	110,025	24.46	N/A	None
Stock	High Bandwidth Access, Inc.	Investee company	Long-term investment	4,308	77,544	17.95	N/A	None
Stock	PixArt Imaging Inc.	The Company is the supervisor	Long-term investment	8,372	117,917	16.74	N/A	None
Stock	Thin Film Module, Inc.	The Company is the director and supervisor	Long-term investment	5,287	52,870	13.91	N/A	None
Stock	Advance Materials Corporation	Investee company	Long-term investment	12,800	156,717	13.47	N/A	None
Stock	AMIC Technology (Taiwan), Inc.	Investee company to UMC	Long-term investment	15,259	163,491	12.83	N/A	None
Stock	Urex Precision, Inc.	None	Long-term investment	2,537	26,766	12.68	N/A	None
Stock	Epitech Corp.	The Company is the director and supervisor	Long-term investment	4,658	47,300	11.65	N/A	None
Stock	Integrated Telecom Express Inc.	Investee company to UMC	Long-term investment	4,000	413,363	9.35	N/A	None
Stock	Averlogic Corporation	The Company is the director and supervisor	Long-term investment	1,385	34,450	7.93	N/A	None
Stock	Shin-Etsu Handotai Taiwan Co., Ltd.	None	Long-term investment	10,500	105,000	7.00	N/A	None
Stock	Trident Technologies, Inc.	The Company is the director and supervisor	Long-term investment	1,350	16,875	6.75	N/A	None
Stock	ProSys Technology Integration, Inc.	None	Long-term investment	1,200	12,000	6.70	N/A	None
Fund	Iglobe Partners Fund, L.P.	None	Long-term investment	—	80,603	6.34	N/A	None
Stock	Programmable Microelectronics (Taiwan) Corp.	None	Long-term investment	3,392	33,920	6.17	N/A	None
Stock	CTS Computer Technology System Corp.	None	Long-term investment	1,717	6,267	2.04	N/A	None
Stock	Hsin Chu Chen-Tao CATV Co., Ltd.	None	Long-term investment	349	3,489	1.40	N/A	None
Fund	Crystal Internet Venture Fund II	None	Long-term investment	—	41,757	0.99	N/A	None
Stock	Alpha & Omega Semiconductor Inc.	None	Long-term investment	1,500	46,313	—	N/A	None
Stock	Vialta, Inc.	None	Long-term investment	4,180	313,205	1.60	N/A	None
Stock	Monterey Design Systems Inc.	None	Long-term investment	394	34,201	—	N/A	None
Stock	Spring Soft, Inc.	The Company is the supervisor	Long-term investment	285	6,821	0.44	36,540	None
Stock	Sino-American Silicon Products, Inc.	None	Long-term investment	297	6,032	0.30	3,071	None
Stock	Shuttle Inc.	None	Long-term investment	360	7,828	0.26	8,830	None
Stock	Orchid BioSciences, Inc.	None	Long-term investment	56	13,310	0.14	9,102	None
Stock	United Microelectronics Corporation	Investor company	Long-term investment	15,333	171,857	0.11	733,807	None
Stock	Systematic Designs International Inc.	None	Long-term investment	1,300	10,178	—	N/A	None
Stock	Cadence Design Systems, Inc.	None	Long-term investment	522	57,600	—	415,643	None
Stock	Aurora Systems Inc.	None	Long-term investment	2,500	222,072	—	N/A	None
Stock	Triscend Corp.	None	Long-term investment	1,750	188,957	—	N/A	None
Stock	The 3CX U.S.A.	None	Long-term investment	513	55,348	—	N/A	None
Stock	SiRF Technology Inc.	None	Long-term investment	875	119,436	—	N/A	None
Stock	EPIC Technologies Inc.	None	Long-term investment	23	34,240	—	N/A	None
Stock	Rise Technology Inc.	None	Long-term investment	500	41,811	—	N/A	None
Stock	Arcadia Design Systems Inc.	The Company is the director	Long-term investment	162	26,203	—	N/A	None
Stock	Velio Communications Inc.	None	Long-term investment	110	30,817	—	N/A	None

Attachment 4 The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001 (Amount in Thousand NTD unless otherwise stated)

Name of the securities	Beginning balance		Addition		Disposal			Ending Balance		Gain/Loss from disposal	Note
	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Cost	Number of shares (thousand)	Amount		
United Microelectronics Corporation											
UMCi Pte. Ltd.	—	—	212,250	6,332,378	—	—	—	212,250	7,167,916	—	
UMC Capital Corporation	—	—	10,000	339,500	—	—	—	10,000	338,228	—	
Holtek Semiconductor Inc.	43,170	657,281	—	—	6,100	274,500	92,874	44,114	555,441	181,626	
Novatek Microelectronics Corp.	45,045	861,690	—	—	3,000	332,233	60,292	63,068	1,019,532	271,941	
National Securities Corporation	14,251	239,315	—	—	14,251	171,187	239,315	—	—	(68,128)	
Stark Technology Inc.	967	10,552	—	—	845	168,050	8,728	254	1,824	159,322	
Unipac Optoelectronics Corp.	503,247	7,774,055	66,792	1,335,842	—	—	—	—	—	—	Note 2
MediaTek Incorporation	41,160	1,246,785	—	—	6,911	1,921,258	277,273	47,949	1,339,839	1,643,985	
Fortune Venture Capital Corporation											
Tripath Technology Inc.	500	158,235	—	—	500	89,432	158,235	—	—	(68,803)	
UMC Japan											
World Wise Electronics	20	¥ 2,217,629,000	—	—	20	¥ 2,215,624,000	¥ 2,217,629,000	—	—	¥ (2,005,000)	
Optoma Corp.	—	—	1.4	¥ 1,632,540,000	1.4	¥ 1,730,705,000	¥ 1,632,540,000	—	—	¥ 98,165,000	
Premier Image Tech.	—	—	10	¥ 1,164,479,000	10	¥ 1,273,648,000	¥ 1,164,479,000	—	—	¥ 109,169,000	
Hsun Chieh Investment Corporation											
Plato Electronics (Cayman) Limited	9,187	424,538	5,006	212,607	—	—	—	14,193	657,858	—	
UC Fund II	—	—	5,000	161,225	—	—	—	5,000	161,225	—	
LightCross, Inc.	—	—	3,896	206,880	—	—	—	3,896	206,880	—	
Unicap Electronics Industrial Corp.	—	—	7,028	194,441	7,028	126,738	194,441	—	—	(67,703)	
Coretronic Corporation	—	—	10,323	276,192	—	—	—	12,388	276,192	—	

Note 1. The ending balance also includes 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 unappropriated changes in ownership, and unrealized loss in long-term investment, etc.

2. The Company's investment in Unipac Optoelectronics Corp. was previously accounted for on equity method. As of September 1, 2001, Unipac Optoelectronics Corp. , which is the expiry corporate entity, was merged into Acer Display Technology Inc.

Attachment 5 Acquisition of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001. (Amount in Thousand NTD unless otherwise stated)

Name of the properties	Date of transaction	Transaction amount	Status of payment	Counter party	The relationship with the Company	Original owner who sold the property to the counter party	The relationship of the original owner with the Company	Date of the original transaction	Amount	The basis or reference used in deciding the price	Other commitments
United Microelectronics Corporation											
Employees' dormitory	2001.10.1 - 2001.11.21	266,000	Not Paid	N/A	N/A	N/A	N/A	N/A	N/A	Acquisition cost	None
Fab 12A	2001.9.28 - 2001.11.28	2,163,000	Not Paid	N/A	N/A	N/A	N/A	N/A	N/A	Acquisition cost	None

Attachement 6 Disposal of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001. (Amount in Thousand NTD unless otherwise stated)

Name of the properties	Date of transaction	Acquisition date of the properties	Book Value	Transaction Amount	Status of payment receiving	Gain/Loss on disposal	Counter party	The relationship with the Company	Reason for disposal	The basis or reference used in deciding the price	Other commitments
United Microelectronics Corporation											
Building and facilities	2001.2.15	2000.1.3	141,782	173,250	Received	31,468	Holtek Semiconductor Inc.	Investee company	Products combination change	Market value	None

Attachment 7 Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001 (Amount in Thousand NTD unless otherwise stated)

Transactions						Notes & accounts receivable (payable)	
Name of related parties transactions	Relationship with the Company	Purchase (sales)	Amount	Percentage of purchase (sales)	Term	Balance	Percentage of account
United Microelectronics Corporation							
UMC Group (USA)	Investee company	Sales	27,055,238	41.95	60 days	2,482,744	31.70
United Microelectronics (Europe) B.V	The director is the chairman of the Company	Sales	6,038,583	9.36	60 days	116,965	1.49
MediaTek Incorporation	The Company is the director and supervisor	Sales	3,569,172	5.53	45 days	1,046,372	13.36
Novatek Microelectronics Corp.	Investee company	Sales	1,558,517	2.42	45 days	262,223	3.35
AMIC Technology (Taiwan) Inc.	Investee company	Sales	781,834	1.21	45 days	275,175	3.51
Faraday Technology Corp.	Investee company	Sales	714,583	1.11	45 days	160,393	2.05
Holtek Semiconductor Inc.	Investee company	Sales	547,928	0.85	45 days	121,856	1.56
Applied Component Technology Corp.	Investee company	Sales	497,592	0.77	45 days	891	0.01
Integrated Technology Express Inc.	Investee company	Sales	398,744	0.62	45 days	70,460	0.90
Formosa Links Pte Ltd.	The director is the chairman of the Company	Sales	307,769	0.48	60 days	—	—
Ascend Semiconductor Corp.	The director and supervisor is the investee company of the Company	Sales	214,470	0.33	60 days	60,864	0.78
DuPont Photomasks Taiwan Ltd.	Investee company	Purchase	1,080,725	8.10	60 days	(218,285)	8.49
Applied Component Technology Corp.	Investee company	Purchase	234,153	1.75	Note	(20,300)	0.79

Note Invoice date net 30 days.

UMC Group (USA)

United Microelectronics Corporation	Investor company	Purchase	US\$ 804,028,220	100.00	Net 55 days	US\$ (68,505,921)	100.00
UMC Japan	Affiliated company	Purchase	US\$ 136,019	—	Net 60 days	—	—

Attachment 8 Receivable from related parties exceeding the lower of NT\$100 million or 20 percent of the capital stock as of December 31, 2001. (Amount in Thousand NTD unless otherwise stated)

Name of the counter party	Relationship with the counter party	Balance of receivable from related party					Overdue receivable		Subsequent received amount	Bad debt allowance provided
		Notes receivable	Accounts receivable	Other receivables	Amount	Turnover rate (times)	Amount	Collection		
United Microelectronics Corporation										
UMC Group (USA)	Investee company	—	2,482,744	—	2,482,744	5.80	—	Credit Collecting	278,236	74,769
United Microelectronics (Europe) B.V	The director is the chairman of the Company	—	116,965	—	116,965	5.40	36,579	Credit Collecting	—	1,154
AMIC Technology (Taiwan) Inc.	Investee company	7,288	267,887	55	275,230	1.86	77,968	Credit Collecting	—	3,423
MediaTek Incorporation	The Company is the director and supervisor	—	1,046,372	377	1,046,749	5.78	—	Credit Collecting	377	10,318
Novatek Microelectronics Corp.	Investee company	—	262,223	365	262,588	7.18	—	Credit Collecting	134,893	2,590
Holtek Semiconductor Inc.	Investee company	77,843	44,013	—	121,856	2.52	—	Credit Collecting	—	435
Faraday Technology Corp.	Investee company	—	160,393	—	160,393	4.69	3,087	Credit Collecting	—	1,612

Attachment 9 Related information on invested companies as of December 31, 2001 (Amount in Thousand NTD unless otherwise stated)

Invested company	Address	Main business scopes	Initial Investment		Shares held by the Company			The net income of the invested company	The gain (loss) recorded by the Company	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage	Book value			
United Microelectronics Corporation										
UMC Capital Corporation	Cayman, Cayman Islands	Investment	US\$ 10,000,000	—	10,000	100.00	338,228	US\$ (38,000)	(1,272)	
UMC Group (USA)	Sunnyvale, California, USA	IC Sales	US\$ 16,438,000	US\$ 16,438,000	16,438	100.00	593,171	US\$ (3,338,000)	(125,100)	
United Foundry Service, Inc.	Sunnyvale, California, USA	Supervising and monitoring group project	US\$ 2,005,000	US\$ 2,005,000	2,005	100.00	78,226	US\$ 319,000	10,794	
Fortune Venture Capital Corporation	Taipei, Taiwan	Consulting and planning for investment in new business	2,999,940	2,999,940	299,994	99.99	3,413,388	(271,185)	(288,401)	
Hsun Chieh Investment Corporation	Taipei, Taiwan	Investment	14,172,940	14,172,940	1,417,294	99.97	31,062,635	151,506	151,439	
Pacific Venture Capital Co., Ltd.	Taipei, Taiwan	Venture capital consultation	300,000	300,000	30,000	49.99	351,420	88,326	44,162	
UMCi Pte. Ltd.	Singapore	Sales and manufacturing of integrated circuit fabrication	US\$ 212,250,000	—	212,250	49.82	7,167,916	US\$ (829,973)	1,547	
UMC Japan	Chiba, Japan	Sales and manufacturing of integrated circuit fabrication	¥ 20,126,316,000	¥ 20,126,316,000	120	47.10	7,149,137	¥ (3,044,396,000)	189,129	
DuPont Photomasks Taiwan Ltd.	Science-Based Industrial Park, Hsin-Chu	Manufacturing of photomasks	777,016	780,502	88,057	46.32	1,093,113	360,560	168,878	
Trecenti Technologies, Inc.	Ibaraki-ken, Japan	Sales and manufacturing of integrated circuit fabrication	¥ 12,000,000,000	¥ 12,000,000,000	240	40.00	1,789,838	¥ (14,574,833,000)	(1,626,957)	Note
Broadmedia, Inc.	Sunnyvale, California, USA	Telecom IC design and sales	US\$ 5,000,000	US\$ 5,000,000	10,000	39.28	—	—	—	
Applied Component Technology	Taipei, Taiwan	IC production sales	64,557	15,558	15,808	31.00	154,821	(39,399)	(10,785)	
Integrated Technology Express, Inc.	Science-Based Industrial Park, Hsin-Chu	Sales and manufacturing of integrated circuit fabrication	239,770	239,770	26,854	28.78	330,522	81,140	23,567	
Holtek Semiconductor Inc.	Science-Based Industrial Park, Hsin-Chu	IC design production and sales	392,176	456,709	44,114	28.76	555,441	310,735	86,330	
Novatek Microelectronics Corp.	Science-Based Industrial Park, Hsin-Chu	Sales and manufacturing of integrated circuit fabrication	140,010	150,000	63,068	26.82	1,019,532	889,848	274,243	
Unimicron Technology Corp.	Taoyuan, Taiwan	PCB production	2,592,013	2,548,658	157,879	24.20	2,850,322	1,227,686	252,648	
Faraday Technology Corp.	Science-Based Industrial Park, Hsin-Chu	ASIC design and production	62,455	62,455	25,958	20.45	435,458	602,503	126,488	
Integrated Telecom Express, Inc.	Santa Clara, California, USA	Sales and manufacturing of integrated circuit fabrication	US\$ 2,000,000	US\$ 2,000,000	7,000	16.39	634,606	US\$ (39,174,000)	(212,043)	
AMIC Technology (Taiwan) Inc.	Science-Based Industrial Park, Hsin-Chu	IC design production and sales	135,000	135,000	16,200	13.62	37,120	(529,756)	(85,387)	

Continued on next page

Note Investment income/loss was recognized in the next season.

Attachment 9 (Continued) Related information on invested companies as of December 31, 2001 (Amount in Thousand NTD unless otherwise stated)

Invested company	Address	Main business scopes	Initial Investment		Shares held by the Company			The net income of the invested company	The gain (loss) recorded by the Company	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage	Book value			
Hsun Chieh Investment Corporation										
UC Fund II	Grand Cayman Island West British	Venture capital business	161,225	—	5,000	35.45	161,225	N/A	N/A	Note 1
Cheng Hsun Electronics Inc.	Taipei, Taiwan	Electronic component production	31,500	31,500	3,150	31.50	30,322	(3,741)	(1,178)	Note 1
Radio Tek Corporation	Science-Based Industrial Park, Hsin-Chu	PF and IC design	13,450	—	1,345	26.90	13,450	N/A	N/A	Note 1
Harvatek Corporation	Hsin-Chu, Taiwan	IC testing, production, packaging and sales	162,945	204,991	14,033	26.14	179,295	88,022	21,545	Note 1
Plato Electronic (Cayman) Limited	Cayman Islands, British West Indies	Holding Company	637,146	424,539	14,193	24.50	657,858	83,124	8,016	Note 1
Patentop, Ltd	Tortola, British Virgin Island	Patent sales	22,356	22,356	720	18.00	20,963	(20,695)	(3,725)	Note 1
Advance Materials Corporation	Taoyuan, Taiwan	Synthetic resin and electronic component production	208,162	208,162	14,994	15.78	183,209	12,207	706	Note 1
Unimicron Technology Corp.	Taoyuan, Taiwan	PCB production	1,070,213	1,123,352	82,654	12.67	1,432,919	1,227,686	21,697	Note 2
High Bandwidth Access, Inc.	Science-Based Industrial Park, Hsin-Chu	Product design and software sales	29,094	31,000	2,861	11.92	19,191	(37,052)	(11,486)	Note 1
SerComm Corporation	Science-Based Industrial Park, Hsin-Chu	Server product and sales	58,619	—	4,798	7.81	58,619	N/A	N/A	Note 1
Faraday Technology Corp.	Science-Based Industrial Park, Hsin-Chu	IC design	1,308,880	1,308,880	7,908	6.23	1,250,990	602,503	(23,942)	
UMC Japan	Chiba, Japan	Sales and manufacturing of integrated circuit fabrication	240,665	240,665	11	4.41	698,286	¥ (3,044,396,000)	(19,670)	
Integrated Telecom Express, Inc.	Santa Clara, California, USA	Sales and manufacturing of integrated circuit fabrication	92,108	96,248	1,113	2.60	183,742	US\$ (39,174,000)	(55,458)	

Note 1. Investment income/loss was recognized in the next year.

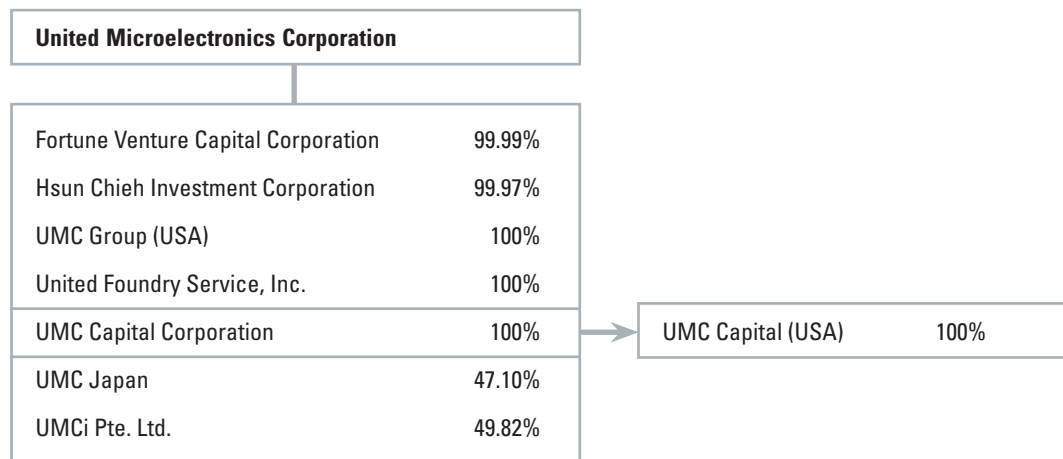
2. The Company's investment in Unimicron Technology Corp. were previously accounted for using equity method. As of October 31, 2001, Unimicron Technology Corp. was merged into World Wiser Electronics Incorporated, which is the surviving corporate entity, renamed as Unimicron Technology Corp.

SPECIAL DISCLOSURES

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Summary of Affiliated Enterprises

Organization Chart



Basic Data of Affiliated Enterprises

In Thousand NTD

Name of Corporation	Date of Establishment	Address	Outstanding Capital	Major Business/ Production Items
Fortune Venture Capital Corporation	1993.9.21	2Fl., No. 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 Corporation	2000.1.12	2Fl., No. 76, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan 106, R.O.C.	14,177,110	Investment
UMC Group (USA)	1997.8.11	488 DeGuigne Drive Sunnyvale, CA 94085, USA	559 US\$ 16,000	IC sales
UMC Japan	1984.5.15	No.1580, Yamamoto, Tateyama-City, Chiba, Japan	7,125,937 ¥ 26,920,806,000	IC foundry business
United Foundry Service, Inc.	1996.7.29	488 DeGuigne Drive Sunnyvale, CA 94085, USA	70 US\$ 2,005	Supervising and monitoring group project
UMC Capital Corporation	2001.1.16	P.O. Box 1034GT, Grand Cayman, Cayman Islands	349,400 US\$ 10,000,000	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	14,884 US\$ 426,000	IC foundry business

Note USD:NTD = 1:34.94 JPY:NTD = 1:0.2647

Data of Common Stockholders 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 covers investment industry, manufacturing industry, trade industry, electronics industry, and semiconductor wafers manufacturing, etc.

Directors, Supervisors and Presidents of Affiliated Enterprises

Name of Corporation	Title	Name or Representative	Shares	Percentage
Fortune Venture Capital Corporation	Chairman	United Microelectronics Corp. Representative: Robert H.C. Tsao	299,994,000 0	99.99% 0.00%
	Director	United Microelectronics Corp. Representative: John Hsuan	299,994,000 0	99.99% 0.00%
	Director	United Microelectronics Corp. Representative: Hsin-Chien Tuan	299,994,000 0	99.99% 0.00%
	Director	United Microelectronics Corp. Representative: Stan Hung	299,994,000 0	99.99% 0.00%
	Director	Ming-Kai Tsai	1,000	0.00%
	Supervisor	United Microelectronics Corp. Representative: Tzyy-Jang Tseng	299,994,000 0	99.99% 0.00%
Hsun Chieh Investment Corporation	Chairman	United Microelectronics Corp. Representative: Robert H.C. Tsao	1,417,294,000 0	99.97% 0.00%
	Director	United Microelectronics Corp. Representative: John Hsuan	1,417,294,000 0	99.97% 0.00%
	Director	United Microelectronics Corp. Representative: Ing-Dar Liu	1,417,294,000 0	99.97% 0.00%
	Supervisor	United Microelectronics Corp. Representative: Stan Hung	1,417,294,000 0	99.97% 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%
	President and Director	Yukio Sakamoto	200	0.08%
	Director	John Hsuan	0	0.00%
	Director	Peter Chang	0	0.00%
	Director	Hong-Jen Wu	0	0.00%
	Director	Stan Hung	0	0.00%
	Director	Gary Hong	0	0.00%
	Director	Henry Liu	212	0.08%
	Director	Jenn Tsao	0	0.00%
	Director	Semi Wang	177	0.07%
	Director	Wei Chung Lian	25	0.01%
	Director	Keiichi Hamazaki	283	0.11%
	Supervisor	Kuo Yun Kuo	95	0.04%
	Supervisor	Tsing-Yuan Hwang	0	0.00%
	Supervisor	Eiichi Arakawa	43	0.02%

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Directors, Supervisors and Presidents of Affiliated Enterprises (Continued)

Name of Corporation	Title	Name or Representative	Shares	Percentage
United Foundry Service, Inc.	Director and President	Peter J. Courture	0	0.00%
UMC Capital Corporation	Director	United Microelectronics Corp. Representative: Robert H.C. Tsao	10,000,000 0	100.00% 0.00%
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%

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	3,526,090	16,652	3,509,438	384,514	(264,704)	(271,185)	(0.90)
Hsun Chieh Investment Corporation	14,177,110	31,153,054	63,401	31,089,653	941,267	216,836	151,506	0.11
UMC Group (USA)	559	5,473,526	4,873,816	599,710	28,644,476	(144,861)	(116,630)	(7.10)
UMC Japan	7,125,937	25,035,198	8,399,096	16,636,102	4,483,663	(1,046,036)	(805,852)	(3,241)
United Foundry Service, Inc.	70	89,807	2,737	87,070	151,148	10,698	11,154	5.59
UMC Capital Corporation	349,400	348,400	315	348,085	3,054	(1,315)	(1,315)	(0.13)
UMC Capital (USA)	7	7,253	78	7,175	4,029	253	187	0.94
UMCi Pte. Ltd.	14,884	15,247,468	392,027	14,855,441	0	(178,059)	(28,999)	(0.07)

Note USD:NTD = 1:34.94 JPY:NTD = 1:0.2647

Status of Internal Control

Statement of Internal Control

The self-assessment of UMC's internal control was conducted for the year ended December 31, 2001 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 execution points (the Points). The Points 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 points for internal control employed by the Items, such as: (a) Control Environment, (b) Risk Assessments, (c) Control Activities, (d) Information and Communication, and (e) Monitoring. Each component consists of certain items, which could be referred to the Items as described.

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 14, 2002. Eleven directors attended and agreed with the content of the Statement.

UMC Chairman



UMC President



March 14th, 2002

The Company had not been requested to have an accountant audit the internal control system, therefore the Company was not required to disclose the accountant's independent audit report.

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

	Fortune Venture Capital Corporation		Hsun Chieh Investment Corporation	
Paid-in Capital	3,000,000		14,177,110	
Source of Capital	New shares for cash		Merger	
Holding % by the Company	99.99		99.97	
Acquisition or Disposal Date	2001	2002	2001	2002
Acquisition Shares and Amount	1,999,999 (Note 1)	0	54,901,185 (Note 2)	0
Disposal Shares and Amount	0	0	0	0
Profit/Loss	0	0	0	0
Shares and Amount, as of Annual Report Printing Date	Share: 15,333,332 Amount: 171,857	Share: 15,333,332 Amount: 171,857	Share: 420,909,090 Amount: 29,592,654	Share: 420,909,090 Amount: 29,592,654
Pledged as Collateral	—	—	—	—
Endorsements and Guarantees Provided by the Company to Subsidiaries	—	—	—	—
Loans Provided by the Company to Subsidiaries	—	—	—	—

Note 1. 1,999,999 shares of stock dividend distributed in 2001.

2. 54,901,185 shares of stock dividend distributed in 2001.

3. Data represented for 2002 is reflected up until Mar. 26th, 2002.

Other Necessary Supplement

None

Other Disclosures

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

(a) At the annual stockholders' meeting on May 30th, 2001, directors were elected for a three-year term: more than one-third of directors were changed.

(b) At the first board meeting of the eighth-term on June 6th, 2001, Director Robert H. C. Tsao was elected as Chairman of UMC.

United Microelectronics Corporation

A handwritten signature in black ink, appearing to read 'R. Tsao', written in a cursive style.

Robert Tsao
Chairman

