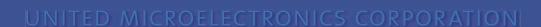
United Microelectronics Corporation





UMC

WWW.UMC.COM

THE Soc SOLUTION FOUNDRY

CORPORATE INFORMATION

SPOKESPERSON

Chitung Liu
Finance Division
Director
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Chitung_Liu@umc.com

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Deputy Director
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UMC Annual Report Information can be Accessed from the Following Websites:

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PRINTED ON MARCH 21, 2005

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TAIPEI OFFICE

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FAB 6A

10 Innovation 1st Rd., Hsinchu Science Park, Hsinchu, Taiwan 308, R.O.C. 886 (3) 578 2258

FAB 8A

3 Li-Hsin 2nd Rd., Hsinchu Science Park, Hsinchu, Taiwan 300, R.O.C. 886 (3) 578 2258

Fab 8B

5 Li-Hsin 2nd Rd., Hsinchu Science Park, Hsinchu, Taiwan 300, R.O.C. 886 (3) 578 2258

FAB 8C

6 Li-Hsin 3rd Rd., Hsinchu Science Park, Hsinchu, Taiwan 300, R.O.C. 886 (3) 578 2258

FAB 8D

8 Li-Hsin 3rd Rd., Hsinchu Science Park, Hsinchu, Taiwan 300, R.O.C. 886 (3) 578 2258

FAB 8E

17 Li-Hsin Rd., Hsinchu Science Park, Hsinchu, Taiwan 300, R.O.C. 886 (3) 578 2258

FAB 8F

3 Li-Hsin 6th Rd., Hsinchu Science Park, Hsinchu, Taiwan 300, R.O.C. 886 (3) 578 2258

FAB 8S

16 Creation 1st Rd., Hsinchu Science Park, Hsinchu, Taiwan 308, R.O.C. 886 (3) 578 2258

FAB 12A

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ADR Depositary and Registrar

Citibank, N.A.

Depositary Receipt Services
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New York, NY 10013, U.S.A.
1 (877) 248 4237 (Toll-free)
Stockholder Service Representatives
are available Monday through Friday,
8:30a.m. to 6:00p.m., Eastern Time.
http://wwss.citissb.com/adr/www/
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ADR Exchange Marketplace

New York Stock Exchange, Inc. 11 Wall Street New York, NY 10005, U.S.A. 1 (212) 656 3000 www.nyse.com Ticker/Search Code: UMC

EXCHANGEABLE BOND EXCHANGE MARKETPLACE

Luxembourg Stock Exchange 11, Av de la Porte-Neuve L-2227 Luxembourg 352 (47) 79 36 - 1 www.bourse.lu Ticker: UniMicElexCorp EB Search Code: ISIN XS0147090533

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Diwan, Ernst & Young Kim Chang, MY Lee 9F, 333, Sec. 1, Keelung Rd., Taipei, Taiwan 110, R.O.C. www.ey.com.tw 886 (2) 2720 4000 UNITED MICROELECTRONICS CORPORATION



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DEAR SHAREHOLDERS,

In 2004, UMC achieved historical record revenues of NTD 117.3 billion, a 38% increase over 2003, far surpassing the previous record high set in the year 2000. Net income for the year increased 127% over 2003 to reach NTD 31.84 billion. These figures reflect the strength of the overall recovery in the semiconductor market in 2004, as well as UMC's ability to effectively execute its business strategy.

THE SOC SOLUTION FOUNDRY

Amidst the sharp industry recovery that we experienced through most of 2004, UMC received strong positive customer feedback to our decision to focus more sharply on the delivery of comprehensive System-on-Chip (SoC) solutions. Having moved steadily in this direction over the years, our enhanced "SoC Solution Foundry" strategy is allowing our customers to more readily leverage the performance advantages of our most advanced process technologies. These technologies leverage new materials and shrinking feature sizes that allow designers to integrate a huge number of transistors and a diverse range of functions to form complete systems on a single semiconductor chip. At the same time, integrating third-party intellectual property (IP), embedded memories, and other design elements and ensuring they work together successfully on a single semiconductor has become increasingly challenging.

Today, we are not just providing customers with outstanding process technologies and cost-effective manufacturing based on our excellent yields and cycle times. In addition, UMC is offering total solutions for its customers' System-on-Chip designs. These solutions include providing access to silicon-proven IP and design reference flows, cost effective prototyping through our multi-project wafer program (Silicon ShuttleTM), the latest design for manufacturing (DFM) solutions, and test and

packaging services and consultation. Moreover, we have leveraged our in-house team of system design experts to help our customers make informed decisions enabling them to navigate the most efficient course to product success. Our enhanced capabilities regarding system architecture and its implications allow us to engage in robust dialogue and offer suggestions on system partition and technology, IP, and packaging selection trade-offs for different product applications. This expertise has the potential to significantly bolster the competitiveness of UMC's customers in today's rapidly advancing semiconductor industry.

PROCESS TECHNOLOGY LEADERSHIP

Providing advanced foundry process technologies remains UMC's core competency. Our leadership in this area continued in 2004, and we attained several significant technology milestones over the course of the year. In the second quarter of 2004, UMC fully qualified customer products for mainstream volume production on 90-nanometer process technology. We were the first dedicated foundry company to reach this important milestone. Since then, we have experienced steady growth for this technology generation, which accounted for 8% of UMC's total revenue by the end of 2004. We expect this momentum to continue into 2005 as more customers leverage our 90-nanometer resources and experience. Development of the next process generation, 65-nanometer, is also well underway with significant progress made by our research and development team.

In 2004, we invested strategically to expand our 300mm capacity. UMC's year-end capacity at Fab 12A and UMCi exceeded our originally forecasted figures of 20,000 and 10,000 wafers/month, respectively. Total actual CAPEX spending for 2004 was USD 2.56 billion, up from our previous

forecast of USD 2.15 billion. We were also happy to announce our decision to merge the operations of Singapore-based UMCi (now Fab 12i) into UMC. This consolidation will further enhance our ability to seamlessly serve our global customer base. As UMC recognizes revenues and profits from the operation of UMCi's fab, we will also improve our potential financial performance and achieve better financial transparency for our investors. With the demand for advanced process technology on 300mm wafers gaining momentum, this transaction will greatly increase the synergy of UMC's overall fab operations and expansion plans. This will be key to UMC's future competitiveness, as almost all of our future capital expenditures will be for 300mm equipment and facilities.

POSITIONED FOR SUCCESS

After a year of strong financial growth and significant progress in aligning our organization to strengthen our SoC Solution Foundry strategy, we are well positioned to respond to whatever economic conditions face us in 2005. We will push forward with the expansion of our 90-nanometer production capabilities, as well as continue our strong emphasis on research and development, including 65-nanometer and 45-nanometer technologies. We will continue with our 300mm capacity expansion in Taiwan and Singapore, and advance our close partnerships with capital equipment vendors, EDA tool and IP providers, packaging and test partners, and customers to further enhance our SoC foundry solutions.

Following our extremely strong performance during the first three quarters of 2004, we noticed an inventory correction beginning in the fourth quarter that may challenge us in our efforts to surpass our 2004 record-setting performance in 2005. However, we feel confident that this is a temporary situation that we will soon overcome. In closing, we believe that with our proven SoC Solution Foundry

strategy, UMC is well-positioned to capitalize on the many new and exciting opportunities facing the semiconductor industry. We thank you very much for your continued support and wish you all the best for 2005.

Robert H.C. Tsao,

Jackson Hu,

12 m Jackson Hu

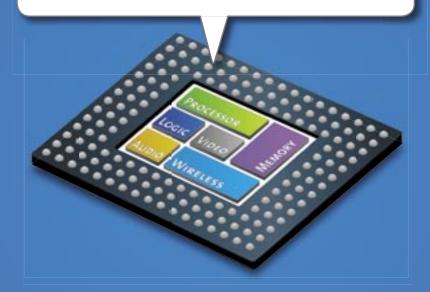
Chairman

CE0

Peter Chang, Vice Chairman
Jackson Hu, CEO
Robert H.C. Tsao, Chairman
John Hsuan, Vice Chairman



Remarkable progress in semiconductor technologies has made it possible to integrate a wide variety of functions such as microprocessors, memory circuits, and analog and digital signal processing onto a single semiconductor chip. This is called "System on Chip" (SoC). SoCs reduce power consumption, size and cost of systems, while increasing performance. SoCs are being used in a wide range of electronic products in the home, automobile, enterprise, and daily life.



SOC IN THE HOME 10	SoC in the enterprise 14
SOC IN THE AUTOMOBILE 12	Soc in daily life 16

SOC IN THE HOME

SoCs are becoming pervasive within the modern home. They power digital products like flat-panel televisions, DVD players, digital stereo systems and game consoles. They are also bringing the advantages of wireless technology to the home, enabling systems that beam video and audio to any room, and they have the potential to power intelligent appliances that perform mundane household tasks.





VIDEO TELEPHONY

SoCs are found in wireless networking equipment that deliver video-calls through the air and over the internet.



HOME ENTERTAINMENT

SoCs are found in digital entertainment systems that beam video and audio channels throughout the home.



AUTOMATED HOME APPLIANCES

SoCs can enable smart, robot-like appliances that help complete routine tasks like vacuuming.



HOME SECURITY

SoCs can manage security systems that make conventional keys obsolete and protect home and family.

SOC IN THE AUTOMOBILE

SoCs are beginning to play an important role in the modern automobile. Car makers are leveraging the power of new technologies to improve driver control and safety, harnessing the power of SoCs to deliver functions such as position tracking and navigation, computer assisted traction control, parallel parking, and collision prevention. Mobile entertainment systems are also greatly enhancing the passenger experience with audio/visual media broadcasts over wireless and satellite networks.



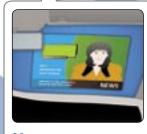
AUTOMOBILE SECURITY

SoCs can be used in systems that prevent theft and track the location of cars at all times.



NAVIGATION SYSTEMS

SoCs can be used in navigation systems that provide directions and pinpoint open parking spaces.



MOBILE ENTERTAINMENT

SoCs are found in mobile entertainment systems that deliver internet, satellite radio, email, and television.



COLLISION PREVENTION

SoCs can enable systems that measure distance and prevent collisions by automatically adjusting speed and direction.



ENGINE MANAGEMENT

SoCs enable systems that maintain fuel efficiency, regulate emissions, and control tire traction.

SOC IN THE **ENTERPRISE**

Enterprises are relying more and more on SoCs. Electronic products including wireless communications, security systems, office equipment, and personal computers can be enhanced by advanced SoCs. SoCs increase office productivity by delivering the benefits of wireless connectivity and ubiquitous computing, improving the efficiency of business processes and resulting in greater profitability.



OFFICE AUTOMATION

SoCs are found in office equipment such as multi-function copiers that can copy, fax, scan, and email.



SECURITY TECHNOLOGY

SoCs can control wireless surveillance equipment to reduce theft and vandalism.



INVENTORY MANAGEMENT

SoCs can be used in wireless systems that track merchandise inventories.



PERSONAL BANKING

SoCs can enable systems that expand the reach of personal banking services.



DIGITAL CASH

SoCs enable systems that automate cash transactions and make paying for goods and services more convenient.

SOC IN DAILY LIFE

SoCs are prevalent in portable consumer-electronic products used by hundreds of millions of individuals around the world. Mobile phones, digital cameras, and other portable digital devices all benefit from compact, yet powerful SoCs. SoCs will be widely used in next-generation electronic products such as personal medical devices, wearable computers, and even identification chips implanted under the skin.



MOBILE COMMUNICATIONS

SoCs are found in mobile phones and other wireless communication devices like PDAs.



MOBILE COMPUTING

SoCs can enable ultra-compact computers that make computing power accessible anytime and anywhere.



HEALTH MANAGEMENT

SoCs can be used in next-generation devices that lead to improved health monitoring and awareness.



LOCATION TRACKING

SoCs can enable compact ID tags that contain up-to-date information and track the wearer's location.

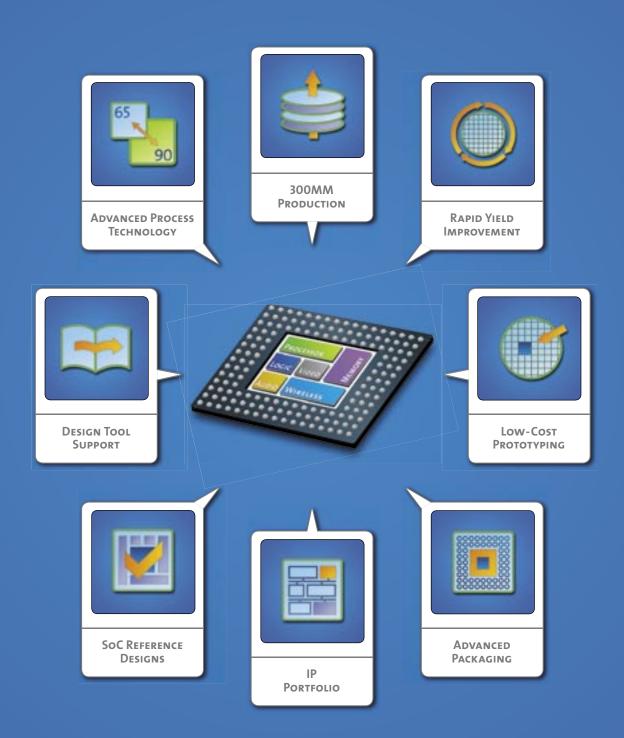


PORTABLE ENTERTAINMENT

SoCs enable portable gaming devices that deliver wireless, peer-to-peer interactive game-play.

THE SOC SOLUTION FOUNDRY

The advance of process technology has been the major driving force behind the emergence of the SoC. As the world's leading foundry provider of SoC solutions, UMC plays a pivotal role in ensuring that today's chip designers are able to turn their designs into competitive SoC products. UMC's SoC solutions address the requirements of today's SoC designers by providing system-architecture knowledge, access to IP resources, silicon-verified design methodologies, advanced process technologies, and advanced packaging solutions.



UMC's Total Soc Solution

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CORPORATE PROFILE

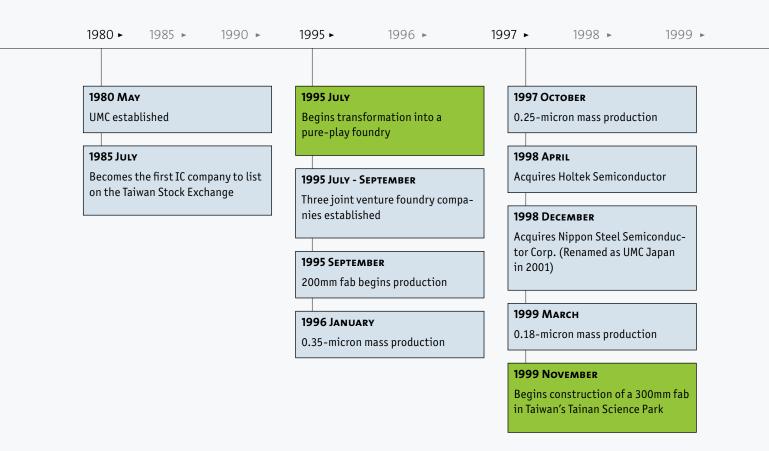
UMC is a world-leading semiconductor foundry that manufactures advanced process ICs for applications spanning every major sector of the semiconductor industry. The Company's cutting-edge foundry technologies enable the creation of faster and more powerful System-on-Chip ICs for today's demanding applications. UMC's technology includes a wide range of advanced materials and processes, including copper interconnects, low-k dielectrics, embedded memories, and Mixed Signal/RF CMOS. As an industry pioneer, UMC was the first foundry to manufacture wafers using copper materials, produce chips using 0.13-micron process technology, produce chips on 300mm wafers, and deliver functional 90-nanometer ICs to its customers.

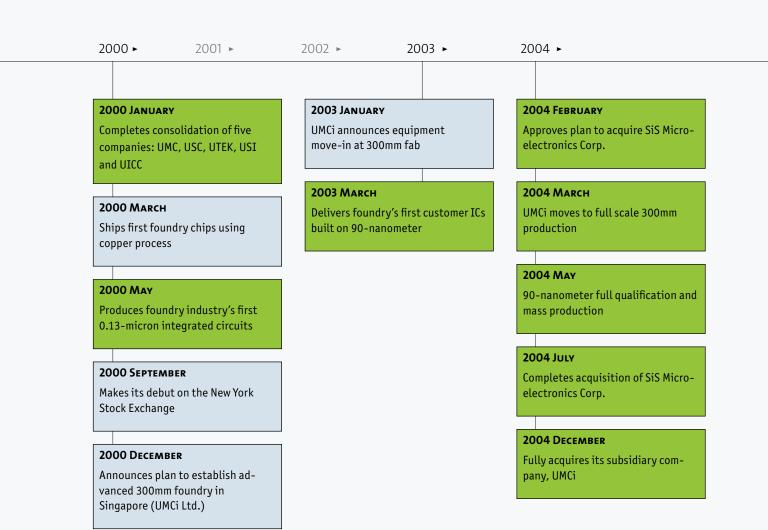
UMC led the development of the commercial semiconductor industry in Taiwan. It was the first local company to offer foundry services, as well as the first semiconductor

company to list on the Taiwan Stock Exchange (1985). UMC is responsible for many local industry innovations, including the introduction of the employee share bonus system, often credited as a primary factor in the development of a prominent electronics industry in Taiwan. UMC employs over 10,500 people worldwide. With sales and customer service offices in Taiwan, Japan, Singapore, Mainland China, Europe, and the United States, UMC has an extensive service network to meet the needs of its global clientele. In the future, UMC will continue to offer world leading production processes and the most comprehensive support structure for our customers to strengthen its competitive advantages in a rapidly changing industry.

Date of Incorporation May 22, 1980

MAJOR MILESTONES





CORPORATE ORGANIZATION

Customer							
MERICAN SINESS GROUP	JAPAN BUSINESS GROUP	ASIA BUSINESS GROUP	EUROPE BUSINESS GROUP	NEW BUSINESS DEVELOPMENT GROUP			
	THE	CHAIRMAN AND PRESIDENT	r's Office				

CORPORATE MARKETING Responsible for corporate marketing affairs **INTELLECTUAL PROPERTY DEVELOPMENT & DESIGN SUPPORT DIVISION** Responsible for intellectual property development and design support affairs **CENTRAL R&D AND SPECIALTY TECHNOLOGY DIVISIONS** Responsible for research and development of new processes and technology FAB 6A, FAB 8AB, FAB 8C, FAB 8D, FAB 8E, FAB 8F, FAB 8S, FAB 12A, CENTRAL MANUFACTURING PLANNING, FACILITY OPERATION & CONSTRUCTION, GROUP RISK MANAGEMENT & ENVIRONMENTAL SAFETY & HEALTH, INFORMATION TECH-NOLOGY AND OPERATIONS SUPPORT DIVISIONS, AND TECHNOLOGY COMMITTEE Responsible for Fab production, manufacturing, and operational support Mask Engineering & Service, Product Engineering, Quality & Reliability ASSURANCE AND TEST & PACKAGE ENGINEERING SERVICE DIVISIONS, AND TOM COMMITTEE Responsible for product quality, testing, and packaging service **IPR Division** Responsible for intellectual property rights protection and legal affairs FINANCE, ACCOUNTING AND AUDITING DIVISIONS Responsible for finance, accounting, and auditing **ADMINISTRATION DIVISION** Responsible for HR and general affairs

26

DIRECTORS' AND SUPERVISORS' INFORMATION

Name Title		Date Elected [Date Assumed]	Term (Yrs.)		holding Elected		Present nolding	Spouse & Shareh	& Minor holding
		(Date First Elected)	-	Common Shares		Common Shares	%	Common Shares	%
Robert H.C. Tsao Director, Chairman		2004.6.1 (1986.5.8)	3	82,898,998	0.51	89,630,917	0.50	4,593,924	0.03
John Hsuan Director		2004.6.1 (1986.5.8)	3	79,764,069	0.49	86,145,194	0.48	5,406,744	0.03
Hsun Chieh Investme	nt Co., Ltd.	2004.6.1 (1995.6.21)	3	503,455,675	3.12	543,732,129	3.06	_	
Representatives	Peter Chang Director	2004.6.1 (2001.5.30)	3	17,729,666	0.11	8,748,039	0.05	692,547	0.00
Chuin Li Investment (Corporation	2004.6.1 (1998.5.5)	3	31,833,392	0.20	34,380,063	0.19	-	-
Representatives	Jackson Hu Director	2004.6.1 (2004.2.4)	3	365,000	0.00	794,200	0.00	-	-
Chuin Tsie Investmen	t Corporation	2004.6.1 (1998.5.5)	3	76,400,141	0.47	82,512,152	0.46	_	_
Representatives	Hong-Jen Wu Director	2004.6.1 (1998.5.5)	3	31,882,872	0.20	34,493,501	0.19	-	_
Shieh Li Investment (Corporation	2004.6.1 (1998.5.5)	3	49,297,126	0.31	53,240,896	0.30	_	_
Representatives	Ching-Chang Wen Director	2004.6.1 (2001.5.30)	3	10,524,919	0.07	4,206,912	0.02	9,336	0.00
Jack K.C. Wang Director		2004.6.1 (2004.6.1)	3	22,149,687	0.14	23,921,661	0.13	211	0.00
Mao-Chung Lin Director		2004.6.1 (2004.6.1)	3	14,944,649	0.09	16,140,220	0.09	807,364	0.00
Paul S.C. Hsu Director		2004.6.1 (2004.6.1)	3	-	-	-	-	-	-
Chiao Tung Bank Co.,	Ltd.	2004.6.1 (2004.6.1)	3	206,226,741	1.28	103,224,880	0.58	_	_
Representatives	Tzong-Yeong Lin Supervisor	2004.6.1 (2004.6.1)	3	-	-	-	-	-	-
Hsun Chieh Investme	nt Co., Ltd.	2004.6.1 (1995.6.21)	3	503,455,675	3.12	543,732,129	3.06	_	
Representatives	Tzyy-Jang Tseng Supervisor	2004.6.1 (2002.3.14)	3	17,022,185	0.11	18,253,959	0.10	248,987	0.00
Chuin Tsie Investmen	t Corporation	2004.6.1 (2004.6.1)	3	76,400,141	0.47	82,512,152	0.46	_	_
Representatives	Tsing-Yuan Hwang Supervisor	2004.6.1 (2004.6.1)	3	-	-	-	-	692,618	0.00

Notes (1) Present shareholding figures are actual number of shares held on December 31, 2004. **(2)** Directors' and Supervisors' election date is the same date they assumed their positions. **(3)** Directors and Supervisors are not spouses or siblings of other managers, directors, and supervisors. **(4)** Directors and Supervisors did not hold shares

Experience Education	Also Serves Concurrently as
Chairman, UMC Group Master of Management Science, National Chiao Tung University	Director, Mega Financial Holding Company; Director, Unimicron Technology Corp.; Chairman, Faraday Technology Corp.; Chairman, UMC Japan; Chairman, UMCi Ltd.; Chairman, Fortune Venture Capital Corporation; Chairman, Hsun Chieh Investment Co., Ltd.; Director, United Microdisplay Optronics Corporation
Chairman, UMC Bachelor of Electronics Engineering, National Chiao Tung University	Director, Unimicron Technology Corp.; Director, Faraday Technology Corp.; Chairman, Silicon Integrated Systems Corp.; Director, UMC Japan; Director, Fortune Venture Capital Corporation; Director, Hsun Chieh Investment Co., Ltd.; Chairman, United Microdisplay Optronics Corporation
Director, UMC Master of Electrical Engineering, University of Texas at Austin	– Director, UMC Japan; Director, UMCi Ltd.
- CEO, UMC Ph.D. of Computer Science, University of Illinois at Urbana-Champaign	- Director, UMCi Ltd.; Director, Compal Communications, Inc.
- Director, UMC Master of Chemical Engineering, National Taiwan University -	– Chairman, DuPont Photomasks Taiwan Ltd.; Director and President, UMC Japan –
Director, UMC Ph.D. of Electrical Engineering, University of Pennsylvania	Director, DuPont Photomasks Taiwan Ltd.
Chairman, Sen Dah Investment Co., Ltd. Bachelor of Chinese Literature, Culture University	Chairman, Sen Dah Investment Co., Ltd.
President, Sunrox International Inc. Bachelor of Business Administration, National Taiwan University	President, Sunrox International Inc.
Far East Group Chair Professor of Management, Yuan-Ze University Ph.D. of Business Administration, University of Michigan	Chairman, Chinese Management Association; Director, Faraday Technology Corp.; Director, Firich Enterprise Co., Ltd.; Director, Taiwan Chi Cheng Enterprise Co., Ltd.; Supervisor, Far Eastern International Bank
-	-
President, Mega Holding Company Master of Law, National Taiwan University	Chairman, The International Commercial Bank of China; Chairman, Parawin Venture Capital Corp.; Chairman, Risklink Venture Capital Corp.; Chairman, International Investment Trust Co., Ltd.; Supervisor, Taian Technologies Corporation; Supervisor, National Credit Card Center of R.O.C.
-	-
Chairman, Unimicron Technology Corp. Master of Physics, National Tsing Hua University	Chairman, Unimicron Technology Corp.; Director, Premier Image Technology Corporation; Chairman, Subtron Technology Co., Ltd.; Supervisor, Fortune Venture Capital Corporation
Executive Officer, Daiwa Securities SMBC Co., Ltd. Master of Business Administration, Nihon University	Executive Officer, Daiwa Securities SMBC Co., Ltd.; Director, President Chain Store Corp.; Director, Hon Hai Precision Industry Co., Ltd.

 $through \ other parties. \ \textbf{(5)} \ List \ of \ major \ shareholders \ of \ UMC's \ institutional \ shareholders \ is \ presented \ in \ the \ next \ page.$

Directors' and Supervisors' Information (cont.)

LIST OF MAJOR SHAREHOLDERS OF UMC'S INSTITUTIONAL SHAREHOLDERS

UMC's Institutional Shareholders	Major Shareholders of UMC's Institutional Shareholders
Hsun Chieh Investment Co., Ltd.	United Microelectronics Corporation
Chuin Li Investment Corporation	Robert H.C. Tsao, John Hsuan
Chuin Tsie Investment Corporation	Robert H.C. Tsao, John Hsuan
Shieh Li Investment Corporation	Robert H.C. Tsao, John Hsuan
Chiao Tung Bank Co., Ltd.	Mega Financial Holding Co., Ltd.

LIST OF INSTITUTIONAL SHAREHOLDERS OF THE MAJOR SHAREHOLDERS

Major Shareholders	Institutional Shareholders of the Major Shareholders
Mega Financial Holding Co., Ltd.	Ministry of Finance, The Development Fund, Executive Yuan, Chunghwa Post Co., Ltd., Bank of Taiwan, Kuo Hua Life Insurance Co., Ltd., United Microelectronics Corp., Barits Development Corp., Bureau of Labor Insurance, Cathay Life Insurance Co., Ltd., Polaris Taiwan Top 50 Tracker Fund

DIRECTORS' AND SUPERVISORS' PROFESSIONAL KNOWLEDGE AND INDEPENDENCE INFORMATION

Name	Five or more Years Experience in Business,	Independence Status (Note)						Remarks	
	Law, Finance, or Corporate Business Related Fields	1	2	3	4	5	6	7	<u> </u>
Robert H.C. Tsao	Yes	-	~	~	-	-	~	~	-
John Hsuan	Yes	-	~	•	-	-	~	~	-
Peter Chang	Yes	-	~	~	~	_	~	-	Represents Hsun Chieh Investment Co., Ltd.
Jackson Hu	Yes	-	~	~	~	-	~	-	Represents Chuin Li Investment Corporation
Hong-Jen Wu	Yes	-	~	~	~	-	~	-	Represents Chuin Tsie Investment Corporation
Ching-Chang Wen	Yes	-	~	~	~	-	~	-	Represents Shieh Li Investment Corporation
Jack K.C. Wang	Yes	~	~	•	~	•	~	~	-
Mao-Chung Lin	Yes	•	~	•	~	~	~	•	-
Paul S.C. Hsu	Yes	•	~	•	~	•	~	•	-
Tzong-Yeong Lin	Yes	•	~	~	~	-	-	-	Represents Chiao Tung Bank Co., Ltd.
Tzyy-Jang Tseng	Yes	-	~	~	✓	-	✓	-	Represents Hsun Chieh Investment Co., Ltd.
Tsing-Yuan Hwang	Yes	-	~	~	~	~	~	-	Represents Chuin Tsie Investment Corporation

Notes For those directors and supervisors who match the condition listed below, "• " is marked in the appropriate space. (1) Is not an employee of the Company; nor a director, supervisor, or employee of its affiliated enterprises. Does not include the independent directors or supervisors in the parent companies and subsidiaries. (2) Does not directly or indirectly own more than 1% of the Company's outstanding shares; nor is one of the top ten non-institutional shareholders of the Company. (3) Is not a spouse or of immediate relation (child, parent, grandchild, grandparent, or sibling) to any person specified in the preceding two columns. (4) Is not a director, supervisor, or employee of a legal entity which directly owns more than 5% of the Company's issued shares; nor a director, supervisor or employee of the top five legal entities which are owners of the Company's issued shares. (5) Is not a director, supervisor, or manager of a company which has a business relationship with the Company; nor a shareholder who owns more than 5% of such a company. (6) Is not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Company and its affiliates with financial, business consulting, or legal services in 2004. (7) Is not a legal entity owner or its representative pursuant to Article 27 of the R.O.C. Company Law.

OFFICERS' INFORMATION

Name	Title	Date Elected	Present Sha	reholding	Spouse & Minor Shareholding		
		(Date Assumed)	Common Shares	%	Common Shares	%	
John Hsuan	Vice Chairman	2002.4.1	86,145,194	0.48	5,406,744	0.03	
Peter Chang	Vice Chairman	2000.1.3	8,748,039	0.05	692,547	0.00	
Jackson Hu	CEO	2003.7.15	794,200	0.00	-	-	
Hong-Jen Wu	President	2005.1.14	34,493,501	0.19	-	-	
Ching-Chang Wen	Business Group President	2000.1.3	4,206,912	0.02	9,336	0.00	
Chris Chi	Business Group President	2005.1.14	601,461	0.00	-	-	
Fu-Tai Liou	Business Group President	2002.12.17	4,648,913	0.03	-	-	
Shih-Wei Sun	Senior Vice President	2003.7.29	12,050,064	0.07	872,245	0.00	
Stan Hung	CF0	2000.1.3	14,441,589	0.08	1,827,938	0.01	

Notes (1) Shareholding figures are actual number of shares held on December 31,2004. **(2)** Officers did not hold shares through other parties. **(3)** Officers are not spouses or siblings of other managers. **(4)** Officers' election date is the same date they assumed their positions.

Experience Education	Also Serves Concurrently as
Chairman, UMC Bachelor of Electronics Engineering, National Chiao Tung University	Director, Unimicron Technology Corp.; Director, Faraday Technology Corp.; Chairman, Silicon Integrated Systems Corp.; Director, UMC Japan; Director, Fortune Venture Capital Corporation; Director, Hsun Chieh Investment Co., Ltd.; Chairman, United Microdisplay Optronics Corporation
Director, UMC Master of Electrical Engineering, University of Texas at Austin	Director, UMC Japan; Director, UMCi Ltd.
CEO, UMC Ph.D. of Computer Science, University of Illinois at Urbana-Champaign	Director, UMCi Ltd.; Director, Compal Communications, Inc.
Director, UMC Master of Chemical Engineering, National Taiwan University	Chairman, DuPont Photomasks Taiwan Ltd.; Director and President, UMC Japan
Director, UMC Ph.D. of Electrical Engineering, University of Pennsylvania	Director, DuPont Photomasks Taiwan Ltd.
Director, UMC Master of Material Engineering, University of California at Los Angeles	Director and President, UMCi Ltd.; Director, UMC Japan
Director, UMC Ph.D. of Material Science & Engineering, State University of New York at Stony Brook	None
Senior Vice President, UMC Ph.D. of Electronic Materials, Northwestern University	None
CFO, UMC Bachelor of Accounting, Tamkang University	Director, UMC Japan; Supervisor, Novatek Microelectronics Corp.; Supervisor, SpringSoft Co., Ltd.; Director, Harvatek Corp.; Director, Mega Financial Holding Company; Director, Fortune Venture Capital Corporation; Director, Hsun Chieh Investment Co., Ltd.; Director, United Microdisplay Optronics Corporation

DIRECTORS' REMUNERATION

Name	Title				Employees' Bonus
	-	Cash Bonus			Stock Bonus
	-	Amount (In thousand NTD)	Shares	Market Price (NTD)	Amount (In thousand NTD)
Robert H.C. Tsao	Chairman				
John Hsuan	Director				
Hsun Chieh Investment Co., Ltd.	Director				
Peter Chang	Representatives				
Chuin Li Investment Corporation	Director				
Jackson Hu	Representatives				
Chuin Tsie Investment Corporation	Director	-	-	29.3 (Note 1)	-
Hong-Jen Wu	Representatives				
Shieh Li Investment Corporation	Director				
Ching-Chang Wen	Representatives				
Jack K.C. Wang	Director				
Mao-Chung Lin	Director				
Paul S.C. Hsu	Director				

Notes (1) The market price is the average market price within the last month of the accounting period. **(2)** Jack K.C. Wang, Mao-Chung Lin, Paul S.C. Hsu were not on the 8th Board, so they do not have directors' remuneration. Hsun Chieh Investment Co., Ltd., Chuin Li Investment Corporation, Chuin Tsie Investment Corporation and Shieh Li Investment Corporation each have 2 representatives on the 8th Board, so they received a total of NTD 7,765 thousand for directors' remuneration.

SUPERVISORS' REMUNERATION

Name	Title	Transportation Reimbursement and Compensation (In thousand NTD)	Supervisors' Remuneration (In thousand NTD)	Total (In thousand NTD)	Percentage of Total Remuneration to Net Income	Other Compensation (In thousand NTD)
Chiao Tung Bank Co., Ltd.	Supervisor					
Tzong-Yeong Lin	Representatives	-				
Hsun Chieh Investment Co., Ltd.	Supervisor	70	971 (Note 1)	1,041	0.01	-
Tzyy-Jang Tseng	Representatives	_				
Chuin Tsie Investment Corporation	Supervisor	_				
Tsing-Yuan Hwang	Representatives	_				

Notes (1) Chiao Tung Bank Co., Ltd. and Chuin Tsie Investment Corporation were not on the 8th Board, so they do not have supervisors' remuneration. (2) Supervisors' remuneration for 2004.

Transportation Reimbursement and Compensation (In thousand NTD)	Directors' Remuneration (In thousand NTD)	Total (In thousand NTD)	Percentage of Total Remuneration to Net Income	Units of Stock Options Granted	Other Compensation (In thousand NTD)
210	5,824 (Note 2)	6,034	0.04	60,000,000	469 (Note 3)

⁽³⁾ The compensation for housing and transportation expenses. (4) Directors' remuneration for 2004.

OFFICERS' REMUNERATION

Name	Title	Employees' Bonus					
	_	Cash Bonus			Stock Bonus		
	_	Amount (In thousand NTD)	Shares	Market Price (NTD)	Amount (In thousand NTD)		
John Hsuan	Vice Chairman						
Peter Chang	Vice Chairman						
Jackson Hu	CEO						
Hong-Jen Wu	President						
Ching-Chang Wen	Business Group President	-	2,800,000	29.3 (Note 1)	82,040		
Chris Chi	Business Group President						
Fu-Tai Liu	Business Group President						
Shih-Wei Sun	Senior Vice President						
Stan Hung	CF0						

Notes (1) The market price is the average market price within the last month of the accounting period. **(2)** The compensation for housing and transportation expenses. **(3)** Officers' remuneration for 2004.

EMPLOYEES' BONUS FOR THE OFFICERS

Name	Title	Cash Bonus		Stock Bonus	Total (In thousand	Percentage of Total	
		Amount (In thousand NTD)	Shares	Market Price (NTD)	Amount (In thousand NTD)	NTD)	Remuneration to Net Income
Peter Chang	Vice Chairman						
Jackson Hu	CEO						
Hong-Jen Wu	President						
Ching-Chang Wen	Business Group President	-	2,800,000	29.3 (Note 1)	82,040	82,040	0.59
Fu-Tai Liu	Business Group President						
Shih-Wei Sun	Senior Vice President						
Stan Hung	CF0						

Notes (1) The market price is the average market price within the last month of the accounting period. **(2)** Employees' bonus for 2004.

Salary (In thousand NTD)	Bonus and Special Compensation (In thousand NTD)	Total (In thousand NTD)	Percentage of Total Remuneration to Net Income	Units of Stock Options Granted	Other Compensation (In thousand NTD)
22,928	-	104,968	0.75	98,000,000	15,319 (Note 2)

CHANGE IN SHAREHOLDING OF DIRECTORS, SUPERVISORS, OFFICERS AND MAJOR SHAREHOLDERS

Unit: share

					Unit: share
Name	Title		2004		2005
	-	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Robert H.C. Tsao	Director, Chairman	6,731,919	-	-	-
John Hsuan	Director, Vice Chairman	6,381,125	-	-	-
Hsun Chieh Investment Co., Ltd.	Director, Supervisor	40,276,454	-	-	-
Chuin Li Investment Corporation	Director	6,112,011	-	-	-
Chuin Tsie Investment Corporation	Director, Supervisor	2,546,671	-	-	-
Shieh Li Investment Corporation	Director	3,943,770	-	-	_
Jack K.C. Wang	Director	1,771,974	(1,000,000)	-	-
Mao-Chung Lin	Director	1,195,571	-	-	-
Paul S.C. Hsu	Director	-	-	-	-
Chiao Tung Bank Co., Ltd.	Supervisor	(103,001,861)	-	-	-
Peter Chang	Vice Chairman	(8,981,627)	-	-	-
Jackson Hu	CEO	429,200	-	-	-
Hong-Jen Wu	President	2,350,629	-	(170,000)	_
Ching-Chang Wen	Business Group President	(6,444,007)	-	_	_
Chris Chi	Business Group President	(1,670,003)	(505,000)	-	-
Fu-Tai Liou	Business Group President	(650,822)	-	-	_
Shih-Wei Sun	Senior Vice President	1,098,172	-	_	_
Stan Hung	CF0	1,440,117	-	_	_

Notes (1) No shareholders own 10% or more of UMC shares. **(2)** The data represented for 2005 was gathered until March 21, 2005. **(3)** Counterparts of the shareholding transferred or pledged are not related parties. **(4)** Chiao Tung Bank Co., Ltd.'s 2004 shareholdings are calculated from June, 2004.

TOTAL PERCENTAGE OF OWNERSHIP OF INVESTEES

Investees	имс	UMC Investments		Investments from Directors, Supervisors, Officers, and Directly or Indirectly Controlled Businesses				
	Shares	%	Shares	%	Shares	%		
Applied Component Technology Corp.	8,848,041	16.44	-	-	8,848,041	16.44		
Unimicron Technology Corp.	185,625,685	21.43	111,548,383	12.88	297,174,068	34.31		
Faraday Technology Corp.	47,681,936	18.38	14,295,057	5.51	61,976,993	23.89		
Fortune Venture Capital Corporation	299,994,000	99.99	1,000	0.00	299,995,000	99.99		
Hsun Chieh Investment Co., Ltd.	1,417,294,000	99.97	104,500	0.01	1,417,398,500	99.98		
Pacific Venture Capital Co., Ltd.	30,000,000	49.99	-	-	30,000,000	49.99		
Novatek Microelectronics Corp.	72,774,596	18.30	3,273,777	0.82	76,048,373	19.12		
Integrated Technology Express Inc.	24,229,364	22.23	4,488,720	4.12	28,718,084	26.35		
DuPont Photomasks Taiwan Ltd.	106,620,718	45.35	-	-	106,620,718	45.35		
Holtek Semiconductor Inc.	48,980,414	25.23	1,922,827	0.99	50,903,241	26.22		
AMIC Technology Corporation	16,200,000	11.83	7,626,308	5.57	23,826,308	17.40		
United Microdisplay Optronics Corp.	104,345,300	83.48	_	_	104,345,300	83.48		
Silicon Integrated Systems Corp.	219,091,990	16.16	47,988,198	3.54	267,080,188	19.70		
UMC Group (USA)	16,437,500	100.00	_	_	16,437,500	100.00		
United Foundry Service, Inc.	2,005,000	100.00	_	_	2,005,000	100.00		
UMC Japan	484,363	47.42	44,880	4.51	529,243	51.93		
UMCi Ltd.	880,006,287	100.00	_	_	880,006,287	100.00		
UMC Capital Corporation	55,000,000	100.00	_	_	55,000,000	100.00		
United Microelectronics Corp. (Samoa)	700,000	100.00	-	_	700,000	100.00		
United Microelectronics (Europe) B.V.	9,000	100.00	_	-	9,000	100.00		
Unitech Capital Inc.	21,000,000	42.00	-	-	21,000,000	42.00		
MediaTek Incorporation	77,427,520	10.06	_	_	77,427,520	10.06		
AU Optronics Corp.	71,215,144	1.44	3,042,917	0.06	74,258,061	1.50		
C-Com Corporation	5,071,857	4.40	1,110,000	0.96	6,181,857	5.36		
Sino-Aerospace Investment Corp.	28,500,000	11.11	-	_	28,500,000	11.11		
TECO Nanotech Co., Ltd.	18,850,757	7.82	2,925,876	1.21	21,776,633	9.03		
United Industrial Gases Co., Ltd.	13,185,529	8.11	_	_	13,185,529	8.11		
Mega Financial Holding Company	95,576,810	0.84	59,539,354	0.52	155,116,164	1.36		
Premier Image Technology Corporation	3,395,139	0.59	3,013,783	0.52	6,408,922	1.11		
Industrial Bank of Taiwan Corp.	118,302,849	4.95	_	_	118,302,849	4.95		
Subtron Technology Co., Ltd.	11,520,000	4.92	5,616,000	2.40	17,136,000	7.32		
Taiwan High Speed Rail Corporation	30,000,000	_	200,000,000	_	230,000,000	_		
Billionton Systems Inc.	1,825,964	2.77		_	1,825,964	2.77		
PixTech, Inc.	9,883,470	17.63	_	_	9,883,470	17.63		
Vialta, Inc.	8,360,000	8.90	_		8,360,000	8.90		
Pacific Technology Partners, L.P.			_					
Tonbu, Inc.	937,500	_	_		937,500			
Pacific United Technology, L.P.				_	<u> </u>	_		

Notes (1) The companies listed above are UMC's long-term investments. **(2)** Shareholding figures are actual number of shares held on December 31, 2004.

CAPITAL AND SHARES

SOURCE OF CAPITAL

Date	Issue Price (Per share)		Authorized Shares		Issued Shares		Ro	emarks
	(rer snure)	Shares (In thousands)	Total (In thousand NTD)	Shares (In thousands)	Total (In thousand NTD)	Source of Capital	Assets other than Cash Used for Capital	Other
June, 2004	NTD 10	22,000,000	220,000,000	16,497,886	164,978,863	Note 1	-	-
June, 2004	NTD 10	22,000,000	220,000,000	17,897,572	178,975,719	Note 2	-	-
June, 2004	NTD 10	22,000,000	220,000,000	17,747,844	177,478,439	Note 3	_	-
January, 2005	NTD 10	22,000,000	220,000,000	17,791,982	177,919,819	Note 4	-	-

Notes (1) On June 9, 2004, the R.O.C. SFC approved the new share issuance of NTD 3,571,429 thousand for the acquisition of SiS Microelectronics Corp. The Company's paidin capital was increased to NTD 164,978,863 thousand. **(2)** On June 25, 2004, the R.O.C. SFC approved the issuance of NTD 13,996,855 thousand from the capitalization of retained earnings. The Company's paid-in capital was increased to NTD 178,975,719 thousand. **(3)** On June 30, 2004, the R.O.C. SFC approved the capital reduction of NTD 1,497,280 thousand from the write-off of treasury shares. The Company's paid-in capital was decreased to NTD 177,478,439 thousand. **(4)** On January 24, 2005, the Science Park Administration approved the issuance of NTD 441,380 thousand from the execution of employee stock options during the 4th quarter of 2004. The Company's paid-in capital was increased to NTD 177,919,819 thousand.

Unit: share

Share Type			Authorized Shares	Allotment for Convertible Bonds	Allotment for Stock Op- tion Certificates
	Issued Shares	Un-issued Shares	Total	convertible Bonus	(Units)
Common stock	17,791,981,859	4,208,018,141	22,000,000,000	1,500,000,000	2,000,000,000

STATUS OF SHAREHOLDERS

Stock: common share

Item	Government Agencies	Financial Institutions	Other Legal Entities	Domestic Individuals	Foreign Institutions & Individuals	Total
Number of shareholders	20	47	1,366	926,750	1,267	929,450
Shareholding (Shares)	229,880,256	635,571,800	3,203,584,274	8,745,582,478	5,082,953,051	17,897,571,859
Percentage (%)	1.28	3.55	17.90	48.87	28.40	100.00

 $\textbf{\textit{Note}} \ \textit{The data shown above was recorded on July 19, 2004, which was the record date for the distribution of 2003 stock dividends.}$

DISTRIBUTION OF COMMON SHARES

Class of Sharehol	ding (Unit: sh	are) Number of Shareholders Shareholding (Shares)	%
1 ~	999	221,796 79,852,823	0.45
1,000 ~	5,000	402,279 952,140,495	5.32
5,001 ~	10,000	138,661 941,546,944	5.26
10,001 ~	15,000	65,781 783,942,590	4.38
15,001 ~	20,000	26,141 449,249,916	2.51
20,001 ~	30,000	30,401 729,452,738	4.08
30,001 ~	50,000	20,590 778,401,431	4.35
50,001 ~	100,000	13,635 918,816,527	5.13
100,001 ~	200,000	5,740 766,906,819	4.28
200,001 ~	400,000	2,314 623,873,305	3.49
400,001 ~	600,000	677 329,349,286	1.84
600,001 ~	800,000	311 213,338,330	1.19
800,001 ~	1,000,000	188 168,022,658	0.94
0ver	1,000,001	936 10,162,677,997	56.78
Total		929,450 17,897,571,859	100.00

Note The data shown above was recorded on July 19, 2004, which was the record date for the distribution of 2003 stock dividends.

LIST OF MAJOR SHAREHOLDERS

Shareholder's Name	Shareho		
	Common Shares	%	
Citicorp Financial Service Ltd., as representative of holders of the ADRs and as nominee for Citibank, N.A., as Depositary, pursuant to a Deposit Agreement, dated as of September 21, 2000 among United Microelectronics Corporation, the Depositary and holders and beneficial owners from time to time of the ADRs issued thereunder	1,018,486,192	5.69	
Hsun Chieh Investment Co., Ltd.	543,732,129	3.04	
Xilinx Holding Three Ltd.	396,153,283	2.21	
Silicon Integrated Systems Corp.	388,522,285	2.17	
Chiao Tung Bank Co., Ltd.	222,724,880	1.24	
Citicorp Financial Service Ltd., as representative of the Singapore Government Fund	201,010,911	1.12	
Chunghwa Post Co., Ltd.	195,226,353	1.09	
TECO Electric & Machinery Co., Ltd.	193,968,014	1.08	
Administrative Committee, Yao Hua Glass Co., Ltd.	182,170,730	1.02	
Alliance Semiconductor (S.A.) (PTY) Ltd.	156,642,179	0.88	

 $\textbf{Note} \ \textit{The data shown above was recorded on July 19, 2004, which was the record date for the distribution of 2003 stock dividends.}$

MARKET PRICE, NET WORTH, EARNINGS, AND DIVIDENDS PER SHARE

Unit: NTD

Item			2005 (Note 6)	2004	2003
Market price per share	Highest market pri	се	21.00	34.10	32.20
	Lowest market price	е	18.60	19.40	19.20
	Average market pri	се	19.91	25.29	24.82
Net worth per share	Before distribution		-	15.68	15.06
	After distribution		-	*	13.84
Earnings per share	Weighted average s	hares	-	16,828,204,561	15,313,314,722
	Earnings per share	(Note 1)	-	1.89	0.92
	Earnings per share	(Note 2)	-	*	0.84
Dividends per share	Cash dividends		-	*	-
	Stock dividends	Dividends from retained earnings	-	*	0.76
		Dividends from capital reserve	-	*	0.04
	Accumulated unappropriated dividends		-	-	-
Return on investment	Price / Earning ratio (Note 3)		-	13.39	26.98
	Price / Dividends ro	atio (Note 4)	-	*	_
	Cash dividends yiel	d rate (Note 5)	-	*	-

 $^{^{\}star}$ Subject to change following 2005 shareholders' meeting resolution.

Notes (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 2005 was gathered until March 21, 2005.

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 deducting items (a), (b), and (c) above from the current year's earnings, no less than 5% of the remaining amount together with the prior years' unappropriated earnings is to be allocated as employees' bonus which will be settled through issuance of new Company shares. Employees of the Company's subsidiaries, meeting certain requirements determined by the board of directors, are also eligible for the employees' bonus.
- (f) The distribution of the remaining portion, if any, will be recommended by the board of directors and approved through the shareholders' meeting.

The Company is in its growth stage; the policy for dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the benefit of shareholders, share bonus equilibrium, and long-term financial planning. The board of directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that at least 50% of the dividends to shareholders, if any, must be paid in the form of stock dividends. Accordingly, no more than 50% of the dividends can be paid in the form of cash.

PROPOSED DISTRIBUTION OF DIVIDEND

The Company's proposal for dividend distribution in 2004 was passed on the 12th board meeting of the 9th term. This proposal, a stock dividend of 100 common shares for every 1,000 shares held, will be discussed at the annual shareholders' meeting.

IMPACT OF STOCK DIVIDENDS ON OPERATION RESULTS AND EPS

Not Applicable.

EMPLOYEE BONUS AND DIRECTORS' & SUPERVISORS' REMUNERATION

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the manner described on page 40.

INFORMATION ON THE EARNINGS PER SHARE AND AMOUNT OF EMPLOYEE BONUS AND REMUNERATION TO DIRECTORS AND SUPERVISORS PASSED BY THE BOARD OF DIRECTORS:

The Company's resolution on earning distribution was passed on the 12th board meeting of the 9th term.

Details regarding earning distribution are as follows:

- (a) Stock distribution for employees is NTD 1,972,855,300 and remuneration paid to directors and supervisors is NTD 27,005,742.
- (b) Stock bonus for employees is 197,285,530 shares, accounting for 10.09% of the 2004 stock dividend.
- (c) In consideration of employee bonus and remuneration to directors and supervisors, pro forma diluted EPS is NTD 1.77.

DETAILS OF THE 2003 EMPLOYEE BONUS SETTLEMENT AND DIRECTORS' & SUPERVISORS' REMUNERATION ARE AS FOLLOWS:

For the year ended December 31, 2003

Details			As Approved by the Shareholders' Meeting	As Recommended by the Board of Directors	Differences	Reasons for Differences
Settlement of employees' bonus by issuance of new	Number of shares (In thousands)		111,127	111,127	-	-
shares	Amount (In thousand NTD)		1,111,273	1,111,273	-	-
	Percentage on total number of outstanding shares at year end		0.70%	0.70%	-	-
Remuneration paid to dire (In thousand NTD)	ectors and supervisors		12,618	12,618	-	-
Effect on earnings per share before retroactive	Earnings per share (NTD)	Basic	0.92	0.92	-	-
adjustments	-	Diluted	0.90	0.90	-	-
	Pro forma earnings per share taking into consideration employees' bo-	Basic	0.84	0.84	-	-
	nus and directors' and supervisors' remuneration (NTD)	Diluted	0.83	0.83	-	-

SHARE BUY-BACK HISTORY

Instance	7 th Round
Purpose	To transfer to employees
Buy-back period	2004.3.24 ~ 2004.5.23
Price range (NTD)	19.6 ~ 47.5
Classification and volume (Shares)	192,067,000
Amount (NTD)	5,198,020,497
Cancellation and transfer volume (Shares)	-
Cumulative cancellation and transfer volume (Shares)	286,348,000
Cumulative holding (Shares)	241,181,000
Cumulated holding as a percentage of total issued shares	1.36%

Notes (1) The data shown above includes transactions from January 1, 2004 to March 21, 2005. (2) Shares purchased are common shares.

CORPORATE BONDS

Туре	Secured Corporate Bonds	Unsecured Corporate Bonds	Unsecured Corporate Bonds
Issue date	2000.4.27	2001.4.16 ~ 2001.4.27	2001.10.2 ~ 2001.10.15
Face amount	NTD 1,000,000	NTD 1,000,000	NTD 1,000,000
Listing exchange	R.O.C. OTC Securities Exchange	R.O.C. OTC Securities Exchange	R.O.C. OTC Securities Exchange
Issue amount	NTD 1,000,000	NTD 1,000,000	NTD 1,000,000
Issue size	NTD 3.99 billion	NTD 15 billion	NTD 10 billion
Coupon rate	5.60%	1A01 ~ 1A10:5.1850% 1A11 ~ 1A19:5.1195% 1B01 ~ 1B10:5.2850% 1B11 ~ 1B19:5.2170%	2A01 ~ 2A09:3.420% 2A10 ~ 2A17:3.3912% 2B01 ~ 2B09:3.520% 2B10 ~ 2B18:3.4896%
Maturity	5 years; 2005.4.27	1A – 5 years; 2006.4.16 ~ 2006.4.27 1B – 7 years; 2008.4.16 ~ 2008.4.27	2A – 3 years; 2004.10.2 ~ 2004.10.15 2B – 5 years; 2006.10.2 ~ 2006.10.15
Guarantor	The International Commercial Bank of China and 20 other banks	-	-
Trustee	Trust Dept., Chiao Tung Bank Co., Ltd.	Trust Dept., Chiao Tung Bank Co., Ltd.	Trust Dept., Chiao Tung Bank Co., Ltd.
Address of trustee	2F, 550, Sec. 4, Chung Hsiao E. Road, Taipei, Taiwan R.O.C.	2F, 550, Sec. 4, Chung Hsiao E. Road, Taipei, Taiwan R.O.C.	2F, 550, Sec. 4, Chung Hsiao E. Road, Taipei, Taiwan R.O.C.
Underwriter	Daiwa Global Securities Co., Ltd.	-	-
Registrar, principal paying, conversion and transfer agent	-	-	_
Address of agent	-	-	-
Legal counsel	Chen & Lin Attorneys-at-Law	Chen & Lin Attorneys-at-Law	Chen & Lin Attorneys-at-Law
Auditor	PricewaterhouseCoopers	Diwan, Ernst & Young	Diwan, Ernst & Young
Redemption	Principal will be paid semi-annually after two years, in seven installments. Interest will be paid semi-annually.	1A is a five-year term, and total size is NTD 7.5 billion. Principal will be paid after three, four, and five years at 30%, 30%, and 40% respectively. 1B is a seven-year term, and total size is NTD 7.5 billion. Principal will be paid after five, six, and seven years at 30%, 30%, and 40% respectively. Interest will be paid annually.	2A is a three-year term, and total size is NTD 5 billion. Principal will be paid in full after three years. 2B is a five-year term, and total size is NTD 5 billion. Principal will be paid in full after five years. Interest will be paid annually.
Principal payable	NTD 0.57 billion	NTD 12.75 billion	NTD 5 billion
Redemption	-	-	-
Covenant	-	-	-
Name of rating company, date and result of rating	-	Taiwan Ratings Corporation, 2001.3.8, twAA	Taiwan Ratings Corporation, 2001. 8.28, twAA
Other obligation	-	-	-
Effect due to dilution	-	-	-
Name of custodian	-	-	-

Corporate Bonds (cont.)

Туре		Zero Coupon Exchangeable Bonds Due 2007				
Issue date		2002.5.10				
Face amount		USD 10,000				
Listing exchange		Luxembourg Stock Exchange				
Issue amount		USD 10,000				
Issue size		USD 235,000,000				
Coupon rate		0%				
Maturity		5 years; 2007.5.10				
Guarantor		-				
Trustee		Citibank, N.A.				
Address of tru	stee	Cottons Centre, Hays Lane, London SE1 2QT, United Kingdom				
Underwriter		Lehman Brothers Inc.				
Registrar, prin	ncipal paying, transfer agent	Citibank, N.A.				
Address of age	ent	5 Carmelite Street, London EC4Y OPA, United Kingdom				
Legal counsel		Simpson Thacher & Bartlett				
Auditor		Diwan, Ernst & Young				
Redemption		On the maturity date, the issuer will redeem the bonds at their principal amount plus accrued interest, any, unless, prior to such date: (a) The issuer shall have redeemed the bonds at the option of the issuer, or the bonds shall have been redeemed at the option of the bondholders. (b) The bondholders shall have exercised the conversion right before maturity; or (c) The bonds shall have been purchased by the issue and cancelled.				
Principal paya	ble	USD 97,890,000				
Redemption o	rearly redemption clause	(a) The issuer has the option to call all or any portion of the bonds on or at any time after three months after the issue date and prior to the maturity date based on the price to be agreed upon, if the closing price of the common shares on the Taiwan Stock Exchange in US dollars, calculated at the prevailing exchange rate, for each of the 20 consecutive trading days, the last of which occurring not more than 10 days prior to the date of the notice of such redemption, is at least 120% of the exchange price in effect on each such trading day translated into US dollars at the rate of exchange established on the pricing date. (b) The Company may redeem the outstanding bonds in whole, but not in part, at their principal amount in the event that 90% of the bonds have been previously exchanged, redeemed or purchased and cancelled. (c) The issuer may redeem all, but not part, of the bonds, at their principal amount in the event of changes in R.O.C. taxation resulting in additional costs to the issuer.				
Covenant		-				
Name of rating date and resul		-				
Other Balance of amount obligation converted to (exchangeable or warrant) shares, ADSs, or other types of securities as of printing date		The balance of amount exchanged to common shares of AU Optronics Corp. ("AUO") is USD 2,000,000. The balance of amount exchanged to ADSs of AUO is USD 137,110,000.				
Policy of issuing or converting (exchangeable or warrant)		(a) Bondholders have the right hereunder to exchange the bonds into common shares or ADSs of AUO. (b) The bondholders may, from 40 days after the last issue date to the 30 days prior to the maturity date, exchange the bonds into the common shares or ADSs of AUO as a substitute for the issuer's cash redemption. The detailed exchanging procedures and the rights and obligations of bondholders who exchange five business days prior to and during the closed period will be subject to the indenture and the paying, exchange and registrar agency agreement.				
Effect on the d	current shareholders n	The bonds are eligible to be exchanged into common shares or ADSs of AUO. This will not result in any dilution effect to UMC shareholders.				
Name of custo	dian	Citibank, N.A.				

Corporate Bonds (cont.)

Туре	Unsecured Corporate Bonds
Issue date	2003.5.21 ~ 2003.6.24
Face amount	NTD 5,000,000
Listing exchange	R.O.C. OTC Securities Exchange
Issue amount	NTD 5,000,000
Issue size	NTD 15 billion
Coupon rate	3A: The annual coupon rate is 4.0% minus the floating rate, but no less than 0%. The rate is adjusted annually based on the "floating rate" of the second London business date prior to the issued date of each "interest accrued period". The interest is calculated per annum. 3B: The annual coupon rate is 4.3% minus the floating rate, but no less than 0%. The rate is adjusted annually based on the "floating rate" of the second London business date prior to the issued date of each "interest accrued period". The interest is calculated per annum. "Interest accrued period" is the period starting from a year prior to the interest payout date to one day prior to the interest payout date. "Interest accrued method" is defined as the coupon rate times the number of days in the interest period divided by actual days of the year. The rate is calculated to five figures after the decimal point. "Business date" is referred to the London financial business date, otherwise is referred to the Taiwan, Taipei and Kaohsiung financial business date. "Floating rate" is referred to the USD 12-Month LIBOR rate shown on London time 11am, Moneyline Telerate pg. 3750. The initial interest pricing date is set as the second London business date prior to the bond issuance date.
Maturity	3A - 5 years; 2008.5.21 ~ 2008.6.24 3B - 7 years; 2010.5.21 ~ 2010.6.24
Guarantor	-
Trustee	Trust Dept, Chiao Tung Bank Co., Ltd.
Address of trustee	2F, 550, Sec 4, Chung Hsiao E. Road, Taipei, Taiwan R.O.C.
Underwriter	-
Registrar, principal paying, conversion and transfer agent	_
Address of agent	-
Legal counsel	Chen & Lin Attorneys-at-Law
Auditor	Diwan, Ernst & Young
Redemption	3A is a five-year term, and total size is NTD 7.5 billion. Principal will be paid in full at maturity. 3B is a seven-year term, and total size is NTD 7.5 billion. Principal will be paid in full at maturity. Interest will be paid annually.
Principal payable	NTD 15 billion
Redemption	-
Covenant	-
Name of rating company, date and result of rating	Taiwan Ratings Corporation, 2003.4.24, twAA-
Other obligation	-
Effect on the current shareholders due to dilution	-
Name of custodian	-

Corporate Bonds (cont.)

EXCHANGEABLE BONDS INFORMATION

Zero Coupon Exchang	geable Bonds Due 2007	2005	2004	2003	2002	2002.5.10 (Closing Date)
The quantity of holding	ng exchanged securities (Shares)	71,215,144	71,215,144	148,271,262	139,769,528	137,202,140
Exchangeable price		NTD 51.30	NTD 51.30	NTD 54.91	NTD 58.25	NTD 59.34
Market price	High	116.08	156.00	109.56	100.00	-
	Low	108.15	104.00	94.50	92.65	-
	Average	112.33	115.88	99.59	95.18	-
Reference shares	Comm	on Shares or ADSs	of AU Optronics Co	orp.		

 $\textbf{Note} \ \textit{The data represented for 2005 was gathered until March 21, 2005.}$

WARRANT BONDS INFORMATION

None.

PREFERRED STOCK

None.

AMERICAN DEPOSITARY RECEIPTS

Issue Date	2005.1.20	2004.11.16	2004.8.19	2004.1.2
Listing exchange	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange
Issue amount	USD 84.2 million	USD 76.3 million	Stock dividend	USD 13.8 million
Listing price / unit	USD 3.33	USD 3.47	-	USD 4.92
Issue shares	25,290,000	22,000,000	15,088,684	2,804,000
Underlying representing shares	UMC common shares	UMC common shares	UMC common shares	UMC common shares
Number of equivalent local shares per ADS	5 shares	5 shares	5 shares	5 shares
Rights and obligations of ADS holder	Same as the common shareholder	Same as the common shareholder	Same as the common shareholder	Same as the common shareholder
Trustee	N/A	N/A	N/A	N/A
Depositary bank	Citibank, N.A.	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	Citibank, N.A. Taipei Branch
Outstanding balance (Units)	25,290,000	22,000,000	15,088,684	2,804,000
Issuing expenses and maintenance fees	During the term of the be borne by the Compar		will be borne by the issuer	, and maintenance fees will
Important terms and conditions of depositary agreement and custodian agreement	-	-	-	-

Note The data shown above was gathered until March 21, 2005.

AMERICAN DEPOSITARY RECEIPT TRADING DATA

Closing Price per Share (USD)	2005					2004
	High	Low	Average	High	Low	Average
	3.78	3.16	3.49	6.12	3.25	4.35

Note The data represented for 2005 was gathered until March 21, 2005.

2003.12.23	2003.8.15	2002.9.9	2002.3.19	2001.8.17	2000.9.19
New York Stock Exchange					
USD 24.4 million	Stock dividend	Stock dividend	USD 439.7 million	Stock dividend	USD 1,291.5 million
USD 4.75	-	-	USD 9.25	-	USD 14.35
5,146,000	6,965,107	22,655,667	47,537,780	13,500,000	90,000,000
UMC common shares					
5 shares					
Same as the common shareholder					
N/A	N/A	N/A	N/A	N/A	N/A
Citibank, N.A.					
Citibank, N.A. Taipei Branch					
5,146,000	6,965,107	22,655,667	47,537,780	13,500,000	90,000,000
During the term of the A	ADR, the issuing expenses	will be borne by the issue	r, and maintenance fees w	ill be borne by the Compa	ny.
-	-	-	-	-	-

EMPLOYEE STOCK OPTION CERTIFICATES

STATUS OF STOCK OPTION PLAN AND IMPACT ON STOCKHOLDERS' EQUITY

Туре	Employee Stock Option Certificates								
	1 st Issued, 1 st Round 2002	2 nd Issued, 1 st Round 2002	1 st Issued, 1 st Round 2003	2 nd Issued, 1 st Round 2003	3 rd Issued, 1 st Round 2003	1 st Issued, 1 st Round 2004			
Date of approval	2002.9.11	2002.9.11	2003.10.8	2003.10.8	2003.10.8	2004.9.30			
Issue date	2002.10.7	2003.1.3	2003.11.26	2004.3.23	2004.7.1	2004.10.13			
Units issued	939,000,000	61,000,000	57,330,000	33,330,000	56,590,000	20,200,000			
Ratio of issue shares to out- standing shares (%)	5.27	0.34	0.32	0.19	0.32	0.11			
Option duration	2002.10.7 ~ 2008.10.6	2003.1.3 ~ 2009.1.2	2003.11.26 ~ 2009.11.25	2004.3.23 ~ 2010.3.22	2004.7.1 ~ 2010.6.30	2004.10.13 ~ 2010.10.12			
Method for performance of contract	The issue of new shares	The issue of new							
Vesting schedule	٠,	l for employee option ree years and up to 1	,	yees may exercise up	to 50% of the option	ns after two years			
Exercised shares	80,601,500	100,000	-	-	-	-			
Exercised amount	1,426,646,550	1,990,000	-	-	-	-			
Un-exercised shares	858,398,500	60,900,000	57,330,000	33,330,000	56,590,000	20,200,000			
Exercise price	NTD 20.0 (Original) NTD 17.7 (After Dividend)	NTD 22.5 (Original) NTD 19.9 (After Dividend)	NTD 30.2 (Original) NTD 27.8 (After Dividend)	NTD 27.9 (Original) NTD 25.7 (After Dividend)	NTD 25.2 (Original) NTD 23.2 (After Dividend)	NTD 20.0			
Ratio of un-exercised shares to outstanding shares (%)	4.81	0.34	0.32	0.19	0.32	0.11			
Effect on current shareholders due to dilution		r the shares is the ma n effect to current sh		e of issue and the ves	ting period for empl	oyee options is si			

Notes (1) The data shown above was gathered until March 21, 2005. **(2)** The date of approval refers to the date when the R.O.C. SFC approved the Stock Option Plan. **(3)** Each unit of the stock option entitles the recipient to subscribe to one share of the Company's common shares.

LIST OF OFFICERS AND TOP 10 EMPLOYEES PARTICIPATING IN EMPLOYEE STOCK OPTION PLAN (EXERCISED)

Title	Name	Units Granted	Units Granted/ Total Outstanding Shares (%)	Exercised Units	Exercise Price (NTD)	Exercised Amount (In thousand NTD)	Units Exercised/ Total Outstand- ing Shares (%)
Vice Chairman	John Hsuan	10,000,000	0.06	-	-	-	-
Vice Chairman	Peter Chang	10,000,000	0.06	-	-	-	-
CEO	Jackson Hu	5,000,000	0.11	-	-	-	-
		15,000,000					
President	Hong-Jen Wu	10,000,000	0.06	-	-	-	-
Business Group President	Ching-Chang Wen	10,000,000	0.06	-	-	-	-
Business Group President	Chris Chi	10,000,000	0.06	-	-	-	-
Business Group President	Fu-Tai Liou	10,000,000	0.06	-	-	-	-
Senior Vice President	Shih-Wei Sun	8,000,000	0.04	-	-	-	-
CF0	Stan Hung	10,000,000	0.06	-	-	-	-
Senior Vice President	Henry Liu	8,000,000	0.04	-	-	-	-
Vice President	Wen-Yang Chen	8,000,000	0.04	-	-	-	-

LIST OF OFFICERS AND TOP 10 EMPLOYEES PARTICIPATING IN EMPLOYEE STOCK OPTION PLAN (UN-EXERCISED)

Title	Name	Units Granted	Units Granted/ Total Outstanding Shares (%)	Un-exercised Units	Exercise Price (NTD)	Un-exercised Amount (In thousand NTD)	Units Un-ex- ercised/ Total Outstanding Shares (%)
Vice Chairman	John Hsuan	10,000,000	0.06	10,000,000	17.7	177,000	0.06
Vice Chairman	Peter Chang	10,000,000	0.06	10,000,000	17.7	177,000	0.06
CEO	Jackson Hu	5,000,000	0.11	5,000,000	19.9	516,500	0.11
		15,000,000		15,000,000	27.8		
President	Hong-Jen Wu	10,000,000	0.06	10,000,000	17.7	177,000	0.06
Business Group President	Ching-Chang Wen	10,000,000	0.06	10,000,000	17.7	177,000	0.06
Business Group President	Chris Chi	10,000,000	0.06	10,000,000	17.7	177,000	0.06
Business Group President	Fu-Tai Liou	10,000,000	0.06	10,000,000	17.7	177,000	0.06
Senior Vice President	Shih-Wei Sun	8,000,000	0.04	8,000,000	17.7	141,600	0.04
CF0	Stan Hung	10,000,000	0.06	10,000,000	17.7	177,000	0.06
Senior Vice President	Henry Liu	8,000,000	0.04	8,000,000	17.7	141,600	0.04
Vice President	Wen-Yang Chen	8,000,000	0.04	8,000,000	17.7	141,600	0.04

Notes (1) The data shown above was gathered until March 21, 2005. **(2)** Employees listed in this table are the top 10 holders of stock options and each subscription amount exceeds NTD 30 million.

MERGERS AND ACQUISITIONS OR THE ISSUE OF NEW SHARES TO ACQUIRE ANOTHER COMPANY'S SHARES

On February 26, 2004, UMC and SiS Microelectronics Corp. (SiSMC) announced that in the respective meetings of the Boards of Directors of both companies, a plan to merge the companies was approved and a merger agreement signed. The agreement resulted in one surviving company, UMC.

SiSMC, originally a part of Silicon Integrated Systems Corp. (SiS), is a foundry company that operates one 200mm wafer fab. SiSMC was spun-off from SiS, an IC design and product company, to form a dedicated wafer foundry company at the end of 2003 after the approval of its Board of Directors and shareholders at their respective meetings.

Improved economic conditions are the major driving force behind this merger. By the end of 2003, capacity utilization reached 100%, making it impossible for UMC to meet all of the requirements of its global customer base. In view of the long-lead time it takes to build a new fab, well in excess of one year, and costs that would likely exceed one billion US dollars, UMC concluded that a merger with SiSMC was the most effective method to quickly meet customer demand, relieve production bottlenecks, and maximize growth in response to dynamic industry conditions. The merger allows UMC to accelerate capacity expansion and achieve improved economies of scale, as well as avoid the massive capital outlay that construction of a new fab would require. With this merger, UMC obtains a 200mm wafer fab that has a capacity of 24,000 wafers per month, thus increasing the ability and flexibility to acquire future orders. At the same time, UMC recognizes revenues and profits from the operations of

SiSMC's fab, thereby achieving greater financial transparency.

SiSMC also sees a strong rationale in this merger with UMC. Since spinning off from SiS to become an independent foundry company, it has had to deal with the intense competitive forces that characterize the IC manufacturing industry. This merger is the most effective way for it to widen its customer base and gain access to UMC's advanced production technologies. The Company greatly strengthens its competitiveness and profitability through this merger. SiS, a pure fabless company, can also more sharply focus its energies on IC design, as it becomes a major customer of one of the world's leading foundries, UMC.

UMC issued 357 million new shares to accommodate the acquisition that was valued at NTD 10.7 billion. The shares exchange ratio was 1:2.24 for UMC to SiSMC. The value of the merger was set based on many factors, including the profitability, net asset values, current operating conditions, technology capabilities and future growth prospects of the two companies. After the merger, UMC can quickly integrate the acquired production resources to lower operational costs, increase operational scale, and raise profitability. All of these factors helped UMC to raise its international competitiveness in an industry characterized by fast development and the growing trend towards concentration of capital and technology. The merger results in a strong long-term positive contribution to the equity of shareholders of UMC, SiSMC and SiS.

Mergers and Acquisitions (cont.)

THE INFORMATION OF THE ACQUIRED COMPANY	
Company name	SiS Microelectronics Corp.
Address	4F, 16 Creation 1st Rd., Hsinchu Science Park, Hsinchu, Taiwan 300, R.O.C.
Chairman	John Hsuan
Major business scope	IC Manufacturing
Major product line	Wafers
Financial information as of June 30, 2004 (Expressed in thousand NTD	unless otherwise stated)
Total assets	13,345,478
Total liabilities	4,930,330
Capital	8,000,000
Total stockholders' equity	8,415,148
Operating revenues	2,255,507
Gross loss	(815,941)
Operating loss	(930,623)
Net loss	(1,173,399)

LATEST UNDERWRITER OPINIO	NS FOR THE ACQUISITION
Effected date	2004.8.4
Impacts to the Company's business scope	After completion of the acquisition, SiSMC provides its capacity for not only its original customer – SiS, but also the customers of UMC. SiSMC widened its customer base from a single customer to around 10 customers (as of December, 2004). This shows that SiSMC can efficiently support UMC's customer needs and also raise its revenue. SiSMC can contribute more revenue to UMC in the future when the economy strengthens.
Impacts to the Company's financial status	Started from the record date of July 1st, 2004, UMC's 4th Quarter revenue was NTD 28.2 billion, which shows a 19% increase year over year. Although UMC's total revenue was not able to increase significantly due to economic fluctuations, SiSMC (now Fab 8S) still contributed a significant portion of UMC's customer base and total revenue.
Impacts to the shareholders' equity	The acquisition of SiSMC can satisfy UMC's original customer needs. UMC can also benefit from the integration of R&D, production, capacity, cost management and market shares. This integration will have positive impacts to sales, profitability and shareholders' equity.
The benefits from the merger	UMC and SiSMC completed the registration of acquisition in August 2004. The Company then made efforts on the integration of sales, finance and production to increase the Company's overall competitiveness. The benefits of the acquisition will gradually emerge.

OPERATIONS OVERVIEW

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BUSINESS SCOPE

MAJOR BUSINESS

Full Service Semiconductor Wafer Foundry.

CURRENT PRODUCTS AND SERVICES

UMC provides a variety of services to fit individual customer's needs, including silicon intellectual property (IP), embedded IC design, design verification, mask tooling, wafer fabrication, and testing. Wafer fabrication accounts for 97% of 2004 revenues.

FUTURE PRODUCTS AND SERVICES

Advanced 65-nanometer and 45-nanometer processes

UMC has reached world-class manufacturing levels and leads most of the major semiconductor companies in the introduc-

tion of advanced deep sub-micron processes. In 2003, UMC was the first foundry to deliver working customer products using advanced 90-nanometer copper technology and the Company has been in volume production for this technology since 2Q 2004. UMC is also actively developing 65-nanometer and 45-nanometer process technologies to significantly increase the competitive advantages of its customers.

SoC Process Technologies

In response to the growing trend towards System-on-Chip (SoC) products, UMC continues to develop resources for SoC designers including embedded memory macros, Mixed-Signal/RF CMOS processes, and other system integration technologies used for SoC designs.

INDUSTRY SCOPE

CURRENT INDUSTRY PRODUCTS & DEVELOPMENT

The functions of electronic products increase and evolve on a daily basis, leading to an enormous increase in design and process complexity for today's semiconductors. Wafer sizes have also migrated to the next generation of larger wafers, affecting the economics of manufacturing. The combination of both advancing technologies and larger wafers has somewhat slowed overall development, while investment has increased to bring these new technologies to maturity.

This trend has increased the challenges involved in semiconductor design, production, packaging, and testing. For the most part, semiconductor companies find it difficult to manage all aspects of the IC supply chain, adding to the attraction of the vertically disintegrated business model.

THE RELATIONSHIP BETWEEN UP-, MID-, AND DOWN-STREAM SUPPLY CHAIN SERVICES

The semiconductor industry has continuously evolved in order to support down-stream (end-user) electronic products. Therefore, IC manufacturers must develop new process technologies early to enable up-stream chip developers' sophisticated designs for more powerful ICs. This in turn allows down-stream companies to innovate new applications and products that can take advantage of the better performing semiconductors.

DEVELOPMENT TRENDS

Advanced technologies have enabled electronic products, especially those in the Computer, Communication, and Consumer sectors, to merge their functions in ways previously unseen. Networking capabilities have allowed electronic products such as computers, cell phones, televisions, PDAs, CD-ROMs, and digital cameras to communicate with each other to exchange information. More powerful chips are required to drive multimedia functions (processing visual data, etc.) and to resolve network bandwidth issues. At the same time, the trend towards more personalized electronic devices means that products are becoming smaller and consuming less power. Process technology must also shrink aggressively to accommodate this trend to reduce die size and lower IC power consumption. Dedicated semiconductor foundries will need to achieve this process improvement, and at the same time develop multiple process technologies to satisfy the varying needs of Computer, Communication, and Consumer applications.

A COMPETITIVE MARKET

High profit potential has attracted more and more competitors to the foundry arena, including Silterra, 1st Silicon of Malaysia, SMIC & GSMC of China, and DongbuAnam of Korea, etc. The success of these companies will be determined by their ability to overcome challenges in terms of economic scale, the development of proprietary technology, and attracting world-class talent.

RESEARCH & DEVELOPMENT ACHIEVEMENTS AND PLANS

UMC is committed to being the leading foundry to provide cost-effective, all-inclusive, System-on-Chip (SoC) solutions for our customers. Our SoC portfolios include leading edge deep submicron core devices, multiple I/O devices, mixedmode/RF components, SRAMs and various embedded memory options. UMC's commitment to developing the most advanced processes can be illustrated by our R&D investment. In 2004, 6% of our corporate revenues were allocated to R&D spending. Currently, our 0.25, 0.18, and 0.13-micron production lines continue to bring in solid revenue. At the same time, we aggressively expand 0.13-micron and 90-nanometer production lines in 200mm and 300mm production fabs. Our early 90-nanometer strategic customers have successfully launched multiple products in mass-production to help position themselves at the forefront of their application fields. In addition, our R&D team successfully moved from Hsinchu to Tainan and transitioned from 200 to 300mm fabs without delaying 90-nanometer production ramp or 65-nanometer technology development.

For 90-nanometer technology, we further developed the 90G device family targeted for high-end computer graphic customers. This completed our target to have a complete 90-nanometer platform that includes Low Leakage (LL), Standard Performance (SP) and Graphic (G) families. With these device families, designers can maximize performance with device flexibility to minimize power consumption for computer, communication, and hand-held electronic consumer products. Also, with increasing market demands on 90-nanometer mixed-mode/RF components, we have accelerated our development schedule significantly to facilitate customer design-in schedules.

On the 65-nanometer technology front, we are closely following Moore's law prediction for die shrinkage and performance enhancement while paying particular attention to leakage issues. We are introducing new technologies, such as nickel (Ni) silicide, strain Si devices, and new Poly, Contact & Back-end-of-line (BEOL) patterning techniques to achieve 65-nanometer technology targets. We also teamed up with strategic customers during process development stages to broaden our views on 65-nanometer product requirements and to shorten our future manufacturing learning cycle.

In terms of applications, UMC is proud to be the first foundry to provide a 0.18-micron 32 Volt high voltage

process targeted for the growing portable liquid crystal display (LCD) market. This technology can supply different voltages required for the gate, source drivers, controller, and 4um² ultra dense SRAM while featuring an additional Multiple Times Programmable (MTP) embedded memory cell capability that results in a smaller footprint, one-chip solution. We have also developed the industry's smallest CMOS Image Sensor Technology (IST) using a 0.15-micron process. This technology allows much higher density sensors to be integrated into cell phones, which enables high-resolution camera phones with minimum cost increase and the highest packing density.

Besides offering the best IC manufacturing capability, we further enhance our service by providing a complete virtual inductor library – an inductor design solution using 3-D electromagnetic simulations for the RFCMOS design community. This breakthrough methodology helps RF designers find their best-suited inductor in a fraction of the time of traditional means with the best accuracy and various low cost features. This also achieves our corporate goal to reduce our customers' product time-to-market not only through manufacturing cycle time reduction but also from the beginning of the design phase.

UMC continuously supplements its technology portfolio with the addition of competitive embedded memory options. This includes 6T-SRAM, 1T-SRAM and embedded non-volatile memories. We have successfully demonstrated our 90-nanometer compatible SRAM options and completed 0.25-micron eFlash/eEEPROM development and qualification. In addition, 0.13-micron/0.18-micron eFlash processes are preliminarily fixed and ready for product tape-out. With this portfolio, UMC leads the foundry industry in providing low, medium, and high density embedded memory solutions for leading-edge SoC designs.

Looking ahead to exploratory technologies, we have established a mini-pilot line for high k dielectric/metal gate development in anticipation of the upcoming gate materials revolution. Significant progress is expected this coming year. We have achieved substantial device performance enhancement via various straining methods including high tensile liner and novel integration scheme. As with most leading semiconductor companies, we also closely follow industry trends on SOI, Fin-FET and nano-tube device developments.

R&D EXPENDITURES

In thousand NTD	2005	2004
Expenditures	1,143,271	6,524,176

Note The data represented for 2005 was gathered until March 21, 2005; the figure represented was unaudited.

LONG-TERM AND SHORT-TERM BUSINESS DEVELOPMENT PLAN

UMC operates as the SoC Solution Foundry. This approach involves collaborating closely with customers as well as partners throughout the entire supply chain, including equipment, EDA tool, and IP vendors to work synergistically towards each customer's SoC silicon success. This strategy has resulted in a broad range of resources available to SoC

designers, including silicon validated reference flows, a broad IP portfolio, and free-of-charge libraries. Combine these with advanced process technology, extensive package and test capabilities, and state-of-the-art 300mm manufacturing, and the result is complete SoC foundry solutions for UMC customers.

MARKET AND SALES CONDITIONS

MAJOR SALES REGIONS

UMC's technologies and services have proven themselves by contributing to the success of its customers, many of whom are major players in the global IC industry. Currently, the majority of its customers are located in North America and Asia, with Europe following closely behind. Japanese customers' orders primarily go to UMC's subsidiary in Japan, UMCJ, although a few customers deal directly with UMC. UMC will enhance its partnerships with world-class customers around the globe by continuing to develop customers' high-end products to ensure the steady growth of UMC for the mid and long terms.

MARKET SHARE

UMC is a leading company in the foundry industry, with a 2004 sales revenue figure of USD 3.7 billion. According to data provided by IC Insights, UMC possessed a global pureplay foundry market share of 23%. TSMC, Chartered and SMIC are considered major competitors. Together, UMC, TSMC, Chartered and SMIC are estimated to account for approximately 82% of the pure-play foundry market share. In 2004, sales revenues for TSMC, Chartered and SMIC were USD 7.65 billion, USD 1.1 billion and USD 0.98 billion, respectively. In 2004, TSMC, Chartered and SMIC had a market share of 46%, 7% and 6%, respectively.

FUTURE MARKET SUPPLY, DEMAND, AND GROWTH POTENTIAL

According to reports by the World Semiconductor Trade Statistics (WSTS), the Semiconductor Industry Association (SIA), Dataquest, IDC and IC Insights, the global semiconductor market in 2005 is estimated to maintain a flat performance from -5% to 5% after the enormous growth of 28% in 2004.

Fabless design companies have historically performed better than the overall semiconductor market. Furthermore, increasing numbers of Integrated Device Manufacturers (IDMs) are adopting the strategy of using external foundry services. Therefore, the foundry service market is expected to grow at a faster rate than the overall semiconductor industry.

COMPETITIVE ADVANTAGES

IC design companies in Taiwan are performing well, and are second only to North American IC design firms. UMC has a high market share in the Taiwan market and can directly enjoy the advantages accompanying the rapid growth of Taiwan's IC design companies.

The IC industry in Taiwan is well structured and is very competitive in terms of efficiency and cost. UMC plays an important role in the IC industry supply chain, and together with the Company's technology leadership, UMC is able to realize the competitive advantages of Taiwan's IC industry.

POSITIVE FACTORS RELATING TO FUTURE DEVELOPMENT

Considering the long-term steady growth of the IC industry, the relative advantages of foundry manufacturing, and UMC's technical excellence, we believe that the following factors will contribute positively to the future development of the Company:

- UMC has distinguished itself as a top-tier company in the foundry industry. The trend towards increased disintegration within the industry will create new opportunities for the Company as the market for foundry services continues to grow.
- Major IDMs are shifting their strategy to increase their use of 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 that strongly emphasizes the research and development of advanced process technologies.
- UMC is the industry leader in the implementation of 300mm wafer production. The Company has a 300mm facility, Fab 12A, in the Tainan Science Park. The Company also has another 300mm semiconductor foundry company in Singapore, UMCi Ltd. UMC's aggressive expansion into 300mm manufacturing will help attract more outsourcing orders from IDMs and fabless companies.

- UMC is in volume production for 90-nanometer process technology. As the Company produces more advanced technology products, the Company reaps higher profits while offering customers value-added benefits.
- In response to the trend of producing greater numbers of SoC products, UMC continues to develop embedded memory macros, Mixed-Signal/RF CMOS processes, and other system integration technologies used in SoC designs to meet customers' needs and firmly establish the Company's leading position for the development of SoC technologies.
- The industry is currently suffering from a shortage of advanced technology capacity. UMC is one of the very few foundries that can provide this type of capacity.
- As the need continues to rise for consumer products such as digital televisions, DVD players and smart phones, the semiconductor industry is expected to enter another growth stage.

NEGATIVE FACTORS RELATING TO FUTURE DEVELOPMENT

- Inventory buildup has slowed the growth of the global semiconductor market, which is expected to lead to a flat performance in 2005 following tremendous growth of 28% in 2004.
- Today's trend has seen demand drop for end products such as communication products and personal computers (PC), which may cause negative impacts to the industry's prosperity.
- The recent prosperity of the foundry market has attracted many new competitors into the market; this may negatively impact the market balance.

ADAPTATIONS TO MARKET SITUATION

 In response to other foundry market entrants, UMC will build on its competitive advantages, such as leadingedge technologies, high manufacturing yields, and comprehensive customer services. This will widen the gap with these new competitors, and differentiate UMC from the rest of the industry. This strategy will ensure UMC remains a primary choice for foundry customers.

- The Company will strive to provide the most advanced technologies for various IC applications and simultaneously meet high performance, low power consumption needs while helping customers reduce overall costs.
- UMC will also strengthen marketing effectiveness, strive for service excellence and continue with efforts to increase customer satisfaction.
- UMC will strengthen its partnerships with existing customers to facilitate enhanced growth for both the Company and its customers.

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 analog/ digital Mixed Signals, e.g. broadband communications and optical storage chips.
- RF CMOS processes: Chips for wireless communications,
 e.g. cellular phones, WLAN, and Bluetooth chips.
- Embedded memory processes: Chips combining logic and memory functions for high performance, low power consumption chips, e.g. graphics and router chips.
- High Voltage processes: for manufacturing LCD Driver ICs.
- CMOS Image Sensor processes: for manufacturing CMOS Image Sensors used in digital, cell phones and PC cameras.

PRODUCT MANUFACTURING PROCESS

The IC manufacturing process can be broken down into five major steps including circuit design, mask tooling, wafer fabrication, assembly and test. UMC excels in the research and development of pioneering IC process technologies, and provides exceptional manufacturing technologies, materials and equipment for its customers to rapidly realize their designs in silicon.

MAJOR RAW MATERIALS STATUS

Material Categories	Major Vendors	Vendors' Market Position	UMC's Procurement Strategies
Raw Silicon Wafers	S.E.H. (manufactured in the U.S., Japan, Taiwan, and Malaysia) MEMC (manufactured in the U.S. and Taiwan) Komatsu (manufactured in Japan and Taiwan)	UMC's vendors are major raw silicon wafer suppliers to the world. Their factories, located in the U.S., Japan, Taiwan, and throughout Southeast Asia, can consistently supply high-quality silicon wafers in sizes ranging from 150mm to 300mm.	 (a) UMC maintains good relationships with the world's major silicon wafer suppliers to assure a stable supply. (b) UMC's decision to procure wafers made locally has not only reduced logistical risks, but has also reduced costs. (c) UMC allocates procurement among its vendors according to their overall performance, which is evaluated quarterly by UMC's internal Suppliers Management Committee.

MAJOR VENDORS AND CUSTOMERS

MAJOR VENDORS

In thousand NTD

		2004			2003
Name	Amount	Percentage of Net Purchases	Name	Amount	Percentage of Net Purchases
Shin-Etsu Handotai Taiwan Co., Ltd.	3,952,085	14	Shin-Etsu Handotai Taiwan Co., Ltd.	2,698,980	15
UMCi Ltd.	2,987,721	11	UMCi Ltd.	1,756	0

Reasons for changes in procurement amount: Purchasing amounts increased in 2004 compared with the previous year because of increased consumption in 2004.

MAJOR CUSTOMERS

In thousand NTD

		2004			2003
Name	Amount	Percentage of Net Operating Revenues	Name	Amount	Percentage of Net Operating Revenues
UMC Group (USA)	53,751,976	46	UMC Group (USA)	35,062,132	41
United Microelectronics (Europe) B.V.	19,685,139	17	United Microelectronics (Europe) B.V.	6,447,584	7
Company "A"	7,692,163	6	Company "A"	8,185,306	10

Reasons for changes in sales amount: Sales to UMC Group (USA) and United Microelectronics (Europe) B.V. each accounted for more than 10% of net operating revenues and the percentage of net operating revenues of these two customers increased 5% and 10% respectively over 2003. This primarily resulted from the increased orders in advanced technology products. Meanwhile, owing to the change in the demand of consumer and computer products, the percentage of net operating revenues of Company "A" decreased 4%.

PRODUCTION AND SALES FIGURES

PRODUCTION FIGURES

		2004		2003
_	Quantity	Amount (In thousand NTD)	Quantity	Amount (In thousand NTD)
Wafers (Pcs)	2,575,480	69,543,119	2,054,113	56,213,821
Chips (In thousands)	214,383	9,610,901	89,629	5,149,941
Packaged ICs (In thousands)	8,100	2,212,197	10,161	2,814,855
Total amount		81,366,217		64,178,617
Capacity (Pcs)	3,057,000		2,646,000	

 $\textbf{\textit{Note}} \ \textit{Wafer quantity and capacity are expressed in 200mm wafer equivalents.}$

SALES FIGURES

			2004		2003
	-	Quantity	Amount (In thousand NTD)	Quantity	Amount (In thousand NTD)
Wafers (Pcs)	Domestic	1,111,596	34,007,628	1,024,366	28,633,439
	Export	1,419,387	64,600,440	1,000,478	44,262,660
Chips	Domestic	1,081	207,863	17	67,089
(In thousands)	Export	213,302	12,196,368	89,612	5,418,799
Packaged ICs	Domestic	-	-	-	-
(In thousands)	Export	8,100	2,982,267	10,147	3,096,043
Total	Domestic		34,215,491		28,700,528
	Export		79,779,075		52,777,502

Note Wafer quantity is expressed in 200mm wafer equivalents.

EMPLOYEE ANALYSIS

NUMBER OF EMPLOYEES

	2005	2004	2003
Engineers	4,906	4,892	3,918
Administrators	437	443	422
Clerks	77	77	88
Technicians	5,070	5,230	4,469
Total	10,490	10,642	8,897

AVERAGE AGE

	2005	2004	2003
Average age	30.3	30.0	30.5

AVERAGE YEARS OF EMPLOYMENT

	2005	2004	2003
Average number of years	5.4	5.2	5.0

LEVEL OF EDUCATION (%)

	2005	2004	2003
Ph.D.	1.4	1.3	1.4
Masters degree	20.7	20.3	20.1
Bachelors / Associate degree	47.9	47.9	44.8
Secondary school and others	30.0	30.5	33.7

Note The data represented for 2005 was gathered until March 21, 2005.

ENVIRONMENTAL PROTECTION INFORMATION

UMC considers environmental protection as an integral part of our overall business development. The Company received the runner-up award for Environmental Excellence from the Asian Institute of Management at their 2004 Asian CSR Awards held in Kuala Lumpur, Malaysia. This honor affirms UMC's performance in environmental protection and social responsibility. UMC's environmental protection policy is guided by the Company's belief in the importance of corporate integrity and commitment to long-term partnerships with our customers and the community. The Company takes proactive actions and has comprehensive environmental protection programs in place to ensure that sustainable growth and development are environmentally friendly at the same time.

UMC's environmental protection and pollution control plan address all aspects of the environment. In 2004, capital expenditures for pollution control equipment were NTD 350 million and the average monthly operating cost was NTD 20 million. Monthly waste disposal fees were NTD 4 million and

the annual cost for the environmental monitoring program was NTD 2.87 million. Major environmental protection expenses in the future will include: (a) the costs required to maintain or upgrade existing systems; (b) operating costs for pollution control equipment (NTD 20 million per month); (c) waste disposal fees (NTD 5 million per month); and (d) the cost for the environmental monitoring program (NTD 3 million annually).

In the past year, UMC met all environmental regulations and distinguished itself with its environmental protection performance. Over the years, UMC has received many recognized awards such as the Asian CSR Awards, the Industrial Sustainable Excellence Award, the Excellent Environmental Professional Award, the Energy Saving Outstanding Award, the Water Conservation Award, the Waste Recycle and Reuse Performance Award and the Hsin Chu Science Park's Environmental Protection Excellence Award.

LABOR RELATIONS

UMC places great importance on employee salaries and benefits, employee development, the enforcement of all labor laws, and the protection of employee rights, in an effort to provide the best possible working environment.

UMC makes every effort to develop a positive working relationship between employees and management. Employees can communicate with their superiors through many channels, including departmental meetings, colleague symposiums, and opinion boxes. The mental and physical well-being of UMC employees is as equally important, and the Company offers employee-counseling services and has a health clinic on-site.

UMC opened its employee recreation center to provide its employees with a facility to improve their quality of life and encourage social interaction among company personnel. The

employee recreation center is equipped to support a variety of activities, such as sports activities, entertainment, the arts, and community meetings.

UMC follows a training policy that is implemented to not only benefit the Company, but also cultivate individual growth and development.

To protect the rights and interests of employees, UMC follows the Labor Standards Law. UMC's employee retirement policy also corresponds with existing related labor laws.

The Council of Labor Affairs and other organizations have recognized UMC's efforts in developing good labor relations. These organizations awarded UMC the Model Institution for the Promotion of Labor Welfare, Model Enterprise for the Promotion of Labor Education, and the Model Enterprise for Industrial Relations distinctions.

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 a long-term supply business relationship with major wafer material vendors. The major contents of these agreements are described below:

Company Name	Contract Period	Major Contents	Limitations
UMC Group (USA)	2004.1.1 ~ 2005.12.31	Semiconductor products sales and relevant services	None material
United Microelectronics (Europe) B.V.	2003.1.1 ~ 2004.12.31	Semiconductor products sales and relevant services	None material
Shin-Etsu Handotai Taiwan Co., Ltd.	Indefinite period	150mm, 200mm and 300mm raw wafer 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 also has cross-licensing agreements with major semiconductor patent holders to ensure that customers do not face infringement claims as a result of UMC services. Some of the major licenses include:

Cross License (Company Name)	License Period	Fields of Protection	Limitations
Agere Systems Inc.	2004.1.1 ~ 2008.12.31	Process and topography	None material
International Business Machines Corporation	1998.8.1 ~ 2005.12.31	Process, topography and design	None material
Texas Instruments Incorporated	1998.8.28 ~ 2007.12.31	Process, topography and memory content	None material

Major Agreements (cont.)

MAJOR JOINT VENTURE AND CONSTRUCTION AGREEMENTS

Company Name	Contract Period	Major Contents	Limitations
UMCi Pte Ltd, Infineon Technologies AG, EDB Investments Pte Ltd	Since 2001.3.30	UMC, UMCi, and EDB Investments entered into an amended and restated joint venture agreement concerning a facility in the Pasir Ris Wafer Fab Park in	None material
(Note 1: UMCi Pte Ltd had changed to		Singapore for the manufacture of 300mm wafers using	
"UMCi Ltd." from 2003.10.8) (Note 2: The joint venture agreement with		leading edge technology. Pursuant to supplemental agreements entered in March of 2004, UMC repurchased	
Infineon Technologies AG was terminated before 2004.1.1)		the shares of the joint venture held by EDB Investments.	
Various construction or engineering companies, such as: L&K Engineering Co.,Ltd., Yi Shih	2004.1.1 ~ 2005.12.31	UMC has contracts with major construction and engineering companies to expand semiconductor	None material
Construction Co., Ltd., Yuan Lih Electrical		facilities in the Tainan Science Park. Total contract	
Engineering Co., Ltd., Hueng Luei Process Industry Co., Ltd.		amounts exceed NTD 1.6 billion.	

MAJOR LONG-TERM LOAN AGREEMENTS

UMC is committed to building and maintaining state-ofthe-art wafer fabrication facilities that will allow UMC to maintain its position 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 Name	Contract Period	Major Contents	Limitations
Chiao Tung Bank Co., Ltd. and 9 other participant banks. (Note: This case had been paid off in 2004)	1996.6.20 ~ 2004.4.11	Chiao Tung Bank Co., Ltd. arranged the syndicated loan and the facility amount was approximately NTD 4.3 billion. The loan was for Fab 8E's capital expenditure.	None material
Chiao Tung Bank Co., Ltd. and 17 other participant banks. (Note: This case had been paid off in 2004)	1996.9.20 ~ 2005.5.26	Chiao Tung Bank Co., Ltd. arranged the syndicated loan and the facility amount was approximately NTD 12.3 billion. The loan was for Fab 8C's capital expenditure.	None material
Chiao Tung Bank Co., Ltd. and 8 other participant banks. (Note: This case had been paid off in 2004)	1998.2.18 ~ 2005.9.18	Chiao Tung Bank Co., Ltd. arranged the syndicated loan and the facility amount was approximately NTD 4.3 billion. The loan was for Fab 8E's capital expenditure.	None material
Chiao Tung Bank Co., Ltd. and 13 other participant banks. (Note: This case had been paid off in 2004)	1999.11.22 ~ 2007.9.25	Chiao Tung Bank Co., Ltd. arranged the syndicated loan and the facility amount was approximately NTD 3.9 billion. The loan was for Fab 8E's capital expenditure.	None material
The International Commercial Bank of China and 20 other participant banks.	2000.1.28 ~ 2007.1.28	The International Commercial Bank of China arranged the syndicated loan and the facility amount was approximately NTD 8 billion. The loan was for Fab 8F's capital expenditure.	None material

FINANCING PLANS AND EXECUTION STATUS

None.

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CONDENSED BALANCE SHEETS

COMDENSED	DALANCE SHEETS					In thousand NTD
		2004	2003	2002	2001	2000
Current assets		110,373,653	122,306,834	86,658,337	77,251,780	82,785,436
Funds and long-term i	nvestments	71,568,002	72,218,479	56,246,744	77,051,045	67,363,540
Property, plant and eq	uipment	137,355,251	117,184,749	146,075,886	155,211,838	152,181,162
Intangible assets		1,214,956	6,956	18,880	30,805	-
Other assets		7,747,985	7,527,580	8,332,799	7,839,477	8,798,125
Total assets		329,563,491	320,113,838	297,332,646	317,384,945	311,128,263
Current liabilities	Before distribution	23,277,031	32,751,363	20,949,418	26,936,406	35,853,347
	After distribution	*	32,763,981	20,955,068	26,936,406	36,286,386
Long-term interest-be	aring liabilities	33,607,029	48,552,355	55,066,424	52,462,437	34,357,021
Other liabilities		6,296,677	6,568,196	3,883,441	4,520,403	2,916,242
Total liabilities	Before distribution	63,180,737	87,871,914	79,899,283	83,919,246	73,126,610
	After distribution	*	87,884,532	79,904,933	83,919,246	73,559,649
Capital		177,923,859	161,407,435	154,748,456	133,356,954	114,714,519
Capital reserve		84,933,195	80,074,184	81,875,491	82,115,682	82,161,068
Retained earnings	Before distribution	42,401,701	26,794,291	20,004,054	34,152,379	56,385,155
	After distribution	*	13,446,116	13,339,425	12,760,877	37,309,681
Unrealized loss on long	g-term investments	(9,871,086)	(9,537,237)	(10,795,621)	(9,920,139)	(13,804,227)
Cumulative translation	n adjustment	(1,319,452)	913,877	728,851	(160,470)	24,202
	cost, contra equity ckholders' equity (excess of bility over unrecognized prior	-	-	-	-	-
Total equity	Before distribution	266,382,754	232,241,924	217,433,363	233,465,699	238,001,653
	After distribution	*	232,229,306	217,427,713	233,465,699	237,568,614

^{*} Subject to change following resolutions decided during the 2005 shareholders' meeting.

CONDENSED STATEMENTS OF INCOME

In thousand NTD

	IN THOUSAN				
	2004	2003	2002	2001	2000
Net operating revenues	117,311,840	84,862,070	67,425,745	64,493,407	105,084,720
Gross profit	35,820,944	19,442,269	11,195,150	9,130,995	53,601,521
Operating income (loss)	24,454,992	9,936,334	140,971	(5,590,174)	43,573,127
Non-operating income	14,895,451	9,033,180	10,483,535	5,157,410	10,495,729
Non-operating expenses	7,473,153	4,154,145	3,540,412	5,919,983	3,510,786
Income (loss) from continuing operations before income tax	31,877,290	14,815,369	7,084,094	(6,352,747)	50,558,070
Income (loss) from continuing operations	31,843,381	14,020,257	7,072,032	(3,157,302)	50,780,378
Discontinued operations	-	-	_	-	-
Extraordinary items	-	-	_	-	-
Cumulative effect of change in accounting principle	-	-	-	-	-
Net income (loss)	31,843,381	14,020,257	7,072,032	(3,157,302)	50,780,378
Earnings (loss) per share (NTD)	1.89	0.84	0.42	(0.18)	2.98

Note The EPS calculations for 2000-2003 were based on the retroactive adjustment for capitalization of unappropriated earnings and bonus to employees, and the EPS calculation for 2004 was based on weighted average shares outstanding for the period.

AUDITORS' OPINION

Year	СРА	Auditors' Opinion
2000	James Wang, Thomas Yue	A modified unqualified opinion
2001	James Wang, Thomas Yue	A modified unqualified opinion
2002	James Wang, Thomas Yue	A modified unqualified opinion
2003	James Wang, Thomas Yue	A modified unqualified opinion
2004	Kim Chang, MY Lee	A modified unqualified opinion

FINANCIAL ANALYSIS

		2004	2003	2002	2001	2000
Capital structure analysis (%)	Debts ratio	19.17	27.45	26.87	26.45	23.50
	Long-term funds to fixed assets	218.40	239.62	186.55	184.22	178.97
Liquidity analysis (%)	Current ratio	474.17	373.44	413.66	286.79	230.90
	Quick ratio	421.28	340.19	359.62	250.66	198.99
	Times interest earned	23.58	9.58	4.32	(1.46)	16.76
Operating performance analysis	Average collection turnover (times)	9.45	7.23	8.12	5.56	7.70
	Average collection days	39	50	45	66	47
	Average inventory turnover (times)	10.01	8.45	8.40	7.31	7.05
	Average payable turnover (times)	9.20	7.13	4.93	3.73	4.13
	Average inventory turnover days	36	43	43	50	52
	Fixed assets turnover (times)	0.92	0.64	0.45	0.42	0.84
	Total assets turnover (times)	0.36	0.27	0.22	0.21	0.39
Profitability analysis (%)	Return on total assets	10.08	4.84	2.65	(0.41)	19.52
	Return on equity	12.77	6.24	3.14	(1.34)	25.48
	Operating income to capital	13.74	6.16	0.09	(4.19)	37.98
	Income before income tax to capital	17.92	9.18	4.58	(4.76)	44.07
	Net income to sales	27.14	16.52	10.49	(4.88)	48.32
	Earnings per share (NTD)	1.89	0.84	0.42	(0.18)	2.98
Cash flow (%)	Cash flow ratio	296.49	139.22	133.89	145.82	186.60
	Cash flow adequacy ratio	115.97	105.92	87.59	90.34	85.99
	Cash flow reinvestment ratio	13.64	10.37	7.06	10.37	20.16
Leverage	Operating leverage	3.66	6.65	421.35	(9.52)	1.88
	Financial leverage	1.05	1.14	(0.11)	0.69	1.06

Notes (1) The beginning figures of 2000 were based on the pro forma consolidated balance sheet as of the merger date on January 3, 2000. **(2)** The EPS calculations for 2000-2003 were based on the retroactive adjustment for capitalization of unappropriated earnings and bonus to employees; and the EPS calculation for 2004 was based on weighted average shares outstanding for the period. **(3)** The calculation formulas of financial analysis are listed as follows:

- Capital structure analysis (1) Debts ratio=Total liabilities / Total assets (2) Long-term funds to fixed assets=(Stockholders' equity + Long-term interest-bearing liabilities) / Not fixed assets
- Liquidity analysis (1) Current ratio=Current assets / Current liabilities (2) Quick ratio=(Current assets Inventories Prepaid expenses Current deferred income tax assets) / Current liabilities (3) Times interest earned=Earnings before interest and tax / Interest expense
- Operating performance analysis (1) Average collection turnover (times)=Net sales / Average trade receivables (2) Average collection days=365 / Average collection turnover (times) (3) Average inventory turnover (times)=Cost of goods sold / Average inventory (4) Average payable turnover (times)=Cost of goods sold / Average trade payables (5) Average inventory turnover days=365 / Average inventory turnover (times) (6) Fixed assets turnover (times)=Net sales / Average fixed assets (7) Total assets turnover (times)=Net sales / Average total assets
- Profitability analysis (1) Return on total assets={Net income + Interest expense x (1 Tax rate)} / Average total assets (2) Return on equity=Net income / Average stock-holders' equity (3) Operating income to capital=Operating income / Capital (4) Income before income tax to capital=Income before income tax / Capital (5) Net income to sales=Net income / Net sales (6) Earnings per share=(Net income Preferred stock dividend) / Weighted average number of shares outstanding
- Cash flow (1) Cash flow ratio=Net cash provided by operating activities / Current liabilities (2) Cash flow adequacy ratio=Five-year sum of cash from operation / Five-year sum of capital expenditures, Inventory additions, and Cash dividends (3) Cash flow reinvestment ratio=(Cash provided by operating activities Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital)
- Leverage (1) Operating leverage=(Net sales Variable cost) / Operating income (2) Financial leverage=Operating income / (Operating income Interest expense)

SUPERVISORS' REPORT

The board of directors has prepared and submitted to us the Company's 2004 financial statements. These statements have been audited by Diwan, Ernst & Young. The financial statements present fairly the financial position of the Company and the results of its operations and cash flows. We, as the Supervisors of the Company, have reviewed these statements, the report of operations and the proposals relating to distribution of net profit. According to article 219 of the Company Law, we hereby submit this report.

United Microelectronics Corporation Supervisors:

By- Yel C.

Tzong-Yeong Lin

Tzyy-Jang Tseng

Tsing-Yuan Hwang

March 17, 2005

REPORT OF INDEPENDENT AUDITORS

English Translation of a Report Originally Issued in Chinese

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

We have audited the accompanying balance sheets of United Microelectronics Corporation as of December 31, 2004 and 2003, and the related statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As described in Note 4(7) to the financial statements, certain long-term investments were accounted for under the equity method based on the 2004 and 2003 financial statements of the investees, which were audited by other auditors. Our opinion insofar as it relates to the investment income amounting to NTD 631 million and NTD 233 million for the years ended December 31, 2004 and 2003, respectively, and the related long-term investment balances of NTD 5,380 million and NTD 5,048 million as of December 31, 2004 and 2003, respectively, is based solely on the reports of the other auditors.

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

misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the 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, 2004 and 2003, and the results of its operations and its cash flows for the years ended December 31, 2004 and 2003, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of United Microelectronics Corporation as of and for the years ended December 31, 2004 and 2003, and have expressed an unqualified opinion with explanatory paragraph on such financial statements.

Dison, Cent & Com

January 21, 2005 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 Repub-

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

BALANCE SHEETS

As of December 31, 2004 and 2003

Assets	Notes	2004	2003
Current assets			
Cash and cash equivalents	2, 4(1)	\$83,347,329	\$92,865,557
Marketable securities, net	2, 4(2)	3,058,579	1,456,402
Notes receivable	4(3)	1,771	8,756
Notes receivable - related parties	5	39,034	101,753
Accounts receivable, net	2, 4(4)	2,431,416	5,016,767
Accounts receivable - related parties, net	2,5	8,223,503	8,995,850
Other receivables	2,5	506,195	523,579
Other financial assets, current	2, 4(5), 10	453,845	2,446,603
Inventories, net	2, 4(6)	8,543,462	7,367,759
Prepaid expenses		244,230	676,145
Deferred income tax assets, current	2, 4(19)	3,524,289	2,847,663
Total current assets		110,373,653	122,306,834
Funds and long-term investments	2, 4(7)		
Long-term investments accounted for under the equity method		64,251,399	59,883,831
Long-term investments accounted for under the cost method		7,316,603	12,334,648
Total funds and long-term investments		71,568,002	72,218,479
Other financial assets, noncurrent	2, 4(5), 10	1,303,644	869,240
Property, plant and equipment	2, 4(8), 5, 6, 7		
Land		1,132,576	1,367,344
Buildings		13,133,658	12,095,043
Machinery and equipment		301,773,287	247,164,445
Transportation equipment		79,610	80,684
Furniture and fixtures		1,976,487	1,906,651
Leased assets		47,783	47,783
Total cost		318,143,401	262,661,950
Less: Accumulated depreciation		(202,373,050)	(153,364,906)
Add: Construction in progress and prepayments		21,584,900	7,887,705
Property, plant and equipment, net		137,355,251	117,184,749
Intangible assets			
Patents	2	-	6,956
Goodwill	2, 4(21)	1,214,956	-
Total intangible assets		1,214,956	6,956
Other assets			
Deferred charges	2	1,860,419	1,640,285
Deferred income tax assets, noncurrent	2, 4(19)	3,811,615	4,363,241
Other assets - others	2, 4(9)	2,075,951	1,524,054
Total other assets		7,747,985	7,527,580
Total assets		\$329,563,491	\$320,113,838

 $\label{thm:company} \textit{The accompanying notes are an integral part of the financial statements.}$

In thousand NTD

Liabilities and Stockholders' Equity	Notes	2004	In thousand NTD 2003
	Notes	2004	2003
Current liabilities			
Short-term loans	4(10)	\$1,904,400	\$-
Accounts payable		2,992,924	3,325,689
Accounts payable - related parties	5	1,450,302	789,988
Income tax payable	2	60,389	49,693
Accrued expenses		8,185,618	4,532,562
Other payables		4,704,299	4,057,940
Current portion of long-term interest-bearing liabilities	4(11), 4(12), 5, 6	2,820,003	18,524,077
Other current liabilities	7	1,159,096	1,471,414
Total current liabilities		23,277,031	32,751,363
Long-term interest-bearing liabilities			
Bonds payable	2, 4(7), 4(11)	33,607,029	48,311,847
Long-term loans	4(12), 5, 6	-	240,508
Total long-term interest-bearing liabilities		33,607,029	48,552,355
Other liabilities			
Accrued pension liabilities	2, 4(13)	2,690,511	2,252,491
Deposits-in		21,891	7,845
Deferred credits - intercompany profits	2	3,584,275	4,307,860
Total other liabilities		6,296,677	6,568,196
Total liabilities		63,180,737	87,871,914
Capital	2, 4(14), 4(15), 4(21)		
Common stock		177,919,819	161,407,435
Capital collected in advance		4,040	-
Capital reserve	2, 4(15), 4(21)		
Premiums		47,117,227	41,729,589
Change in equities of long-term investments		20,807,013	21,192,141
Excess from merger		17,008,955	17,152,454
Retained earnings	4(17)		
Legal reserve		12,812,501	11,410,475
Special reserve		90,871	1,346,994
Unappropriated earnings		29,498,329	14,036,822
Adjusting items in stockholders' equity	2		
Unrealized loss on long-term investments		(9,871,086)	(9,537,237)
Cumulative translation adjustment		(1,319,452)	913,877
Treasury stock	2, 4(16)	(27,685,463)	(27,410,626)
Total stockholders' equity	· <i>'</i>	266,382,754	232,241,924
Total liabilities and stockholders' equity		\$329,563,491	\$320,113,838

STATEMENTS OF INCOME

For the years ended December 31, 2004 and 2003

In thousand NTD

For the years ended December 31, 2004 and 2003			In thousand NTD
Contents	Notes	2004	2003
Operating revenues	2, 5		
Sales revenues		\$115,165,087	\$81,977,207
Less: Sales returns and discounts	<u>-</u>	(1,170,521)	(499,177)
Net sales		113,994,566	81,478,030
Other operating revenues	_	3,317,274	3,384,040
Net operating revenues	_	117,311,840	84,862,070
Operating costs	4(18)		
Cost of goods sold	5	(79,249,792)	(62,862,392)
Other operating costs	_	(2,193,389)	(2,519,265)
Operating costs	_	(81,443,181)	(65,381,657)
Gross profit		35,868,659	19,480,413
Unrealized intercompany profit	2	(154,417)	(106,702)
Realized intercompany profit	2	106,702	68,558
Net		35,820,944	19,442,269
Operating expenses	4(18)		
Sales and marketing expenses		(2,197,181)	(1,633,353)
General and administrative expenses		(2,644,595)	(2,175,815)
Research and development expenses		(6,524,176)	(5,696,767)
Subtotal	-	(11,365,952)	(9,505,935)
Operating income	-	24,454,992	9,936,334
Non-operating income	-		
Interest revenue		871,598	966,973
Dividend income		1,041,415	791,259
Gain on disposal of property, plant and equipment	2,5	137,267	202,242
Gain on disposal of investments	2, 4(11)	12,513,933	6,573,588
Exchange gain, net	2	-	253,906
Other income		331,238	245,212
Subtotal	-	14,895,451	9,033,180
Non-operating expenses	-		
Interest expense	4(8), 5	(1,179,145)	(1,234,134)
Investment loss accounted for under the equity method, net	2, 4(7)	(2,509,287)	(629,404)
Other investment loss	2	(84,968)	(713,122)
Loss on disposal of property, plant and equipment	2,5	(224,049)	(147,195)
Loss on decline in market value and obsolescence of inventories	2	(844,906)	(973,651)
Financial expenses		(371,751)	(365,606)
Exchange loss, net	2, 10	(1,081,949)	` -
Other losses	2, 4(11)	(1,177,098)	(91,033)
Subtotal	_	(7,473,153)	(4,154,145)
Income before income tax	-	31,877,290	14,815,369
Income tax expense	2, 4(19)	(33,909)	(795,112)
Net income	-	\$31,843,381	\$14,020,257
Earnings per share-basic (NTD)	2, 4(20)		
Income before income tax	, , ,	\$1.89	\$0.89
Net income	-	\$1.89	\$0.84
Earnings per share-diluted (NTD)	2, 4(20)		*****
Income before income tax	_/ .(/	\$1.87	\$0.87
Net income	-	\$1.86	\$0.83
Pro forma information on earnings as if subsidiaries' investment	2, 4(20)	41.00	\$0.03
in the Company is not treated as treasury stock	_, .(_0)		
Net income		\$31,843,381	\$14,020,257
Earnings per share-basic (NTD)	_	\$1.83	\$0.81
Earnings per share-diluted (NTD)		\$1.80	\$0.80

 $\label{thm:company} \textit{The accompanying notes are an integral part of the financial statements.}$

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2004 and 2003

Contents		Capital	Capital	al	Retained		d Earnings Unrealized Cumulative		Treasury	Total
	Common Stock	Capital Collected in Advance	Reserve	Legal Reserve	Special Reserve	Unappro-	Loss on	Translation Adjustment	Stock	
Balance as of Jan. 1, 2003	\$154,748,456	\$-	\$81 ,875,491	\$10,686,225	\$631,982	\$8,685,847	\$(10,795,621)	\$728,851	\$(29,127,868)	\$217,433,363
Appropriation of 2002 retained earnings:										
Legal reserve	-	-	-	724,250	-	(724,250)	-	-	-	-
Special reserve	-	-	-	_	715,012	(715,012)	-	-	=	-
Stock dividends	6,079,252	_	_	_	_	(6,079,252)	_	_	_	_
Directors' and supervi- sors' remuneration	-	-	-	-	-	(5,650)		-	-	(5,650
Employees' bonus	579,727	_	_	_	_	(579,727)	_	_	_	_
Purchase of treasury stock	_	_	_	_	_		_	_	(2,056,064)	(2,056,064
Treasury stock transferred to employees	-	-	-	-	-	(565,716)	-	-	3,773,306	3,207,590
Net income in 2003	_	_	_	_	_	14,020,257	_	_	_	14,020,257
Transfer of capital reserve arising from gain on disposal of property, plant and equipment of investees to retained earnings	-	-	(325)	-	-	325	-	-	-	_
Adjustment of capital reserve accounted for under the equity method	-	-	(1,800,982)	-	-	-	-	-	-	(1,800,982
Changes in unrealized loss on long-term investments of investees	-	-	-	-	-	-	1,258,384	-	-	1,258,384
Changes in cumulative translation adjustment	-	-	-	-	-	-	-	185,026	-	185,026
Balance as of Dec. 31, 2003	161,407,435	-	80,074,184	11,410,475	1,346,994	14,036,822	(9,537,237)	913,877	(27,410,626)	232,241,924
Appropriation of 2003 retained earnings:										
Legal reserve	-	-	-	1,402,026	-	(1,402,026)	-	-	-	-
Special reserve	-	-	-	-	(1,256,123)	1,256,123	-	-	-	-
Stock dividends	12,224,284	-	-	-	-	(12,224,284)	-	-	-	-
Directors' and supervi- sors' remuneration	-	-	-	-	-	(12,618)	-	-	-	(12,618
Employees' bonus	1,111,273	-	-	-	-	(1,111,273)	-	-	-	-
Transfer of capital reserve to common stock	661,298	-	(661,298)	-	-	-	-	-	-	-
Stock issued for merger	3,571,429	-	6,100,571	-	-	-	-	-	_	9,672,000
Purchase of treasury stock	-	-	-	-	-	-	-	-	(5,198,020)	(5,198,020
Cancellation of treasury stock	(1,497,280)	-	(538,107)	-	-	(2,887,796)	-	-	4,923,183	-
Exercise of employees' stock options	441,380	4,040	342,973	-	-	-	-	-	-	788,393
Net income in 2004	-	-	-	-	_	31,843,381	-	_	-	31,843,381
Adjustment of capital reserve accounted for under the equity method	-	-	(385,128)	-	-	-	-	-	-	(385,128
Changes in unrealized loss on long-term investments of investees	-	-	-	-	-	-	(333,849)	-	-	(333,849)
Changes in cumulative translation adjustment	-			=	-	-	-	(2,233,329)		(2,233,329
Balance as of Dec. 31,	\$177,919,819	\$4,040	\$84,933,195	\$12,812,501	\$90,871	\$29,498,329	\$(9,871,086)	\$(1,319,452)	\$(27,685,463)	\$266,382,754

 ${\it The\ accompanying\ notes\ are\ an\ integral\ part\ of\ the\ financial\ statements.}$

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2004 and 2003	2021	In thousand NTD
Contents	2004	2003
Cash flows from operating activities:		
Net income	\$31,843,381	\$14,020,257
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	38,595,954	35,855,265
Amortization	1,181,379	1,556,282
Bad debt expenses	107,404	82,389
Loss on decline in market value and obsolescence of inventories	844,906	973,651
Cash dividends received under the equity method	439,514	232,167
Investment loss accounted for under the equity method	2,509,287	629,404
Impairment loss on long-term investments	84,968	713,122
Write-off of deferred charges	269,325	-
Transfer of property, plant and equipment to losses and expenses	2,059	22,584
Gain on disposal of investments	(12,513,933)	(6,573,588)
Loss (gain) on disposal of property, plant and equipment	86,782	(55,047)
Gain on settlement of exchangeable bonds	(295,100)	(519,544)
Amortization of bond premiums	(10,050)	(19,386)
Loss on reacquisition of bonds	59	5,098
Changes in assets and liabilities:		
Notes receivable	69,704	(25,138)
Accounts receivable	3,059,813	(5,391,660)
Other receivables	32,434	977,875
Inventories	(1,326,015)	(649,132)
Prepaid expenses	488,734	128,434
Other financial assets	54,374	(128,539)
Deferred income tax assets	54,574	804,243
Accounts payable	(17,577)	1,563,186
Income tax payable	10,696	(13,588)
Accrued expenses	3,198,386	1,027,902
Other current liabilities	134,847	45,124
Compensation interest payable		67,938
Capacity deposits	(126,111)	
	(143,127)	(50,179)
Accrued pension liabilities	432,879	318,332
Net cash provided by operating activities	69,014,972	45,597,452
Cash flows from investing activities:		
(Increase) decrease in marketable securities, net	(1,418,762)	1,041,707
Cash proceeds from merger	70,383	_
Decrease in other financial assets, net	1,503,980	1,970,717
Acquisition of long-term investments	(11,427,179)	(17,994,271)
Proceeds from disposal of long-term investments	6,028,428	8,830,794
Acquisition of property, plant and equipment	(48,503,388)	(12,582,596)
Proceeds from disposal of property, plant and equipment	283,803	1,326,646
Increase in deferred charges	(978,741)	(683,685)
Decrease in other assets, net	1,065,478	65,024
Net cash used in investing activities	(53,375,998)	(18,025,664)

Continued on next page

In thousand NTD

ne years ended December 31, 2004 and 2003 In thousai		
Contents (Continued from previous page)	2004	2003
Cash flows from financing activities:		
Increase (decrease) in short-term loans, net	\$1,504,400	\$(100,000)
Repayment of long-term loans	(5,866,537)	(11,870,397)
Proceeds from bonds issued	-	22,217,589
Redemption of bonds	(16,336,941)	(1,139,998)
Reacquisition of bonds	(41,392)	(2,156,908)
Remuneration paid to directors and supervisors	(12,618)	(5,650)
Increase in deposits-in, net	5,513	5,147
Purchase of treasury stock	(5,198,020)	(2,056,063)
Treasury stock transferred to employees	-	3,207,590
Exercise of employees' stock options	788,393	-
Net cash (used in) provided by financing activities	(25,157,202)	8,101,310
Net (decrease) increase in cash and cash equivalents	(9,518,228)	35,673,098
Cash and cash equivalents at beginning of year	92,865,557	57,192,459
Cash and cash equivalents at end of year	\$83,347,329	\$92,865,557
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$1,877,234	\$1,513,463
Cash paid for income tax	\$67,683	\$76,545
Investing activities partially paid by cash:		
Acquisition of property, plant and equipment	\$49,065,072	\$9,624,628
Add: Payable at beginning of year	4,057,940	7,015,908
Add: Payable proceeds from merger	84,675	-
Less: Payable at end of year	(4,704,299)	(4,057,940)
Cash paid for acquiring property, plant and equipment	\$48,503,388	\$12,582,596
Investing and financing activities not affecting cash flows:		
Principal amount of exchangeable bonds exchanged by bondholders	\$11,614,141	\$194,304
Book value of reference shares delivered for exchange	(3,898,638)	(75,505)
Elimination of related balance sheet accounts	90,983	4,348
Recognition of gain on disposal of investments	\$7,806,486	\$123,147

 $\label{the accompanying notes are an integral part of the financial statements.$

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003
Expressed in thousands of NTD unless otherwise specified

NOTE 1. HISTORY AND ORGANIZATION

United Microelectronics Corporation (the Company) was incorporated in May 1980 and commenced operations in April 1982. The Company is a full service semiconductor wafer foundry, and provides a variety of services to fit individual customer needs. These services include intellectual property, embedded IC design, design verification, mask tooling, wafer fabrication, and testing. The Company's common shares were publicly listed on the Taiwan Stock Exchange (TSE) in July 1985 and its American Depositary Shares (ADSs) were listed on the New York Stock Exchange (NYSE) in September 2000.

Based on the resolution of the board of directors' meeting on February 26, 2004, the effective date of the merger with SiS Microelectronics Corp. (SiSMC) was July 1, 2004. The Company was the surviving company, and SiSMC was the dissolved company. The merger was approved by the relevant government authorities. All the assets, liabilities, rights, and obligations of SiSMC have been fully incorporated into the Company since July 1, 2004.

Note 2. Summary of Significant Accounting Policies

The financial statements were prepared in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China (ROC).

Summary of significant accounting policies is as follows:

Use of Estimates

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

Foreign Currency Transactions

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

dollars at the exchange rates prevailing at the balance sheet date. Exchange gains or losses are included in the current year's results. However, exchange gains or losses from investments in foreign entities are recorded as cumulative translation adjustments in stockholders' equity.

Cash Equivalents

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

Marketable Securities

Marketable securities are recorded at cost when acquired and are stated at the lower of aggregate cost or market value at the balance sheet date. Cash dividends are recorded as dividend income when received. Costs of money market funds and short-term notes are identified specifically while other marketable securities are determined on the weighted average method. The market value of listed debt, equity securities, and closed-end funds are determined by the average closing price during the last month of the fiscal year. The market value of open-end funds is determined by the net asset value at the balance sheet date. The amount by which the aggregate cost exceeds the market value is reported as a loss in the current year. In subsequent periods, recoveries of the market value are recognized as a gain to the extent that the market value does not exceed the original aggregate cost of the investment.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based on management's judgment and on the evaluation of collectibility and aging analysis of accounts and other receivables.

Inventories

Inventories are accounted for on a perpetual basis. Raw materials are recorded at actual purchase costs, while the work in process and finished goods are recorded at standard costs and adjusted to actual costs using the weighted average method at the end of each month. Inventories are stated at the lower of aggregate cost or market value at the balance sheet date. The market values of raw materials and supplies are determined on the basis of replacement cost while the work in process and finished goods are determined by net realizable values. An allowance for loss on decline in market value and obsolescence is provided, when necessary.

Long-term Investments

Long-term investments are recorded at cost when acquired. Investments acquired by contribution of technological

know-how are credited to deferred credits with affiliates, which will be amortized to income over a period of 5 years.

Investments of less than 20% of the outstanding voting shares in listed investees, where significant influence on operating 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 purpose is deducted from the stockholders' equity. The market value is determined by the average closing price during the last month of the fiscal year. Investments of less than 20% of the outstanding voting shares in unlisted investees are accounted for under the cost method. Impairment losses for the investees will be recognized if an other than temporary impairment is evident and the book value after recognizing the losses shall be treated as a new cost basis of such investment.

Investment income or loss from investments in both listed and unlisted investees is accounted for under the equity method provided that the Company owns at least 20% of the outstanding voting shares of the investees and has significant influence on operating decisions of the investees. The difference of the acquisition cost and the underlying equity in the investee's net assets is amortized over 5 years.

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

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

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

may, at the option of the Company, not be consolidated. Irrespective of the above test, when the total combined assets or operating revenues of all such non-consolidated subsidiaries account for more than 30% of the Company's total non-consolidated assets or operating revenues, then each individual subsidiary with total assets or operating revenues reaching 3% of the Company's total non-consolidated assets or operating revenues has to be included in the consolidation. Such subsidiaries are included in the consolidated financial statements, unless the percentage of the combined total assets or operating revenues for all such subsidiaries drops below 20% of the Company's respective non-consolidated amount.

Property, Plant and Equipment

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

Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital expenditure and are depreciated accordingly. When property, plant and equipment are disposed, their original cost and accumulated depreciation are written off and the related gain or loss is classified as non-operating income or expenses. Idle assets are transferred to other assets according to the lower of net book or net realizable value, with the difference charged to non-operating expenses. The corresponding depreciation expenses provided are also classified as non-operating expenses.

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

Intangible Assets

Patents are stated at cost and amortized over their estimated economic life using the straight-line method. Goodwill arising from the merger is amortized using the straight-line method over 15 years.

At each balance sheet date, the Company assesses whether there is any indication of impairment other than temporary. If any such indication exists, the recoverable amount is estimated and provision for impairment loss is provided accordingly. The book value after recognizing the impairment loss is recorded as the new cost.

Deferred Charges

Deferred charges are stated at cost and amortized on a straight-line basis as follows: bonds issuance costs - over the life of the bonds, patent license fees - the term of contract or estimated economic life of the related technology, and software - 3 years.

At each balance sheet date, the Company assesses whether there is any indication of impairment other than temporary. If any such indication exists, the recoverable amount is estimated and provision for impairment losses is provided accordingly. The book value after recognizing the impairment loss is recorded as the new cost.

Convertible and Exchangeable Bonds

The issuance costs of convertible and exchangeable bonds are classified as deferred charges and amortized over the life of the bonds.

The excess of the stated redemption price over the par value is accrued as compensation interest payable over the redemption period, using the effective interest method.

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

When exchangeable bondholders exercise their rights to exchange for the reference shares, the book value of the bonds is to be offset against the book value of the investments in reference shares and the related stockholders' equity accounts, with the difference recognized as gain or loss on disposal of investments.

Pension Plan

The Company has a funded defined benefit pension plan covering all regular employees that is managed by an independently administered pension fund committee. The net pension cost is computed based on an actuarial valuation in accordance with the provision of the Statements of Financial Accounting Standards of the Republic of China (ROC SFAS) No. 18, which requires consideration of pension cost components such as service cost, interest cost, expected return on plan assets, and the amortization of net obligation at transition, pension gain or loss, and prior service cost.

Employee Stock Option Plan

The Company applies intrinsic value method to recognize the difference between the market price of the stock and the exercise price of its employee stock option as compensation cost. Starting January 1, 2004, the Company also discloses pro forma net income and earnings per share under the fair value method for only these options granted since January 1, 2004.

Treasury Stock

The Company adopted the ROC SFAS No. 30, which requires that treasury stock held by the Company itself to be accounted for under the cost method. Cost of treasury stock is shown as a deduction to stockholders' equity, while gain or loss from selling treasury stock is treated as an adjustment to the capital reserve. The Company's stock held by its subsidiaries is also treated as treasury stock in the Company's account.

Revenue Recognition

The main sales term of the Company is Free on Board (FOB) or Free Carrier (FCA). Revenue is recognized when ownership and liability for risk of loss or damage to the products have been transferred to customers, usually upon shipment. Sales returns and discounts taking into consideration customers' complaints and past experiences are accrued in the same year of sales.

Capital Expenditure versus Operating Expenditure

An expenditure is capitalized when it is probable that future economic benefits associated with the expenditure will flow to the Company and the expenditure amount exceeds a predetermined level. Otherwise it is charged to expense when incurred.

Income Tax

The Company adopted the ROC SFAS No. 22 "Accounting for Income Taxes" for inter-period and intra-period income tax allocation. Provision for income tax includes deferred income tax resulting from temporary differences, loss carryforward and investment tax credits. Deferred income tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. Valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized.

According to the ROC SFAS No. 12, the Company recognized the tax benefit from the purchase of equipment and technology, research and development expenditure, employee training, and certain equity investments.

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

Earnings per Share

Earnings per share is computed according to the ROC SFAS No. 24. Basic earnings per share is computed by dividing net income (loss) by weighted average number of shares outstanding during the year. Diluted earnings per share is computed by taking basic earnings per share into consideration

plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued. The net income (loss) would also be adjusted for the interest and other income or expenses derived from any underlying dilutive share equivalents. The weighted average outstanding shares are adjusted retroactively for stock dividends and bonus share issues.

Derivative Financial Instruments

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

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

Merger

The Company merged with SiSMC and recognized the sum of the difference between the acquisition costs, which are the market price of equity stocks issued and other related costs, and the fair value of the identifiable net assets acquired as goodwill in compliance with the ROC SFAS No. 25 "Enterprise Mergers—Accounting of Purchase Method." The fair value of identifiable net assets and goodwill deducted from the par value of the equity stocks issued and other related costs is recognized as capital reserve.

NOTE 3. ACCOUNTING CHANGE

None.

NOTE 4. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

As of December 31,	2004	2003
Cash:		
Cash on hand	\$1,401	\$1,415
Checking and savings accounts	420,333	586,523
Time deposits	75,011,070	82,501,065
Subtotal	75,432,804	83,089,003
Cash equivalents:		
Commercial paper	7,914,525	9,776,554
Total	\$83,347,329	\$92,865,557

(2) Marketable Securities, Net

As of December 31,	2004	2003
Convertible bonds	\$1,756,248	\$268,783
Listed equity securities	1,302,331	1,187,619
Total	\$3,058,579	\$1,456,402

(3) Notes Receivable

As of December 31,	2004	2003
Notes receivable	\$1,771	\$8,756

(4) Accounts Receivable, Net

· · ·		
As of December 31,	2004	2003
Accounts receivable	\$2,739,117	\$5,194,434
Less: Allowance for sales returns and discounts	(233,359)	(86,159)
Less: Allowance for doubtful accounts	(74,342)	(91,508)
Net	\$2,431,416	\$5,016,767

(5) Other Financial Assets, Current

As of December 31,	2004	2003
Credit-linked deposits and repackage bonds	\$1,683,324	\$3,187,304
Interest rate swaps	35,532	128,539
Forward contracts	38,633	-
Total	1,757,489	3,315,843
Less: Non-current portion	(1,303,644)	(869,240)
Net	\$453,845	\$2,446,603

Please refer to Note 10 for disclosures on risks of other financial assets.

(6) Inventories, Net

As of December 31,	2004	2003
Raw materials	\$202,272	\$172,964
Supplies and spare parts	1,922,374	1,332,944
Work in process	6,216,769	6,070,918
Finished goods	1,395,450	178,710
Total	9,736,865	7,755,536
Less: Allowance for loss on decline in market value and obsolescence	(1,193,403)	(387,777)
Net	\$8,543,462	\$7,367,759

- a. The insurance coverage for inventories was sufficient as of December 31, 2004 and 2003, respectively.
- b. Inventories were not pledged.

(7) Long-term Investments

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

As of December 31,		2004		2003
Investee Company	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights	Amount
Investments accounted for under the equity method:				
UMC Group (USA)	100.00	\$720,500	100.00	\$451,046
United Foundry Service, Inc.	100.00	103,881	100.00	95,484
United Microelectronics (Europe) B.V.	100.00	284,568	100.00	244,869
UMC Capital Corporation	100.00	1,310,493	100.00	1,265,822
United Microelectronics Corp. (Samoa)	100.00	5,854	100.00	7,463
UMCi Ltd. (Note A)	100.00	26,582,778	75.05	20,972,846
Fortune Venture Capital Corporation	99.99	2,354,878	99.99	2,280,265
Hsun Chieh Investment Co., Ltd. (Hsun Chieh)	99.97	10,296,356	99.97	10,622,554
United Microdisplay Optronics Corp.	83.48	441,618	83.48	659,198
Pacific Venture Capital Co., Ltd.	49.99	304,810	49.99	313,298
UMC Japan	47.42	8,842,456	47.48	9,531,141
DuPont Photomasks Taiwan Ltd.	45.35	1,058,515	45.35	1,069,669
Unitech Capital Inc.	42.00	730,930	42.00	757,050
Holtek Semiconductor Inc.	25.23	731,442	25.44	624,432
Integrated Technology Express Inc.	22.23	281,313	24.38	341,310
Unimicron Technology Corp.	21.43	3,465,809	21.93	3,214,325
Faraday Technology Corp. (Note C)	18.38	794,298	19.10	729,058
Novatek Microelectronics Corp. (Note B)	18.30	1,615,328	20.44	1,285,319
Applied Component Technology Corp. (Note B)	16.44	19,874	21.42	43,872
Silicon Integrated Systems Corp. (Note D)	16.16	4,226,303	16.18	5,288,088
AMIC Technology Corporation (Note C)	11.83	79,395	11.83	86,722
Subtotal	_	64,251,399	_	59,883,831
Investments accounted for under the cost method or the lower of cost or market value method:				
MediaTek Incorporation	10.06	969,048	11.13	1,055,237
United Industrial Gases Co., Ltd.	8.11	146,250	8.27	146,250
Industrial Bank of Taiwan Corp.	4.95	1,139,196	5.00	1,150,000
Subtron Technology Co., Ltd.	4.92	172,800	5.47	172,800
Billionton Systems Inc.	2.77	30,948	3.05	30,948
AU Optronics Corp. (Note E)	1.44	959,082	9.74	5,991,447
Mega Financial Holding Company	0.84	3,108,656	0.84	3,108,656
Premier Image Technology Corporation	0.59	27,964	0.62	27,964
Pacific Technology Partners, L.P. (Note F)	-	336,099	-	282,086
Pacific United Technology, L.P. (Note F)	-	126,560	-	69,260
Taiwan High Speed Rail Corporation (Note G)	_	300,000	-	300,000
Subtotal	_	7,316,603	_	12,334,648
Total	_	\$71,568,002	_	\$72,218,479

Note A During 2004, the Company acquired an additional 24.95% of interests in UMCi Ltd., totalling 227,938 thousand shares amounting to NTD 10,762 million. Based on the resolution of the board of directors' meeting on August 26, 2004, the Company plans to transfer all (or part of) business, operations, and assets of UMCi Ltd. to the newly established branch of the Company in Singapore. **Note B** The Company held the highest percentage of the outstanding voting shares and had significant influences on operating decisions of the investees. Therefore, the equity method was applied. **Note C** The percentage of ownership directly and indirectly held by the Company was over 20%, and the equity method was applied. **Note D** During the first quarter of 2003, the Company acquired additional shares of Silicon Integrated Systems Corp. from the open market, an investee previously accounted for under the lower of cost or market value method. After the acquisition, the percentage of voting rights held by the Company was the highest among shareholders and significant influences were exercised. Therefore, the equity method was applied. **Note E** As of December 31, 2004 and 2003, 71,215 thousand shares and 337,455 thousand shares with the book values of NTD 959 million and NTD 4,772 million, respectively, held by the Company in AU Optronics Corp. were utilized as reference shares for the Company's zero coupon exchangeable bonds. **Note F** The amounts represented the investments in limited partnership without voting rights. As the Company was not able to exercise significant influences, the investments were accounted for under the cost method. **Note G** The amount represented the investment in 30 million preferred shares. As the Company did not possess voting rights or significant influences, the cost method was applied.

- b. Investment loss accounted for under the equity method, which were based on the audited financial statements of the investees, were NTD 2,509 million and NTD 629 million for the years ended December 31, 2004 and 2003, respectively. Among which, investment income amounting to NTD 631 million and NTD 233 million for the years ended December 31, 2004 and 2003, respectively, and the related long-term investment balances of NTD 5,380 million and NTD 5,048 million as of December 31, 2004 and 2003, respectively, were determined based on the investees' financial statements audited by other auditors.
- c. The long-term investments were not pledged.
- d. The total assets and operating revenues of each following subsidiary including Fortune Venture Capital Corporation, Unitruth Investment Corp. (100% owned subsidiary of Hsun Chieh), UMC Capital Corporation, United Microelectronics Corp. (Samoa), and United Foundry Service, Inc. are each less than 10% of the total non-consolidated assets and operating revenues of the Company. The total combined assets or operating revenues for the above mentioned subsidiaries account for less than 30% of the Company's total non-consolidated assets or revenues. Therefore, the above mentioned subsidiaries are not included in the consolidated financial statements.

(8) Property, Plant and Equipment

As of December 31, 2004	Cost	Accumulated Depreciation	Book Value
Land	\$1,132,576	\$-	\$1,132,576
Buildings	13,133,658	(3,849,418)	9,284,240
Machinery and equipment	301,773,287	(197,186,064)	104,587,223
Transportation equipment	79,610	(52,336)	27,274
Furniture and fixtures	1,976,487	(1,237,449)	739,038
Leased assets	47,783	(47,783)	-
Construction in progress and prepayments	21,584,900	-	21,584,900
Total	\$339,728,301	\$(202,373,050)	\$137,355,251

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

a. Total interest expense before capitalization amounted to NTD 1,402 million and NTD 1,676 million for the years ended December 31, 2004 and 2003, respectively.

Details of capitalized interest are as follows:

For the year ended December 31,	2004	2003
Machinery and equipment	\$218,554	\$435,878
Other property, plant and equipment	3,926	5,795
Total interest capitalized	\$222,480	\$441,673
Interest rates applied	2.30% ~ 3.38%	3.18% ~ 3.50%

- b. The insurance coverage for property, plant and equipment was sufficient as of December 31, 2004 and 2003, respectively.
- c. Please refer to Note 6 for property, plant and equipment pledged as collateral.

(9) Other Assets-Others

As of December 31,	2004	2003
Leased assets	\$1,382,090	\$681,742
Deposits-out	571,701	721,721
Others	122,160	120,591
Total	\$2,075,951	\$1,524,054

The insurance coverage for leased assets was sufficient as of December 31, 2004 and 2003, respectively.

(10) Short-term Loans

As of December 31,	2004	2003
Unsecured bank loans	\$1,904,400	\$-
Interest rates	2.52% ~ 2.77%	_

The Company's unused short-term lines of credits amounted to NTD 6,487 million and NTD 13,828 million as of December 31, 2004 and 2003, respectively.

(11) Bonds Payable

As of December 31,	2004	2003
Secured domestic bonds payable	\$570,003	\$1,710,002
Unsecured domestic bonds payable	32,750,000	40,000,000
Convertible bonds payable	-	8,188,954
Exchangeable bonds payable	3,107,029	14,804,484
Premiums on exchangeable bonds	-	187,360
Compensation interest payable		126,763
Total	36,427,032	65,017,563
Less: Current portion	(2,820,003)	(16,705,716)
Net	\$33,607,029	\$48,311,847

- a. On April 27, 2000, the Company issued five-year secured bonds amounting to NTD 3,990 million. The interest is paid semi-annually with a stated interest rate of 5.6%. The bonds are repayable in installments every six months from April 27, 2002 to April 27, 2005.
- b. During the period from April 16 to April 27, 2001, the Company issued five-year and seven-year unsecured

bonds totaling NTD 15,000 million, each with a face value of NTD 7,500 million. The interest is paid annually with stated interest rates of 5.1195% through 5.1850% and 5.2170% through 5.2850%, respectively. The five-year bonds and seven-year bonds are repayable starting from April 2004 to April 2006 and April 2006 to April 2008, respectively, both in three yearly installments at the rates of 30%, 30% and 40%.

- c. During the period from October 2 to October 15, 2001, the Company issued three-year and five-year unsecured bonds totaling NTD 10,000 million, each with a face value of NTD 5,000 million. The interest is paid annually with stated interest rates of 3.3912% through 3.420% and 3.4896% through 3.520%, respectively. The three-year bonds were repaid at 100% of its principal amount during the period from October 2 to October 15, 2004. The five-year bonds will be repayable in October 2006, upon the maturity of the bonds.
- d. On December 12, 2001, the Company issued zero coupon convertible redeemable bonds amounting to USD 302.4 million on the Luxembourg Stock Exchange (LSE). The terms and conditions of the bonds are as follows:
 - a) Final Redemption
 Unless previously redeemed, repurchased, cancelled or converted, the bonds can 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 NYSE or other applicable securities exchange on which the ADSs are listed on any ADS trading day for 20 out of 30 consecutive ADS trading days ending at any time within the period of 5 ADS trading days prior to the date of the redemption notice shall have been at least 130% of the conversion price or last adjusted conversion price, as the case may be, on each such day, or
 - ii. At any time prior to maturity at least 90% in principal amount of the bonds have already been redeemed, repurchased, cancelled or converted.
 - c) Conversion Period
 - i. In respect of the common shares, on or after January 22, 2002 and on or prior to February 20, 2004, or ii. In respect of the ADSs, on or after the later of January 22, 2002 and the date on which the shelf registration statement covering the resale of certain ADSs issuable upon conversion of the bonds has been declared effective by the U.S. Securities and Exchange Commis-

- sion, on or prior to February 20, 2004.
- d) Conversion Price
 - i. In respect of the common shares, will be NTD 66.67 per share, and
 - ii. In respect of the ADSs, will be USD 9.673 per ADS. The applicable conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.
- e) Reacquisition of the Bonds
 - As of December 31, 2004, the Company has reacquired a total amount of USD 63 million of the bonds from the open market. The corresponding loss on the reacquisition amounting to NTD 0.06 million for the year ended December 31, 2004 was recognized as other losses. As of December 31, 2003, the Company had reacquired a total amount of USD 62 million of the bonds from the open market. The corresponding loss on the reacquisition amounting to NTD 5 million for the year ended December 31, 2003 was recognized as other losses.
- f) Redemption of the Bonds
 On February 27, 2004, the remaining balance of bonds was redeemed.
- e. On May 10, 2002, the Company issued LSE listed zero coupon exchangeable bonds exchangeable for common shares or ADSs of AU Optronics Corp. (AUO) with an aggregate principal amount of USD 235 million. The terms and conditions of the bonds are as follows:
 - a) Final Redemption
 Unless previously redeemed, exchanged or purchased and cancelled, the bonds must be redeemed at their principal amount in US dollars on May 10, 2007.
 - b) Redemption at the Option of the Company
 The Company may redeem the bonds, in whole or in
 part, in principal amount thereof, on or after August
 10, 2002 and prior to May 10, 2007 at their principal
 amount, if the closing price of the AUO common shares
 on the TSE, translated into US dollars at the prevailing
 exchange rate, for a period of 20 consecutive trading
 days, the last of which occurs not more than 10 days
 prior to the date upon which notice of such redemption
 is published, is at least 120% of the exchange price then
 in effect translated into US dollars at the rate of NTD
 34.645=USD 1.00.

The Company may also redeem the bonds, in whole, but not in part, if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.

c) Redemption at the Option of Bondholders
 The Company will, at the option of the holders, redeem such bonds on February 10, 2005 at its principal amount.

d) Tax Redemption

The Company may redeem all, but not part, of the bonds, at any time, in the event of certain changes in the ROC's tax rules which would require the Company to gross up for payments of principal, or to gross up for payments of interest or premium.

e) Terms of Exchange

Subject to prior permitted redemption and as otherwise provided in the offering, the bonds are exchangeable at any time on or after June 19, 2002 and prior to April 10, 2007, into AUO shares or AUO ADSs at an exchange price of NTD 51.30 per share, determined on the basis of a fixed exchange rate of NTD 34.645=USD 1.00; provided however, that if the exercise date falls within 5 business days from the beginning of, and during, any closed period, the right of the exchanging holder of the bonds to vote with respect to the shares it receives will be subject to certain restrictions.

The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

- f) Exchange of the Bonds
 - As of December 31, 2004, certain bondholders have exercised their rights to exchange their bonds with the total principal amount of USD 137 million into AUO shares. The corresponding gain on the exchange amounting to NTD 3,457 million for the year ended December 31, 2004 was recognized as a gain on disposal of investments.
- f. During the period from May 21 to June 24, 2003, the Company issued five-year and seven-year unsecured bonds totaling NTD 15,000 million, each with a face value of NTD 7,500 million. The interest is paid annually with stated interest rates of 4.0% minus USD 12-Month LIBOR and 4.3% minus USD 12-Month LIBOR, respectively. Stated interest rates are reset annually based on the prevailing USD 12-month LIBOR. The five-year bonds and seven-year bonds are repayable in 2008 and 2010, respectively, upon the maturity of the bonds.
- g. On July 15, 2003, the Company issued its second LSE listed zero coupon exchangeable bonds exchangeable for common shares of AUO with an aggregate principal amount of USD 206 million. The issue price was set at 103.0% of the principal amount. The terms and conditions of the bonds are as follows:
 - a) Final Redemption
 - Unless previously redeemed, exchanged or purchased and cancelled, the bonds must be redeemed at their principal amount in US dollars on July 15, 2008.
 - b) Redemption at the Option of the Company The Company may redeem the bonds, in whole or in part, in principal amount thereof, on or after January 15, 2004 and on or prior to July 15, 2005, at their

principal amount plus a certain premium (the "Early Redemption Amount") and thereafter until July 15, 2008 at their principal amount, if the closing price of the AUO common shares on the TSE, translated into US dollars at the prevailing exchange rate, for a period of 20 consecutive trading days, the last of which occurs not more than 10 days prior to the date upon which notice of such redemption is published, is at least 125% of the exchange price then in effect translated into US dollars at the rate of NTD 34.390=USD 1.00.

The Company may also redeem the bonds, in whole, but not in part, if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.

- c) Redemption at the Option of Bondholders The Company will, at the option of any bondholder, redeem such bonds starting on July 15, 2005 at their principal amount.
- d) Tax Redemption

The Company may redeem all, but not part, of the bonds, at any time, in the event of certain changes in the ROC's tax rules which would require the Company to gross up for payments of principal, or to gross up for payments of interest or premium.

e) Terms of Exchange

Subject to prior permitted redemption and as otherwise provided in the offering, the bonds are exchangeable at any time on or after August 14, 2003 and prior to June 30, 2008, into AUO shares at an exchange price of NTD 36.387 per share, determined on the basis of a fixed exchange rate of NTD 34.390=USD 1.00; provided however, that if the exercise date falls within 5 business days from the beginning of, and during, any closed period, the right of the exchanging holder of the bonds to vote with respect to the shares it receives will be subject to certain restrictions.

The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

f) Exchange of the Bonds

As of December 31, 2004, all bondholders have exercised their rights to exchange their bonds into AUO shares. The corresponding gain on the exchange amounting to NTD 4,349 million for the year ended December 31, 2004 was recognized as a gain on disposal of investments.

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

h. Repayments of the above bonds in the future years are as follows: (assuming the convertible bonds and exchangeable bonds are both paid off upon maturity)

Bonds Repayable in	Amount
2005	\$2,820,003
2006	10,250,000
2007	5,357,029
2008	10,500,000
2009 and thereafter	7,500,000
Total	\$36,427,032

(12) Long-term Loans

As of December 31,	2004	2003
Secured long-term loans	\$-	\$2,058,869
Less: Current portion	-	(1,818,361)
Net	\$-	\$240,508
Interest rates	-	1.82% ~ 2.53%

- a. The Company's long-term loans denominated in foreign currency amounted to USD 28 million as of December 31, 2003.
- b. Assets pledged as collateral to secure these loans are detailed in Note 6.

(13) Pension Fund

a. All of the regular employees of the Company are covered by the pension plan. Pension benefits are generally based on the units of service years and the average salary in the last month of the service year. Two units per year are entitled for the first 15 years of services while one unit per year is entitled after the completion of the fifteenth year. The total units shall not exceed 45 units.

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

b. Change in benefit obligation during the year:

For the year ended December 31,	2004	2003
Projected benefit obligation at beginning of year	\$(3,205,466)	\$(2,829,736)
Service cost	(410,619)	(421,332)
Interest cost	(112,191)	(113,189)
Benefits paid	15,053	-
Gain (loss) on projected benefit obligation	(77,076)	158,791
Projected benefit obligation at end of year	\$(3,790,299)	\$(3,205,466)

c. Change in pension assets during the year:

For the year ended December 31,	2004	2003
Fair value of plan assets at beginning of year	\$845,006	\$737,911
Actual return on plan assets	21,964	15,653
Contributions from employer	103,705	91,442
Benefits paid	(15,053)	-
Transferred in from merger with SiSMC	3,703	-
Fair value of plan assets at end of year	\$959,325	\$845,006

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

As of December 31,	2004	2003
Benefit obligation		
Vested benefit obligation	\$(14,551)	\$(9,071)
Non-vested benefit obligation	(1,363,332)	(1,195,467)
Accumulated benefit obligation	(1,377,883)	(1,204,538)
Effect from projected salary increase	(2,412,416)	(2,000,928)
Projected benefit obligation	(3,790,299)	(3,205,466)
Fair value of plan assets	959,325	845,006
Funded status	(2,830,974)	(2,360,460)
Unrecognized net transitional benefit obligation	169,004	197,171
Unrecognized gain	(28,541)	(89,202)
Accrued pension liabilities recognized in the balance sheet	\$(2,690,511)	\$(2,252,491)

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

For the year ended December 31,	2004	2003
Service cost	\$410,619	\$421,332
Interest cost	112,191	113,189
Expected return on plan assets	(23,238)	(23,982)
Amortization of unrecognized transitional net benefit obligation	28,167	28,167
Transferred from SiSMC in the merger	8,844	-
Net periodic pension cost	\$536,583	\$538,706

The actuarial assumptions underlying are as follows:

For the year ended December 31,	2004	2003
Discount rate	3.50%	3.50%
Rate of salary increase	5.00%	5.00%
Expected return on plan assets	3.50%	2.75%

(14) Capital Stock

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

- b. As of December 31, 2003, 22,000,000 thousand common shares were authorized to be issued and 16,140,744 thousand common shares were issued, each at a par value of NTD 10.
- c. Based on the resolution of the board of directors' meeting on February 26, 2004, the Company merged with SiSMC on July 1, 2004, the effective date, through the issuance of 357,143 thousand new shares at a par value of NTD 10 each. 2.24 shares of SiSMC were exchanged to 1 share of the Company, the surviving company.
- d. As recommended by the board of directors and amended by the shareholders' meeting on June 1, 2004, the Company issued 1,399,685 thousand new shares from the capitalization of retained earnings that amounted to NTD 13,335 million and capital reserve that amounted to NTD 661 million, of which NTD 12,224 million were stock dividends and NTD 1,111 million were employees' bonus.
- e. On July 22, 2004, the Company wrote off 149,728 thousand shares of treasury stock, which were bought back during the period from August 1 to September 28, 2001 and the period from August 14 to September 25, 2002 for conversion of the convertible bonds.
- f. The employee stock options issued by the Company on October 7, 2002 were exercised into 44,138 thousand shares during 2004. The effective date of issuance of new shares was December 28, 2004.
- g. As of December 31, 2004, 22,000,000 thousand common shares were authorized to be issued and 17,791,982 thousand common shares were issued, each at a par value of NTD 10.

h. The Company has issued a total of 231,497 thousand ADSs which were traded on the NYSE as of December 31, 2004. The total number of common shares represented by all issued ADSs is 1,157,486 thousand shares (One ADS represents five common shares).

(15) Employee Stock Options

On September 11, 2002, October 8, 2003, and September 30, 2004, the Company was authorized by the relevant government authorities to issue Employee Stock Options with a total number of 1 billion, 150 million, and 150 million units, respectively. Each unit entitles an optionee to subscribe to 1 share of the Company's common stock. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company. The exercise price of options was set at the closing price of the Company's common stock on the date of grant. The grant period of the options is 6 years and an optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the date of grant. Detailed information relevant to the Employee Stock Options is disclosed as follows:

Date of Grant	Total Number of Options Granted (In thousands)	Total Number of Options Outstanding (In thousands)	Exercise Price (NTD)
October 7, 2002	939,000	773,498	\$17.7
January 3, 2003	61,000	50,920	\$19.9
November 26, 2003	57,330	50,810	\$27.8
March 23, 2004	33,330	28,570	\$25.7
July 1, 2004	56,590	51,140	\$23.2
October 13, 2004	20,200	18,920	\$20.0

a. A summary of the Company's stock option plans, and related information for the years ended December 31, 2004 and 2003 are as follows:

For the year ended December 31,	2004		20	
	Option (In thousands)	Weighted - average Exercise Price (NTD)	Option (In thousands)	Weighted - average Exercise Price (NTD)
Outstanding at beginning of year	980,664	\$18.4	928,059	\$17.7
Granted	110,120	\$23.4	118,330	\$23.7
Exercised	(44,138)	\$17.7	-	-
Forfeited	(72,788)	\$19.3	(65,725)	\$18.4
Outstanding at end of year	973,858	\$18.9	980,664	\$18.4
Exercisable at end of year	368,896		-	
Weighted-average fair value of options granted during the year (NTD)	\$3.8		\$3.0	

b. The information of the Company's outstanding stock options as of December 31, 2004 is as follows:

		Outstanding Stock Options			Exer	cisable Stock Options
Authorization Date	Range of Exercise Price	Option (In thousands)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price (NTD)	Option (In thousands)	Weighted-average Exercise Price (NTD)
91.09.11	\$17.7 ~ \$19.9	824,418	2.1	\$17.8	368,896	\$17.7
92.10.08	\$23.2 ~ \$27.8	130,520	3.6	\$25.5	-	-
93.09.30	\$20.0	18,920	4.2	\$20.0	-	-
		973,858	2.4	\$18.9	368,896	\$17.7

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c. The Company has used the intrinsic value method to recognize compensation costs for its employee stock options issued since January 1, 2004. The compensation cost for the year ended December 31, 2004 is NTD 0. Pro forma information using the fair value method on net income and earnings per share is as follows:

For the year ended December 31, 2004	Basic earnings per share	Diluted earnings per share
Net income	\$31,843,381	\$31,873,101
Earnings per share (NTD)	\$1.89	\$1.86
Pro forma net income	\$31,761,407	\$31,791,127
Pro forma earnings per share (NTD)	\$1.89	\$1.86

The fair value of the options granted after January 1, 2004 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the year ended December 31, 2004: expected dividend yields of 11.40%; volatility factors of the expected market price of the Company's common stock of 0.49%, 0.49%, and 0.48%, respectively; risk-free interest rate of 2.70%, 2.85%, and 2.70%, respectively; and a weighted-average expected life of the option of 4.4 years.

(16) Treasury Stock

a. The Company bought back its own shares from the open market during the years ended December 31, 2004 and 2003. Details of the treasury stock transactions are as follows:

			In th	ousands of shares
Purpose	As of January 1, 2004	Increase	Decrease	As of December 31, 2004
For transfer to employees	49,114	192,067	-	241,181
For conversion of the convertible bonds into shares	149,728	-	149,728	-
Total shares	198,842	192,067	149,728	241,181

			In thousands of shares			
Purpose	As of January 1, 2003	Increase	Decrease	As of December 31, 2003		
For transfer to employees	86,539	99,195	136,620	49,114		
For conversion of the convertible bonds into shares	149,728		_	149,728		
Total shares	236,267	99,195	136,620	198,842		

- b. On July 22, 2004, the Company wrote off 149,728 thousand shares of treasury stock, amounting to NTD 4,923 million, which were bought back for conversion of the convertible bonds into shares from August 1 to September 28, 2001 and from August 14 to September 25, 2002.
- c. According to the Securities and Exchange Law of the ROC, total shares of treasury stock shall not exceed 10% of the Company's stock issued. Total purchase amount shall not exceed the sum of the retained earnings, capital reserve-premiums, and realized capital reserve. As such, the maximum number of shares of treasury stock that the Company could hold as of December 31, 2004 and 2003 was 1,779,198 thousand shares and 1,614,074 thousand shares while the ceiling of the amount was NTD 89,425 million and NTD 67,177 million, respectively. As of December 31, 2004 and 2003, the Company held 241,181 thousand shares and 198,842 thousand shares of treasury stock, which amounted to NTD 7,376 million and NTD 7,101 million, respectively.
- d. Treasury stock shall not be pledged, nor does it entitle voting rights or receive dividends, in compliance with Securities and Exchange Law of the ROC.
- e. As of December 31, 2004, the Company's subsidiaries, Hsun Chieh Investment Co., Ltd. and Fortune Venture Capital Corporation, held 543,732 thousand shares and 19,808 thousand shares of the Company's stock, with a book value of NTD 20.08 and NTD 8.68 per share, respectively. The average closing price during December 2004 was NTD 20.08.

As of December 31, 2003, the Company's subsidiaries, Hsun Chieh Investment Co., Ltd. and Fortune Venture Capital Corporation, held 503,456 thousand shares and 18,340 thousand shares of the Company's stock, with a book value of NTD 29.32 and NTD 9.37 per share, respectively. The average closing price during December 2003 was NTD 29.32.

(17) Retained Earnings and Dividend Policies

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

- 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 deducting items (a), (b) and (c) above from the current year's earnings, no less than 5% of the remaining amount together with the prior years' unappropriated earnings is to be allocated as employees' bonus which will be settled through issuance of new Company shares. Employees of the Company's subsidiaries, meeting certain requirements determined by the board of directors, are also eligible for the employees' bonus.
- f. The distribution of the remaining portion, if any, will be recommended by the board of directors and approved through the shareholders' meeting.

The Company is currently in its growth stage; the policy for dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital

budgets; as well as the benefit of shareholders, share bonus equilibrium, and long-term financial planning. The board of directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that at least 50% of the dividends to shareholders, if any, must be paid in the form of stock dividends. Accordingly, no more than 50% of the dividends can be paid in the form of cash.

The appropriation of 2004 retained earnings has not yet been recommended by the board of directors as of the date of the Report of Independent Auditors. Information on the board of directors' recommendation and shareholders' approval can be obtained from the "Market Observation Post System" on the website of the TSE.

Details of the 2003 employee bonus settlement and directors' and supervisors' remuneration are as follows:

For the year ended December 3	1, 2003	As Approved by the Shareholders' Meeting	As Recommended by the Board of Directors	Differences
Settlement of employees'	Number of shares (In thousands)	111,127	111,127	
bonus by issuance of new shares	Amount	\$1,111,273	\$1,111,273	-
	Percentage on total number of outstanding shares at year end	0.70%	0.70%	-
Remuneration paid to directors of	and supervisors	\$12,618	\$12,618	_
Effect on earnings per share	Basic and diluted earnings per share (NTD)	\$0.92/0.90	\$0.92/0.90	_
before retroactive adjustments	Pro forma basic and diluted earnings per share taking into consideration employees' bonus and directors' and supervisors' remuneration (NTD)	\$0.84/0.83	\$0.84/0.83	-

Pursuant to Article 41 of the Securities and Exchange Law of the ROC, a special reserve is set aside from the current net income and prior unappropriated earnings for items that are accounted for as deductions to stockholders' equity such as unrealized loss on long-term investments and cumulative translation adjustments. However, there are the following exceptions for the Company's investees' unrealized loss on long-term investments arising from the merger which was recognized by the Company in proportion to the Company's ownership percentage:

- a. According to the explanatory letter No. 101801 of the Securities and Futures Commission (SFC), if the Company recognizes the investees' capital reserve – excess from the merger in proportion to the ownership percentage – then the special reserve is exempted for the amount originated from the acquisition of the long-term investments.
- b. However, if the Company and its investees transfer a portion of the capital reserve to increase capital, a special reserve equal to the amount of the transfer shall be provided according to the explanatory letter No.101801-1 of the SFC.
- c. In accordance with the explanatory letter No.170010 of the SFC applicable to listed companies, when the market value of the Company's stock held by its subsidiaries at year-end is lower than the book value, a special reserve shall be provided for in the Company's accounts in proportion to its ownership percentage.

For the 2003 appropriations approved by the shareholders' meeting on June 1, 2004, unrealized loss on long-term investments exempted from the provision of special reserve pursuant to the above regulations amounted to NTD 14,826 million.

(18) Operating Costs and Expenses

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

Shares expressed in thousands

For the year ended December 31,			2004			2003
_	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses						
Salaries	\$6,804,389	\$2,148,418	\$8,952,807	\$4,857,636	\$1,523,111	\$6,380,747
Labor and health insurance	382,323	100,524	482,847	320,460	89,985	410,445
Pension	387,675	148,908	536,583	263,362	146,412	409,774
Other personnel expenses	72,600	40,032	112,632	35,062	19,005	54,067
Depreciation	36,691,504	1,892,675	38,584,179	34,060,531	1,794,734	35,855,265
Amortization	74,603	1,051,031	1,125,634	132,336	1,255,284	1,387,620

The numbers of employees as of December 31, 2004 and 2003 were 10,642 and 8,897, respectively.

(19) Income Tax

a. Reconciliation between the income tax expense and the income tax calculated on pre-tax financial statement income based on the statutory tax rate is as follows:

For the year ended December 31,	2004	2003
Income tax on pre-tax income at statutory tax rate	\$7,969,313	\$3,703,842
Permanent differences	(6,003,077)	(2,296,723)
Change in investment tax credit	(4,382,861)	(1,719,302)
Decrease in deferred income tax assets and liabilities	<u>-</u>	804,243
Temporary differences	2,446,010	296,703
Income tax on interest revenue separately taxed	4,524	6,349
Income tax expense	\$33,909	\$795,112

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

As of December 31,		2004		2003
	Amount	Tax Effect	Amount	Tax Effect
Deferred income tax assets				
Investment tax credit		\$22,150,454		\$20,051,808
Loss carry-forward	\$16,861,498	4,215,375	\$14,953,722	3,738,431
Pension	2,564,784	641,196	2,140,749	535,187
Allowance on sales returns and discounts	1,074,859	268,715	369,579	92,395
Allowance for loss on obsolescence of inventories	1,193,403	298,351	387,777	96,944
Compensation interest payable	-	-	122,347	30,587
Others	163,666	40,916	132,730	33,182
Total deferred income tax assets	-	27,615,007	_	24,578,534
Valuation allowance		(15,561,210)		(12,100,032)
Net deferred income tax assets	·	12,053,797	_	12,478,502
Deferred income tax liabilities	-		_	
Unrealized exchange gain	(998,937)	(249,734)	(1,497,414)	(374,353)
Depreciation	(17,872,634)	(4,468,159)	(19,572,978)	(4,893,245)
Total deferred income tax liabilities	-	(4,717,893)	_	(5,267,598)
Total net deferred income tax assets	- -	\$7,335,904	_	\$7,210,904
Deferred income tax assets - current		\$9,660,216		\$9,015,802
Deferred income tax liabilities - current		(249,734)		(374,353)
Valuation allowance		(5,886,193)		(5,793,786)
Net	-	3,524,289	_	2,847,663
Deferred income tax assets - noncurrent	-	17,954,791	_	15,562,732
Deferred income tax liabilities - noncurrent		(4,468,159)		(4,893,245)
Valuation allowance		(9,675,017)		(6,306,246)
Net		3,811,615	_	4,363,241
Total net deferred income tax assets		\$7,335,904	_	\$7,210,904

- c. The Company's income tax returns for all the fiscal years through 1999 and 2002 have been assessed and approved by the Tax Authority.
- d. Pursuant to the "Statute for the Establishment and Administration of Science Park of ROC", the Company was granted several four-year income tax exemption periods with respect to income derived from the expansion of operations. The starting date of the exemption period attributable to the expansion in 2000 had not yet been decided by the Company. The income tax exemption for other periods will expire on December 31, 2009.
- e. The Company earns investment tax credits for the amount invested in production equipment, research and development, and employee training.

As of December 31, 2004, the Company's unused investment tax credit was as follows:

Expiration Year	Investment Tax Credits Earned	Balance of Unused Investment Tax Credits
2004	\$8,097,450	\$3,714,589
2005	5,338,222	5,338,222
2006	3,954,369	3,954,369
2007	1,518,904	1,518,904
2008	7,624,370	7,624,370
Total	\$26,533,315	\$22,150,454

f. Under the rules of the Income Tax Law of the ROC, net loss can be carried forward for 5 years. As of December 31, 2004, the unutilized accumulated loss was as follows:

Expiration Year	Accumulated Loss	Unutilized Accumulated Loss
2006	\$11,096,582	\$11,096,582
2007	3,857,140	3,857,140
2008 (Transferred in from merger with SiSMC)	105,683	105,683
2009 (Transferred in from merger with SiSMC)	1,802,093	1,802,093
Total	\$16,861,498	\$16,861,498

- g. The balance of the Company's imputation credit accounts as of December 31, 2004 and 2003 were NTD 0.4 million and NTD 10.4 million, respectively. The actual creditable ratio for 2003 and 2002 was 0.69% and 1.24%, respectively.
- h. The ending balances of unappropriated earnings as of December 31, 2004 and 2003 were as follows:

As of December 31,	2004	2003
Prior to January 1, 1998	\$-	\$64,220
After January 1, 1998	29,498,329	13,972,602
Total	\$29,498,329	\$14,036,822

(20) Earnings per Share

a. The Company held zero coupon convertible bonds and employee stock options during 2004, and thus has a complex capital structure. The calculation of basic and diluted earnings per share, for the years ended December 31, 2004 and 2003, was disclosed as follows:

For the year ended December 31,	2004	2003 (Retroactively Adjusted)
Income before income tax	\$31,877,290	\$14,815,369
Effect of dilution:		
Employee stock options	-	-
Convertible bonds	39,626	67,939
Adjusted income before income tax assuming dilution	\$31,916,916	\$14,883,308
Net income	\$31,843,381	\$14,020,257
Effect of dilution:		
Employee stock options	-	-
Convertible bonds	29,720	50,954
Adjusted net income assuming dilution	\$31,873,101	\$14,071,211
Weighted average of shares outstanding	16,828,205	16,644,032
Effect of dilution:		
Employee stock options	245,983	228,762
Convertible bonds	20,660	152,565
Adjusted weighted average of shares outstanding assuming dilution	17,094,848	17,025,359
Earnings per share-basic (NTD)		
Income before income tax	\$1.89	\$0.89
Net income	\$1.89	\$0.84
Earnings per share-diluted (NTD)		
Income before income tax	\$1.87	\$0.87
Net income	\$1.86	\$0.83

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

TOLLOWS:	Shares expressed in thousand		
2004	Basic	Diluted	
Net income	\$31,843,381	\$31,873,101	
Weighted average of shares outstanding:			
Beginning balance	15,941,901	15,941,901	
Stock dividends and employees' bonus at 8.7% in 2004	1,385,341	1,385,341	
Purchase of 192,067 thousand shares of treasury stock in 2004	(132,214)	(132,214)	
Issuance of 357,143 thousand shares of stocks from merger with SiSMC	195,150	195,150	
Exercise of 44,138 thousand units of employees' stock options	5,166	5,166	
Dilutive shares of employee stock options accounted for under treasury stock method	-	245,983	
Dilutive shares issued assuming conversion of bonds	-	20,660	
Ending balance	17,395,344	17,661,987	
Earnings per share			
Net income (NTD)	\$1.83	\$1.80	
	Shares expressed in thousands		
2003 (Retroactively adjusted)	Basic	Diluted	
Net income	\$14,020,257	\$14,071,211	
Weighted average of shares outstanding:			
Beginning balance	15,238,579	15,238,579	
Stock dividends and employees' bonus at 4.4% in 2003	670,497	670,497	
Stock dividends and employees' bonus at 8.7% in 2004	1,382,488	1,382,488	
Purchase of 99,195 thousand shares of treasury stock in 2003	(87,216)	(87,216)	
Treasury stock transferred to employees of 136,620 thousand shares in 2003	8,950	8,950	
Dilutive shares of employee stock options accounted for under treasury stock method	-	228,762	
Dilutive shares issued assuming conversion of bonds	-	152,565	
Ending balance	17,213,298	17,594,625	
Earnings per share			
Net income (NTD)	\$0.81	\$0.80	

(21) Merger

In order to integrate resources, reduce operating costs, enlarge business scales, and improve its financial structure, profitability and global competitiveness, based on the resolution of the board of directors' meeting on February 26, 2004, the Company merged with SiSMC, the dissolved company, on July 1, 2004. The merger was approved by the relevant government authorities. All the assets, liabilities, rights, and obligations of SiSMC have been fully incorporated into the Company since July 1, 2004. The accounting treatment regarding the merger is in compliance with the ROC SFAS No. 25 "Enterprise Mergers - Accounting of Purchase Method."

Relevant information required by ROC SFAS No. 25 is disclosed as follows:

- a. Information of the dissolved company:
 SiSMC was split from Silicon Integrated Systems Corp. on
 December 15, 2003. It was mainly engaged in manufacturing of integrated circuits and components of semiconductors.
- b. Effective date, percentage of acquisition and accounting treatment:
 - Based on the agreement and the resolution of the board of directors' meeting, the effective date of the merger was July 1, 2004. All the stocks of the dissolved company were exchanged by the surviving company's newly issued shares, and the merger was accounted for under the purchase method.
- c. The period of combining the dissolved company's operating result:
 The operating result for the period from July 1, 2004 to
 - December 31, 2004 of the dissolved company was integrated into the operating result of the Company.
- d. Acquisition cost and the types, quantities, and amount of securities issued for the merger:
 According to the agreement, 357,143 thousand common

shares, amounting to NTD 3,571 million, were newly issued by the Company for the merger. The newly issued shares

- were allocated to the dissolved company's shareholders in proportion to their ownership. 2.24 common shares were to be exchanged for 1 new share. Since SiSMC was not a public company, there is no market value. Thus, the acquisition cost was determined based on the appraisal made by China Property Appraising Center Co., Ltd.
- e. Amortization method and useful lives for goodwill or deferred credit:

 The difference between the acquisition cost and the fair value of identifiable net assets was recognized as goodwill, which was to be amortized under the straight-line method for 15 years according to the Article 35 of Enterprise Mergers and Acquisitions Law of the ROC.
- f. Contingent price, warrants, or commitments and accounting treatments in the merger contracts:
 None.
- g. Decisions of disposal of significant assets from the merger: None.
- h. Pro forma information on operating results:
 The operating result for the period from July 1, 2004 to
 December 31, 2004 of the dissolved company was consolidated into the financial statements of the Company.

Since SiSMC was split from Silicon Integrated Systems Corp. on December 15, 2003, the pro forma operating results from January 1, 2003 to December 14, 2003 of SiSMC are included in the following pro forma information. The pro forma information on the operating results stated below is based on the assumption that the Company merged with SiSMC on January 1, 2004 and 2003.

For the year ended December 31,	2004	2003
Net operating revenues	\$119,567,347	\$91,666,999
Net income	\$30,669,982	\$12,968,078
Weighted average of shares outstanding	17,021,234	17,032,221
Earnings per share-basic (NTD)	\$1.80	\$0.76

NOTE 5. RELATED PARTY TRANSACTIONS

(1) Name and Relationship of Related Parties

Name of Related Parties	Relationship with the Company
UMC Group (USA) (UMC-USA)	Equity investee
United Foundry Service, Inc.	Equity investee
United Microelectronics (Europe) B.V. (UME BV)	Equity investee
UMC Capital Corporation	Equity investee
United Microelectronics Corp. (Samoa)	Equity investee
Fortune Venture Capital Corporation	Equity investee
Hsun Chieh Investment Co., Ltd.	Equity investee
UMCi Ltd.	Equity investee
United Microdisplay Optronics Corp. (UMO)	Equity investee
UMC Japan (UMCJ)	Equity investee
DuPont Photomasks Taiwan Ltd. (DPT)	Equity investee
Holtek Semiconductor Inc. (Holtek)	Equity investee
Integrated Technology Express Inc.	Equity investee
Unimicron Technology Corp.	Equity investee
Applied Component Technology Corp.	Equity investee
Novatek Microelectronics Corp.	Equity investee
Faraday Technology Corp. (Faraday)	Equity investee
Silicon Integrated Systems Corp.	Equity investee
AMIC Technology Corporation	Equity investee
Pacific Venture Capital Co., Ltd.	Equity investee
MediaTek Incorporation (MediaTek)	The Company is its supervisor
AU Optronics Corp. (Discharged on April 22, 2004)	The Company is its director and supervisor
Industrial Bank of Taiwan Corp. (IBT)	The Company is its major shareholder
(Holding shares were below 5% in the 3 rd quarter of 2004)	······································
Chiao Tung Bank Co., Ltd. (Chiao Tung)	The Company is its parent company's director and supervisor
Davicom Semiconductor, Inc.	Subsidiary's equity investee
Aptos (Taiwan) Corp.	Subsidiary's equity investee
United Radiotek Incorporation	Subsidiary's equity investee
UCA Technology, Inc.	Subsidiary's equity investee
AFA Technologies, Inc.	Subsidiary's equity investee
Harvatek Corp.	Subsidiary's equity investee
Thintek Optronics Corp.	Subsidiary's equity investee
Star Semiconductor Corp.	Subsidiary's equity investee
AEVOE Inc.	Subsidiary's equity investee
Ubit Technology Inc.	Subsidiary's equity investee
Smedia Technology Corp.	Subsidiary's equity investee
U-Media Technology, Inc.	Subsidiary's equity investee
Averlogic Corporation	Subsidiary is its director and supervisor
Epitech Corp.	Subsidiary is its director and supervisor
Coretronic Corporation	Subsidiary is its director and supervisor
Printech International, Inc.	Subsidiary is its director and supervisor
Fortune Semiconductor Corporation	Subsidiary is its director
Princeton Technology Corporation	Subsidiary is its director
Silicon 7, Inc.	Subsidiary is its director
Shin-Etsu Handotai Taiwan Co., Ltd. (Shin-Etsu)	Subsidiary is its director
Kits Online Technology Corp.	Subsidiary is its director
Giga Solution Tech. Co., Ltd.	Subsidiary is its director
Pixart Imaging, Inc.	Subsidiary is its director
InComm Technologies Co., Ltd.	Subsidiary is its director
	·
Trendchip Technologies Corp.	Subsidiary is its director
Programmable Microelectronics (Taiwan) Corp.	Subsidiary is its director
LightTuning Tech., Inc.	Subsidiary is its director and supervisor
Cion Technology Corp.	Subsidiary is its director
VastView Technology Inc.	Subsidiary is its director and supervisor
XGI Technology Inc.	Affiliate Company

(2) Significant Related Party Transactions

a. Operating revenues

For the year		2004		2003
ended December 31,	Amount	Percentage	Amount	Percentage
UMC-USA	\$53,751,976	46	\$35,062,132	41
UME BV	19,685,139	17	6,447,584	7
MediaTek	7,692,163	6	8,185,306	10
Others	12,938,569	11	9,155,048	11
Total	\$94,067,847	80	\$58,850,070	69

The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for overseas sales was net 45 \sim 60 days for the related parties and 30 \sim 60 days for third-party customers, while the terms for domestic sales were month-end 45 \sim 60 days for the related parties and 30 \sim 60 days for the third-party customers.

b. Purchases

For the year	2004			2003
ended December 31,	Amount	Percentage	Amount	Percentage
Shin-Etsu	\$3,952,085	14	\$2,698,980	15
UMCi	2,987,721	11	1,756	-
Others	116,452	-	185,004	1
Total	\$7,056,258	25	\$2,885,740	16

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

c. Notes receivable

As of December	2004		20	
31,	Amount	Percentage	Amount	Percentage
Holtek	\$39,034	96	\$101,203	92
Others .	-	-	550	-
Total	\$39,034	96	\$101,753	92

d. Accounts receivable, net

As of December		2004		2003
31,	Amount	Percentage	Amount	Percentage
UMC-USA	\$4,389,514	36	\$4,366,183	31
UME BV	1,875,964	16	1,406,079	10
MediaTek	784,279	7	1,713,842	12
Others	2,222,280	18	1,894,019	14
Total	9,272,037	77	9,380,123	67
Less: Allowance for sales returns and discounts	(841,500)		(283,420)	
Less: Allowance for doubtful accounts	(207,034)		(100,853)	
Net	\$8,223,503		\$8,995,850	

e. Accounts payable

As of December		2004		2003
31,	Amount	Percentage	Amount	Percentage
UMCi	\$800,805	18	\$-	_
Shin-Etsu	628,641	14	754,354	18
Others	20,856	-	35,634	1
Total	\$1,450,302	32	\$789,988	19

f. Loans

For the	Maximu	m Balance	Ending	Interest	Interest
year ended December 31, 2004	Amount	Month	Balance	Rate	Expense
Chiao Tung	\$282,547	January	\$-	1.83% ~ 2.53%	\$2,453
For the	Maximu	m Balance	Ending	Interest	Interest
year ended December 31, 2003	Amount	Month	Balance	Rate	Expense
Chiao Tung	\$865,796	January	\$282,557	1.66% ~ 2.68%	\$15,840
IBT	783,296	January	-	2.54% ~ 2.89%	2,535
Total			\$282,557		\$18,375

g. Property, plant and equipment transactions
In 2004, the Company acquired 90,000 thousand shares of
UMCi from UMCJ amounting to approximately NTD 3,948
million. The purchase price of USD 1.3 per share was based
on UMCi's net asset value, considerations of future industry competition and operating strategies. The Company
has complied with "Regulations Governing the Acquisition
or Disposition of Assets by Public Companies" to obtain
fairness opinions from a security expert and a Certified
Public Accountant to evaluate the reasonableness of the
purchase price. Gains arising from the upstream transaction amounting to NTD 475 million were recognized by
UMCJ, and the Company eliminated NTD 254 million in proportion to its ownership percentage while recognizing the
investment gain or loss of UMCJ.

For the year		2004
ended December 31,	Item	Amount
UMCJ	Purchase of UMCi stocks	\$3,947,580
UMCi	Purchase of machinery and equipment	165,703
		\$4,113,283

For the year			2003
ended December 31,	Item	Amount	Gain
UMCJ	Disposal of machinery and equipment	\$523,574	\$11,564

h. Other transactions

The Company has made several other transactions, including service charges, joint development expenses of intellectual property, subcontract expenses, and commissions etc., with related parties totaling approximately NTD 692 million and NTD 495 million for the years ended December 31, 2004 and 2003, respectively.

The Company has purchased approximately NTD 442 million and NTD 524 million of masks from DPT during the years ended December 31, 2004 and 2003, respectively.

As of December 31, 2004, the joint development contracts of intellectual property entered into with Faraday have amounted to approximately NTD 2,185 million, and a total amount of NTD 1,142 million has been paid. As of December 31, 2003, the joint development contracts of intellectual property entered into with Faraday have amounted to approximately NTD 1,589 million, and a total amount of NTD 584 million has been paid.

As of December 31, 2004 and 2003, other receivables arising from usage of facilities and rental revenues from related parties are both NTD 31 million.

NOTE 6. ASSETS PLEDGED AS COLLATERAL

As of December 31, 2004	Amount	Financial Institution that Assets were Pledged to	Purpose of Pledge
Machinery and equipment	\$2,907,092	The International Commercial Bank of China	Bonds payable
Total	\$2,907,092		
As of December 31, 2003	Amount	Financial Institution that Assets were Pledged to	Purpose of Pledge
Land	\$452,916	Taiwan Corporation Bank	Long-term loans
Buildings	1,201,678	Chiao Tung Bank Co., Ltd. etc.	Long-term loans
Machinery and equipment	11,127,841	Chiao Tung Bank Co., Ltd. etc.	Long-term loans and bonds payable
Total	\$12,782,435		

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES

(1) The Company has entered into several patent license agreements and joint development contracts of intellectual property for a total contract amount of approximately NTD 19 billion. Royalties and joint development fees for the future years are set out as follows:

For the year ended December 31,	Amount
2005	\$3,267,197
2006	1,421,768
2007	1,521,573
2008	293,444
2009	127,449
Total	\$6,631,431

- (2) The Company signed several construction contracts for the expansion of its factory space. As of December 31, 2004, these construction contracts have amounted to approximately NTD 0.55 billion and the unpaid portion of the contracts was approximately NTD 0.42 billion.
- (3) Oak Technology, Inc. (Oak) and the Company entered into a settlement agreement on July 31, 1997 concerning a complaint filed with the United States International Trade Commission (ITC) by Oak against the Company and others, alleging unfair trade practices based on alleged patent infringement regarding certain CD-ROM controllers. On October 27, 1997, Oak filed a civil action in a California federal district court, alleging claims for breach of the settlement agreement and fraudulent misrepresentation. The Company has formally denied the material allegations of the Complaint, and asserted counterclaims against Oak for breach of contract, intentional interference with economic advantage and rescission and restitution based on fraudulent conceal-

ment and/or mistake. The Company also asserted declaratory judgment claims for invalidity and unenforceability of the relevant Oak patent. On May 2, 2001, the United States Court of Appeals for the Federal Circuit upheld the ITC's findings of no patent infringement and no unfair trade practice arising out of a second ITC case filed by Oak against the Company and others. Based on the Federal Circuit's opinion and on a covenant not to sue filed by Oak, the declaratory judgment patent counterclaims were disclaimed from the district court case. However, in connection with its breach of contract and other claims, Oak seeks damages in excess of USD 750 million. The district court has not yet set dates for dispositive motions or for trial. The Company believes that Oak's claims are meritless, and intends to vigorously defend the suit, and to pursue its counterclaims. As with all litigation, however, the Company cannot predict the outcome with certainty.

(4) The Company entered into several operating lease contracts for land. These operating leases expire in various years through 2023 and are renewable. Future minimum lease pay-

ments under those leases are as follows:

For the year ended December 31,	Amount
2005	\$145,781
2006	146,205
2007	132,080
2008	129,255
2009 and thereafter	1,086,212
Total	\$1,639,533

(5) The Company entered into several wafer-processing contracts with its customers. According to the contracts, the Company shall guarantee processing capacity, while these customers make deposits to the Company.

Note 8. Significant Disaster Loss None.

Note 9. Significant Subsequent Event None.

NOTE 10. OTHERS

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

(2) Financial instruments

As of December 31,		2004		2003
<u> </u>	Book Value	Fair Value	Book Value	Fair Value
Non-derivative financial instruments				
Financial assets				
Cash and cash equivalents	\$83,347,329	\$83,347,329	\$92,865,557	\$92,865,557
Marketable securities	3,058,579	3,091,258	1,456,402	1,896,798
Notes and accounts receivables	11,201,919	11,201,919	14,646,705	14,646,705
Long-term investments	71,568,002	100,923,635	72,218,479	116,675,828
Financial liabilities				
Short-term loans	\$1,904,400	\$1,904,400	\$-	\$-
Payables	17,393,532	17,393,532	12,755,872	12,755,872
Bonds payable (Current portion included)	36,427,032	37,433,884	65,017,563	67,907,346
Long-term loans (Current portion included)	-	-	2,058,869	2,058,869
Derivative financial instruments				
Credit-linked deposits and repackage bonds– Non-trading purpose	\$1,683,324	\$1,683,324	\$3,187,304	\$3,187,304
Interest rate swaps-Non-trading purpose	35,532	(416,149)	128,539	(18,882)
Forward contracts-Non-trading purpose	38,633	38,633	-	_

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

- a. The book values of short-term financial instruments and other financial assets (credit-linked deposits and repackage bonds) approximate fair values due to their short maturities. The majority of investment portfolios of the credit-linked deposits and repackage bonds are either corporate bonds of maturity within one year, or highly liquidable secondary market bonds. Short-term financial
- instruments include cash and cash equivalents, notes receivable, accounts receivable, short-term loans, and payables.
- b. The fair values of marketable securities and long-term investments are based on the quoted market value. If the market values of marketable securities and long-term investments are unavailable, the net assets values of the investees are used as fair values.

- c. The fair values of bonds payable are determined by the market value. The book values of long-term loans approximate the fair values as the loans bear floating rates.
- d. The fair values of derivative financial instruments are

based on the amount the Company expects to receive (positive) or to pay (negative) assuming that the contracts are settled early at the balance sheet date.

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

a. Principal amount in original currency

As of December 31, 2004		Amount	Due Date
The Company			
Credit-linked deposits and repackage bonds referenced to			
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD	400 million	2007.02.05
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD	200 million	2007.02.05
Chi Feng Blinds Industry Co., Ltd. European Convertible Bonds	USD	2 million	2005.12.19
HannStar Display Corporation European Convertible Bonds	USD	5 million	2005.10.19
UMC Japan European Convertible Bonds	JPY	640 million	2007.03.28
UMC Japan European Convertible Bonds	JPY	600 million	2007.11.29
UMC Japan European Convertible Bonds	JPY	400 million	2007.11.29
Cathay Financial Holding Co., Ltd. European Convertible Bonds	USD	3 million	2005.05.23
Cathay Finacnial Holding Co., Ltd. European Convertible Bonds	USD	2 million	2005.05.23
Advanced Semiconductor Engineering Inc. European Convertible Bonds and Loans	NTD	200 million	2007.09.25
имсј			
Credit-linked deposits and repackage bonds referenced to			
UMC Japan European Convertible Bonds	JPY	1,000 million	2007.03.29
UMC Japan European Convertible Bonds	JPY	2,000 million	2007.11.28
UMC Japan European Convertible Bonds	JPY	1,100 million	2007.03.29
As of December 21, 2002		Amarint	Dua Data
As of December 31, 2003		Amount	Due Date
The Company			
Credit-linked deposits and repackage bonds referenced to			
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans	USD	5 million	2004.07.30
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans	USD	5 million	2004.07.30
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds	USD	5 million	2004.07.28
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds	USD	10 million	2004.08.02
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds	USD	5 million	2004.08.03
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD	210 million	2004.07.30
King Yuan Electronics Co., Ltd. European Convertible Bonds	USD	4.2 million	2004.04.18
Chi Feng Blinds Industry Co., Ltd. European Convertible Bonds	USD	2 million	2005.12.19
Stark Technology, Inc. European Convertible Bonds	USD	5 million	2004.07.10
UMCi Ltd. Loans	USD	15 million	2004.03.10
UMC Japan European Convertible Bonds	JPY	1,000 million	2007.03.28
UMC Japan European Convertible Bonds	JPY	600 million	2007.11.29
UMC Japan European Convertible Bonds	JPY	400 million	2007.11.29
The Company's Convertible Bonds	NTD	100 million	2004.03.05
Cathay Financial Holding Co., Ltd. European Convertible Bonds	USD	3 million	2005.05.23
Cathay Financial Holding Co., Ltd. European Convertible Bonds	USD	2 million	2005.05.23
Fubon Holding Co., Ltd., Siliconwave Precision Industries Co., Ltd. and the Company's European Convertible Bonds	USD	5 million	2004.07.30
UMCJ			
Credit-linked deposits and repackage bonds referenced to			
UMC Japan European Convertible Bonds	JPY	1,000 million	2007.03.29
UMC Japan European Convertible Bonds	JPY	2,000 million	2007.11.28

b. Credit risk

The counterparties of the above investments are major international financial institutions. The repayment in full of these investments is subject to the non-occurrence of one or more credit events, which are referenced to the entities' fulfillment of their own obligations as well as repayment of their corporate bonds. Upon the occurrence of one or more of such credit events, the Company and its subsidiary – UMCJ may receive nil or less than full amount of these investments. The Company and its subsidiary – UMCJ have selected reference entities with high credit ratings to minimize the credit risk.

- c. Liquidity risk
- Early withdrawal is not allowed for the above investments unless called by the issuer. However, the anticipated liquidity risk is low since most of the investments will be matured within 1 year or are relatively liquid in the secondary market.
- d. Market risk

There is no market risk for the above investments except for the fluctuations in the exchange rates of US dollars and Japanese Yen to NT dollars at the balance sheet date and the settlement date.

- (4) The Company entered into interest rate swap and forward contracts and its subsidiaries, UMCi and UMCJ, entered into forward contracts for hedging the interest rate risks arising from the counter-floating rate of domestic bonds and for hedging the exchange rate risks arising from the net assets or liabilities denominated in foreign currency. The hedging strategy was developed with the objective to reduce the market risk, and not for trading purpose. The relevant information on the derivative financial instruments entered into by the Company and its subsidiaries, UMCi and UMCJ, is as follows:
- a. The Company utilized interest rate swap agreements to hedge its interest rate risks on its counter-floating rate domestic bonds issued from May 21 to June 24, 2003. The periods of the interest rate swap agreements are the same as those of the domestic bonds, which are five and seven years. The floating rate is reset annually. The details of interest rate swap agreements are summarized as follows:

As of December 31, 2004, and 2003, the Company had the following interest rate swap agreements in effect:

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

b. The details of forward contracts entered into by the Company and its subsidiaries, UMCi and UMCJ, are summarized as follows:

As of December 31, 2004	Notional Amount	Contract Period
The Company		
Forward contracts	Sell USD 77 million	December 23,2004 to January 20, 2005
UMCJ		
Forward contracts	Sell USD 10 million	December 30, 2004 to January 4, 2005
As of December 31, 2003	Notional Amount	Contract Period
As of December 31, 2003 UMCi	Notional Amount	Contract Period
	Notional Amount Buy EUR 67 million	Contract Period December 31, 2003 to January 26, 2004

c. Transaction risk

a) Credit risk

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

b) Liquidity and cash flow risk

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

c) Market risk

Interest rate swap agreements and forward contracts

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

d. The presentation of derivative financial instruments on financial statements

The net receivables or payables resulting from interest rate swap and forward contracts were recorded under current assets or current liabilities.

As of December 31, 2004 and 2003, the balances of current assets arising from interest rate swap were NTD 36 million and NTD 129 million, respectively.

As of December 31, 2004, the balance of current assets arising from forward contracts was NTD 39 million and related exchange loss in NTD 260 million was recorded under non-operating expenses for the year ended December 31, 2004.

NOTE 11. ADDITIONAL DISCLOSURES

- (1) The following are additional disclosures for the Company and its affiliates pursuant to SFC requirements:
- a. Financing provided to others for the year ended December 31, 2004: Please refer to Attachment-1.
- b. Endorsement/Guarantee provided to others for the year ended December 31, 2004: Please refer to Attachment-2.
- c. Securities held as of December 31, 2004: Please refer to Attachment-3.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2004: Please refer to Attachment-4.
- e. Acquisition of individual real estate with amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2004: Please refer to Attachment-5.
- f. Disposal of individual real estate with amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2004: Please refer to Attachment-6.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2004: Please refer to Attachment-7.
- h. Receivables from related parties with amounts exceeding the lower of NTD 100 million or 20 percent of the capital stock as of December 31, 2004: Please refer to Attachment-8
- Names, locations and related information of investee companies as of December 31, 2004: Please refer to Attachment-9.
- j. Derivative financial instruments: Please refer to Note 10.

(2) Investment in Mainland China

None.

NOTE 12. SEGMENT INFORMATION

(1) Operations in Different Industries

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

(2) Operations in Different Geographic Areas

The Company has no foreign operations.

(3) Export Sales

For the year ended December 31,	2004	2003
North America	\$50,821,309	\$33,456,822
Europe	19,021,413	12,438,120
Asia, excluding Taiwan	9,936,353	6,882,560
Total export sales	\$79,779,075	\$52,777,502

(4) Major Customers

Individual customers accounting for at least 10% of net sales for the years ended December 31, 2004 and 2003 are as follows:

For the year el December 31,	nded	2004		2003
Customers	Sales Amount	Percentage	Sales Amount	Percentage
Customer A	\$53,751,976	46	\$35,062,132	41
Customer B	19,685,139	17	6,447,584	7
Customer C	7,692,163	6	8,185,306	10
Total	\$81,129,278	69	\$49,695,022	58

ATTACHMENTS TO NOTES

ATTACHMENT-1 Financing provided to others for the year ended December 31, 2004

No.	Lender	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance In	terest Rate	Nature of Financing
1	UMC Group (USA)	Former employees	Receivable from employees' loans	USD 986	USD 986	7%	Note

 $\textit{Note} \ \textit{Need for short-term financing.}$

ATTACHMENT-2 Endorsement / Guarantee provided to others for the year ended December 31, 2004

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

ATTACHMENT-3 Securities held as of December 31, 2004

Type of Securities	Name of Securities	Relationship	
United Microelectronics (Corporation		
Convertible bonds	King Yuan Electronics Co., Ltd.	-	
Convertible bonds	EPISTAR Corporation	-	
Convertible bonds	Ching Feng Home Fashions Co., Ltd.	-	
Convertible bonds	International Semiconductor Technology Ltd.	-	
Convertible bonds	Everlight Electronics Co., Ltd.	-	
Convertible bonds	Siliconware Precision Industries	-	
Convertible bonds	Mega Financial Holding Company	The Company is its director and supervisor	
Convertible bonds	Quanta Storage Inc.	-	
Convertible bonds	L & K Engineering Co., Ltd.	-	
Convertible bonds	EDOM Technology Co., Ltd.	-	
Convertible bonds	Action Electronics Co., Ltd.	-	
Stock	SpringSoft, Inc.	-	
Stock	King Yuan Electronics Co., Ltd.	-	
Stock	SerComm Corporation	Subsidiary's equity investee	
Stock	Yang Ming Marine Transport Corp.	-	
Stock	Micronas Semiconductor Holding AG	-	
Stock	UMC Group (USA)	Investee company	
Stock	United Foundry Service, Inc.	Investee company	
Stock	United Microelectronics (Europe) B.V.	Investee company	
Stock	UMC Capital Corporation	Investee company	
Stock	United Microelectronics Corp. (Samoa)	Investee company	
Stock	UMCi Ltd.	Investee company	
Stock	Fortune Venture Capital Corporation	Investee company	
Stock	Hsun Chieh Investment Co., Ltd.	Investee company	
Stock	United Microdisplay Optronics Corp.	Investee company	
Stock	Pacific Venture Capital Co., Ltd.	Investee company	
Stock	UMC Japan	Investee company	
Stock	DuPont Photomasks Taiwan Ltd.	Investee company	
Stock	Unitech Capital Inc.	Investee company	
Stock	Holtek Semiconductor Inc.	Investee company	
Stock	Integrated Technology Express Inc.	Investee company	

$Amount\ in\ thousand;\ Currency\ denomination\ in\ NTD\ unless\ otherwise\ specified$

Amount of Sales to (Purchases from) Counterparty	Reason for Financing	Allowance for Doubtful Accounts	Collateral Item	Collateral Value	Limit of Financing Amount for Individual Counterparty	Limit of Total Financing Amount
None	Employee loan	USD 295	Securities	Lower	N/A	N/A

$Amount\ in\ thousand;\ Currency\ denomination\ in\ NTD\ unless\ otherwise\ specified$

Amount of Collateral Guarantee, Endorsemen	Limit of Total Guarantee/ Endorsement Amount
	 N/A

Amount in thousand; Currency denomination in NTD unless otherwise specified

Financial Statement				December 31, 2004	Shares as
Account	Units (In thousands) / Bonds / Shares (In thousands)	Book Value	Percentage of Ownership (%)	Market Value / Net Assets Value	Collateral (In thousands)
Short-term investment	800	\$271,600	-	\$242,395	None
Short-term investment	100	34,140	-	31,640	None
Short-term investment	2,000	68,300	-	63,280	None
Short-term investment	4,000	135,800	-	113,271	None
Short-term investment	100	33,745	-	31,640	None
Short-term investment	8,000	270,120	-	230,656	None
Short-term investment	5,000	166,650	-	160,573	None
Short-term investment	4,500	152,778	-	131,702	None
Short-term investment	3,000	98,925	-	94,920	None
Short-term investment	60	201,990	-	189,840	None
Short-term investment	10,000	322,200	-	316,400	None
Short-term investment	8,183	415,728	-	537,754	None
Short-term investment	20,076	356,781	-	440,634	None
Short-term investment	129	3,093	-	3,497	None
Short-term investment	3,254	128,057	-	97,526	None
Short-term investment	280	398,672	-	405,530	None
Long-term investment	16,438	720,500	100.00	720,500	None
Long-term investment	2,005	103,881	100.00	103,881	None
Long-term investment	9	284,568	100.00	271,242	None
Long-term investment	55,000	1,310,493	100.00	1,310,493	None
Long-term investment	700	5,854	100.00	5,854	None
Long-term investment	880,006	26,582,778	100.00	23,076,037	None
Long-term investment	299,994	2,354,878	99.99	2,543,963	None
Long-term investment	1,417,294	10,296,356	99.97	21,212,798	None
Long-term investment	104,345	441,618	83.48	441,618	None
Long-term investment	30,000	304,810	49.99	304,873	None
Long-term investment	484	8,842,456	47.42	6,577,631	None
Long-term investment	106,621	1,058,515	45.35	1,058,439	None
Long-term investment	21,000	730,930	42.00	730,930	None
Long-term investment	48,980	731,442	25.23	1,704,077	None
Long-term investment	24,229	281,313	22.23	294,702	None

Continued on next page

ATTACHMENT-3 Securities held as of December 31, 2004

Type of Securities	Name of Securities	Relationship
United Microelectronics Co	orporation (Continued from previous page)	
Stock	Unimicron Technology Corp.	Investee company
Stock	Faraday Technology Corp.	Investee company
Stock	Novatek Microelectronics Corp.	Investee company
Stock	Applied Component Technology Corp.	Investee company
Stock	Silicon Integrated Systems Corp.	Investee company
Stock	AMIC Technology Corporation	Investee company
Stock	MediaTek Incorporation	The Company is its supervisor
Stock	United Industrial Gases Co., Ltd.	_
Stock	Industrial Bank of Taiwan Corp.	_
Stock	Subtron Technology Co., Ltd.	_
Stock	Billionton Systems Inc.	The Company is its director
Stock	AU Optronics Corp.	_
Stock	Mega Financial Holding Company	The Company is its director and supervisor
Stock	Premier Image Technology Corporation	-
Fund	Pacific Technology Partners, L.P.	_
Fund	Pacific United Technology, L.P.	_
Stock-Preferred stock	Taiwan High Speed Rail Corporation	_
Hsun Chieh Investment Co.		
Stock	Shanghai Fudan H Share	_
Stock	Premier Image Technology Corp.	_
Stock	SinoPac Holdings	_
Stock	Unitruth Investment Corp.	Investee company
Stock	United Radiotek Incorporation	Investee company
Stock	UCA Technology, Inc.	Investee company
Stock	VistaPoint, Inc.	Investee company
Stock	Ubit Technology, Inc.	Investee company
Fund	UC Fund II	Investee company
Stock	RiRa Electronics, Inc.	Investee company
Stock	Star Semiconductor Corp.	Investee company
Stock	AFA Technology, Inc.	Investee company
Stock	Crystal Media, Inc.	Investee company
Stock	Harvatek Corporation	Investee company
Stock	Patentop, Ltd.	Investee company
Stock	Unimicron Technology Corp.	Investee of UMC and Hsun Chieh
Stock	U-Media Technology, Inc.	Investee company
Stock	Smedia Technology Corp.	Investee company
Stock	SerComm Corporation	Investee company
Stock	AMOD Technology Co., Ltd.	Investee company
Stock	Faraday Technology Corp.	Investee of UMC and Hsun Chieh
Stock	AMIC Technology Corporation	Investee of UMC and Hsun Chieh
Stock	UMC Japan	Investee of UMC and Hsun Chieh
Stock	Davicom Semiconductor, Inc.	Investee company
Stock	Novatek Microelectronics Corp.	Investee of UMC and Hsun Chieh
Stock	VastView Technology, Inc.	The Company is its director and supervisor
Stock	Kits OnLine Technology Corp.	The Company is its director

 $Amount\ in\ thousand; \textit{Currency denomination in NTD unless otherwise specified}$

Financial Statement				December 31, 2004	Shares as
Account	Units (In thousands) / Bonds / Shares (In thousands)	Book Value	Percentage of Ownership (%)	Market Value / Net Assets Value	Collateral (In thousands)
Long-term investment	185,626	\$3,465,809	21.43	\$4,057,221	None
Long-term investment	47,682	794,298	18.38	2,307,615	None
Long-term investment	72,775	1,615,328	18.30	7,402,632	None
Long-term investment	8,848	19,874	16.44	76,228	None
Long-term investment	219,092	4,226,303	16.16	2,634,800	None
Long-term investment	16,200	79,395	11.83	112,753	None
Long-term investment	77,428	969,048	10.06	16,384,438	None
Long-term investment	13,185	146,250	8.11	Note	None
Long-term investment	118,303	1,139,196	4.95	Note	None
Long-term investment	11,520	172,800	4.92	Note	None
Long-term investment	1,826	30,948	2.77	33,209	None
Long-term investment	71,215	959,082	1.44	3,136,529	None
Long-term investment	95,577	3,108,656	0.84	2,034,161	None
Long-term investment	3,395	27,964	0.59	93,468	None
Long-term investment	-	336,099	-	Note	None
Long-term investment	-	126,560	-	Note	None
Long-term investment	30,000	300,000	-	N/A	None
Short-term investment	516	2,511	0.10	821	None
Short-term investment	2,094	112,925	0.40	57,640	None
Short-term investment	1,464	28,535	0.04	26,600	None
Long-term investment	10,000	100,115	100.00	100,115	None
Long-term investment	12,750	86,107	49.04	86,107	None
Long-term investment	4,950	43,097	49.50	43,097	None
Long-term investment	6,828	31,263	48.77	31,263	None
Long-term investment	2,563	17,120	18.99	17,120	None
Long-term investment	5,000	150,079	35.45	150,079	None
Long-term investment	6,499	13,106	32.50	13,106	None
Long-term investment	6,555	37,161	28.20	37,161	None
Long-term investment	5,838	42,660	26.53	42,660	None
Long-term investment	2,115	21,150	24.88	21,150	None
Long-term investment	22,392	349,074	18.23	471,773	None
Long-term investment	720	6,599	18.00	6,599	None
Long-term investment	97,180	1,814,626	11.22	2,124,071	None
Long-term investment	1,200	12,000	11.11	12,000	None
Long-term investment	1,800	18,000	10.59	18,000	None
Long-term investment	10,176	174,903	9.80	274,797	None
Long-term investment	470	5,875	9.40	5,875	None
Long-term investment	14,265	1,146,473	5.50	690,369	None
Long-term investment	6,830	45,676	4.99	45,676	None
Long-term investment	45	840,341	4.51	613,535	None
Long-term investment	1,598	22,958	2.50	22,958	None
Long-term investment	3,249	120,333	0.82	330,488	None
Long-term investment	4,487	29,759	19.94	Note	None
Long-term investment	4,455	56,231	15.91	Note	None

Continued on next page

ATTACHMENT-3 Securities held as of December 31, 2004

Type of Securities	Name of Securities	Relationship
Hsun Chieh Investment Co	o., Ltd. (Continued from previous page)	
Stock	Advance Materials Corporation	-
Stock	Everglory Resource Technology Co., Ltd.	-
Stock	LighTuning Tech., Inc.	The Company is its director and supervisor
Stock	Printech International Inc.	The Company is its director and supervisor
Stock	Golden Technology Venture Capital Investment Corp.	The Company is its director
Stock	NCTU Spring I Technology Venture Capital Investment Corp.	_
Stock	Trendchip Technologies Corp.	The Company is its director
Stock	InComm Technologies Co., Ltd.	The Company is its director
Stock	Fortune Semiconductor Corporation	The Company is its director
Stock	EE Solution, Inc.	_
Stock	Ralink Technology Corporation	_
Stock	Chipsence Corp.	_
Stock	Epitech Corporation	_
Stock	Giga Solution Technology Co., Ltd.	The Company is its director
Stock	Beyond Innovation Technology Co., Ltd.	
Stock	NCTU Spring Venture Capital Co., Ltd.	The Company is its director
Stock	Riselink Venture Capital Corp.	_
Stock	Animation Technologies Corp.	_
Stock	Cosmos Technology Venture Capital Investment Corp.	The Company is its director
Stock	Parawin Venture Capital Corp.	The Company is its director
Stock	Programmable Microelectronics (Taiwan) Corp.	-
Stock	Coretronic Corporation	The Company is its director
Stock	Taiwan Asia Pacific Venture Fund	-
Stock	IBT Venture Co.	The Company is its director
Stock	ZyDAS Technology Corp.	_
Stock	HiTop Communications Corp.	The Company is its director and supervisor
Stock	United Microelectronics Corporation	Investor Company
Stock		Thivestor company
	ProSys Technology Integration, Inc. Brodweb Corp.	_
Stock Stock	Uli Electronics Inc.	_
Stock		_
Stock	Sheng-Hua Venture Capital Corp.	The Commenciality discretes and essentials
Stock	Subtron Technology Co., Ltd.	The Company is its director and supervisor
Stock	Princeton Technology Corporation	The Company is its director
Stock	Pixart Imaging, Inc.	-
Stock	ULTRA CHIP, Inc.	-
Stock	Trident Technologies, Inc.	-
Stock	Averlogic Corporation	_
Stock	C-Com Corporation	
Stock	Largan Optoelectronics, Co., Ltd.	The Company is its director
Stock -	Mega Financial Holding Company	-
Stock	Taimide Tech., Inc.	-
Stock-Preferred Stock	Alpha and Omega Semiconductor, Inc.	-
Stock-Preferred Stock	Aurora System, Inc.	-
Stock-Preferred Stock	Formerica International Holding, Inc.	-
Stock-Preferred Stock	ForteMedia, Inc.	-
Fund	VenGlobal Capital fund III, L.P.	-
UMC Capital Corporation		
Stock	UMC Capital (USA)	Investee company
Stock-Preferred Stock	MaXXan Systems, Inc.	-
Stock-Preferred Stock	Aicent, Inc.	-
Stock-Preferred Stock	Spreadtrum Communications, Inc.	-

 $Amount\ in\ thousand;\ Currency\ denomination\ in\ NTD\ unless\ otherwise\ specified$

Financial Statement				December 31, 2004	Shares as
Account	Units (In thousands) / Bonds / Shares (In thousands)	Book Value	Percentage of Ownership (%)	Market Value / Net Assets Value	Collateral (In thousands)
Long-term investment	14,994	\$152,321	15.78	Note	None
Long-term investment	3,700	74,000	15.14	Note	None
Long-term investment	1,900	24,772	15.08	Note	None
Long-term investment	3,000	30,000	12.00	Note	None
Long-term investment	8,000	80,000	10.67	Note	None
Long-term investment	4,284	43,482	10.06	Note	None
Long-term investment	3,775	60,406	9.25	Note	None
Long-term investment	2,600	36,140	8.67	Note	None
Long-term investment	2,183	71,500	6.64	Note	None
Long-term investment	1,950	51,900	7.28	Note	None
Long-term investment	3,700	55,500	7.40	Note	None
Long-term investment	3,800	41,800	6.91	Note	None
Long-term investment	5,875	117,823	6.75	Note	None
Long-term investment	8,750	105,000	6.83	Note	None
Long-term investment	1,045	18,096	4.86	Note	None
Long-term investment	2,000	20,000	6.28	Note	None
Long-term investment	8,000	80,000	6.20	Note	None
Long-term investment	1,980	29,700	4.74	Note	None
Long-term investment	4,000	40,000	5.03	Note	None
Long-term investment	5,000	50,000	5.00	Note	None
Long-term investment	1,980	23,760	4.95	Note	None
Long-term investment	18,787	276,192	4.32	\$581,022	None
Long-term investment	85	21,625	4.15	Note	None
Long-term investment	7,614	76,142	3.81	Note	None
Long-term investment	1,000	23,000	3.33	Note	None
Long-term investment	1,198	17,964	4.99	Note	None
Long-term investment	543,732	29,592,654	3.04	10,919,772	None
Long-term investment	186	2,790	3.08	Note	None
Long-term investment	500	8,000	2.86	Note	None
Long-term investment	2,100	44,940	2.63	Note	None
Long-term investment	5,000	50,000	2.50	Note	None
Long-term investment	5,616	71,280	2.37	Note	None
Long-term investment	3,277	97,901	2.36	84,958	None
Long-term investment	1,143	16,107	1.84	Note	None
Long-term investment	792	15,048	1.19	Note	None
Long-term investment	650	12,025	0.97	Note	None
Long-term investment	43	1,159	0.16	545	None
Long-term investment	1,110	9,806	0.96	3,746	None
Long-term investment	745	39,866	0.69	132,084	None
Long-term investment	59,539	1,882,974	0.52	1,267,176	None
Long-term investment	1,500	37,500	1.83	Note	None
Long-term investment	1,500	46,883	_	N/A	None
Long-term investment	550	6,355	_	N/A	None
Long-term investment	2,000	30,898	_	N/A	None
Long-term investment	5,694	108,456	_	N/A	None
Long-term investment	-	33,195	-	N/A	None
Long-term investment	200	USD 298	100.00	USD 298	None
Long-term investment	2,317	USD 1,237	_	N/A	None
Long-term investment	2,000	USD 1,000	_	N/A	None
Long-term investment	1,581	USD 1,250	_	N/A	None

Continued on next page

ATTACHMENT-3 Securities held as of December 31, 2004

Type of Securities	Name of Securities	Relationship
UMC Capital Corporation (Co	ntinued from previous page)	
Stock-Preferred Stock	WIS Technologies, Inc.	_
Stock-Preferred Stock	Silicon 7, Inc.	The Company is its director
Stock-Preferred Stock	GCT Semiconductor, Inc.	-
Stock-Preferred Stock	Intellon Corporation	-
Stock-Preferred Stock	ForteMedia Inc.	_
Stock-Preferred Stock	Zylogic Semiconductor Corp.	_
Stock-Preferred Stock	Berkana Wireless Inc.	-
Stock-Preferred Stock	Maxlinear, Inc.	-
Stock-Preferred Stock	Smart Vanguard Limited	-
Stock-Preferred Stock	Wisair, Inc.	-
ortune Venture Capital Cor	poration	
Stock	AEVOE Inc.	Investee company
Stock	Smedia Technology Corp.	Investee company
Stock	Aptos (Taiwan) Corp.	Investee company
Stock	Davicom Semiconductor, Inc.	Investee company
Stock	Ubit Technology, Inc.	Investee company
Stock	AMIC Technology Corporation	Investee of UMC and Fortune
Stock	Crystal Media, Inc.	Investee company
Stock	U-Media Technology Corp.	Investee company
Stock	AMOD Technology Co., Ltd.	Investee company
Stock	Star Semiconductor Corp.	Investee company
Stock	AFA Technologies, Inc.	Investee company
Stock	Pixart Imaging, Inc.	The Company is its director
Stock	Aimtron Technology Inc.	The Company is its director
Stock	HiTop Communications Corp.	-
Stock	Epitech Corp.	The Company is its director and supervisor
Stock	SIMpal Electronics Co., Ltd.	The Company is its director
Stock	Programmable Microelectronics (Taiwan) Corp.	The Company is its director
Stock	Shin-Etsu Handotai Taiwan Co., Ltd.	The Company is its director
Stock	XGI Technology, Inc.	-
Stock	LighTuning Tech., Inc.	-
Stock	Averlogic Corporation	The Company is its director and supervisor
Stock	Animation Technologies Inc.	-
Stock	WavePlus Technology Inc.	-
Stock	RDC Semiconductor Co., Ltd.	-
Stock	ProSys Technology Integration, Inc.	-
Stock	EE Solution, Inc.	-
Stock	Trident Technologies, Inc.	-
Stock	Subtron Technology Co., Ltd.	The Company is its director and supervisor
Stock	SiRF Technology Holding, Inc.	-
Stock	Forture Semiconductor Corporation	-
Stock	United Microelectronics Corporation	Investor company
Stock	Advanced Chip Engineering Technology Inc.	-
Stock	Cion Technology Corporation	The Company is its director
Fund	Iglobe Partners Fund II, L.P.	-
Fund	Crystal Internet Venture Fund II	-
Stock-Preferred Stock	Alpha and Omega Semiconductor, Inc.	-
Stock-Preferred Stock	Integrant Technologies, Inc.	-
Stock-Preferred Stock	Arcadia Design Systems, Inc.	-
Stock-Preferred Stock	Aurora System, Inc.	-
United Microdisplay Optron	•	
Stock	Thintek Optronics Corp.	Investee company

Note The net assets values for unlisted investees accounted for under the cost method were not available as of December 31, 2004.

 $Amount\ in\ thousand;\ Currency\ denomination\ in\ NTD\ unless\ otherwise\ specified$

Financial Statement				December 31, 2004	Shares as
Account	Units (In thousands) / Bonds / Shares (In thousands)	Book Value	Percentage of Ownership (%)	Market Value / Net Assets Value	Collateral (In thousands)
Long-term investment	1,733	USD 3,354	_	N/A	None
Long-term investment	1,203	USD 4,000	_	N/A	None
Long-term investment	1,571	USD 1,000	_	N/A	None
Long-term investment	6,711	USD 2,500	_	N/A	None
Long-term investment	2,000	USD 1,500	_	N/A	None
Long-term investment	750	USD 500	_	N/A	None
Long-term investment	1,244	USD 2,000	_	N/A	None
Long-term investment	1,474	USD 2,580	_	N/A	None
Long-term investment	5,000	USD 5,000	_	N/A	None
Long-term investment	93	USD 1,000	-	N/A	None
Long-term investment	1,500	15,000	45.45	\$15,000	None
Long-term investment	5,079	50,790	29.88	50,790	None
Long-term investment	43,705	380,767	26.38	374,552	None
Long-term investment	12,200	125,135	19.06	125,172	None
Long-term investment	1,718	17,188	12.72	17,188	None
Long-term investment	16,575	131,257	12.32	110,555	None
Long-term investment	950	9,500	11.18	9,500	None
Long-term investment	1,200	12,000	11.11	12,000	None
Long-term investment	530	6,625	10.60	6,625	None
Long-term investment	1,337	17,381	5.75	17,381	None
Long-term investment	1,050	26,250	4.77	26,250	None
Long-term investment	10,690	207,004	17.20	Note	None
Long-term investment	672	28,300	2.44	Note	None
Long-term investment	3,142	47,136	13.09	Note	None
Long-term investment	8,394	132,539	9.65	Note	None
Long-term investment	6,009	70,179	7.34	Note	None
Long-term investment	3,302	37,156	8.25	Note	None
Long-term investment	10,500	105,000	7.00	Note	None
Long-term investment	20,726	71,504	9.27	Note	None
Long-term investment	600	9,629	4.76	Note	None
Long-term investment	1,051	17,628	3.80	13,330	None
Long-term investment	1,500	22,500	3.59	Note	None
Long-term investment	1,200	30,000	4.00	Note	None
Long-term investment	1,100	28,000	3.22	Note	None
Long-term investment	186	1,860	3.08	Note	None
Long-term investment	650	14,800	2.43	Note	None
Long-term investment	1,550	14,793	2.30	Note	None
Long-term investment	3,701	52,870	1.58	Note	None
Long-term investment	611	83,346	1.34	248,370	None
Long-term investment	349	10,461	1.06	Note	None
Long-term investment	19,808	171,857	0.11	397,797	None
Long-term investment	4,160	49,920	3.56	Note	None
Long-term investment	2,160	21,600	18.00	Note	None
Long-term investment	-	42,092	3.45	Note	None
Long-term investment	-	38,855	0.99	Note	None
Long-term investment	1,500	46,313	_	N/A	None
Long-term investment	120	34,413	4.95	N/A	None
Long-term investment	162	1,620	_	N/A	None
Long-term investment	5,133	59,317	-	N/A	None
Long-term investment	9,999	53,618	49.99	53,618	None

ATTACHMENT-4 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31,2004

cs Corporation			
King Yuan Electronics Co., Ltd.	Short-term investment	Open market	-
Evergreen Marine Corporation	Short-term investment	Open market	-
Chunghwa Picture Tubes Ltd.	Short-term investment	Open market	-
Ability Enterprise Co., Ltd.	Short-term investment	Open market	-
International Semiconductor Technology Ltd.	Short-term investment	Open market	-
Quanta Display Inc.	Short-term investment	Open market	-
Siliconware Precision Industries	Short-term investment	Open market	-
Mega Financial Holding Company	Short-term investment	Open market	-
China Airlines	Short-term investment	Open market	-
Quanta Storage Inc.	Short-term investment	Open market	_
EDOM Technology Co., Ltd.	Short-term investment	Open market	-
Action Electronics Co., Ltd.	Short-term investment	Open market	-
HannStar Display Corporation	Short-term investment	Open market	_
ChinaSteel Corporation	Short-term investment	Open market	_
·	Short-term investment	Open market	_
	Long-term investment	Capitalization from cash	_
	·	Open market	_
UMCi Ltd.	Long-term investment	Infineon, UMCJ, employ- ees of UMCi and others	Investee of UMC
AU Optronics Corp.	Long-term investment	Open market	_
	·	•	_
,	,	,	
	Short-term investment	Open market	_
55	Short-term investment	'	_
· ·	Short-term investment	·	_
· ·	Short-term investment	Open market	_
· · · · · · · · · · · · · · · · · · ·		'	_
	·	'	_
'			
Advance Materials Corporation	Long-term investment	Unimicron Technology Corp.	Investee of UMC
XGI Technology Inc.	Long-term investment	Capitalization from cash	_
	·	Xilinx	_
UMCi Ltd.	Long-term investment	Note 2	Note 2
	King Yuan Electronics Co., Ltd. Evergreen Marine Corporation Chunghwa Picture Tubes Ltd. Ability Enterprise Co., Ltd. International Semiconductor Technology Ltd. Quanta Display Inc. Siliconware Precision Industries Mega Financial Holding Company China Airlines Quanta Storage Inc. EDOM Technology Co., Ltd. Action Electronics Co., Ltd. HannStar Display Corporation ChinaSteel Corporation Yang Ming Marine Transport Corp. UMC Capital Corporation Novatek Microelectronics Corp. UMCi Ltd. AU Optronics Corp. MediaTek Incorporation t Co., Ltd. Gemtek Technology Co. Ltd. Opto Tech Corporation King Yuan Electronics Co., Ltd. Taishin Financial Holding Co., Ltd. Shinkong Synthetic Fibers Corporation Unitruth Investment Corp. al Corporation	King Yuan Electronics Co., Ltd. Evergreen Marine Corporation Chunghwa Picture Tubes Ltd. Ability Enterprise Co., Ltd. International Semiconductor Technology Ltd. Quanta Display Inc. Siliconware Precision Industries Mega Financial Holding Company China Airlines Quanta Storage Inc. EDOM Technology Co., Ltd. Action Electronics Co., Ltd. HannStar Display Corporation ChinaSteel Corporation Novatek Microelectronics Corp. UMCi Ltd. AU Optronics Corp. MediaTek Incorporation Long-term investment Long-term investment Co., Ltd. Short-term investment Long-term investment Corporation Short-term investment Corporation Novatek Microelectronics Corp. Long-term investment Long-term investment Long-term investment Corporation Long-term investment	King Yuan Electronics Co., Ltd. Evergreen Marine Corporation Chunghwa Picture Tubes Ltd. Ability Enterprise Co., Ltd. International Semiconductor Technology Ltd. Short-term investment Open market Op

Notes (1) Gain (loss) from disposal might include the adjustment of additional paid-in capital. The ending balance might also include other additions or deductions not shown on the above schedule, including long-term equity investment income or loss, cumulative translation adjustment, changes in long-term investment due to unproportionate changes in ownership, and unrealized loss in long-term investment, etc.

 $Amount\ in\ thousand;\ Currency\ denomination\ in\ NTD\ unless\ otherwise\ specified$

ding Balance	End	Disposal				Addition		ing Balance	Beginn
	Units (In thou- sands) / Bonds / Shares (In thou- sands)		Cost	Amount	Units (In thou- sands) / Bonds / Shares (In thou- sands)	Amount	Units (In thou- sands) / Bonds / Shares (In thou- sands)	Amount	Units (In thou- sands) / Bonds / Shares (In thou- sands)
\$271,600	800	\$-	\$-	\$-	_	\$271,600	800	\$-	_
_	_	32,531	130,000	162,531	1,300	130,000	1,300	_	_
_	-	8,572	244,780	253,352	7,000	244,780	7,000	_	_
_	-	3,713	135,800	139,513	4,000	135,800	4,000	-	_
135,800	4,000	170	33,950	34,120	1,000	169,750	5,000	-	_
_	-	46,925	168,825	215,750	5,000	168,825	5,000	-	_
270,120	8,000	-	-	-	-	270,120	8,000	-	-
166,650	5,000	-	-	-	-	166,650	5,000	-	_
-	-	19,334	290,000	309,334	2,900	290,000	2,900	-	-
152,778	4,500	-	-	-	-	152,778	4,500	-	-
201,990	60	-	-	-	-	201,990	60	-	-
322,200	10,000	-	-	-	-	322,200	10,000	-	-
-	-	833	169,717	170,550	663	169,717	663	-	-
-	-	7,723	117,521	125,244	3,519	117,521	3,400	-	-
128,057	3,254	-	-	-	-	128,057	3,100	-	-
1,310,493	55,000	-	-	-	-	493,075	15,000	1,265,822	40,000
1,615,328	72,775	376,694	127,783	513,144	6,000	-	-	1,285,319	69,147
26,582,778	880,006	24,191	173,334	196,840	5,370	10,761,903	227,938	20,972,846	657,438
959,082	71,215	10,289,430	5,031,554	15,278,509	359,897	-	-	5,991,447	423,700
969,048	77,428	1,520,602	86,189	1,612,355	6,700	-	-	1,055,237	71,386
-	-	24,845	108,000	132,845	1,080	-	-	108,000	1,080
-	-	27,407	100,000	127,407	10,000	-	-	100,000	10,000
-	-	112,559	366,101	478,660	16,098	-	1,008	366,101	15,090
-	-	15,176	275,466	290,642	10,000	275,466	10,000	-	-
-	-	(15,690)	185,832	170,142	17,574	185,832	17,574	-	-
100,000	10,000	-	-	-	-	100,000	10,000	-	-
-	-	(7,653)	142,194	134,541	12,800	-	-	142,194	12,800
71,504	20,726	-	-	-	-	140,711	11,726	90,270	9,000
_	-	70,138	95,000	165,138	3,500	_	-	95,000	3,500
¥-	_	¥1,560,693	£11,720,261 (Note 3)	¥13,280,954 ¥	90,000	¥6,496,306	45,000	¥4,820,850	45,000

⁽²⁾ Purchase from UMCi's new share issuance and sell to parent company (United Microelectronics Corporation). (3) The cost of disposal includes exchange gain of ¥403,105 thousand.

ATTACHMENT-5 Acquisition of individual real estate with amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2004 None.

ATTACHMENT-6 Disposal of individual real estate with amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31,2004 None.

ATTACHMENT-7 Related party transactions for purchases and sales amounts exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2004

Related Party	Relationship		
		Purchases (Sales)	Amount
United Microelectronics Corporation			
UMC Group (USA)	Investee company	Sales	\$53,751,976
United Microelectronics (Europe) B.V.	Investee company	Sales	19,685,139
UMC Japan	Investee company	Sales	567,549
Silicon 7, Inc.	Subsidiary is its director	Sales	333,969
XGI Technology Inc.	Affiliate company	Sales	351,370
United Microdisplay Optronics Corp.	Investee company	Sales	245,755
Silicon Integrated Systems Corp.	Investee company	Sales	1,676,873
Holtek Semiconductor Inc.	Investee company	Sales	736,611
Novatek Microelectronics Corp.	Investee company	Sales	4,352,639
Faraday Technology Corp.	Investee company	Sales	1,840,978
AMIC Technology Corp.	Investee company	Sales	550,651
MediaTek Incorporation	The Company is its supervisor	Sales	7,692,163
Pixart Imaging, Inc.	Subsidiary is its director	Sales	683,622
Programmable Microelectronics (Taiwan) Corp.	Subsidiary is its director	Sales	283,602
Integrated Technology Express Inc.	Investee company	Sales	326,263
Fortune Semiconductor Corp.	Subsidiary is its director	Sales	259,861
Princeton Technology Corporation	Subsidiary is its director	Sales	250,456
InComm Technologies Co., Ltd.	Subsidiary is its director	Sales	157,098
Shin-Etsu Handotai Taiwan Co., Ltd.	Subsidiary is its director	Purchases	3,952,085
Applied Component Technology Corp.	Investee company	Purchases	116,452
UMCi Ltd.	Investee company	Purchases	2,987,721
UMC Group (USA)			
United Microelectronics Corporation	Investor company	Purchases	USD 1,604,234
UMCi Ltd.	Affiliate company	Purchases	USD 5,963
UMCi Ltd.			
UMC Group (USA)	Affiliate company	Sales	USD 5,938
United Microelectronics Corporation	Investor company	Sales	USD 93,531
United Microelectronics (Europe) B.V.			
United Microelectronics Corporation	Investor company	Purchases	USD 587,054

 $\textbf{\textit{Note}} \ \textit{The sales price was determined on mutual agreement based on the market conditions.}$

Amount in thousand; Currency denomination in NTD unless otherwise specified

	Transactions	Transaction Details j Lengt	for Non-arm's h Transaction	Notes & Accounts Receivable		Payable)
Percentage of Total Purchases (Sales) (%)	Term	Unit Price	Term	Balance	Percentage of Total Receivables (%)	Note
45.82	45 days	N/A	N/A	\$4,389,514	41.04	_
16.78	45 days	N/A	N/A	1,875,964	17.54	_
0.48	45 days	N/A	N/A	90,191	0.84	-
0.28	45 days	N/A	N/A	9,048	0.08	-
0.30	45 days	N/A	N/A	3,496	0.03	_
0.21	45 days	N/A	N/A	57,620	0.54	_
1.43	45 days	Note	N/A	680,936	6.37	_
0.63	45 days	N/A	N/A	69,007	0.65	_
3.71	45 days	N/A	N/A	732,496	6.85	_
1.57	45 days	N/A	N/A	372,077	3.48	_
0.47	45 days	N/A	N/A	13,945	0.13	_
6.56	45 days	N/A	N/A	784,279	7.33	_
0.58	45 days	N/A	N/A	25,015	0.23	_
0.24	45 days	N/A	N/A	25,192	0.24	_
0.28	45 days	N/A	N/A	42,137	0.39	-
0.22	45 days	N/A	N/A	15,881	0.15	_
0.21	45 days	N/A	N/A	36,347	0.34	-
0.13	45 days	N/A	N/A	42,742	0.40	_
14.45	60 days	N/A	N/A	628,641	14.15	_
0.43	60 days	N/A	N/A	20,856	0.47	_
10.93	60 days	N/A	N/A	800,805	18.02	-
99.52	Net 55 days	N/A	N/A	USD 138,735	97.64	_
0.37	Net 60 days	N/A	N/A	USD 305	0.21	-
5.85	N/A	N/A	N/A	USD 305	1.08	_
92.13	N/A	N/A	N/A	USD 27,655	97.63	-
100.00	Net 60 days	N/A	N/A	USD 59,303	100.00	_

ATTACHMENT-8 Receivables from related parties with amounts exceeding the lower of NTD 100 million or 20 percent of the capital stock as of December 31, 2004

Related Party	Relationship			
		Notes Receivable	Accounts Receivable	Other Receivables
United Microelectronics Corporation				
UMC Group (USA)	Investee company	\$-	\$4,389,514	\$29
United Microelectronics (Europe) B.V.	Investee company	-	1,875,964	388
Novatek Microelectronics Corp.	Investee company	-	732,496	-
Faraday Technology Corp.	Investee company	-	372,077	2,755
MediaTek Incorporation	The Company is its supervisor	-	784,279	-
Silicon Integrated Systems Corp.	Investee company	-	680,936	1,812
UMCi Ltd.				
United Microelectronics Corporation	Investor company	_	USD 27,614	USD 41
UMC Group (USA)	Investee of UMC	-	USD 305	-

ATTACHMENT-9 Names, locations and related information of investee companies as of December 31, 2004

Investee Company	Address	Main Businesses and Products		Initial Investment
		_	Ending Balance	Beginning Balance
United Microelectronics Corporation				
UMC Group (USA)	Sunnyvale, California, USA	IC Sales	USD 16,438	USD 16,438
United Foundry Service, Inc.	Sunnyvale, California, USA	Supervising and monitoring group projects	USD 2,005	USD 2,005
United Microelectronics (Europe) B.V.	The Netherlands	IC Sales	USD 5,421	USD 5,421
UMC Capital Corporation	Cayman, Cayman Islands	Investment holding	USD 55,000	USD 40,000
United Microelectronics Corp. (Samoa)	Apia, Samoa	Investment holding	USD 700	USD 700
UMCi Ltd.	Singapore	Sales and manufacturing of integrated circuits	USD 839,880	USD 640,563
Fortune Venture Capital Corporation	Taipei, Taiwan	Consulting and planning for investment in new business	2,999,940	2,999,940
Hsun Chieh Investment Co., Ltd.	Taipei, Taiwan	Investment holding	14,172,940	14,172,940
United Microdisplay Optronics Corporation	Science Park, Hsin-Chu	Sales and manufacturing of LCOS	818,453	1,043,453
Pacific Venture Capital Co., Ltd.	Taipei, Taiwan	Venture capital consultation	300,000	300,000
UMC Japan	Chiba, Japan	Sales and manufacturing of integrated circuits	¥20,537,634	¥20,537,634
DuPont Photomasks Taiwan Ltd.	Science Park, Hsin-Chu	Manufacturing of photomasks	773,795	773,795
Unitech Capital Inc.	British Virgin Islands	Investment holding	USD 21,000	USD 21,000
Holtek Semiconductor Inc.	Science Park, Hsin-Chu	IC design production and sales	357,628	357,628
Integrated Technology Express, Inc.	Science Park, Hsin-Chu	Sales and manufacturing of integrated circuits	186,898	205,025
Unimicron Technology Corp.	Taoyuan, Taiwan	PCB production	2,592,013	2,592,013
Faraday Technology Corp.	Science Park, Hsin-Chu	ASIC design and production	81,032	81,032
Novatek Microelectronics Corp.	Science Park, Hsin-Chu	Sales and manufacturing of integrated circuits	115,567	155,941
Applied Component Technology Corp.	Taipei, Taiwan	IC production sales	64,659	44,604
Silicon Integrated Systems Corp.	Science Park, Hsin-Chu	Sales and manufacturing of integrated circuits	5,684,865	5,684,865
AMIC Technology Corporation	Science Park, Hsin-Chu	IC design, production and sales	135,000	135,000

Amount in thousand; Currency denomination in NTD unless otherwise specified

Ending Balance	Turnover Rate (Times)		Overdue Receivables		Allowance for
Total	_	Amount Collecting Status		Subsequent Period	Doubtful Accounts
\$4,389,543	12.28	\$-	Credit collecting	\$1,616,284	\$84,264
1,876,352	12.00	_	Credit collecting	- · · · · · -	86,974
732,496	4.87	-	Credit collecting	-	7,551
374,832	6.23	40,009	Credit collecting	_	4,617
784,279	6.16	_	Credit collecting	-	8,111
682,748	4.94	96,608	Credit collecting	-	8,059
USD 27,655	6.38	_	_	USD 8,475	USD 276
USD 305	38.96	USD 143	-	-	USD 36

Amount in thousand; Currency denomination in NTD unless otherwise specified

Note	Investment Income	Net Income (Loss)	ecember 31, 2004	Investment as of December 31, 2004	
	(Loss) Recognized	of Investee Company	Book Value	Percentage of Ownership (%)	Shares (In thousands)
_	\$315,615	\$346,066	\$720,500	100.00	16,438
-	15,690	15,638	103,881	100.00	2,005
-	59,742	66,953	284,568	100.00	9
_	(367,466)	(367,466)	1,310,493	100.00	55,000
-	(1,170)	(1,170)	5,854	100.00	700
-	(2,783,241)	(3,356,684)	26,582,778	100.00	880,006
-	81,117	81,119	2,354,878	99.99	299,994
-	20,608	20,614	10,296,356	99.97	1,417,294
_	(172,580)	(260,649)	441,618	83.48	104,345
-	7,723	15,445	304,810	49.99	30,000
-	(375,925)	(238,351)	8,842,456	47.42	484
-	(11,154)	(24,594)	1,058,515	45.35	106,621
-	26,543	63,198	730,930	42.00	21,000
-	184,424	777,528	731,442	25.23	48,980
-	4,968	43,406	281,313	22.23	24,229
-	445,785	2,208,392	3,465,809	21.43	185,626
-	241,606	1,293,403	794,298	18.38	47,682
-	675,960	3,568,834	1,615,328	18.30	72,775
_	(5,505)	(33,958)	19,874	16.44	8,848
-	(861,303)	(1,997,176)	4,226,303	16.16	219,092
_	(10,724)	(132,409)	79,395	11.83	16,200

FINANCIAL REVIEW CONSOLIDATED

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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, 2004 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, 2004 made in accordance with R.O.C. 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, 2004 made in accordance with "The Rules Governing Preparation of Affiliated Enterprises Consolidated Operating Report, Affiliated Enterprises Consolidated Financial Statements and Relation-

ship Report" are fully presented in the consolidated financial statements of "United Microelectronics Corporation and Subsidiaries" for the year ended December 31, 2004 made in accordance with R.O.C. 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, 2004 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 21, 2005

REPORT OF INDEPENDENT AUDITORS

English Translation of a Report Originally Issued in Chinese

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

We have audited the accompanying consolidated balance sheets of United Microelectronics Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As described in Note 4(7) to the consolidated financial statements, certain long-term investments were accounted for under the equity method based on the 2004 and 2003 financial statements of the investees, which were audited by other auditors. Our opinion insofar as it relates to the investment income amounting to NTD 885 million and NTD 385 million for the years ended December 31, 2004 and 2003, respectively, and the related long-term investment balances of NTD 7,194 million and NTD 6,969 million as of December 31, 2004 and 2003, respectively, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China and "Guidelines for Certified Public Accountants' Examination and Reports on Financial Statements", which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Microelectronics Corporation and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years ended December 31, 2004 and 2003, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China.

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January 21, 2005 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 Repub-

lic 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

As of December 31, 2004 and 2003

Assets	Notes	2004	2003
Current assets			
Cash and cash equivalents	2, 4(1)	\$101,381,973	\$118,771,773
Marketable securities, net	2, 4(2)	3,143,697	1,820,328
Notes receivable	4(3)	2,040	8,756
Notes receivable - related parties	5	39,034	101,753
Accounts receivable, net	2, 4(4)	11,267,614	15,079,068
Accounts receivable - related parties, net	2, 5	2,036,788	3,285,371
Other receivables	2	661,623	708,946
Other financial assets, current	2, 4(5), 10	453,845	2,446,603
Inventories, net	2, 4(6)	10,012,998	8,370,165
Prepaid expenses	· ,	327,810	752,697
Deferred income tax assets, current	2, 4(19)	3,608,968	2,953,378
Restricted deposits	6		21,875
Other current assets		_	1,089
Total current assets		132,936,390	154,321,802
Funds and long-term investments	2,4(7)		, , , , , , , , , , , , , , , , , , ,
Long-term investments accounted for under the equity method		21,395,116	21,905,026
Long-term investments accounted for under the cost method		11,538,899	16,964,768
Prepaid long-term investments		16,630	52,343
Less: Allowance for loss on decline in market value		(238,367)	(62,888
Total funds and long-term investments		32,712,278	38,859,249
Other financial assets, noncurrent	2, 4(5), 10	2,562,754	1,848,530
Property, plant and equipment	2, 4(8), 5, 6, 7		
Land	, ,	1,320,095	1,560,237
Buildings		21,237,012	17,721,538
Machinery and equipment		358,364,726	272,927,438
Transportation equipment		89,252	90,955
Furniture and fixtures		2,638,541	2,521,756
Leased assets		47,783	47,783
Leasehold improvements		38,620	40,848
Total cost		383,736,029	294,910,555
Less: Accumulated depreciation		(223,457,030)	(168,200,915
Add: Construction in progress and prepayments		31,745,156	22,846,921
Property, plant and equipment, net		192,024,155	149,556,561
Intangible assets			
Trademarks		258	427
Patents	2	-	6,956
Goodwill	2, 4(21)	1,214,956	-
Technological know-how	2	213,722	559,237
Other intangible assets	2	3,282,770	9,978
Total intangible assets		4,711,706	576,598
Other assets			
Deferred charges	2	2,650,388	2,472,069
Deferred income tax assets, noncurrent	2, 4(19)	3,790,903	4,485,003
Other assets - others	2,4(9),6	4,916,309	2,393,991
Total other assets		11,357,600	9,351,063
Total assets		\$376,304,883	\$354,513,803

 $\label{the consolidated financial statements.} The accompanying notes are an integral part of the consolidated financial statements.$

In thousand NTD

Liabilities and Stockholders' Equity	Notes	2004	2003
Current liabilities			
Short-term loans	4(10)	\$2,986,919	\$1,884,899
Notes payable		189,497	153,892
Accounts payable		4,724,287	5,787,440
Accounts payable - related parties	5	682,048	812,849
Income tax payable	2	241,449	224,930
Accrued expenses		9,204,536	5,213,758
Other payables		8,071,379	7,370,809
Current portion of long-term interest-bearing liabilities	4(11), 4(12), 5, 6	8,261,146	20,923,327
Other current liabilities	7	2,237,086	1,767,910
Total current liabilities		36,598,347	44,139,814
Long-term interest-bearing liabilities			
Bonds payable	2, 4(7), 4(11)	43,018,761	58,213,913
Long-term loans	4(12), 5, 6	18,269,357	2,120,533
Total long-term interest-bearing liabilities		61,288,118	60,334,446
Other liabilities			
Accrued pension liabilities	2, 4(13)	2,713,408	2,309,892
Deposits-in		19,301	5,255
Minority interests		8,728,877	15,078,024
Other liabilities - others		582,956	413,326
Total other liabilities		12,044,542	17,806,497
Total liabilities		109,931,007	122,280,757
Capital	2, 4(14), 4(15), 4(21)		
Common stock		177,919,819	161,407,435
Capital collected in advance		4,040	-
Capital reserve	2, 4(15), 4(21)		
Premiums		47,117,227	41,729,589
Change in equities of long-term investments		20,807,013	21,192,141
Excess from merger		17,008,955	17,152,454
Retained earnings	4(17)		
Legal reserve		12,812,501	11,410,475
Special reserve		90,871	1,346,994
Unappropriated earnings		29,498,329	14,036,822
Adjusting items in stockholders' equity	2		
Unrealized loss on long-term investments		(424,713)	(90,864)
Cumulative translation adjustment		(1,319,452)	913,877
Treasury stock	2, 4(16)	(37,140,714)	(36,865,877)
Total stockholders' equity		266,373,876	232,233,046
Total liabilities and stockholders' equity		\$376,304,883	\$354,513,803

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2004 and 2003			In thousand NT
Contents	Notes	2004	2003
Operating revenues	2, 5		
Sales revenues		\$126,837,616	\$93,695,738
Less: Sales returns and discounts		(1,486,938)	(1,009,836
Net sales		125,350,678	92,685,902
Other operating revenues		3,840,062	3,017,830
Net operating revenues		129,190,740	95,703,732
Operating costs	4(18)		
Cost of goods sold	5	(89,455,182)	(71,363,227
Other operating costs		(2,892,643)	(2,536,442
Operating costs		(92,347,825)	(73,899,669
Gross profit		36,842,915	21,804,063
Unrealized intercompany profit	2	(151,192)	(106,702
Realized intercompany profit	2	106,702	68,558
Net		36,798,425	21,765,919
Operating expenses	4(18)		
Sales and marketing expenses		(2,775,289)	(2,170,897)
General and administrative expenses		(4,853,119)	(3,996,466)
Research and development expenses		(7,363,620)	(5,858,629)
Subtotal		(14,992,028)	(12,025,992)
Operating income		21,806,397	9,739,927
Non-operating income			
Interest revenue		1,040,652	1,141,264
Investment income accounted for under the equity method, net	2, 4(7)	551,779	300,724
Dividend income		1,163,438	837,696
Gain on disposal of property, plant and equipment	2	139,951	216,992
Gain on disposal of investments	2, 4(11)	12,868,569	6,885,374
Exchange gain, net	2	-	256,452
Recovery of unrealized loss on decline in market value of marketable securities	2	-	10,806
Other income	4(11)	635,092	764,190
Subtotal	, ,	16,399,481	10,413,498
Non-operating expenses			
Interest expense	4(8), 5	(1,434,823)	(1,326,155)
Other investment loss	2	(473,529)	(1,866,454)
Loss on disposal of property, plant and equipment	2	(230,609)	(170,576)
Exchange loss, net	2, 10	(928,891)	-
Loss on decline in market value and obsolescence of inventories	2	(1,884,466)	(1,443,565)
Financial expenses		(396,909)	(387,916)
Other losses	2, 4(11)	(1,112,082)	(263,054)
Subtotal		(6,461,309)	(5,457,720)
Income before income tax and minority interests		31,744,569	14,695,705
Income tax expense	2, 4(19)	(373,800)	(979,469)
Income before minority interests		31,370,769	13,716,236
Minority interests		472,612	304,021
Net income		\$31,843,381	\$14,020,257
Earnings per share-basic	2, 4(20)		
Net income (NTD)		\$1.89	\$0.84
Earnings per share-diluted	2, 4(20)		
Net income (NTD)	, ,	\$1.86	\$0.83
Pro forma information on earnings as if unconsolidated subsidiaries' investment in the Company is not treated as treasury stock	2, 4(20)		
Net income		\$31,843,381	\$14,020,257
Earnings per share-basic (NTD)		\$1.89	\$0.84
			Ψ0,0Τ

\$1.89 \$1.86

\$0.83

 $\label{thm:companying} \textit{In accompanying notes are an integral part of the consolidated financial statements}.$

Earnings per share-diluted (NTD)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2004 and 2003

Contents		Capital	Capital		Retain	ed Earnings	Unrealized	Cumulative	Treasury	Total
	Common Stock	Capital Collected in Advance	Reserve -	Legal Reserve	Special Reserve	Unappro-	Loss on	Translation Adjustment	Stock	
Balance as of Jan. 1, 2003	\$154,748,456	\$-	\$81 ,875,491	\$10,686,225	\$631,982	\$8,685,847	\$(1,349,248)	\$728,851	\$(38,583,119)	\$217,424,485
Appropriation of 2002 retained earnings:										
Legal reserve	-	-	_	724,250	-	(724,250)	-	-	-	-
Special reserve	-	_	-	_	715,012	(715,012)	-	-	-	-
Stock dividends	6,079,252	_	-	_	_	(6,079,252)	_	_	_	-
Directors' and supervi- sors' remuneration	-	-	-	-	-	(5,650)	-	-	-	(5,650
Employees' bonus	579,727	_	_	_	_	(579,727)	_	-	_	_
Purchase of treasury stock	_	_	_	_	_		_	_	(2,056,064)	(2,056,064
Treasury stock transferred to employees	-	-	-	-	-	(565,716)	-	-	3,773,306	3,207,590
Net income in 2003	_	_	_	_	_	14,020,257	_	_	_	14,020,257
Transfer of capital reserve arising from gain on disposal of property, plant and equipment of investees to retained earnings	-	-	(325)	-	-	325	-	-	-	-
Adjustment of capital reserve accounted for under the equity method	-	-	(1,800,982)	-	-	-	-	-	-	(1,800,982
Changes in unrealized loss on long-term investments of investees	-	-	-	-	-	-	1,258,384	-	-	1,258,384
Changes in cumulative translation adjustment	-	-	-	-	-	-	-	185,026	-	185,026
Balance as of Dec. 31, 2003	161,407,435	-	80,074,184	11,410,475	1,346,994	14,036,822	(90,864)	913,877	(36,865,877)	232,233,046
Appropriation of 2003 retained earnings:										
Legal reserve	-	-	-	1,402,026	-	(1,402,026)	-	-	-	-
Special reserve	-	-	-	-	(1,256,123)	1,256,123	-	-	-	-
Stock dividends	12,224,284	-	-	-	-	(12,224,284)	-	-	-	-
Directors' and supervi- sors' remuneration	-	-	-	-	-	(12,618)	-	-	-	(12,618)
Employees' bonus	1,111,273	-	-	-	-	(1,111,273)	-	-	-	-
Transfer of capital reserve to common stock	661,298	-	(661,298)	-	-	-	-	-	-	-
Stock issued for merger	3,571,429	-	6,100,571	-	-	-	-	-	-	9,672,000
Purchase of treasury stock	-	-	-	-	-	-	-	-	(5,198,020)	(5,198,020
Cancellation of treasury stock	(1,497,280)	-	(538,107)	-	-	(2,887,796)	-	-	4,923,183	-
Exercise of employees' stock options	441,380	4,040	342,973	-	-	-	-	-	-	788,393
Net income in 2004	_	_	-	_	-	31,843,381	-	-	-	31,843,381
Adjustment of capital reserve accounted for under the equity method	-	-	(385,128)	-	-	-	-	-	-	(385,128)
Changes in unrealized loss on long-term investments of investees	-	-	_	-	-	-	(333,849)	_	-	(333,849)
Changes in cumulative translation adjustment	-	-	-	-	_	-	-	(2,233,329)	-	(2,233,329)
	\$177,919,819	\$4,040	\$84,933,195	\$12,812,501	\$90,871	\$29,498,329	\$(424,713)	\$(1,319,452)	\$(37,140,714)	\$266,373,876

 $\label{the accompanying notes are an integral part of the consolidated financial statements.$

CONSOLIDATED STATEMENTS OF CASH FLOWS

Contents	2004	2003
Cash Flows from Operating Activities:		
Net income	\$31,843,381	\$14,020,257
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Minority interests	(472,612)	(304,021)
Depreciation	45,589,891	39,233,479
Amortization	1,582,524	1,629,854
Loss (recovery) on decline in market value of marketable securities	58,853	(10,806)
Bad debt expenses	103,259	80,249
Loss on decline in market value and obsolescence of inventories	1,884,466	1,443,565
Investment income accounted for under the equity method	(551,779)	(300,724)
Cash dividends received under the equity method	564,897	273,762
Impairment loss on long-term investments	414,676	1,866,454
Write-off of deferred charges	269,325	-
Gain on disposal of investments	(12,868,569)	(6,885,374)
Loss (gain) on disposal of property, plant and equipment	90,658	(46,416)
Transfer of property, plant and equipment to losses and expenses	6,351	22,584
Loss (gain) on reacquisition of bonds	59	(145,019)
Amortization of bond premiums	(10,050)	(19,386)
Gain on settlement of exchangeable bonds	(356,521)	(519,544)
Changes in assets and liabilities:		
Notes receivable	69,435	(25,138)
Accounts receivable	976,727	(6,919,470)
Other receivables	66,939	2,848,454
Inventories	(2,832,846)	(1,331,056)
Prepaid expenses	836,340	124,294
Other financial assets	54,374	(128,539)
Deferred income tax assets	280,824	853,864
Other current assets	1,268,347	(139)
Notes payable	35,605	(245)
Accounts payable	2,504,155	1,971,892
Income tax payable	(182,728)	(64,417)
Accrued expenses	3,812,541	1,162,050
Other current liabilities	316,746	352,182
Compensation interest payable	(126,111)	67,938
Accrued pension liabilities	435,909	299,270
Capacity deposits	(1,725,822)	74,820
Other liabilities	(1,314)	313
Net cash provided by operating activities	73,937,930	49,624,987
Cash flows from investing activities:	/·	=0. 5 = 1
(Increase) decrease in marketable securities, net	(569,735)	723,834
Decrease in other financial assets, net	1,503,980	2,665,117
Acquisition of long-term investments	(5,560,766)	(9,849,367)
Proceeds from disposal of long-term investments	8,254,496	11,041,934
Cash proceeds from merger	70,383	_
Acquisition of minority interests	(6,814,323)	(4,168,706)
Acquisition of property, plant and equipment	(81,110,208)	(24,819,683)
Proceeds from disposal of property, plant and equipment	718,470	840,760
Increase in deferred charges	(978,741)	(675,460)
Decrease in other assets, net	1,354,137	127,139
Net cash used in investing activities	(83,132,307)	(24,114,432)

Continued on next page

For the years ended December 31, 2004 and 2003

In thousand NTD

For the years ended December 31, 2004 and 2003		In thousand NIL
Contents (Continued from previous page)	2004	2003
Cash flows from financing activities:		
Increase in short-term loans, net	\$655,873	\$615,040
Proceeds from long-term loans	23,075,700	680,400
Repayment of long-term loans	(9,366,412)	(14,269,647)
Proceeds from bonds issued	- 1	29,095,410
Redemption of bonds	(16,336,953)	(2,209,104)
Reacquisition of bonds	(41,392)	(2,156,908)
Remuneration paid to directors and supervisors	(12,618)	(5,650)
Increase in deposits-in, net	5,513	5,147
Purchase of treasury stock	(5,758,968)	(2,262,897)
Exercise of employees' stock options	788,393	-
Treasury stock transferred to employees	- 1	3,207,590
Proceeds from minority shareholders on stock issuance of subsidiaries	158,608	4,881,769
Net cash (used in) provided by financing activities	(6,832,256)	17,581,150
Effect of exchange rate changes on cash and cash equivalents	(1,363,167)	777,620
Net (decrease) increase in cash and cash equivalents	(17,389,800)	43,869,325
Cash and cash equivalents at beginning of year	118,771,773	74,902,448
Cash and cash equivalents at end of year	\$101,381,973	\$118,771,773
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$1,974,367	\$1,581,736
Cash paid for income tax	\$296,820	\$94,841
Investing activities partially paid by cash:		
Acquisition of property, plant and equipment	\$81,726,103	\$23,401,654
Add: Payable at beginning of year	7,370,809	8,788,838
Add: Payable proceeds from merger	84,675	-
Less: Payable at end of year	(8,071,379)	(7,370,809
Cash paid for acquiring property, plant and equipment	\$81,110,208	\$24,819,683
Investing and financing activities not affecting cash flows:		
Principal amount of exchangeable bonds exchanged by bondholders	\$11,614,141	\$194,304
Book value of reference shares delivered for exchange	(3,898,638)	(75,505)
Elimination of related balance sheet accounts	90,983	4,348
Recognition of gain on disposal of investments	\$7,806,486	\$123,147

 $\label{the consolidated financial statements.} The accompanying notes are an integral part of the consolidated financial statements.$

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003
Expressed in thousands of NTD unless otherwise specified

NOTE 1. GENERAL DESCRIPTIONS OF REPORTING ENTITIES

United Microelectronics Corporation (the Company) was incorporated in May 1980 and commenced operations in April 1982. The Company is a full service semiconductor wafer foundry, and provides a variety of services to fit individual customer's needs. These services include intellectual property, embedded IC design, design verification, mask tooling, wafer fabrication, and testing. The Company's common shares were publicly listed on the Taiwan Stock Exchange (TSE) in July 1985 and its American Depository Shares (ADSs) were listed on the New York Stock Exchange (NYSE) in September 2000.

Based on the resolution of the board of directors' meeting on February 26, 2004, the effective date of the merger with SiS Microelectronics Corp. (SiSMC) was July 1, 2004. The Company was the surviving company, and SiSMC was the dissolved company. The merger was approved by the relevant government authorities. All the assets, liabilities, rights, and obligations of SiSMC have been fully incorporated into the Company since July 1, 2004.

The Company's consolidated financial statements include the financial statements of the Company and the following subsidiaries (hereinafter referred to collectively as the Group):

Hsun Chieh Investment Co., Ltd. (Hsun Chieh) was incorporated in January 2000 and is engaged in the business of investments. The Company owned 99.97% of interest in Hsun Chieh as of December 31, 2004 and 2003.

UMC Japan (UMCJ) was incorporated in May 1984 in Japan and is engaged in the business of sales and manufacturing of integrated circuit. The Group owned 51.93% and 51.89% of interest in UMCJ as of December 31, 2004 and 2003, respectively.

UMC Group (USA) (UMC-USA) was incorporated in August 1997 and is engaged in the business of sales of semiconductor products and providing related foundry services. The Company owned 100% of interest in UMC-USA as of December 31, 2004 and 2003.

UMCi Ltd. (UMCi) was incorporated in January 2001 and is engaged in the business of sales and manufacturing of integrated circuit. The Company owned 100% of interest in UMCi as of December 31, 2004, and the Group owned 77.72% of interest in UMCi as of December 31, 2003.

United Microelectronics (Europe) B.V. (UME BV) was incorporated in May 1989 and is engaged in the business of sales of semiconductor products and providing related foundry

services. The Company acquired UME BV in May 2002, and owned 100% of interest as of December 31, 2004 and 2003.

United Microdisplay Optronics Corp. (UMO) was incorporated in September 2002 and is engaged in the business of sales and manufacturing of chips for Liquid Crystal on Silicon (LCOS). The Company owned 83.48% of interest in UMO as of December 31, 2004 and 2003.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China (ROC).

Summary of significant accounting policies is as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and certain majority-owned (above 50%) subsidiaries in accordance with the requirements of the Statements of Financial Accounting Standards of the Republic of China (ROC SFAS) No. 7. All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Pursuant to ROC SFAS No. 7, if the total assets and operating revenues of a subsidiary are less than 10% of the non-consolidated total assets and operating revenues of the Company, respectively, the subsidiary's financial statements may, at the option of the Company, not be consolidated. Irrespective of the above test, when the total combined assets or operating revenues of all such non-consolidated subsidiaries constitute up to 30% of the Company's non-consolidated total assets or operating revenues, then each individual subsidiary with total assets or operating revenues up to 3% of the Company's non-consolidated total assets or operating revenues has to be included in the consolidation. Such subsidiaries are included in the consolidated financial statements thereafter, unless the percentage of the combined total assets or operating revenues for all such subsidiaries becomes less than 20% of the Company's respective nonconsolidated amount.

The difference between the acquisition cost and the net equity of the subsidiary is amortized over 5 years.

Foreign Currency Transactions

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 on the balance sheet date. Exchange gains or losses are included in the current year's results. However, exchange gains or losses from investments in foreign entities are recorded as cumulative translation adjustments in stockholders' equity.

Translation of Foreign Currency Financial Statements

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

Use of Estimates

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

Cash Equivalents

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

Marketable Securities

Marketable securities are recorded at cost when acquired and are stated at the lower of aggregate cost or market value on the balance sheet date. Cash dividends are recorded as dividend income when received. Costs of money market funds and short-term notes are identified specifically while other marketable securities are determined on the weighted average method. The market values of listed debt, equity securities, and closed-end funds are determined by the average closing price during the last month of the fiscal year. The market value for open-end funds is determined by the net asset value at the balance sheet date. The amount by which the aggregate cost exceeds the market value is reported as a loss

in the current year. In subsequent periods, recoveries of the market value are recognized as a gain to the extent that the market value does not exceed the original aggregate cost of the investment.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based on management's judgment and on the evaluation of collectibility and aging analysis of accounts and other receivables.

Inventories

Inventories are accounted for on a perpetual basis. Raw materials are recorded at actual purchase costs, while the work in process and finished goods are recorded at standard costs and adjusted to actual costs using the weighted average method at the end of each month. Inventories are stated at the lower of aggregate cost or market value at the balance sheet date. The market values of raw materials and supplies are determined on the basis of replacement cost while the work in process and finished goods are determined by net realizable values. An allowance for loss on decline in market value and obsolescence is provided, when necessary.

Long-term Investments

Long-term investments are recorded at cost when acquired. Investments acquired by contribution of technological know-how are credited to deferred credits among affiliates, which will be amortized to income over a period of 5 years.

Investments of less than 20% of the outstanding voting shares in listed investees, where significant influence on operating decisions of the investees does not reside with the Group, are accounted for by the lower of aggregate cost or market value method. The unrealized loss resulting from the decline in market value of investments that are held for long-term investment purpose is deducted from the stockholders' equity. The market value is determined by the average closing price during the last month of the fiscal year. Investments of less than 20% of the outstanding voting shares in unlisted investees are accounted for under the cost method. Impairment losses for the investees will be recognized if an other than temporary impairment is evident and the book value after recognizing the losses shall be treated as a new cost basis of such investment.

Investment income or loss from investments in both listed and unlisted investees is accounted for under the equity method provided that the Group owns at least 20% of the outstanding voting shares of the investees and has significant influence on operational decisions of the investees. The difference of the acquisition cost and the underlying equity in the investee's net assets is amortized over 5 years.

The change in the Group's proportionate share in the net

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

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

Property, Plant and Equipment

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

Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital expenditures and are depreciated accordingly. When property, plant and equipment are disposed, their original cost and accumulated depreciation are written off and the related gain or loss is classified as non-operating income or expenses. Idle assets are transferred to other assets according to the lower of net book or net realizable value, with the difference charged to non-operating expenses. The corresponding depreciation expenses provided are also classified as non-operating expenses.

Depreciation is provided on the straight-line basis using the estimated economic life of the assets less salvage value, if any. When the estimated economic life expires, property, plant and equipment, which are still in use, are depreciated over the newly estimated remaining useful life using the salvage value. The estimated economic life of the property, plant and equipment is as follows: buildings - 3 to 55 years; machinery and equipment - 3 to 6 years; transportation equipment - 2 to 5 years; furniture and fixtures - 2 to 20 years; leased assets and leasehold improvements - the lease period, or estimated economic life, whichever is shorter.

Intangible Assets

Patents are stated at cost and amortized over their estimated economic life using the straight-line method. Technological know-how is stated at cost and amortized over its estimated economic life using the straight-line method. Goodwill arising from the merger is amortized using the straight-line method over 15 years. At each balance sheet date, the Group assesses whether there is any indication of impairment other than temporary. If any such indication exists, the recoverable amount is estimated and provision for impairment loss is provided accordingly. The book value after recognizing the impairment loss is recorded as the new cost.

Deferred Charges

Deferred charges are stated at cost and amortized on a straight-line basis as follows: bonds issuance costs - over the life of the bonds; patent license fees - the term of contract or estimated economic life of the related technology, and software - 3 years.

At each balance sheet date, the Group assesses whether there is any indication of impairment other than temporary. If any such indication exists, the recoverable amount is estimated and provision for impairment losses is provided accordingly. The book value after recognizing the impairment loss is recorded as the new cost.

Convertible and Exchangeable Bonds

The issuance costs of convertible and exchangeable bonds are classified as deferred charges and amortized over the life of the bonds.

The excess of the stated redemption price over the par value is accrued as compensation interest payable over the redemption period, using the effective interest method.

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

When exchangeable bondholders exercise their rights to exchange for the reference shares, the book value of the bond is to be offset against the book value of the investment in reference shares and the related stockholders' equity accounts, with the difference recognized as gain or loss on disposal of investments.

Pension Plan

The net pension cost is computed based on an actuarial valuation in accordance with the provision of the Statements of Financial Accounting Standards of the Republic of China (ROC

SFAS) No. 18, which requires consideration of pension cost components such as service cost, interest cost, expected return on plan assets, and the amortization of net obligation at transition, pension gain or loss, and prior service cost.

Employee Stock Option Plan

The Group applies intrinsic value method to recognize the difference between the market price of the stock and the exercise price of its employee stock option as compensation cost. Starting January 1, 2004, the Group also discloses pro forma net income and earnings per share under the fair value method for only these options granted since January 1, 2004.

Treasury Stock

The Group adopted the ROC SFAS No. 30, which requires that treasury stock held by the Group itself to be accounted for under the cost method. Cost of treasury stock is shown as a deduction to stockholders' equity, while gain or loss from selling treasury stock is treated as an adjustment to the capital reserve. The Group's stock held by its subsidiaries is also treated as treasury stock in the Group's account.

Revenue Recognition

The main sales term of the Group is Free on Board (FOB) or Free Carrier (FCA). Revenue is recognized when ownership and liability for risk of loss or damage to the products have been transferred to customers, usually upon shipment. Sales returns and discounts taking into consideration customers' complaints and past experiences are accrued in the same year of sales.

Capital Expenditure versus Operating Expenditure

An expenditure is capitalized when it is probable that future economic benefits associated with the expenditure will flow to the Company and the expenditure amount exceeds a predetermined level. Otherwise it is charged to expense when incurred.

Income Tax

The Group adopted the ROC SFAS No. 22 "Accounting for Income Taxes" for inter-period and intra-period income tax allocation. Provision for income tax includes deferred income tax resulting from temporary differences, loss carry-forward and investment tax credits. Deferred income tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. Valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized.

According to the ROC SFAS No. 12, the Group recognized

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

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

Earnings per Share

Earnings per share is computed according to the ROC SFAS No. 24. Basic earnings per share is computed by dividing net income (loss) by weighted average number of shares outstanding during the year. Diluted earnings per share is computed by taking basic earnings per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued. The net income (loss) would also be adjusted for the interest and other income or expenses derived from any underlying dilutive share equivalents. The weighted average outstanding shares are adjusted retroactively for stock dividends and bonus share issues.

Derivative Financial Instruments

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

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

Merger

The Company merged with SiSMC and recognized the sum of the difference between the acquisition costs, which are the market price of equity stocks issued and other related costs, and the fair value of the identifiable net assets acquired as goodwill in compliance with the ROC SFAS No. 25 "Enterprise Mergers—Accounting of Purchase Method." The fair value of identifiable net assets and goodwill deducted from the par value of the equity stocks issued and other related costs is recognized as capital reserve.

NOTE 3. ACCOUNTING CHANGE

None.

NOTE 4. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

As of December 31,	2004	2003
Cash:		
Cash on hand	\$2,396	\$3,344
Checking and savings accounts	5,963,814	3,263,716
Time deposits	86,889,832	105,578,263
Subtotal	92,856,042	108,845,323
Cash equivalents:		
Commercial paper	8,525,931	9,926,450
Total	\$101,381,973	\$118,771,773

(2) Marketable Securities, Net

As of December 31,	2004	2003
Listed equity securities	\$1,446,302	\$1,443,545
Convertible bonds	1,756,248	376,783
Total	3,202,550	1,820,328
Less: Allowance for loss on decline in market value	(58,853)	-
Net	\$3,143,697	\$1,820,328

(3) Notes Receivable

As of December 31,	2004	2003
Notes receivable	\$2.040	\$8,756

(4) Accounts Receivable, Net

As of December 31,	2004	2003
Accounts receivable	\$11,779,505	\$15,500,554
Less: Allowance for sales returns and discounts	(437,549)	(325,745)
Less: Allowance for doubtful accounts	(74,342)	(95,741)
Net	\$11,267,614	\$15,079,068

(5) Other Financial Assets, Current

As of December 31,	2004	2003
Credit-linked deposits and repackage bonds	\$2,942,434	\$4,166,594
Interest rate swaps	35,532	128,539
Forward contracts	38,633	-
Total	3,016,599	4,295,133
Less: Non-current portion	(2,562,754)	(1,848,530)
Net	\$453,845	\$2,446,603

Please refer to Note 10 for disclosures on risks of other financial assets.

(6) Inventories, Net

As of December 31,	2004	2003
Raw materials	\$252,847	\$209,616
Supplies and spare parts	2,208,545	1,607,312
Work in process	7,837,998	6,880,234
Finished goods	1,500,101	194,651
Total	11,799,491	8,891,813
Less: Allowance for loss on decline in market value and obsolescence	(1,786,493)	(521,648)
Net	\$10,012,998	\$8,370,165

- a. The insurance coverage for inventories amounted to NTD 11,093 million and NTD 8,328 million as of December 31, 2004 and 2003, respectively.
- b. Inventories were not pledged.

(7) Long-term Investments

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

As of December 31,		2004		2003
Investee Company	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights	Amount
Investments accounted for under the equity method:				
United Foundry Service, Inc.	100.00	\$103,881	100.00	\$95,484
UMC Capital Corporation	100.00	1,310,493	100.00	1,265,822
United Microelectronics Corp. (Samoa)	100.00	5,854	100.00	7,463
Unitruth Investment Corp.	100.00	100,115	_	-
Fortune Venture Capital Corporation	99.99	2,354,878	99.99	2,280,265
Pacific Venture Capital Co., Ltd.	49.99	304,810	49.99	313,298
Thintek Optronics Corp.	49.99	53,618	49.99	73,421
UCA Technology, Inc.	49.50	43,097	49.50	49,500
United Radiotek Incorporation	49.04	86,107	49.50	91,426
VistaPoint, Inc.	48.77	31,263	48.77	62,030
DuPont Photomasks Taiwan Ltd.	45.35	1,058,515	45.35	1,069,669
Unitech Capital Inc.	42.00	730,930	42.00	757,050
UC Fund II	35.45	150,079	35.45	164,162
Unimicron Technology Corp.	32.65	5,280,435	33.41	4,875,575
RiRa Electronics, Inc.	32.50	13,106	32.50	43,355
Star Semiconductor Corp.	28.20	37,161	48.48	47,022
AFA Technology, Inc.	26.53	42,660	48.97	70,372
Holtek Semiconductor Inc.	25.23	731,442	27.59	715,142
Crystal Media, Inc.	24.88	21,150	_	-
Faraday Technology Corp.	23.88	1,940,771	24.82	1,918,758
ITE Tech Inc.	22.23	281,313	24.38	341,310
Novatek Microelectronics Corp. (Note A)	19.12	1,735,661	20.95	1,380,336
Ubit Technology, Inc. (Note A)	18.99	17,120	39.80	19,900
Harvatek Corporation (Note A)	18.23	349,074	18.84	278,527
Patentop, Ltd. (Note A)	18.00	6,599	18.00	11,688
AMIC Technology Corporation (Note A)	16.82	125,071	16.96	142,154
Applied Component Technology Corp. (Note A)	16.44	19,874	21.42	43,872
Silicon Integrated Systems Corp. (Note C)	16.16	4,226,303	16.18	5,288,088
U-Media Technology, Inc. (Note A)	11.11	12,000	-	-
Smedia Technology Corp. (Note A)	10.59	18,000	-	-
SerComm Corporation (Note A)	9.80	174,903	10.46	168,827
AMOD Technology Co., Ltd. (Note A)	9.40	5,875	-	-
Davicom Semiconductor, Inc. (Note A)	2.50	22,958	-	-
Bravotek Corporation	-	_	50.00	37,500
VastView Technology, Inc.	-	-	33.81	60,567
Chariotek Inc.	-	_	47.50	28,500
Advance Materials Corporation	-	-	15.78	166,443
Wiseware Technology Corporation	-	_	25.00	37,500
Subtotal	_	21,395,116		21,905,026

Continued on next page

As of December 31,		2004		2003
Investee Company (Continued from previous page)	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights	Amount
Investments accounted for under the cost method or the lower of cost or market value method:				
VastView Technology, Inc.	19.94	\$29,759	_	\$-
Kits OnLine Technology Corp.	15.91	56,231	15.91	56,231
Advance Materials Corporation	15.78	152,321	-	-
Everglory Resource Technology Co., Ltd.	15.14	74,000	15.14	74,000
LighTuning Tech., Inc.	15.08	24,772	15.08	24,772
Printech International Inc.	12.00	30,000	12.00	30,000
Golden Technology Venture Capital Investment Corp.	10.67	80,000	10.67	80,000
MediaTek Incorporation	10.06	969,048	11.13	1,055,237
NCTU Spring I Technology Venture Capital Investment Corp.	10.06	43,482	10.06	43,482
Trendchip Technologies Corp.	9.25	60,406	9.25	60,406
Incomm Technologies Co., Ltd.	8.67	36,140	12.60	44,480
United Industrial Gases Co., Ltd.	8.11	146,250	8.27	146,250
Ralink Technology Corporation	7.40	55,500	7.40	55,500
Subtron Technology Co., Ltd.	7.29	244,080	8.14	244,080
EE Solution, Inc.	7.28	51,900	_	_
Chipsence Corp.	6.91	41,800	_	_
Giga Solution Technology Co., Ltd.	6.83	105,000	_	_
Epitech Corporation	6.75	117,823	6.90	94,613
Fortune Semiconductor Corporation	6.64	71,500	8.21	71,500
NCTU Spring Venture Capital Co., Ltd.	6.28	20,000	6.28	20,000
Riselink Venture Capital Corp.	6.20	80,000	_	
C-Com Corporation	5.36	9,806	14.97	62,681
Cosmos Technology Venture Capital Investment Corp.	5.03	40,000	5.03	40,000
Parawin Venture Capital Corp.	5.00	50,000	5.00	50,000
HiTop Communications Corp.	4.99	17,964	-	_
Industrial Bank of Taiwan Corp.	4.95	1,139,196	5.00	1,150,000
Programmable Microelectronics (Taiwan) Corp.	4.95	23,760	-	-
Beyond Innovation Technology Co., Ltd.	4.86	18,096	8.00	22,158
Animation Technologies Corp.	4.74	29,700	-	
Coretronic Corporation	4.32	276,192	4.46	276,192
Taiwan Asia Pacific Venture Fund	4.15	21,625	4.15	29,295
IBT Venture Co.	3.81	76,142	3.81	90,000
ZyDAS Technology Corp.	3.33	23,000	5.01	90,000
ProSys Technology Integration, Inc.			3.08	2 700
Brodweb Corp.	3.08	2,790	3.06	2,790
	2.86	8,000	2.05	20.076
Billionton Systems Inc.	2.77	30,948	3.05	30,948
Uli Electronics Inc.	2.63	44,940	-	-
Sheng-Hua Venture Capital Corp.	2.50	50,000	2.50	50,000
Princeton Technology Corporation	2.36	97,901	2.43	97,901
Pixart Imaging, Inc.	1.84	16,107	1.91	16,107
Taimide Tech., Inc.	1.83	37,500	-	-
AU Optronics Corp. (Note B)	1.44	959,082	9.74	5,991,447
Mega Financial Holding Company	1.36	4,991,630	1.36	4,991,630
ULTRA CHIP, Inc.	1.19	15,048	3.01	38,000
Trident Technologies, Inc.	0.97	12,025	-	-
Largan Optoelectronics, Co., Ltd.	0.69	39,866	0.71	39,866
Premier Image Technology Corporation	0.59	27,964	0.62	27,964
Averlogic Corporation	0.16	1,159	0.19	1,391

Continued on next page

As of December 31,		2004		2003
Investee Company (Continued from previous page)	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights	Amount
Taiwan High Speed Rail Corporation (Note D)	-	\$300,000	-	\$300,000
Pacific Technology Partners, L.P. (Note E)	-	336,099	-	282,086
ForteMedia, Inc. (Note D)	-	108,456	-	108,456
Pacific United Technology, L.P. (Note E)	-	126,560	-	69,260
Alpha and Omega Semiconductor, Inc. (Note D)	-	46,883	-	46,883
VenGlobal Capital Fund III, L.P. (Note E)	-	33,195	-	33,195
Formerica International Holding, Inc. (Note D)	-	30,898	-	30,898
Aurora Systems, Inc. (Note D)	-	6,355	-	6,355
Silicon Data International Co., Ltd.	-	-	1.75	10,200
Giga Solution Technology Co., Ltd.	-	-	19.44	105,000
Enovation Group, Inc.	-	-	14.34	11,809
ATP Electronics Taiwan, Inc.	-	-	10.00	50,000
RF Integration Corporation	-	-	9.76	98,610
Union Technology Corp.	-	-	5.14	18,000
Leadtek Research, Inc.	-	-	4.74	99,875
King Yuan Electronics Co., Ltd.	-	-	3.33	366,101
Linden Technologies, Inc. (Note D)	-	-	-	92,385
Chip Express Corporation (Note D)	-	-	-	68,198
Primarion, Inc. (Note D)	-	-	-	38,816
Broadcom Corporation (Note D)	-	-	-	7,093
SandCraft, Inc. (Note D)	-	-	-	4,832
Triscend Corp. (Note D)	-	-	-	4,600
Netlogic Microsystems, Inc. (Note D)	-	_	-	3,195
Subtotal	_	11,538,899	_	16,964,768
Prepaid long-term investments:	_		_	
Chip Advanced Technology		16,630		-
EE Solutions		_		52,343
Subtotal	_	16,630	_	52,343
Less: Allowance for loss on decline in market value	_	(238,367)	_	(62,888)
Total	_	\$32,712,278	_	\$38,859,249

Note A The investments were accounted for under the equity method as the percentage of ownership directly and indirectly held was over 20% or significant influences were exercised by the Group. Note B Among the shares held by the Company in AU Optronics Corp., approximately 71,215 thousand and 337,455 thousand shares with the book value of NTD 959 million and NTD 4,772 million as of December 31, 2004 and 2003, respectively, were utilized as reference shares for the Company's zero coupon exchangeable bonds. Note C During the first quarter of 2003, the Company acquired additional interests in Silicon Integrated Systems Corp., an investee previously accounted for under the lower of cost or market value method. Percentage of voting rights held by the Company was the highest among shareholders and significant influences were exercised. Thus, equity method was applied. Note D The amount represented the investments in preferred shares. As the Group did not possess voting rights and significant influences, thus cost method was applied. Note E The amounts represented investments in limited partnership without voting rights. As the Group was not able to exercise significant influences, the investments were accounted for under the cost method.

- b. Investment income accounted for under the equity method, which were based on the audited financial statements of the investees, were NTD 552 million and NTD 301 million for the years ended December 31, 2004 and 2003, respectively. Among which, investment income amounting to NTD 885 million and NTD 385 million for the years ended December 31, 2004 and 2003, respectively, and the related long-term investment balances of NTD 7,194 million and NTD 6,969 million as of December 31, 2004 and 2003, respectively, were determined based on the investees' financial statements audited by other auditors.
- c. Long-term investments of Hsun Chieh, a subsidiary of the Company, in United Radiotek Incorporation, SerComm Corporation, Harvatek Corporation, Patentop, Ltd., UC Fund II, Advance Materials Corporation, High Bandwith Access Inc. (merged with AMIC Technology Corporation on December 31, 2003), RiRa Electronics, Inc., VistaPoint, Inc., Accelerated Communications Inc. (disposed on September 26, 2003), AFA Technology, Inc., Star Semiconductor Corp., VastView Technology, Inc., Ubit Technology, Inc., Chariotek Inc., Wiseware Technology Corporation, UCA Technology, Inc., Bravotek Corporation, Unitruth Investment Corp., Crystal Media, Inc., U-Media Technology, Inc., AMOD Technology Co., Ltd. and Smedia Technology Corp. were

accounted for under the equity method, and the related investment income or loss is to be recognized in the next year. Investees of VastView Technology, Inc. and Advance Materials Corporation, which were accounted for under equity method in 2003, were accounted for under cost method in 2004 due to losing significant influences.

d. The long-term investments were not pledged.

(8) Property, Plant and Equipment

As of December 31, 2004	Cost	Accumulated Depreciation	Book Value
Land	\$1,320,095	\$-	\$1,320,095
Buildings	21,237,012	(5,347,449)	15,889,563
Machinery and equipment	358,364,726	(216,336,818)	142,027,908
Transportation equipment	89,252	(55,385)	33,867
Furniture and fixtures	2,638,541	(1,631,683)	1,006,858
Leased assets	47,783	(47,783)	-
Leasehold improvements	38,620	(37,912)	708
Construction in progress and prepayments	31,745,156	-	31,745,156
Total	\$415 481 185	\$(223,457,030)	\$192 024 155

70141	4415,401,105	*(223,437,636)	¥152,024,155
As of December 31, 2003	Cost	Accumulated Depreciation	Book Value
Land	\$1,560,237	\$-	\$1,560,237
Buildings	17,721,538	(4,341,358)	13,380,180
Machinery and equipment	272,927,438	(162,407,026)	110,520,412
Transportation equipment	90,955	(46,809)	44,146
Furniture and fixtures	2,521,756	(1,339,705)	1,182,051
Leased assets	47,783	(31,855)	15,928
Leasehold improvement.	40,848	(34,162)	6,686
Construction in progress and prepayments	22,846,921	-	22,846,921
Total	\$317,757,476	\$(168,200,915)	\$149,556,561

 a. Total interest expense before capitalization amounted to NTD 1,788 million and NTD 1,789 million for the years ended December 31, 2004 and 2003, respectively.
 Details of capitalized interest are as follows:

For the year ended December 31,	2004	2003
Machinery and equipment	\$348,924	\$456,871
Other property, plant and equipment	3,956	5,795
Total interest capitalized	\$352,880	\$462,666
Interest rates applied	1.55% ~ 3.55%	1.55% ~ 3.50%

- b. The insurance coverage for property, plant and equipment amounted to NTD 419,144 million and NTD 308,267 million as of December 31, 2004 and 2003, respectively.
- c. Please refer to Note 6 for property, plant and equipment pledged as collateral.

(9) Other Assets - Others

As of December 31,	2004	2003
Leased assets	\$1,382,090	\$681,742
Deposits-out	3,317,107	1,272,321
Restricted deposits	5,000	156,816
Others	212,112	283,112
Total	\$4,916,309	\$2,393,991

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

(10) Short-term Loans

As of December 31,	2004	2003
Unsecured bank loans	\$2,986,919	\$1,884,899
Interest rates	0.86% ~ 2.89%	1.60% ~ 1.74%

The unused short-term lines of credits amounted to NTD 8,129 million and NTD 16,312 million as of December 31, 2004 and 2003, respectively.

(11) Bonds Payable

As of December 31,	2004	2003
Secured domestic bonds payable	\$570,003	\$1,710,002
Unsecured domestic bonds payable	32,750,000	40,000,000
Convertible bonds payable	9,391,140	18,057,869
Exchangeable bonds payable	3,107,029	14,804,484
Premiums on exchangeable bonds	_	187,360
Premiums on convertible bonds	20,592	33,151
Compensation interest payable	_	126,763
Subtotal	45,838,764	74,919,629
Less: Current portion	(2,820,003)	(16,705,716)
Net	\$43,018,761	\$58,213,913

- a. On April 27, 2000, the Company issued five-year secured bonds amounting to NTD 3,990 million. The interest is paid semi-annually with stated interest rate of 5.6%. The bonds are repayable in installments every six months from April 27, 2002 to April 27, 2005.
- b. During the period from April 16 to April 27, 2001, the Company issued five-year and seven-year unsecured bonds totaling NTD 15,000 million, each with face value of NTD 7,500 million. The interest is paid annually with stated interest rates of 5.1195% through 5.1850% and 5.2170% through 5.2850%, respectively. The five-year bonds and seven-year bonds are repayable starting from April 2004 to April 2006 and April 2006 to April 2008, respectively, both in three yearly installments at the rates of 30%, 30% and 40%.
- c. During the period from October 2 to October 15, 2001, the Company issued three-year and five-year unsecured bonds totaling NTD 10,000 million, each with a face value of NTD 5,000 million. The interest is paid annually with stated interest rates of 3.3912% through 3.420% and 3.4896%

- through 3.520%, respectively. The three-year bonds were repaid at 100% of its principal amount during the period from October 2 to October 15, 2004. The five-year bonds will be repayable in October 2006, upon the maturity of the bonds.
- d. On December 12, 2001, the Company issued zero coupon convertible bonds amounting to USD 302.4 million on the Luxembourg Stock Exchange (LSE). The terms and conditions of the bonds are as follows:
 - a) Final Redemption Unless previously redeemed, repurchased, cancelled or converted, the bonds can 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 NYSE or other applicable securities exchange on which the ADSs are listed on any ADS trading day for 20 out of 30 consecutive ADS trading days ending at any time within the period of 5 ADS trading days prior to the date of the redemption notice shall have been at least 130% of the conversion price or last adjusted conversion price, as the case may be, on each such day, or
 - ii. At any time prior to maturity at least 90% in principal amount of the bonds have already been redeemed, repurchased, cancelled or converted.
 - c) Conversion Period
 - i. In respect of the common shares, on or after January 22, 2002, and on or prior to February 20, 2004, or ii. In respect of the ADSs, on or after the later of January 22, 2002 and the date on which the shelf registration statement covering resales of certain ADSs issuable upon conversion of the bonds has been declared effective by the U.S. Securities and Exchange Commission, on or prior to February 20, 2004.
 - d) Conversion Price
 - i. In respect of the common shares, will be NTD 66.67 per share, and
 - ii. In respect of the ADSs, will be USD 9.673 per ADS. The applicable conversion price will be subject to adjustment upon the occurrence of certain events set out in the indenture.
 - e) Reacquisition of the Bonds:
 - As of December 31, 2004, the Company has reacquired a total amount of USD 63 million of the bonds from the open market. The corresponding loss on the reacquisition amounting to NTD 0.06 million for the year ended December 31, 2004 was recognized as other losses. As of December 31, 2003, the Company had reacquired a total amount of USD 62 million of the bonds from the open

- market. The corresponding loss on the reacquisition amounting to NTD 5 million for the year ended December 31, 2003 was recognized as other losses.
- f) Redemption of the Bonds
 On February 27, 2004, the remaining balance of bonds was redeemed.
- e. On May 10, 2002, the Company issued LSE listed zero coupon exchangeable bonds exchangeable for common shares or ADSs of AU Optronics Corp. (AUO) with an aggregate principal amount of USD 235 million. The terms and conditions of the bonds are as follows:
 - a) Final Redemption Unless previously redeemed, exchanged or purchased and cancelled, the bonds must be redeemed at their principal amount in US dollars on May 10, 2007.
 - b) Redemption at the Option of the Company
 The Company may redeem the bonds, in whole or in
 part, in principal amount thereof, on or after August
 10, 2002 and prior to May 10, 2007 at their principal
 amount, if the closing price of the AUO common shares
 on the TSE, translated into US dollars at the prevailing
 exchange rate, for a period of 20 consecutive trading
 days, the last of which occurs not more than 10 days
 prior to the date upon which notice of such redemption
 is published, is at least 120% of the exchange price then
 in effect translated into US dollars at the rate of NTD
 34.645=USD 1.00.

The Company may also redeem the bonds, in whole, but not in part, if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.

- c) Redemption at the Option of Bondholders The Company will, at the option of the holders, redeem such bonds on February 10, 2005 at their principal amount.
- d) Tax Redemption
 - The Company may redeem all, but not part, of the bonds, at any time, in the event of certain changes in the ROC's tax rules which would require the Company to gross up for payments of principal, or to gross up for payments of interest or premium.
- e) Terms of Exchange
 - Subject to prior permitted redemption and as otherwise provided in the offering, the bonds are exchangeable at any time on or after June 19, 2002 and prior to April 10, 2007, into AUO shares or AUO ADSs at an exchange price of NTD 51.30 per share, determined on the basis of a fixed exchange rate of NTD 34.645=USD 1.00; provided however, that if the exercise date falls within 5 business days from the beginning of, and during, any closed period, the right of the exchanging holder of the bonds to vote with respect to the shares it receives will be subject to certain restrictions.

The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

- f) Exchange of the Bonds
 - As of December 31, 2004, certain bondholders have exercised their rights to exchange their bonds with the total principal amount of USD 137 million into AUO shares. The corresponding gain on the exchange amounting to NTD 3,457 million for the year ended December 31, 2004 was recognized as a gain on disposal of investments.
- f. During the period from May 21 to June 24, 2003, the Company issued five-year and seven-year unsecured bonds totaling NTD 15,000 million, each with a face value of NTD 7,500 million. The interest is paid annually with stated interest rates of 4.0% minus USD 12-Month LIBOR and 4.3% minus USD 12-Month LIBOR, respectively. Stated interest rates are reset annually based on the prevailing USD 12-Month LIBOR. The five-year bonds and seven-year bonds are repayable in 2008 and 2010, respectively, upon the maturity of the bonds.
- g. On July 15, 2003, the Company issued its second LSE listed zero coupon exchangeable bonds exchangeable for common shares of AUO with an aggregate principal amount of USD 206 million. The issue price was set at 103.0% of the principal amount. The terms and conditions of the bonds are as follows:
 - a) Final Redemption
 - Unless previously redeemed, exchanged or purchased and cancelled, the bonds must be redeemed at their principal amount in US dollars on July 15, 2008.
 - b) Redemption at the Option of the Company
 The Company may redeem the bonds, in whole or in part, in principal amount thereof, on or after January 15, 2004 and on or prior to July 15, 2005, at their principal amount, plus a certain premium (the "Early Redemption Amount") and thereafter until July 15, 2008 at their principal amount, if the closing price of the AUO common shares on the TSE, translated into US dollars at the prevailing exchange rate, for a period of 20 consecutive trading days, the last of which occurs not more than 10 days prior to the date upon which notice of such redemption is published, is at least 125% of the exchange price then in effect translated into US dollars at the rate of NTD 34.390=USD 1.00.

The Company may also redeem the bonds, in whole, but not in part, if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.

- c) Redemption at the Option of Bondholders The Company will, at the option of any bondholders, redeem such bonds starting on July 15, 2005 at their principal amount.
- d) Tax Redemption

The Company may redeem all, but not part, of the bonds, at any time, in the event of certain changes in the ROC's tax rules which would require the Company to gross up for payments of principal, or to gross up for payments of interest or premium.

e) Terms of Exchange

Subject to prior permitted redemption and as otherwise provided in the offering, the bonds are exchangeable at any time on or after August 14, 2003 and prior to June 30, 2008, into AUO shares at an exchange price of NTD 36.387 per share, determined on the basis of a fixed exchange rate of NTD 34.390=USD 1.00; provided however, that if the exercise date falls within 5 business days from the beginning of, and during, any closed period, the right of the exchanging holder of the bonds to vote with respect to the shares it receives will be subject to certain restrictions.

The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

f) Exchange of the Bonds

As of December 31, 2004, all bondholders have exercised their rights to exchange their bonds into AUO shares. The corresponding gain on the exchange amounting to NTD 4,349 million for the year ended December 31, 2004 was recognized as a gain on disposal of investments.

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

- h. On March 25, 2002, the Company's subsidiary, UMCJ, issued LSE listed zero coupon convertible bonds with an aggregate principal amount of JPY 17,000 million and the issue price was set at 101.75% of the principal amount. The terms and conditions of the bonds are as follows:
 - a) Final Redemption
 Unless previously converted, purchased and cancelled or redeemed, the bonds must be redeemed on March 26, 2007 at their principal amount.
 - b) Redemption at the Option of UMCJ
 i. On or at any time after March 25, 2005, UMCJ may redeem all, but not part, of the bonds if the closing price of the shares on the Japan OTC Market is at least 120% of the conversion price then in effect for at least 20 out of 30 consecutive trading days ending on the trading day immediately prior to the date of the notice of redemption; or if the principal amount that has not been redeemed, repurchased and cancelled or converted is equal to or less than 10% of original aggregate principal

amount.

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

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

- c) Conversion Period
 At any time on or after May 3, 2002 to and including
 March 19, 2007.
- d) Conversion Price The conversion price was set at JPY 400,000 per share, subject to adjustments upon the occurrence of certain events set out in the indenture.
- e) Reacquisition of the Bonds
 As of December 31, 2004, UMCJ has reacquired and cancelled a total amount of JPY 8,370 million and JPY 7,650 million of the bonds from the open market. As of December 31, 2003, UMCJ has reacquired and cancelled a total amount of JPY 7,650 million of the bonds from the open market. The corresponding gain on the reacquisition amounting to JPY 505 million for the year ended December 31, 2003 was recognized as other income.
- i. On November 25, 2003, the Company's subsidiary, UMCJ, issued its second LSE listed zero coupon convertible bonds with an aggregate principal amount of JPY 21,500 million and the issue price was set at 101.25% of the principal amount. The terms and conditions of the bonds are as follows:
 - a) Final Redemption
 Unless previously converted, purchased and cancelled or redeemed, the bonds must be redeemed on November 25, 2013 at their principal amount.
 - b) Redemption at the Option of UMCJ
 - i. On or at any time after November 27, 2006, UMCJ may redeem all, but not part, of the bonds if the closing price of the shares on the Japan OTC Market is at least 120% of the conversion price then in effect for at least 20 out of 30 consecutive trading days ending on the trading day immediately prior to the date of the notice of redemption; or if the principal amount that has been redeemed, repurchased and cancelled or converted is equal to or less than 10% of original aggregate principal amount.

ii. In case of a corporate split or share exchange/share transfer, UMCJ may redeem all, but not part, of the bonds on or prior to the effective date of the transaction, provided that UMCJ is not able to ensure that the

bondholders have the right to receive shares which they would have received had the conversion rights been exercised prior to the transaction.

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

- c) Conversion Period
 At any time on or after January 5, 2004 and on or prior to November 11, 2013.
- d) Conversion Price The conversion price was set at JPY 187,500 per share, subject to adjustment upon the occurrence of certain events set out in the indenture.
- j. Repayments of the above bonds in the future years are as follows: (assuming the convertible bonds and exchangeable bonds are both paid off upon maturity)

Bonds Repayable in	Amount
2005	\$2,820,003
2006	10,250,000
2007	8,059,519
2008	10,500,000
2009 and thereafter	14,188,650
Total	\$45,818,172

(12) Long-term Loans

As of December 31,	2004	2003
Secured long-term loans	\$4,666,500	\$2,739,269
Unsecured long-term loans	19,044,000	3,598,875
Total	23,710,500	6,338,144
Less: Current portion	(5,441,143)	(4,217,611)
Net	\$18,269,357	\$2,120,533
Interest rates	0.81% ~ 3.55%	0.95% ~ 2.53%

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

Long-term Loans Repayable in	Amount
2005	\$5,441,143
2006	7,774,393
2007	7,774,393
2008	2,720,571
Total	\$23,710,500

- b. The long-term loans denominated in US dollars amounted to USD 600 million and USD 48 million as of December 31, 2004 and 2003, respectively. The long-term loans denominated in Japanese Yen amounted to JPY 15,000 million and JPY 11,250 million as of December 31, 2004 and 2003, respectively.
- c. Assets pledged as collateral to secure these loans are detailed in Note 6.

(13) Pension Fund

a. Change in benefit obligation during the year:

For the year ended December 31,	2004	2003
Projected benefit obligation at beginning of year	\$(3,725,630)	\$(3,287,327)
Service cost	(471,937)	(482,185)
Interest cost	(123,181)	(123,168)
Benefits paid	36,894	15,720
Gain (Loss) on projected benefit obligation	(70,507)	151,330
Projected benefit obligation at end of year	\$(4,354,361)	\$(3,725,630)

b. Change in pension assets during the year:

For the year ended December 31,	2004	2003
Fair value of plan assets at beginning of year	\$1,196,723	\$991,059
Actual return on plan assets	35,728	33,312
Contributions from employer	193,711	193,311
Benefits paid	(36,894)	(15,720)
Transferred in from merger with SiSMC	3,703	-
Others	11,159	(5,239)
Fair value of plan assets at end of year	\$1,404,130	\$1,196,723

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

As of December 31,	2004	2003
Benefit obligation		
Vested benefit obligation	\$(455,706)	\$(424,662)
Non-vested benefit obligation	(1,378,172)	(1,210,526)
Accumulated benefit obligation	(1,833,878)	(1,635,188)
Effect from projected salary increase	(2,520,483)	(2,090,442)
Projected benefit obligation	(4,354,361)	(3,725,630)
Fair value of plan assets	1,404,130	1,196,723
Funded status	(2,950,231)	(2,528,907)
Unrecognized net transitional benefit obligation	219,572	261,627
Unrecognized loss	28,956	16,244
Adjustment required to recognize minimum liabilities	(11,705)	(41,852)
Accrued pension liabilities per actuarial report	(2,713,408)	(2,292,888)
Over accrual	_	(17,004)
Accrued pension liabilities recognized in the balance sheet	\$(2,713,408)	\$(2,309,892)

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

For the year ended December 31,	2004	2003
Service cost	\$471,937	\$482,185
Interest cost	123,181	123,168
Expected return on plan assets	(26,884)	(26,727)
Amortization of unrecognized net transitional benefit obligation	45,444	45,927
Amortization of unrecognized pension loss	13,279	13,784
Transferred from SiSMC in the merger	8,844	_
Net periodic pension cost	\$635,801	\$638,337

The actuarial assumptions underlying are as follows:

For the year ended December 31,			2004			2003
	The Company	имо	UMCJ	The Company	UMO	UMCJ
Discount Rate	3.50%	3.75%	2.00%	3.50%	3.50%	2.00%
Rate of salary increase	5.00%	4.00%	3.71%	5.00%	5.00%	3.71%
Expected return on plan assets	3.50%	2.75%	1.00%	2.75%	2.75%	1.00%

(14) Capital Stock

- a. As recommended by the board of directors and approved by the shareholders' meeting on June 9, 2003, the Company issued 665,898 thousand new shares from the capitalization of retained earnings, of which NTD 6,079 million were stock dividends and NTD 580 million were employees' bonus.
- b. As of December 31, 2003, 22,000,000 thousand common shares were authorized to be issued and 16,140,744 thousand common shares were issued, each at a par value of NTD 10.
- c. Based on the resolution of the board of directors' meeting on February 26, 2004, the Company merged with SiSMC

- on July 1, 2004, the effective date, through the issuance of 357,143 thousand new shares at a par value of NTD 10 each. 2.24 shares of SiSMC were exchanged to 1 share of the Company, the surviving company.
- d. As recommended by the board of directors and amended by the shareholders' meeting on June 1, 2004, the Company issued 1,399,685 thousand new shares from the capitalization of retained earnings that amounted to NTD 13,335 million and capital reserve that amounted to NTD 661 million, of which NTD 12,224 million were stock dividends and NTD 1,111 million were employees' bonus.
- e. On July 22, 2004, the Company wrote off 149,728 thousand shares of treasury stocks, which were bought back

- during the period from August 1 to September 28, 2001 and the period from August 14 to September 25, 2002 for conversion of the convertible bonds.
- f. The employee stock options issued by the Company on October 7, 2002 were exercised into 44,138 thousand shares during 2004. The effective date of issuance of new shares was December 28, 2004.
- g. As of December 31, 2004, 22,000,000 thousand common shares were authorized to be issued and 17,791,982 thousand common shares were issued, each at a par value of NTD 10.
- h. The Company has issued a total of 231,497 thousand ADSs which were traded on the NYSE as of December 31, 2004. The total number of common shares represented by all issued ADSs is 1,157,486 thousand shares (One ADS represents five common shares).

(15) Employee Stock Options

On September 11, 2002, October 8, 2003, and September 30, 2004, the Company was authorized by the relevant government authorities to issue Employee Stock Options with a

total number of 1 billion, 150 million, and 150 million units, respectively. Each unit entitles an optionee to subscribe to 1 share of the Company's common stock. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company. The exercise price of options was set at the closing price of the Company's common stock on the date of grant. The grant period of the options is 6 years and an optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the date of grant. Detailed information relevant to the Employee Stock Options is disclosed as follows:

Date of Grant	Total Number of Options Granted (In thousands)	Total Number of Options Outstanding (In thousands)	Exercise Price (NTD)
October 7, 2002	939,000	773,498	\$17.7
January 3, 2003	61,000	50,920	\$19.9
November 26, 2003	57,330	50,810	\$27.8
March 23, 2004	33,330	28,570	\$25.7
July 1, 2004	56,590	51,140	\$23.2
October 13, 2004	20,200	18,920	\$20.0

a. A summary of the Company's stock option plans, and related information for the years ended December 31, 2004 and 2003 are as follows:

For the year ended December 31,		2004		2003
	Option (In thousands)	Weighted -average Exercise Price (NTD)	Option (In thousands)	Weighted -average Exercise Price (NTD)
Outstanding at beginning of year	980,664	\$18.4	928,059	\$17.7
Granted	110,120	\$23.4	118,330	\$23.7
Exercised	(44,138)	\$17.7	-	-
Forfeited	(72,788)	\$19.3	(65,725)	\$18.4
Outstanding at end of year	973,858	\$18.9	980,664	\$18.4
Exercisable at end of year	368,896			
Weighted-average fair value of options granted during the year (NTD)	\$3.8	_	\$3.0	

b. The information of the Company's outstanding stock options as of December 31, 2004 is as follows:

Authorization	Range of		Outs	Exercisable Stock Opti		
Date	Exercise Price	Option (In thousands)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price (NTD)	Option (In thousands)	Weighted-average Exercise Price (NTD)
91.09.11	\$17.7 ~ \$19.9	824,418	2.1	\$17.8	368,896	\$17.7
92.10.08	\$23.2 ~ \$27.8	130,520	3.6	\$25.5	-	-
93.09.30	\$20.0	18,920	4.2	\$20.0	-	-
		973,858	2.4	\$18.9	368,896	\$17.7

c. The Company has used the intrinsic value method to recognize compensation costs for its employee stock options issued since January 1, 2004. The compensation cost for the year ended December 31, 2004 is NTD 0. Pro forma information using the fair value method on net income and earnings per share is as follows:

For the year ended December 31, 2004	Basic earnings per share	Diluted earnings per share
Net income	\$31,843,381	\$31,873,101
Earnings per share (NTD)	\$1.89	\$1.86
Pro forma net income	\$31,761,407	\$31,791,127
Pro forma earnings per share (NTD)	\$1.89	\$1.86

The fair value of the options granted after January 1, 2004 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the year ended December 31, 2004: expected dividend yields of 11.40%; volatility factors of the expected market price of the Company's common stock of 0.49%, 0.49%, and 0.48%, respectively; risk-free interest rate of 2.70%, 2.85%, and 2.70%, respectively; and a weighted-average expected life of the option of 4.4 years.

(16) Treasury Stock

 a. The Company bought back its own shares from the open market during the years ended December 31, 2004 and 2003. Details of the treasury stock transactions are as follows:

			In th	ousands of shares
Purpose	As of January 1, 2004	Increase	Decrease	As of December 31, 2004
For transfer to employees	49,114	192,067	-	241,181
For conversion of the convertible bonds into shares	149,728	_	149,728	-
Total shares	198,842	192,067	149,728	241,181

In	thousands	of	share

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

- b. On July 22, 2004, the Company wrote off 149,728 thousand shares of treasury stock, amounting to NTD 4,923 million, which were bought back for conversion of the convertible bonds into shares from August 1 to September 28, 2001 and from August 14 to September 25, 2002.
- c. According to the Securities and Exchange Law of the ROC, total shares of treasury stock shall not exceed 10% of the Company's stock issued. Total purchase amount shall not exceed the sum of the retained earnings, capital reserve-premiums, and realized capital reserve. As such, the maximum number of shares of treasury stock that the Company could hold as of December 31, 2004 and 2003 was 1,779,198 thousand shares and 1,614,074 thousand shares while the ceiling of the amount was NTD 89,425 million and NTD 67,177 million, respectively. As of December 31, 2004 and 2003, the Company held 241,181 thousand shares and 198,842 thousand shares of treasury stock, which amounted to NTD 7,376 million and NTD 7,101 million, respectively.
- d. Treasury stock shall not be pledged, nor does it entitle voting rights or receive dividends, in compliance with Securities and Exchange Law of the ROC.
- e. As of December 31, 2004, the Company's subsidiaries, Hsun Chieh and Fortune, held 543,732 thousand shares and 19,808 thousand shares of the Company's stock, with a book value of NTD 20.08 and NTD 8.68 per share, respectively. The average closing price during December 2004 was NTD 20.08.

As of December 31, 2003, the Company's subsidiaries, Hsun Chieh and Fortune, held 503,456 thousand shares and 18,340 thousand shares of the Company's stock, with a book value of NTD 29.32 and NTD 9.37 per share, respectively. The average closing price during December 2003 was NTD 29.32.

(17) Retained Earnings and Dividend Policies

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

- 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 deducting items (a), (b), and (c) above from the current year's earnings, no less than 5% of the remaining

amount together with the prior years' unappropriated earnings is to be allocated as employees' bonus which will be settled through issuance of new Company shares. Employees of the Company's subsidiaries, meeting certain requirements determined by the board of directors, are also eliqible for the employees' bonus.

f. The distribution of the remaining portion, if any, will be recommended by the board of directors and approved through the shareholders' meeting.

The Company is currently in its growth stage; the policy for dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the benefit of shareholders, share bonus

equilibrium, and long-term financial planning. The board of directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that at least 50% of the dividends to shareholders, if any, must be paid in the form of stock dividends. Accordingly, no more than 50% of the dividends can be paid in the form of cash.

The appropriation of 2004 retained earnings has not yet been recommended by the board of directors as of the date of the Report of Independent Auditors. Information on the board of directors' recommendations and shareholders' approvals can be obtained from the "Market Observation Post System" on the website of the TSE.

Details of the 2003 employee bonus settlement and directors' and supervisors' remuneration are as follows:

For the year ended December 3.	1, 2003	As Approved by the Shareholders' Meeting	As Recommended by the Board of Directors	Differences
Settlement of employees'	Number of shares (In thousands)	111,127	111,127	-
bonus by issuance of new shares	Amount	\$1,111,273	\$1,111,273	-
	Percentage on total number of outstanding shares at year end	0.70%	0.70%	-
Remuneration paid to directors of	and supervisors	\$12,618	\$12,618	-
Effect on earnings per share before retroactive adjustments	Basic and diluted earnings per share (NTD)	\$0.92/0.90	\$0.92/0.90	-
	Pro forma basic and diluted earnings per share taking into consideration employees' bonus and directors' and supervisors' remuneration (NTD)	\$0.84/0.83	\$0.84/0.83	-

Pursuant to Article 41 of the Securities and Exchange Law of the ROC, a special reserve is set aside from the current net income and prior unappropriated earnings for items that are accounted for as deductions to stockholders' equity such as unrealized loss on long-term investments and cumulative translation adjustments. However, there are the following exceptions for the Company's investees' unrealized loss on long-term investments arising from the merger which was recognized by the Company in proportion to the Company's ownership percentage:

- a. According to the explanatory letter No. 101801 of the Securities and Futures Commission (SFC), if the Company recognizes the investees' capital reserve — excess from the merger in proportion to the ownership percentage — then the special reserve is exempted for the amount originated from the acquisition of the long-term investments.
- b. However, if the Company and its investees transfer a portion of the capital reserve to increase capital, a special reserve equal to the amount of the transfer shall be provided according to the explanatory letter No.101801-1 of the SFC.
- c. In accordance with the explanatory letter No.170010 of the SFC applicable to listed companies, when the market value of the Company's stock held by its subsidiaries at year-end is lower than the book value, a special reserve shall be provided for in the Company's accounts in proportion to its ownership percentage.

For the 2003 appropriations approved by the shareholders' meeting on June 1, 2004, unrealized loss on long-term investments exempted from the provision of special reserve pursuant to the above regulations amounted to NTD 14,826 million.

(18) Operating Costs and Expenses

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

For the year ended December 31,		200		Operating Costs	Operating Expenses	2003 Total
	Operating Costs Operating Expenses	Total				
Personnel expenses						
Salaries	\$8,761,122	\$3,390,638	\$12,151,760	\$6,135,769	\$2,453,842	\$8,589,611
Labor and health insurance	525,172	156,691	681,863	459,361	147,940	607,301
Pension	507,357	182,194	689,551	337,911	166,287	504,198
Other personnel expenses	154,281	119,520	273,801	36,791	411,968	448,759
Depreciation	43,435,482	2,142,602	45,578,084	37,390,728	1,842,751	39,233,479
Amortization	782,440	1,386,967	2,169,407	172,533	1,292,831	1,465,364

The numbers of employees as of December 31, 2004 and 2003 were 12,531 and 10,576, respectively.

(19) Income Tax

a. Reconciliation between the income tax expense and the income tax calculated on pre-tax financial statement income based on the statutory tax rate is as follows:

For the year ended December 31,	2004	2003
Income tax on pre-tax income at statutory tax rate	\$7,472,675	\$3,467,870
Permanent differences	(5,276,989)	(1,229,800)
Change in investment tax credit	(4,382,861)	(1,897,314)
Temporary differences	2,521,721	533,054
Change in tax rate	14,091	1,063
Estimated 10% income tax on unappropriated earnings	29,419	126,794
Adjustment of prior year's tax expense	9,484	(28,547)
Income tax on interest revenue separately taxed	(13,740)	6,349
Income tax expense	\$373,800	\$979,469

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

As of December 31,		2004		2003
	Amount	Tax Effect	Amount	Tax Effect
Deferred income tax assets				
Investment tax credit		\$22,271,168		\$20,195,499
Loss carry-forward	\$17,981,592	4,583,963	\$16,083,498	4,161,872
Pension	2,619,414	661,805	2,156,246	540,886
Allowance on sales returns and discounts	1,074,859	268,715	369,579	92,395
Allowance for loss on obsolescence of inventories	1,298,501	324,625	521,648	130,412
Compensation interest payable	-	-	122,347	30,587
Organization cost	8	2	748	234
Others	2,849,139	814,924	2,171,816	614,866
Total deferred income tax assets	•	28,925,202	_	25,766,751
Valuation allowance		(16,786,726)		(13,034,410)
Net deferred income tax assets	-	12,138,476	_	12,732,341
Deferred income tax liabilities	-		_	
Unrealized exchange gain	(998,937)	(249,734)	(1,497,414)	(374,353)
Depreciation	(17,872,634)	(4,468,159)	(19,572,978)	(4,893,245)
Others	(82,850)	(20,712)	(105,448)	(26,362)
Total deferred income tax liabilities		(4,738,605)	_	(5,293,960)
Total net deferred income tax assets	_	\$7,399,871	_	\$7,438,381
Deferred income tax assets - current		\$9,923,193		\$9,242,541
Deferred income tax liabilities - current		(249,734)		(374,353)
Valuation allowance		(6,064,491)		(5,914,810)
Net	-	3,608,968	_	2,953,378
Deferred income tax assets - noncurrent	-	19,002,009	_	16,524,210
Deferred income tax liabilities - noncurrent		(4,488,871)		(4,919,607)
Valuation allowance		(10,722,235)		(7,119,600)
Net		3,790,903	_	4,485,003
Total net deferred income tax assets	•	\$7,399,871	_	\$7,438,381

- c. The Company's income tax returns for all the fiscal years through 1999 and 2002 have been assessed and approved by the Tax Authority.
- d. Pursuant to the "Statute for the Establishment and Administration of Science Park of ROC", the Company was granted several four-year income tax exemption periods with respect to income derived from the expansion of operations. The starting date of the exemption period attributable to the expansion in 2000 had not yet been decided by the Company. The income tax exemption for other periods will expire on December 31, 2009.
- e. The Group earns investment tax credits for the amount invested in production equipment, research and development, employee training, and investment in high technology industry and venture capital.

As of December 31, 2004, the Group's unused investment tax credit was as follows:

Expiration Year	Investment Tax Credits Earned	Balance of Unused Investment Tax Credits
2004	\$8,097,450	\$3,714,589
2005	5,338,222	5,338,222
2006	4,044,620	4,044,620
2007	1,536,606	1,536,606
2008	7,637,131	7,637,131
Total	\$26,654,029	\$22,271,168

f. Under the rules of the Income Tax Law of the ROC, net loss can be carried forward for 5 years. As of December 31, 2004, the unutilized accumulated loss was as follows:

Expiration Year	Accumulated Loss	Unutilized Accumulated Loss
2006	\$11,437,788	\$11,437,788
2007	4,155,271	4,155,271
2008	334,917	334,917
2009	2,053,616	2,053,616
Total	\$17,981,592	\$17,981,592

- g. The balance of the Company's imputation credit accounts as of December 31, 2004 and 2003 were NTD 0.4 million and NTD 10.4 million, respectively. The actual creditable ratio for 2003 and 2002 was 0.69% and 1.24%, respectively.
- h. The ending balances of unappropriated earnings as of December 31, 2004 and 2003 were as follows:

As of December 31,	2004	2003
Prior to January 1, 1998	\$-	\$64,220
After January 1, 1998	29,498,329	13,972,602
Total	\$29,498,329	\$14,036,822

(20) Earnings per Share

a. The Group held zero coupon convertible bonds and employee stock options during 2004, and thus has a complex capital structure. The calculation of basic and diluted earnings per share, for the years ended December 31, 2004 and 2003, was disclosed as follows:

For the year ended December 31,	2004	2003 (Retroactively adjusted)
Net income	\$31,843,381	\$14,020,257
Effect of dilution:		
Employee stock options	-	-
Convertible bonds	29,720	50,954
Adjusted net income assuming dilution	\$31,873,101	\$14,071,211
Weighted average of shares outstanding	16,828,205	16,644,032
Effect of dilution:		
Employee stock options	245,983	228,762
Convertible bonds	20,660	152,565
Adjusted weighted average of shares outstanding assuming dilution	17,094,848	17,025,359
Earnings per share-basic (NTD)		
Net income	\$1.89	\$0.84
Earnings per share-diluted (NTD)		
Net income	\$1.86	\$0.83

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

tion's investment in the Company is not treated as treasury stock is set out as follows:	Shares expr	essed in thousands
2004	Basic	Diluted
Net income	\$31,843,381	\$31,873,101
Weighted average of shares outstanding:		
Beginning balance	15,438,446	15,438,446
Stock dividends and employees' bonus at 8.7% in 2004	1,341,591	1,341,591
Purchase of 192,067 thousand shares of treasury stock in 2004	(132,214)	(132,214)
Issuance of 357,143 thousand shares from merger with SiSMC	195,150	195,150
Exercise of 44,138 thousand units of employees' stock options	5,166	5,166
Dilutive shares of employee stock options accounted for under treasury stock method	-	245,983
Dilutive shares issued assuming conversion of bonds	-	20,660
Ending balance	16,848,139	17,114,782
Earnings per share		
Net income (NTD)	\$1.89	\$1.86
	Shares expr	essed in thousands
2003 (Retroactively adjusted)	Basic	Diluted
Net income	\$14,020,257	\$14,071,211
Weighted average of shares outstanding:		
Reginning balance	14.754.533	14.754.533

2003 (Retroactively adjusted)	Basic	Diluted
Net income	\$14,020,257	\$14,071,211
Weighted average of shares outstanding:		
Beginning balance	14,754,533	14,754,533
Stock dividends and employees' bonus at 4.4% in 2003	649,200	649,200
Stock dividends and employees' bonus at 8.7% in 2004	1,338,574	1,338,574
Purchase of 99,195 thousand shares of treasury stock in 2003	(87,216)	(87,216)
Treasury stock transferred to employees of 136,620 thousand shares in 2003	8,950	8,950
Dilutive shares of employee stock options accounted for under treasury stock method	-	228,762
Dilutive shares issued assuming conversion of bonds	_	152,565
Ending balance	16,664,041	17,045,368
Earnings per share		
Net income (NTD)	\$0.84	\$0.83

(21) Merger

In order to integrate resources, reduce operating costs, enlarge business scales, and improve its financial structure, profitability and global competitiveness, based on the resolution of the board of directors' meeting on February 26, 2004, the Company merged with SiSMC, the dissolved company, on July 1, 2004. The merger was approved by the relevant government authorities. All the assets, liabilities, rights, and obligations of SiSMC have been fully incorporated into the Company since July 1, 2004. The accounting treatment regarding the merger is in compliance with the ROC SFAS No. 25 "Enterprise Mergers – Accounting of Purchase Method."

Relevant information required by ROC SFAS No. 25 is disclosed as follows:

- a. Information of the dissolved company:
 SiSMC was split from Silicon Integrated Systems Corp. on
 December 15, 2003. It was mainly engaged in manufacturing of integrated circuits and components of semiconductors.
- b. Effective date, percentage of acquisition and accounting treatment:
 - Based on the agreement and the resolution of the board of directors' meeting, the effective date of the merger was July 1, 2004. All the stocks of the dissolved company were exchanged by the surviving company's newly issued shares, and the merger was accounted for under the purchase method.
- c. The period of combining the dissolved company's operating result:
 - The operating result for the period from July 1, 2004 to December 31, 2004 of the dissolved company was integrated into the operating result of the Company.
- d. Acquisition cost and the types, quantities, and amount of securities issued for the merger:
 According to the agreement, 357,143 thousand common shares, amounting to NTD 3,571 million, were newly issued by the Company for the merger. The newly issued shares

- were allocated to the dissolved company's shareholders in proportion to their ownership. 2.24 common shares were to be exchanged for 1 new share. Since SiSMC was not a public company, there is no market value. Thus, the acquisition cost was determined based on the appraisal made by China Property Appraising Center Co., Ltd.
- e. Amortization method and useful lives for goodwill or deferred credit:
 The difference between the acquisition cost and the fair
 - value of identifiable net assets was recognized as good-will, which was to be amortized under the straight-line method for 15 years according to the Article 35 of Enterprise Mergers and Acquisitions Law of the ROC.
- f. Contingent price, warrants, or commitments and accounting treatments in the merger contracts:
 None.
- g. Decisions of disposal of significant assets from the merger: None.
- h. Pro forma information on operating results:
 The operating result for the period from July 1, 2004 to
 December 31, 2004 of the dissolved company was consolidated into the financial statements of the Company.

Since SiSMC was split from Silicon Integrated Systems Corp. on December 15, 2003, the pro forma operating results from January 1, 2003 to December 14, 2003 of SiSMC are included in the following pro forma information. The pro forma information on the operating results stated below is based on the assumption that the Company merged with SiSMC on January 1, 2004 and 2003.

Shares expressed	l in thousands
2004	2003

For the year ended December 31,	2004	2003
Net operating revenues	\$131,446,247	\$102,508,661
Net income	\$30,669,982	\$12,968,078
Weighted average of shares outstanding	17,021,234	17,032,221
Earnings per share-basic (NTD)	\$1.80	\$0.76

NOTE 5. RELATED PARTY TRANSACTIONS

(1) Name and Relationship of Related Parties

Name of Related Parties	Relationship with the Company		
United Foundry Service, Inc.	Equity investee		
UMC Capital Corporation	Equity investee		
United Microelectronics Corp. (Samoa)	Equity investee		
Fortune Venture Capital Corporation	Equity investee		
DuPont Photomasks Taiwan Ltd. (DPT)	Equity investee		
Holtek Semiconductor Inc. (Holtek)	Equity investee		
Integrated Technology Express Inc.	Equity investee		
Unimicron Technology Corp.	Equity investee		
Applied Component Technology Corp.	Equity investee		
Novatek Microelectronics Corp.	Equity investee		
Faraday Technology Corp. (Faraday)	Equity investee		
Silicon Integrated Systems Corp.	Equity investee		
AMIC Technology Corporation	Equity investee		
Pacific Venture Capital Co., Ltd.	Equity investee		
MediaTek Incorporation (MediaTek)	The Company is its supervisor		
AU Optronics Corp. (Discharged on April 22, 2004)	The Company is its director and supervisor		
Industrial Bank of Taiwan Corp. (IBT) (Holding shares were below 5% in the 3rd quarter of 2004)	The Company is its major shareholder		
Chiao Tung Bank Co., Ltd. (Chiao Tung)	The Company is its parent company's director and supervisor		
Davicom Semiconductor, Inc.	Subsidiary's equity investee		
Aptos (Taiwan) Corp.	Subsidiary's equity investee		
United Radiotek Incorporation	Subsidiary's equity investee		
UCA Technology, Inc.	Subsidiary's equity investee		
AFA Technologies, Inc.	Subsidiary's equity investee		
Harvatek Corp.	Subsidiary's equity investee		
Thintek Optronics Corp.	Subsidiary's equity investee		
Star Semiconductor Corp.	Subsidiary's equity investee		
AEVOE Inc.	Subsidiary's equity investee		
Ubit Technology Inc.	Subsidiary's equity investee		
Smedia Technology Corp.	Subsidiary's equity investee		
U-Media Technology, Inc.	Subsidiary's equity investee		
Averlogic Corporation	Subsidiary is its director and supervisor		
Epitech Corp.	Subsidiary is its director and supervisor		
Coretronic Corporation	Subsidiary is its director and supervisor		
Printech International, Inc.	Subsidiary is its director and supervisor		
Fortune Semiconductor Corporation	Subsidiary is its director		
Princeton Technology Corporation	Subsidiary is its director		
Silicon 7, Inc.	Subsidiary is its director		
Shin-Etsu Handotai Taiwan Co., Ltd. (Shin-Etsu)	Subsidiary is its director		
Kits Online Technology Corp.	Subsidiary is its director		
Giga Solution Tech. Co., Ltd.	Subsidiary is its director		
Pixart Imaging, Inc.	Subsidiary is its director		
InComm Technologies Co., Ltd.	Subsidiary is its director		
Trendchip Technologies Corp.	Subsidiary is its director		
Programmable Microelectronics (Taiwan) Corp.	Subsidiary is its director		
LighTuning Tech., Inc.	Subsidiary is its director and supervisor		
Cion Technology Corp.	Subsidiary is its director		
VastView Technology Inc.	Subsidiary is its director and supervisor		
XGI Technology Inc.	Affiliate Company		

(2) Significant Related Party Transactions

a. Operating revenues

For the year		2004		2003
ended December 31,	Amount	Percentage	Amount	Percentage
MediaTek	\$8,494,486	7	\$9,298,407	10
Others	12,138,274	9	8,614,577	9
Total	\$20,632,760	16	\$17,912,984	19

The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for overseas sales was net 30 \sim 60 days for the related parties and 30 \sim 60 days for third-party customers, while the terms for domestic sales were month-end 30 \sim 60 days for the related parties and 30 \sim 60 days for the third-party customers.

b. Purchases

For the year	2004			2003
ended December 31,	Amount	Percentage	Amount	Percentage
Shin-Etsu	\$3,952,085	15	\$2,698,980	14
Others	317,206	1	288,289	2
Total	\$4,269,291	16	\$2,987,269	16

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

c. Notes receivable

As of December	2004		200	
31,	Amount	Percentage	Amount	Percentage
Holtek	\$39,034	95	\$101,203	92
Others	-	-	550	-
Total	\$39,034	95	\$101,753	92

d. Accounts receivable, net

As of December		2004		2003
31,	Amount	Percentage	Amount	Percentage
MediaTek	\$1,026,286	8	\$1,713,842	9
Others	1,241,651	9	1,955,802	11
Total	2,267,937	17	3,669,644	20
Less: Allowance for sales returns and discounts	(200,143)		(283,420)	
Less: Allowance for doubtful accounts	(31,006)		(100,853)	
Net	\$2,036,788		\$3,285,371	

e. Accounts payable

As of December		2004		2003
31,	Amount	Percentage	Amount	Percentage
Shin-Etsu	\$628,641	12	\$754,354	11
Others	53,407	1	58,495	1
Total	\$682,048	13	\$812,849	12

f. Loans

For the			Ending	Interest	Interest
year ended December 31, 2004	Amount	Month	Balance	Rate	Expense
Chiao Tung	\$282,547	January	\$-	1.83% ~ 2.53%	\$2,453
For the	Maximui	Maximum Balance Ending		Interest	Interest
year ended December 31, 2003	Amount	Month	Balance	Rate	Expense
Chiao Tung	\$865,796	January	\$282,557	1.66% ~ 2.68%	\$15,840
IBT	783,296	January	-	2.54% ~ 2.89%	2,535
Total			\$282,557	•	\$18,375

g. Disposal of property, plant and equipment The Group had no significant disposal of property, plant and equipment with related parties for the years ended December 31, 2004 and 2003.

h. Other transactions

The Group has made several other transactions, including service charges, joint development expenses of intellectual property, subcontract expenses, and commissions etc., with related parties totaling approximately NTD 596 million and NTD 493 million for the years ended December 31, 2004 and 2003, respectively.

As of December 31, 2004, the joint development contracts of intellectual property entered into with Faraday have amounted to approximately NTD 2,185 million, and a total amount of NTD 1,142 million has been paid. As of December 31, 2003, the joint development contracts of intellectual property entered into with Faraday have amounted to approximately NTD 1,589 million, and a total amount of NTD 584 million has been paid.

The Company has purchased approximately NTD 442 million and NTD 524 million of masks from DPT during the years ended December 31, 2004 and 2003, respectively.

As of December 31, 2004 and 2003, other receivables arising from usage of facilities and rental revenues from related parties are NTD 7 million and NTD 84 million, respectively.

NOTE 6. ASSETS PLEDGED AS COLLATERAL

As of December 31,	2004	2003	Purpose of Collateral
Time deposits	\$5,000	\$178,691	Long-term loans
Land	-	452,916	Long-term loans
Buildings	-	1,201,678	Long-term loans
Machinery and equipment	30,054,212	11,127,841	Long-term loans and bonds payable
Construction in progress and prepayments	-	1,151,543	Long-term loans
Total	\$30,059,212	\$14,112,669	

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES

(1) The Company has entered into several patent license agreements and joint development contracts of intellectual property for a total contract amount of approximately NTD 19 billion. Royalties and joint development fees for the future years are set out as follows:

For the year ended December 31,	Amount
2005	\$3,267,197
2006	1,421,768
2007	1,521,573
2008	293,444
2009	127,449
Total	\$6,631,431

- (2) The Company signed several construction contracts for the expansion of its factory space. As of December 31, 2004, these construction contracts have amounted to approximately NTD 0.55 billion and the unpaid portion of the contracts was approximately NTD 0.42 billion.
- (3) Oak Technology, Inc. (Oak) and the Company entered into a settlement agreement on July 31, 1997 concerning a complaint filed with the United States International Trade Commission (ITC) by Oak against the Company and others, alleging unfair trade practices based on alleged patent infringement regarding certain CD-ROM controllers. On October 27, 1997, Oak filed a civil action in a California federal district court, alleging claims for breach of the settlement agreement and fraudulent misrepresentation. The Company has formally denied the material allegations of the Com-

plaint, and asserted counterclaims against Oak for breach of contract, intentional interference with economic advantage and rescission and restitution based on fraudulent concealment and/or mistake. The Company also asserted declaratory judgment claims for invalidity and unenforceability of the relevant Oak patent. On May 2, 2001, the United States Court of Appeals for the Federal Circuit upheld the ITC's findings of no patent infringement and no unfair trade practice arising out of a second ITC case filed by Oak against the Company and others. Based on the Federal Circuit's opinion and on a covenant not to sue filed by Oak, the declaratory judgment patent counterclaims were disclaimed from the district court case. However, in connection with its breach of contract and other claims, Oak seeks damages in excess of USD 750 million. The district court has not yet set dates for dispositive motions or for trial. The Company believes that Oak's claims are meritless, and intends to vigorously defend the suit, and to pursue its counterclaims. As with all litigation, however, the Company cannot predict the outcome with certainty.

(4) The Group entered into several operating lease contracts for land. These operating leases expire in various years through 2032 and are renewable. Future minimum lease payments under those leases are as follows:

For the year ended December 31,	Amount
2005	\$210,875
2006	205,125
2007	190,028
2008	186,833
2009 and thereafter	2,393,672
Total	\$3,186,533

(5) The Company entered into several wafer-processing contracts with its customers. According to the contracts, the Company shall guarantee processing capacity, while these customers make deposits to the Company.

Note 8. Significant Disaster Loss None.

Note 9. Significant Subsequent Events None.

NOTE 10. OTHERS

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

(2) Significant intercompany eliminations between consolidated entities for the year ended December 31, 2004:

Descriptions Elimination Entries Debit (Cr					Debit (Credit)		
	The Company	UMC-USA	UME BV	Hsun Chieh	имо	UMCJ	UMCi
Elimination of long-term investments against corresponding equity accounts of the subsidiaries	(59,554,919)	720,500	284,568	20,375,787	441,618	11,149,668	26,582,778
Elimination of reciprocal balances							
a. Accounts receivable vs. Accounts payable	(7,411,851)	4,389,514	1,875,964	-	57,620	201,230	887,523
b. Other receivables vs. Other payables	(6,826)	29	388	-	1,492	4,040	877
c. Intangible assets vs. Deferred credits	(291,698)	-	(13,326)	-	157,500	237,296	(89,772)
d. Other current liabilities vs. Deposits-out	2,590	-	-	-	(2,590)	-	-
Elimination of intercompany profits and losses							
a. Intercompany sales and purchases	70,951,020	(53,804,953)	(19,685,139)	-	(245,755)	(514,572)	3,299,399
Elimination of intercompany investments							
a. Long-term investments vs. Treasury stock	(29,592,654)	-	-	29,592,654	-	-	-

(3) Financial instruments

As of December 31,		2004		2003
	Book Value	Fair Value	Book Value	Fair Value
Non-derivative financial instruments				
Financial assets				
Cash and cash equivalents	\$101,381,973	\$101,381,973	\$118,771,773	\$118,771,773
Marketable securities	3,143,697	3,176,319	1,820,328	2,278,195
Notes and accounts receivables	14,007,099	14,007,099	19,183,894	19,183,894
Long-term investments	32,712,278	75,610,904	38,859,249	83,057,858
Financial liabilities				
Short-term loans	2,986,919	2,986,919	1,884,899	1,884,899
Payables	23,113,196	23,113,196	19,563,678	19,563,678
Bonds payable (Current portion included)	45,838,764	46,217,941	74,919,629	77,402,957
Long-term loans (Current portion included)	23,710,500	23,710,500	6,338,144	6,338,144
Derivative financial instruments				
Credit-linked deposits and repackage bonds – Non-trading purpose	\$2,942,434	\$2,942,434	\$4,166,594	\$4,166,594
Interest rate swaps – Non-trading purpose	35,532	(416,149)	128,539	(18,882)
Forward contracts – Non-trading purpose	38,633	38,633	-	_

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

- a. The book values of short-term financial instruments and other financial assets (credit-linked deposits and repackage bonds) approximate fair values due to their short maturities. The majority of investment portfolios of the credit-linked deposits and repackage bonds are either corporate bonds of maturity within one year, or highly liquidable secondary market bonds. Short-term financial instruments include cash and cash equivalents, notes receivable, accounts receivable, short-term loans, and payables.
- b. The fair values of marketable securities and long-term investments are based on the quoted market value. If the market values of marketable securities and long-term investments are unavailable, the net assets values of the investees are used as fair values.
- c. The fair values of bonds payable are determined by the market value. The book values of long-term loans approximate the fair values as the loans bear floating rates.
- d. The fair values of derivative financial instruments are based on the amount the Company expects to receive (positive) or to pay (negative) assuming that the contracts are settled early at the balance sheet date.

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

a. Principal amount in original currency

As of December 31, 2004		Amount	Due Date
The Company			
Credit-linked deposits and repackage bonds referenced to			
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD	400 million	2007.02.05
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD	200 million	2007.02.05
Chi Feng Blinds Industry Co., Ltd. European Convertible Bonds	USD	2 million	2005.12.19
HannStar Display Corporation European Convertible Bonds	USD	5 million	2005.10.19
UMC Japan European Convertible Bonds	JPY	640 million	2007.03.28
UMC Japan European Convertible Bonds	JPY	600 million	2007.11.29
UMC Japan European Convertible Bonds	JPY	400 million	2007.11.29
Cathay Financial Holding Co., Ltd. European Convertible Bonds	USD	3 million	2005.05.23
Cathay Financial Holding Co., Ltd. European Convertible Bonds	USD	2 million	2005.05.23
Advanced Semiconductor Engineering Inc. European Convertible Bonds and Loans	NTD	200 million	2007.09.25
UMCJ			
Credit-linked deposits and repackage bonds referenced to			
UMC Japan European Convertible Bonds	JPY	1,000 million	2007.03.29
UMC Japan European Convertible Bonds	JPY	2,000 million	2007.11.28
UMC Japan European Convertible Bonds	JPY	1,100 million	2007.03.29
As of December 31, 2003		Amount	Due Date
		Amount	Due Dute
The Company			
Credit-linked deposits and repackage bonds referenced to	LICD	r	2007 07 20
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans	USD	5 million	2004.07.30
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans	USD	5 million	2004.07.30
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds	USD	5 million	2004.07.28
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds	USD	10 million	2004.08.02
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds	USD	5 million	2004.08.01
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD	210 million	2004.07.30
King Yuan Electronics Co., Ltd. European Convertible Bonds	USD	4.2 million	2004.04.18
Chi Feng Blinds Industry Co., Ltd. European Convertible Bonds	USD	2 million	2005.12.19
Stark Technology, Inc. European Convertible Bonds	USD	5 million	2004.07.10
UMCi Ltd. Loans	USD	15 million	2004.03.10
UMC Japan European Convertible Bonds	JPY	1,000 million	2007.03.28
UMC Japan European Convertible Bonds	JPY	600 million	2007.11.29
UMC Japan European Convertible Bonds	JPY	400 million	2007.11.29
The Company's Convertible Bonds	NTD	100 million	2004.03.05
Cathay Financial Holding Co., Ltd. European Convertible Bonds	USD	3 million	2005.05.23
Cathay Financial Holding Co., Ltd. European Convertible Bonds	USD	2 million	2005.05.23
Fubon Holding Co., Ltd., Siliconwave Precision Industries Co., Ltd. and the Company's European Convertible Bonds	USD	5 million	2004.07.30
UMCJ			
Credit-linked deposits and repackage bonds referenced to			
UMC Japan European Convertible Bonds	JPY	1,000 million	2007.03.29
UMC Japan European Convertible Bonds	JPY	2,000 million	2007.11.28
UMC Japan European Convertible Bonds	JPY	1,100 million	2007.03.29

b. Credit risk

The counterparties of the above investments are major international financial institutions. The repayment in full of these investments is subject to the non-occurrence of one or more credit events, which are referenced to the entities' fulfillment of their own obligations as well as repayment of their corporate bonds. Upon the occurrence of one or more of such credit events, the Company and its subsidiary—UMCJ may receive nil or less than full amount of these investments. The Company and its subsidiary—UMCJ have selected reference entities with high credit ratings to minimize the credit risk.

- c. Liquidity risk Early withdrawal is not allowed for the above investments unless called by the issuer. However, the anticipated liquidity risk is low since most of the investments will be
 - matured within 1 year or are relatively liquid in the secondary market.
- d. Market risk

There is no market risk for the above investments except for the fluctuations in the exchange rates of US dollars and Japanese Yen to NT dollars on the balance sheet date and the settlement date.

(5) The Company entered into interest rate swap and forward contracts and its subsidiaries, UMCi and UMCJ, entered

into forward contracts for hedging the interest rate risks arising from the counter-floating rate of domestic bonds and for hedging the exchange rate risks arising from the net assets or liabilities denominated in foreign currency. The hedging strategy was developed with the objective to reduce the market risk, and not for trading purpose. The relevant information on the derivative financial instruments entered into by the Company and its subsidiaries, UMCi and UMCJ, is as follows:

a. The Company utilized interest rate swap agreements to hedge its interest rate risks on its counter-floating rate domestic bonds issued from May 21 to June 24, 2003. The periods of the interest rate swap agreements are the same as those of the domestic bonds, which are five and seven years. The floating rate is reset annually. The details of interest rate swap agreements are summarized as follows:

As of December 31, 2004, and 2003, the Company had the following interest rate swap agreements in effect:

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

b. The details of forward contracts entered into by the Company and its subsidiaries, UMCi and UMCJ, are summarized as follows:

As of December 31, 2004	Notional Amount	Contract Period
The Company		
Forward contracts	Sell USD 77 million	December 23,2004 to January 20, 2005
UMCJ		
Forward contracts	Sell USD 10 million	December 30, 2004 to January 4, 2005
As of December 31, 2003	Notional Amount	Contract Period
UMCi		
Forward contracts	Buy EUR 67 million	December 31, 2003 to January 26, 2004
	Sell USD 84 million	

c. Transaction risk

a) Credit risk

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

- b) Liquidity and cash flow risk
 - The cash flow requirements on the interest rate swap agreements are limited to the net interest payables or receivables arising from the differences in the swap rates. The cash flow requirements on forward contracts are limited to the net difference between the forward and spot rates at the settlement date. Therefore, no significant cash flow risk is anticipated since the working capital is sufficient to meet the cash flow requirements.
- c) Market risk
 - Interest rate swap agreements and forward contracts are intended for hedging purposes. Gains or losses arising from the fluctuations in interest rates and exchange rates are likely to be offset against the gains or losses from the hedged items. As a result, no significant exposure to market risk is anticipated.
- d) The presentation of derivative financial instruments on financial statements
 - The net receivables or payables resulting from interest rate swap and forward contracts were recorded under current assets or current liabilities.

As of December 31, 2004 and 2003, the balances of current assets arising from interest rate swap were NTD 36 million and NTD 129 million, respectively.

As of December 31, 2004, the balance of current assets arising from forward contracts was NTD 39 million and related exchange loss in NTD 310 million was recorded under non-operating expenses for the year ended December 31, 2004.

NOTE 11. ADDITIONAL DISCLOSURES

- (1) The following are additional disclosures for the Company and its affiliates pursuant to SFC requirements:
- a. Financing provided to others for the year ended December 31, 2004: Please refer to Attachment-1.
- b. Endorsement/Guarantee provided to others for the year ended December 31, 2004: Please refer to Attachment-2.
- c. Securities held as of December 31, 2004: Please refer to Attachment-3.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2004: Please refer to Attachment-4.
- e. Acquisition of individual real estate with amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2004: Please refer to Attachment-5.
- f. Disposal of individual real estate with amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2004: Please refer to Attachment-6.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2004: Please refer to Attachment-7.
- h. Receivables from related parties with amounts exceeding the lower of NTD 100 million or 20 percent of the capital stock as of December 31, 2004: Please refer to Attachment-8

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

- Names, locations and related information of investee companies as of December 31, 2004: Please refer to Attachment-9.
- j. Derivative financial instruments: Please refer to Note 10.
- (2) Investment in Mainland China None.

NOTE 12. SEGMENT INFORMATION

(1) Operations in Different Industries

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

(2) Operations in Different Geographic Areas

For the year ended December 31, 2004	Taiwan	Asia, Excluding Taiwan	North America	Europe and Others	Eliminations	Consolidated
Sales to unaffiliated customers	\$43,369,100	\$11,139,860	\$54,856,841	\$19,824,939	\$-	\$129,190,740
Sales between geographic areas	74,281,797	3,629,222	-	-	(77,911,019)	-
Net operating revenues	\$117,650,897	\$14,769,082	\$54,856,841	\$19,824,939	\$(77,911,019)	\$129,190,740
Gross profit	\$35,720,094	\$(499,468)	\$943,143	\$189,746	\$444,910	\$36,798,425
Operating expenses						(14,992,028)
Non-operating income						16,399,481
Non-operating expenses						(6,461,309)
Income before income tax and minority interests						\$31,744,569
Minority interests						\$472,612
Identifiable assets	\$259,833,371	\$81,686,877	\$6,286,933	\$2,182,505	\$(6,397,081)	\$343,592,605
Funds and long-term investments						32,712,278
Total assets						\$376,304,883

For the year ended December 31, 2003	Taiwan	Asia, Excluding Taiwan	North America	Europe and Others	Eliminations	Consolidated
Sales to unaffiliated customers	\$42,870,696	\$10,548,816	\$35,698,268	\$6,585,952	\$-	\$95,703,732
Sales between geographic areas	42,048,167	53,624	-	_	(42,101,791)	-
Net operating revenues	\$84,918,863	\$10,602,440	\$35,698,268	\$6,585,952	\$(42,101,791)	\$95,703,732
Gross profit	\$19,440,237	\$1,427,756	\$665,764	\$101,316	\$130,846	\$21,765,919
Operating expenses						(12,025,992)
Non-operating income						10,413,498
Non-operating expenses						(5,457,720)
Income before income tax and minority interests						\$14,695,705
Minority interests						\$304,021
Identifiable assets	\$249,472,546	\$68,324,300	\$6,487,037	\$1,657,512	\$(10,286,841)	\$315,654,554
Funds and long-term investments		- <u> </u>				38,859,249
Total assets						\$354,513,803

(3) Export Sales

Export sales to unaffiliated customers is less than 10% of the total sales amount on the consolidated income statement, therefore disclosure is not required.

(4) Major Customers

Individual customers accounting for at least 10% of net sales for the years ended December 31, 2004 and 2003 are as follows:

For the year ended		2004	2003		
December 31,	Sales Amount	%	Sales Amount	%	
Customer A	\$13,989,041	11	\$4,618,049	5	
Customer B	13,542,021	10	7,528,820	8	
Customer C	8,494,486	7	9,298,407	10	
Total	\$36,025,548	28	\$21,445,276	23	

ATTACHMENTS TO NOTES

ATTACHMENT-1 Financing provided to others for the year ended December 31, 2004

No.	Lender	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance In	nterest Rate	Nature of Financing
1	UMC Group (USA)	Former employees	Receivable from employees' loans	USD 986	USD 986	7%	Note

Note Need for short-term financing.

ATTACHMENT-2 Endorsement / Guarantee provided to others for the year ended December 31, 2004

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

ATTACHMENT-3 Securities held as of December 31, 2004

Type of Securities	Name of Securities	Relationship
United Microelectronics (Corporation	
Convertible bonds	King Yuan Electronics Co., Ltd.	-
Convertible bonds	EPISTAR Corporation	-
Convertible bonds	Ching Feng Home Fashions Co., Ltd.	-
Convertible bonds	International Semiconductor Technology Ltd.	-
Convertible bonds	Everlight Electronics Co., Ltd.	-
Convertible bonds	Siliconware Precision Industries	-
Convertible bonds	Mega Financial Holding Company	The Company is its director and supervisor
Convertible bonds	Quanta Storage Inc.	-
Convertible bonds	L & K Engineering Co., Ltd.	-
Convertible bonds	EDOM Technology Co., Ltd.	-
Convertible bonds	Action Electronics Co., Ltd.	-
Stock	SpringSoft, Inc.	-
Stock	King Yuan Electronics Co., Ltd.	-
Stock	SerComm Corporation	Subsidiary's equity investee
Stock	Yang Ming Marine Transport Corp.	-
Stock	Micronas Semiconductor Holding AG	-
Stock	UMC Group (USA)	Investee company
Stock	United Foundry Service, Inc.	Investee company
Stock	United Microelectronics (Europe) B.V.	Investee company
Stock	UMC Capital Corporation	Investee company
Stock	United Microelectronics Corp. (Samoa)	Investee company
Stock	UMCi Ltd.	Investee company
Stock	Fortune Venture Capital Corporation	Investee company
Stock	Hsun Chieh Investment Co., Ltd.	Investee company
Stock	United Microdisplay Optronics Corp.	Investee company
Stock	Pacific Venture Capital Co., Ltd.	Investee company
Stock	UMC Japan	Investee company
Stock	DuPont Photomasks Taiwan Ltd.	Investee company
Stock	Unitech Capital Inc.	Investee company
Stock	Holtek Semiconductor Inc.	Investee company
Stock	Integrated Technology Express Inc.	Investee company

$Amount\ in\ thousand;\ Currency\ denomination\ in\ NTD\ unless\ otherwise\ specified$

Amount of Sales to (Purchases from) Counterparty	Reason for Financing	Allowance for Doubtful Accounts	Collateral Item	Collateral Value	Limit of Financing Amount for Individual Counterparty	Limit of Total Financing Amount
None	Employee loan	USD 295	Securities	Lower	N/A	N/A

$Amount\ in\ thousand;\ Currency\ denomination\ in\ NTD\ unless\ otherwise\ specified$

	-	· · ·
Amount of Collateral Guarantee/ Endorsement	Ratio of Accumulated Guarantee Amount to Net Assets Value from the Latest Financial Statement	Limit of Total Guarantee/ Endorsement Amount
_	-	N/A

Amount in thousand; Currency denomination in NTD unless otherwise specified

Financial Statement				December 31, 2004	Shares as
Account	Units (In thousands) / Bonds / Shares (In thousands)	Book Value	Percentage of Ownership (%)	Market Value / Net Assets Value	Collateral (In thousands)
Short-term investment	800	\$271,600	-	\$242,395	None
Short-term investment	100	34,140	-	31,640	None
Short-term investment	2,000	68,300	-	63,280	None
Short-term investment	4,000	135,800	-	113,271	None
Short-term investment	100	33,745	-	31,640	None
Short-term investment	8,000	270,120	-	230,656	None
Short-term investment	5,000	166,650	-	160,573	None
Short-term investment	4,500	152,778	-	131,702	None
Short-term investment	3,000	98,925	-	94,920	None
Short-term investment	60	201,990	-	189,840	None
Short-term investment	10,000	322,200	-	316,400	None
Short-term investment	8,183	415,728	-	537,754	None
Short-term investment	20,076	356,781	-	440,634	None
Short-term investment	129	3,093	-	3,497	None
Short-term investment	3,254	128,057	-	97,526	None
Short-term investment	280	398,672	-	405,530	None
Long-term investment	16,438	720,500	100.00	720,500	None
Long-term investment	2,005	103,881	100.00	103,881	None
Long-term investment	9	284,568	100.00	271,242	None
Long-term investment	55,000	1,310,493	100.00	1,310,493	None
Long-term investment	700	5,854	100.00	5,854	None
Long-term investment	880,006	26,582,778	100.00	23,076,037	None
Long-term investment	299,994	2,354,878	99.99	2,543,963	None
Long-term investment	1,417,294	10,296,356	99.97	21,212,798	None
Long-term investment	104,345	441,618	83.48	441,618	None
Long-term investment	30,000	304,810	49.99	304,873	None
Long-term investment	484	8,842,456	47.42	6,577,631	None
Long-term investment	106,621	1,058,515	45.35	1,058,439	None
Long-term investment	21,000	730,930	42.00	730,930	None
Long-term investment	48,980	731,442	25.23	1,704,077	None
Long-term investment	24,229	281,313	22.23	294,702	None

Continued on next page

ATTACHMENT-3 Securities held as of December 31, 2004

Type of Securities Name of Securities		Relationship
United Microelectronics Co	orporation (Continued from previous page)	
Stock	Unimicron Technology Corp.	Investee company
Stock	Faraday Technology Corp.	Investee company
Stock	Novatek Microelectronics Corp.	Investee company
Stock	Applied Component Technology Corp.	Investee company
Stock	Silicon Integrated Systems Corp.	Investee company
Stock	AMIC Technology Corporation	Investee company
Stock	MediaTek Incorporation	The Company is its supervisor
Stock	United Industrial Gases Co., Ltd.	_
Stock	Industrial Bank of Taiwan Corp.	_
Stock	Subtron Technology Co., Ltd.	_
Stock	Billionton Systems Inc.	The Company is its director
Stock	AU Optronics Corp.	-
Stock	Mega Financial Holding Company	The Company is its director and supervisor
Stock	Premier Image Technology Corporation	-
		-
Fund	Pacific Technology Partners, L.P.	-
Fund	Pacific United Technology, L.P.	-
Stock-Preferred stock	Taiwan High Speed Rail Corporation	-
Hsun Chieh Investment Co.		
Stock	Shanghai Fudan H Share	-
Stock	Premier Image Technology Corp.	-
Stock	SinoPac Holdings	- • .
Stock	Unitruth Investment Corp.	Investee company
Stock	United Radiotek Incorporation	Investee company
Stock	UCA Technology, Inc.	Investee company
Stock	VistaPoint, Inc.	Investee company
Stock	Ubit Technology, Inc.	Investee company
Fund	UC Fund II	Investee company
Stock	RiRa Electronics, Inc.	Investee company
Stock	Star Semiconductor Corp.	Investee company
Stock	AFA Technology, Inc.	Investee company
Stock	Crystal Media, Inc.	Investee company
Stock	Harvatek Corporation	Investee company
Stock	Patentop, Ltd.	Investee company
Stock	Unimicron Technology Corp.	Investee of UMC and Hsun Chieh
Stock	U-Media Technology, Inc.	Investee company
Stock	Smedia Technology Corp.	Investee company
Stock	SerComm Corporation	Investee company
Stock	AMOD Technology Co., Ltd.	Investee company
Stock	Faraday Technology Corp.	Investee of UMC and Hsun Chieh
Stock	AMIC Technology Corporation	Investee of UMC and Hsun Chieh
Stock	UMC Japan	Investee of UMC and Hsun Chieh
Stock	Davicom Semiconductor, Inc.	Investee company
Stock	Novatek Microelectronics Corp.	Investee of UMC and Hsun Chieh
Stock	VastView Technology, Inc.	The Company is its director and supervisor
Stock	Kits OnLine Technology Corp.	The Company is its director

 $Amount\ in\ thousand; \textit{Currency denomination in NTD unless otherwise specified}$

Financial Statement	December 31, 2004					
Account	Units (In thousands) / Bonds / Shares (In thousands)	Book Value	Percentage of Ownership (%)	Market Value / Net Assets Value	Collateral (In thousands)	
Long-term investment	185,626	\$3,465,809	21.43	\$4,057,221	None	
Long-term investment	47,682	794,298	18.38	2,307,615	None	
Long-term investment	72,775	1,615,328	18.30	7,402,632	None	
Long-term investment	8,848	19,874	16.44	76,228	None	
Long-term investment	219,092	4,226,303	16.16	2,634,800	None	
Long-term investment	16,200	79,395	11.83	112,753	None	
Long-term investment	77,428	969,048	10.06	16,384,438	None	
Long-term investment	13,185	146,250	8.11	Note	None	
Long-term investment	118,303	1,139,196	4.95	Note	None	
Long-term investment	11,520	172,800	4.92	Note	None	
Long-term investment	1,826	30,948	2.77	33,209	None	
Long-term investment	71,215	959,082	1.44	3,136,529	None	
Long-term investment	95,577	3,108,656	0.84	2,034,161	None	
Long-term investment	3,395	27,964	0.59	93,468	None	
Long-term investment	-	336,099	-	Note	None	
Long-term investment		126,560	_	Note	None	
Long-term investment	30,000	300,000		N/A	None	
Long-term mivestment	30,000	300,000	_	N/A	None	
Short-term investment	516	2,511	0.10	821	None	
Short-term investment	2,094	112,925	0.40	57,640	None	
Short-term investment	1,464	28,535	0.04	26,600	None	
Long-term investment	10,000	100,115	100.00	100,115	None	
Long-term investment	12,750	86,107	49.04	86,107	None	
Long-term investment	4,950	43,097	49.50	43,097	None	
Long-term investment	6,828	31,263	48.77	31,263	None	
Long-term investment	2,563	17,120	18.99	17,120	None	
Long-term investment	5,000	150,079	35.45	150,079	None	
Long-term investment	6,499	13,106	32.50	13,106	None	
Long-term investment	6,555	37,161	28.20	37,161	None	
Long-term investment	5,838	42,660	26.53	42,660	None	
Long-term investment	2,115	21,150	24.88	21,150	None	
Long-term investment	22,392	349,074	18.23	471,773	None	
Long-term investment	720	6,599	18.00	6,599	None	
Long-term investment	97,180	1,814,626	11.22	2,124,071	None	
Long-term investment	1,200	12,000	11.11	12,000	None	
Long-term investment	1,800	18,000	10.59	18,000	None	
Long-term investment	10,176	174,903	9.80	274,797	None	
Long-term investment	470	5,875	9.40	5,875	None	
Long-term investment	14,265	1,146,473	5.50	690,369	None	
Long-term investment	6,830	45,676	4.99	45,676	None	
Long-term investment	45	840,341	4.51	613,535	None	
Long-term investment	1,598	22,958	2.50	22,958	None	
Long-term investment	3,249	120,333	0.82	330,488	None	
Long-term investment	4,487	29,759	19.94	Note	None	
Long-term investment	4,455	56,231	15.91	Note	None	

Continued on next page

ATTACHMENT-3 Securities held as of December 31, 2004

Type of Securities	Name of Securities	Relationship		
Hsun Chieh Investment Co.,	Ltd. (Continued from previous page)			
Stock	Advance Materials Corporation	_		
Stock	Everglory Resource Technology Co., Ltd.	_		
Stock	LighTuning Tech., Inc.	The Company is its director and supervisor		
Stock	Printech International Inc.	The Company is its director and supervisor		
Stock	Golden Technology Venture Capital Investment Corp.	The Company is its director		
Stock	NCTU Spring I Technology Venture Capital Investment Corp.	_		
Stock	Trendchip Technologies Corp.	The Company is its director		
Stock	InComm Technologies Co., Ltd.	The Company is its director		
Stock	Fortune Semiconductor Corporation	The Company is its director		
Stock	EE Solution, Inc.	- · ·		
Stock	Ralink Technology Corporation	_		
Stock	Chipsence Corp.	-		
Stock	Epitech Corporation	-		
Stock	Giga Solution Technology Co., Ltd.	The Company is its director		
Stock	Beyond Innovation Technology Co., Ltd.	-		
Stock	NCTU Spring Venture Capital Co., Ltd.	The Company is its director		
Stock	Riselink Venture Capital Corp.	-		
Stock	Animation Technologies Corp.	_		
Stock	Cosmos Technology Venture Capital Investment Corp.	The Company is its director		
Stock	Parawin Venture Capital Corp.	The Company is its director		
Stock	Programmable Microelectronics (Taiwan) Corp.	-		
Stock	Coretronic Corporation	The Company is its director		
Stock	Taiwan Asia Pacific Venture Fund	-		
Stock	IBT Venture Co.	The Company is its director		
Stock	ZyDAS Technology Corp.	_		
Stock	HiTop Communications Corp.	The Company is its director and supervisor		
Stock	United Microelectronics Corporation	Investor Company		
Stock	ProSys Technology Integration, Inc.			
Stock	Brodweb Corp.	_		
Stock	Uli Electronics Inc.	_		
Stock	Sheng-Hua Venture Capital Corp.	_		
Stock	Subtron Technology Co., Ltd.	The Company is its director and supervisor		
Stock	Princeton Technology Corporation	The Company is its director		
Stock	Pixart Imaging, Inc.	-		
Stock	ULTRA CHIP, Inc.	_		
Stock	Trident Technologies, Inc.	_		
Stock	Averlogic Corporation	_		
Stock	C-Com Corporation	_		
Stock	Largan Optoelectronics, Co., Ltd.	The Company is its director		
Stock	Mega Financial Holding Company	-		
Stock	Taimide Tech., Inc.			
Stock-Preferred Stock	Alpha and Omega Semiconductor, Inc.			
Stock-Preferred Stock	Aurora System, Inc.			
Stock-Preferred Stock	Formerica International Holding, Inc.			
Stock-Preferred Stock	ForteMedia, Inc.	_		
Fund	VenGlobal Capital fund III, L.P.	_		
UMC Capital Corporation	vendiobal capital fullu III, L.F.			
Stock	IIMC Capital (IISA)	Investoe company		
Stock-Preferred Stock	UMC Capital (USA)	Investee company		
Stock-Preferred Stock	MaXXan Systems, Inc. Aicent, Inc.			
Stock-Preferred Stock	Spreadtrum Communications, Inc.			

 $Amount\ in\ thousand; \textit{Currency denomination in NTD unless otherwise specified}$

Financial Statement				December 31, 2004	Shares as
Account	Units (In thousands) / Bonds / Shares (In thousands)	Book Value	Percentage of Ownership (%)	Market Value / Net Assets Value	Collateral (In thousands)
Long-term investment	14,994	\$152,321	15.78	Note	None
Long-term investment	3,700	74,000	15.14	Note	None
Long-term investment	1,900	24,772	15.08	Note	None
Long-term investment	3,000	30,000	12.00	Note	None
Long-term investment	8,000	80,000	10.67	Note	None
Long-term investment	4,284	43,482	10.06	Note	None
Long-term investment	3,775	60,406	9.25	Note	None
Long-term investment	2,600	36,140	8.67	Note	None
Long-term investment	2,183	71,500	6.64	Note	None
Long-term investment	1,950	51,900	7.28	Note	None
Long-term investment	3,700	55,500	7.40	Note	None
Long-term investment	3,800	41,800	6.91	Note	None
Long-term investment	5,875	117,823	6.75	Note	None
Long-term investment	8,750	105,000	6.83	Note	None
Long-term investment	1,045	18,096	4.86	Note	None
Long-term investment	2,000	20,000	6.28	Note	None
Long-term investment	8,000	80,000	6.20	Note	None
Long-term investment	1,980	29,700	4.74	Note	None
Long-term investment	4,000	40,000	5.03	Note	None
Long-term investment	5,000	50,000	5.00	Note	None
Long-term investment	1,980	23,760	4.95	Note	None
Long-term investment	18,787	276,192	4.32	\$581,022	None
Long-term investment	85	21,625	4.15	Note	None
Long-term investment	7,614	76,142	3.81	Note	None
Long-term investment	1,000	23,000	3.33	Note	None
Long-term investment	1,198	17,964	4.99	Note	None
Long-term investment Long-term investment	543,732	29,592,654	3.04	10,919,772	None
, and the second	186	2,790	3.08	Note	None
Long-term investment	500	8,000	2.86	Note	None
Long-term investment	2,100	44,940	2.63	Note	None
Long-term investment	5,000	50,000	2.50	Note	None
Long-term investment	5,616	71,280	2.37	Note	None
Long-term investment	3,277	97,901	2.36	84,958	None
Long-term investment	1,143	16,107	1.84	Note	None
Long-term investment	792	15,048	1.19	Note	None
Long-term investment	650	12,025	0.97	Note	None
Long-term investment	43	1,159	0.16	545	None
Long-term investment	1,110	9,806	0.96	3,746	None
Long-term investment	745	39,866	0.69	132,084	None
Long-term investment	59,539	1,882,974	0.52	1,267,176	None
Long-term investment	1,500	37,500	1.83	Note	None
Long-term investment	1,500	46,883	-	N/A	None
Long-term investment	550	6,355	-	N/A	None
Long-term investment	2,000	30,898	-	N/A	None
Long-term investment	5,694	108,456	-	N/A	None
Long-term investment	-	33,195	-	N/A	None
Long-term investment	200	USD 298	100.00	USD 298	None
Long-term investment	2,317	USD 1,237	_	N/A	None
Long-term investment	2,000	USD 1,000	-	N/A	None
Long-term investment	1,581	USD 1,250	_	N/A	None

Continued on next page

ATTACHMENT-3 Securities held as of December 31, 2004

Type of Securities	Name of Securities	Relationship		
UMC Capital Corporation (Co	ontinued from previous page)			
Stock-Preferred Stock	WIS Technologies, Inc.	_		
Stock-Preferred Stock	Silicon 7, Inc.	The Company is its director		
Stock-Preferred Stock	GCT Semiconductor, Inc.	-		
Stock-Preferred Stock	Intellon Corporation	_		
Stock-Preferred Stock	ForteMedia Inc.	-		
Stock-Preferred Stock	Zylogic Semiconductor Corp.	-		
Stock-Preferred Stock	Berkana Wireless Inc.	-		
Stock-Preferred Stock	Maxlinear, Inc.	-		
Stock-Preferred Stock	Smart Vanguard Limited	-		
Stock-Preferred Stock	Wisair, Inc.	-		
Fortune Venture Capital Cor	poration			
Stock	AEVOE Inc.	Investee company		
Stock	Smedia Technology Corp.	Investee company		
Stock	Aptos (Taiwan) Corp.	Investee company		
Stock	Davicom Semiconductor, Inc.	Investee company		
Stock	Ubit Technology, Inc.	Investee company		
Stock	AMIC Technology Corporation	Investee of UMC and Fortune		
Stock	Crystal Media, Inc.	Investee company		
Stock	U-Media Technology Corp.	Investee company		
Stock	AMOD Technology Co., Ltd.	Investee company		
Stock	Star Semiconductor Corp.	Investee company		
Stock	AFA Technologies, Inc.	Investee company		
Stock	Pixart Imaging, Inc.	The Company is its director		
Stock	Aimtron Technology Inc.	The Company is its director		
Stock	HiTop Communications Corp.	- ' '		
Stock	Epitech Corp.	The Company is its director and supervisor		
Stock	SIMpal Electronics Co., Ltd.	The Company is its director		
Stock	Programmable Microelectronics (Taiwan) Corp.	The Company is its director		
Stock	Shin-Etsu Handotai Taiwan Co., Ltd.	The Company is its director		
Stock	XGI Technology, Inc.	<u>-</u>		
Stock	LighTuning Tech., Inc.	-		
Stock	Averlogic Corporation	The Company is its director and supervisor		
Stock	Animation Technologies Inc.	<u>-</u>		
Stock	WavePlus Technology Inc.	-		
Stock	RDC Semiconductor Co., Ltd.	-		
Stock	ProSys Technology Integration, Inc.	-		
Stock	EE Solution, Inc.	-		
Stock	Trident Technologies, Inc.	-		
Stock	Subtron Technology Co., Ltd.	The Company is its director and supervisor		
Stock	SiRF Technology Holding, Inc.	-		
Stock	Forture Semiconductor Corporation	-		
Stock	United Microelectronics Corporation	Investor company		
Stock	Advanced Chip Engineering Technology Inc.	-		
Stock	Cion Technology Corporation	The Company is its director		
Fund	Iglobe Partners Fund II, L.P.	-		
Fund	Crystal Internet Venture Fund II	-		
Stock-Preferred Stock	Alpha and Omega Semiconductor, Inc.	-		
Stock-Preferred Stock	Integrant Technologies, Inc.	_		
Stock-Preferred Stock	Arcadia Design Systems, Inc.	-		
Stock-Preferred Stock	Aurora System, Inc.	-		
United Microdisplay Optron	· · · · · · · · · · · · · · · · · · ·			
Stock	Thintek Optronics Corp.	Investee company		

Note The net assets values for unlisted investees accounted for under the cost method were not available as of December 31, 2004.

 $Amount\ in\ thousand;\ Currency\ denomination\ in\ NTD\ unless\ otherwise\ specified$

Financial Statement				December 31, 2004	Shares as
Account	Units (In thousands) / Bonds / Shares (In thousands)	Book Value	Percentage of Ownership (%)	Market Value / Net Assets Value	Collateral (In thousands)
Long-term investment	1,733	USD 3,354	_	N/A	None
Long-term investment	1,203	USD 4,000	_	N/A	None
Long-term investment	1,571	USD 1,000	_	N/A	None
Long-term investment	6,711	USD 2,500	_	N/A	None
Long-term investment	2,000	USD 1,500	_	N/A	None
Long-term investment	750	USD 500	_	N/A	None
Long-term investment	1,244	USD 2,000	_	N/A	None
Long-term investment	1,474	USD 2,580	_	N/A	None
Long-term investment	5,000	USD 5,000	_	N/A	None
Long-term investment	93	USD 1,000	-	N/A	None
Long-term investment	1,500	15,000	45.45	\$15,000	None
Long-term investment	5,079	50,790	29.88	50,790	None
Long-term investment	43,705	380,767	26.38	374,552	None
Long-term investment	12,200	125,135	19.06	125,172	None
Long-term investment	1,718	17,188	12.72	17,188	None
Long-term investment	16,575	131,257	12.32	110,555	None
Long-term investment	950	9,500	11.18	9,500	None
Long-term investment	1,200	12,000	11.11	12,000	None
Long-term investment	530	6,625	10.60	6,625	None
Long-term investment	1,337	17,381	5.75	17,381	None
Long-term investment	1,050	26,250	4.77	26,250	None
Long-term investment	10,690	207,004	17.20	Note	None
Long-term investment	672	28,300	2.44	Note	None
Long-term investment	3,142	47,136	13.09	Note	None
Long-term investment	8,394	132,539	9.65	Note	None
Long-term investment	6,009	70,179	7.34	Note	None
Long-term investment	3,302	37,156	8.25	Note	None
Long-term investment	10,500	105,000	7.00	Note	None
Long-term investment	20,726	71,504	9.27	Note	None
Long-term investment	600	9,629	4.76	Note	None
Long-term investment	1,051	17,628	3.80	13,330	None
Long-term investment	1,500	22,500	3.59	Note	None
Long-term investment	1,200	30,000	4.00	Note	None
Long-term investment	1,100	28,000	3.22	Note	None
Long-term investment	186	1,860	3.08	Note	None
Long-term investment	650	14,800	2.43	Note	None
Long-term investment	1,550	14,793	2.30	Note	None
Long-term investment	3,701	52,870	1.58	Note	None
Long-term investment	611	83,346	1.34	248,370	None
Long-term investment	349	10,461	1.06	Note	None
Long-term investment	19,808	171,857	0.11	397,797	None
Long-term investment	4,160	49,920	3.56	Note	None
Long-term investment	2,160	21,600	18.00	Note	None
Long-term investment	-	42,092	3.45	Note	None
Long-term investment	-	38,855	0.99	Note	None
Long-term investment	1,500	46,313	_	N/A	None
Long-term investment	120	34,413	4.95	N/A	None
Long-term investment	162	1,620	_	N/A	None
Long-term investment	5,133	59,317	-	N/A	None
Long-term investment	9,999	53,618	49.99	53,618	None

ATTACHMENT-4 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31,2004

United Microelectron	ics Corporation			
Convertible bonds	King Yuan Electronics Co., Ltd.	Short-term investment	Open market	-
Convertible bonds	Evergreen Marine Corporation	Short-term investment	Open market	-
Convertible bonds	Chunghwa Picture Tubes Ltd.	Short-term investment	Open market	-
Convertible bonds	Ability Enterprise Co., Ltd.	Short-term investment	Open market	-
Convertible bonds	International Semiconductor Technology Ltd.	Short-term investment	Open market	-
Convertible bonds	Quanta Display Inc.	Short-term investment	Open market	-
Convertible bonds	Siliconware Precision Industries	Short-term investment	Open market	-
Convertible bonds	Mega Financial Holding Company	Short-term investment	Open market	_
Convertible bonds	China Airlines	Short-term investment	Open market	-
Convertible bonds	Quanta Storage Inc.	Short-term investment	Open market	-
Convertible bonds	EDOM Technology Co., Ltd.	Short-term investment	Open market	_
Convertible bonds	Action Electronics Co., Ltd.	Short-term investment	Open market	_
GDR	HannStar Display Corporation	Short-term investment	Open market	_
Stock	ChinaSteel Corporation	Short-term investment	Open market	_
Stock	Yang Ming Marine Transport Corp.	Short-term investment	Open market	_
Stock	UMC Capital Corporation	Long-term investment	Capitalization from cash	_
Stock	Novatek Microelectronics Corp.	Long-term investment	Open market	_
Stock	UMCi Ltd.	Long-term investment	Infineon, UMCJ, employ- ees of UMCi and others	Investee of UMC
Stock	AU Optronics Corp.	Long-term investment	Open market	_
Stock	MediaTek Incorporation	Long-term investment	Open market	_
Hsun Chieh Investme	'	, , , , , , , , , , , , , , , , , , ,		
Convertible bonds	Gemtek Technology Co. Ltd.	Short-term investment	Open market	_
Stock	Opto Tech Corporation	Short-term investment	Open market	_
Stock	King Yuan Electronics Co., Ltd.	Short-term investment	Open market	_
Stock	Taishin Financial Holding Co., Ltd.	Short-term investment	Open market	_
Stock	Shinkong Synthetic Fibers Corporation	Long-term investment	Open market	_
Stock	Unitruth Investment Corp.	Long-term investment	Capitalization from cash	_
Fortune Venture Capit	'	_ong com mresement	supreme succession from cash	
Stock	Advance Materials Corporation	Long-term investment	Unimicron Technology Corp.	Investee of UMC
Stock	XGI Technology Inc.	Long-term investment	Capitalization from cash	_
Stock	Triscend Corporation	Long-term investment	Xilinx	_
UMC Japan		_ong com mresement		
Stock	UMCi Ltd.	Long-term investment	Note 2	Note 2

Notes (1) Gain (loss) from disposal might include the adjustment of additional paid-in capital. The ending balance might also include other additions or deductions not shown on the above schedule, including long-term equity investment income or loss, cumulative translation adjustment, changes in long-term investment due to unproportionate changes in ownership, and unrealized loss in long-term investment, etc.

 $Amount\ in\ thousand;\ Currency\ denomination\ in\ NTD\ unless\ otherwise\ specified$

ling Balance	Ena	Disposal				Addition		ing Balance	Beginn
Amount	Units (In thou- sands) / Bonds / Shares (In thou- sands)	· /-	Cost	Amount	Units (In thou- sands) / Bonds / Shares (In thou- sands)	Amount	Units (In thou- sands) / Bonds / Shares (In thou- sands)	Amount	Units (In thou- sands) / Bonds / Shares (In thou- sands)
\$271,600	800	\$-	\$-	\$-	-	\$271,600	800	\$-	-
-	-	32,531	130,000	162,531	1,300	130,000	1,300	-	-
-	-	8,572	244,780	253,352	7,000	244,780	7,000	-	-
-	-	3,713	135,800	139,513	4,000	135,800	4,000	-	-
135,800	4,000	170	33,950	34,120	1,000	169,750	5,000	-	-
-	-	46,925	168,825	215,750	5,000	168,825	5,000	-	_
270,120	8,000	-	-	-	-	270,120	8,000	-	_
166,650	5,000	-	-	-	-	166,650	5,000	-	_
-	-	19,334	290,000	309,334	2,900	290,000	2,900	-	_
152,778	4,500	-	-	-	-	152,778	4,500	-	_
201,990	60	-	-	-	-	201,990	60	-	_
322,200	10,000	-	-	-	-	322,200	10,000	-	_
-	-	833	169,717	170,550	663	169,717	663	-	-
-	-	7,723	117,521	125,244	3,519	117,521	3,400	-	-
128,057	3,254	-	-	_	-	128,057	3,100	-	-
1,310,493	55,000	-	-	-	-	493,075	15,000	1,265,822	40,000
1,615,328	72,775	376,694	127,783	513,144	6,000	-	-	1,285,319	69,147
26,582,778	880,006	24,191	173,334	196,840	5,370	10,761,903	227,938	20,972,846	657,438
959,082	71,215	10,289,430	5,031,554	15,278,509	359,897	_	-	5,991,447	423,700
969,048	77,428	1,520,602	86,189	1,612,355	6,700	-	-	1,055,237	71,386
-	-	24,845	108,000	132,845	1,080	_	-	108,000	1,080
-	-	27,407	100,000	127,407	10,000	-	-	100,000	10,000
-	-	112,559	366,101	478,660	16,098	-	1,008	366,101	15,090
-	-	15,176	275,466	290,642	10,000	275,466	10,000	-	-
-	-	(15,690)	185,832	170,142	17,574	185,832	17,574	-	-
100,000	10,000	-	-	-	-	100,000	10,000	-	-
-	-	(7,653)	142,194	134,541	12,800	-	-	142,194	12,800
71,504	20,726	-	_	_	-	140,711	11,726	90,270	9,000
-	-	70,138	95,000	165,138	3,500	-	=	95,000	3,500
¥–	-	¥1,560,693	£11,720,261 (Note 3)	¥13,280,954 ³	90,000	¥6,496,306	45,000	¥4,820,850	45,000

⁽²⁾ Purchase from UMCi's new share issuance and sell to parent company (United Microelectronics Corporation). (3) The cost of disposal includes exchange gain of ¥403,105 thousand.

ATTACHMENT-5 Acquisition of individual real estate with amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2004 None.

ATTACHMENT-6 Disposal of individual real estate with amount exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31,2004 None.

ATTACHMENT-7 Related party transactions for purchases and sales amounts exceeding the lower of NTD 100 million or 20 percent of the capital stock for the year ended December 31, 2004

Related Party	Relationship		
		Purchases (Sales)	Amount
United Microelectronics Corporation			
UMC Group (USA)	Investee company	Sales	\$53,751,976
United Microelectronics (Europe) B.V.	Investee company	Sales	19,685,139
UMC Japan	Investee company	Sales	567,549
Silicon 7, Inc.	Subsidiary is its director	Sales	333,969
XGI Technology Inc.	Affiliate company	Sales	351,370
United Microdisplay Optronics Corp.	Investee company	Sales	245,755
Silicon Integrated Systems Corp.	Investee company	Sales	1,676,873
Holtek Semiconductor Inc.	Investee company	Sales	736,611
Novatek Microelectronics Corp.	Investee company	Sales	4,352,639
Faraday Technology Corp.	Investee company	Sales	1,840,978
AMIC Technology Corp.	Investee company	Sales	550,651
MediaTek Incorporation	The Company is its supervisor	Sales	7,692,163
Pixart Imaging, Inc.	Subsidiary is its director	Sales	683,622
Programmable Microelectronics (Taiwan) Corp.	Subsidiary is its director	Sales	283,602
Integrated Technology Express Inc.	Investee company	Sales	326,263
Fortune Semiconductor Corp.	Subsidiary is its director	Sales	259,861
Princeton Technology Corporation	Subsidiary is its director	Sales	250,456
InComm Technologies Co., Ltd.	Subsidiary is its director	Sales	157,098
Shin-Etsu Handotai Taiwan Co., Ltd.	Subsidiary is its director	Purchases	3,952,085
Applied Component Technology Corp.	Investee company	Purchases	116,452
UMCi Ltd.	Investee company	Purchases	2,987,721
UMC Group (USA)			
United Microelectronics Corporation	Investor company	Purchases	USD 1,604,234
UMCi Ltd.	Affiliate company	Purchases	USD 5,963
UMCi Ltd.			
UMC Group (USA)	Affiliate company	Sales	USD 5,938
United Microelectronics Corporation	Investor company	Sales	USD 93,531
United Microelectronics (Europe) B.V.			
United Microelectronics Corporation	Investor company	Purchases	USD 587,054

Note The sales price was determined on mutual agreement based on the market conditions.

Amount in thousand; Currency denomination in NTD unless otherwise specified

Payable)	s & Accounts Receivable (Notes & Accounts Receivab		Transaction Details f Lengti	Transactions	
Note	Percentage of Total Receivables (%)	Balance	Term	Unit Price	Term	Percentage of Total Purchases (Sales) (%)
_	41.04	\$4,389,514	N/A	N/A	45 days	45.82
_	17.54	1,875,964	N/A	N/A	45 days	16.78
_	0.84	90,191	N/A	N/A	45 days	0.48
_	0.08	9,048	N/A	N/A	45 days	0.28
_	0.03	3,496	N/A	N/A	45 days	0.30
_	0.54	57,620	N/A	N/A	45 days	0.21
_	6.37	680,936	N/A	Note	45 days	1.43
_	0.65	69,007	N/A	N/A	45 days	0.63
_	6.85	732,496	N/A	N/A	45 days	3.71
_	3.48	372,077	N/A	N/A	45 days	1.57
_	0.13	13,945	N/A	N/A	45 days	0.47
_	7.33	784,279	N/A	N/A	45 days	6.56
-	0.23	25,015	N/A	N/A	45 days	0.58
_	0.24	25,192	N/A	N/A	45 days	0.24
-	0.39	42,137	N/A	N/A	45 days	0.28
-	0.15	15,881	N/A	N/A	45 days	0.22
-	0.34	36,347	N/A	N/A	45 days	0.21
-	0.40	42,742	N/A	N/A	45 days	0.13
-	14.15	628,641	N/A	N/A	60 days	14.45
-	0.47	20,856	N/A	N/A	60 days	0.43
-	18.02	800,805	N/A	N/A	60 days	10.93
_	97.64	USD 138,735	N/A	N/A	Net 55 days	99.52
_	0.21	USD 305	N/A	N/A	Net 60 days	0.37
_	1.08	USD 305	N/A	N/A	N/A	5.85
-	97.63	USD 27,655	N/A	N/A	N/A	92.13
_	100.00	USD 59,303	N/A	N/A	Net 60 days	100.00

ATTACHMENT-8 Receivables from related parties with amounts exceeding the lower of NTD 100 million or 20 percent of the capital stock as of December 31, 2004

Related Party	Relationship			
		Notes Receivable	Accounts Receivable	Other Receivables
United Microelectronics Corporation				
UMC Group (USA)	Investee company	\$-	\$4,389,514	\$29
United Microelectronics (Europe) B.V.	Investee company	-	1,875,964	388
Novatek Microelectronics Corp.	Investee company	-	732,496	-
Faraday Technology Corp.	Investee company	-	372,077	2,755
MediaTek Incorporation	The Company is its supervisor	-	784,279	-
Silicon Integrated Systems Corp.	Investee company	-	680,936	1,812
UMCi Ltd.				
United Microelectronics Corporation	Investor company	-	USD 27,614	USD 41
UMC Group (USA)	Investee of UMC	-	USD 305	-

ATTACHMENT-9 Names, locations and related information of investee companies as of December 31, 2004

Investee Company	Address	Main Businesses and Products		Initial Investment
		_	Ending Balance	Beginning Balance
United Microelectronics Corporation				
UMC Group (USA)	Sunnyvale, California, USA	IC Sales	USD 16,438	USD 16,438
United Foundry Service, Inc.	Sunnyvale, California, USA	Supervising and monitoring group projects	USD 2,005	USD 2,005
United Microelectronics (Europe) B.V.	The Netherlands	IC Sales	USD 5,421	USD 5,421
UMC Capital Corporation	Cayman, Cayman Islands	Investment holding	USD 55,000	USD 40,000
United Microelectronics Corp. (Samoa)	Apia, Samoa	Investment holding	USD 700	USD 700
UMCi Ltd.	Singapore	Sales and manufacturing of integrated circuits	USD 839,880	USD 640,563
Fortune Venture Capital Corporation	Taipei, Taiwan	Consulting and planning for investment in new business	2,999,940	2,999,940
Hsun Chieh Investment Co., Ltd.	Taipei, Taiwan	Investment holding	14,172,940	14,172,940
United Microdisplay Optronics Corporation	Science Park, Hsin-Chu	Sales and manufacturing of LCOS	818,453	1,043,453
Pacific Venture Capital Co., Ltd.	Taipei, Taiwan	Venture capital consultation	300,000	300,000
UMC Japan	Chiba, Japan	Sales and manufacturing of integrated circuits	¥20,537,634	¥20,537,634
DuPont Photomasks Taiwan Ltd.	Science Park, Hsin-Chu	Manufacturing of photomasks	773,795	773,795
Unitech Capital Inc.	British Virgin Islands	Investment holding	USD 21,000	USD 21,000
Holtek Semiconductor Inc.	Science Park, Hsin-Chu	IC design production and sales	357,628	357,628
Integrated Technology Express, Inc.	Science Park, Hsin-Chu	Sales and manufacturing of integrated circuits	186,898	205,025
Unimicron Technology Corp.	Taoyuan, Taiwan	PCB production	2,592,013	2,592,013
Faraday Technology Corp.	Science Park, Hsin-Chu	ASIC design and production	81,032	81,032
Novatek Microelectronics Corp.	Science Park, Hsin-Chu	Sales and manufacturing of integrated circuits	115,567	155,941
Applied Component Technology Corp.	Taipei, Taiwan	IC production sales	64,659	44,604
Silicon Integrated Systems Corp.	Science Park, Hsin-Chu	Sales and manufacturing of integrated circuits	5,684,865	5,684,865
AMIC Technology Corporation	Science Park, Hsin-Chu	IC design, production and sales	135,000	135,000

 $Amount\ in\ thousand; \textit{Currency denomination in NTD unless otherwise specified}$

Ending Balance	Turnover Rate (Times)	Overdue Receivables		Amount Received in	Allowance for
Total		Amount	Collecting Status	Subsequent Period	Doubtful Accounts
\$4,389,543	12.28	\$-	Credit collecting	\$1,616,284	\$84,264
1,876,352	12.00	-	Credit collecting	-	86,974
732,496	4.87	_	Credit collecting	-	7,551
374,832	6.23	40,009	Credit collecting	-	4,617
784,279	6.16	-	Credit collecting	-	8,111
682,748	4.94	96,608	Credit collecting	-	8,059
USD 27,655	6.38	_	_	USD 8,475	USD 276
USD 305	38.96	USD 143	-	-	USD 36

Amount in thousand; Currency denomination in NTD unless otherwise specified

Note	Investment Income	Net Income (Loss)	ecember 31, 2004	Investment as of December 31, 2004	
	(Loss) Recognized	of Investee Company	Book Value	Percentage of Ownership (%)	Shares (In thousands)
_	\$315,615	\$346,066	\$720,500	100.00	16,438
-	15,690	15,638	103,881	100.00	2,005
-	59,742	66,953	284,568	100.00	9
_	(367,466)	(367,466)	1,310,493	100.00	55,000
-	(1,170)	(1,170)	5,854	100.00	700
-	(2,783,241)	(3,356,684)	26,582,778	100.00	880,006
-	81,117	81,119	2,354,878	99.99	299,994
-	20,608	20,614	10,296,356	99.97	1,417,294
_	(172,580)	(260,649)	441,618	83.48	104,345
-	7,723	15,445	304,810	49.99	30,000
-	(375,925)	(238,351)	8,842,456	47.42	484
-	(11,154)	(24,594)	1,058,515	45.35	106,621
-	26,543	63,198	730,930	42.00	21,000
-	184,424	777,528	731,442	25.23	48,980
-	4,968	43,406	281,313	22.23	24,229
-	445,785	2,208,392	3,465,809	21.43	185,626
-	241,606	1,293,403	794,298	18.38	47,682
-	675,960	3,568,834	1,615,328	18.30	72,775
_	(5,505)	(33,958)	19,874	16.44	8,848
-	(861,303)	(1,997,176)	4,226,303	16.16	219,092
_	(10,724)	(132,409)	79,395	11.83	16,200

UMC and its affiliated enterprises have not faced financial difficulties; therefore, there has been no impact on UMC's financial status.

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

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ANALYSIS OF FINANCIAL POSITION

In thousand NTD

				III tilousulla NID
	2004	2003	Difference	% Change
Current assets	110,373,653	122,306,834	(11,933,181)	(10)
Property, plant and equipment	137,355,251	117,184,749	20,170,502	17
Other assets	7,747,985	7,527,580	220,405	3
Total assets	329,563,491	320,113,838	9,449,653	3
Current liabilities	23,277,031	32,751,363	(9,474,332)	(29)
Long-term interest-bearing liabilities	33,607,029	48,552,355	(14,945,326)	(31)
Total liabilities	63,180,737	87,871,914	(24,691,177)	(28)
Capital	177,923,859	161,407,435	16,516,424	10
Capital reserve	84,933,195	80,074,184	4,859,011	6
Retained earnings	42,401,701	26,794,291	15,607,410	58
Total equity	266,382,754	232,241,924	34,140,830	15

Explanation for significant changes (over 20%) in financial position include:

- (a) The decrease in current liabilities mainly resulted from the decrease in the current portion of long-term interest-bearing liabilities.
- (b) The decrease in long-term interest-bearing liabilities was largely due to the decrease of exchangeable bonds.
- (c) The increase in retained earnings was the result of the increase in net income for 2004.

ANALYSIS OF OPERATING RESULTS

In thousand NTD

	III thou					
	2004	2003	Difference	% Change		
Sales revenues	115,165,087	81,977,207	33,187,880	40		
Sales returns and discounts	(1,170,521)	(499,177)	671,344	134		
Net sales	113,994,566	81,478,030	32,516,536	40		
Other operating revenues	3,317,274	3,384,040	(66,766)	(2)		
Net operating revenues	117,311,840	84,862,070	32,449,770	38		
Operating costs	(81,443,181)	(65,381,657)	16,061,524	25		
Gross profit	35,868,659	19,480,413	16,388,246	84		
Realized (unrealized) intercompany profit	(47,715)	(38,144)	9,571	25		
Net	35,820,944	19,442,269	16,378,675	84		
Operating expenses	(11,365,952)	(9,505,935)	1,860,017	20		
Operating income	24,454,992	9,936,334	14,518,658	146		
Non-operating income	14,895,451	9,033,180	5,862,271	65		
Non-operating expenses	(7,473,153)	(4,154,145)	3,319,008	80		
Income before income tax	31,877,290	14,815,369	17,061,921	115		
Income tax expense	(33,909)	(795,112)	(761,203)	(96)		
Net income	31,843,381	14,020,257	17,823,124	127		

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

(a) Net operating revenues

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

(b) Gross profit analysis

The increase in gross profit for 2004 was due primarily to increases in sales quantity, average selling price, and the capacity utilization rate, and a decrease in the product unit cost. Reasons for difference in gross profit are as follows:

Ιn	thousand	NTD
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Reasons for Difference	Gross Profit
Average selling price	9,402,405
Unit cost	1,584,866
Product mix	-
Quantity	5,207,845
Others	193,130
Difference	16,388,246

(c) Non-operating income

Mainly resulted from an increase in gain on disposal of investments.

(d) Non-operating expenses

Mainly resulted from an increase in investment loss accounted for under the equity method and the exchange losses due to the fluctuations in the exchange rates.

(e) Income tax expense

Through an increase in the taxable income, the Company received more investment tax credit resulting in a decrease in income tax expense compared to last year.

Estimated sales quantities

With the industry shifting towards the vertical disintegration business model, UMC, with its position as an industry leader and pioneer in 300mm manufacturing and SoC (System-on-Chip) technologies, should be able to reach a revenue growth rate higher than that of the overall semiconductor industry. Based on our capacity and customers' demand forecast, the estimated sales quantity for 2005 is approximately 2.99 million 200mm wafer equivalents.

LIQUIDITY ANALYSIS

Analysis of Cash Flows for 2004

In thousand NTD

Cash Balance at Beginning of Year	Net Cash Provided by Operating Activities	Net Cash Used in Investing and Financing Activities	Cash Balance at End of Year	Source of Funding in case of Cash Shortfall	
				Investing Plan	Financing Plan
92,865,557	69,014,972	(78,533,200)	83,347,329	-	-

- (a) Cash inflows from operating activities are the result of the recovery of the semiconductor industry and a positive operating situation.
- (b) Cash outflows from investing activities are attributed to the capital expenditures for 12-inch production expansion.
- (c) Cash outflows from financing activities resulted from the redemption of bonds and the repayment of long-term loans.

Projected Cash Flows for 2005

In thousand NTD

Cash Balance at Beginning of Year	Projected Cash Inflow from Operating Activities	Projected Cash Outflow	Projected Cash Balance at End of Year	Source of Funding in case of Cash Shortfall	
				Investing Plan	Financing Plan
83,347,329	57,624,009	57,053,370	83,917,968	_	

IMPACT ON THE COMPANY'S FINANCIAL OPERATIONS AND CONTINGENCY ACTION REGARDING MAJOR CAPITAL EXPENDITURES

Execution Status of Major Capital Expenditures and Sources of Funding

In thousand NTD

Project	Actual or Expected Sources of Funding	Completion Status	Total Amount	Capital Expenditures Pla	
				2004	2003
Production Equipment	Cash flows generated from operations, bank loans and issuance of bonds	Completed	54,343,551	44,326,809	10,016,742
R&D Equipment	Cash flows generated from operations, bank loans and issuance of bonds	Completed	6,742,433	4,176,579	2,565,854

Expected Benefit from Capital Expenditures

Starting from 2005, production capability for the Company's 0.25-micron and below technologies will increase to 60% or

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

ANALYSIS FOR INVESTMENT OVER 5% OF PAID-IN CAPITAL IN 2004

In thousand NTD

Item	Amount (Note)	Policy	Reasons for Profit / Loss	Improvement Plan	Other Future Investment Projects
UMCi Ltd.	10,788,411	Geographic Diversification and Globalization Strategy – stay close to local customers and markets	•	Increase capacity to economical scale and speed up new prodcut introduction and mass-production. After UMCi becomes the Fab 12i of UMC, UMC can recognize revenue and profits from UMCi.	None

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

RISK MANAGEMENT AND EVALUATION

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

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

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

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

Upcoming R&D plans and their status

For the upcoming year, UMC will continue to be one of the leading foundries to provide the most advanced IC manufacturing capabilities. First 65-nanometer product launch targeted for the middle of 2005 will be our commitment to such deliverables. To embrace ever-shrinking requirements for IC technology, 193nm immersion scanner will make its first debut and its utilization with various resolution enhancement techniques will be demonstrated on 65-nanometer and 45-nanometer technology nodes.

Device performance improvement through mobility enhancement continues to be the most encouraging approach for future technology generations. SiGe source/Drain refill and compressive liner will remain as our focus to achieve product performance gain. In advanced gate engineering, research on high-k gate dielectrics and metal electrodes will continue to be explored. A fully silicided poly gate is also a viable option for the 45-nanometer technology node. For Back-end-of-line development, a dielectric with a k value of <2.9 will be actively evaluated. Best opportunities to introduce such materials into our manufacturing environment will be closely guarded based on its maturity and packaging compatibilities.

R&D expenditures in 2005 are expected to exceed 6% of total revenue. This again demonstrates UMC's commitment to the most advanced technology development as part of our SoC foundry solutions. UMC also plans to maintain its aggressive recruiting and training of world-class R&D staff

to meet ongoing challenges. In addition, we are committed to providing competitive R&D development cycle time, to offer comprehensive design resources (including library and intellectual property) that complement our manufacturing capability, and to turn our R&D achievements into profits.

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

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

As to the R.O.C. Labor Pension Act enforced from July 1, 2005, the Company's finance/business impact from this act and action measures for resolution will be:

1. Impact

In the short term, due to the fixed monthly contribution rate at 6% of the employees' salary according to the new act, along with preparation of fully reserved pensions according to the LSL (Labor Standards Law) retirement plan reservation requirements within 5 years, the Company's operation cost will be increased. However, after a certain period the labor pension cost will be much more predictable allowing for a more transparent pension cost situation.

2. Action Measures

Enhancement of performance management, implementation of the motivation plan, and through training and development planning, we can maximize workforce potential to meet operating cost control targets.

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

The Company has been sharply focused in the development of advanced technology. In 2004, the Company's R&D expenses were approximately NTD 6.5 billion. The Company has taken the lead position in the foundry industry in both 300mm fab operations and the development of 90-nanometer technologies. In March 2003, the Company was the first foundry to announce the delivery of functional customer chips utilizing 90-nanometer technology. In 2004, the Company migrated 90-nanometer chips to mainstream volume production, which will drive revenue growth for the following few years. The Company's current financial situation is sound and cash on hand is sufficient for future technology development.

Risk Management and Evaluation (cont.)

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

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

If the Company encounters an economic downturn during expansion by acquisition or merger, it may result in excess capacity and negatively affect the Company's profitability

The acquisition of SiSMC will be expected to efficiently increase the Company's ability and flexibility to receive customer orders and to enlarge its customer base. Meanwhile, SiSMC can acquire the Company's advanced process technologies and increase competitiveness and profitability. Through the acquisition, UMC is expected to integrate resources, lower operating costs, widen its business scope, raise profitability and add to its overall international competitiveness, which will help the Company to contend in the fast-changing, capital and technology intensive industry.

The cyclical fluctuation in the semiconductor industry is very volatile and uncertain. Once a company encounters an economic downturn during expansion by acquisition or merger, there would exist the possibility of an excess capacity situation. The risk might temporarily damage the company's profitability but such a situation would also help to eliminate those companies with poor operations and restructure the industry composition. The other possible risk would be that the acquired company would encounter difficulties when integrating with the acquiring company. Factors such as unsuccessful production integration or improper culture accommodation would partly offset the contribution from the acquired company.

If market demand decreases due to an economic downturn, the excess capacity created may become a burden to the Company

Fab expansion can help the Company to increase production ability to acquire more customer orders, and thus can increase revenue and profits and give the Company a chance to enlarge its market share. When the capacity reaches economies of scale, production costs can be enormously de-

creased. However, there exists a huge potential for fluctuation of the economic cycle in the semiconductor industry. When market demand decreases due to an economic downturn, the excess capacity still have to be accounted under the depreciation of plants and equipment. The risk would be a burden to the Company.

If suppliers fail to provide materials due to circumstances created by natural or unnatural factors, the Company may encounter material shortages

The Risk of Material shortage:

Material shortages may result from suppliers' encountering situations such as insufficient capacity, industrial accidents in factories or natural disasters.

Solution for Material Shortage:

UMC currently uses consignment contracts to hedge its risk.

If sales are concentrated on a single or a few customers, the Company may suffer profit loss if a major customer reduces its orders

UMC has established long-term and steady partnership with numerous world-class customers. The combined strengths of both UMC and these customers will ensure the long-term steady growth of the company. The ten largest customers of UMC accounted for 58% of sales before 2004. UMC mitigates its risk through dispersed sales to lower the potentially significant impact that a single or a few customers may cause.

If Company directors, supervisors or shareholders holding more than 10% shares transfer a significant portion of their shares, stock price might fluctuate

If Company directors, supervisors or major shareholders who hold more than 10% of issued and standing shares transfer a significant portion of their shareholdings in the Company, then a change of control may occur. Furthermore, such transfer may give rise to investor concerns on the operation of the Company and may cause the market price of Company shares to fluctuate.

If the Company loses one or more key personnel as a result of any change of control in the Company without adequate replacement, Company operation may be adversely affected

Our future success to a large extent depends on the continued service of our Chairman and key executive officers. If the Chairman or key executive officers leave their positions as a result of the change of Company control, and qualified replacement personnel cannot be found and integrated in a short period of time, our operation may be adversely affected.

Risk Management and Evaluation (cont.)

Litigation and Non-litigated Incidents

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) by Oak against UMC and others, alleging unfair trade practices based on alleged patent infringement regarding certain CD-ROM controllers (the first Oak ITC case). On October 27, 1997, Oak filed a civil action in a California federal district court, alleging claims for breach of the settlement agreement and fraudulent misrepresentation. In connection with its breach of contract and other claims, Oak seeks damages in excess of USD 750 million. UMC has formally denied the material allegations of the complaint, and asserted counterclaims against Oak for breach of contract, intentional interference with economic advantage and rescission and restitution based on fraudulent concealment and/or mistake. UMC also asserted declaratory judgment claims for invalidity and unenforceability of the relevant Oak patent. On May 2, 2001, the United States Court of Appeals for the Federal Circuit upheld findings by the ITC that there had been no patent infringement and no unfair trade practice arising out of a second ITC case filed by Oak against UMC and others. Based on the Federal Circuit's opinion and on a covenant not to sue filed by Oak, UMC's declaratory judgment patent counterclaims were dismissed from the district court case. The district court has set dates for dispositive motions in the second quarter of 2005, and has scheduled trial to begin after December 5, 2005. UMC believes that Oak's claims are meritless, and intends to vigorously defend the suit, and to pursue its counterclaims. As with all litigation, however, UMC cannot predict the outcome with certainty.

In November of 2002, Library Technologies, Inc. (LTI) filed suit against Virtual Silicon Technology (VST), Silicon

Metrics Corporation (SMC), UMC, and UMC's subsidiary UMC Group (USA) (collectively, UMC) in the Federal District Court in San Francisco, California. LTI alleges in this case that UMC infringed LTI's copyrights, committed unfair competition, trade secret misappropriation, and tortious interference with contract in connection with the allegedly unauthorized copying and use of LTI's software related to library characterization tools. For the most part, the claims arise from allegedly wrongful conduct by VST, which UMC is alleged to have encouraged. Progress in the federal case is pending the outcome of a companion state court matter (where VST sued LTI claiming that LTI's software was defective). That state court matter was submitted to binding arbitration. In late July 2003, the arbitrators ruled that the purported software license agreement on which LTI bases many of its claims against VST is not valid. In December 2003, the arbitrators found that there had been no wrongdoing by either LTI or VST, and declined to order any relief to any party. Subsequently, pursuant to stipulation, on January 21, 2004, the Federal District Court had entered dismissals of all claims against UMC without any obligation for UMC to pay money, to take any other action or refrain from any act. As a result, these matters are completely resolved.

On February 15, 2005, Taiwan Hsinchu District Court Prosecutor's Office conducted a search at UMC offices, assertedly investigating whether there was any evidence of violation of Taiwan Securities and Exchange Act. Up until this Annual Report's editing deadline, none of UMC's Board members has received any summons concerning such a matter from the said Prosecutor's Office.

Other Important Risks
None.

OTHER NECESSARY SUPPLEMENTS

None.

CORPORATE GOVERNANCE PRACTICES

Item	Executions	The Reasons for the Differences between the Company's Governance and Recognized Corporate Governance
Corporate shareholder structure and shareholders	rights:	
(a) How the Company handles shareholders' recommendations or disputes:	The Company has designated a specific body and established an email address to handle shareholders' recommendations or disputes.	-
(b) How the Company regularly monitors the list of key shareholders who have management control of the Company, or those who have ultimate control of key shareholders:	There is no single shareholder who holds more than 10% of the Company's total outstanding shares.	-
(c) How the Company establishes proper risk control mechanisms and firewalls between the Company and its affiliated enterprises:	The obligations and rights between the Company and its affiliated enterprises have been clearly defined. Any transaction between the Company and its affiliated enterprises complies with related regulations.	-
The structure and responsibilities of the board:		
(a) How the Company institutes independent directors:	The Company has instituted three independent directors.	-
(b) How the Company periodically evaluates the independence of its auditors:	The Company's auditor is one of the largest and best regarded in its industry. The auditor assiduously avoids conflicts of interests.	-
The composition and responsibilities of supervisor	s:	
(a) How the Company institutes independent supervisors:	-	The Company currently has no independent supervisors.
(b) How the supervisors communicate with the Company's employees and shareholders:	At any time, a supervisor may individually investigate the business and financial conditions of the Company, and may ask the Board of Directors or executive managers to prepare a report.	-
The Company's communication channels for its stakeholders:	The Company has designated a specific unit and established an email address to handle stakeholders' concerns.	-
Information disclosure:		
(a) How the Company establishes a website to disclose financial and corporate governance information:	The Company regularly publishes up-to-date detailed financial and corporate governance information on its website in both Chinese and English.	-
(b) The other channels for the disclosure of the Company's information:	The Company has designated a specific body to collect and disclose information about the Company. Besides, the Company has established standard procedures for an authorized spokesperson to make statements for the Company. The Company has one main spokesperson and two deputy spokespersons.	-
The operation of the audit committee work within the Board of Directors of the Company:	The Company has instituted the audit committee. The operation details are disclosed on page 187.	-

The comparison between the Company's corporate governance mechanism and the recognized corporate governance principles:

The Company bases its corporate governance structures and practices on Taiwan's Company Law, the Securities and Exchange Law, and their related rules and regulations. The Company's corporate governance mechanism follows recognized corporate governance principles.

Other information disclosure:

- (a) Has the Company established any educational programs for its board members?
 - The Company provides information related to professional educational opportunities to all board members.
- (b) The attendance of directors and supervisors to the board meeting:
 - In 2004, the attendance of directors is 94%; the attendance of supervisors is 82%.
- (c) Has the Company established a risk management policy and standards for evaluating risk and implementing its risk management policy? Not Applicable.
- (d) Has the Company established policies to protect consumers or its customers and regularly evaluate the policies' implementation? Not Applicable.
- (e) Is there a policy to ensure board members avoid introducing topics of discussion that would advance their own vested interests? The board is well disciplined and enforces a strict policy of separating personal and company interests amongst its members.
- (f) Has the Company purchased liability insurance for its directors and supervisors? The Company has purchased liability insurance for its directors since 2000.
- (g) Has the Company valued its social responsibilities?
 - The Company actively participates in environmental protection and philanthropic activities. The Company believes it has a responsibility to give back to the community.
- $(h) The \ Corporate \ Governance \ Statement: \ http://www.umc.com/english/investors/corp_gov.asp$

Affiliated Enterprises Overview

177 SUMMARY OF AFFILIATED ENTERPRISES

SUMMARY OF AFFILIATED ENTERPRISES

Organization Chart

United Microelectronics Corporation					
Fortune Venture Capital Corporation	99.99%				
Hsun Chieh Investment Co., Ltd.	99.97%	> Unitruth Investment Corporation	100.00%		
UMC Group (USA)	100.00%				
UMC Japan	47.42%				
United Foundry Service, Inc.	100.00%				
UMC Capital Corporation	100.00%	> UMC Capital (USA)	100.00%		
UMCi Ltd.	100.00%				
United Microelectronics Corp. (Samoa)	100.00%				
United Microelectronics (Europe) B.V.	100.00%				
United Microdisplay Optronics Corp.	83.48%				
Silicon Integrated Systems Corp.	16.16%				

Basic Data of Affiliated Enterprises

In thousand NTD

				In thousand NID
Name of Corporation	Date of Establishment	Address	Capital	Major Business / Production Items
Fortune Venture Capital Corporation	1993.9.21	2F, 76, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan 106, R.O.C.	3,000,000	Consulting and planning for investment in new business
Hsun Chieh Investment Co., Ltd.	2000.1.12	2F, 76, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan 106, R.O.C.	14,177,110	Investment holding
Unitruth Investment Co.	2004.7.22	2F, 76, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan 106, R.O.C.	100,000	Investment holding
UMC Group (USA)	1997.8.11	488 DeGuigne Drive Sunnyvale, CA 94086, USA	550 (USD 16,438)	IC sales
UMC Japan	1984.5.15	1580, Yamamoto, Tateyama-City, Chiba, Japan	8,394,460 (JPY 27,140,188,000)	Sales and manufacturing of integrated circuits
United Foundry Service, Inc.	1996.7.29	488 DeGuigne Drive Sunnyvale, CA 94086, USA	67 (USD 2,005)	Supervising and monitoring group projects
UMC Capital Corporation	2001.1.16	P.O. Box 1034GT, Grand Cayman, Cayman Islands	1,839,585 (USD 55,000,000)	Investment holding
UMC Capital (USA)	2001.2.13	488 DeGuigne Drive Sunnyvale, CA 94086, USA	7 (USD 200)	Investment holding
UMCi Ltd.	2001.1.18	3 Pasir Ris Drive 12 Singapore 519528	29,434 (USD 880,007)	Sales and manufacturing of integrated circuits
United Microelectronics Corp. (Samoa)	2000.10.12	Offshore Chambers, PO Box 217, Apia, Samoa	23,413 (USD 700,000)	Investment holding
United Microelectronics (Europe) B.V.	1989.5.23	Hogehilweg 19, 1101 CB, Amsterdam, The Netherlands	129,617 (USD 3,875,309)	IC sales
United Microdisplay Optronics Corporation	2002.9.11	2F, 3, Li-Hsin 2nd Rd., Hsinchu Science Park, Taiwan 300, R.O.C.	1,250,000	Sales and manufacturing of LCOS
Silicon Integrated Systems Corp.	1987.8.26	16, Creation 1st Rd., Hsinchu Science Park, Taiwan 300, R.O.C.	13,559,107	Sales and manufacturing of integrated circuits

Note USD:NTD = 1:33.447; JPY:NTD = 1:0.3093

None.

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

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

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

Directors, Supervisors and Presidents of Affiliated Enterprises

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
Fortune Venture Capital Corporation	Chairman	United Microelectronics Corporation Representative: Robert H.C. Tsao	299,994,000 –	99.99
	Director	United Microelectronics Corporation Representative: John Hsuan	299,994,000	99.99
	Director	United Microelectronics Corporation	299,994,000	99.99
	Director	Representative: Stan Hung	299,994,000	99.99
	Director	United Microelectronics Corporation	299,994,000	99.99
	Director	Representative: Duen-Chian Cheng	233,334,000	,,,,,, _
	Director	United Microelectronics Corporation	299,994,000	99.99
	Director	Representative: Bellona Chen	233,334,000	,,,,,, _
	Supervisor	United Microelectronics Corporation	299,994,000	99.99
	Supervisor	Representative: Tzyy-Jang Tseng	233,334,000	99.99
	President	Duen-Chian Cheng	_	_
Hsun Chieh Investment Co., Ltd.	Chairman	United Microelectronics Corporation	1,417,294,000	99.97
risan emen investment co., Lea.	Chamman	Representative: Robert H.C. Tsao	-	-
	Director	United Microelectronics Corporation	1,417,294,000	99.97
	Director	Representative: John Hsuan	-	-
	Director	United Microelectronics Corporation	1,417,294,000	99.97
	2.1100001	Representative: Stan Hung	-	_
	Supervisor	United Microelectronics Corporation	1,417,294,000	99.97
		Representative: Frieda Shih		_
Unitruth Investment Co.	Chairman	Hsun Chieh Investment Co., Ltd.	10,000,000	100.00
		Representative: Robert H.C. Tsao	· · ·	_
	Director	Hsun Chieh Investment Co., Ltd.	10,000,000	100.00
		Representative: Stan Hung	_	_
	Director	Hsun Chieh Investment Co., Ltd.	10,000,000	100.00
		Representative: Duen-Chian Cheng	_	_
	Supervisor	Hsun Chieh Investment Co., Ltd.	10,000,000	100.00
	·	Representative: Bellona Chen	-	-
UMC Group (USA)	Director	Peter J. Courture	-	-
	Director	Tony Yu	-	-
UMC Japan	Chairman	Robert H.C. Tsao	-	-
	Director and President	Hong-Jen Wu	-	-
	Director	John Hsuan	-	-
	Director	Noriaki Kanou	4	0.00
	Director	Edie Chen	-	-
	Director	Oliver Chang	-	-
	Director	Toshiji Sugawara	920	0.09
	Director	Masahide Tanihira	11	0.00
	Supervisor	Minetaka Suzuki	70	0.01
	Supervisor	Eiichi Arakawa	172	0.02
	Supervisor	Grace Li	-	-
United Foundry Service, Inc.	Director and President	Peter J. Courture	-	-
UMC Capital Corporation	Director	United Microelectronics Corporation	55,000,000	100.00
		Representative: Robert H.C. Tsao	-	_
UMC Capital (USA)	Director and President	Peter J. Courture	-	-
	Director	Stan Hung	-	-
UMCi Ltd.	Chairman	Robert H.C. Tsao	-	-
	Director	Jackson Hu	-	-
	Director and President	Peter Chang	-	-
	Director	Chris Chi	-	-
	Director	Liow Voon Kheong	_	_
United Microelectronics Corp. (Samoa)	Director	United Microelectronics Corporation	700,000	100.00
		Representative: Stan Hung	_	

Continued on next page

Name of Corporation	Title Name or Representative		Sha	Shareholding	
(Continued from previous page)			Shares	%	
United Microelectronics (Europe) B.V.	Director	Robert H.C. Tsao	-	_	
	Director	John Hsuan	-	-	
United Microdisplay Optronics Corporation	Chairman	United Microelectronics Corporation	104,345,300	83.48	
		Representative: John Hsuan	-	-	
	Director	United Microelectronics Corporation	104,345,300	83.48	
		Representative: Robert H.C. Tsao	-	-	
	Director	United Microelectronics Corporation	104,345,300	83.48	
		Representative: Stan Hung	-	-	
	Supervisor	United Microelectronics Corporation	104,345,300	83.48	
		Representative: Duen-Chian Cheng	-	-	
	President	Jen-Jiang Lee	1,122,750	0.90	
Silicon Integrated Systems Corp.	Chairman	United Microelectronics Corporation	219,091,990	16.16	
		Representative: John Hsuan	-	-	
	Director	United Microelectronics Corporation	219,091,990	16.16	
		Representative: Michael Chen	50,000	0.00	
	Director	United Microelectronics Corporation	219,091,990	16.16	
		Representative: Daniel Chen	-	-	
	Director	United Microelectronics Corporation	219,091,990	16.16	
		Representative: Louis Chien	30,000	0.00	
	Director	Lanching Investment Ltd.	502,148	0.04	
		Representative: Chi-Chuan Huang	168,150	0.00	
	Director	Ming-Chi Hwang	605,134	0.04	
	Director	Hsin-Shen Liu	16,610,557	1.23	
	Supervisor	Pinh-Ping Chang Chao	2,109,392	0.16	
	Supervisor	United Microelectronics Corporation	219,091,990	16.16	
		Representative: Chun Kuan	-	-	
	President	Daniel Chen	-	_	

Summarized Operation Results of Affiliated Enterprises

In thousand NTD

Name of Corporation	Capital	Total Assets	Total Liabilities	Net Worth	Net Operating Revenues	Operating Income (Loss)	Net Income (Loss)	Earnings (Loss) Per Share (NTD)
Fortune Venture Capital Corporation	3,000,000	2,545,030	1,016	2,544,014	776,853	78,077	81,119	0.27
Hsun Chieh Investment Co., Ltd.	14,177,110	21,285,732	66,693	21,219,039	2,161,660	30,397	20,614	0.01
UMC Group (USA)	550	6,645,986	5,865,798	780,188	54,897,396	328,047	346,066	21.05
UMC Japan	8,394,460	36,561,063	17,648,538	18,912,525	11,182,570	5,834	(238,351)	(240.05)
United Foundry Service, Inc.	67	117,252	7,414	109,838	200,104	13,102	15,638	7.80
UMC Capital Corporation	1,839,585	1,388,723	3,375	1,385,348	94,638	(367,466)	(367,466)	(8.65)
UMCi Ltd.	29,434	49,528,557	25,055,429	24,473,128	3,403,497	(3,641,994)	(3,356,684)	(3.83)
United Microelectronics Corp. (Samoa)	23,413	6,188	-	6,188	-	(1,170)	(1,170)	(1.67)
United Microelectronics (Europe) B.V.	129,617	2,307,151	2,014,052	293,099	19,232,904	104,878	66,953	7,439.27
United Microdisplay Optronics Corp.	1,250,000	705,528	176,494	529,034	339,057	(222,731)	(260,649)	(2.09)
Silicon Integrated Systems Corp.	13,559,107	18,834,542	3,089,242	15,745,300	10,647,600	28,651	(1,997,176)	(1.50)
Unitruth Investment Corp.	100,000	100,146	31	100,115	279	115	115	0.01
UMC Capital (USA)	7	11,284	1,333	9,951	39,120	1,863	1,271	5.85

Note USD:NTD = 1:33.447; JPY:NTD = 1:0.3093

SPECIAL DISCLOSURES

- 181 STATUS OF INTERNAL CONTROL
- 182 Acquisition or Disposal of UMC Shares
 BY Subsidiaries
- 183 MAJOR RESOLUTIONS OF THE SHAREHOLDERS' MEETING AND THE BOARD OF DIRECTORS' MEETINGS

STATUS OF INTERNAL CONTROL

STATEMENT OF INTERNAL CONTROL

The self-assessment of UMC's internal control was conducted for the year ended December 31, 2004 based on UMC's internal control system. The results are described as follows:

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

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

- the Standards, such as: (1) Control Environment, (2) Risk Assessments, (3) Control Activities, (4) Information and Communication, and (5) Monitoring. Each component consists of certain items, which could be referred to the Standards.
- 4. UMC has employed the judgement items mentioned above to evaluate the effectiveness of the design and execution of the internal control system.
- 5. UMC believes that the effectiveness of the design and execution of its internal control system (including subsidiaries) during the above mentioned assessment period provides reasonable assurance of achieving the goals of acknowledging the efficiency and effectiveness of operations, the reliability of financial reports and the compliance with applicable laws and regulations.
- 6. The Statement of Internal Control will be an integral part of UMC's annual report and prospectus that are open to the public, and within which any illegal acts, such as misstatement or concealment, would subject to the legal liabilities of Code 20, Code 32, Code 171 and Code 174 of the Securities Exchange Laws.
- 7. UMC's Board of Directors has approved the Statement of Internal Control (the Statement) on March 17, 2005. 9 directors attended and agreed with the content of the Statement.

Robert H.C. Tsao,

Chairman March 17, 2005 Jackson Hu,

CEO

THE COMPANY WAS NOT REQUIRED TO ENGAGE WITH A CPA TO ATTEST TO THE INTERNAL CONTROL SYSTEM; THEREFORE THERE IS NO CPA AUDIT REPORT ON INTERNAL CONTROL TO BE DISCLOSED FOR 2004.

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, Shares

Subsidiary		Source of Capital	Holding % by the Company	Acquisition or Disposal	Shares Acquired and Amount		Profit / Loss	•	nnual Report Printing Date
				Date		Amount		Shares	Amount
Fortune Venture Capital Corporation	3,000,000	New shares for cash	99.99	2004	1,467,234 (Note 1)	-	-	19,807,661	171,857
				2005	-	-	-	19,807,661	171,857
Hsun Chieh Investment Co., Ltd.	14,177,110	Merger	99.97	2004	40,276,454 (Note 2)	-	-	543,732,129	29,592,654
				2005	-	-	-	543,732,129	29,592,654

Notes (1) 1,467,234 shares were distributed as a dividend in 2004. **(2)** 40,276,454 shares were distributed as a dividend in 2004. **(3)** Data represented for 2005 was gathered up until March 21, 2005. **(4)** None of the above companies pledged UMC shares as collateral. **(5)** The Company did not provide endorsements or guarantees to these subsidiaries. **(6)** The Company did not provide loans to these subsidiaries.

MAJOR RESOLUTIONS OF THE SHAREHOLDERS' MEETING AND THE BOARD OF DIRECTORS' MEETINGS

Major Resolutions of the 2004 Regular Shareholders' Meeting

- All attending shareholders unanimously approved to capitalize NTD 13,335,556,780 from the unappropriated earnings of 2003 and previous years and NTD 661,298,610 from the capital reserve as paid-in capital for the Company's investment and fab expansion plans.
- All attending shareholders unanimously approved the amendment of Articles 12 and 25 of the Articles of Incorporation.

Major Resolutions of the Board of Directors' Meetings

- 1. All attending directors unanimously approved the statement of the Company's internal control in 2003.
- 2. All attending directors unanimously approved the amendment of the statement of the Company's internal control, based on the laws of Securities and Futures Bureau.
- 3. All attending directors unanimously approved the proposition to acquire the subsidiary of Silicon Integrated Systems Corp. SiS Microelectronics Corp., except John Hsuan and Jackson Hu who did not participate in this voting.
- 4. All attending directors unanimously approved the new share issuance for the merger except John Hsuan and Jackson Hu who did not participate in this voting.
- 5. All attending directors unanimously approved the Company's 2003 business report and 2003 financial statement.
- All attending directors unanimously approved the Company's 2003 surplus earnings distribution chart and will forward the approved chart to supervisors and propose it at the Company's shareholders' meeting for its approval.
- 7. All attending directors unanimously approved to capitalize part of the unappropriated earnings of 2003 and previous years as paid-in capital for the Company's investment and fab expansion plans, and will forward the approved plans to supervisors and propose it at the Company's shareholders' meeting for its approval.

- 8. All attending directors unanimously approved the amendment of Article 12 and 25 of the Articles of Incorporation, and will forward the approved amendment to supervisors and propose it at the Company's shareholders' meeting for its approval.
- 9. The Company has resolved to hold its 2004 annual general shareholders' meeting on June 1, 2004.
- 10. All attending directors unanimously approved to launch the seventh round of the share buy-back program on the stock exchange, and to set forth the transfer rules for the treasury shares and to finalize a statement declaring that the program will not affect the maintenance of the Company's capital, and will forward the approved program to supervisors and propose it at the Company's shareholders' meeting for its ratification.
- 11. All attending directors unanimously approved the audited semi-annual financial reports of the first half of 2004.
- 12. All attending directors unanimously approved the voluntary conditional takeover offer to UMCi shareholders (those other than Company shareholders of UMCi) for 47,938,027 shares (5.45% of shares issued) due to the operating requirement. The program will be based on the laws from related countries.
- 13. All attending directors unanimously approved to transfer all or parts of UMCi's business, operation and assets to the Company's Singapore branch based on related laws after finishing the share buyout of UMCi common shares.
- 14. All attending directors unanimously approved to authorize the Company to sponsor the issuance of ADSs for the Company's shareholders Chiao Tung Bank, who has applied for the participation in the sale program.
- 15. All attending directors unanimously approved to authorize the Company to sponsor the issuance of ADSs for the Company's shareholders in accordance with the "Policy for UMC Conversion Sale Program".
- 16. All attending directors unanimously approved to authorize the Company to sponsor the issuance of ADSs for the Company's shareholders who have applied for the participation in the sale program in accordance with the "Policy for UMC Conversion Sale Program".
- 17. All attending directors unanimously approved the Company's 2005 budget plan.

- 18. All attending directors unanimously approved to authorize Chairman Robert H.C. Tsao to assign the representative of the Company of UMCi Ltd., based on the Singapore corporate laws.
- 19. The Chairman submitted his report with regard to the search initiated by investigators, supposedly in accordance with the Securities and Exchange Law and other legislation, for discussion by the directors and supervisors present at the board meeting.

Resolution: After a thorough discussion amongst the board directors and supervisors, and responses to questions proposed by the independent directors and supervisors, there was unanimous agreement that there are no significant facts or reasons to justify this investigation. The Company's business development in Mainland China, including the Company's relationship with Hejian Technology, is related to the Company's business strategy, and the directors fully authorize and support the chairman in handling these affairs in accordance with government legislation and regulations.

- 20. All attending directors unanimously approved to a proposed donation in the amount of NTD 50 million annually to support the educational needs of children of poor families unable to meet these needs by themselves. These donations will be entrusted to charity groups with proven track records, such as World Vision Taiwan and the Taiwan Fund for Children and Families.
- 21. All attending directors unanimously approved the amendment of the Company's Loan Procedure, and will forward the amended Procedure to supervisors and propose the amended Procedure at the Company's shareholders' meeting for its approval.
- 22. All attending directors unanimously approved three Company directors, including Robert H.C. Tsao to serve as a director of other companies that are engaging in the same or similar business as UMC, and will propose the resolution at the Company's shareholders' meeting for its approval.

- 23. All attending directors unanimously approved the Code Of Ethics For Directors, Supervisors And Officers.
- 24. All attending directors unanimously approved the Employee Code Of Conduct.
- 25. All attending directors unanimously approved the Policy and Procedures for Refraining from Insider Trading.
- 26. All attending directors unanimously approved the Audit Committee Charter.
- 27. All attending directors unanimously approved to elect independents directors Mao-Chung Lin, Jack K. C. Wang and Paul S. C. Hsu as members of the Audit Committee, and Paul S. C. Hsu as the chair person of the Audit Committee.
- 28. All attending directors unanimously approved the statement of the Company's internal control in 2004.
- 29. All attending directors unanimously approved the Company's 2004 business report and 2004 financial statement, and will forward the approved chart to supervisors and propose it at the Company's shareholders' meeting for its approval.
- 30. All attending directors unanimously approved the Company's 2004 surplus earnings distribution chart and will forward the approved chart to supervisors and propose it at the Company's shareholders' meeting for its approval.
- 31. All attending directors unanimously approved to capitalize NTD 19,560,219,650, part of the unappropriated earnings for 2004 and previous years as paid-in capital for the Company's investment and fab expansion plans, and will forward the approved plans to supervisors and propose it at the Company's shareholders' meeting for its approval.
- 32. All attending directors unanimously approved the amendment of Article 5, 15, 22 and 25 of the Articles of Incorporation.
- 33. The Company has resolved to hold its 2005 annual general shareholders' meeting on June 13, 2005.

DESCRIPTION OF VIOLATIONS/INFRINGEMENT OF REGULATIONS AND THE COMPANY'S RESPONSE

None.

OTHER NECESSARY SUPPLEMENTS

None.

DISCLOSURES OF EVENTS WHICH MAY HAVE A SIGNIFICANT INFLUENCE ON STOCKHOLDERS' EQUITY OR SHARE PRICE, IN COMPLIANCE WITH ITEM 2, PARAGRAPH 2 IN ARTICLE 36 OF THE SECURITIES AND EXCHANGE LAW OF THE ROC

On February 15th 2005, members of the investigation team of the Hsinchu District Prosecutors Office initiated a search of the offices of the Company. The reason given by the investigators for this search was suspicion that the Company's employees had committed a breach of trust by conveying the profits and intellectual property of the Company to Hejian Technology Corporation (HJTC) in Mainland China, based on information provided by someone. The chairman of the Company subsequently released a public statement to clarify the nature of the relationship between the Company and HJTC, explaining that the Company had delivered assistance to HJTC within the restrictions of Taiwan's government laws and regulations in order to pursue the sustainable growth and long-term benefits of the Company and its shareholders, and that no such breach of trust by conveying the profits and intellectual property of the Company to HJTC had occurred.

HJTC made a verbal indication that, at the proper time, the Company would be compensated appropriately for its assistance in helping HJTC to establish itself as a viable foundry company in China. Furthermore, circumstances permitting, at some time in the future the companies would merge their operations. However, due to the restrictions of Taiwan's government laws and regulations, the Company's assistance was only limited to the area of management support, and did not extend to investment or technology transfers, making it very difficult to quantify the Company's compensation for its help at that time. Furthermore, HJTC had limited financial resources

at the outset, and insisting on the best compensation at that time might have resulted in the Company missing an opportunity for much greater gain at a later date. Therefore, this issue was kept open for future development, with no formal written agreement. However, after consideration of the current situation, the Company decided that the time had come to contact HJTC's representatives to turn the earlier verbal indication into concrete compensation in the form of either cash or equity. Consequently, HJTC agreed to compensate the Company by providing 15% of the outstanding shares from HJTC's holding company as compensation for the Company's past assistance and for continued assistance in the future.

HJTC's holding company has already issued a total of 700 million shares and the subscription price per share is USD 1.1. Therefore, the total market value of the company is estimated at over USD 700 million, with 15% of this figure being worth more than USD 110 million. After commitment from HJTC of the shares provision, the Company filed an official letter (UMC No. 0222) on March 18th to the Investment Commission of the Ministry of Economic Affairs for administrative guidance for the successful transfer of said shares to the Company. The HJTC representative has indicated that they will put the 15% equity stake in escrow or adopt other measures so as to protect the Company's interest. If HJTC distributes shares or cash dividends, the Company's stake in HJTC will increase accordingly.

THE DISCLOSURE ACCORDING TO US SECURITY AUTHORITIES REGULATION

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- 187 AUDIT COMMITTEE
- 187 CORPORATE GOVERNANCE DIFFERENCE
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DISCLOSURE COMMITTEE

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

AUDIT COMMITTEE

UMC Audit Committee was established in March 2005, the purpose of which is to assist the Board of Directors in fulfilling its responsibility relating to accounting and reporting practices of the Company and the quality and integrity of financial reporting of the Company. The Committee shall have the responsibilities regarding the oversight of independent auditors and reviewing internal audits, the annual external audit, and the financial statements.

According to the Audit Committee Charter, the Committee is authorized to conduct or authorize investigations or special audits into any matters within the scope of the Committee's responsibilities. The Committee shall communicate directly with the management, independent auditors and internal auditors respectively, and receive anonymous submissions by employees of the Company regarding concerns related to guestionable accounting or auditing matters.

As of March 2005, there were three members in the Committee; all of them were independent directors of UMC. The Committee shall meet and determine the future meeting frequency and intervals needed to carry out its duties and responsibilities.

THE DISCLOSURE OF THE DIFFERENCES BETWEEN THE UMC'S CORPORATE GOVERNANCE PRACTICES AND THOSE REQUIRED OF DOMESTIC COMPANIES UNDER NYSE LISTING STANDARDS

http://www.umc.com/english/investors/Corp_gov_1_copy.asp

THE DISCLOSURE OF THE UMC CODE OF ETHICS FOR DIRECTORS, SUPERVISORS AND OFFICERS

http://www.umc.com/english/pdf/Code_of_Ethics.pdf

THE DISCLOSURE OF THE UMC EMPLOYEE CODE OF CONDUCT

http://www.umc.com/english/pdf/Code_of_Conduct.pdf

US GAAP FINANCIAL INFORMATION

The Company's complete 2004 US GAAP reconciled financial statements and footnotes will be available in our full annual report, which will be filed with US SEC in the form of Form 20-F on or before June 30, 2005, and be accessible on both US SEC and UMC websites.

CONSOLIDATED BALANCE SHEETS

As of December 31,

Assets		2004	2003
	NTD	USD	NTD
Current assets			
Cash and cash equivalents	101,381,973	3,194,139	118,771,773
Marketable securities, net	3,143,697	99,045	1,820,328
Notes receivable	2,040	64	8,756
Notes receivable - related parties	39,034	1,230	101,753
Accounts receivable, net	11,267,614	354,997	15,079,068
Accounts receivable - related parties, net	2,036,788	64,171	3,285,371
Other receivables	661,623	20,845	708,946
Other financial assets, current	453,845	14,299	2,446,603
Inventories, net	10,012,998	315,470	8,370,165
Prepaid expenses	327,810	10,328	752,697
Deferred income tax assets, current	3,608,968	113,704	2,953,378
Restricted deposits	-	-	21,875
Other current assets	122 026 200	<u> </u>	1,089
Total current assets	132,936,390	4,188,292	154,321,802
Funds and long-term investments	24 205 446	67/ 07/	21 005 026
Long-term investments accounted for under the equity method	21,395,116	674,074	21,905,026
Long-term investments accounted for under the cost method	11,538,899	363,545	16,964,768
Prepaid long-term investments	16,630	524	52,343
Less : Allowance for loss on decline in market value	(238,367)	(7,510)	(62,888
Total funds and long-term investments	32,712,278	1,030,633	38,859,249
Other financial assets, noncurrent	2,562,754	80,742	1,848,530
Property, plant and equipment			4.550.00
Land	1,320,095	41,591	1,560,237
Buildings	21,237,012	669,093	17,721,538
Machinery and equipment	358,364,726	11,290,634	272,927,438
Transportation equipment	89,252	2,812	90,955
Furniture and fixtures	2,638,541	83,130	2,521,756
Leased assets	47,783	1,505	47,783
Leasehold improvements	38,620	1,217	40,848
Total cost	383,736,029	12,089,982	294,910,555
Less : Accumulated depreciation	(223,457,030)	(7,040,234)	(168,200,915
Add : Construction in progress and prepayments	31,745,156	1,000,162	22,846,921
Property, plant and equipment, net	192,024,155	6,049,910	149,556,561
Intangible assets			
Trademarks -	258	8	427
Patents	.		6,956
Goodwill	1,214,956	38,278	-
Technological know-how	213,722	6,734	559,237
Other intangible assets	3,282,770	103,427	9,978
Total intangible assets	4,711,706	148,447	576,598
Other assets			
Deferred charges	2,650,388	83,503	2,472,069
Deferred income tax assets, noncurrent	3,790,903	119,436	4,485,003
Other assets - others	4,916,309	154,893	2,393,991
Total other assets	11,357,600	357,832	9,351,063
Total assets (as reported under ROC GAAP)	376,304,883	11,855,856	354,513,803
US GAAP Adjustments:			
Change in fair value of marketable securities	18,718,179	589,735	32,968,417
Impairment loss on marketable securities	(5,226,282)	(164,659)	(2,176,217
Difference in application of equity accounting	1,458,562	45,953	396,777
Equity investments	2,811,311	88,573	1,844,944
Compensation	182,381	5,746	141,774
Treasury stock	(2,169)	(68)	(3,372
Goodwill	97,753,223	3,079,812	98,593,302
Impairment loss on goodwill	(31,719,607)	(999,357)	-
Income tax effect	412,595	12,999	(81,000
Consolidation of unconsolidated subsidiaries	12,249	386	127,634
Interest rate swaps	(416,149)	(13,111)	(18,882
Credit-linked deposits / repackage bonds	32,642	1,028	52,435
Total assets (as reported under US GAAP)	460,321,818	14,502,893	486,359,615

Notes (1) The USD amounts are presented solely for the convenience of the readers and were translated at the noon buying rate of NTD 31.74 to USD 1.00 in effect on December 31, 2004 at the Federal Reserve, the central bank of the United States. **(2)** Certain comparative amounts have been reclassified to conform to the current year's presentation.

			In thousands
Liabilities and Stockholders' Equity		2004	2003
	NTD	USD	NTD
Liabilities			
Current liabilities Short-term loans	2 006 010	04 106	1 99% 900
	2,986,919 189,497	94,106 5,970	1,884,899 153,892
Notes payable Accounts payable	4,724,287	148,843	5,787,440
Accounts payable - related parties	682,048	21,489	812,849
Income tax payable	241,449	7,607	224,930
Accrued expenses	9,204,536	289,998	5,213,758
Other payables	8,071,379	254,297	7,370,809
Current portion of long-term interest-bearing liabilities	8,261,146	260,275	20,923,327
Other current liabilities	2,237,086	70,482	1,767,910
Total current liabilities	36,598,347	1,153,067	44,139,814
Long-term interest-bearing liabilities			
Bonds payable	43,018,761	1,355,348	58,213,913
Long-term loans	18,269,357	575,595	2,120,533
Total long-term interest-bearing liabilities	61,288,118	1,930,943	60,334,446
Other liabilities			
Accrued pension liabilities	2,713,408	85,489	2,309,892
Deposits-in	19,301	608	5,255
Other liabilities - others	582,956	18,366	413,326
Total other liabilities	3,315,665	104,463	2,728,473
Total liabilities (as reported under ROC GAAP)	101,202,130	3,188,473	107,202,733
US GAAP Adjustments:			
Compensation	28,659	903	12,618
Accrued interest for convertible bonds	989,698	31,181	638,845
Bifurcation of exchangeable feature from exchangeable bonds	(941,332)	(29,658)	854,431
Consolidation of unconsolidated subsidiaries	(5,048)	(159)	127,584
Credit-linked deposits / repackage bonds	79,554	2,507	88,763
Total liabilities (as adjusted under US GAAP)	101,353,661	3,193,247	108,924,974
Minority interests (as reported under ROC GAAP)	8,728,877	275,012	15,078,024
US GAAP Adjustments:			
Interest expense for subsidiary's convertible bonds	(135,983)	(4,284)	(39,856)
Consolidation of unconsolidated subsidiaries	17,297	545	50
Others	63		31
Minority interests (as adjusted under US GAAP)	8,610,254	271,275	15,038,249
Stockholders' equity			
Capital			
Common stock	177,919,819	5,605,540	161,407,435
Capital collected in advance	4,040	127	-
Capital reserve			
Premiums	47,117,227	1,484,475	41,729,589
Change in equities of long-term investments	20,807,013	655,545	21,192,141
Excess from merger	17,008,955	535,884	17,152,454
Retained earnings	40.040.504		
Legal reserve	12,812,501	403,670	11,410,475
Special reserve	90,871	2,863	1,346,994
Unappropriated earnings	29,498,329	929,374	14,036,822
Adjusting items in stockholders' equity	((0, 742)	(42.204)	(00.054)
Unrealized loss on long-term investments	(424,713)	(13,381)	(90,864)
Cumulative translation adjustment	(1,319,452)	(41,571)	913,877
Treasury stock	(37,140,714)	(1,170,155)	(36,865,877)
Total stockholders' equity (as reported under ROC GAAP)	266,373,876	8,392,371	232,233,046
US GAAP Adjustments:	452 722	/ 0/2	120 156
Compensation Facility in the control of the control	153,722	4,843	129,156
Equity investments	1,462,133	46,066	474,399
Change in fair value of marketable securities	18,718,179	589,735	32,968,417
Difference in application of equity accounting	1,458,562	45,953	396,777
Impairment loss on marketable securities	(5,226,282)	(164,659)	(2,176,217)
Treasury stock	(2,169)	(68)	(3,372)
Adjustments due to change in interest of investee companies Convertible / Exchangeable bonds	1,527,584	48,128 (15,226)	1,652,828 (1,310,203)
Embedded derivatives in exchangeable bonds	(483,280)	(15,226)	
	717,730	22,613	(100,229)
Goodwill Impairment loss on goodwill	97,427,921 (31,710,607)	3,069,563	98,268,000
Impairment loss on goodwill Income tax offect	(31,719,607)	(999,358)	(81,000)
Income tax effect Interest rate swaps	412,595 (416,140)	12,999 (13,111)	(81,000)
Interest rate swaps Credit-linked deposits / repackage bonds	(416,149) (46,912)	(13,111) (1,478)	(18,882) (36,328)
Total stockholders' equity (as reported under US GAAP)	350,357,903	11,038,371	362,396,392
Total liabilities and stockholders' equity (as reported under US GAAP)	460,321,818	14,502,893	486,359,615
Total traditions and stockholders equity (as reported under 03 GAAF)	400,321,616	14,302,093	400,339,015

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, In thousands

ror the years ended December 31,		2007	In thousands
Contents	NTD	USD	2003 NTD
Operating revenues			5
Sales revenues	126,837,616	3,996,144	93,695,738
Less : Sales returns and discounts	(1,486,938)	(46,847)	(1,009,836)
Net Sales	125,350,678	3,949,297	92,685,902
Other operating revenues	3,840,062	120,985	3,017,830
Net operating revenues	129,190,740	4,070,282	95,703,732
Operating costs			
Cost of goods sold	(89,455,182)	(2,818,374)	(71,363,227)
Other operating costs	(2,892,643)	(91,136)	(2,536,442)
Operating costs	(92,347,825)	(2,909,510)	(73,899,669)
Gross profit	36,842,915	1,160,772	21,804,063
Unrealized intercompany profit	(151,192)	(4,763)	(106,702)
Realized intercompany profit	106,702	3,362	68,558
Net	36,798,425	1,159,371	21,765,919
Operating expenses			
Selling and marketing expenses	(2,775,289)	(87,438)	(2,170,897)
General and administrative expenses	(4,853,119)	(152,903)	(3,996,466)
Research and development expenses	(7,363,620)	(231,998)	(5,858,629)
Subtotal	(14,992,028)	(472,339)	(12,025,992)
Operating income	21,806,397	687,032	9,739,927
Non-operating income			
Interest revenue	1,040,652	32,787	1,141,264
Investment income accounted for under the equity method, net	551,779	17,385	300,724
Dividend income	1,163,438	36,655	837,696
Gain on disposal of property, plant and equipment	139,951	4,409	216,992
Gain on disposal of investments	12,868,569	405,437	6,885,374
Exchange gain, net	· · · · -	· <u>-</u>	256,452
Recovery on decline in market value of marketable securities	_	_	10,806
Other income	635,092	20,009	764,190
Subtotal	16,399,481	516,682	10,413,498
Non-operating expenses			
Interest expense	(1,434,823)	(45,205)	(1,326,155)
Other investment loss	(473,529)	(14,919)	(1,866,454)
Loss on disposal of property, plant and equipment	(230,609)	(7,266)	(170,576)
Exchange loss, net	(928,891)	(29,266)	` -
Loss on decline in market value and obsolescence of inventories	(1,884,466)	(59,372)	(1,443,565)
Financial expenses	(396,909)	(12,505)	(387,916)
Other losses	(1,112,082)	(35,037)	(263,054)
Subtotal	(6,461,309)	(203,570)	(5,457,720)
Income before income tax and minority interests	31,744,569	1,000,144	14,695,705
Income tax expense	(373,800)	(11,777)	(979,469)
Income before minority interests	31,370,769	988,367	13,716,236
Minority interests	472,612	14,890	304,021
Net income (as reported under ROC GAAP)	31,843,381	1,003,257	14,020,257
US GAAP Adjustments:			11,020,237
Compensation	(3,540,050)	(111,533)	(2,914,994)
Equity investments	(771,323)	(24,301)	(531,785)
Change in fair value of marketable securities	(483,461)	(15,232)	504,386
Difference in application of equity accounting	861,303	27,136	464,555
Impairment loss on marketable securities	(3,050,065)	(96,095)	1,477,618
Adjustments due to change in interests of investee companies	(37,966)	(1,196)	(278,721)
Convertible / Exchangeable bonds	(37,900) 226,457	7,135	(725,225)
Embedded derivatives in exchangeable bonds			. 1
Goodwill	817,959 21,206	25,771 668	(1,852,268)
	21,206		_
Impairment loss on goodwill	(31,719,607)	(999,357) 18 018	106 (16
Gain on reacquisition of bonds Income tax effect	600,466	18,918	106,416
Credit-linked deposits / repackage bonds	493,595	15,551	242,000 (36,328)
	(10,585)	(334)	(36,328)
Net income (as reported under US GAAP)	(4,748,690)	(149,612)	10,475,911

Notes (1) The USD amounts are presented solely for the convenience of the readers and were translated at the noon buying rate of NTD 31.74 to USD 1.00 in effect on December 31, 2004 at the Federal Reserve, the central bank of the United States. **(2)** Certain comparative amounts have been reclassified to conform to the current year's presentation.