

AUO CORPORATION 2022 ANNUAL REPORT

-Notice to readers-

This is a translation of the 2022 annual report of AUO Corporation.
The translation is for reference only. If there is any discrepancy
between the English version and Chinese version, the Chinese version
shall prevail.

AUO Corporation 2022 Annual Report

AUO Spokesperson

Name: Benjamin Tseng

Title: Chief Financial Officer

AUO Deputy Spokesperson

Name: Mark Wu

Title: Director of Financial Planning Div.

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Fab L3C(L5): No. 23, Li-Hsin Rd., East Dist., Hsinchu City

Fab Longke: No.228, Longke St./No.288, Longyuan 1st Rd./ No.338, Longyuan 1st Rd./ and
No.338-1, Longyuan 1st Rd., Longtan Dist., Taoyuan City

Fab Longtan: No. 1, Xinhe Road, Longtan Dist., Taoyuan City

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Fab Houli: No.1, Machang Rd., Houli Dist., Taichung City

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CPA: Chi-Lung Yu and Wan-Yuan Yu

Company: KPMG Certificated Public Accountants

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Website: home.kpmg.com/tw

TEL: 02-8101-6666

Offshore secondary exchange and disclosure information available at:

Offshore secondary exchange: U.S. OTC market

Website: www.otcmarkets.com

Company code: AUOTY

Company website: www.auo.com

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Chapter 1 Letter to Shareholders

Dear Shareholders,

Looking back at 2022, the Company's operations faced severe challenges. Demand from the robust stay-at-home economy in the past two years gradually faded. Additionally, war, inflation and rising interest rates led to lackluster end-market demand and this, consolidated with high channel inventory, led to a sudden slump in panel demand from brand customers. As a result, the Company's revenues were NT\$246.79 billion in 2022, a decline of 33.4% year-over-year. The profitability also turned into a loss in 2022 from an all-time high in 2021, with a net loss attributable to owners of the Company of NT\$21.10 billion and a basic loss per share of NT\$2.39. In the face of severe challenges, the Company responded early by actively carrying out cash flow and capital expenditure controls to maintain a stable overall financial structure and accumulate sufficient resources to continue promoting the deployment of the biaxial transformation strategy. At the same time, we also strengthened the operational resilience of the organization to respond to challenges and uncertainties and accelerate the transformation process.

Taking the Energy Business as an example, long-term transformation and adjustments have brought about a growth in revenue in 2022 to NT\$20.9 billion and an operating profit margin of 6.6%, which contributed to revenues and profits while Display Business suffered fluctuation. AUO's accumulated strength from the deployment of biaxial transformation in recent years has gradually shown results. In 2022, AUO's non-panel revenue contributed over 10% of the total. In the future, we will accelerate the transformation by expanding non-panel revenue and increasing profitability, thereby reducing the cyclical impact from panel business on operations and making AUO's operations more stable.

AUO will accelerate the pace of biaxial transformation in the future, and the non-panel business will be the Company's future growth engine. Here is a complete description of the development direction and the specific results accumulated in the past several years:

- Advanced LED display technology:

AUO's LED display business saw an important year of development in 2022 as the Company released a range of applications with LED backlights, as well as large-size LED displays, and high-end Micro LED transparent displays. In terms of LED display technology development, LED display controllers were also independently developed while improved display effects were obtained through AUO's display calibration technology. AUO's LED displays also incorporate A.R.T.¹ technology to create a clear distinction from traditional LED displays. In addition, AUO is actively integrating the LED-related R&D and production capabilities within the ecosystem of the

¹ Advanced Reflection Technology

Group companies, including those of Ennostar², Raydium³, and PlayNitride⁴. We look forward to comprehensive future synergies as we combine them with AUO's own accumulated foundation in panel technology.

With respect to marketing, AUO has developed products in collaboration with the Company's ecosystem partners. In addition to using LEDs to create the ultimate immersive smart studio, which makes the production process of the film and television industry more digitalized and efficient, we have also developed a spherical flight simulator and offered immersive games that gained quite positive market feedback and opened the way for application business opportunities in the Metaverse. In the commercial space and educational applications, AUO also provides high-quality LED displays in classrooms and conference rooms.

- Smart mobility

AUO's smart mobility deployment is centered on display technology, integrating and developing “vehicle-road-cloud” related display solutions. AUO currently stands as one of the world's top three automotive panel suppliers, mainly providing LCD display modules for passenger cars. In addition to offering integrated multi-screen all-in-one solutions in the future, we will also incorporate other automotive components such as lenses, touch panels, and mechanical components to gradually develop into FIDM+ (Fully Integrated Display Module Plus).

Regarding display technology development, AUO has introduced the current LCD panel into AmLED technology while also enlarging it to include touch technology to meet the needs of next-generation in-vehicle entertainment. In terms of future product planning, AUO will fully introduce Micro LED into the smart cockpit in multiple forms such as rollable, stretchable, and transparent applications. Meanwhile, as self-driving automobiles become a reality, we will create space that is more in line with daily needs using free-form display technology. We will also work with our customers to speed up commercialization of Micro LED free-form displays.

In smart mobility field applications, AUO has mobilized internal Group resources and teamed up with partners like Darwin⁵, ADLINK⁶, SINTRONES⁷, and CAROTA⁸. Together, we synchronize developing commercial fleet cockpit solutions (vehicle + cloud), charging stations, and solutions for various mobility applications. We will create more business opportunities in the field of smart mobility through such complementary cooperation.

2 Ennostar Inc.

3 Raydium Semiconductor Corporation

4 PlayNitride Inc.

5 Darwin Precisions Corporation

6 ADLINK Technology Inc.

7 SINTRONES Technology Corp.

8 CAROTA Corporation

- Smart healthcare

AUO Display Plus⁹, a subsidiary of AUO, focuses on medical field demand and smart healthcare trends with stable, reliable, high-quality, and high-efficiency comprehensive smart healthcare display solutions. Our focus is on smart operating rooms, detection and diagnosis, and integrated management of medical information. We shall expand 3D medical imaging and solutions such as telemedicine to actively assist medical staff in achieving accurate diagnosis and treatment. In 2022, AUO Display Plus won the appreciation of many customers in multiple exhibition venues and even won the Enterprise Innovation Award in the Smart Healthcare and Health Technology category of the 19th National Innovation Award. This was in recognition of our Wide-Viewing Angle 3D Medical Display, which demonstrated the innovation and value of AUO's technology and products.

Since medical field applications are very specialized and fragmented, while product certification and quality requirements are quite strict, AUO Display Plus operates in the medical field by combining the in-depth cultivation of experts in the field to bring forth its own display technology differentiation. We also complement and co-create with key partners to expand our fields and visibility, while working together to create more stable, safe, and efficient medical products and solutions. In 2022, AUO Display Plus was joined by several partners in the medical ecosystem to jointly demonstrate a number of innovative application solutions and medical display products in different fields. With partners including ADLINK, Cypress¹⁰, iMedtac¹¹, and many others, we offered solutions and products such as 3D medical imaging, smart operating rooms, detection and diagnosis, and telemedicine. In the future, these solutions will be introduced to the global market.

- Smart retail

AUO's smart retail development focus is to utilize digital technology software and hardware integration to assist physical retail locations in improving store sales. We carry out value-added transformation of products and services based on top of the business models of our subsidiaries ComQi¹² and Space Money¹³.

ComQi takes existing content management service (CMS) as its core, and in the future will integrate the service into display screen hardware in the retail field (e.g., signage, kiosk, ESL, and EV charging). In doing so, it shall leverage AUO's strengths in hardware manufacturing to collaboratively develop related products and generate digital advertising marketing content, thereby creating greater spatial effects for customers in the field.

⁹ AUO Display Plus Corporation

¹⁰ Cypress Technology Co., Ltd.

¹¹ iMedtac Co., Ltd.

¹² ComQi Inc.

¹³ Space Money Inc.

In 2022, Space Money undertook the deployment of an efficient cloud-based digital content public broadcast management system (WMS) for 4,000 stores under Taiwan's second largest convenience store operator. The customer could provide more consumer-centric services through all-channel integration of offline experiences with an online shopping guide. In the meantime, it also created considerable advertising benefits for advertisers. In the long term, Space Money will also develop the business model of a Digital Out of Home (DOOH) digital advertising push platform in the retail field, anticipating more diversified services and more stable income.

- Smart education and entertainment

In smart education and enterprise application development, AUO mainly provides display screen software and hardware solutions through AUO Display Plus while simultaneously cooperating with global ecosystem partners in a range of application fields to create business opportunities. In 2022, AUO Display Plus saw the overseas deployment of education display solutions by Jector¹⁴, a subsidiary of AUO Display Plus. Beyond this, AUO Display Plus also invested in Rise Vision¹⁵, a smart education content management system service provider in the United States. Such moves enhanced the completeness of AUO Display Plus's smart education solutions. Meanwhile, for enterprise users, AUO Display Plus also introduced the Smart Pod Solution (a solution to create dedicated independent work and meeting spaces for business people in public places or office areas) and began selling it in key locations around the world. In the future, AUO Display Plus will continue to uphold the spirit of complementary cooperation and co-creation, and work with ecosystem partners to develop solutions that align with their values.

- Smart manufacturing

In smart manufacturing, AUO through its subsidiary, AUO Digitech¹⁶, as a solution provider to assist in the industrial automation and intelligent upgrading of different industries and to provide one-stop services. Following its accumulated experiences in different industries, AUO Digitech further-advanced its business model in 2022. For example, AUO Digitech teamed up with Microsoft Azure to strengthen its flexibility in the development of various AI models and the utilization of resources through the Microsoft Azure service platform. It also sells its own smart manufacturing products globally through Azure. In terms of future development strategy, AUO Digitech's business model will also gradually transform from the existing on-premises solution to a platform service model that includes co-creation with ecosystem partners, thereby facilitating further improvements in the conversion efficiency of operating resources.

¹⁴ Jector Digital Corporation

¹⁵ RiseVision Incorporated, RiseVision USA Inc.

¹⁶ AUO Digitech Taiwan Inc.

Becoming an outstanding sustainable enterprise has always been the Company's core goal. AUO has linked SDGs to 2025 CSR targets, thereby allowing ESG to develop in a balanced way. In 2022, AUO became a member of the RE100 global renewable energy initiative organization. Simultaneously, we were the first company in the global display manufacturing industry to commit to full use of renewable energy by 2050. In line with global carbon reduction trends, AUO has reduced carbon emission gradually and targets towards a 2050 net zero goal in line with the world renowned Science-Based Targets (SBT). Furthermore, we call on our supply chain to work together on core capability of power savings, which is critical to carbon emission to achieve the goal of reducing carbon emissions by 20% by 2030. At the same time, we will work with brand customers to develop a circular economy opportunities as we continue increasing the proportion of recycled materials used and develop low energy consumption products to meet the needs of green brand customers. Elsewhere, in regard to the promotion of corporate sustainability in 2022, AUO has been selected as a constituent company of the Dow Jones Sustainability World Index for the 13th consecutive year and has earned an MSCI ESG Rating of "A" and a CDP evaluation leadership level ranking. Furthermore, the Company continues to place in the top 5% of corporate governance evaluations by the Taiwan Stock Exchange Corporation. In terms of ESG appraisal, AUO has also demonstrated many outstanding performances and won several honors including recognition among "The Most Prestigious Sustainability Awards-Top Ten Domestic Corporate" by the Taiwan Corporate Sustainability Awards; earning a National Enterprise Environmental Protection Award; and was listed in the Bloomberg Gender-Equality Index.

Looking ahead to 2023, most economic forecasts point to very low growth or even recession. This indicates that the industry still faces many challenges and variables. In the future, the Company will focus on investing in the acceleration of our biaxial transformation and on value creation in our core competitiveness of display technology. Furthermore, we shall integrate the ecosystem we have built over the past few years and leverage the power of Group cooperation so that AUO is no longer seen only as a panel manufacturer by the market. Rather, we shall stand out as a provider of smart field solutions. In addition to enabling the Company to operate more steadily and sustainably, this shall also create greater value for shareholders.

Chairman and Group CSO¹⁷



CEO and President¹⁷



Chief Financial Officer and
Chief Accounting Officer



¹⁷ On 23 February 2023, the Board of Directors of the Company approved the appointment of Mr. Shuang-Lang (Paul) Peng as the Group CSO and Frank Ko as the CEO and President with effect from 1 March 2023. The positions of the managers in this annual report are expressed in the titles of the new personnel plan mentioned above.

Chapter 2 Company Profile

(I) Date of Incorporation: August 12, 1996

(II) Company History:

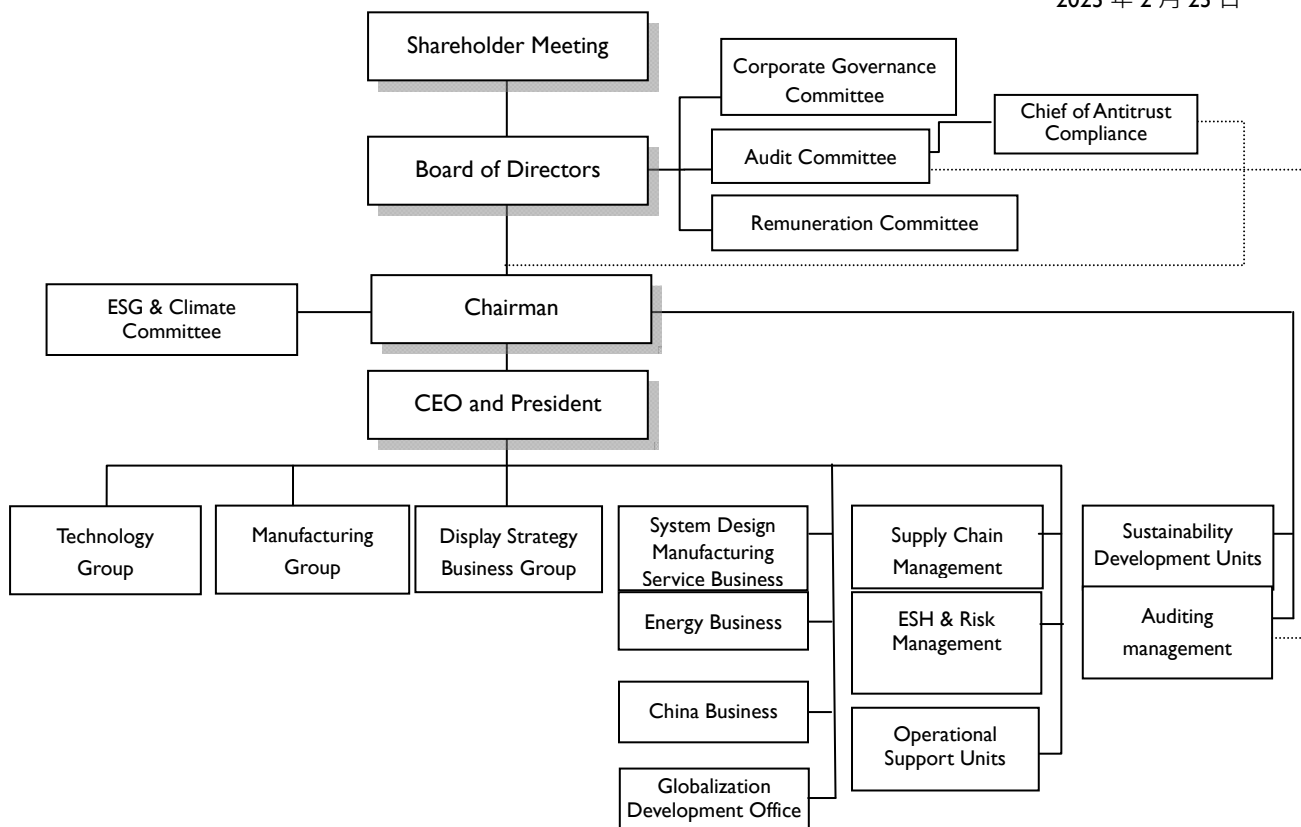
Aug 1996	Acer Display Technology (ADT) was established. The Company specialized in the development and manufacturing of key components and systems of flat display panels.
Apr 1999	Taiwan's first G3.5 TFT-LCD production line was completed and made a successful pilot run.
Sep 2000	ADT began initial public offering (IPO) on the Taiwan Stock Exchange (TWSE).
Feb 2001	Taiwan's first G4 TFT-LCD fab began mass production.
May 2001	ADT announced the merger with Unipac Optoelectronics Corporation and was renamed AU Optronics Corporation (AUO)
Sep 2001	Merged with Unipac Optoelectronics Corporation.
May 2002	Listed on the New York Stock Exchange (NYSE) under the code AUO.
Jul 2002	AUO Suzhou module plant began mass production, leading the industry's entry into the China market.
Dec 2002	Taiwan 1st G5 TFT-LCD production line pilot run.
Jan 2005	First 32" LCD TV panel produced at G6 fab successfully lit up.
Jul 2006	First 42" LCD TV panel produced at G7.5 fab successfully lit up.
Oct 2006	Merged with Quanta Display Inc. (QDI)
Sep 2007	AUO Xiamen module plant began mass production.
Dec 2008	First 46" LCD TV panel produced at G8.5 fab successfully lit up.
Jun 2009	Co-invested in module plant with Sichuan Changhong Electric Co., Ltd.
May 2010	Co-invested in solar cell plant with US-based SunPower Technology.
Jul 2010	Acquired 100% ownership of AFPD Pte., Ltd., subsidiary of Toshiba Mobile Display in Singapore.
Dec 2010	Subsidiary Darwin Precisions Corporation was authorized for IPO at the Taiwan Stock Exchange.
Jun 2011	AUO Slovakia module plant began mass production.
Sep 2011	Subsidiary Darwin Precisions Corporation was merged with subsidiary Briview Corporation. Darwin Precisions Corporation, the remaining Company after the merger, was renamed Briview.
Apr 2014	Founding Star River Energy Corporation to create an investment platform for solar power plants.
Oct 2014	Subsidiary Briview was merged with Forhouse Corp. Briview, the remaining Company after the merger, was renamed Darwin Precisions Corporation.
Dec 2015	AUO's Lungtan fab has completed Taiwan's first locally designed and integrated process water full-recycling system.
Oct 2016	Subsidiary Taiwan CFI Co., Ltd. (CFI) was merged with AUO, the remaining Company after the merger. The original site of CFI was rebuilt to AUO Kaohsiung Plant and AUO Tainan Plant.
Nov 2016	AUO Kunshan G6 LTPS LCD fab announced its grand opening with successful mass production.
Aug 2017	Established Global Research Center (GRC).
Mar 2018	Acquired 100% ownership of ComQi, a content management service company.
Feb 2019	Entered into share conversion with subsidiary AUO Crystal Corp.; 100% of AUO Crystal's shares have been acquired by AU Optronics.
Oct 2019	The Company voluntarily applied for delisting U.S. depositary receipts from the New York Stock Exchange and transferring them to the U.S. OTC market under the code of AUOTY.
Feb 2020	Publicly acquired about 19.45% ownership of ADLINK Technology Inc.
Jan 2021	General Display and Public Information Display businesses were demerged to AUO Display Plus, an entity wholly owned by AUO.
Dec 2021	Acquiring 49% equity of AU Optronics (Kunshan) Co., Ltd. (AUOKS) from the other party, AUO owned 100% ownership of AUOKS
Jun 2022	The Company rename from AU Optronics Corp. to AUO Corporation.
Sep 2022	AUO establish "AUO Research Center" at Asia New Bay Area to enhance the development of biaxial transformation strategy.
Dec 2022	The Company has been selected as a component of DJSI Dow Jones World Sustainability Index for 13 consecutive years

Chapter 3 Corporate Governance

I. Organization

(I) Organizational Structure

2023 年 2 月 23 日



(2) Business operated by major departments

Department Name	Business
ESG & Climate Committee	Establish a strategic corporate sustainable development plan that is in line with international trends. With net-zero carbon emissions as our core goal, we will develop proactive mitigation and adaptation actions to meet stakeholders' expectations for corporate governance, environmental protection and social care.
Technology Group	The R&D of advanced display technologies, design, and development of new products.
Manufacturing Group	The planning and management of display manufacturing process, raw materials and finished products.
Display Strategy Business Group	The management of TV, information, mobile devices, automotive and other display business departments, including product planning, marketing, businesses and customer service, and provision of a full range of smart solutions.
System Design Manufacturing Service Business	The provision of a full range of smart systems, integrated solutions and marketing services for retail, mobility, industrial and commercial spaces.
Energy Business	The provision of high-efficiency solar modules, all-round solar power plant service, and highly integrated service platform concerning energy management & service.
China Business	The management of the regional market development, customer development and technical services of and for the display business in mainland China.
Globalization Development Office	The management of the regional market development, customer development and technical services of and for the display business of overseas companies.
Supply Chain Management	The management of procurement, export and import affairs.
ESH & Risk Management	Planning for environmental safety, health and operating risk management.
Sustainability Development Units	Sustainable Development and New Business Investment.
Operational Support Units	Finance, Legal, Human Resource, Digital Technology, Quality Management, Corporate Strategic Planning, etc.
Chief Consultant of Antitrust Compliance	To ensure compliance with domestic and international antitrust laws by the Company; assess, mitigate and provide strategic advices on a variety of antitrust related risk.
Auditing management	The management and supervision of internal audit and operating procedures.

II. Documents of directors, president, vice presidents, associate vice presidents, and managers of each department and division

(I) Director Information

February 23, 2023; Unit of shares: 1,000 shares

Job title	Nationality or Place of Registration	Name	Gender Age	Date Elected (Appointed)	Term of Service	Date First Elected	Shares held when elected		Current Number of Shares Held (Note 1)		Shares Held By Spouse and Minor Children (Note 1)		Primary work or academic experiences	Position concurrently held in the Company and other companies (Note 2)
							No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)		
Chairman	ROC	Shuang-Lang (Paul) Peng	Male 60-69	2022.06.17	3 years	2010.06.18	7,443	0.08	6,955	0.09	969	0.01	- M.B.A., Heriot-Watt University, U.K. - President, AUO Corporation	- Group CSO, AUO Corp. (Note 4) - Vice Chairman, Ennosar Inc. - Director, Qisda Corp.
Director	ROC	AUO Foundation (Note 3)	-	2022.06.17	3 years	2019.06.14	312	0.00	250	0.00	-	-	-	-
	ROC	Representative: Frank Ko	Male 50-59	2022.06.17	-	-	-	-	1,556	0.02	-	-	- PhD in Optoelectronics (Science), National Chiao Tung University - Chairman and CEO, E Ink Holdings Inc. - Vice President, Strategic Development Office, AUO Corporation - Vice President, TV Display Business Group, AUO Corporation	- CEO and President, AUO Corp. (Note 4) - Director, Darwin Precisions Corp. - Director, ADLINK Technology Inc.
Director	ROC	Ming Hua Investment Company Limited (Note 3)	-	2022.06.17	3 years	2022.06.17	9,969	0.10	7,975	0.10	-	-	-	-
	ROC	Representative: Chuang-Chuang Tsai	Female 70-79	2022.06.17	-	-	-	-	-	-	-	-	- Ph.D. in Physics, University of Chicago - President, E Ink Holdings Inc. - CTO, E Ink Holdings Inc. - Independent Director, Bank Sinopac - Professor, Department of Photonics and Display Institute, National Yang Ming Chiao Tung University - Senior Vice President, Quanta Display Inc.	- Director, E Ink Holdings Inc.
Director	ROC	Qisda Corporation (Note 3)	-	2022.06.17	3 years	2022.06.17	663,599	6.90	530,879	6.90	-	-	-	-
	ROC	Representative: Han-Chou (Joe) Huang	Male 60-69	2022.06.17	-	-	-	-	-	-	5	0.00	- EMBA, Tsing Hua University in Beijing - MBA, Greenwich University - GM of Global Supply Chain, Qisda - COO, BenQ China	- President, Qisda Corp. - Director, Qisda Corp. - Director, Topview Optronics Corp. - Chairman, Data Image Corp. - Chairman, Diva Laboratories, Ltd. - Director, Alpha Networks Inc. - Director, BenQ Foundation

Job title	Nationality or Place of Registration	Name	Gender Age	Date Elected (Appointed)	Term of Service	Date First Elected	Shares held when elected		Current Number of Shares Held (Note 1)		Shares Held By Spouse and Minor Children (Note 1)		Primary work or academic experiences	Position concurrently held in the Company and other companies (Note 2)
							No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)		
Independent Director	ROC	Chin-Bing (Philip) Peng	Male 60-69	2022.06.17	3 years	2013.06.19	97	0.00	77	0.00	-	-	<ul style="list-style-type: none"> - M.B.A, National Chengchi University - Senior Vice President and CFO, ACER Incorporated. 	<ul style="list-style-type: none"> - Independent Director, Apacer Technology Inc. - Director, Wistron Corp. - Director, Wistron NeWeb Corp. - Director, Wistron Information Technology & Services Corp.
Independent Director	ROC	Yen-Hsueh (Sharon) Su	Female 50-59	2022.06.17	3 years	2019.06.14	-	-	-	-	-	-	<ul style="list-style-type: none"> - Master in Industrial Administration of Carnegie Mellon University, U.S.A - Chief Investment Officer, Pegatron Corporation. - Chief Investment Officer, ASUSTEK Computer Inc. - Managing Director, and Head of Asia Technology Hardware Research, UBS 	<ul style="list-style-type: none"> - Independent Director, TXC Corporation - Independent Director, the Esite spectrum Corp. - Independent Non-executive Director, Cowell E Holdings Inc.
Independent Director	ROC	Jang-Lin (John) Chen	Male 60-69	2022.06.17	3 years	2019.06.14	-	-	-	-	-	-	<ul style="list-style-type: none"> - Stanford Executive Program, Stanford University, Graduate School of Business - Ph.D. in Polymer Material, NYU/Polytechnic University, U.S.A - ITRI Fellow, Electronics & Optoelectronics System Research Lab - VP and DTC General Director, Display Technology Center, ITRI - Adjunct Professor, Department of Photonics, National Yang Ming Chiao Tung University - CTO, Kodak LCD Polarizer Films Business - Research Fellow, Eastman Kodak Company 	<ul style="list-style-type: none"> - ITRI Research Fellow, Electronics & Optoelectronics System Research Lab and Industry, Science and Technology International Strategy Center - Executive Supervisor, SID Taipei Chapter - Managing Director, Taiwan Display Material & Devices Association - Vice Chairman, Taiwan Display Union Association - Chair Professor, National Yang Ming Chiao Tung University - Honorary Professor, Department of Engineering and System Science, National Tsing Hua University
Independent Director	ROC	Chiu-Ling Lu	Female 50-59	2022.06.17	3 years	2022.06.17	-	-	-	-	-	-	<ul style="list-style-type: none"> - Ph.D in Finance, University of Connecticut - Master in Finance, Louisiana State University - Master in Quantitative Business Analysis, Louisiana State University - Associate Dean, College of Management, National Taiwan University - Department Chair, Department of International Business, National Taiwan University - Professor, Department of Financial, National Chengchi University 	<ul style="list-style-type: none"> - President, Takming University of Science and Technology - Professor, Department of Finance, Takming University of Science and Technology - Professor, Department of International Business, National Taiwan University - Independent Director, Chen Full International Co., Ltd.

Job title	Nationality or Place of Registration	Name	Gender Age	Date Elected (Appointed)	Term of Service	Date First Elected	Shares held when elected		Current Number of Shares Held (Note 1)		Shares Held By Spouse and Minor Children (Note 1)		Primary work or academic experiences	Position concurrently held in the Company and other companies (Note 2)
							No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)		
Independent Director	ROC	Cathy Han	Male 50-59	2022.06.17	3 years	2022.06.17	-	-	-	-	-	-	<ul style="list-style-type: none"> - MBA, University of Connecticut - Executive Vice President, Business Development Department, CDIB Capital Group - Executive Vice President, Corporate Strategy and Planning Department, China Development Industrial Bank - Senior Vice President of Principal Investment Department, China Development Industrial Bank 	<ul style="list-style-type: none"> - Independent Director, Wiywyn Corporation - Independent Director, Apacer Technology Inc. - Independent Director, Macroblock, Inc.

Company shares held by directors in the name of other persons: Director Chin-Bing (Philip) Peng held the Company's shares in the name of other persons in the number of 120 thousand shares, constituting 0.00% of shareholding.

Any Executive, Director, or supervisor who is a spouse or relative within the second degree of kinship: None.

If the chairman, president or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures to be taken accordingly shall be addressed: None.

Note 1: Information as of January 31, 2023.

Note 2: Only concurrent positions in public companies are listed; for the situation where a director concurrently holds a position in an affiliated enterprise of the Company, please refer to the information of the director, supervisor, and general manager of each affiliated enterprise in IX. Special Disclosure of this annual report. (pages 128-132).

Note 3: Major shareholders of corporate shareholders

Name of corporate shareholders	Major Shareholders of the Corporate Shareholders	
	Name	Shareholding ratio (%)
AUO Foundation	AUO Corporation (Note5)	100
	C.C. Leung	66.67
Ming Hua Investment Company Limited (Note6)	Jia-Min Leung	11.11
	Sin-Min Leung	11.11
	Yi-Min Leung	11.11
Qisda Corporation (Note6)	AUO Corporation (Note5)	17.04
	Acer Incorporated (Note7)	4.15
	Konly Venture Corporation (Note7)	2.55
	Taishin International Bank entrusted with the Qisda Corporation Employee Stock Ownership Trust Account	2.08
	Darfon Electronics Corporation (Note7)	2.03
	Polunin Developing Countries Fund, LLC	1.03
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	1.03
	Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	0.96
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.93
	Creo Venture Corporation	0.87

Note 4: On 23 February 2023, the Board of Directors of the Company approved the appointment of Mr. Shuang-Lang (Paul) Peng as the Group CSO and Frank Ko as the CEO and President with effect from 1 March 2023. The positions of the managers in this annual report are expressed in the titles of the new personnel plan mentioned above.

Note 5: If the major shareholder is a Corporate Person, its major shareholder and shareholding ratio: please refer to the list of major shareholders in this annual report (page 63).

Note 6: Source of data of Ming Hua Investment Company Limited is from the Department of Commerce, MOEA; Source of data of Qisda Corporation is the data of the Company's cessation of transfer on April 1, 2022.

Note 7: Major shareholders of the Corporate person.

Name of Corporate Shareholders	Major shareholders of the Corporate Person	
	Name	Shareholding ratio (%)
Acer Incorporated(Note8)	Hung Rouan Investment Corporation	2.42
	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF Fund under the custody of Taishin Bank	1.87
	Fubon Taiwan high dividend 30 ETF	1.42
	Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	1.32
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.23
	Stan Shih	1.15
	Yo-Juang Investment Corporation	1.10
	iShares ESG Aware MSCI EM ETF	0.95
	Acer GDR	0.94
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Universities Superannuation Scheme Limited	0.81
Konly Venture Corporation(Note8)	AUO Corporation (Note5)	100

Name of Corporate Shareholders	Major shareholders of the Corporate Person	
	Name	Shareholding ratio (%)
Darfon Electronics Corporation (Note8)	Qisda Corporation	20.72
	BenQ Corporation	5.01
	Taishin International Bank entrusted with the Darfon Electronocs Corp, Employee Stock Ownership Trust Account	1.79
	Mega International Commercial Bank Co., Ltd.	1.62
	Andy Su	1.45
	Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	1.12
	Chang Hwa Commercial Bank, Ltd.	1.11
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	1.02
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.95
	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	0.93

Note 8: The source of the information of Acer Inc. is the Company's transfer cessation information on April 12, 2022; the source of the information of Konly Venture Corporation is from the Department of Commerce, MOEA; the source of the information of Darfon Electronics Corp. is the Company's transfer cessation information on April 18, 2022.

• Professional qualifications for directors

Shuang-Lang (Paul) Peng

Mr. Peng has been Chairman and CEO of the Company since 2015, and Chairman and Group CSO of the Company since March. 1, 2023. Now, he also acts as a Vice Chairman of Ennostar Inc. and a director of Qisda Corp. With over three decades of experience in the technology industry, he has extensive experience in display industry. Prior to his current position, Mr. Peng was our President from 2012 to 2015, Executive Vice President from 2008 to 2011, Senior Vice President from 2007 to 2008 and Vice President from 1998 to 2007. Mr. Peng is also appointed as the incumbent Chairman of the Taipei Computer Association and the former Chairman of the Taiwan Display Union Association. His steadfast devotion to promoting cross-disciplinary integration and resource sharing across the industry chain. Now, he serves as a member of the Board of Science and Technology, Executive Yuan (BOST), responsible for promoting national digital technology applications and innovation development policies. Mr. Peng holds an MBA from Heriot-Watt University in the U.K. and an honorary degree of Doctor of Business Administration from National Taipei University of Technology.

Frank Ko

Mr. Ko has served as the director and president at the Company since 2019, and CEO and President of the Company since March. 1, 2023. Now, he is a director of Darwin Precisions and ADLINK Technology Inc. Mr. Ko joined the Company in 2000 and has since then worked in various functions, including manufacturing, research and development. From 2005 to 2010, he headed the T.V. Display Business Group. After that, he also served as Vice President of Strategic Development Office, leading the Company's advanced technology and strategic direction. In 2014, he served as Chairman and CEO of E Ink Holdings Inc., creating innovative applications of e-paper in multiple fields, along with many ecosystem partners. Mr. Ko also serves as the incumbent Chairman of the Taiwan Display Union Association and the incumbent Chairman of Smart Display Industrial Alliance. He actively promotes cross-industry and cross-field cooperation in display technology and enhancing Taiwan's global competitiveness. He holds a Ph.D. degree in Photonics from National Chiao Tung University.

Chuang- Chuang Tsai

Ms. Tsai has served as the director at the Company since 2022. Now, she also acts as a director of E Ink Holdings Inc. She own professional technology background. She served as president and CTO of E Ink Holdings Inc., Independent Director of Bank SinoPac, Professor of Department of Photonics and Display Institute of National Yang Ming Chiao Tung University, Senior Vice President of Quanta Display Inc. She own background both management and technology research. She holds a Ph.D. degree in Physics, University of Chicago.

Han-Chou (Joe) Huang

Mr. Huang has been a director of the Company since 2022. Now he also acts as a president and director of Qisda Corp., director of Topview Optronics Corp., Chairman of Data Image Corp., Chairman of Diva Laboratories, Ltd., and Director of BenQ Foundation. He served as Global Supply Chains President of Qisda Corporation, COO of BenQ China. He own abundant industry experience, familiar with industry contacts and emphasis on public welfare. He holds EMBA of Tsinghua University and MBA of University of Greenwich.

Chin-Bing (Philip) Peng

Mr. Peng has been an independent director of the Company since 2013. Concurrently, he acts as the director of Wistron Corp., Wistron NeWeb Corp. and Wistron ITS Corp and independent director and member of auditing committee and remuneration committee of Apacer Corp. Mr. Peng served as the Senior Vice President and Chief Financial Officer of ACER Incorporated from 2001 to 2004. He possesses professional background in technology industry, finance and accounting. Mr. Peng received his master's degree in Business Administration from National ChengChi University.

Yen-Hsueh (Sharon) Su

Ms. Su has been an independent director of the Company since 2019. Concurrently, she acts as independent director and member of audit committee, remuneration committee and investment review committee of TXC Corporation, independent director and member of audit committee and remuneration committee of Eslite Spectrum Corporation and independent non-executive director of Cowell E Holdings Inc., with professional background in technological sector. Ms. Su once served as a managing director, and head of Asia Technology Hardware Research, UBS, chief investment officer of ASUSTEK Computer Inc. and chief Investment officer of Pegatron Corporation, with professional background in financial investment. Ms. Su has a master's degree in Industrial Administration from Carnegie Mellon University in the United States.

Jang-Lin (John) Chen

Dr. Chen has been an independent director of the Company since 2019. Concurrently, he acts as Chair Professor of National Yang Ming Chiao Tung University and Honorary Professor of Department of Engineering and System Science, National Tsing Hua University. He also served as ITRI Research Fellow of Electronics & Optoelectronics System Research Lab and Industry and Science and Technology International Strategy Center, Executive Supervisor of SID Taipei Chapter, managing director of Taiwan Display Material & Devices Association and vice chairman of Taiwan Display Union Association. Prior to his current position, Mr. Chen was once serves as ITRI Fellow of Electronics & Optoelectronics System Research Lab, VP and DTC General Director of Display Technology Center, ITRI, CTO of Kodak LCD Polarizer Films Business and Research Fellow of Eastman Kodak Company. Mr. Chen has a Master degree in Chemistry, National Taiwan University, and PhD in Polymer Material, NYU/Polytechnic University, U.S.A. He also attended Stanford Executive Program, Stanford University, and Graduate School of Business.

Chiu-Ling Lu

Dr. Lu has been an independent director of the Company since 2022. Concurrently, she acts as President and Professor of Department of Banking and Finance, Takming University of Science and Technology, Professor of Department of International Business, National Taiwan University, Independent Director and Member of Remuneration Committee of Chen Full International Co., Ltd., and Director of ESG World Citizens & Digital Governance Foundation. She served as Vice Dean of Department of Management, National Taiwan University, Department Head of Department of International Business, National Taiwan University, Professor of Department of Finance, and National Chengchi University. She has been working in the field of finance for many years and has accumulated rich financial knowledge. Dr. Lu has a Ph.D degree in Finance, University of Connecticut.

Cathy Han

Ms. Han served as the Company director representative of the Company from 1997 to 2000, and has been an independent director of the Company since 2022. Concurrently, she acts as Independent Director and Member of Audit Committee, Remuneration Committee and Corporate Sustainability Committee, Wiyynn Corporation, Independent Director and Member of Audit Committee and Remuneration Committee, Apacer Technology Inc. and Independent Director and Member of Audit Committee and Remuneration Committee, Macroblock, Inc. She own professor background of technology industry, sustainable and risk management. She served as Vice President of Business Development Department, CDIB Capital Group, Vice President of Business Development Department and Senior Vice President of Principal Investment Department, China Development Industrial Bank. She own professor background of financial investment. Ms. Han has a MBA in Corporate Management, University of Connecticut.

• Diversification of Board of Directors

Pursuant to the Company's Corporate Governance Code, the composition of the board of directors should be diversified, except that the number of directors who are also managers of the Company should not exceed one third of the number of directors, and appropriate diversification policies should be formulated according to their own operation, operation mode and development needs, including but not limited to the following two criteria:

1. Basic conditions and values: gender and age, etc.
2. Professional knowledge and skills: professional background, professional skills and industrial experience.

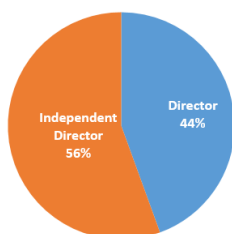
The specific management objectives and achievements of the Company's diversification policy are as follows:

Item	Condition	Progress
Composition of Seats	9 Directors, including 4 Directors and 5 Independence Directors	Achieved
Gender	At least two seats of Directors are females.	Achieved
Term of Service	<ul style="list-style-type: none"> ●The independent directors shall not hold office for more than 3 terms. Could be extended to four times after review by the Corporate Governance Committee. ●More than half of the independent directors serve no more than three terms. ●Directors shall be under the age of 74 at the time of appointment. 	Achieved
Concurrently Situation	<ul style="list-style-type: none"> ●It is advisable that the number of the directors who concurrently serve as the managers of the Company should not exceed one-third of the board seats. ●No independent director may concurrently serve as an independent director of more than three other public companies. ●No Independence Director serve as director(including independence director) or supervisor more than five other TWSE/TPEX listed companies at the same time. 	Achieved
Diverse Professional Skills	Including Technology industry, Technical research, Industrial Innovation, Financial Accounting, Financial investment, Corporate Sustainability	Achieved

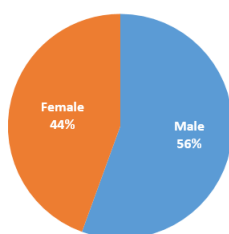
The Company's fulfillment of diversification of members of the Board of Directors in 2022 is as follows:

Name	Title	Gender	Age	Nationality	Seniority of Independent Director			Professional knowledge and skills						Employee Position
					Below 3 years	3-9 years	Exceed 9 years	Technology industry	Technical research	Industrial Innovation	Financial Accounting	Financial investment	Corporate Sustainability	
Shuang-Lang (Paul) Peng	Chairman	Male	60-69	ROC			V	V						V
Frank Ko	Director	Male	50-59	ROC		V		V						V
Chuang- Chuang Tsai	Director	Female	70-79	ROC	V			V	V					
Han-Chou (Joe) Huang	Director	Male	60-69	ROC	V			V		V				
Chin-Bing (Philip) Peng	Independent Director	Male	60-69	ROC			V	V			V	V		
Yen-Hsueh (Sharon) Su	Independent Director	Female	50-59	ROC		V		V			V	V		
Jang-Lin (John) Chen	Independent Director	Male	60-69	ROC		V		V	V	V				
Chiu-Ling Lu	Independent Director	Female	50-59	ROC	V						V	V	V	
Cathy Han	Independent Director	Female	50-59	ROC	V			V			V	V	V	

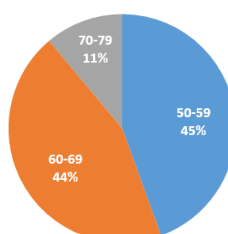
Independence



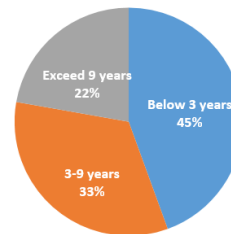
Gender



Age



Years of service of director



- Independence of independent directors**

Of the nine directors of the Company, five are independent directors, accounting for more than half of the total number of seats on the board of directors, all of whom are professionals with rich management practices.

For details of the independence of independent directors and the number of independent directors of other public companies, please refer to the following table:

Name	Independence	Number of other public companies where the Director concurrently serves as an Independent Director	the number and ratio of shares of the Company held by relatives within the second degree of the independent director Unit of shares and ratio: 1,000 shares;%
Chin-Bing (Philip) Peng	All the five independence Directors of the Company in keeping with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies of Financial Supervisory Commission and Article 14-2 of the Securities Exchange Act during the two years before being elected or during the term of office. All the five independence Directors of the Company implement the relevant authority in accordance with Article 14-3 of the Securities Exchange Act.	1	40 0.00
Yen-Hsueh (Sharon) Su		2	-
Jang-Lin (John) Chen		0	-
Chiu-Ling Lu		1	-
Cathy Han		3	-

- Attendance Rate of 10th Board of director and Functional Committee**

Board of director	Audit Committee	Remuneration Committee	Corporate Governance Committee
100%	100%	100%	100%

(II) President, Vice Presidents, Associate Vice Presidents, and Managers of Each Department and Division Information

February 23, 2023

Unit of shares: 1,000 shares

Job title (Note1)	Nationality	Name	Gender	Date of appointment to position	Shares held (Note2)		Shares held by spouse and minor children (Note2)		Principal work experience and academic qualifications	Positions concurrently held in other companies at present(Note3)
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio		
Group CSO (Note4)	ROC	Shuang-Lang (Paul) Peng	Male	2003.03.27	6,955	0.09	969	0.01	- M.B.A., Heriot-Watt University, U.K. - President, AUO Corp.	- Vice Chairman, Ennostar Inc. - Director, Qisda Corp.
CEO and President (Note4)	ROC	Frank Ko	Male	2005.12.01	1,556	0.02	-	-	- Ph.D of Optoelectronics (Science), National Chiao Tung University - Chairman and CEO, E Ink Holdings Inc. - Vice President, Strategic Development Office, AUO Corporation - Vice President, TV Display Business Group, AUO Corporation	- Director, Darwin Precisions Corp. - Director, ADLINK Technology Inc.
Senior Vice President	ROC	Wei-Lung Liau	Male	2010.06.01	2,225	0.03	-	-	- Ph.D. of Applied Chemistry, National Chiao Tung University - Director, Qisda Corp. - Director, Darwin Precisions Corp.	- Director, Daxin Materials Corp. - Director, PlayNitride Inc.
Senior Vice President	ROC	Ting-Li Lin	Male	2016.06.01	1,151	0.01	0	0.00	Master of Applied Chemistry, National Chiao Tung University	-
Senior Vice President	ROC	James CP Chen	Male	2007.10.01	301	0.00	-	-	- Master of Electrical and Control Engineering, National Chiao Tung University - Section Manager at Electronics Research & Service Organization, ITRI	-
Senior Vice President	ROC	CS Hsieh	Male	2012.05.01	2,277	0.03	18	0.00	Master of Electrical Engineering, National Tsing Hua University	-
Senior Vice President	ROC	Amy Ku	Female	2009.11.01	2,186	0.03	-	-	Master of Human Resources Management, National Central University	-
Vice President	ROC	Hong-ye Hong	Male	2008.12.01	583	0.01	146	0.00	- Master of Electrical Engineering, University of Massachusetts, U.S.A. - Director, Daxin Materials Corp.	- Director, Raydium Semiconductor Corporation - Director, SINTRONESTechnology Corp.
Vice President	ROC	TL Tseng	Male	2019.11.01	168	0.00	-	-	- Master of Industrial Engineering, University of Florida - Vice president of the smart solutions business group, Qisda Corp.	-
Vice President	ROC	TY Lin	Male	2015.06.01	783	0.01	0	0.00	- Master of Industrial Engineering, ChungYuan Christian University - Director, BenQ Materials Corp.	-
Vice President	ROC	Tina Wu	Female	2013.11.01	1,014	0.01	-	-	- Master of Industrial Administration, Waseda University	-
Vice President	ROC	Andy Yang	Male	2008.12.01	653	0.01	684	0.01	- Master of Business Administration, George Washington University, U.S.A. - Associate Vice President at ABNAMRO Bank - Director, Lextar Electronics Corporation	-
Vice President	ROC	Benjamin Tseng	Male	2012.09.01	276	0.00	716	0.01	- Master of Business Administration, University of Rochester, U.S.A. - Vice President at ABNAMRO Bank - Director, Daxin Materials Corporation	- Director, Raydium Semiconductor Corporation
Senior Associate Vice President	ROC	Kun-Yu Lin	Male	2005.12.01	361	0.00	383	0.00	- Master of Science in Optoelectronics, National Chiao Tung University	-
Senior Associate Vice President	ROC	Yu-Chieh Lin	Female	2011.05.01	527	0.01	-	-	- Master of Science in Physics, National Central University	-

Job title (Note 1)	Nationality	Name	Gender	Date of appointment to position	Shares held (Note 2)		Shares held by spouse and minor children (Note 2)		Principal work experience and academic qualifications	Positions concurrently held in other companies at present (Note 3)
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio		
Senior Associate Vice President	ROC	Ivan Wu	Male	2010.06.01	1,203	0.02	9	0.00	- Master of Science in Optoelectronics, National Chiao Tung University	-
Senior Associate Vice President	Republic of Korea	SI Jeong	Male	2011.05.01	167	0.00	-	-	- Bachelor's Degree, Korea Aerospace University	-
Associate Vice President	ROC	Center Chen	Male	2020.10.01	305	0.00	-	-	- B.S. of Electrical Engineering, National Central University	-
Associate Vice President	ROC	Debbie Chiu	Female	2020.10.01	267	0.00	-	-	- Master of Chemical Engineering, National Tsing Hua University - Manager, Taiwan Semiconductor Manufacturing Company (TSMC)	-
Associate Vice President	ROC	TL Chen	Male	2010.08.01	72	0.00	-	-	- Master of Asia Pacific Operating Management, The Chinese University of Hong Kong - Associate Vice President, Toppoly Optoelectronics Corp.	-
Associate Vice President	ROC	Jerry Liu	Male	2020.05.01	80	0.00	-	-	- Master of Economics, Feng Chia University	-
Associate Vice President	ROC	Bryan Kuo	Male	2021.04.01	173	0.00	16	0.00	- Master of Psychology, National Chung Cheng University	-
Associate Vice President	ROC	KSTseng	Male	2022.05.01	308	0.00	-	-	- Master of Chemical Engineering, National Taiwan University	-
Associate Vice President	ROC	Kenyj Chen	Male	2022.05.01	209	0.00	48	0.00	- Master of Photonics, National Sun Yat-Sen University	-
Associate Vice President	ROC	CD Lee	Male	2022.05.01	136	0.00	-	-	- Master of Chemical Engineering, National Taiwan University	-
Associate Vice President	ROC	CH Wu	Male	2022.05.01	257	0.00	112	0.00	- B.S. of Electrical Engineering, National Yunlin University of Science and Technology	-
The Company's shares held by managers in the name of other persons: None.										
Any spouse or relative within the second degree of kinship of any manager who serves as the Company's executive: None.										
If the chairman, general manager or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures to be taken accordingly shall be addressed: None.										

Note 1: Those who are in office on the date of publication of the annual report.

Note 2: Information as of January 31, 2023.

Note 3: Only the positions of public companies are listed; please refer to the information of directors, supervisors and general managers of related enterprises in this annual report (pages 128-132).

Note 4: On February 23, 2023, the board of directors of the Company approved the appointment of Mr. Shuang-Lang (Paul) Peng as the group Chief Strategy Officer and Mr. Frank Ko as the Chief Executive Officer and President, with effect from March 1, 2023. The positions of managers related to this annual report are all expressed by the titles of the above-mentioned new personnel cases.

III. Compensation to Directors, Supervisors, President and Vice Presidents in the latest year

(I) Compensation to Directors

Unit: NT\$ thousands; 1,000 shares

Title	Name	Director's Remuneration								Total Amount and Ratio of sum of items A, B, C and D to profit (%) (Note 8)		Compensation earned by a Director who is an employee of Company								Total Amount and Ratio of sum of items A, B, C, D, E, F and G to profit (%) (Note 8)		Compensation from investees other than its subsidiaries or Parent Company (Note 9)
		Compensation (A) (Note 1)		Pension upon retirement (B) (Note2)		Director's remuneration (C) (Note 3)		Business execution Expenses (D) (Note 4)				Salaries, bonuses and special expenses (E) (Note 5)		Pension upon retirement (F) (Note2)		Employee's remuneration (G) (Note 6)						
		AUO	AUO and its subsidiaries (Note 7)	AUO	AUO and its subsidiaries (Note 7)	AUO	AUO and its subsidiaries (Note 7)	AUO	AUO and its subsidiaries (Note 7)	AUO	AUO and its subsidiaries (Note 7)	AUO	AUO and its subsidiaries (Note 7)	AUO	AUO and its subsidiaries (Note 7)	AUO		AUO and its subsidiaries (Note 7)	AUO	AUO and its subsidiaries (Note 7)		
Chairman	Shuang-Lang (Paul) Peng	6,200	6,200	0	0	0	0	3,130	3,130	9,330 (0.04%)	9,330 (0.04%)	96,666	99,666	0	0	0	0	1	0	105,996 (0.50%)	108,997 (0.52%)	130
Corporate Director	AUO Foundation (Note 1)	2,000	2,000	0	0	0	0	0	0	2,000 (0.01%)	2,000 (0.01%)	0	0	0	0	0	0	0	0	2,000 (0.01%)	2,000 (0.01%)	0
Corporate Director Representative	Frank Ko	0	0	0	0	0	0	2,130	2,170	2,130 (0.01%)	2,170 (0.01%)	67,463	69,503	108	108	0	0	0	0	69,701 (0.33%)	71,781 (0.34%)	50
Corporate Director	Ming Hua Investment Company Limited (Note 10)	1,085	1,085	0	0	0	0	0	0	1,085 (0.01%)	1,085 (0.01%)	0	0	0	0	0	0	0	0	1,085 (0.01%)	1,085 (0.01%)	0
Corporate Director Representative	Chuang- Chuang Tsai	0	0	0	0	0	0	70	70	70 (0.00%)	70 (0.00%)	0	0	0	0	0	0	0	0	70 (0.00%)	70 (0.00%)	0
Corporate Director	Qisda Corporation (Note 10)	1,085	1,085	0	0	0	0	0	0	1,085 (0.01%)	1,085 (0.01%)	0	0	0	0	0	0	0	0	1,085 (0.01%)	1,085 (0.01%)	0
Corporate Director Representative	Han-Chou (Joe) Huang	0	0	0	0	0	0	70	70	70 (0.00%)	70 (0.00%)	0	0	0	0	0	0	0	0	70 (0.00%)	70 (0.00%)	33,888
Independent Director	Chin-Bing (Philip) Peng	2,983	2,983	0	0	0	0	140	140	3,123 (0.01%)	3,123 (0.01%)	0	0	0	0	0	0	0	0	3,123 (0.01%)	3,123 (0.01%)	0
Independent Director	Yen-Hsueh Su	3,125	3,125	0	0	0	0	140	140	3,265 (0.02%)	3,265 (0.02%)	0	0	0	0	0	0	0	0	3,265 (0.02%)	3,265 (0.02%)	0
Independent Director	Jang-Lin (John) Chen	2,708	2,708	0	0	0	0	140	140	2,848 (0.01%)	2,848 (0.01%)	0	0	0	0	0	0	0	0	2,848 (0.01%)	2,848 (0.01%)	0
Independent Director	Chiu-Ling Lu(Note 10)	1,391	1,391	0	0	0	0	70	70	1,461 (0.01%)	1,461 (0.01%)	0	0	0	0	0	0	0	0	1,461 (0.01%)	1,461 (0.01%)	0
Independent Director	Cathy Han(Note 10)	1,410	1,410	0	0	0	0	70	70	1,480 (0.01%)	1,480 (0.01%)	0	0	0	0	0	0	0	0	1,480 (0.01%)	1,480 (0.01%)	0
Director	Kuen-Yao (K.Y.) Lee(Note 11)	915	915	0	0	0	0	60	60	975 (0.00%)	975 (0.00%)	0	0	0	0	0	0	0	0	975 (0.00%)	975 (0.00%)	2,063
Independent Director	Mei-Yueh Ho(Note 11)	1,190	1,190	0	0	0	0	80	80	1,270 (0.01%)	1,270 (0.01%)	0	0	0	0	0	0	0	0	1,270 (0.01%)	1,270 (0.01%)	0
Independent Director	Yen-Shiang Shih(Note 11)	1,281	1,281	0	0	0	0	70	70	1,351 (0.01%)	1,351 (0.01%)	0	0	0	0	0	0	0	0	1,351 (0.01%)	1,351 (0.01%)	0

1. Please describe the policy, system, standards and structure of independent directors' remuneration, as well as the connection between the amount of remuneration paid and director's responsibilities, risks, time investment and other factors: the remuneration of the directors of the Company is determined by the board of directors in accordance with the Articles of Incorporation, issued based on the director's participation in the Company's operations and contribution, with reference to both domestic and foreign market standards. If the Company has a profit, the board of directors will determine the amount of directors' remuneration in accordance with the Company's Articles of Incorporation. Independent directors are ex-officio members of the audit committee. In addition to the general remuneration paid to directors, the Company takes into account of each director's individual responsibilities, risks and investment time, and also determines different reasonable remunerations.

2. In addition to the information disclosed in the table above, has any Director provided services to AUO Corp. and its subsidiaries and received compensation for such services (e.g. serving as a consultant that is not an employee): None.

Note 1: It refers to the remuneration of directors in 2022 (including director's salary, position bonus, severance pay, various bonuses, incentives, etc.).

Note 2: It is the pension withdraw/paid in accordance with the law in 2022.

Note 3: It is the remuneration of directors in 2022.

Note 4: It refers to the directors' business execution expenses in 2022 (including the remuneration, travel expenses, special expenses, various allowances, dormitory, car allocation and other in-kind provision as Corporate Person directors or supervisors' representatives appointed by the Company and its subsidiaries).

Note 5: It refers to the salary, post bonus, severance pay, various bonuses, incentives, mobility expenses, special expenses, various allowances, dormitories, car allocation and other in-kind provisions received by directors and part-time employees (including part-time general manager, deputy general manager, other managers and employees) in 2022. Salary expenses recognized in accordance with IFRS2 "Share-based Payment", including acquisition of employee stock option certificates, new shares with restricted employee rights and participation in cash subscription for capital increase, are also included in compensation.

Note 6: Refers to the employee remuneration (including stock and cash) received by a director who concurrently serves as an employee (including the general manager, deputy general manager, other managers and employees) in 2022.

Note 7: The total amount of various emoluments paid to the directors of the Company by all companies (including the Company) in the consolidated report.

Note 8: After-tax net profit refers to the after-tax net profit of individual financial reports prepared in accordance with the International Financial Reporting Standards of the Republic of China in 2022.

Note 9: It refers to the remuneration, compensation (including employees', directors' and supervisors' remuneration) and business execution expenses received by directors as directors, supervisors or managers of reinvested enterprises of subsidiaries or parent companies in 2022.

Note 10: The Company director Qisda Corporation, The Company director Ming Hua Investment Company Limited, the independent director Chiu-Ling Lu and the independent director Cathy Han took office on June 17, 2022, and the remuneration disclosure period is from the date of taking office to December 31, 2022.

Note 11: Director Kuen-Yao (K.Y.) Lee, independent director, Mei-Yueh Ho and independent director, Yen-Shiang Shih were dismissed on June 17, 2022, and the disclosure period of remuneration was from January 1, 2022 to the date of dismissal.

(II) Compensation for President and Vice Presidents

Unit: NT\$ thousands; 1,000 shares

Title (Note 1)	Name	Salary (A) (Note 2)		Pension upon retirement (B) (Note3)		Bonuses and special expenses etc. (C) (Note 4)		Employee's remuneration (D) (Note 5)				Ratio of sum of items A, B, C and D to profit (%) (Note 7)		Compensation from investees other than its subsidiaries or Parent Company (Note 8)
		AUO	AUO and its subsidiaries (Note 6)	AUO	AUO and its subsidiaries (Note 6)	AUO	AUO and its subsidiaries (Note 6)	AUO		AUO and its subsidiaries (Note 6)		AUO	AUO and its subsidiaries (Note 6)	
								Cash	Stock	Cash	Stock			
Group CSO (Note 9)	Shuang-Lang (Paul) Peng	16,277	16,277	0	0	83,389	83,389	0	0	1	0	99,666 (0.47%)	99,667 (0.47%)	130
CEO and President(Note 9)	Frank Ko	10,466	10,466	108	108	58,998	59,038	0	0	0	0	69,571 (0.33%)	69,611 (0.33%)	50
Senior Vice President	Wei-Lung Liau	7,280	7,280	117	117	25,618	26,718	0	0	0	0	33,015 (0.16%)	34,115 (0.16%)	76
Senior Vice President	Ting-Li Lin	7,204	7,204	117	117	25,618	25,618	0	0	0	0	32,938 (0.16%)	32,938 (0.16%)	0
Senior Vice President	James CP Chen	6,858	6,858	116	116	23,009	23,009	0	0	0	0	29,982 (0.14%)	29,982 (0.14%)	0
Senior Vice President	CS Hsieh	46,149	46,149	901	901	126,031	127,654	0	0	0	0	173,082 (0.82%)	174,704 (0.83%)	108
Senior Vice President	Amy Ku													
Vice President	Hong-Jye Hong													
Vice President	TL Tseng													
Vice President	TY Lin													
Vice President	Tina Wu													
Vice President	Andy Yang													
Vice President	Benjamin Tseng													

Table of compensation ranges

Compensation range for each President and Vice President in AUO	Name of the President and Vice presidents	
	AUO	Parent Company, AUO and its subsidiaries and investees (Note 10)
Less than NT\$ 1,000,000		
NT\$ 1,000,000 (incl.) ~ NT\$ 2,000,000 (not incl.)		
NT\$ 2,000,000 (incl.) ~ NT\$ 3,500,000 (not incl.)		
NT\$ 3,500,000 (incl.) ~ NT\$ 5,000,000 (not incl.)		
NT\$ 5,000,000 (incl.) ~ NT\$ 10,000,000 (not incl.)		
NT\$ 10,000,000 (incl.) ~ NT\$ 15,000,000 (not incl.)	Hong-Jye Hong	Hong-Jye Hong
NT\$ 15,000,000 (incl.) ~ NT\$ 30,000,000 (not incl.)	Amy Ku, Tina Wu, TY Lin, TL Tseng, Benjamin Tseng, Andy Yang, CS Hsieh	Amy Ku, Tina Wu, TY Lin, TL Tseng, Benjamin Tseng, Andy Yang, CS Hsieh
NT\$ 30,000,000 (incl.) ~ NT\$ 50,000,000 (not incl.)		
NT\$ 50,000,000 (incl.) ~ NT\$ 100,000,000 (not incl.)		
More than NT\$ 100,000,000		
Total	8 persons	8 persons

Note 1: Remuneration information listed for managers above the vice president in 2022 as of the end of 2022.

Note 2: Salary, position bonus and severance pay of managers listed above the vice president in 2022.

Note 3: Pension subscribed/paid in accordance with the law in 2022.

Note 4: Listed are all kinds of bonuses for managers above the vice president in 2022, remuneration, bonus, travel expenses, special expenses, various allowances, dormitory, car allocation and other remuneration for acting as Corporate Person directors or supervisors appointed by the Company and its subsidiaries. Salary expenses recognized in accordance with IFRS2 "share-based payment", including obtaining employee stock option certificates, restricting employees' rights to new shares and participating in cash capital increase subscription, shall also be included in the remuneration.

Note 5: Employee remuneration in 2022.

Note 6: The total amount of remuneration paid by all companies (including the Company) to managers above the vice president of the Company in the consolidated report.

Note 7: After-tax net profit (loss) refers to the after-tax net profit of individual financial reports prepared in accordance with the International Financial Reporting Standards of the Republic of China in 2022.

Note 8: Refers to the remuneration, compensation (including remuneration for employees, directors and supervisors), business execution fees and other related remuneration received by a manager above the vice president in 2022 as a director, supervisor or manager of a reinvestment enterprise outside the subsidiary or the parent company.

Note 9: On 23 February 2023, the Board of Directors of the Company approved the appointment of Mr. Shuang-Lang (Paul) Peng as the Group CSO and Frank Ko as the CEO and President with effect from 1 March 2023. The positions of the managers in this annual report are expressed in the titles of the new personnel plan mentioned above.

Note 10: The total amount of various remunerations paid by the parent company and all reinvested enterprises (including the Company) to the managers above the level of vice president of the Company.

(III) Employees' Profit Sharing Paid to Management Team:

Unit: NT\$ thousands

	Title (Note 1)	Name (Note 1)	Stock (Note 2)	Cash (Note 2)	Total (Note 2)	Ratio of total amount to the net income after taxes (%) (Note3)
Manager	Group CSO(Note4)	Shuang-Lang (Paul) Peng	0	0	0	0.00
	CEO and President(Note4)	Frank Ko				
	Senior Vice President	Wei-Lung Liao				
	Senior Vice President	Ting-Li Lin				
	Senior Vice President	James CP Chen				
	Senior Vice President	CS Hsieh				
	Senior Vice President	Amy Ku				
	Vice President	Hong-Jye Hong				
	Vice President	TL Tseng				
	Vice President	TY Lin				
	Vice President	Tina Wu				
	Vice President	Andy Yang				
	Vice President	Benjamin Tseng				
	Senior Associate Vice President	Kun-Yu Lin				
	Senior Associate Vice President	Yu-Chieh Lin				
	Senior Associate Vice President	Ivan Wu				
	Senior Associate Vice President	SI Jeong				
	Associate Vice President	Center Chen				
	Associate Vice President	Debbie Chiu				
	Associate Vice President	TL Chen				
	Associate Vice President	Jerry Liu				
	Associate Vice President	Bryan Kuo				
	Associate Vice President	KSTseng				
	Associate Vice President	Kenji Chen				
	Associate Vice President	CD Lee				
	Associate Vice President	CH Wu				

Note 1: Refers to those who are in office on the date of publication of the annual report.

Note 2: Refers to the employee remuneration in 2022.

Note 3: After-tax net profit refers to the after-tax net profit of individual financial report in 2022.

Note 4: On 23 February 2023, the Board of Directors of the Company approved the appointment of Mr. Shuang-Lang (Paul) Peng as the Group CSO and Frank Ko as the CEO and President with effect from 1st March 2023. The positions of the managers in this annual report are expressed in the titles of the new personnel plan mentioned above.

(IV) Analysis of remuneration to directors, supervisors, president and vice president and presidents etc. as a percentage of the after-tax income of the Company and all companies' consolidated statements in the stand-alone financial statements from the last two years, and description of the policy, standards and combination of remunerations, procedure for making such decision, and correlation with business performance and future risks.

I. Analysis of remuneration to directors, supervisors, president and vice presidents as a percentage of the Company's after-tax income in the individual financial reports from the last two years.

Unit: NT\$ thousands

Item	Year	2022	2021
Net income (loss) after taxes on the Company's Parent Company Only Financial Statements		(21,101,374)	61,330,628
Ratio of compensation paid to Directors by the Company (%)		(0.15)	0.39
Ratio of compensation for Directors paid by all companies listed in the Consolidated Financial Statements (%)		(0.15)	0.39
Ratio of compensation for Managers such as Vice President or above paid by the Company (%)		(2.08)	1.06
Ratio of compensation for Managers such as Vice President or above paid by all companies listed in the Consolidated Financial Statements (%)		(2.09)	1.07

2. Policy, standards/packages, procedures, the linkage to operating performance and future risk exposure.

- (1) The remuneration of the directors of the Company shall be paid by the Board of Directors in accordance with the provisions of the Regulations Governing the Remuneration of Directors and Members of Functional Committees, which are formulated in accordance with the authorization of the Articles of Incorporation, based on the participation and value of contribution by the directors to the operation of the Company, and with reference to the standards of domestic and foreign industry. The remuneration of the directors shall be increased in accordance with the chairman, convener and members of the functional committees, and may be reduced at their discretion in accordance with the results of operational performance or performance evaluation by the directors.

The remuneration of the directors of the Company is subject to the provisions of the Articles of Incorporation. If the Company has profit in the current year, it shall allocate not less than 5% as the compensation of employees and not more than 1% as the compensation of directors. However, if the Company still has accumulated losses, the amount of compensation shall be reserved in advance.

- (2) The remuneration of the managers of the Company shall be paid in accordance with the principle of "Remuneration Policy of Managers" determined by the Remuneration Committee and the Board of Directors, and shall be reviewed by the Remuneration Committee on an annual basis and submitted to the Board of Directors for resolution. The Company has also cooperated with external professional consultants for a long time to ensure that managers' remuneration policies, payment levels and market fluctuations are linked.

Executive compensation includes salary and variable compensation. Salary is determined according to duties, responsibilities, and professional abilities, with reference to the standards of the same industry. Variable compensation is highly linked to the Company's operating results, individual duties, and performance, and accounts for about 70% to 90% of the total executive compensation.

In addition to the employee's remuneration for earnings distribution, there is also a long-term reward plan for managers. The remuneration committee sets performance targets according to the Company's development strategy. In addition to financial indicators such as strategic product revenue, it also takes EPS (Environment, People and Society) as the main axis, covering ten sustainable development projects, deepening the connection with shareholders' interests and practicing the commitment of sustainable management.

- (3) Part of the manager's remuneration is paid in the form of stock, and the Board of Directors had formulated the "Executive Stock Ownership Guidelines" on 23. Feb, 2023, which requires executives to own company shares in an amount equal to a multiple of their annual base salary: ten multiples for the chairman, CEO, and president; and five multiples for other executives. The executives are required to achieve the shareholding target within five years of appointment or from the policy effective date, and maintain the value of the above shareholding during the term of the executive, so as to strengthen corporate governance and reduce management risks.

IV. Operation of Corporate Governance

(I) Operation of the Board of Directors

The Board of Directors of the Company held 6 meetings in 2022, and the attendance of the directors is as follows:

Title	Name		No. of actual attendance	No. of attendance by proxy	Actual attendance (%)	Remarks
Chairman	Peng Shuang-Lang		6	0	100	Reelected
Director	AUO Foundation	Representative: Frank Ko	6	0	100	Reelected
Director	Ming Hua Investment Company Limited	Representative: Chuang- Chuang Tsai	3	0	100	Newly appointed, should attend three times.
Director	Qisda Corporation	Representative: Han-Chou (Joe) Huang	3	0	100	Newly appointed, should attend three times.
Director	Kuen-Yao (K.Y.) Lee		3	0	100	Term expired, should attend three times
Independent Director	Chin-Bing (Philip) Peng		6	0	100	Renewal of office

Title	Name	No. of actual attendance	No. of attendance by proxy	Actual attendance (%)	Remarks
Independent Director	Yen-Hsueh (Sharon) Su	6	0	100	Renewal of office
Independent Director	Jang-Lin (John) Chen	6	0	100	Renewal of office
Independent Director	Chiu-Ling Lu	3	0	100	Newly appointed, should attend three times.
Independent Director	Cathy Han	3	0	100	Newly appointed, should attend three times.
Independent Director	Mei-Yueh Ho	3	0	100	Term expired, should attend three times
Independent Director	Yen-Shiang Shih	3	0	100	Term expired, should attend three times

Other items to be recorded:

1. In any of the following circumstances with respect to the operation of the board of directors, the date and period of the board meeting, the contents of resolutions, the opinions of all independent directors, and the Company's handling of the opinions of independent directors shall be described:

- (1) Matters listed in Article 14-3 of the Securities Exchange Act: The Company has set up an audit committee, and the provisions of Article 14-3 are not applicable.
- (2) Except for the matters set forth in the preceding paragraph, There were no other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinions.

2. The implementation of the withdrawal of a director from a proposal of interest shall state the name of the director, the content of the proposal, the reason for the withdrawal of interest, and the circumstances of his participation in the voting:

Date of Board of Directors	Name of Director	Content of Motion	Reasons for avoidance of interests	Participation in voting
2022.02.10	Chairman Shuang-Lang (Paul) Peng	Approved the loans of fund case of the subsidiary AUO Manufacturing (Shanghai) Co., Ltd.	Adjunct as a director of AUO Manufacturing (Shanghai) Co., Ltd. and AUO Digitech (Suzhou) Co., Ltd.	Did not participate in discussion and voting
2022.03.28	Chairman Shuang-Lang (Paul) Peng and independent director Yen-Hsueh (Sharon) Su	Approved to participate in the subscription of private ordinary shares of Ennostar Inc.	Shuang-Lang (Paul) Peng, the chairman of the board of directors, is the representative of the Corporate Person director and independent director of Ennostar Inc., Yen-Hsueh (Sharon) Su, because her minor children holding the shares of Ennostar Inc..	Did not participate in discussion and voting
2022.04.25	Director and Representative of AUO Sustainable Foundation, Frank Ko	Approve the acquisition of ordinary shares of ADLINK Technology Inc.	Adjunct as the representative of the Corporate Person director of ADLINK Technology Inc.	Did not participate in discussion and voting
	Director and Representative of AUO Sustainable Foundation, Frank Ko	Approved the case of obtaining the shares of Rise Vision Inc. and Rise Vision USA Inc. through AUO Display Plus, a subsidiary of the Company, or its subsidiaries.	Adjunct as Corporate Person director representative of AUO Display Plus	Did not participate in discussion and voting
	Director and Representative of AUO Sustainable Foundation, Frank Ko	Approved the transfer of surplus to capital increase and the issuance of employee stock options by AUO Display Plus.	Also serves as Corporate Person director representative of AUO Display Plus	Did not participate in discussion and voting

Date of Board of Directors	Name of Director	Content of Motion	Reasons for avoidance of interests	Participation in voting
	Chairman Shuang-Lang (Paul) Peng, AUO Sustainable Foundation director representative Frank Ko, independent director Chin-Bing (Philip) Peng, independent director Yen-Hsueh (Sharon) Su, and independent director Jang-Lin (John) Chen	Approved the nomination list of candidates for the tenth session of directors (including independent directors)	Where a director is the nominee, he shall abstain from taking part of his personal interests in accordance with Article 9 of the Rules of Procedure of the Board of Directors.	Did not participate in discussion and voting
2022.06.17	Chairman Shuang-Lang (Paul) Peng, Independent Director Chin-Bing (Philip) Peng, Independent Director Yen-Hsueh (Sharon) Su, and Independent Director Jang-Lin (John) Chen	Proposal on Appointment of Members of the Fifth Remuneration Committee of the Company	Where a director is the nominee, he shall withdraw his interests in accordance with Article 206 of the Company Law and Article 16 of the Rules Governing the Procedure of the Board of Directors of Public Companies.	Did not participate in discussion and voting
	Chairman Shuang-Lang (Paul) Peng, Independent Director Chin-Bing (Philip) Peng, Independent Director Yen-Hsueh (Sharon) Su, Independent Director Jang-Lin (John) Chen, Independent Director Chiu-Ling Lu and Independent Director Cathy Han	Proposal on Appointment of Members of the Second Corporate Governance Committee of the Company	Where a director is the nominee, he shall withdraw his interests in accordance with Article 206 of the Company Law and Article 16 of the Rules Governing the Procedure of the Board of Directors of Public Companies.	Did not participate in discussion and voting
2022.07.27	Chairman Shuang-Lang (Paul) Peng	The Company was approved to issue a guarantee for the bank line of its subsidiary AUO (Kunshan) Co., Ltd.	He also serves as a director of AUO (Kunshan) Co., Ltd.	Did not participate in discussion and voting
	Chairman Shuang-Lang (Paul) Peng	Approved the Company to engage in derivative hedging transactions for the US dollar exposed part of its subsidiary in China.	Adjunct as the director of AUO (Suzhou) Co., Ltd., AUO (Xiamen) Co., Ltd. and AUO (Kunshan) Co., Ltd.	Did not participate in discussion and voting
	Shuang-Lang (Paul) Peng, chairman of the board, and Frank Ko, representative of AUO Sustainable Foundation	Approved the case of remuneration distribution for managers and employees in 2021.	Adjunct as manager of the Company.	Did not participate in discussion and voting

3. Information on the evaluation cycle and period, evaluation scope, methods and evaluation contents of the self (or peer) and external evaluation of the Board of Directors of the Company, and the implementation of the evaluation by the Board of Directors:

Type	Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content and result
Self-evaluation	Once a year	2021.10~2022.09	Board of Directors, functional committees (including audit committee, remuneration committee and	Board of Directors, functional committees (including audit Committee, Remuneration.	Evaluation content: In 2022, the Company conduct internal performance evaluations on the "Board of Directors", "Individual Directors", "Audit Committee", "Remuneration Committee" and "Corporate Governance Committee", by members of the Board of Directors, members of functional committees and the business units of the Board of Directors.

Type	Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content and result
			Corporate governance committee) and their individual members.	Committee and Corporate Governance Committee) and their individual members' internal self-evaluation	<p>The performance evaluation of the Board of Directors and its individual members includes five aspects: the degree of participation in The Company's operation/the awareness of directors' responsibilities and participation in The Company's operation, the improvement of the decision-making quality of the board of directors/the mastery of The Company's goals and tasks, the operation and communication of internal relations, the composition and structure of the board of directors, the selection and continuing education of directors, and internal control, totally 48 index.</p> <p>The performance evaluation of Audit Committees includes five aspects: participation in company operation, the awareness of functional committees' responsibilities, the improvement of the decision-making quality of functional committees, composition and selection of members of functional committees, and internal control, totally 24 index.</p> <p>The performance evaluation of Remuneration Committees and Corporate Governance Committee includes: participation in company operation, the awareness of functional committees' responsibilities, the improvement of the decision-making quality of functional committees, composition and selection of members of functional committees, and internal control, totally 18 and 17 index.</p> <p>The "Board of Directors", "Audit Committee", "Remuneration Committee" and "Corporate Governance Committee" conduct performance evaluations respectively, and the evaluation results are divided into three levels: above standard, up to standard and still can be strengthened.</p> <p>Evaluation results: The performance evaluation results of the board of directors, functional committees (including Audit Committee, Remuneration Committee and Corporate Governance Committee) and their individual members are all "above standard", and no major improvement project. The evaluation results will be reported to the directors by the Board of Directors for the first time in 2023, and will be used as a reference for the performance, remuneration and nomination of the members of the Board of Directors and functional committees.</p>
External evaluation	Once every 3 years	2020.09~2021.08	Board of Directors	Evaluation was conducted by online self-assessment questionnaire and field visit.	<p>Evaluation content: Taiwan Corporate Governance Association was entrusted to evaluate the effectiveness of the external board of directors in eight aspects, including composition, guidance, authorization, supervision, communication, internal control and risk management, self-discipline and support system.</p> <p>Evaluation results: Five of the directors are independent directors, accounting for more than half of the total number of seats on the board of directors, and the proportion of female directors is 2/8, all of whom are professional and rich in management practices. Through the semi-annual strategy meeting, the independent directors are invited to discuss the environment and major issues faced by the Company in view of the Company's "biaxial transformation" strategy, and form a consensus on major development goals and strategies.</p> <p>In 2022, the Board of Directors reported the evaluation</p>

					results to the directors for the first time, and the board of directors used the suggestions of the Taiwan Corporate Governance Association as a reference to continuously improve the functions of the board of directors, including modifying the whistle-blower system and channels, to show the Company's emphasis on the effectiveness (including credibility) of the reporting system.
<p>IV. Objectives of strengthening the functions of the Board of Directors in the current year and the latest year (such as setting up an audit committee and enhancing information transparency) and evaluation of the implementation:</p> <ol style="list-style-type: none"> 1. The Board of Directors of The Company is responsible for operations and arrangement guiding The Company's strategy, supervising manager, operation and arrangement of corporate governance system, being responsible to The Company and the shareholders' meeting, and exercising its functions and powers in accordance with the provisions of laws and Articles of Incorporation or resolutions of the shareholders' meeting. 2. On June 13, 2007, the Company set up an audit committee to exercise the functions and powers stipulated in the Securities Exchange Act, the Company Law and other laws. Please refer to this annual report (page 29) for the operation of the Audit Committee. 3. On August 30, 2011, the Company set up a Remuneration Committee to regularly evaluate and set the remuneration of directors and managers, and regularly review the policies, systems, standards and structure of performance evaluation and remuneration of directors and managers. Please refer to this annual report (page 31) for the operation of the Remuneration Committee. 4. On October 29, 2019, The Company set up a Corporate Governance Committee, whose main functions are to formulate the standards of diversified backgrounds and independence such as professional knowledge, technology, experience and gender required by the board members, and to seek, review and nominate candidates for directors accordingly; construct and develop the organizational structure of the Board of Directors and committees, evaluate the performance of the Board of Directors, committees and directors, and evaluate the independence of independent directors; formulate and regularly review directors' further education plans and succession plans; provide appropriate induction instructions for new directors, so that the new directors can understand their responsibilities and be familiar with The Company's operation and environment, and formulate The Company's Corporate Governance Principles. 5. On June 17, 2022, The Company re-elected its directors in an all-round way, and elected 9 directors, including 5 independent directors, with more than half of the seats for independent directors to strengthen the functions of the Board of Directors and corporate governance. 6. Please refer to this annual report for the functional objectives and implementation of ESG and Climate Committee of the Company (page 108). 					

Note 1: On June 17, 2022, the directors of the Company were re-elected.

(II) Operation of the Audit Committee

The Audit Committee had five meetings (A) in 2022 and the attendance status of independent directors is as follows:

Title	Name	No. of actual attendance(B)	No. of attendance by proxy	Actual attendance (%) (B/A)	Remarks (Note 1)
Convener	Yen-Hsueh Su	5	0	100	Renewal and -elected as new convener on June 17, 2022
Member	Chin-Bing (Philip) Peng	5	0	100	Renewal and step down convener on June 17, 2022
Member	Jang-Lin (John) Chen	5	0	100	Renewal
Member	Chiu-Ling Lu	2	0	100	Newly elected; should attend twice
Member	Cathy Han	2	0	100	Newly elected; should attend twice
Member	Mei-Yueh Ho	3	0	100	Former term; should attend three times
Member	Yen-Shiang Shih	3	0	100	Former term; should attend three times

Other information required to be disclosed:

1. In case of any of the following circumstances in the operation of the Audit Committee, state the date, term, content of proposals as well as any objections, reservations, or major recommendations of the independent directors, along with the results of resolutions by the Audit Committee and the Company's handling in response to the resolutions:

(1) Any matters under Article 14-5 of the Securities Exchange Act (please refer to this annual report (page 31)):

All resolutions have been approved with the consent of more than one-half of the Audit Committee members before a resolution has been reached at the Board of Director. There were no resolutions which had not been approved by the Audit Committee members but were undertaken upon the consent of more than two-thirds of all directors.

(2) Except for the matters mentioned above, other resolutions that had not been approved by the Audit Committee but had been agreed by more than two-thirds of all directors: None.

2. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the independent director's name, the content of the motion, the cause for recusal, and whether and how the independent director voted.

Date of Audit Committee	Name of member	Resolutions	Reason for recusal	Participation in voting
2022.03.28	Yen-Hsueh Su	Approved to participate in the subscription of Ennostar Inc. Private placement of ordinary shares.	Minor children of the member hold shares of Ennostar Inc.	Did not participate in discussion and voting

3. Separate communication the independent directors have with the chief internal audit officer and CPAs (shall include material matters, methods and results of communication on the Company's financial and business conditions, etc.):

(1) The Company regularly holds Audit Committee meetings and where necessary, CPAs, the head of internal audit are invited to the meeting respectively. In addition to the Audit Committee meeting, independent directors communicate separately with CPAs and the head of internal audit on relevant issues at least once a year.

(2) The head of internal audit regularly submits audit reports to the Audit Committee according to the annual audit plan and the Audit Committee regularly evaluates the Company's internal control system, internal auditors and their audit results.

(3) The Audit Committee regularly communicates with the Company's CPAs on their review or audit results of financial statements of each quarter and other matters required by relevant laws and regulations and undertakes independent reviews on the selection of CPAs and the audit and non-audit services they provide.

(4) Main communication matters in 2022:

1. Excerpts from the communication between independent directors and CPAs are as follows:

Date	Meeting	Key points of communication	Communication and opinions of independent directors	Handling of opinions of independent directors
2022.02.10	Audit Committee	The findings of the audits on The Company's financial statements for 2021	After review by the Audit Committee, all independent directors have no objections	Not applicable
2022.04.25	Audit Committee	The findings of the review on The Company's consolidated financial statements for the period ended March 31, 2022	After review by the Audit Committee, all independent directors have no objections	Not applicable
2022.07.26	Meeting (separate meeting)	Communication between CPAs and audit committee	Noted and no other suggestions	Not applicable
2022.07.26	Meeting	Report on regulatory updates for the second quarter of 2022	Noted and no other suggestions	Not applicable
2022.07.27	Audit Committee	The findings of the review on The Company's consolidated financial statements for the period ended June 30, 2022	After review by the Audit Committee, all independent directors have no objections	Not applicable
2022.10.25	Meeting	Discussion of major accounting issues in 2022	Noted and no other suggestions	Not applicable
2022.10.25	Audit Committee	The findings of the review on The Company's consolidated financial statements for the period ended September 30, 2022	After review by the Audit Committee, all independent directors have no objections	Not applicable

2.The communication between independent directors and the head of internal audits are listed in the table below:

Date	Meeting	Key points of communication	Communication and opinions of independent directors	Handling of opinions of independent directors
2022.02.09	Meeting	1. Progress on internal auditors' training project 2. Analysis and audit of related parties and vendors	Noted and no other suggestions	Not applicable
2022.02.10	Audit Committee	1. The findings of the internal audit reports for the fourth quarter of 2021 2. 2021 Statement of Internal Control System	After review by the Audit Committee, all independent directors have no objections	Not applicable
2022.04.25	Audit Committee	The findings of the internal audit reports for the first quarter of 2022	After review by the Audit Committee, all independent directors have no objections	Not applicable
2022.07.26	Meeting	Progress on internal auditors' training project	Noted and no other suggestions	Not applicable
2022.07.27	Audit Committee (separate meeting)	The findings of the internal audit reports for the second quarter of 2022	After review by the Audit Committee, all independent directors have no objections	Not applicable
2022.10.25	Audit Committee	The findings of the internal audit reports for the third quarter of 2022	After review by the Audit Committee, all independent directors have no objections	Not applicable

IV. Annual work focus and operation:

1. Regularly communicate the audit report results with the head of internal audit according to the annual audit plan.
2. Regularly communicate with the Company's CPAs on the review or audit results of financial statements in each quarter.
3. Review financial statements.
4. Assess the effectiveness of the internal control system.
5. Prior review of the appointment, dismissal, remuneration and services of CPAs.
6. Evaluate the independence of CPAs in providing audit and non-audit services.
7. Review the Company's operational procedures and material transactions of assets, derivatives, capital lending and endorsement/guarantees.
8. Legal Compliance.
9. Handle any grievances/reporting incidents submitted to the Audit Committee Mailbox.

The meeting date, proposal contents and resolutions of the Audit Committee in 2022 are as follows:

Date/Term of Audit Committee	Content of motion	Resolutions and member opinions
Fifth Committee 19 th session 2022.02.10	1. Recognized the "Statement of Internal Control System" (Note 2) 2. Approved the amendment of "Internal Control System" (Note 2) 3. Approved the 2021 Parent Company Only and Consolidated Financial Statements (Note 2) 4. Approved the 2022 services and fees of CPA (Note 2) 5. Approved to lend capital to the subsidiary, SPACE MONEY INC (Note 2) 6. Approved the subsidiary, AU Optronics Manufacturing (Shanghai) Corp., to lend capital (Note 2)	Approved and submitted to the Board of Directors for resolution
Fifth Committee 20 th session 2022.03.28	1. Approved the 2021 Business Report and 2022 Business Plan (Note 2) 2. Approved the distribution of 2021 earnings (Note 2) 3. Approved the amendments to Procedures for Acquisition and Disposal of Assets and the limit for authorizing Chairman to determine the deals of affiliates. (Note 2) 4. Approved the acquisition of the common shares of Ennostar Inc. through private placement (Note 2)	Except for Yen-Hsueh Su, an independent director, who did not participate in the discussion and voting due to conflict of interest, the other directors present had no objection. Proposal is approved and submitted to the Board of Directors for resolution

Date of Audit Committee	Content of motion	Resolutions and member opinions
Fifth Committee 21 st session 2022.04.25	<ol style="list-style-type: none"> 1. Revised the amendment of "Internal Control System" (Note 2) 2. Approved the Consolidated Financial Statements for the period ended March 31, 2022 (Note 2) 3. Approved to acquire the common shares of Adlink Technology Inc. (Note 2) 4. Approved to acquire acquisition of Rise Vision Inc. and Rise Vision USA Inc., on behalf of AUO Display Plus Corp., a subsidiary of the Company (Note 2) 5. Approved the subsidiaries of the Company to lend capital to AUO (Kunshan) Co., Ltd. (Note 2) 6. Approved Edgetech Data Technologies (Suzhou) Corp., Ltd.'s account receivables from is not capital lending AU Optonics (Suzhou) Corp., Ltd. (Note 2) 	Except for partial amendments to the first and the fourth proposals, other proposals are approved as proposed and submitted to the Board of Directors for resolution
6 th Committee 1 st session 2022.07.27	<ol style="list-style-type: none"> 1. Approved the Consolidated Financial Statements for the period ended June 30, 2022 (Note 2) 2. Approved the Company to provide guarantee against the bank loan to AUO (Kunshan) Co., Ltd. (Note 2) 3. Approved the Company to engage in derivatives to hedge for the USD exposure for China subsidiaries (Note 2) 4. Approved the capital expenditure of solar power plant in Fang Liao, Pingtung behalf of Da Ping Green Energy Corp., a subsidiary of the Company (Note 2) 5. Approved the capital increase in cash in Da Ping Green Energy Corporation, a subsidiary of the Company (Note 2) 	Approved and submitted to the Board of Directors for resolution
6 th Committee 2 nd session 2022.10.25	<ol style="list-style-type: none"> 1. Approved the case of "2023 Annual Audit Plan" (Note 2) 2. Approved the amendments to "Internal Control System" (Note 2) 3. Approved the Consolidated Financial Statements for the period ended September 30, 2022 (Note 2) 4. Approved the disposal of part of the right-of-use of land and the dormitories on behalf of AUO (Xiamen) Co., Ltd., a subsidiary of the Company (Note 2) 5. Approved the Company and the subsidiaries to lend capital to AUO (Kunshan) Co., Ltd. (Note 2) 6. Approved the loan capital between the China subsidiaries of the Company (i.e., AUO (Suzhou) Co., Ltd, AUO (Xiamen) Co., Ltd., and AUO (Kunshan) Co., Ltd.) (Note 2) 7. Approved the Company to lend capital to AUO Crystal Corp. (Note 2) 	Approved and submitted to the Board of Directors for resolution

Note 1: Full re-election the board of directors on June 17, 2022.

Note 2: Matters listed in Article 14-5 of the Securities Exchange Act.

(3) Composition, responsibilities and operation of the Remuneration Committee:

I. Information of members of the Remuneration Committee

December 31, 2022

Conditions		Professional qualifications and experience	Independence	Number of concurrent members of remuneration committee of other public companies
Identity	Name			
Independent director (Convener)	Chin-Bing (Philip) Peng	Please refer to (2) the information of directors, presidents, vice presidents, associate vice presidents, directors of various departments and branches (1) information of directors.	The following three independent directors, two years before their election and during their term of office, all meet the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” by Financial Supervisory Commission and Article 14-2 of the Securities Exchange Act, and all independent directors have been given the power to fully participate in decision-making and express their opinions in accordance with Article 14-3 of the Securities Exchange Act, so as to independently perform relevant functions and powers.	1
Independent director	Yen-Hsueh (Sharon) Su		2	
Independent director	Jang-Lin (John) Chen		0	

Note : Full re-election the board of directors on June 17, 2022.

2. Information on the operation of Remuneration Committee

(1) The Remuneration Committee of the Company consists of 3 members.

(2) The term of service: June 17, 2022 to June 16, 2025.

In 2022, the Remuneration Committee was held three times (A), and the attendance of the members was as follows:

Title	Name	No. of actual attendance(B)	No. of attendance by proxy	Actual attendance (%) (B/A)	Remarks (Note 1)
Convener	Chin-Bing (Philip) Peng	1	0	100	New appointment, should attend one time
Member	Yen-Hsueh (Sharon)	3	0	100	Reelected
Member	Jang-Lin (John) Chen	1	0	100	New appointment, should attend one time
Convener	Shih Yen-Shiang	2	0	100	Former term, should attend two times
Member	Yang Bing-Ho	1	1	50	Former term, should attend two times

Other items to be recorded:

- If the board of directors does not adopt or amend the recommendation of the Remuneration Committee, it shall state the date, period, contents of the proposal, resolution results of the board of directors and the Company's handling of the opinion of the Remuneration Committee (if the remuneration adopted by the board of directors is better than the recommendation of the Remuneration Committee, it shall state the differences and reasons): None.
- If members have objections or reservations on the matters resolved by the Remuneration Committee, and there are records or written statements, the date, period, contents of the proposal, opinions of all members and the handling of members' opinions shall be stated: None.

3. Reasons for discussion and resolution of the Remuneration Committee and the Company's handling of members' opinions:

Date of Remuneration Committee	Content of motion	Resolution result and opinions of all members
2022.02.10	Approved the amendments to the proposal for the allocation of directors' remuneration Approved the amendments to "Compensation Policy to the Directors and Functional Committee Members" Approved the selection of applicable personnel for the "Measures for the Protection and Conversion of Management Rights" Approved the list of treasury stocks' granted managers and the number of distribution (subscription)	Approved and submitted to the Board of Directors for resolution
2022.03.28	Approved the 2021 compensation to directors and senior managerial officers	
2022.07.27	Approved the 2023 Senior Officer Compensation Policy Approved the proposal of "remuneration distribution of managers and employees in 2021" Approved the distribution of 2021 employees' remuneration for senior managerial officers Approved the amendment of "Regulations on Retirement Compensation for the Employee Serving Concurrently as the Chairman" Approved the amendment of "Change-in-control Payment Regulations"	

IV. Terms of reference of the Remuneration Committee:

The Remuneration Committee shall faithfully perform the following functions and powers with the attention of good managers, and submit its suggestions to the board of directors for discussion:

1. Formulate and regularly review the policies, systems, standards and structure of performance evaluation and remuneration of directors and managers.

2. Regularly evaluate and determine the remuneration of directors and managers.

Note: On June 17, 2022, the Board of Directors of the Company appointed Chin-Bing (Philip) Peng, Yen-Hsueh (Sharon) Su and Jang-Lin (John) Chen as members of the Fifth Remuneration Committee, and the convener was Chin-Bing (Philip) Peng.

(4) Information and operation of the members of the Corporate Governance Committee

I. Appointment qualifications and responsibilities of members of the Corporate Governance Committee.

Qualifications for appointment of members of the Corporate Governance Committee: The Corporate Governance Committee is composed of at least three directors recommended by the board of directors, of which more than half of the independent directors shall participate.

Terms of reference of the Corporate Governance Committee:

1. Establish the standards of professional knowledge, skills, experience, gender diversity and independence required of the members of the Board of Directors and seek, review, improve and nominate Director candidates accordingly.
2. Construct and develop the organizational structure of the Board of Directors and each committee, assess the performance of the Board of Directors, each committee and each director and assess the independence of the independent directors.
3. Establish and regularly review Director training plans and succession plans
4. Review the re-election plan of senior managers above the president (including equivalent rank).
5. Provide new directors with appropriate induction instructions, so that new directors understand their responsibilities and are familiar with the company's operation and environment.
6. Establish the Corporate Governance Principles of the Company.
7. Supervise risk management and formulate risk management policies and procedures.
8. Other matters instructed by the board of directors.

II. Professional qualifications, experience and operation of Corporate Governance Committee members:

(I) The Corporate Governance Committee of the Company consists of 6 members.

(II) The term of service: June 17, 2022 to June 16, 2025.

The Corporate Governance Committee was held four meetings in recent years (A). The professional qualifications and experience, attendance and discussion items of the members are as follows:

Title	Name	Professional qualifications and experience	No. of actual attendance (B)	No. of attendance by proxy	Actual attendance (%) (B/ A)	Remarks (Note I)
Convener	Shuang-Lang (Paul) Peng	Please refer to the information of directors, presidents, and vice presidents, associate vice pres. indents, directors of various departments and branches (I) information of directors.	4	0	100	Reelected
Member	Chin-Bing (Philip) Peng		4	0	100	Reelected
Member	Yen-Hsueh (Sharon) Su		4	0	100	Reelected
Member	Jang-Lin (John) Chen		4	0	100	Reelected
Member	Chiu-Ling Lu		1	0	100	New appointment, should attend one time
Member	Cathy Han		1	0	100	New appointment, should attend one time
Member	Mei-Yueh Ho		3	0	100	Former term, should attend three times
Member	Shih Yen-Shiang		3	0	100	Former term, should attend three times

Other items to be recorded:

State the meeting date, session, contents of the main proposals of the Corporate Governance Committee, suggestions or objections of the members of the Corporate Governance Committee, the resolution results of the Corporate Governance Committee and the Company's handling of the opinions of the Corporate Governance Committee:

Corporate Governance Committee Date	Content of motion	Resolution results and opinions of all members	Handling of the Opinions of the Corporate Governance Committee
2022.02.10	Report items - Corporate Governance Promotes Planning Report - Internal performance evaluation report of the board of directors, individual members of the board of directors and functional committees and external evaluation report of the board of directors in 2021. - Report on the independence of independent directors	Noted and no other suggestions	N/A
	Discussion items • Approved the amendment of the Chart of Audit Committee, Remuneration Committee and Corporate Governance Committee. • Approved the amendment of the Corporate Governance Principles • Approved the amendment of the "Director's Performance Evaluation Questionnaire"	Approved as proposed and reported to the Board of Directors for resolution	
2022.03.28	Discussion items • Approved the proposal on the number of seats, composition and diversification policies of the 10th Board of Directors and functional committees.	Approved as proposed and reported to the Board of Directors for resolution	N/A
2022.04.25	Discussion items • Approved the nomination list of candidates for the 10th directors (including independent directors). • Approved the members of functional committee and recommendation list of conveners of the 10th Committee.	Approved as proposed and reported to the Board of Directors for resolution	N/A
2022.07.27	Report items • Planning of Directors' Continuing Education Courses in the Second Half of 2022 and the First Half of 2023	Noted and no other suggestions	N/A

Note I: Full re-election the board of directors on June 17, 2022, and the Corporate Governance Committee was composed of the Chairman and all independent directors.

(5) Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation item		Implementation status (Note 1)			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEx Listed Companies and the reasons
		Yes	No	Summary	
1. Has the Company formulated and disclosed Corporate Governance Best-Practice Principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?		✓		The Company has a "Corporate Governance Principles", which has relevant norms for protecting shareholders' rights and interests, strengthening the functions of the board of directors, giving full play to the functions of various functional committees of the board of directors, respecting the rights and interests of stakeholders, and enhancing information transparency. For the Company's corporate governance Principles, please visit the Market Observation Post System (MOPS) or the Company's website.	No difference
2. The Company's equity structure and shareholders' rights and interests	(1) Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters, and implemented them according to the procedures?	✓		The Company has formulated the "Operational Measures for Handling Shareholders' Suggestions, Doubts, Disputes and Litigation Matters", set up a spokesperson and an deputy spokesperson system to ensure that information that may affect shareholders' decision-making can be disclosed in a timely. The stock and Investor Relations are dedicated departments to handle shareholders' suggestions, doubts and disputes through special mailboxes. The legal department shall properly handle the case that shareholders file a lawsuit according to law.	No difference
	(2) Does the Company know the major shareholders who actually control the Company and the list of the ultimate controllers of the major shareholders?	✓		Changes in the shareholding of directors, managers and major shareholders holding more than 10% of the shares of the Company are required to be reported to the "Market Observation Post System" on a monthly basis according to the law.	No difference
	(3) Does the Company establish and implement risk control and firewall mechanisms with related enterprises?	✓		The Company has established and implemented the firewall and risk control mechanism for related enterprises in the Company's internal control system and the Measures for the Administration of Affiliates.	No difference
	(4) Does the Company have internal regulations to prohibit insiders from using undisclosed information in the market to buy and sell securities?	✓		On October 26, 2022, the Board of Directors of The Company approved the revision of the "Procedures for Handling Material Inside Information and Insider Trading Prevention", and established an internal major information processing and disclosure mechanism to strengthen the use of undisclosed information in the market by directors, managers and employees of The Company to buy and sell securities, which will serve as the basis for The Company's major information processing and disclosure mechanism. The Company will also review these measures from time to time to meet the current laws and practical management needs. For new directors and managers, The Company will educate and publicize the management of insider trading within one month after taking office. On June 1, 2022, The Company conducted a 0.5-hour publicity on all directors' nominees (including insider trading prohibition) for law compliance. In 2022, corporate integrity training courses were arranged for directors, all employees and new employees in the Company to educate and publicize the prevention of dishonest behavior. A total of 9 directors and 34,587 employees completed the Corporate integrity training courses, and the completion rate of employees was nearly 96%, while 1,575 new employees completed the signing of the declaration of integrity (the signing rate was 100%). In addition, before the publication of quarterly operating results, the Company conducted education and publicity on the provisions of Article 157-1 of the Securities Exchange Act to insiders and supervisors and colleagues in specific positions, so as to specifically prevent insider trading. In each quarter of 2022, the Company conducted publicity to 132 people.	No difference

Evaluation item		Implementation status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
		Yes	No	Summary	
3. Composition and Responsibilities of the Board of Directors	(1) Does the board of directors formulate diversification policies, specific management objectives and implement them?	✓		For details about diversification policy of the board of directors of the Company, please refer to II. Information of directors, presidents, vice presidents, associate vice presidents, directors of various departments and branches (I) Information of directors (pages 10-19).	No difference
	(2) Does the Company voluntarily set up other functional committees besides the remuneration committee and the audit committee according to law?	✓		In addition to the Audit Committee and the Remuneration Committee, The Company established the Corporate Governance Committee in October 2019 to strengthen corporate governance and enhance the effectiveness of the Board of Directors. The convener of the Corporate Governance Committee is the Chairman of The Company, and all the members are independent directors. Its main functions include: to formulate the standards of diversified backgrounds and independence required by board members, such as professional knowledge, technology, experience and gender; and to seek, review and nominate candidates for directors accordingly; construct and develop the organizational structure of the board of directors and committees, evaluate the performance of the board of directors, committees and directors, and evaluate the independence of independent directors; formulate and regularly review the director's further education plan; review the succession plan of the president; provide appropriate induction instructions for new directors, so that the new directors can understand their responsibilities and be familiar with The Company's operation and environment, and formulate The Company's Corporate Governance Principle; supervise The Company's risk management, formulate risk management policies and procedures, and report to the board of directors yearly. The Company has also set up an ESG and Climate Committee. For the organization and operation of ESG and Climate Committee, please refer to Chapter 7. Review of Financial Conditions, Operating Result and Risk Matters and Chapter 8 Corporate Sustainability in this annual report (page 100 and page 108).	No difference
	(3) Has the Company formulated the performance evaluation method for the board of directors, conducted performance evaluation every year and regularly, and reported the results of performance evaluation to the board of directors for reference in the salary and remuneration of individual directors and nomination for re-appointment?	✓		1. On January 25, 2017, the board of directors of the Company adopted the "Measures for Performance Evaluation of the Board of Directors", stipulating that the board of directors should perform internal performance evaluation at least once a year and at least once every three years by an external independent institution or an external team of experts and scholars. The performance evaluation results please refer (page 27-29) of this Annual Report. 2. According to Article 15 of the Articles of Incorporation, the remuneration of directors of The Company shall no more than 1% of the remaining profit. The Remuneration Committee and the Board of Directors shall determine the directors' remuneration according to The Company's operating results and the "Remuneration Measures for Directors and Members of Functional Committees" and with reference to the results of directors' performance evaluation. In 2022, the internal self-evaluation of the Board of Directors above the standard, and the directors' remuneration in 2022 was paid in full according to the Remuneration Measures for Directors and Members of Functional Committees through the resolution of the Remuneration Committee and the Board of Directors.	No difference
	(4) Does the Company regularly evaluate the independence of certified public accountants?	✓		The Audit Committee of The Company regularly evaluates the independence of CPAs yearly, and submits the evaluation results to the Board of Directors. The evaluation mechanism is as follows: 1. The CPAs of The Company are not related parties to The Company and the directors. 2. The Company abides by the Corporate Governance Principles to handle the rotation of CPAs. 3. Prior to the appointment of annual audit services, the firm of CPAs is required to obtain the approval of the Audit Committee. Before the appointment of non-audit services, the firm of CPAs shall confirm the requirements for independence are met and report to the independent directors in quarterly Audit Committee meeting. 4. The CPAs shall report to the Audit Committee on the compliance with the independent standards and their review or audit results on a quarterly basis. 5. Obtain an independent statement issued by CPAs on a regular basis. The assessments in 2022 are as follows: (1) The independence between the CPAs and The Company complies with the	No difference

Evaluation item		Implementation status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
		Yes	No	Summary	
				Accounting Act of the Republic of China, The Norm of Professional Ethics for Certified Public Accountant and other relevant regulations. (2)The Company has not appointed the same CPA for certification for five consecutive years. 6.The Company has included the Audit Quality Indicators in the appointment evaluation for audit services and CPAs have reported with the Audit Committee before the appointment of audit services for 2023 accordingly.	
4. Does the Company have an appropriate number of corporate governance personnel, and appoint a corporate governance supervisor to be responsible for corporate governance-related matters (including but not limited to providing information required by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handling matters related to meetings of the board of directors and shareholders' meeting according to law, and making minutes of meetings of the board of directors and shareholders' meeting, etc.)?		✓		The board of directors of The Company appointed Mr. Benjamin Tseng, the vice president, as the Corporate Governance supervisor, who is responsible for the supervision and planning of corporate governance, and his qualifications meet the requirements of Article 3-1, Paragraph 1 of Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. The functions and powers of the Corporate Governance supervisor include: providing the information required by the directors and the audit committee to carry out their business and the latest laws and regulations related to The Company's operation, assisting the directors and the audit committee to abide by laws and regulations, reporting the Corporate Governance operation to the Corporate Governance committee and the board of directors on a regular basis every year, handling matters related to the meetings of the board of directors and the shareholders' meeting in accordance with the law, making minutes of the board of directors and the shareholders' meeting, assisting the directors and the audit committee to take up their posts and continue their studies, etc. Its implementation is handled by the secretary unit of the board of directors. The key points of corporate governance-related affairs are as follows: 1. In 2022, six board meetings, five audit committees, three Remuneration Committees and four corporate governance committees were held. 2. Hold a regular meeting of shareholders in 2022. 3. All board members have completed at least 6 credits of continuing education or 12 credits of initial training courses. 4. The Company shall take out liability insurance for directors and important staff, and report to the board of directors after renewal. 5. Conduct internal performance evaluation of the board of directors and functional committees, and the evaluation results of the board of directors, audit committee, remuneration committee, corporate governance committee and individual members are above the standard. 6. Conduct external effectiveness evaluation of the board of directors every three years. Please refer to pages 28-29 of the Annual Report for relevant information. 7. The results of the eighth corporate governance evaluation of TWSE ranked among the top 5%. 8. In 2022, the training hours for corporate governance executives totaled 21 hours. Please refer to pages 49-50 of the Annual Report for the complete information on the training courses.	No difference
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), set up a stakeholder area on the Company website, and properly respond to important corporate social responsibility issues that stakeholders are concerned about?		✓		The Company has a spokesperson system, and at the same time, it provides the latest news of the Company and the important achievements of corporate social responsibility issues through various ways and channels such as stakeholder areas, seminars, investor conference, industry-government-university consultation meetings, customer satisfaction surveys, mailboxes, and sustainable reports on the Company website.	No difference
6. Does the Company appoint a professional stock affairs agency to handle the shareholders' meeting?		✓		The Company appoints the stock affairs agency of Taishin Comprehensive Securities Co., Ltd. as the Company's stock affairs agency and handles the shareholders' meeting affairs.	No difference

Evaluation item		Implementation status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
		Yes	No	Summary	
7. Information disclosure	(1) Does the Company set up a website to disclose financial, business and corporate governance information?	✓		<p>1. Disclosure of financial information: The Company's Chinese and English websites have investor zones, which regularly update financial information and investor conference materials for investors' reference.</p> <p>2. Disclosure of business information: The Company's website is equipped with company product introduction and technical description, providing real-time business information of various products, and uploading the latest business activities information for public reference at any time.</p> <p>3. Disclosure of corporate governance information: The Company has a corporate governance area, which includes: information about the board of directors and functional committees, performance evaluation of the board of directors and corporate governance relevant information; in addition, The Company's policies and regulations and important documents are also placed on The Company's website.</p>	No difference
	(2) Does the Company adopt other methods of information disclosure (such as setting up an English website, designating a person to be responsible for the collection and disclosure of company information, implementing the spokesperson system, and placing the process on the Company website)?	✓		<p>1. Designate a person to be responsible for the collection and disclosure of company information: The collection and disclosure of the Company's information are carried out by designated personnel, and the latest and correct information of the Company is irregularly disclosed to the public through press releases or major messages.</p> <p>2. Implement the spokesperson system: Benjamin Tseng, Chief Financial Officer, is the spokesperson of The Company, and Mark Wu, Director of Financial Planning Div, is the deputy spokesperson.</p> <p>3. The investor conference will be placed on The Company website: The Company hold the investor conference by physical meeting or tel meeting quarterly. The audio files and materials of The Company's investor conference are placed in the investor area of The Company's website for easy inquiry; the financial and business operation information of the investor conference has been published in the investor zone, and has also been entered into the public information observatory according to the provisions of TWSE.</p>	No difference
	(3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the financial reports of the first, second and third quarters and the operating conditions of each month before the prescribed deadline?	✓		The Company's 2022 only and consolidated financial statements were announced and declared on February 23, 2023; The financial statements for the first, second and third quarters of 2022 and the monthly revenue were also announced and declared at the public information observatory before the prescribed deadline, and uploaded to The Company's website simultaneously.	No difference
8. Does the Company have any other important information that helps to understand the operation of corporate governance?	(1) Employee rights and interests	✓		With the management philosophy of respecting human nature and caring for employees, the Company has formulated various welfare plans, and a welfare committee has been formed by the Company's colleagues. For the rights and interests of employees, please refer to V. Operational Highlights on employer-employee relations in the annual report (pages 83-87).	No difference
	(B) Employee care	✓			No difference
	(3) Investor relations	✓		The Company appoints a special person to be responsible for immediately announcing information about finance, business, changes in insider's shareholding, etc. on the public information observatory in accordance with relevant regulations. The Company's website also has an investor area, so as to achieve openness and transparency of information.	No difference
	(4) Supplier relations	✓		The Company has established a supplier audit and evaluation procedure. The supplier's product quality, design, cost, green products, environmental, safety and health risks, ethics and social responsibilities are examined by relevant internal departments, and only those who pass the audit can become partners. In addition, in order to strengthen the smooth communication with suppliers, the Company has set up a reporting system for professional ethics violations (http://integrity.abl.auo.com) as a communication and complaint channel with the Company and also established related whole-process management systems such as inventory control, cost management, risk control and efficiency improvement, so as to enhance the communication efficiency and transparency of information.	No difference

Evaluation item		Implementation status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
		Yes	No	Summary	
	(5) Rights of stakeholders	✓		The Company sets up different and diversified interaction modes for different stakeholders, and discloses them in the sustainability report every year; in addition, at the beginning of each year, the communication with various stakeholders is reported to the board of directors so that the board of directors can understand the voices of stakeholders.	No difference
	(6) Directors' further education.	✓		1. The Company has handled the requirements of Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies by TWSE. For details, please refer to the following table Continuing Education/Training of Directors in 2022. 2. The manager of the Company may concurrently hold the post of director/supervisor of a subsidiary. For further information about the manager's education, please refer to III. Corporate Governance in this annual report to understand more about operation of corporate governance (pages 49-50).	No difference
	(7) The implementation of risk management policies and risk measurement standards.	✓		Please refer to Chapter 7. Review of Financial Conditions, Operating Result and Risk Management of this Annual Report (pages 99-107).	No difference
	(8) Implementation of customer policies	✓		The Company always keeps close contact with customers, and keeps informed of the products that meet their interests at any time, and ensures that the products reach the expected reliability and quality. In addition, the Company also actively participates in the customer's social responsibility implementation plan, and actually integrates new ideas and practices into the Company management system.	No difference
	(9) Buying liability insurance for directors.	✓		The Company has purchased liability insurance for directors and managers, regularly assessed the insured amount every year, and reported the renewal of directors' liability insurance to the Board of Directors.	No difference
	9. Succession planning and operation of board members and important management.	✓		The Company has a diversified policy on the composition of the board of directors, and the Corporate Governance Committee of the Company sets the standards for the diversified background and independence of the board members, such as professional knowledge, technology, experience and gender, and accordingly seeks, reviews and nominates candidates for directors. At the same time, the Corporate Governance Committee will also consider the professional knowledge, technology and experience required by the directors of the Company according to the Company's scale, business nature, future strategic development and transformation plan, and formulate the directors' further education plan; regularly review the number of directors and the conditions they should meet, and refer to the performance evaluation results of directors to plan the succession plan and candidates for directors. The Company has a Talent Development Committee, which holds regular meetings to discuss and examine the succession planning and cultivation of the Company's important management, and sets an Individual Development Program (IDP) according to their individual abilities and job requirements. Depending on the needs of organizations and individuals IDP will provide training courses, cross-industry learning, job rotation and tutor system, with the aim of cultivating the management, leadership and management ability of important management. Among them, the training courses are planned by the Company's training system. In addition to the internal training courses, the resources of external prestigious institutions are also introduced to help the management team expand their external horizons. In order to cultivate the multi-faceted strategic view of the management, the Talent Development Committee formulates the management rotation plan according to the organizational needs, and sets up a mentor system to assist the new positions, not only through the planned cross-disciplinary training of all-round management succession echelon, but also through the mentor system to enable them to learn the strategic view of the Company's operation closely. The Company will also arrange key management to serve as members of the board of directors of the Company or the reinvested enterprise, so that they can be familiar with the operation of the board of directors and participate in the planning of the long-term strategic direction and vision of the Company or the reinvested enterprise.	No difference
10. Please explain the improvement of the Corporate Governance evaluation results released by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the latest year, and put forward the priority and measures for those that have not been improved: I. Corporate governance: The Company has been selected as a component of DJSI Dow Jones World Sustainability Index for 13 consecutive years. With reference to the evaluation					

Evaluation item	Implementation status (Note 1)			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary	
<p>indicators of Corporate Governance and the recommendations of the performance evaluation directors of the Board of Directors, the Board of Directors approved the establishment of a corporate governance committee which composed of the Chairman and all of independent directors at the end of 2019, with a view to strengthening corporate governance and enhancing the effectiveness of the Board of Directors.</p> <p>2.Energy management and invest energy saving equipment :</p> <p>The Company is the first manufacturing industry in the world to introduce ISO 50001 energy management system. Every year, we invest hundreds of energy-saving improvement schemes to improve efficiency. Taking 2022 as an example, the amount of investment in energy-saving equipment in 2022 is NT\$530 million, and the estimated annual electricity saving is 117 million kWh.</p> <p>3.Environmental management:</p> <p>The Company has been introducing ISO 14001 environmental management system for a long time to ensure environmental sustainability and meet the needs of stakeholders through continuous improvement cycle mechanism, including implementing water-saving technology in production process, promoting sludge waste reduction project, improving material recycling, supporting government policies, promoting the use of reclaimed water, and working together with suppliers.</p> <p>4.Green energy:</p> <p>By the end of 2022, the cumulative investment amounted to 2.61 billion for Star River Energy Corporation and StarShining Energy Corporation. The solar energy system built indirectly by the reinvestment companies such as Star River Energy Corporation and Star Shining Energy Corporation and generated in parallel reached 216 MWp.The cumulative investment amounted to 350 million for Da Ping Green Energy Corporation.</p> <p>5. Invest sustainability development with flexible fund, demonstrate sustainable value:</p> <p>Participate sustainability development and demonstrate sustainable value with flexible use of fund:</p> <p>AUO actively participate sustainable financial products as following ,including 4 billion of loan facility and 5 billion of Green Deposit in 2022:</p> <ul style="list-style-type: none">• Green Loan <p>Green loans are project loans provided by financial institutions which made available for the finance in eligible Green Projects such as R&D, manufacturing, investment, and operating activities.</p> <p>In 2022, Chang Hwa Commercial Bank granted green loan facility to AUO for the purpose of green energy adoption and support the solar power plant construction plan of AUO's subsidiary Da Ping Green Energy.</p> <ul style="list-style-type: none">• Blue Loan <p>Blue loans are project loans provided by financial institutions which made available for specific blue projects or projects such as water sustainability, marine sustainability, pure water supply, friendly marine products or marine ecological conservation. The use of funds and project results will be periodic reviewed.</p> <p>In 2022, DBS Bank granted blue loan facility to AUO for supporting operating capital of water recycling and purifying equipment to develop diverse blue actions.</p> <ul style="list-style-type: none">• Sustainability-linked loans <p>Sustainability-linked loans are based on the assessment of sustainability performance validated by an independent ESG rating agency or verification party. (e.g., ESG rating agencies, consultation firms).</p> <p>Since 2019, AUO has signed the sustainability-linked loan with DBS Bank, Mega International Commercial Bank, Bank of Taiwan and First Commercial Bank, and an additional loan facility granted by the Export-Import Bank of the Republic of China in 2022.</p> <ul style="list-style-type: none">• Green Deposit <p>Green deposits are project deposits collected by banks, all of which are used in green financing projects and plans related to issues such as renewable energy and energy technology development, energy efficiency improvement and conservation, pollution prevention and control, water resource conservation and cleanliness, or recycling. The bank regularly provides reports on the use of funds reviewed by an independent third party, and disclose the use of project funds.</p> <p>In 2022,AUO has made green deposits with DBS Bank, Chang Hwa Commercial Bank and KGI Commercial Bank and responded banks' call to promote green transition and sustainable operations.</p>				

Note 1: The Company is the main body of the operation.

(6) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

Evaluation items		Implementation status (Note 1)		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
		yes	No	
1. Does the Company establish a governance structure to promote sustainable development, and set up a full-time (part-time) unit to promote sustainable development, which is authorized by the board of directors to be handled by the senior management, and the situation is supervised by the board of directors?		✓		Please refer to Chapter 8. Corporate Sustainability of this Annual Report (pages 108-121). No difference
2. Does the Company conduct risk assessment on environmental, social and Corporate Governance issues related to the Company's operation according to the principle of materiality, and formulate relevant risk management policies or strategies? (Note 2)		✓		Please refer to Chapter 8. Corporate Sustainability of this Annual Report (pages 108-121). No difference
3.environmental issues	(1) Does the Company establish an appropriate environmental management system according to its industrial characteristics?	✓		Please refer to Chapter 8. Corporate Sustainability of this Annual Report (pages 108-121). No difference
	(2) Is the Company committed to improving energy efficiency and using recycled materials with low impact on the environmental load?	✓		Please refer to Chapter 8. Corporate Sustainability of this Annual Report (pages 108-121). No difference
	(3) Does the Company assess the potential risks and opportunities of climate change to the enterprise at present and in the future, and take corresponding measures for climate-related issues?	✓		Please refer to Chapter 8. Corporate Sustainability of this Annual Report, and TCFD Report for more informations (pages 108-121). No difference
	(4) Has the Company made statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for energy saving and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?	✓		Please refer to Chapter 8. Corporate Sustainability of this Annual Report (pages 109-122). Please refer to Chapter 3 Environmental Sustainability of the Corporate's Sustainability Report for the annual achievements of greenhouse gas emissions, water resources management and waste reduction, and the achievement of environmental objectives and related data. No difference
4. Social issues	(1) Does the Company formulate relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		Please refer to Chapter 8. Corporate Sustainability of this Annual Report (pages 108-121). No difference
	(2) Does the Company formulate and implement reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflect the operating performance or achievements in employee compensation?	✓		Please refer to Chapter 5. Operational Highlights and Chapter 8. Corporate Sustainability of this Annual Report (page 83 and pages 108-121). No difference

Evaluation items		Implementation status (Note 1)		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
		yes	No	
	(3) Does the Company provide a safe and healthy working environment for employees, and conduct regular safety and health education for employees?	✓	Please refer to Chapter 5. Operational Highlights and Chapter 8. Corporate Sustainability of this Annual Report (page 83 and pages 108-121).	No difference
	(4) Does the Company establish an effective career development training plan for employees?	✓	Please refer to Chapter 5. Operational Highlights and Chapter 8. Corporate Sustainability of this Annual Report (page 83 and pages 108-121).	No difference
	(5) Does the Company comply with relevant laws and regulations and international standards on issues such as customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and complaint procedures to protect consumers' or customers' rights and interests?	✓	Please refer to Chapter 8. Corporate Sustainability of this Annual Report (pages 108-121).	No difference
	(6) Has the Company formulated a supplier management policy, requiring suppliers to follow relevant norms on issues such as environmental protection, occupational safety and health or labor human rights, and its implementation?	✓	Please refer to Chapter 8. Corporate Sustainability of this Annual Report (pages 108-121).	No difference
5. Does the Company refer to internationally accepted reporting standards or guidelines to prepare reports that disclose the Company's non-financial information, such as sustainability reports? Did the previous report obtain the conviction or guarantee opinion of the third-party verification unit?		✓	The Company published its first corporate social responsibility report in 2006. Since 2017, it has fully adopted the Global Sustainability Report Guidelines (GRI STANDARDS), followed the Comprehensive options of GRI Standards, SASB Hardware Industry Standards, Recommendations of the TCFD (Task Force on Climate-Related Financial Disclosures) reported the Company's economic, environmental and social strategies and activities to stakeholders, and independently verified them by third parties. Since 2016, it has adopted the accounting system ISAE 3000 for confirmation.	No difference
6. If the Company has its own sustainable development code according to Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, the differences refer to below: The Company has a "Code of Sustainable Development", which contains relevant regulations on environmental protection, community participation, social contribution, social service, social welfare, customer rights, human rights, safety and health, etc., and can be downloaded from the Company website (https://csr.auo.com/tw/operating/policy-person); please refer to this Annual Report Chapter 8. Corporate Sustainability (pages 108-121) and the Sustainability Report for the Company sustainable development strategy and implementation.				
7. Other important information that is helpful to understand the implementation of promoting sustainable development: Please refer to Chapter 8. Corporate Sustainability (pages 108-121), or refer to the sustainable information on our website at https://csr.auo.com/ .				

Note 1: The Company is the main body of the operation.

Note 2: The principle of materiality refers to issues related to environment, society and corporate governance that have a significant impact on company investors and other stakeholders

(7) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item		Implementation status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
		Yes	No	Summary description	
I. Formulating policies and plans for integrity operation.	(1) Has the Company formulated an integrity management policy approved by the board of directors, and clearly stated the policies and practices of integrity management in the regulations and external documents, as well as the commitment of the board of directors and senior management to actively implement the business policy?	✓		The "Code of Integrity Management" published on the Company's website is an integrity management policy adopted by the board of directors. In addition, the Company has also formulated a corporate integrity manual, and all board members and employees are required to sign the "Declaration of Integrity". In addition, report the effectiveness of the code of integrity management to the board of directors regularly every year, and publicly disclose the results of integrity management in that year through the annual report and corporate social responsibility report.	No difference
	(2) Does the Company establish an assessment mechanism for the risk of dishonest behavior, regularly analyze and assess the business activities with high risk of dishonest behavior within its business scope, and formulate a plan to prevent dishonest behavior based on this, which at least covers the preventive measures for the behaviors in Article 7, Paragraph 2, of the Code of Integrity for Listed and OTC Companies?	✓		The Company has established an assessment mechanism for the risk of dishonest behavior, and stated the following preventive measures for dishonest behavior in the Corporate integrity manual: <ul style="list-style-type: none"> ● Bribery or accepting bribes, offering or accepting illegitimate interests ● Providing illegal political contributions ● Improper charitable donation or sponsorship ● Unreasonable gifts, entertainment or other improper benefits ● Violate antitrust compliance ● Infringe on intellectual property rights And in the "information security management regulations" approach, preventive measures are drawn up against infringement of business secrets. The Company regularly analyzes and evaluates business activities with high risk of dishonest behavior within its business scope, conducts job inventory and arranges mandatory training courses on law compliance for supervisors, and abides by the necessary norms when dealing with related businesses at work.	No difference
	(3) Does the Company clearly define the operating procedures, behavior guidelines, disciplinary and complaint systems for violations in the scheme for preventing dishonest behaviors, and implement them, and regularly review and revise the aforementioned scheme?	✓		Those who violate the Corporate integrity policy will be punished according to the seriousness of the case, including admonition, minor offense, major offense, salary reduction or dividend cancellation, termination of employment, and legal action will be taken according to law if there are any violations. In addition to the above, those who violate the integrity policy should be recovered and returned to the respondent or company if they are involved in obtaining illegitimate personal interests.	No difference

Evaluation item		Implementation status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
		Yes	No	Summary description	
2. The implementation of integrity management	(1) Does the Company evaluate the integrity record of the counterparty, and specify the terms of integrity behavior in the contract signed with the counterparty?	✓		The Company requires all contract manufacturers to sign the "integrity clause" before they can file their data and conduct transactions.	No difference
	(2) Does the Company set up a special unit under the board of directors to promote the integrity operation of enterprises, and regularly (at least once a year) report to the board of directors on its integrity operation policy, dishonest behavior prevention plan and supervision and implementation?	✓		In order to improve the management of honest business, the sustainable development headquarters is responsible for formulating and supervising the implementation of honest business plans, and reporting the implementation of honest business policies to the board of directors at least once a year, taking inventory of honest job groups every year, conducting education and training and declaring conflicts of interest. At the annual supplier meeting, the Company publicizes the promise of honest trading, and confirms whether the key manufacturers meet the specifications through the external audit system of the responsible business alliance (RBA). In 2022, the implementation of integrity management included 4,545 suppliers who promised to publicize and sign the code of conduct, and 61 suppliers audited the integrity implementation. The signing rate of integrity training courses and integrity declaration for newcomers is 100%.	No difference
	(3) Does the Company formulate policies to prevent conflicts of interest, provide appropriate channels for statements, and implement them?	✓		In order to accurately implement the relevant provisions on conflicts of interest in the Corporate Integrity Manual and prevent colleagues from causing damage to the Company due to conflicts of interest, the Company has formulated the "AUO Measures for Reporting Conflicts of Interest", which can be reported independently through the system, and the colleagues who are honest must report every year, and the newly added internal supervisors must report in 2022, with a total of 2,426 people completing the declaration.	No difference
	(4) Has the Company established an effective accounting system and internal control system for the implementation of honest operation, and the internal audit unit has drawn up relevant audit plans based on the assessment results of dishonest behavior risks, so as to check the compliance of the scheme for preventing dishonest behavior, or has entrusted an accountant to carry out the audit?	✓		The Company has an "internal control system". The internal audit unit regularly evaluates risks and draws up an audit plan, carries out relevant audits according to the plan, and carries out special audits as necessary, and regularly reports the audit results to the audit committee and the board of directors, so that the management can understand the implementation of the Company's internal control and achieve management purposes.	No difference

Evaluation item		Implementation status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
		Yes	No	Summary description	
	(5) Does the Company regularly hold internal and external education and training on integrity management?	✓		In accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, directors, all employees and relevant stakeholders were arranged to conduct mandatory training courses or propaganda, and the prevention and propaganda of seven dishonest behaviors were strengthened. In 2022, a total of 9 directors and 34,587 employees completed the training (100% of directors completed the training; 96% of all employees completed the training). In addition, when newcomers arrive at their posts, they are also required to conduct integrity propaganda courses and sign a declaration of compliance with the law after completing the training. In 2022, the signing rate reached 100%.	No difference
3. Operation of the Company Reporting System	(1) Has the Company established a specific reporting and reward system, established a convenient reporting channel, and assigned appropriate personnel to handle the accused?	✓		Relevant persons of various businesses of the Company may report violations of honesty and integrity in the course of business execution through the following channels: ● Internal: mailbox of immediate supervisor and president ● External: Professional Ethics Violation Reporting System (http://integrity.abl.auo.com) After the report is made, the investigation procedure will be started by audit unit, business unit, purchasing unit and hr supervisor, or set up the committee in accordance with the Administrative Measures for the Investigation Committee of Major Disciplinary Cases to conduct the investigation. There is also an audit Committee mailbox to accept internal and external complaints.	No difference
	(2) Has the Company established the investigation standard operating procedures for accepting the reported matters, the follow-up measures to be taken after the investigation is completed and the relevant confidentiality mechanism?	✓		The Company's "Handling Procedures for professional ethics violations", "Handling Procedures for Accounting, Internal Control and Auditing Complaints" and "Complaint Measures" set out the complaint operation procedures, the power and responsibility units for accepting cases and the incident handling procedures, and kept the information confidential, and no retaliation against colleagues was allowed.	No difference
	(3) Does the Company take measures to protect the whistleblower from improper handling due to exposure?	✓			No difference
4. Strengthen information disclosure Does the Company disclose the content of its code of integrity management and promote its effectiveness on its website and public information observatory?		✓		The Company's "Sustainability Report" on the Company's website contains the contents of the code of integrity management and its promotion effect; the Company's "Integrity Management Code" is also exposed on the Company's website, and the results of integrity management are updated regularly every year.	No difference
5. If the Company has its own code of integrity operation in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please state the differences between its operation and the code: The Company has formulated the Code of Integrity Management in accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and there is no significant difference between the Company's operating conditions of integrity management and the Code of Integrity Management.					

Evaluation item	Implementation status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
6. Other important information that helps to understand the Company's integrity operation (such as the Company's review and revision of its established integrity operation code, etc.):				
<p>Since 2012, the Company has promoted the establishment of the "Integrity AUO folks Series", including the signing of the integrity declaration, online integrity test, integrity manual reading and antitrust law course, making "integrity" the most important and basic core culture of AUO.</p> <p>The Company regularly promotes integrity propaganda, so that employees can be familiar with the integrity culture within the Company through radio and electronic bulletin boards. In 2022, it was publicized three times in total, and education, training and publicity were conducted for suppliers and contractors. Based on the contents of the seven dishonest behaviors, the concept of honesty was strengthened, and the integrity culture was created hand in hand with stakeholders.</p> <p>In addition, the publication of the integrity manual is the highest Code of Conduct for all AUO folks, which provides behavioral guidance and case descriptions for corporate integrity policies, cooperation norms with business partners, cooperation norms with government agencies, intellectual property rights, conflicts of interest, information system security, insider trading and antitrust laws, and ensures that all employees will implement integrity in their work.</p> <p>At the same time, in order to comply with the laws and regulations of the country where the business is located and engage in business activities with the highest ethical standards, and to help colleagues establish correct legal concepts, indirect employees are required to take online compliance courses and compliance tests every two years, and sign a compliance declaration after the training is completed.</p> <p>In addition, in order to let all employees know about The Antitrust Laws and regulations, in addition to setting up The Antitrust Laws area through the internal website, we also set up the mobile phone mobile device APP, so that employees can check online at any time.</p> <p>In addition, the Company defines the supervisor of the unit that handles supplier matters and has close contacts with manufacturers as an important honest position. Considering that the supervisor needs to conduct business with high moral standards in order to protect the Company and individuals, the "AUO conflict of interest declaration method" is formulated, and colleagues of honest positions must declare it every year. In 2022, a total of 2,426 people declared it, with a completion rate of 100%. And arrange a mandatory training course on law compliance for honest job supervisors, which covers the actual case sharing in the industry and the norms that must be observed when dealing with related business at work.</p>				

Note 1: The Company is the main body of the operation.

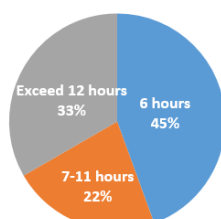
(8) If the Company has formulated the Corporate Governance code and relevant rules, it shall disclose its inquiry methods.

The Company has established the Corporate Governance Code, which has relevant norms for protecting shareholders' rights and interests, strengthening the functions of the board of directors, giving full play to the functions of various functional committees of the board of directors, respecting the rights and interests of stakeholders, and enhancing information transparency. For the Company's Corporate Governance Code, please visit the Open Information Observatory or our website.

(9) Other important information that can enhance the understanding of corporate governance operation.

1. In order to strengthen corporate governance and enhance the effectiveness of the board of directors, the board of directors established the Corporate Governance Committee in October 2019 and formulated the Articles of Incorporation of the Corporate Governance Committee. For details, please visit the Public Information Observatory or our website.
2. The Company has formulated the "Operating Procedures for Handling Important Internal Information and Preventing Insider Trading", which stipulates that the directors, managers, employees and other persons who are informed of important internal information of the Company due to their positions or control relationships shall abide by the procedures for keeping confidential and disclosing internal information, so as to avoid improper disclosure of information and ensure the consistency and correctness of information disclosure.
3. Continuing Education/Training of Directors in 2022

Continuing Education/Training of Directors



Title	Name	Date	Sponsoring unit	Course	No. of hours
Chairman	Shuang-Lang (Paul) Peng	2022.04.20	Taiwan Corporate Governance Association	On the legal responsibility of corporate directors from the perspective of intellectual property management	3 hours
		2022.05.05		Post-merger Integration and Corporate Governance of Investment Holding Company	3 hours
Director	AUO Sustainability Foundation Representative: Frank Ko	2022.04.20	Taiwan Corporate Governance Association	On the legal responsibility of corporate directors from the perspective of intellectual property management	3 hours
		2022.10.26		Group corporate governance	3 hours
Director	Qisda Corporation Representative: Han-Chou (Joe) Huang	2022.06.30	Taiwan Corporate Governance Association	ESG reporting trend and its commercial implications of information disclosure	3 hours
		2022.10.26		Group corporate governance	3 hours
		2022.12.06		Strengthen Digital Resilience, Construct the Strengthening Strategy of Information Security Governance of Listed Companies	3 hours
Director	Ming Hua Investment Company Limited Representative: Tsai Juan-Juan	2022.09.23	Taiwan Corporate Governance Association	Virtual World Outbreak: Metauniverse and the Future Development of Cryptographic Currency Blockchain	3 hours
		2022.10.26		Group corporate governance	3 hours
Independent director	Yen-Hsueh (Sharon) Su	2022.04.12	Taiwan Corporate Governance Association	The only way for sustainability operation--external innovation	3 hours
		2022.04.20		On the legal responsibility of Corporate directors from the perspective of intellectual property management	3 hours
		2022.08.08		On enterprise sustainable governance from the perspective of risk--from corporate governance to ESG	3 hours
Independent director	Peng Chin-Bing	2022.03.10	OIC 、Georgeson and Taiwan Stock Exchange	Independent director and Board Supervision from an International Perspective	1 hours
		2022.04.20	Taiwan Corporate Governance Association	On the legal responsibility of Corporate directors from the perspective of intellectual property management	3 hours
		2022.05.12	Online Forum of International Twin Peaks	Key points of further education for directors and supervisors of listed and OTC companies	2 hours
		2022.09.30	Taiwan Corporate Governance Association	2030/2050 Green industrial revolution	3 hours
		2022.09.30		Principles of public relations handling of corporate legal events	3 hours
		2022.10.26		Group corporate governance	3 hours
Independent director	Chen Jang-Lin	2022.04.20	Taiwan Corporate Governance Association	On the legal responsibility of Corporate directors from the perspective of intellectual property management	3 hours
		2022.10.26		Group corporate governance	3 hours
Independent director	Chiu-Ling Lu	2022.08.10	Taiwan Corporate Governance Association	The only way for sustainability operation--external innovation	3 hours
		2022.11.09		Offensive and defensive of non-consensual mergers and acquisitions and the responsibility of company leaders	3 hours
		2022.11.22	Taiwan Independent Directors Association	Strategies, objectives, major issues, financial and non-financial information disclosure of ESG Sustainability Report	3 hours
		2022.12.06	Taiwan Corporate Governance Association	Strengthen Digital Resilience, Construct the Strengthening Strategy of Information Security Governance of Listed Companies	3 hours
Independent director	Cathy Han	2022.08.03	Taiwan Corporate Governance Association	Trends and Challenges of Information Security Governance	3 hours

Title	Name	Date	Sponsoring unit	Course	No. of hours
		2022.09.30		Principles of public relations handling of corporate legal events	3 hours
		2022.09.30		2030/ 2050 Green Industrial Revolution	3 hours
		2022.10.26		Group corporate governance	3 hours
		2022.11.08		Trend and risk management of digital technology and artificial intelligence	3 hours

4. The Company regularly arranges senior executives to participate in corporate governance courses, and in 2022, senior executives participated in corporate governance and other related courses. Please refer to the following table:

Title	Name	Date	Sponsor unit	Course	Training hours
Group CSO (Note 1)	Shuang-Lang (Paul) Peng	2022.04.20	Taiwan Corporate Governance Association	On the legal responsibility of corporate directors from the perspective of intellectual property management	3 hours
		2022.05.05		Post-merger Integration and Corporate Governance of Investment Holding Company	3 hours
CEO & President (Note 1)	Frank Ko	2022.04.20	Taiwan Corporate Governance Association	On the legal responsibility of corporate directors from the perspective of intellectual property management	3 hours
		2022.10.26		Group Corporate Governance	3 hours
Senior vice president	Wei-Lung Liao	2022.09.30	Taiwan Corporate Governance Association	Virtual World Outbreak: Metauniverse and the Future Development of Cryptographic Currency Blockchain	3 hours
		2022.10.18		Directors' fiduciary duty and business judgment criteria	3 hours
	CS Hsieh	2022.04.20	Taiwan Corporate Governance Association	On the legal responsibility of corporate directors from the perspective of intellectual property management	3 hours
		2022.10.26		Group Corporate Governance	3 hours
	Amy Ku	2022.04.20	Taiwan Corporate Governance Association	On the legal responsibility of corporate directors from the perspective of intellectual property management	3 hours
		2022.10.26		Group Corporate Governance	3 hours
Vice president	Hong-Jye Hong	2022.04.20	Taiwan Corporate Governance Association	On the legal responsibility of corporate directors from the perspective of intellectual property management	3 hours
	Andy Yang	2022.10.26	Taiwan Corporate Governance Association	Group Corporate Governance	3 hours
	Tina Wu	2022.04.20	Taiwan Corporate Governance Association	On the legal responsibility of corporate directors from the perspective of intellectual property management	3 hours

Title	Name	Date	Sponsor unit	Course	Training hours
		2022.10.26		Group Corporate Governance	3 hours
Vice president Accountant supervisor Corporate governance supervisor	Benjamin Tseng	2022.03.08	Taiwan Accounting Research and Development Foundation	Using ESG to improve the strategic ability of enterprises	3 hours
		2022.04.07		Analysis of false financial report cases and how to perspective the key information of financial report	3 hours
		2022.04.20	Taiwan Corporate Governance Association	On the legal responsibility of corporate directors from the perspective of intellectual property management	3 hours
		2022.05.31	Taiwan Accounting Research and Development Foundation	How to give full play to the function of corporate governance supervisor--also on the legal responsibility of managers	3 hours
		2022.06.30	Taiwan Corporate Governance Association	ESG reporting trend and its commercial implications of information disclosure	3 hours
		2022.09.21	Taiwan Accounting Research and Development Foundation	Tax regulations and practice of CFC in controlled foreign enterprises	3 hours
		2022.10.26	Taiwan Corporate Governance Association	Group corporate governance	3 hours
Audit supervisor	Maggie Chen	2022.04.20	Taiwan Corporate Governance Association	On the legal responsibility of corporate directors from the perspective of intellectual property management	3 hours
		2022.08.02	Accounting Research and Development Foundation	How to analyze the key financial information of enterprises and strengthen the ability of crisis early warning	6 hours
		2022.08.29	The Institute of Internal Auditors	Analysis of laws and regulations of the board of directors and functional committees (audit, remuneration) and audit focus	6 hours
		2022.10.26	Taiwan Corporate Governance Association	Group Corporate Governance	3 hours

Note 1: On February 23, 2023, the board of directors of the Company approved the appointment of Mr. Shuang-Lang (Paul) Peng as the group Chief Strategy Officer and Mr. Frank Ko as the Chief Executive Officer and President, with effect from March 1, 2023. The positions of managers related to this annual report are all expressed by the titles of the above-mentioned new personnel cases.

5.The Corporate Governance refer to www.auo.com/zh-TW/Governance/index

(X) Implementation of Internal Control System

I. Statement of Internal Control System

AUO Corporation
Statement of Internal Control System

Date: February 8, 2023

Based on the findings of a self-assessment, AUO Corporation (hereinafter "The Company") states the following pertaining to its internal control system during year 2022:

1. The Company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and managers. The Company has established such a system with an aim to providing reasonable assurance for the achievement of the following objectives: The effectiveness and efficiency of business operation (including profitability, performance, and safe-guarding of company assets; the reliability, timeliness, transparency, and regulatory compliance of financial reporting and other related reports; and the compliance with applicable laws, regulations and rulings.
2. An internal control system has inherent limitations. No matter how perfectly it is designed, an effective internal control system can provide only reasonable assurance of achieving the three above-mentioned objectives. Moreover, the effectiveness of the internal control system may be subject to changes of environment or circumstances. Nonetheless, the Company's internal control system comprises of self-monitoring mechanisms, and the Company immediately undertakes corrective measures once a deficiency is identified.
3. The Company assesses the design and operating effectiveness of its internal control system in accordance with the criteria stated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria stipulated in the Regulations identify five essential elements of an internal control system based on managerial control process: 1) Control environment, 2) Risk assessment, 3) Control activities, 4) Information and communication, and 5) Monitoring activities. Each essential element further contains several items. Please see the Regulations for the aforementioned items.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the results of the above mentioned assessment, the Company believes that, as of December 31, 2022, its internal control system, including its supervision and management of subsidiaries, was effective in design and operation and provided reasonable assurance of achievement of operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws, regulations and rulings.
6. This Statement constitutes an integral part of the Annual Report for the year 2022 and the Prospectus of the Company and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 in the Securities and Exchange Act.
7. This Statement has been approved by the Board of Directors in their meeting held on February 8, 2023, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

AUO Corporation

Chairman: Shuang-Lang (Paul)

President: Frank Ko

2. Companies which CPAs to professionally review the internal control system shall disclose the review report provided by the accountants: None.

(II) In recent years and up to the date of publication of the annual report, the Company and its internal staff have been punished according to law, or the Company has punished its internal staff for violating the

provisions of the internal control system, and the punishment result may have a significant impact on shareholders' rights and interests or securities prices, the contents of the punishment, major deficiencies and improvement shall be listed:

1. For information about pollution fines, please refer to the information on environmental protection expenditure in V. Operational Highlights of this annual report (page 83).
2. For information about fines for labor disputes, please refer to the labor relations in V. Operational Highlights of this annual report (page 87).

(12) Important resolutions of the shareholders' meeting and the board of directors in the latest year and up to the publication date of the annual report.

1. Important resolutions of the shareholders' meeting in 2022 and their implementation.

- Passed re-election of nine directors to the 10th Board of Directors

Implementation: The elected list is Shuang-Lang (Paul) Peng, representative of AUO Sustainable Foundation, Frank Ko, representative of Qisda Corporation, representative of Huang Han-Jang, representative of Ming Hua Investment Company Limited, Tsai Juan-Juan, Chin-Bing (Philip) Peng (independent director), Yen-Hsueh (Sharon) Su (independent director), Chen Zhang-Lin (independent director), Lu Qiu-Ling (independent director) and Cathy Han (independent director).

- Recognized the annual business report and financial statements of 2021.

Implementation: Resolution passed.

- Recognized the case of surplus distribution in 2021

Implementation: The resolution was passed, and the ex-dividend benchmark date was July 10, 2022. On March 28, 2022, according to the resolution of the board of directors, the cash dividend was distributed at NT\$1,000 per thousand shares, and the total cash dividend was NT\$9,575,823,815.

- Approved the case of cash capital reduction.

Implementation: The resolution was passed, and 1,924,849,023 issued shares were cancelled due to capital reduction at \$ 10 par value per share, and the total amount of capital reduction returned was NT\$19,248,490,230, with a capital reduction ratio of 20%. The base date for capital reduction was set as August 10, 2022, and the release date of cash reduction returned shares was October 11, 2022.

- Approved amendment to the Articles of Incorporation, Rules of Procedure for Shareholders' Meeting and Procedures for Acquisition or Disposal of Assets.

Implementation: The resolution was passed, and the revised Articles of Incorporation, Rules of Procedure for Shareholders' Meeting and Procedures for Acquisition or Disposal of Assets came into effect on June 17, 2022.

Approved the case of lifting the director's non-competition restriction

Implementation: The resolution was passed. The non-competition restrictions of directors Shuang-Lang (Paul) Peng, Frank Ko, Qisda Corporation, Han-Chou (Joe) Huang, Chuang- Chuang Tsai, Chin-Bing (Philip) Peng, Yen-Hsueh (Sharon) Su, Chiu-Ling Lu and Cathy Han were lifted by resolution.

2. Important resolutions of the Board of Directors

<p>Ninth Committee 18th session 2022.2.10</p>	<ul style="list-style-type: none"> ◆ Approved the amendments to the proposal for the allocation of directors' remuneration ◆ Approved the amendments to "Compensation Policy to the Directors and Functional Committee Members" ◆ Approved the Internal Control Declaration for 2021 ◆ Approved the amendments to Internal Control Systems ◆ Approved the 2021 Parent Company Only and Consolidated Financial Statements ◆ Approved the 2022 services and fees of Certified Public Accountant ◆ Approved the increase/decrease in capital expenditure budget ◆ Approved to lend capital to the subsidiary, SPACE MONEY INC. ◆ Approved the subsidiary, AU Optronics Manufacturing (Shanghai) Corp., to lend capital ◆ Approved the amendments to "Audit Committee Charter", "Remuneration Committee Charter", "Corporate Governance Committee Charter", "Corporate Governance Principles" and "Corporate Social Responsibility Principles" ◆ Approved the selection of applicable personnel for the "Measures for the Protection and Conversion of
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	<p>Management Rights"</p> <ul style="list-style-type: none"> ◆ Approved the list of treasury stocks' granted managers and the number of distribution (subscription) ◆ Approved the addition and renewal of banking facilities
<p>Ninth Committee 19th session 2022.3.28</p>	<ul style="list-style-type: none"> ◆ Approved the 2021 Business Report and 2022 Business Plan ◆ Approved the distribution of 2021 earnings ◆ Approved the cash capital reduction plan ◆ Approved to cancel the issuance of securities in private placement resolved in the 2021 Annual General Shareholders' Meeting ◆ Approved the distribution of 2021 employees' and directors' remuneration ◆ Approved the amendment to the Articles of Incorporation ◆ Approved the amendments to Rules and Procedures for Shareholders' Meeting ◆ Approved the amendments to Procedures for Acquisition and Disposal of Assets and the limit for authorizing Chairman to determine the deals of affiliates ◆ Approved the election of directors ◆ Approved the date of convening 2022 Annual General Shareholders' Meeting, meeting agenda, and submission period of shareholder proposals and directors ◆ Approved the acquisition of the common shares of Ennostar Inc. through private placement ◆ Approved the 2021 compensation to directors and senior managerial officers ◆ Approved the donations
<p>Ninth Committee 20th session 2022.04.25</p>	<ul style="list-style-type: none"> ◆ Approved the Consolidated Financial Statements for the period ended March 31, 2022 ◆ Approved the amendments to Internal Control Systems ◆ Approved to acquire the common shares of Adlink Technology Inc. ◆ Approved to acquire acquisition of Rise Vision Inc. and Rise Vision USA Inc., on behalf of AUO Display Plus Corp., a subsidiary of the Company ◆ Approved the capitalization of retained earnings and insurance of employee stock option of AUO Display Plus Corporation ◆ Approved the subsidiaries of the Company to lend capital to AUO (Kunshan) Co., Ltd. ◆ Approved Edgetech Data Technologies (Suzhou) Corp., Ltd.'s account receivables from is not capital lending AU Optronics (Suzhou) Corp., Ltd. ◆ Approved the addition and renewal of banking facilities ◆ Reviewed the shareholder proposals and nomination of the 2022 Annual General Shareholders' Meeting ◆ Approved the seats, composition and diversity Policy of the Company's tenth-term Board of Directors and Functional Committee ◆ Approved the directors' election and the list of the nominated candidates of the directors (including independent directors) ◆ Approved to lift non-competition restrictions on board members
<p>Tenth Committee 1st session 2022.06.17</p>	<p>Election Item</p> <ul style="list-style-type: none"> ◆ Elected of the Chairman <p>Discussion Items</p> <ul style="list-style-type: none"> ◆ Appointed the members of the Company's fifth-term Remuneration Committee ◆ Appointed the members of the Company's second-term Corporate Governance Committee
<p>Tenth Committee 2nd session 2022.07.27</p>	<ul style="list-style-type: none"> ◆ Approved the Consolidated Financial Statements for the period ended June 30, 2022 ◆ Approved the Company to provide guarantee against the bank loan to AUO (Kunshan) Co., Ltd. ◆ Approved the Company to engage in derivatives to hedge for the USD exposure for China subsidiaries ◆ Approved the capital expenditure of solar power plant in Fang Liao, Pingtung behalf of Da Ping Green Energy Corp., a subsidiary of the Company ◆ Approved the capital increase in cash in Da Ping Green Energy Corporation, a subsidiary of the Company ◆ Approved the Company's green loan ◆ Approved the increase of capital expenditure budget ◆ Approved the acquisition of machinery equipment from AUO Envirotech Inc., a subsidiary of the Company ◆ Approved the 2023 Senior Officer Compensation Policy ◆ Approved the distribution of 2021 employees' remuneration for senior managerial officers ◆ Approved the amendment of "Regulations on Retirement Compensation for the Employee Serving Concurrently as the Chairman" ◆ Approved the amendment of "Change-in-control Payment Regulations" ◆ Approved the addition and renewal of banking facilities
<p>Tenth Committee</p>	<ul style="list-style-type: none"> ◆ Approved 2022 Annual Audit Plan ◆ Approved the amendments to Internal Control Systems

3 rd session 2022.10.26	<ul style="list-style-type: none"> ◆ Approved the Consolidated Financial Statements for the period ended September 30, 2022 ◆ Approved the disposal of part of the right-of-use of land and the dormitories on behalf of AUO (Xiamen) Co., Ltd., a subsidiary of the Company. ◆ Approved the Company and the subsidiaries to lend capital to AUO (Kunshan) Co., Ltd. ◆ Approved the loan capital between the China subsidiaries of the Company (i.e., AUO (Suzhou) Co., Ltd, AUO (Xiamen) Co., Ltd., and AUO (Kunshan) Co., Ltd.) ◆ Approved the Company to lend capital to AUO Crystal Corp. ◆ Approved the increase of capital expenditure budget ◆ Approved the amendment of "Procedures for Handling Material Inside Information" ◆ Approved the addition and renewal of banking facilities
Tenth Committee 4 th session 2023.02.08	<ul style="list-style-type: none"> ◆ Approved the Internal Control Declaration for 2022. ◆ Approved the 2022 Parent Company Only and Consolidated Financial Statements ◆ Approved the accountant service project and public expense case in 2023. ◆ Approved and formulated the Company's policy of pre-approving unconfirmed services. ◆ Approved the increase/decrease in capital expenditure budget. ◆ Approved the case of the Company's investment in establishing a subsidiary in Vietnam. ◆ Approved the Company to lend capital to subsidiaries. ◆ Approved the Company to lend capital to AUO (Shanghai) Co., Ltd. ◆ Approved the overdue accounts receivable from non-related parties of AUO Megalnsight (Suzhou) Co., Ltd. as a non-capital loan case. ◆ Approved the Company to provide guarantee against the bank loan to AUO (Kunshan) Co., Ltd. ◆ Approved the letter of guarantee issued by AUO (Xiamen) Co., Ltd., a subsidiary, for the newly-increased bank line of the Company. ◆ Approved the acquisition of machinery equipment from AUO Envirotech Inc., a subsidiary of the Company. ◆ Approved the case of the Company's capital increase for its subsidiaries Konly Venture Corp. and Ronly Venture Corp. ◆ Approved the case of the Company's investment in common shares of energy project companies. ◆ Approved the amendments to "Compensation Policy to the Directors and Functional Committee Members" ◆ Approved the amendment of the chart of Corporate Governance Committee, the Corporate Governance Principle and the Sustainable Development Code, and formulate the Measures for the Leave of absence of the Chairman. ◆ Approved the selection of applicable personnel for the "Measures for the Protection and Conversion of Management Rights". ◆ Approved the addition and renewal of banking facilities
Tenth Committee 5 th session 2023.02.23	<ul style="list-style-type: none"> ◆ Approved the 2022 Business Report and 2023 Business Plan ◆ Approved the distribution of 2021 earnings ◆ Approved the case of cash distribution from capital surplus. ◆ Approved to lift non-competition restrictions on board members ◆ Approved the date of convening 2022 Annual General Shareholders' Meeting, meeting agenda, and submission period of shareholder proposals ◆ Approved the case that AUO Display Plus Corporation, a 100%-owned subsidiary of the Company, intends to publicly acquire the common shares of Crystalvue Medical Corporation. ◆ Approved the 2022 compensation to directors and senior managerial officers ◆ Approved the list of treasury stocks' granted managers and the number of distribution (subscription) ◆ Approved and formulated the case of "Regulations on Managers' Stock Ownership". ◆ Approved the personnel case of senior managers.

(13) In recent years and up to the date of publication of the annual report, directors or supervisors have different opinions on important resolutions passed by the board of directors, and there are records or written statements, the main contents are: None.

(14) Summary of resignation and dismissal of the Company's chairman, president, accounting supervisor, financial supervisor, internal audit supervisor, Corporate Governance supervisor and R&D supervisor in recent years and up to the publication date of the annual report: None.

(15) Certification obtained by the Company and its personnel related to financial information transparency from competent authorities:

December 31, 2022

Title of License	Number of persons	
	Financial Accounting	Audits
R.O.C. CPA	3	1
US CPA	1	-
Chartered Financial Analyst (CFA)	1	-
Financial Risk Manager (FRM)	2	-
Certified Internal Auditor (CIA)	3	-
Certified Information Systems Auditor (CISA)	-	1
Senior Securities Processing Personnel	11	1
Stock Affairs Personnel	4	-
Basic Ability Test for Corporate Internal Control organized by the Securities and Futures Institute	2	3

V. Accountant's public expense information

(I) Accountant's public expense information

Unit: NTD Thousand

Name of accounting firm	Name of accountant	Accountant audit period	Audit public expense (Note 1)	Non-audit public expense	Total	Remarks
KPMG	Chi-Lung Yu Wan-Yuan Yu	2022.1.1~2022.12.31	13,700	4,923	18,623	Non-audit public expenses include tax certification, CSR assurance consultation and CbCR service expenses.

1. If an accounting firm is changed and the audit fee paid in the year of change is lower than that in the year before change, the amount of audit fee before and after change and the reasons shall be disclosed: N/A

2. If the audit fee has decreased by more than 10% compared with the previous year, the amount, proportion and reasons for the decrease shall be disclosed: None.

Note 1: The so-called audit fees refer to the fees paid by the Company to the certified public accountants for checking and reviewing the financial reports and financial forecasts.

VI. Information on replacement of CPA in the past two years:

(I) Former CPA

Date of replacement	March 16, 2021		
Replacement reasons and explanations	The CPAs are changed from Wei, Hsin-Hai and Lu, Chien-Hu to Yu, Chi-Lung and Yu, Wan-Yuan due to the internal adjustment from the accounting firms		
Describe whether the Company is terminated or the CPA did not accept the appointment	Party	CPA	Consignor
	Condition		
	Engagement terminated automatically		
	Engagement discontinued	V	
The Opinions other than Unmodified Opinion Issued within the last 2 years and the reason for the Said Opinion (Note)	Not applicable		
Any disagreement in Opinion with the issuer	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or procedure of auditing
			Others
	None	V	
	Explanation		
Supplementary Disclosure (Specific Disclosures mentioned in Article 10.6.1.4~7 of the Regulation)	Not applicable		

(II) Succeeding CPA

Name of the firm	KPMG Certificated Public Accountants
Name of CPA	Chi-Lung Yu and Wan-Yuan Yu
Date of appointment	March 16, 2021
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not applicable
Written Opinions from the Successor CPA that are Different from the Former CPA Opinions	Not applicable

(III) The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

VII. Did the Company's Chairman, President, Chief Financial Officer, or Managers in Charge of its Financial and Accounting Operations hold any positions within the Company's Independent Audit Firm or its Affiliates in the most recent year: None.

VIII. The change of equity transfer or changes to equity pledge of Directors, managers or shareholders holding more than 10% of Company shares in the most recent year (or initial date of a manager's term of service) up to the publication date of this report

(I) Changes in shares held by Directors, managers, and shareholders holding 10% or more of shares

Unit: 1,000 shares

Title(Note1)	Name	2022		As of January 31, current year	
		Increase (decrease) of shares held(Note2)	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Chairman and Group CSO(Note3)	Shuang-Lang (Paul) Peng	436	0	0	0
Corporate Director	AUO Foundation	(62)	0	0	0
Representative of Corporate Director, CEO and President (Note3)	Frank Ko	547	0	0	0
Corporate Director	Ming Hua Investment Company Limited	(1,994)	0	0	0
Representative of Corporate Director	Chuang- Chuang Tsai	0	0	0	0
Corporate Director	Qisda Corporation	(132,720)	0	0	0
Representative of Corporate Director	Han-Chou (Joe) Huang	0	0	0	0
Independent Director	Chin-Bing (Philip) Peng	(19)	0	0	0
Independent Director	Yen-Hsueh (Sharon) Su	0	0	0	0
Independent Director	Jang-Lin (John) Chen	0	0	0	0
Independent Director	Chiu-Ling Lu	0	0	0	0
Independent Director	Cathy Han	0	0	0	0
Senior Vice President	Wei-Lung Liao	(150)	0	0	0
Senior Vice President	Ting-Li Lin	3	0	0	0
Senior Vice President	James CP Chen	(155)	0	0	0
Senior Vice President	CS Hsieh	(267)	0	0	0
Senior Vice President	Amy Ku	(361)	0	0	0
Vice President	Hong-Jye Hong	(75)	0	0	0
Vice President	TL Tseng	69	0	0	0
Vice President	TY Lin	95	0	0	0
Vice President	Tina Wu	18	0	0	0
Vice President	Andy Yang	(76)	0	0	0
Vice President	Benjamin Tseng	(245)	0	0	0
Senior Associate Vice President	Kun-Yu Lin	(78)	0	0	0
Senior Associate Vice President	Yu-Chieh Lin	(21)	0	0	0
Senior Associate Vice President	Ivan Wu	2	0	0	0
Senior Associate Vice President	SI Jeong	(22)	0	0	0
Associate Vice President	Center Chen	40	0	0	0
Associate Vice President	Debbie Chiu	80	0	0	0
Associate Vice President	TL Chen	(83)	0	0	0

Title(Note 1)	Name	2022		As of January 31, current year	
		Increase (decrease) of shares held(Note 2)	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Associate Vice President	Jerry Liu	19	0	0	0
Associate Vice President	Bryan Kuo	96	0	0	0
Associate Vice President	KS Tseng	(77)	0	0	0
Associate Vice President	Kenji Chen	(52)	0	0	0
Associate Vice President	CD Lee	(34)	0	0	0
Associate Vice President	CH Wu	(64)	0	0	0

Note 1: Those who are in office as of the publication date of the annual report.

Note 2: Increase (decrease) of shares held of 2022 including the change of the Company capital reduction at October 2022.

Note 3: On February 23, 2023, the board of directors of the Company approved the appointment of Mr. Paul SL Peng as the group strategy chief and Mr. Frank Ko as the chief executive officer and president, with effect from March 1, 2023. The positions of managers related to this annual report are all expressed by the titles of the above-mentioned new personnel cases.

(2) Where the counterpart of the equity transfer is a related party: None.

(3) Where the counterpart of the equity pledge is a related party: None.

IX. Information of relationships between TOP 10 shareholders are related parties

Unit: 1,000 shares

Name(Note)	Shares held		Shares held by spouse or underage children		Total shares held in the name of other persons		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its title (or name) and relationships		Remarks
	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Title (or name)	Relationships	
Qisda Corporation	530,879	6.90	-	-	-	-	-	-	
Qisda Corporation Representative: Peter Chen	Information not available								
Yuanta Taiwan Dividend Plus ETF	362,630	4.71	-	-	-	-	-	-	
Trust Holding for Employees for AUO	356,050	4.62	-	-	-	-	-	-	
Quanta Computer Inc.	355,144	4.61	-	-	-	-	-	-	
Quanta Computer Inc. Representative: Barry Lam	Information not available								
ADR of AUO	193,677	2.52	-	-	-	-	-	-	
Nan Shan Life Insurance Company, Ltd.	115,381	1.50	-	-	-	-	-	-	
Nan Shan Life Insurance Company, Ltd. Representative: Chong-Yao Yin	Information not available								
New Labor Pension Fund	97,440	1.27	-	-	-	-	-	-	
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International	70,354	0.91	-	-	-	-	-	-	

Name(Note)	Shares held		Shares held by spouse or underage children		Total shares held in the name of other persons		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its title (or name) and relationships		Remarks
	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Title (or name)	Relationships	
Equity Index Funds									
FTSE TWSE Taiwan 50 Index	67,935	0.88	-	-	-	-	-	-	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	66,253	0.86	-	-	-	-	-	-	

Note: Information recorded on the shareholder roster as of the latest book closure date (October 7, 2022) of the Company.

X. Number of shares held and consolidated shareholdings percentage in the same investment business by the Company, the Company's Directors, Managers, and companies directly or indirectly controlled by the Company

Unit: 1,000 shares

Investment business (Note 1)	Investment by the Company (Note 2)		Investment by Directors, Supervisors, Managers, and directly or indirectly controlled business (Note 2)		Comprehensive investment (Note 2)	
	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)
Qisda Corporation	335,231	17.04	50,791	2.58	386,021	19.62
Ennostar Inc.	26,319	3.84	37,109	5.42	63,428	9.26
Raydium Semiconductor Corporation	-	-	12,146	16.01	12,146	16.01
Daxin Materials Corp.	-	-	25,470	24.80	25,470	24.80
ADLINK Technology Co., Ltd.	42,310	19.45	29,119	13.39	71,429	32.84
Iris Optonics Co., Ltd.	-	-	1,000	3.94	3,420	13.49
Star Shining Energy Corp.	217,000	31.00	14,000	2.00	231,000	33.00
SkyREC Ltd.	-	-	188	16.12	188	16.12
Naidun-tech Co., Ltd.	-	-	8,733	22.03	8,733	22.03
Zhao Feng Energy Co., Ltd.	-	-	16,000	20.00	16,000	20.00

Note 1: Invested by the Consolidated Company using the equity method.

Note 2: Information recorded on the shareholder roster as of the latest book closure date of each company.

Chapter 4 Capital Overview

I. Capital and shares

(I) Source of Share Capital

Unit: NT\$, Shares

Year and month	Issued price (par value per share)	Authorized capital		Paid-in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Capital increase by assets other than cash	Others
1996.08	10	200,000,000	2,000,000,000	50,000,000	500,000,000	Establishment	-	Note 1
1997.06	10	200,000,000	2,000,000,000	200,000,000	2,000,000,000	Capital Increase by Cash	-	Note 2
1998.07	10	800,000,000	8,000,000,000	500,000,000	5,000,000,000	Capital Increase by Cash	-	Note 3
1998.12	10	800,000,000	8,000,000,000	800,000,000	8,000,000,000	Capital Increase by Cash	-	Note 4
1999.12	10	1,400,000,000	14,000,000,000	1,100,000,000	11,000,000,000	Capital Increase by Cash	-	Note 5
2001.03	10	1,400,000,000	14,000,000,000	1,250,000,000	12,500,000,000	Capital Increase by Cash	-	Note 6
2001.09	10	5,000,000,000	50,000,000,000	2,970,581,607	29,705,816,070	Capital Increase by retained earnings, capital surplus and acquisition	-	Note 7
2002.06	10	5,000,000,000	50,000,000,000	3,470,581,607	34,705,816,070	Capital increase by cash to participate in the issuance of overseas depositary receipt	-	Note 8
2002.08	10	5,000,000,000	50,000,000,000	3,976,397,079	39,763,970,790	Domestic corporate bond conversion	-	Note 9
2002.11	10	5,000,000,000	50,000,000,000	4,003,048,921	40,030,489,210	Domestic corporate bond conversion	-	Note 10
2003.01	10	5,000,000,000	50,000,000,000	4,024,194,453	40,241,944,530	Domestic corporate bond conversion	-	Note 11
2003.02	10	5,000,000,000	50,000,000,000	4,025,833,686	40,258,336,860	Domestic corporate bond conversion	-	Note 12
2003.08	10	5,800,000,000	58,000,000,000	4,270,445,386	42,704,453,860	Domestic corporate bond conversion	-	Note 13
						Capital increase by retained earnings		
2003.11	10	5,800,000,000	58,000,000,000	4,352,237,241	43,522,372,410	Domestic corporate bond conversion	-	Note 14
2004.06	10	5,800,000,000	58,000,000,000	4,658,040,897	46,580,408,970	Capital increase by retained earnings	-	Note 15
2004.07	10	5,800,000,000	58,000,000,000	4,958,040,897	49,580,408,970	Capital increase by cash to participate in the issuance of overseas depositary receipt	-	Note 16
2005.08	10	7,000,000,000	70,000,000,000	5,830,547,132	58,305,471,320	Capital increase by retained earnings	-	Note 17
						Capital increase by cash to participate in the issuance of overseas depositary receipt		
2006.08	10	7,000,000,000	70,000,000,000	6,094,068,587	60,940,685,870	Capital increase by retained earnings	-	Note 18
2006.11	10	9,000,000,000	90,000,000,000	7,573,178,616	75,731,786,160	Capital increase by acquisition	-	Note 19
2007.02	10	9,000,000,000	90,000,000,000	7,573,402,805	75,734,028,050	Employee stock options	-	Note 20
2007.06	10	9,000,000,000	90,000,000,000	7,573,782,895	75,737,828,950	Employee stock options	-	Note 21
2007.08	10	9,000,000,000	90,000,000,000	7,596,895,987	75,968,959,870	Corporate bond conversion	-	Note 22
						Employee stock options		
2007.09	10	9,000,000,000	90,000,000,000	7,805,727,146	78,057,271,460	Capital increase by retained earnings	-	Note 23

Year and month	Issued price (par value per share)	Authorized capital		Paid-in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Capital increase by assets other than cash	Others
2007.11	10	9,000,000,000	90,000,000,000	7,817,705,505	78,177,055,050	Corporate bond conversion	-	Note 24
						Employee stock options		
2008.05	10	9,000,000,000	90,000,000,000	7,865,200,583	78,652,005,830	Corporate bond conversion	-	Note 25
						Employee stock options		
2008.05	10	9,000,000,000	90,000,000,000	7,868,206,737	78,682,067,370	Corporate bond conversion	-	Note 26
						Employee stock options		
2008.08	10	9,000,000,000	90,000,000,000	8,505,525,398	85,055,253,980	Capital increase by retained earnings	-	Note 27
						Corporate bond conversion		
						Employee stock options		
2008.11	10	9,000,000,000	90,000,000,000	8,505,719,634	85,057,196,340	Employee stock options	-	Note 28
2009.09	10	10,000,000,000	100,000,000,000	8,827,045,535	88,270,455,350	Capital increase by retained earnings	-	Note 29
2013.05	10	10,000,000,000	100,000,000,000	9,624,245,115	96,242,451,150	Capital increase by cash to participate in the issuance of overseas depositary receipt	-	Note 30
2022.08	10	12,000,000,000	120,000,000,000	7,699,396,092	76,993,960,920	Capital Reduction	-	Note 31

Note 1: Hsinchu Science Park Bureau 08.12.1996(85) Certificate No. 13629.
Note 2: Hsinchu Science Park Bureau 06.05.1997(86) Certificate No. 10528.
Note 3: Hsinchu Science Park Bureau 07.06.1998(87) Certificate No. 016400.
Note 4: Hsinchu Science Park Bureau 12.23.1998(87) Certificate No. 030560.
Note 5: Hsinchu Science Park Bureau 12.10.1999 Certificate No. 0880026812.
Note 6: Hsinchu Science Park Bureau 03.23.2001 Certificate No. 0900006660.
Note 7: Hsinchu Science Park Bureau 09.14.2001 Certificate No. 0910023096.
Note 8: Hsinchu Science Park Bureau 06.20.2002 Certificate No. 0910014056.
Note 9: Hsinchu Science Park Bureau 08.02.2002 Certificate No. 0910017441.
Note 10: Hsinchu Science Park Bureau 11.29.2002 Certificate No. 0910029009.
Note 11: Hsinchu Science Park Bureau 01.22.2003 Certificate No. 0920001485.
Note 12: Hsinchu Science Park Bureau 02.26.2003 Certificate No. 0920004126.
Note 13: Hsinchu Science Park Bureau 08.11.2003 Certificate No. 0920019428.
Note 14: Hsinchu Science Park Bureau 11.20.2003 Certificate No. 0920031977.
Note 15: Hsinchu Science Park Bureau 06.23.2004 Certificate No. 0930016501.
Note 16: Hsinchu Science Park Bureau 07.16.2004 Certificate No. 0930018382.
Note 17: Hsinchu Science Park Bureau 08.25.2005 Certificate No. 0940023097.
Note 18: Hsinchu Science Park Bureau 08.23.2006 Certificate No. 0950021964.
Note 19: Hsinchu Science Park Bureau 11.29.2006 Certificate No. 0950031936.
Note 20: Hsinchu Science Park Bureau 02.08.2007 Certificate No. 0950003634.
Note 21: Hsinchu Science Park Bureau 06.29.2007 Certificate No. 0960017409.
Note 22: Hsinchu Science Park Bureau 08.21.2007 Certificate No. 0960021864.
Note 23: Hsinchu Science Park Bureau 09.11.2007 Certificate No. 0960023922.
Note 24: Hsinchu Science Park Bureau 11.21.2007 Certificate No. 0960030854.
Note 25: Hsinchu Science Park Bureau 05.19.2008 Certificate No. 0970012663.
Note 26: Hsinchu Science Park Bureau 05.27.2008 Certificate No. 0970013216.
Note 27: Hsinchu Science Park Bureau 08.28.2008 Certificate No. 0970023767.
Note 28: Hsinchu Science Park Bureau 11.20.2008 Certificate No. 0970032275.
Note 29: Hsinchu Science Park Bureau 09.15.2009 Certificate No. 0980025465.
Note 30: Hsinchu Science Park Bureau 05.24.2013 Certificate No. 1020015421.
Note 31: Hsinchu Science Park Bureau 08.18.2022 Certificate No. 1110026474.

As of February 23, 2022; Unit: Shares

Category \ Shares	Authorized capital			Amount of corporate bonds that can be converted
	Shares outstanding (Note)	Unissued shares	Total	
Registered common shares	7,699,396,092	4,300,603,908	12,000,000,000	725,000,000

Note: The outstanding shares include 38,737 thousand treasury shares held by the Company.

Shelf registration: Not applicable.

(II) Shareholder structure

Shareholding Record Date: October 7, 2022; Unit: Shares

Shareholder structure \ Quantity	Government institutions	Financial institutions	Other corporations	Individual	Foreign institutions and foreigners	Total
Number of persons	6	111	562	464,896	1,465	467,040
Number of Shares Held	103,138,451	1,017,966,981	1,045,543,865	3,645,391,618	1,887,355,177	7,699,396,092
Shareholding percentage (%)	1.34 %	13.22 %	13.58 %	47.35 %	24.51 %	100.00 %

(III) Distribution of Equity Ownership

Type: Common Shares

Shareholding Record Date: October 7, 2022; Unit: Shares

Class of Shareholding	Number of shareholders	Number of Shares Held	Shareholding percentage (%)
1 to 999	164,190	85,416,913	1.11 %
1,000 to 5,000	185,281	486,118,797	6.31 %
5,001 to 10,000	55,243	410,947,375	5.34 %
10,001 to 15,000	16,486	199,378,903	2.59 %
15,001 to 20,000	15,668	265,501,078	3.45 %
20,001 to 30,000	9,791	239,854,714	3.12 %
30,001 to 40,000	6,769	239,887,869	3.12 %
40,001 to 50,000	2,735	124,361,193	1.62 %
50,001 to 100,000	6,077	432,701,825	5.62 %
100,001 to 200,000	2,663	373,444,111	4.85 %
200,001 to 400,000	1,114	313,504,669	4.07 %
400,001 to 600,000	339	166,683,361	2.16 %
600,001 to 800,000	161	112,408,530	1.46 %
800,001 to 1,000,000	96	85,763,059	1.11 %
1,000,001 to more	427	4,163,423,695	54.07 %
Total	467,040	7,699,396,092	100.00 %

Note: The Company does not issue preferred shares.

(IV) List of Major Shareholders (Top 10 shareholders who own the most shares)

Shareholding Record Date: October 7, 2022

Names of major shareholders	Number of shares held (thousand shares)	Shareholding percentage (%)
Qisda Corporation	530,878,896	6.90
Yuanta Taiwan Dividend Plus ETF	362,629,618	4.71
Trust Holding for Employees for AUO	356,050,146	4.62
Quanta Computer Inc.	355,144,245	4.61
ADR of AUO	193,676,935	2.52
Nan Shan Life Insurance Company, Ltd.	115,380,800	1.50
New Labor Pension Fund	97,440,000	1.27
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	70,354,039	0.91
FTSE TWSE Taiwan 50 Index	67,934,506	0.88
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	66,252,699	0.86

(V) Market Price, Net Worth, Earnings, and Dividends in the Past Two Years

Unit: NT\$

Item		Year	As of March 23, 2023	2022	2021
Market Price per Share	Highest		18.95	23.3	35.55
	Lowest		15	13	13.00
	Average (Note 1)		16.85	17.67	20.45
Net Value per Share	Before distribution		(Note 6)	24.16	24.22
	After distribution		-	23.36(Note2)	23.22
Earnings per share (EPS)	Weighted Average of Share Number (thousand shares)		7,660,659	8,819,096	9,522,200
	Earnings per share (EPS)		(Note 6)	(2.39)	6.44
Dividend per Share	Cash dividend		-	0.80(Note2)	1.00
	Stock Dividends	Dividend from retained earnings (Shares)	-	-	-
		Dividend from capital reserve	-	-	-
	Cumulative unpaid dividends		-	-	-
Return on Investment (ROI) Analysis	Price-to-Earnings Ratio (Note3)		(Note 6)	-	3.18
	Price-Dividend ratio (Note 4)		-	22.08(Note2)	20.45
	Cash dividend yield (Note 5)		-	4.53%(Note2)	4.89%

Note 1: Average closing price per share in the current year.

Note 2: The annual cash dividend in 2022 and the amount of cash paid in capital reserve were passed by the board of directors on February 23, 2023. The cash dividend is NT\$ 0 per share, and the cash paid in capital reserve is NT\$0.8, totaling NT\$ 0.80 per share.

Note 3: P/E ratio = average closing price per share in the current year/earnings per share.

Note 4: P/L ratio = average closing price per share in the current year/cash dividend per share.

Note 5: Cash dividend yield rate = cash dividend per share/average closing price per share in the current year.

Note 6: As of the publication date of the annual report, there is no information certified or reviewed by an accountant.

(VI) The Company's dividend policy and its implementation status.

1. Dividend policy stipulated in Article 15-1 of the Articles of Incorporation.

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to pay taxes and cover accumulated losses, and then 10% of the remaining net earnings shall be allocated as the Company's legal reserve unless and until the accumulated legal reserve reaches the paid in capital. Certain amount shall be further allocated as special reserve or the special reserve shall be reversed in accordance with applicable laws and regulations or as requested by the competent authority. The balance (if any) together with accumulated unappropriated retained earnings can be distributed after the distribution plan proposed and approved. Dividend distribution in the form of shares (in whole or in part) shall be approved by the shareholders' meeting. Dividend distribution in the form of cash shall be approved by the Board and a report of such distribution shall be submitted to the shareholders' meeting.

The Company's dividend policy is to pay dividends from surplus considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions and capital budget requirements, and taking into account the shareholders' interest, maintenance of a balanced dividend and the Company's long term financial plan. If the retained earnings available for distribution of the current year reaches 2% of the paid in capital of the Company, no less than 20% of the retained earnings available for distribution of the current year shall be distributed as dividend. If the retained earnings available for distribution of the current year does not reach 2% of the paid in capital of the Company, the Company may distribute no dividend. The cash portion of the dividend shall not be less than 10% of the total dividend in the form of cash and stock.

The dividend distribution ratio in the preceding paragraph could be adjusted taking into consideration finance, business and operations, etc.

2. The situation of the proposed dividend distribution in this shareholders' meeting

On February 23, 2023, the board of directors of the Company passed a resolution to distribute cash of NT\$6,134,304,778 (NT\$0.8 per share) in the form of capital reserve, and will present the report of the 2023 general meeting of shareholders.

3. Is there any significant change in the dividend policy expectation?

In March, 2022, the Company put forward a program of long-term and stable shareholder returns to enhance long-term shareholders' interests and enterprise value. In 2022, the war, inflation, interest rate increased and other major environmental deterioration exceeded expectations, the panel companies faced severe challenges, the operation fell sharply, and the overall economic and industrial uncertainty remained high in the future. In consideration of sustainable operation and maintaining industrial competitiveness, the Company strived to achieve long-term stable returns to shareholders.

The Company continues to invest in the mass production of uLED, expand the application of display, and accelerate "Biaxial Transformation" to mitigate the impact of industry cyclicality and strengthen business sustainability.

(VII) Impact of the proposed stock dividend distribution at this shareholders' meeting on the Company's operating performance and earnings per share: The Company did not disclose the financial forecast information for the year of 2023, so it is not applicable.

(VIII) Remuneration of employees and directors

1. Percentage or range of remuneration for employees and directors as set out in Articles 15 and 15-3 of the Articles of Incorporation.

Where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside no less than 5% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration.

The employees who are entitled to employees remunerations in the form of shares or cash, employee stock option, restricted employee stock, the bought back shares to be transferred by the Company and the new shares reserved for employees subscription in the Company's share offering include employees of subsidiaries of the Company meeting

certain specific qualifications and the Board or the person duly designated by the Board is authorized to decide such qualifications and allocation.

2. The basis for estimating the remuneration of employees and directors in this period, the basis for calculating the number of shares of employees' remuneration distributed by shares, and the accounting treatment if the actual distribution amount is different from the estimated amount:

The Company accrued remuneration to employees based on the profit before income tax excluding the remuneration to employees and Directors for each period, multiplied by the percentage resolved by the Board of Directors. Remuneration to directors was estimated based on the amount expected to pay and recognized together with the remuneration to employees as operating costs or operating expenses. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex-dividend effect) on the day preceding the Board of Directors' meeting. If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss.

3. The board of directors approved the distribution of remuneration:

The Company will not distribute directors' remuneration and employees' remuneration in 2023.

4. The actual distribution of the remuneration of employees and directors in the previous year, the number of differences between the remuneration of recognized employees and directors, the reasons and the handling situation:

Unit: NT\$

Item	Amount
Cash remuneration for employees	6,339,434,696
Directors' remuneration	206,945,638

There is no difference between the actual distribution amount and the recognized amount in 2022.

- (IX) Company's repurchase of shares of the Company: The Company has not repurchased shares of the Company in recent years and up to the date of publication of the annual report.

II. Handling of corporate bonds (including outstanding corporate bonds and corporate bonds under processing)

- (1) Information regarding ordinary corporate bonds: None.
- (2) Information regarding convertible bonds: None.
- (3) Information regarding exchangeable bonds: None.
- (4) Information regarding shelf registration for corporate bonds: None.
- (5) Information regarding corporate bonds with warrants: None.

III. Handling of preferred shares (including outstanding and ongoing preferred shares)

- (1) Handling of preferred shares: None.
- (2) Information of preferred shares with warrants: None.

IV. Handling of overseas depositary receipts (including overseas deposit receipts that have participated in the issuance and have not been fully redeemed and overseas depositary receipts that have still been processed)

Date of issuance (placement)	2002.05.29/ 2003.07.31/ 2004.06.23/ 2004.07.12/ 2005.07.22/ 2005.08.26/ 2006.08.30/ 2006.10.01/ 2007.09.06/ 2008.08.22/ 2009.09.09/ 2013.05.07 (Note 1)		
Issuance and trading place	U.S. OTC market (Note 2)		
Total Issued Amount (US\$)	1,996,807,815		
Unit Issue Price (US\$)	11.57 ; 16.00 ; 15.35 ; 4.4		
Total number of units issued as of March 15, 2022 (units)	51,036,874 (Note 3)		
The source of securities represented	Common shares of the Company		
Amount of securities represented as of February 15, 2023 (shares)	510,368,769 (Note 3)		
The rights and obligations of holders of depositary receipts	Rights and obligations are the same as common shares		
Trustee	Not applicable		
Depositary institutions	Citibank,N.A.		
Custodian	Citibank Taiwan Ltd.		
Unredeemed balance as of February 15, 2023 (unit)	18,749,303		
The allocation methods on the relevant costs incurred as a result of the issuance and during the effective period	The issue-related expenses were proportionally allocated by the Company and the selling shareholder according to the actual number of shares sold. After the issuance, except where otherwise agreed by the Company and the Depositary, the costs of all overseas depositary receipts shall be borne by the Company.		
Important Agreements for Depositary and Custody Contracts	Details such as depositary and custody contracts		
Market Price per unit (US\$)	2022	Highest	8.31
		Lowest	4.75
		Average	6.52
	As of February 23, 2023	Highest	6.51
		Lowest	4.92
		Average	5.62

Note 1: 2003.07.31, 2004.07.12, 2005.08.26, 2006.08.30, 2007.09.06, 2008.08.22 and 2009.09.09 were new issues after the merger with Guanghai in 2006.10.01.

Note 2: The Company's overseas depositary receipts will be transferred to the US over-the-counter market from the New York Stock Exchange as of October 1, 2019.

Note 3: In accordance with the FSC's instructions, the Company's American Depositary shares will not be issued after redemption as of December 3, 2019, New York time, and the outstanding balance as of December 2, 2019, New York time, will be used as the total number of the Company's American Depositary shares issued for trading in the US over-the-counter market.

V. Employee stock option handling status:

- (I) As of the publication date of the Annual Report, the processing situation and impact on shareholders' right from employee stock option that have not matured yet: None.
- (II) Names, acquisition, and subscription of managers who have obtained employee stock option as well as employees who rank among the top 10 in terms of the number of shares obtained via employee stock option, cumulative as of the date of publication of the Annual Report:

1. The Company has not issued employee stock options.
2. However, the Company was merged with Quanta Display Inc. on October 1, 2006, and the employee stock options that were issued separately on August 8, 2002 and December 31, 2003 were assumed by the Company. As to the aforesaid employee stock option, its outstanding units on the consolidated base date and its subscribable shares were 1,861 thousand shares and 5,631 thousand shares respectively, which have separately reached expiration on August 7, 2008 and December 30, 2009. The aforementioned employee stock option holders had exercised their rights and obtained about 1,679 thousand and 1,962 thousand shares, respectively, from the date of merger until expiry dates. The subscription amount were NT\$63,866 thousand and NT\$98,155 thousand, respectively.

VI. Operations of new restricted employee shares

- (I) As of the date of publication of the Annual Report, new restricted employee shares that have not fully met the conditions and the impact on shareholders' right: This is not applicable as the Company has not issued new restricted employee shares.
- (II) Names of managers and top 10 employees holding new restricted employee shares as of the publication date of the Annual Report and the conditions of receiving such shares: Not applicable.

VII. Issuance of new shares in connection with the merger or acquisition of other corporations

- (I) In the most recent year as of the publication date of the Annual Report, the Company has completed merger or acquisition of other corporations to issue new shares: None.
- (II) In the most recent year as of the publication date of the Annual Report, the Board of Directors of the Company has approved merger or acquisition of other corporations to issue new shares: None.

VIII. Implementation status of fund application

- (I) As of one quarter before the publication date of this Annual Report, plan for previous issuance or private placement of securities that have not been completed, or that have been completed but no benefits achieved within the past three years: None.
- (II) As of one quarter before the publication date of this Annual Report, processing condition for previous issuance or private placement of securities that have not been completed, or that have been completed but no benefits achieved within the past three years: Not applicable.

Chapter 5 Operational Highlights

I. Business Content

(I) Business scope

AUO is one of the world's leading providers of optoelectronic solutions. Based on its extensive panel R&D and manufacturing experience, AUO offers a full range of display applications and smart solutions integrating software and hardware and leverages its core expertise to expand into five segments (i.e. smart retail, smart healthcare, smart education & entertainment, smart mobility, and smart manufacturing) and solar power, to deliver high-quality products and services in these segments. In 2022, revenues of display division accounted for about 91.5% of the consolidated turnover.

For the main business scope of the Company's subsidiaries, please refer to Chapter 9 Special Disclosure of this annual report (pages 124-127).

(II) Overview of the industry.

1. Industry Status and Development

At present, thin film transistor liquid crystal display (TFT-LCD) is still the mainstream in the development of flat panel display industry. TFT-LCD has the advantages of wide product application and economies of scale, which meets the needs of comprehensive information products and consumer electronics in the digital era.

Overview the historical development of TFT-LCD industry, we can conclude that it has the industrial characteristics of business cycle, capital and technology intensive. At present, the world's major TFT-LCD producers include Taiwan, South Korea, Japan and Mainland China. According to the survey report of Omdia, a market research organization, Mainland China and Taiwan were the world's top two TFT-LCD production regions in 2022, and the market share of large-size (Note 1) panel shipments was about 55% and 25% respectively.

With the popularization of comprehensive digital information products and consumer electronics, TFT-LCD, as a key component, represents as the strategic hub of flat panel display supply chain, it not only leads the growth of upstream materials and components industry and technology growth, but also supports the global information electronics industry to expand the downstream application market. Since the manufacturers' mass production of TFT-LCD in Taiwan, its industrial clustering effect has promoted the vigorous development of local upstream related materials and components industries.

2. Upstream, midstream and downstream relevance of the industry

Upstream industry	Glass substrates, color filters, polarizers, driver ICs, printed circuit boards, backlight modules, liquid crystals, etc.
Midstream industry	LCD panels, LCD modules, etc.
Downstream industry	LCD TVs, tablets, notebooks, desktop monitors, mobile communication, commercial displays and other electronic products.

Note 1: According to the Omdia report, the large size includes tablet and notebook computer screens, desktop monitors, LCD TV screens and public information displays.

3. Various development trends of products

At present, TFT-LCD production technology has been widely used in various flat panel displays, mainly including LCD TVs, desktop monitors, notebooks, tablets, mobile phones, automotive displays, industrial and commercial displays and other applications. AUO continuously enhances the technology of displays, such as launch the AmLED (Adaptive mini LED) advanced display technology, which contains the advantages of high contrast, high refresh rate, low-power, low blue light etc., long-term high intensive usage does not cause the image sticking, and dim the brightness, without cooperating with brands to launch high-end notebooks and desktop monitors that satisfied e-sports players and content creators, it even expands to automotive displays. Additionally, the LED display that self-developed by AUO possess ultra-small pixel pitch technology and ultra-high refresh rate, which breakthrough the dimensional limitations, satisfied the demands of various shapes and seamless splicing in different fields, provides industry leading resolution performance and immersive viewing experience, also, creates a number of niche products such as smart studios, simulation training/entertainment displays and customized commercial displays.

The development of major application products is described as follows:

- TV

TV products with features of thinner bezels, lightweight, energy-saving and large-size have gradually become the mainstream of TV display technology. After the next-generation TFT-LCD capacity gradually became available, the large-sized displays have entered mass production, and the prices have also become more affordable. In 2022, the global average size of LCD TVs has reached 50 inches, and it is expected that the average size will reach 51 inches in 2023, the trend of large-size TVs will continue to move forward.

In addition, AUO's exclusive A.R.T display technology has won the world's first non-reflective certification of German Rhine TUV, which makes the screen have the advantages of anti-glare, anti-reflection, anti-fingerprint... etc. It can reduce light interference and eye fatigue while watching TV under a bright environment, providing consumers with eye protection and high-quality home entertainment experience, at the same time, providing consumers with a new art display application.

With the time for enjoying video and audio entertainment at home is increased significantly, the role of TV has extended from program playing to the streaming media of games, movies, and other multimedia. In addition to consumers' continuous pursuit of size and image quality, the high screen-to-body ratio of TV integrated with home decoration has also become a new trend, as if the borderless large screen with disappeared border has added simplicity and fashion to the space. The next generation of Micro LED display technology creates a true HDR (High Dynamic Range) experience with accurate contrast. Micro LED can also present 100% DCI (Digital Cinema Initiatives) color gamut and Adobe RGB color gamut at the same time. The extremely realistic color presentation with 99.99% aspect ratio brings viewers a new immersive vision, which expected to lead a new wave of luxury home market demand.

- Desktop monitor

In 2022, the uncertainties of the global economy caused by the Russo-Ukrainian War, global inflation and the impact of the post-epidemic era, as well as consumer expenditure transfer and in advance procurement by brands due to the COVID-19 epidemic, led to lackluster demand in the second half of 2022. Coupled with the tighten corporate expenditure by the technology industry, the impact is expected to last until the first half of 2023.

With the uncertain economic outlook, enterprises and consumers tend to be cautious in purchasing desktop monitors. The enterprise procurement will be oriented towards high efficiency and integration of specifications to meet the needs of diverse working environments caused by the blend of work and lifestyle. The consumer purchase will be oriented to strike the diverse needs of entertainment, information browsing, education, work...etc., therefore, the product specifications are developed toward high resolution, high image quality, high refresh rate, curved design, and borderless to meet the needs of diversified demands. In addition, the specifications related to healthcare/eye care keep growing with increasing screen time due to remote work/learning.

Note 2: Market data collected by AUO as of December 31, 2022.

- Notebooks and tablets

In 2022, after reopening of the borders, customers made inventory adjustments to notebooks and tablets procured in advance due to COVID-19 pandemic. However, the brands continue to launch the models of ultra-thin and ultra-power-saving while observing that consumers' demand for lightweight, narrow border and power-saving notebooks is getting strong, especially for those with low-power consumption over long-term usage. In addition, with increasing demand for large viewing area, the 16:10 notebook computers will become the mainstream of the market and the specifications for high aspect ratio, high brightness, faster response speed, longer battery life and lightweight will be further improved. Touch screen notebooks with a stylus or 2-in-1 notebooks that have the features of a tablet also penetrated the middle and high-end market. Whereas, in the commercial customer market, the requirements of professional notebooks with high resolution, high color saturation and high refresh rate is highly increasing, so the low-temperature polysilicon (LTPS) technology platform that can meet the above high specification requirements has also become a crucial part of the middle and high-end market.

- Automotive displays and others

Under the environment of global warming, zero carbon emission has become a trend of long-term concerns. Based on environmental protection and safety considerations, world-renowned automakers have also announced to be engaged in developing electric vehicles and automatic driving. In the use environment of vehicles, the visual presentation of security sensing, in-car information, entertainment needs and multimedia connection have also become the focus of development. Smart cockpit is the focus of automakers, which accurately transmits all kinds of data to the driver through the panel, and achieves high-quality design in line with the body space, which has become the goal of development. In addition to the diversified needs, large size and high resolution have become a trend for the vehicle mounted-display panel, which integrates the instrument panel and central console in a limited space to provide visual driving safety and in-car environmental information, or integrates the central console and the display in front of the passenger seat to provide more services. In the future product plan, to make the space more conform to life demand by displays' diversity, AUO will comprehensively implement transparent, rollable, stretchable display into smart cockpit. Automotive display panel can be described as a stage for displaying the strength of human-machine interaction hardware equipment.

The rapid development of science and technology leads the quality of life, in the post-pandemic era, to combine health, exercise and fashion is the expression of living attitude. The wearable devices allow consumers grasp the comprehensive health and life information at any time, the major brands have also invested in product development. AUO's MIP (Memory-in-pixel) technology uses only one out of three thousand electricity compared to traditional products, and its visibility under sunlight is preferred for outdoor activities such as cycling etc.

- Industrial and commercial displays

Industrial and commercial displays cover a wide range, including: industrial computers, intelligent medical (Professional medical display and x-ray sensor), automatic teller machine, point-of-sale information systems, smart mobility, security products (optical fingerprint identifier), human-machine interface displays, Pachinko entertainment displays, etc. With the popularization of 5G communication technology and the era of the IoT, also the development of AI technology has driven the growth of intelligence to ferment in various vertical fields. No matter retail, medical care, mobility, manufacturing and all the other fields are moving towards the Internet of things, and the display is an important medium of human-machine communication and interaction. The rise of edge computing further promotes the demand for visualization, so that the calculation results and intelligent benefits can be presented truthfully. In order to provide more complete and high value-added products, various one-stop touch and fit services have been extended at present, in the future, system integration design will continue to be one of the development priorities. Simultaneously, the deployment of "edge visualization" is strengthened to meet the needs of visualization in industrial and commercial vertical fields, and the development of related solutions for medical field images is emphasized to provide better visualization experience for field users.

The development of the new generation of public display technology is closer to the needs of various commercial fields. Public display applications including smart retail, smart education, smart entertainment and smart mobility have become necessary human-machine interfaces in smart life. High-end display technologies with diverse sizes and proportions meet the needs of various public spaces such as public transport vehicles, retail malls, school education, corporate conference, large lecture halls, outdoor information billboards, etc., consolidated with touch fit and edge computing technology, provide all kinds of intelligent solutions for field terminals centered on visual products, such as large electronic billboard, interactive electronic whiteboard, outdoor highlight display, bar display, circular

display, curved display, touch display and software and hardware integration scheme etc. To meet the display applications of various public spaces, such as instant public messages, product promotion, promotional advertisements, ordering service, ride information guide, interactive education, interactive entertainment, large briefing meetings, smart action meetings, environmental control management of conference rooms, etc., transmit information everywhere brings people a richer and more convenient smart life, also, drives the demand for public displays to keep growing year by year.

- Energy business

With excellent technical advantages and rich practical experience, AUO is committed to upgrading and expanding energy-related applications, from supplying high-quality modular hardware, investing, building, operating and maintaining power plants, to combine the wide application fields of building materials, integrate software and hardware resources and partners, and provide omnidirectional energy solutions. With solid experience in overall planning of power plants, AUO has helped to build power plants and power generation systems of various sizes, such as government agencies, public houses, schools, detention ponds, industrial workshops, science parks and animal husbandry facilities, from application, construction, operation and maintenance to energy management. Up to now, there are 377 roof, ground and surface power plants in Taiwan, with an installation capacity of 283MW. Strong development capability, high-quality, high-efficiency and high-reliability power plant solutions have successfully passed the certification of "ISO 9001 : 2015 Quality Management System", provide complete professional vertical integration services, create excellent energy benefits for customers. In recent years, under the trend of nearly zero energy buildings (NZEBs) in the world, AUO has invested in the construction field and continuously innovated, to provide a building optoelectronics integration scheme, aiming at save energy and reduce carbon while creating a win-win situation for green energy power supply and urban landscape. Also, considering the potential demand of the market for optimizing power usage efficiency, AUO is going to launch automatic frequency modulation control (AFC) energy storage construction, enterprise user energy storage and micro-grid construction and household energy storage products, so as to improve the spontaneous use rate of green electricity, optimize electricity charges and meet the needs of energy transformation, improve the stability of renewable energy systems and power grids, offer the mutual benefits sustainable energy solutions for both enterprises and the environment. In the part of energy management, the data collector is independently developed, to adjust the power grid with the energy storage system, AI data management and power consumption monitoring are carried out to achieve a more real-time, suitable and high efficiency energy management mode. AUO aims to create excellent energy efficient for customers through software and hardware integration solutions, so as to accelerate the goal of a sustainable future for green electricity. In response to the pandemic and digitalization trend, the suite channel was transferred from offline to online through digital transformation, the e-commerce platform "AUO Energy Mall" was launched, which breakthrough the time and geographical restrictions, provided cross-channel services for customers, implemented online and offline full channels, so that they could enjoy a complete "one-stop purchase" service, simplify the procurement process, and activate the green energy trading market.

4. Competition status

TFT-LCD is the mainstream technology of flat panel display products. At present, the global TFT-LCD manufacturers are mainly BOE, CSOT, HKC and Tianma in Mainland China, LGD in South Korea, AUO, Innolux and HannStar in Taiwan, as well as SHARP and JDI in Japan.

Observe market trends of panel makers in various regions, Korean panel factories have been committed to the development and production of AMOLED/QDOLED/Micro LED/panel technology in recent years, and have successively closed part of old LCD production lines; high-generation TFT-LCD production lines of manufacturers in Mainland China are mainly based on bulk consumption panels, and also set up AMOLED panel factory; Given the limited growth of production capacity, Taiwan manufacturers continue to launch products with differentiated sizes and high-tech content to explore niche product lines.

Recently, the old panel factories have been closed and transformed one after another, Korean factories gradually withdraw from the TFT-LCD market. In Taiwan the next generation line under G6 of panel factory not only produces IT and automotive panels, but also actively transforms and develops new technologies, such as Mini LED, fingerprint on display (FoD) sensor, panel-level packaging and printed OLED.

Note 2: Market data collected by AUO as of December 31, 2022.

In the small and medium-sized market, in response to the development of smart phones in the direction of higher aspect ratio, larger size, higher resolution, special-shaped cutting, lightweight and power saving, each panel factory has a layout of LTPS and AMOLED production capacity, while Korean panel manufacturers mainly build AMOLED production capacity, Japan and Taiwan add more on LTPS, whereas Mainland China have invested in both.

At present, the competition in the panel industry has shifted the competition from the capacity expansion to new technologies and high value-added products, such as 8K ultra-high resolution, curved desktop display panels, high refresh rate panels or full-plane borderless panels etc., all of which have the production techniques of entry barriers and a long learning curve, which can meet the diverse needs of consumers thus creates higher value.

Currently, Taiwan panel manufacturers are creating differentiation with technical strength, committing to high-end technical ability, layout in the high-value market such as Mini LED, Micro LED, etc., Taiwan, which has a complete LED supply chain, as a technology leader is expected to accelerate the introduction of products into the market continuing to reduce costs and enhance market competitiveness through R&D capabilities.

(III) Technology and R&D overview

AUO continues investing in technology innovation. Through diversified products and solutions driven by new technologies such as 5G, AI and Internet of Things, AUO extends its technology to the value chain of smart display applications and develops various applications, such as smart retail, smart medical care, smart entertainment, smart mobility and smart manufacturing. The Company combines innovative display technologies to explore new business opportunities. Important products and technologies in 2022 are described as follows:

- Development of full series Micro LED high-end panel technology

Micro-LED has the advantages of high brightness, high contrast, wide color gamut, fast response speed and high reliability. AUO has developed a series of different applications of micro-LED display technology with the continuous improvement of mass transfer process technology and the manufacturing process of self-emissive active matrix low-temperature polysilicon backplane and the design of driving circuit. With many years of experience in flexible panel design and manufacturing, AUO builds a 2K resolution with 202ppi and 40mm radius 14.6-inch rollable Micro LED display panel, has a pioneering position in both size and resolution. Therefore, it won the highest honor of the "2022 SDIA Award Forward-looking Display Award" sponsored by Industrial Development Bureau (IDB) of Ministry of Economic Affairs and Smart Display Industrial Alliance (SDIA). In addition, AUO also developed a cutting-edge smart knob which features world's highest (note) 141ppi resolution stretchable touch screen 3.5-inch Micro LED panel. These Micro LED display technologies largely increase the flexibility of the in-vehicle space by exhibiting that both control knob and high quality display can be immersive hidden into cockpit when not using. The 17.3-inch transparent Micro LED display module, exhibited by AUO in Touch Taiwan 2022, reaches a resolution of 1280 x 720 with over 60% transparency and peak luminance of 2000 nits. The transparent Micro LED display can be used as a car window display so that drivers will not miss out any important information while checking out the sceneries outside the window.

- Full range of Mini LED backlight panel products

AUO's new-generation AmLED display technology has evolved through exclusive dynamic control technology and mini LED backlight design. Powered by exclusive Adaptive Control Technology, AUO's new-generation AmLED (Adaptive mini LED) enables precise adjustment of brightness, contrast ratio, colors and refresh rate in real time based on the images. AmLED boasts a high million-to-one dynamic contrast ratio. These products are popular among brands, which rush many brands to introduce this advanced model. Among them, the 34-inch WQHD 165Hz R1000 curved gaming AmLED display panel has a variable refresh rate of 165Hz (VRR), and with AMVA Fast Liquid Crystal, it can reduce motion blur and overcome the problems of lag, jamming, screen tearing and flicker that may occur in fast-paced games. This panel won the "Innovative Product Award of Excellent Manufacturers in Central Taiwan Science Park" by the National Science and Technology Council (NSTC) in 2022.

AUO also extends AmLED technology to large-size vehicle display system to meet the needs of integrated information display and passengers' audio-visual entertainment in the vehicle, which is expected to be a key for car manufacturers to realize the future smart cockpit. The large 30-inch front-seat AmLED display, showcased in Touch Taiwan 2022, embedded with the industry-leading Large Touch Display Integration (LTDI) panel, realizes super low

reflectance through self-developed panel lamination technology. It has the advantages of a curved design, high resolution, high contrast, and wide color gamut and can be used as a center informative display (CID) or cluster. AUO also achieves the 5.4 mm super narrow bezel design for its 24-inch AmLED display using non-silicon Tracking Gate line in Pixel (TGP) technologies, while the 22-inch AmLED display independently installed for the front passenger seat comes with integrated switchable privacy technologies to avoid diverting the driver's attention and ensure safe driving.

- Customized Super Large ALED Display

AUO, collaborating with the supply chain ecosystem and leveraging group resources, integrated modules and systems, covering installation and after-sales services, and used fine-pitch LED to create a total solution for super-large ALED tiled walls for various retail, exhibition, entertainment and other public venues. At the Touch Taiwan 2022 Exhibition, ALED advanced display technology and excellent integration of software and hardware were used to create an extremely realistic LED virtual production studio and a spherical flight simulator cockpit, creating a brand-new immersive amusement experience in Metaverse. Among them, the ALED tiled hemispherical screen uses P1.25 fine-pitch seamless tiling technology, integrates the low distortion, low latency and real-time plane to spherical image processing technology developed exclusively by AUO, creates a 3-meter-diameter ALED spherical screen, adopts 4K, high color depth, high contrast ratio, and achieves the ALED spherical screen. It can be flexibly matched with dynamic driver's seat and simulation software to create an unprecedented panoramic surround immersive visual experience for users. The application potential covers flight and driving simulation training, amusement parks, planetariums, museums and other entertainment fields, demonstrating AUO's deep integration of hardware and software and innovative R & D capabilities, and won the recognition of the 31st Taiwan Excellence Gold Award.

- A lined-up A.R.T eye care display panels

With the popularization of telecommuting and distance teaching, users spend more time using the screen, so they pay more attention to the performance and comfort of the display. From the user's point of view, AUO leads the industry in developing Advanced Reflectionless Technology (A.R.T.), creating a display with almost no reflection on the surface, anti-glare and anti-reflection characteristics. AUO also leads the industry in obtaining the world's first Reflection Free certification from an internationally renowned testing and certification institution, Germany Rhine TÜV, with 27-inch, 32-inch and 65-inch monitors and TV panels adopted by major brand manufacturers and introduced into end consumer products. In addition, with A. R. T. display technology as the core, AUO launched FindARTs service to create a realistic art screen (High Fidelity ART Display) recognized by many international museum institutions, which can make the screen surface show the texture of real canvas, and present more extreme and real details in the original works in a digital way. AUO's FindARTs service meets the needs of corporate headquarters, hotels, top residential halls and other different fields, providing services from art space planning, High Fidelity ART Display rental, digital content licensing, exhibit installation and so on.

- Integration of display interface in smart cockpit and application of smart bike solution

With the popularization of electric vehicles, the elimination of the fuel engine frees up more cabin space, which accelerates development of smart cockpits. AUO introduced cutting-edge display technology into various vehicle display devices, and extended it to smart cockpit solutions, such as: super-large pillar to pillar curved display consolidated with speakers on both sides, as if you were in an opera house; when the driver enters the cabin, he can identify himself through the hidden camera lens integrated in the display, and then display personalized information on the display. When the driver wants to adjust the air volume or temperature of the air conditioner, he doesn't have to look down at the screen, just touch the 12-inch central air conditioner control panel, and he can get haptic feedback for adjustment, which brings a safer and more convenient driving experience for the driver. In terms of smart mobile layout, AUO also integrates smart display system on bicycles, collects and analyzes bicycle body information and data through IoT, and can display information such as driving distance, remaining power and auxiliary power on the dashboard, which can be applied to external car meters or smart displays embedded in the

Note 2: Market data collected by AUO as of December 31, 2022.

body, with color MIP (Memory in Pixel) display screen and LED indicator lights visible in the sun. Let the rider intuitively grasp the riding state, and combine the blind spot detection technology with the tactile feedback on the handlebars to instantly remind the rider approaching vehicles from the left and right rear to create a safer and smarter driving experience.

- Research and development of smart medical technology

In response to the important tendency of smart surgery in the future, AUO, collaborating with AUO Display Plus, a subsidiary of the group, developed a wide-angle 4K 3D medical display, and optimized the polarized 3D display technology that AUO has been deeply cultivating for many years, especially for minimally invasive surgery and microscope surgery, to create an all-round 3D medical display that can effectively improve the efficiency of the surgical medical team and enhance the safety of surgery. This wide-angle 4K 3D medical display won the 19th National Innovation Award, the highest honor in the field of biomedicine and big health in Taiwan. It adopts the exclusive 3D vertical wide viewing angle technology, and the visual range in the vertical direction is increased by 135% compared with the 3D display currently on the market, so that the surgeon, assistant physician and relevant operators who actually operate the knife can see consistent 3D images. Through the exclusive imaging technology and algorithm, the dizziness or discomfort of doctors when watching 3D images can be greatly improved, which is helpful for doctors to concentrate on long-term surgery and improve the safety and clinical practicability of surgery. AUO Display Plus further cooperated with China Medical University Hsinchu Hospital, and used the 3D high-resolution image of Da Vinci Surgery System with wide viewing angle 4K 3D medical display and real-time image processing technology to simultaneously present the 3D realistic picture of the operation process, so that the observing doctors can also see the same 3D stereoscopic image as the surgeon to shorten the learning curve. Focusing on the increasing demand for long-term care in an aging society, AUO and its subsidiary AUO Care also launched a "contactless vital-sign monitoring radar" smart cloud care system at CaresExpo Taipei 2022. Different from the previous use of a large number of lines and patches to monitor physiological signals, focusing on high-end non-contact detection technology, the millimeter-wave liquid crystal array antenna developed by AUO's exclusive patented technology can detect important physiological signals such as breathing and heartbeat in real time, and can be linked with the real-time early warning system. In the future, long-term care and medical institutions will be introduced, which will not only improve the care quality of long-term bedridden people, but also greatly reduce the burden on caregivers.

- Sustainable recycling/environmental protection and green solution

In response to the sustainable development goals (SDGs) of the United Nations, AU Optronics is committed to promoting green manufacturing and expanding the influence of recycling economy in accordance with the SDG 12 "responsible consumption and production" system, focusing on the design and sale of internal recycling products, the recovery of process raw materials, and the reduction of waste. Together with partners, we will promote the recycling of packaging materials, research and develop recycled materials technology and process materials, implement green manufacturing and resource recycling, and successively win the highest honors of "Enterprise Award" and "Product Award" at the 2022 Taiwan Recycling Economy Award. AUO and its subsidiary AUO Envirotech Inc. jointly launched the "CEM Carbon Management Platform" one-stop service, which can effectively assist the organization in carbon emission monitoring and continuous improvement, not only improve the efficiency of carbon inventory by 80%, help enterprises calculate their internal carbon costs, but also provide carbon emission hotspot analysis to help enterprises achieve the goals of low-carbon transformation and net zero carbon emission.

Solar energy technology research and development:

AUO aims to provide high efficiency, high quality, high reliability and differentiated solar module products and total energy management solutions. In 2022, we have continued to enhance the power of solar modules, develop building photoelectric integration, and provide energy storage system solutions, and advance the monitoring and maintenance information system of smart solar power plants. AUO realizes its commitment to green energy through differentiated product design and all-round value-added services.

- High-performance solar photovoltaic module technology

AUO took the lead in mass-producing Multi-busbar and Half-cut module products in the Taiwan market, which has excellent anti-cracking ability, effectively reduces the hot spot temperature of modules, and improves the power generation efficiency when the module is partially shaded by fallen leaves. As to standard modules, M6 half-cut monocrystalline solar module, with the conversion efficiency reaching 21.4% and the maximum output power

reaching 390 watts, has been developed and mass-produced by AUO in 2022. The Company will further develop the technology of M10 large cell.

As to Building-integrated photovoltaic (BIPV) for energy harvesting, AUO has developed a building-integrated PV corrugated sheet by combining and pre-assembling PV modules and the modularization technology of high-peak corrugated sheets to greatly reduce the complexity of installation and metal brackets so that the weight can be reduced by 25% compared to conventional PV mounting systems. In addition, the product structure is upgraded from single glass to double glass, which not only improves the mechanical load strength, but also strengthens the weather resistance, and can be widely used in multiple fields. This integrated PV corrugated sheet won the 2023 Taiwan Excellence Award.

- Energy storage system solution

AUO provides all-round energy storage system solutions, including photovoltaic energy storage system planning and construction at the power generation end, frequency regulation ancillary service system construction and energy trading platform operation services at the power grid end, improving the overall service quality through automated bidding software, and providing microgrid and home energy storage solutions at the user end. In the whole life cycle of energy storage system, including investment evaluation, construction planning and operation management, AUO provides comprehensive service solutions.

- Energy management service

Intelligent solar power plant operating and management system uses artificial intelligence to diagnose abnormalities and automatically dispatch maintenance work. Now, all of AUO's solar power plants are managed by AI and realizing autonomous management. Solar asset management system provides key "Insights" and "Financial indicators" through unique digital information and AI technology, helping investors optimizing solar power plant asset returns. The product has been adopted by bank customers this year. AUO and Taiwan Power Research Institute co-develop a micro-grid platform that meets the IEC61850 international standard of smart grids. The platform provides a comprehensive micro-grid energy management solution from power generation to power consumption.

AUO's consolidated R&D expenditure in 2022 was NT\$12.9 billion. In the future, AUO will continue to deploy advanced technologies, increase the added value of existing production capacity through new technologies and applications, and strengthen AUO's competitiveness in high-end and new application product markets. In addition, by the end of 2022, AUO had accumulated 30,000 patents, and the total number of global patents approved reached 22,800, among which ninety-seven percent was an invention patent. The Intellectual Property Bureau of the Ministry of Economic Affairs announced the statistical ranking of patent applications and announcements in 2022. In terms of patent applications for inventions, new models and designs, the Company won the second place in domestic legal person patents and patent applications, and the third place in patent applications. AUO's deep cultivation in patented technology and the layout of patented maps have strengthened its leading position in flat panel displays.

Note 2: Market data collected by AUO as of December 31, 2022.

In 2023, the Company expects to invest about NT\$12.5 billion in R&D expenditure, but it will make timely planning and adjustment according to the global market conditions and the actual operation of the Company. The Company's major future R&D plans are summarized as follows:

Project	Description	Current progress	The main factors of success
Foresight innovative display technology-Micro LED project	Micro LED backplane circuit design, LED massive transfer technology, image algorithm, module splicing technology.	Continuous development	1. Develop new architecture and new process technology independently, and cooperate with key material suppliers, equipment suppliers and customers, to build high technical barriers. 2. Complete technical plan and patent layout to achieve the differentiation of technology and products.
Mini LED Backlight project (AmLED)	Notebook and desktop AmLED products start mass production in 2019, and automotive AmLED products start mass production in 2022. Continue to develop in the direction of high dynamic contrast, high brightness, high dimming zone, improved backlight efficiency and energy-saving technology.	Continuous development	
LED Display technology project	The curved screen start mass production in 2021. The spherical screen and virtual studio application start mass production in 2022. Continue to develop in the direction of low reflection, high contrast technology, curved screen, entertainment application.	Continuous development	
Eye Care display technology project	ART standard anti-glare have low reflection. It used in desktop professional monitors in 2020 and introduced into application technology of TV in 2021. In the future, we will continue to develop more applications, such as medical professional monitors, digital simulation algorithm, etc.	Continuous development	
Advanced sensing technology and 3D display project	X-ray sensor (Oxide-TFT), liquid crystal physiological sensor, off-screen fingerprint sensing technology, 3D display technology.	Continuous development	
Smart Retail/Medical/Recreation/Mobility/Manufacturing Field Application	Field application, software and hardware integration, AMR(Autonomous Mobile Robot), etc.	Continuous development	
AUO green power management platform	Develop AUO green power management platform for CPPA contract management, green power transfer, green power use and certification announcement, optimize green power matching and scheduling, and effectively manage AUO RE100 progress objectives.	Continuous development	Through the mature technology and experience of solar power generation and electricity consumption monitoring platform, consolidated with AI power generation and electricity consumption forecasting technology, the green power matching and dispatching are optimized.
Development of integrated PV corrugated sheet photovoltaic and storage and EV charging	Develop the integration technology of photoelectric system, energy storage system and electric vehicle charger, and realize optimal energy management through integrated control of power flow.	Continuous development	1. Experience in integrating photovoltaic energy storage in microgrid. 2. Development experience of energy storage and solar monitoring platform.

Project	Description	Current progress	The main factors of success
EPC Smart maintenance technology	Develop new technologies for intelligent cleaning robots and unmanned aerial vehicles to strengthen the automatic maintenance ability of the project site.	Continuous development	<p>1. Smart cleaning robot with sensor and AI data analysis technology cannot only remove module dirt, but also confirm the power generation effect before and after cleaning.</p> <p>2. Use UAV with IR Sensor thermal imaging technology to carry out all-round module health examination, and use man-machine cooperation and AI defect identification technology to mark the position of defective modules and send workers to repair them.</p>

(4) Short/long-term business development plans

As a leading manufacturer of TFT-LCD, AUO is committed to applications such as LCD TVs, desktop monitors, notebooks, tablets, automotive displays, industrial and commercial displays and other small and medium-sized displays.

AUO's short-term business development plan is to enhance its product competitiveness by adjusting the proportion of high-end production. In terms of products, AUO will combine a-Si (amorphous silicon) and LTPS with innovative technology and product design to produce competitive value-added products. Applications to large-sized products include 8K, curved products, wide color gamut, high dynamic range HDR, A.R.T., curved products and bezel-less products; dashboard panels for cars with high-resolution and high-brightness features, as well as solutions for low reflection and on-cell touch panel for gaming and commercial notebook panels. Besides, AUO also has completed generations of production lines that provide clients with diverse products of various sizes. AUO is determined to satisfy clients' requests for instant supply. It will keep strengthening strategic alliances with clients, creating a win-win situation. In this way, AUO continues to lead in a pivotal position in the panel supply chain.

As for long-term business development plans, apart from developing production process capabilities and advanced display technologies such as Mini LED, Micro LED, foldable AMOLED touch display technology, and enhanced advanced anti-reflective technology and production capability, AUO will continue putting resources into R&D to foster its ability for technology innovation, with a view to leading the position in cutting-edge technology. Furthermore, AUO has a comprehensive plan of leveraging patents as a technical barrier against competition, as well as a solid support to brand customers for business expansion over the world. The Board of Directors approved the proposal to establish a new factory in Houli to lift the curtain on the commercialization of advanced displays. In terms of products, AUO will emphasize more on value chain integration and value-added products improvement, in order to provide customers with more value-added solutions and services with its product development ability in a flexible way. Product differentiation, quality enhancement, and value-added will continue to play a role in AUO's long-term competitiveness. With the popularization of 5G, AI, and other futuristic technology, AUO turns its 20 years of experience in the display industry into the driving force of seizing industrial transformation and business opportunities in the smart segment. Working with the ecological circle, AUO will develop into a solution provider in such segments as smart retail, smart healthcare, smart education, smart transportation, and smart manufacturing.

For the long-term business development plan in response to each product development trend, please refer to the section of various trends of products in Chapter 5 Operational Highlights in this Annual Report (pages 68-72).

II. Market analysis and production and marketing survey

(I) Market analysis

1. Regions of major sales

The clients of AUO comprise global information technology, consumer electronics manufacturers and industrial electronics manufacturers, among which are international well-known brands, and system integrators or system vendors. Therefore, the TFT-LCD products are well sought-after in global markets, from Asia, the United States, and Europe, to emerging markets.

2. Market share

As the panel industry has entered the value competition from scale competition, AUO has specialized in launching high value-added products. According to the Omdia survey report, in 2022, the top five global TFT-LCD large-size panel shipment were ranked as BOE, Innolux, LGD, AUO and HKC, accounting for approximately 33%, 14%, 12%, 10% and 9% of the global market shares. According to Omdia survey, a market research organization, in terms of large-size 8K panel shipments, the top two manufacturers are HKC and AUO; in terms of desktop display panel shipments, the shipment rankings of were BOE (30%), LGD (18%), AUO (14%) and CSOT (13%). The ranking of automotive panel shipments was BOE (19%), AUO (18%) and LGD (15%).

3. Future market supply and demand situation and growth

In 2022, the Russian-Ukrainian war, inflation, interest rate hikes by central banks and other factors had crowded out consumer demand. According to Omdia, a market research organization, the panel shipment demand area of the overall display industry declined by 4% annually. It is estimated that the boom will recover slowly in 2023, and the demand area for panel shipment will increase by about 4%. The performance of TFT-LCD industry is closely related to the market of terminal electronic products such as TV, desktop monitors, notebooks, tablets, mobile phones and commercial displays.

As the pandemic drives the home economy, the demand for longer hours staying at home, work from home, online education, and home entertainment is on the rise, driving the number of TVs sold in 2020 to exceed expectations at 245 million units. As the vaccine popularized and the pandemic subsided, the number of TVs sold returned to the normal 210 million units in 2021, but consumers were more willing to buy larger and higher resolution TVs, as evidenced by the fact that the percentage of TVs sold above 65 inches exceeded 30% during Black Friday in North America and 50% during the Double 11 period in China in 2022.

Previously, the PC market was mature and the replacement cycle was long. However, due to the pandemic, the demand increased greatly, and with the slowdown of the pandemic in 2022, the demand gradually returned to normal. Among them, desktop monitors shipped about 146 million units in 2022, with an annual decline of 6%. It is estimated that the demand will be flat in 2023, but the proportion of large-size desktop monitors will increase steadily. In terms of notebook computers, the shipment volume in 2022 is about 196 million, and it is estimated that the number in 2023 will be about 189 million. Although the number of shipments volume is declining, benefit from the decline in GPU prices, brands will have the opportunity to upgrade their panel specifications and launch new products with high resolution and 16:10 notebook computers, which will help improve the demand for high resolution and the penetration rate of 16:10, and bring growth momentum to the notebook computer market.

From the perspective of the panel supply side, according to the data of Omdia, a market survey organization, although Korean panel manufactures continue to close LCD production lines, high generation lines were continuing to be launched in the past two years. Therefore, the annual growth rate of the production area of the TFT-LCD industry is still greater than the annual growth rate of product demand area. The panel manufacturers increase capacity of the high generation line, while some generation lines were reorganized. Products in all application markets are developing towards higher value requirements, such as higher resolution, thinner design, narrow border, touch panel integrated products, software/hardware system integration, etc. Looking to the future, the development of panel industry is not only the competition of capacity expansion, but also the breakthrough of technical ability and value integration.

4. Advantages, disadvantages and countermeasures of competitive niche and development prospect

1) Competitive niche

- **Technology and product strength:** In the face of the increasing complex of industrial competition, AUO continues to focus on product quality upgrades and new product development, such as integrated touch panel, ultra-high resolution panel, curved panel and commercial professional display panel. By providing differentiated products of higher added value, AUO aims to strategically raise the bar for the competition.
- **Talent, R&D capability and patent quality:** AUO continues to pour R&D resources into cultivating technical talents. Its long-term accumulated R&D and manufacturing experience helps curtailing the learning curve for new products effectively. Moreover, AUO's long-term layout in patent quantity and quality also creates a sufficient reserve of technology capability to support the superiority of the AUO products.
- **Highly flexible management and mass production capacity:** AUO has leading advantages in many technologies and has complete generation production lines, which can make the most efficient production configuration in response to various products. In order to provide cost-competitive products, AUO relies on a solid mass production experience along with complete upstream-to-downstream industrial supply chain management to establish a comprehensive integrated platform that covers marketing, product management, customer service, manufacturing efficiency, yield quality, and material logistics management. This in turn optimizes the whole process management of the Company.
- **Complete customer portfolio:** AUO's ever-advancing technology expands the first-tier clients of various applications worldwide. At the present stage, our customer base covers China, Japan, Korea brands, including system integrators and clients from Europe, America, and emerging markets. In addition to completing our global customer layout, we also achieved a balanced customer portfolio.
- **With the gradual popularization of forward-looking technologies such as 5G and AI,** AUO expects to turn the accumulation of many years in all aspects into the powerful forward momentum for partners to seize the industrial transformation and business opportunities in the smart field, and collaborate with the partners in the business ecosystem to find the best solution and open up a new blue ocean in the vast and unknown smart field.

2) Favorable factors for development prospects

- **Development of advanced new-generation and high-resolution display technology:** AUO's simultaneous development of Micro LED technology has the characteristics of high brightness, high contrast, long service life, flexibility and transparency, which can overcome the influence of ambient light on the display effect. It can clearly display information indoors and outdoors, and is regarded as an ideal choice for the next generation of vehicle display applications, and is also suitable for wearable devices, spliced super-large TVs and other products. AUO also takes display technology as the core, and cooperates with the ecosystem to develop products that meet the application value of the field, covering many aspects such as smart retail, smart medical care, smart entertainment, smart transportation and smart manufacturing.
- **Growth market:** In the industry of TFT-LCD, potential growth products including commercial display, digital signage (PID), and automotive market. Customers of commercial display regard the reliability and the capacity of long-term supply due to the diversity, small quantity and high entry barrier. AUO has been cultivating the commercial market for a long time, holding the lead of multiple non-consumer electronics such as IPC (industrial PC), ATM (Automated Teller Machine), POS (Point of sale) and arcade cabinet, etc. Moreover, AUO, except being stable at the top of steadily grown automotive market, leading the launch of an integrated solution for automotive panels with touch sensor but actively entering the high-end market with advanced technology, successfully opened up the supply chains of major car manufacturers of Japan, Europe, America, Korea and China etc. To meet the new trends of the market and respond the demand of long-term customers, by continuously upgrading the techniques, from the traditional LCD to Mini LED

backlit technology of automotive display which currently increasing its penetration rate, and the capability of Micro LED development, no doubt will bring the growth to AUO's automotive business.

- **Business opportunities in the Internet of Things:** With the implementation of 5G, combined AI to create unlimited possibilities, ranging from face recognition, human flow analysis, usage behavior analysis, intelligent finance, and health care, even including robots and self-driving. These technologies will subvert our imagination, drive innovation and application in various industries and change human life. The business models shall move with the times. The commercial operation will also be gradually launched to support more efficient data transmission, ultra-reliability, and low latency communication, as well as speed and stability of service applications through dense network coverage. With IoT's trend, various connected devices are rapidly increasing. Moreover, new business models and applications will possibly accelerate development and bring about a more diverse and extensive application of displays. In addition, various applications are demanding large sizes, which in turn will prompt the panel demand area. AUO targets smart retail, smart healthcare, smart education & entertainment, smart transportation, and smart manufacturing applications by launching products with high-resolution, curved design, high dynamic range, on-cell touch, and other value-added applications. We greet the business opportunities of the IoT era by utilizing our integral strengths in a combination of virtual and real, software and hardware development to enhance the value-added and create high-valued differentiated products with technological diversity.

3) Unfavorable factors and countermeasures

- **Mainland China progressively expanding capacities:** In recent years, competitors in China have focused on high generation production lines and have steadily expanded production capacities. This has affected the supply/demand conditions of the panel industry. It should be noted, however, that in the TFT-LCD industry, production capacity is no longer the only competitive factor. In the future, the demand for displays will be diversified, and the demand for customized specifications will increase. Strengthening technology, operation management, and customer development will be the key points of the panel fab layout. To stand against the challenge of capacity expansion, AUO will continue to leverage its technology and product strengths and strengthen strategies, combined with technology, flexibility, patent quality, and a complete layout of clientele. Its advanced technologies and differentiated products shall create greater value. The layout is vertically integrated, together with emphasizing high-end products such as e-gaming and automobile, which is also expected to maintain profits. In recent years, Taiwanese manufacturers have actively adjusted its business strategy, strengthened its upstream and downstream vertical integration capability, and locked in a small number of diversified product distribution, which helps to maintain industrial competitiveness and strengthen its profitability.
- **Consumer willingness to pay is affected by the global economy:** The overall consumption intention may be affected by uncertain factors, such as the supply chain bottleneck, inflation, unstable international situations, and COVID-19 pandemic. In the past two years, the demand for stay-at-home economy brought by working from home, distance education and online entertainment has also decreased with the gradual opening-up attitude around the world in response to the pandemic. Compared with the situation of overbooking due to lack of materials during the pandemic, in 2022, brands have turned to reducing inventory as the primary goal. In the face of the industrial downturn, AUO will continue to strictly control inventory, optimize product mix and expand market applications to reduce the impact of fluctuations in consumer willingness.

(II) The important uses of the main products and the production process

I. Important uses

TFT-LCD products are display devices for transmitting digital information, and their wide applications include commercial and industrial information display devices, computers, telecommunications-related and consumer electronic products. With the development of 3C integrated market in the digital age, the main application fields of TFT-LCD products at present include LCD TV, desktop LCD, tablet computer, notebook computer, mobile phone,

automotive display, wearable device, and general industrial and commercial applications such as ATMs, vending machines, public information displays, traffic information billboards and other touch screen products.

2. Production process

There are three production processes of TFT-LCD:

- (1) Array or TFT process: similar to semiconductor process, the difference is that thin film transistors are fabricated on glass instead of silicon wafer.
- (2) Cell or LCD Process: taking the glass of the front Array as the substrate, combining it with the glass substrate of the color filter, and injecting liquid crystal between the two glass substrates.
- (3) Module Assembly or LCM Process: the production operation of assembling the glass after Cell process with various components such as backlight board, circuit, outer frame, etc.

(III) Supply status of main raw materials

Because the manufacturing process of TFT-LCD is relatively complicated, it needs a lot of raw materials and components. Its main raw materials and key components include: glass substrate, driver IC, polarizer, backlight module, liquid crystal, printed circuit board, color filter and flexible board, etc. AUO has long strengthened its supplier management ability, maintained good cooperative relations with domestic and foreign raw material manufacturers, and maintained more than two manufacturers in the procurement of key materials and components, so as to maintain purchasing flexibility and avoid the risk of excessive concentration of raw materials.

- (IV) A list of any suppliers and clients accounting for 10% or more of the Company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

1. Major Customer for the past two years

Unit: NT\$100 millions

Year Item	2022				2021			
	Customer	Amount	Ratio to annual net revenue (%)	Relationship with AUO	Customer	Amount	Ratio to annual net revenue (%)	Relationship with AUO
1	HP	223	9.0	-	Samsung	386	10.4	-
2	Others	2,245	91.0	-	Others	3,321	89.6	-
	Net revenue	2,468	100.0		Net revenue	3,707	100.0	

Reasons for change: The changes in product mix and the increase in sales price.

2. Major purchasers for the past two years

No purchases from any single vendor in 2022 and 2021 accounted for 10% or more of net purchases; hence this is not applicable.

(V) Production value and volume for the past two years

Unit: NT\$ 100 million; 1,000 pieces

Year Main products	2022 年			2021 年		
	Production capacity (Note)	Production Quantity	Production value	Production capacity (Note)	Production Quantity	Production value
TFT-LCD	12,967	177,616	1,929	12,903	264,859	2,758
Others	-	-	99	-	-	75
Total	12,967	177,616	2,028	12,903	264,859	2,833

Note: Calculated by Glass substrate (mother glass).

(VI) Sales volume and value for the past two years

Unit: NT\$ 100 million; 1,000 pieces

Main products	Year	2022 年				2021 年			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
TFT-LCD		40,129	585	137,981	1,501	77,007	1,105	151,915	2,278
Others		-	180	-	202	-	119	-	205
Total		40,129	765	137,981	1,703	77,007	1,224	151,915	2,483

III. Employee Information

Year		As of February 23, 2023	2022	2021
Total number of employees (persons)	Production	26,031	26,196	28,996
	Technical	8,011	8,136	8,096
	Sales and marketing	1,146	1,144	969
	Management and administrative	3,212	3,159	3,063
	Total	38,400	38,635	41,124
Average age (years)		34.8	34.8	34.3
Average duration of service (years)		7.8	7.8	6.9
Educational distribution ratio (%)	Director of Philosophy	0.5	0.5	0.4
	Master's Degree	16.1	16.1	15.0
	Bachelor's Degree	39.3	39.4	37.5
	Senior High School	30.1	29.5	39.7
	senior high school or below	13.9	14.5	7.3

IV. Disbursements for environmental protection

Loss due to environmental pollution incidents in the most recent fiscal year and up to the annual report publication date (including compensation and the violations of environmental protection laws or regulations) specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

(I) Loss suffered due to environmental pollution incidents:

Company Name	Incident	Amount of indemnity	Countermeasures and improvements
AUO (Kunshan) Co., Ltd.	1. Disposition date: August 8, 2022 2. Disposition reference No.: Su Huanxing Fa Zi [2022] 83 No.229. 3. The articles of law violated: Paragraph 2, Article 18 of the Ordinance on Pollutant Discharge Permit Control. 4. The contents of the dispositions: During the epidemic of COVID-19, the organic wastewater recycling system malfunctioned. Furthermore, due to the Lockdown measures implemented by the Kunshan government, maintenance materials were unable to enter the factory, resulting in the overflow of the organic wastewater stored into the pipelines in the factory. (the rainwater drainage was equipped with a gate valve) The sewage discharge permit stipulates that the wastewater must be discharged by connecting the wastewater pipeline to the municipal pipe network, so the way of wastewater discharge is inconsistent with the sewage discharge permit. 5. The contents of the dispositions: RMB 20,000	RMB 20,000	1. Review the status of manpower and materials under the Lockdown policy. 2. Review the emergency response plan for abnormal wastewater situations and enhance operation of wastewater and personnel training.

(II) Countermeasures and as estimate of possible expenses: The Company and subsidiaries have always attached great importance to environmental protection not only by implementing pollution prevention but continuously strengthening the education and training of relevant regulations, declaration and response procedures.

V. Labor relations

(I) List the Company's employee welfare measures, continuing education, training and retirement systems and the status of their implementation, and the status of labor-management agreements and various measures for preserving employees' rights and interests:

I. Welfare measures and implementation

- (1) Employees are entitled to labor insurance, national health insurance and group insurance from the date of arrival.
- (2) The Company has set up the "employee stock ownership trust Plan", which provides relatively allocated bonuses to help employees save small amounts for a long time and establish personal short, medium and long-term flexible fund utilization or financial planning.
- (3) In addition to the basic monthly salary, annual bonuses such as Mid-Autumn Festival, Dragon Boat Festival and Spring Festival are provided. According to the company's overall operation, team and individual performance, various short-term and long-term reward and incentive schemes are designed according to different job flexibility, and the profit surplus is shared with employees, so as to attract, retain, motivate and plan to cultivate high-quality talents.

- (4) All the factories of the Company have staff canteens, which provide breakfast, lunch, dinner and midnight snack, and provide meal subsidies.
- (5) The Company has a life plaza, including convenience store, coffee shop, bakery, fruit bar and laundry. In addition, special sales activities are also launched from time to time to provide affordable consumption.
- (6) The Company has set up "Wellness Center" in each factory, and the medical team composed of professional doctors and nurses will provide health care for colleagues through various health promotion activities, and create an all-round physical, mental and spiritual health care mechanism.
- (7) The Company has a fitness center in each factory, which is managed by a professional health management team. In addition to the permanent stadium, fitness equipment and sports classroom, various sports courses are offered irregularly according to the needs of colleagues.
- (8) The Company has established the Employee Welfare Committee, which is responsible for the planning and implementation of various welfare programs with the aim of taking care of employees' living, promoting physical and mental health and maintaining harmony between employers and employees. Through a complete welfare system and various employee activities, it has continuously promoted employee welfare business, such as sports season, festivals, community activities, employee travel, etc., and provided various welfare subsidies such as emergency assistance, hospitalization condolences, weddings, funerals and celebrations.

2. Education and training

Since employees joined AUO, the Company has provided the new employee training program (AUO Elite Camp) to explain the Company's corporate policy, including the concept of corporate social responsibility and related policies. AUO UNIVERSITY is the main axis of the Company's staff learning system, and every colleague can participate in various training courses and plans through the AUO Learning System, ALS. AUO University has launched an all-round talent cultivation plan according to the training planned in various professional fields.

AUO provides employees with further education and training as follows:

- (1) New recruit training: This training covers two stages. The first stage includes the official environmental safety/health course, management guidelines, and related policies. In line with AUO Elite Camp, we will help newcomers quickly become familiar with their colleagues and with the organizational culture and guidelines. The second stage focuses on professional skills and knowledge corresponding to individual job positions.
- (2) Personal competency development: Based on the collaborative competency among colleagues, with physical courses as the main and online learning as the supplement, provide the management related knowledge and skills (for example: cross-functional communication skills, project management, business skills, legal knowledge). Also, advanced elective courses are provided in line with various service years of colleagues.
- (3) Professional knowledge improvement: In coordination with the Company's strategy, colleagues are appointed to participate in domestic/international industrial and management seminars and forums. Trainings are provided by the consultant companies and manufacturers, it also help the Company improve industrial technology, develop new products, introduce innovative ideas, and enhance management skills.
- (4) External training program: The Company provides information on external training programs for colleagues to apply for due to job requirements or professional skills development needs to help improve the staff's working or professional skills, thus boosting the organizational competitiveness.
- (5) Manager training: For employees at the management level, AUO conducts a series of management training courses to improve the management ability. Newly appointed senior managers receive about 32 hours of education and training on average every year, newly appointed manager receive around 40 hours training, while 7.5 hours of general education for assistant managers.

The implement on AUO Global Learning and Development Platform in 2022 as follows:

Type	College category	Total classes	Total participants	Total no. of hours	Total costs (NTD thousand)
AUO University course internal training	Engineering college	652	70,554	31,415.7	61,044
	Future college	23	1,590	204.0	
	College of science	32	3,836	52.0	
	Sustainability college	9	3,266	35.0	
	Business college	9	1,022	12.5	
	College of Liberal Studies	60	22,702	19.4	
	Leadership College	38	3,800	341.4	
Auo University course external training	External training	--	2,000	--	
Learning Development System _ Maintenance and Project Execution Expenses					

3. Retirement system and implementation

- (1) The Company has a retirement policy for employees.
- (2) In August 1997, the Labor Retirement Reserve Supervision Committee was established, and in May 1998, the pension was set aside, and the monthly pension was set aside at 2%~15% of the total monthly salary.
- (3) Since July, 2005, the new system of labor pension has been implemented according to law.
- (4) In accordance with the provisions of Bulletin No.19 of International Accounting Standards, an actuary is entrusted to evaluate and calculate the labor retirement reserve and submit an actuarial evaluation report.

4. Labor agreement and implementation:

The Company has always attached importance to labor relations, and besides complying with the labor law and related laws and regulations, there are many benefits and measures superior to the laws and regulations to establish harmonious labor relations. In addition, the Company regularly holds quarterly/monthly meetings, labor-management meetings, business briefings and other two-way meetings with employees to convey important information and policies. At the same time, it also provides all-weather communication platforms such as "audit committee mailbox", "general manager mailbox", "sexual harassment complaint mailbox" and "internal communication mailbox" to collect, understand and solve employees' problems, and establish an environment for mutual participation and full communication between employers and employees.

5. Protection measures for working environment and personal safety of employees

The Company has been devoting itself to environmental protection, energy conservation and employee care for a long time, expecting to fulfill its social responsibilities with growing enterprise and move toward to sustainable management. In addition to complying with relevant domestic laws and regulations, we have passed the internationally recognized ISO45001, Occupational Health and Safety Management System, certification in all factories. Specific measures are as follows:

(1) Focus on source management

In the stage of building new construction, the factory is designed according to "Risk Engineering Guideline for New Construction", and the preventive measures are considered for all possible hazards in the building. During operation, the best practicable technologies (BAT) are adopted to prevent hazards and control risks after hazardous identification and evaluation for on-site safety. In the view of equipment safety, the Company established "Tool Safety Common Specification" according to the process characteristics and referring to other important safety specifications in Europe, America and Taiwan. Also, we communicated and discussed with suppliers at the design stage while taking control of procurement process. After the equipment enters the factory, it must meet the safety inspection standard of equipment installation before operation to ensure the safety of employees. In the view of chemical management, AUO established a chemical control inventory (ACF, AUO Chemical Filter) in line with

international trends and screens high-risk substances to strengthen source management, which indeed protect employees' health and avoid environmental impact.

(2) Promote safety culture

The Company continues to promote safety culture and take employee safety as one of the five major axis of B2B in the Company. We hope that every colleague can play his own safety role in different positions, not only integrating safety awareness into work and life but achieving the vision of zero hazard for the team.

(3) Strengthen communication and training of hazard prevention.

In order to effectively enhance all employees' awareness of safety and health, the Company has planned relevant subject courses for colleagues at all levels, including environmental protection, safety and health, emergency response, management system, risk management, social responsibility and green products, so that employees can recognize the hazards and implement safety standard procedures. In addition to training, a departmental environmental safety officer mechanism is established to regularly collect employees' working safety and health needs, and to pass on safety and health management measures and messages to achieve good two-way communication.

(4) Promote health of employees

The Company has professional nursing staff to establish a complete health management plan. Besides health check-ups, medical consultation and various health promotion activities are held regularly. In order to enable employees to obtain relevant health information and personal health data at any time, an e-health management platform is constructed. In addition, there are professional staff assistance programs, and professional teams provide psychological and legal consultation. In order to cope with the possible impact of infectious diseases on enterprises and employees in recent years, the Company not only continuously monitors relevant information but established a complete response organization and procedures to carry out epidemic prevention or disaster reduction operations while protecting employees' health and avoiding operational impact.

(5) Establish an emergency response framework

In order to avoid a major impact to operation caused by emergencies, daily emergency response team and training course are established. The Company also has a 24-hour emergency response center equipped with complete monitoring facilities to keep abreast of the situation in the factory. The Company has also established a complete emergency response plan, covering emergency preparedness and plans for fires, chemical spills, earthquakes, floods, etc., and carried out relevant drills to familiarize personnel with various procedures, so as to reduce the impact on personnel and property in case.

(6) Continuous monitoring and auditing

For site ESH operation in the factory, the Company carries out various environmental and working tests/ measures of personnel according to related regulation, and a complete audit procedure is established, including not only daily inspection, high-risk operation inspection and supervisor inspection, but also cross-factory audit by safety experts, third-party verification and customer audit. In addition, management review organizations at company level and site level are set up respectively, which are convened by senior supervisors or the top supervisors of each site to conduct regular reviews of various environmental and safety affairs which includes review of the operation situation, goals, directions, implement continuous improvement and promotion of environmental and safety performance.

- (II) List the losses suffered by labor disputes in the most recent year and up to the annual report publication date (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

I. Losses suffered due to labor disputes:

Company name	Description of event	Amount of fines/compensation	Countermeasures and improvement measures
AUO Corporation	1. Disposition date: January 27, 2022 2. Disposition reference No.: Zhuhuanzi No.1110003987 3. The articles of law violated: Article 24 of Labor Standards Law. 4. The contents of the dispositions: The administration of Hsinchu Science Industrial Park inspected Longke Factory and found that the paid for extend working hours was not paid according to the regulations for extended working hours.	NT\$50,000	1. For the management of employees' working hours, the Company actively provides working hour's reports to the management for personnel care and work deployment.
	1. Disposition date: November 8, 2022 2. Disposition reference No.: Zhonghuanzi No.1110027228 3. The articles of law violated: Article 24, item 1, and Article 32, item 2, of the Labor Standards Law. 4. The contents of the dispositions: The Central Science Park Administration conducted a labor inspection in Taichung Factory on October 21, and found that colleagues had been on duty for more than 12 hours a day and the Company did not pay overtime.	NT\$100,000	2. The supervisor grasps the overtime hours of his colleagues and cares about the situation regularly. 3. Regularly strengthen the promotion of overtime application norms and processes.
Fortech Electronics (Suzhou) Co., Ltd.	1. Disposition date: November 29, 2022 2. Disposition reference No.: Wu Renshe Cha Fa Zi [2022] No.14. 3. The articles of law violated: Paragraph 2 of Article 42 of the Regulations on Labor Contracts in Jiangsu Province and Article 31 of the Regulations on Labor Protection in Jiangsu Province. 4. The contents of the dispositions: arrange students to practice more than 40 hours a week and arrange underage workers to work overtime.	RMB47,000	1. Comply with laws and regulations and properly arrange manpower dispatch. 2. Control the attendance of employees immediately to avoid overtime.

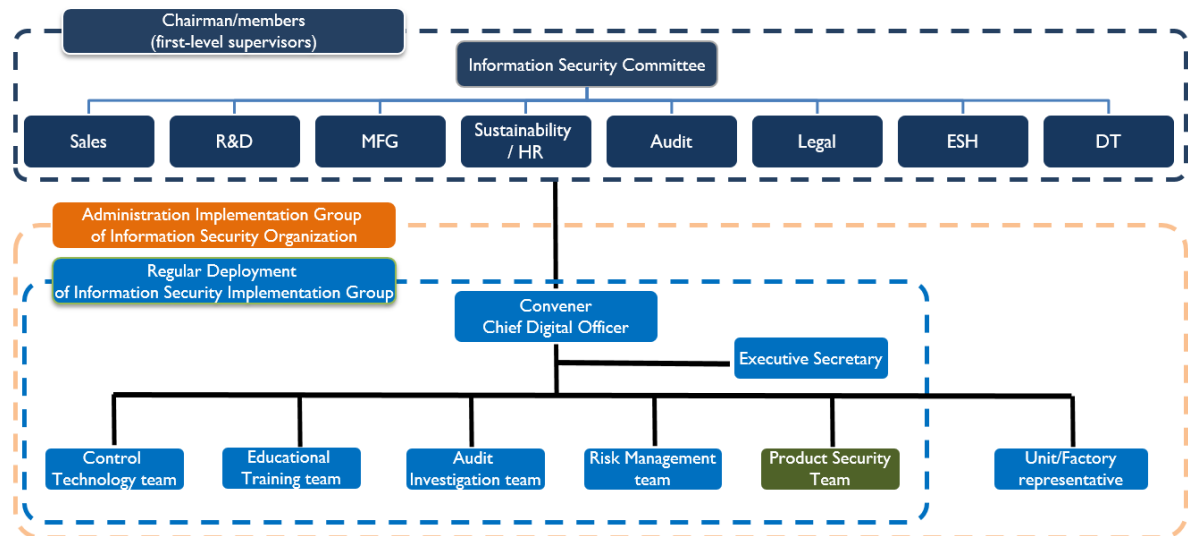
2. In the most recent year and up to the publication date of the annual report, apart from the above matters, the Company and its subsidiaries have not paid fines for violating relevant regulations.

VI. Information security governance

1. Information Security Committee:

The Company set up an Information Security Committee to promote information security management, with the chairman as the chairman, the general manager as the deputy chairman, the digital chief as the convener, and the first-level supervisors of all units as members. A total of 13 members participated in the information security management review meeting held on January 10, 2022 and July 22, 2022, through which they formulated information security management policies and objectives, and reviewed the achievement and implementation of information security management objectives and management measures. In addition, in order to implement information security management, an information security executive group is set up under the Information Security Committee, which is divided into control technology group, education and training group, audit investigation group, risk management group and product safety group. Senior executives of relevant business units are the leaders of each group to promote the information security operation decided by the Information Security Committee and conduct regular review meetings every two months.

In October, 2022, the Company established the Chief Information Officer, the Information Security Management Office, a specialized information security unit, and four dedicated information security personnel, who were responsible for information security governance and overall management of information security-related business.



2. Information security policies:

The Company's information security policy is "to protect the Company's intellectual property, raise the awareness of information security in an all-round way, and create a win (profit) opportunity". Over the years, in addition to improving various internal information security management mechanisms, regular information security publicity, information security education and training for employees and other activities, ISO27001 information security management system was introduced in 2017 in order to better meet the international information security management trends and respond to customers' information security requirements, and it has been continuously evaluated and verified every year. In July 2022, the Company passed the annual evaluation and certification of ISO27001 information security management system, and the certificate is valid from July 2020 to June 2023.

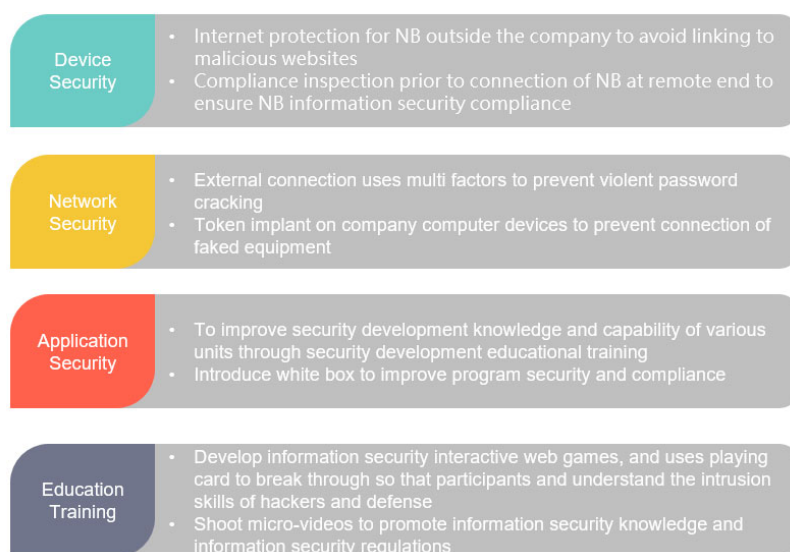
The Company has continuously strengthened its information security defense capability, and has introduced various information security protection measures, such as next-generation firewall, intrusion prevention system, application firewall, advanced endpoint defense, mail filtering, internet protection, antivirus software, vulnerability scanning, penetration testing and 7*24 information security monitoring center. The budget of each security measure is not less than 5% of the overall IT budget.

The Company regularly conducts e-mail social engineering drills and training to prevent e-mail fraud. In 2022, 2

company-wide drills were carried out, and 10 drills were independently strengthened by various departments, with a total of 93,473 people participating in the drills. According to statistics, the proportion of colleagues who failed the drills in the whole year was 2.83%.

In 2022, the Company has arranged an asset insurance policy to deal with insurance claims that may incur related expenses (such as recovery and identification) when major information security incidents occur.

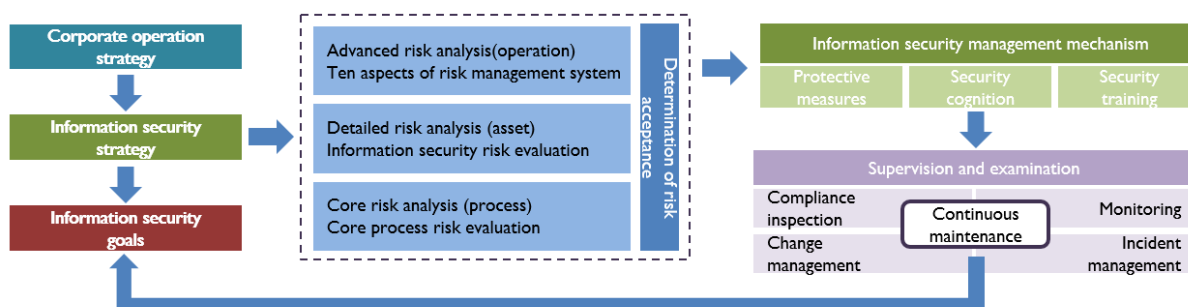
3. Information security innovations



4. Information security risk management framework

The risk analysis strategy uses three kinds of analysis aspect, respectively for the operation, asset and process, for carrying out risk analysis.

Operational risk analysis, according to the system structure, system change management, project and resource management, system and service outsourcing management, software and hardware authorization and legality, general maintenance, information security, confidentiality and data protection, system and service outsourcing management, system architecture and other ten issues-oriented information security risk assessment. Process risk analysis, risk assessment according to the operating processes of internal units. Then, the information assets used in each operation process are evaluated for asset risk.



5. In recent years and up to the date of publication of the annual report, the Company has not had any major cyber-attacks that have impacted the Company's operations.

VII. Important contracts

- (I) Up to the annual report publication date, the important long-term loan contracts and technical cooperation contracts of the Company that are still valid and expired in the latest year are listed as follows:

Long-term loan contract

Character	Party	Contract start and end date	Main content	Restrictive clause
Finance	Bank of Taiwan and other banking groups	2021.07~2029.04	Repaying existing bank debts	Pledged by the building, equipment and machinery
Finance	Bank of Taiwan and other banking groups	2020.04~2025.10	Increase operating capital	Pledged by the building, equipment and machinery

Technical cooperation contracts

Character	Party	Contract start and end date	Main content	Restrictive clause
Patent licensing	Fujitsu Limited (former FDTC)	According to the contract	Specific TFT-LCD patent licensing	According to the contract
Patent/technology licensing	Toppan Printing	According to the contract	Specific color filter patent/technology licensing	According to the contract
Patent licensing Patent licensing	Semiconductor Energy Laboratory Co., Ltd.	According to the contract	Specific LCD and OLED products patent licensing	According to the contract
Cross-licensing of patents	Japan Display Inc. (that is formerly Japan Display East Inc., Hitachi Displays, and Ltd.), Panasonic Liquid Crystal Display, Co., Ltd. (that is formerly IPS Alpha Technology, Ltd.)	According to the contract	Specific TFT-LCD and OLED products cross-licensing of patents	According to the contract
Cross-licensing of patents	Sharp Corporation	According to the contract	Specific TFT-LCD cross-licensing of patents	According to the contract
Cross-licensing of patents	LG Display Co., Ltd.	According to the contract	Specific TFT-LCD cross-licensing of patents	According to the contract
Cross-licensing of patents	Seiko Epson Corporation	According to the contract	Specific LCD and OLED products cross-licensing of patents	According to the contract

In addition to the above contracts, the Company also entered into licensing or cross-licensing contracts with other third parties for specific patents owned or controlled by the Company.

- (II) For other important contracts of the Company and subsidiaries of the Company, please refer to Appendix I of this annual report, consolidated financial statements with Independent Auditors' Report for the most recent year (pages 136-265).

Chapter 6 Financial Highlights

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Most Recent Five Fiscal Years

(I) International Financial Reporting Standards - Consolidated Financial Statements

Condensed Consolidated Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial data for the most recent five years (Note 1)				
		2022.12.31	2021.12.31	2020.12.31	2019.12.31	2018.12.31
Current assets		140,176,807	192,026,398	168,317,673	143,200,211	149,067,627
Property, plant and equipment		178,833,837	171,222,045	185,480,116	206,734,543	221,586,475
Intangible assets		11,396,241	11,756,955	12,801,358	12,808,326	13,377,263
Other assets (Note 2)		56,433,789	49,805,648	40,671,148	34,894,511	25,800,410
Total assets		386,840,674	424,811,046	407,270,295	397,637,591	409,831,775
Current liabilities	Before distribution	97,168,161	123,754,502	98,338,179	90,528,089	128,937,971
	After distribution	103,302,466	133,330,326	101,189,146	90,528,089	133,750,093
Noncurrent liabilities		98,261,865	63,090,073	115,141,751	119,132,753	63,615,116
Total liabilities	Before distribution	195,430,026	186,844,575	213,479,930	209,660,842	192,553,087
	After distribution	201,564,331	196,420,399	216,330,897	209,660,842	197,365,209
Equity attributable to shareholders of AUO Corporation		178,964,786	231,787,040	182,804,691	176,671,840	202,862,715
Common Stock		76,993,961	96,242,451	96,242,451	96,242,451	96,242,451
Capital surplus	Before distribution	61,942,210	60,057,001	60,587,684	60,544,474	60,622,043
	After distribution	55,807,905	60,057,001	60,587,684	60,544,474	60,622,043
Retained earnings	Before distribution	50,078,752	80,669,998	30,258,282	22,903,722	46,845,991
	After distribution	50,078,752	71,094,174	27,407,315	22,903,722	42,033,869
Other components of equity		(3,620,305)	(4,743,182)	(3,270,303)	(2,005,384)	(847,770)
Treasury shares		(295,527)	(439,228)	(1,013,423)	(1,013,423)	-
Non-controlling Interests		6,311,557	6,179,431	10,985,674	11,304,909	14,415,973
Total equity	Before distribution	191,410,648	237,966,471	193,790,365	187,976,749	217,278,688
	After distribution	185,276,343	228,390,647	190,939,398	187,976,749	212,466,566

Note 1: The financial data for the most recent five years has been audited and attested by CPAs. As of the date of printing of this Annual Report, the 2023 financial data has not been audited or reviewed by CPAs.

Note 2: Other assets are noncurrent assets excluding property, plant and equipment, and intangible assets.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands (except for earnings per share: NT\$)

Item \ Year	Financial data for the most recent five years (Note)				
	2022	2021	2020	2019	2018
Net revenue	245,792,674	370,685,141	270,955,381	268,791,694	307,634,389
Gross profit	1,567,508	90,767,757	22,765,339	455,943	28,139,504
Profit (loss) from operations	(23,970,396)	63,075,616	2,083,042	(20,467,948)	6,667,865
Non-operating income and expenses	4,464,204	3,331,179	704,629	623,194	4,548,286
Profit (loss) before income tax	(19,506,192)	66,406,795	2,787,671	(19,844,754)	11,216,151
Profit (loss) from continuing operations for the year	(20,973,180)	63,459,098	2,907,427	(21,599,416)	7,959,895
Loss from discontinued operations	-	-	-	-	-
Profit (loss) for the year	(20,973,180)	63,459,098	2,907,427	(21,599,416)	7,959,895
Other comprehensive income (loss), net of tax	1,202,270	(763,022)	2,862,980	(1,411,771)	(1,383,775)
Total comprehensive income (loss) for the year	(19,770,910)	62,696,076	5,770,407	(23,011,187)	6,576,120
Profit (loss) attributable to shareholders of AUO Corporation	(21,101,374)	61,330,628	3,376,324	(19,185,258)	10,160,598
Profit (loss) attributable to non-controlling interests	128,194	2,128,470	(468,897)	(2,414,158)	(2,200,703)
Total comprehensive income (loss) attributable to shareholders of AUO Corporation	(19,892,545)	60,644,766	6,089,641	(20,192,454)	9,085,260
Total comprehensive income (loss) attributable to non-controlling interests	121,635	2,051,310	(319,234)	(2,818,733)	(2,509,140)
Earnings (loss) per share (EPS)	(2.39)	6.44	0.36	(2.00)	1.06

Note: The financial data for the most recent five years has been audited and attested by CPAs. As of the date of printing of this Annual Report, the 2023 financial data has not been audited or reviewed by CPAs.

(II) International Financial Reporting Standards – Parent-company-only Financial Statement

Condensed balance sheet

Unit: NT\$ thousands

Year Item		Financial data for the most recent five years (Note 1)				
		2022.12.31	2021.12.31	2020.12.31	2019.12.31	2018.12.31
Current assets		83,252,087	129,654,779	121,044,855	96,317,458	98,928,620
Property, plant and equipment		118,164,834	117,565,260	129,554,205	144,142,738	148,448,632
Intangible assets		9,464,184	10,688,986	11,806,450	12,051,761	12,476,746
Other assets (Note 2)		141,079,598	127,694,510	101,595,066	93,152,910	87,550,523
Total assets		351,960,703	385,603,535	364,000,576	345,664,867	347,404,521
Current liabilities	Before distribution	76,249,526	102,911,656	84,124,305	73,270,709	110,042,400
	After distribution	82,383,831	112,487,480	86,975,272	73,270,709	114,854,522
Noncurrent liabilities		90,612,086	50,904,839	97,071,580	95,722,318	34,499,406
Total liabilities	Before distribution	166,861,612	153,816,495	181,195,885	168,993,027	144,541,806
	After distribution	172,995,917	163,392,319	184,046,852	168,993,027	149,353,928
Equity attributable to shareholders of AUO Corporation		185,099,091	231,787,040	182,804,691	176,671,840	202,862,715
Common Stock		76,993,961	96,242,451	96,242,451	96,242,451	96,242,451
Capital surplus	Before distribution	61,942,210	60,057,001	60,587,684	60,544,474	60,622,043
	After distribution	55,807,905	60,057,001	60,587,684	60,544,474	60,622,043
Retained earnings	Before distribution	50,078,752	80,669,998	30,258,282	22,903,722	46,845,991
	After distribution	50,078,752	71,094,174	27,407,315	22,903,722	42,033,869
Other components of equity		(3,620,305)	(4,743,182)	(3,270,303)	(2,005,384)	(847,770)
Treasury shares		(295,527)	(439,228)	(1,013,423)	(1,013,423)	-
Non-controlling Interests		-	-	-	-	-
Total equity	Before distribution	185,099,091	231,787,040	182,804,691	176,671,840	202,862,715
	After distribution	178,964,786	222,211,216	179,953,724	176,671,840	198,050,593

Note 1: The financial data for the most recent five years has been audited and attested by CPAs. As of the date of printing of this Annual Report, the 2023 financial data has not been audited or reviewed by CPAs.

Note 2: Other assets are noncurrent assets excluding property, plant and equipment, and intangible assets.

Condensed Statement of Comprehensive Income

Unit: NT\$ thousands (except for earnings per share: NT\$)

Item \ Year	Financial data for the most recent five years (Note)				
	2022	2021	2020	2019	2018
Revenue	215,170,366	331,230,555	256,089,345	255,167,176	293,060,339
Gross profit	(10,606,401)	70,923,406	16,018,967	(2,618,924)	26,377,798
Profit (loss) from operations	(28,397,062)	50,932,678	1,123,075	(17,726,245)	11,033,564
Non-operating income and expenses	7,304,230	11,502,821	1,373,510	(620,419)	951,429
Profit (loss) before income tax	(21,092,832)	62,435,499	2,496,585	(18,346,664)	11,984,993
Profit (loss) from continuing operations for the year	(21,101,374)	61,330,628	3,376,324	(19,185,258)	10,160,598
Loss from discontinued operations	-	-	-	-	-
Profit (loss) for the year	(21,101,374)	61,330,628	3,376,324	(19,185,258)	10,160,598
Other comprehensive income (loss), net of tax	1,208,829	(685,862)	2,713,317	(1,007,196)	(1,075,338)
Total comprehensive income (loss) for the year	(19,892,545)	60,644,766	6,089,641	(20,192,454)	9,085,260
Profit (loss) attributable to Shareholders of AUO Corporation	(21,101,374)	61,330,628	3,376,324	(19,185,258)	10,160,598
Profit (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income (loss) attributable to shareholders of AUO Corporation	(19,892,545)	60,644,766	6,089,641	(20,192,454)	9,085,260
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-
Earnings per share (EPS)	(2.39)	6.44	0.36	(2.00)	1.06

Note: The financial data for the most recent five years has been audited and attested by CPAs. As of the date of printing of this Annual Report, the 2023 financial data has not been audited or reviewed by CPAs

(III) The Names of CPAs and Their Audit Opinions for the Most Recent Five Years

Year	CPA	Opinion content	Remarks
2022	KPMG/Yu, Chi-Lung	Unqualified opinion	-
	KPMG/Yu, Wan-Yuan		
2021	KPMG/Yu, Chi-Lung	Unqualified opinion	-
	KPMG/Yu, Wan-Yuan		
2020	KPMG/Wei, Shing-Hai	Unqualified opinion	-
	KPMG/Lu, Chien-Hui		
2019	KPMG/Wei, Shing-Hai	Unqualified opinion	-
	KPMG/Lu, Chien-Hui		
2018	KPMG/Wei, Shing-Hai	Unqualified opinion	-
	KPMG/Lu, Chien-Hui		

II. Financial Analysis for the Most Recent five years

(I) International Financial Reporting Standards - Financial Analysis on Consolidated Basis

Item analyzed		Year	Financial analysis for the most recent five years (Note 1)				
			2022	2021	2020	2019	2018
Financial structure	Ratio of debts to assets (%)		50.5	44.0	52.4	52.7	47.0
	Ratio of long-term capital to property, plant and equipment (%)		147.8	161.1	158.3	140.5	123.6
Solvency	Current ratio (%)		144.3	155.2	171.2	158.2	115.6
	Quick ratio (%)		110.6	125.7	142.4	130.7	94.3
	Interest coverage ratio		(Note2)	31.6	1.9	(Note2)	4.5
Operating ability	Receivables turnover rate (times)		6.1	6.8	6.9	6.8	7.0
	Average collection days for receivables		60	53	53	54	52
	Inventory turnover rate (times)		7.6	9.1	9.9	10.8	10.9
	Payables turnover rate (times)		4.4	4.7	4.7	4.9	4.9
	Average days for sales of goods		48	40	37	34	33
	Property, plant and equipment turnover rate (times)		1.4	2.1	1.4	1.3	1.4
	Total asset turnover rate (times)		0.6	0.9	0.7	0.7	0.7
Profitability	Return on assets (%)		(4.9)	15.7	1.3	(4.7)	2.4
	Return on equity (%)		(9.8)	29.4	1.5	(10.7)	3.6
	Ratio of profit before income tax to paid-in capital (%)		(25.3)	69.0	2.9	(20.6)	11.7
	Profit margin (%)		(8.5)	17.1	1.1	(8.0)	2.6
	Earnings (loss) per share (NT\$)		(2.39)	6.44	0.36	(2.00)	1.06
Cash flow	Cash flow ratio (%)		27.8	84.6	26.2	22.9	31.2
	Cash flow adequacy ratio (%)		114.6	145.5	99.9	109.1	136.2
	Cash reinvestment ratio (%)		1.5	9.1	2.3	1.5	2.4
Leverage	Operating leverage		(Note 3)	1.8	26.3	(Note 3)	9.2
	Financial leverage		(Note 3)	1.0	(Note 2)	(Note 3)	1.7
<p>Explain the reasons for the changes in financial ratios in the last two years:</p> <p>1. The decrease in various ratios of operating ability was mainly due to the high overall inventory in the market, weak customer demand, and a significant decrease in shipment area and sales price, resulting in a decrease in revenue in the current year.</p> <p>2. The decrease in various ratios of profitability was mainly due to the loss in the current year.</p> <p>3. The decrease in various ratios of cash flow was mainly due to the loss in the current year, which led to the decrease in net cash inflow from operating activities.</p>							

Note 1: The accompanying financial data for the years stated has been audited and attested by CPAs. As of the date of printing of this Annual Report, the 2023 financial data has not been audited or reviewed by CPAs.

Note 2: The ratio was zero or negative.

Note 3: The ratio was not applicable due to operating losses.

Note 4: Please refer to the Glossary under Table (2) below for calculation formula used in this table.

(II) International Financial Reporting Standards – Parent Company Only Financial Analysis

Item analyzed		Year	Financial analysis for the most recent five years (Note 1)				
			2022	2021	2020	2019	2018
Financial structure	Ratio of debts to assets (%)		47.4	39.9	49.8	48.9	41.6
	Ratio of long-term capital to property, plant and equipment (%)		214.4	221.3	206.3	179.4	156.7
Solvency	Current ratio (%)		109.2	126.0	143.9	131.5	89.9
	Quick ratio (%)		84.6	103.5	119.7	106.3	70.5
	Interest coverage ratio		(Note 2)	45.3	2.4	(Note 2)	10.2
Operating ability	Receivables turnover rate (times)		5.8	6.6	7.0	6.8	7.0
	Average collection days for receivables		63	55	52	54	52
	Inventory turnover rate (times)		11.6	12.8	13.2	13.8	13.5
	Payables turnover rate (times)		4.5	4.6	4.6	4.7	4.6
	Average days for sales of goods		32	29	28	27	27
	Property, plant and equipment turnover rate (times)		1.8	2.7	1.9	1.7	2.0
	Total asset turnover rate (times)		0.6	0.9	0.7	0.7	0.8
Profitability	Return on assets (%)		(5.5)	16.7	1.3	(5.2)	3.0
	Return on equity (%)		(10.1)	29.6	1.9	(10.1)	4.9
	Ratio of profit before income tax to paid-in capital (%)		(27.4)	64.9	2.6	(19.1)	12.5
	Profit margin (%)		(9.8)	18.5	1.3	(7.5)	3.5
	Earnings (loss) per share (NT\$)		(2.39)	6.44	0.36	(2.00)	1.06
Cash flow	Cash flow ratio (%)		15.4	81.5	17.0	15.1	24.4
	Cash flow adequacy ratio (%)		93.5	137.2	110.5	107.9	132.1
	Cash reinvestment ratio (%)		0.2	8.3	1.5	0.7	1.4
Leverage	Operating leverage		(Note 3)	1.7	32.7	(Note 3)	4.1
	Financial leverage		(Note 3)	1.0	(Note 2)	(Note 3)	1.1
<p>Explain the reasons for the changes in financial ratios in the last two years:</p> <p>1. The decrease in Property, plant and equipment turnover rate and total assets turnover rate was mainly due to the overall high inventory in the market, weak customer demand, and a significant decrease in shipment area and sales price, resulting in a decrease in revenue in the current year.</p> <p>2. The decrease in various ratios of profitability was mainly due to the loss in the current year.</p> <p>3. The decrease in various ratios of cash flow was mainly due to the loss in the current year, which led to the decrease in net cash inflow from operating activities.</p>							

Note 1: The accompanying financial data has been audited and attested by CPAs. As of the date of this Annual Report, the 2023 financial data has not been audited or reviewed by CPAs.

Note 2: The ratio is zero or negative.

Note 3: The ratio was not applicable due to operating losses.

Calculated as follows:

1. Financial structure

(1) Ratio of debts to asset = Total liabilities/Total assets.

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + Long-term borrowings) / Net property, plant and equipment.

2. Solvency

- (1) Current ratio = Current assets/Current liabilities.
- (2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities.
- (3) Interest coverage ratio = Net income before income tax and interest expense/Interest expenses over this period.

3. Operating ability

- (1) Receivable (including accounts receivable and notes receivable due to business operations) turnover rate = Net sales/Balance of average accounts receivable for various periods (including accounts receivable and notes receivable due to business operations).
- (2) Average collection days for receivable = 365/Receivables turnover.
- (3) Inventory turnover rate = Cost of goods sold/Average inventory.
- (4) Payable (including accounts payable and notes payable due to business operations) turnover rate = Cost of goods sold/Balance of average accounts payable of various periods (including accounts payable and notes payable due to business operations).
- (5) Average days for sales = 365/Inventory turnover.
- (6) Property, plant and equipment turnover rate = Net sale/Average net property, plant and equipment.
- (7) Total asset turnover rate = Net sales/Average total assets.

4. Profitability

- (1) Return on assets = [Net income after taxes + interest expense × (1 - tax rate)] / Average total assets.
- (2) Return on equity = Net income after taxes/Average total equity.
- (3) Profit margin = Net income after taxes/Net sales.
- (4) Earnings per share = (Net income attributable to shareholders of the parent company - preferred stock dividend) / Weighted average number of shares outstanding.

5. Cash flow

- (1) Cash flow ratio = Net cash flow of operating activities/Current liabilities.
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + inventory increase + cash dividend) for the most recent five years.
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (Gross value of property, plant, and equipment + Long-term investments + other non-current assets + working capital).

6. Leverage:

- (1) Operating leverage = (Net operating revenue - variable operating cost and expenses)/Operation profit.
- (2) Financial leverage = Operating profit / (Operating profit - interest expenses).

III. The Audit Committee's Review Report

The Board of Directors has prepared the Company's Business Report, Financial Statements, and Earnings Distribution Proposal for the year of 2022. Yu, Chi-Lung and Yu, Wan-Yuan, Certified Public Accountants of KPMG, have audited the Financial Statements. The 2022 Business Report, Financial Statements, and Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of AUO Corporation. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

AUO Corporation

Chair of the Audit Committee



Yen-Hsueh Su

February 23, 2023

- IV. Consolidated Financial Statements with Independent Auditors' Report for the most recent year: Please refer to Appendix 1 pages 136-265.
- V. Parent Company Only Financial Statements with Independent Auditors' Report for the most recent year: Please refer to Appendix 2 pages 266-369.
- VI. Any financial difficulties experienced by the Company and its affiliate businesses during the most recent year up to the publication date of this report need to be stated as well as the impact on the Company's financial position need to be outlined: None.

Chapter 7 Review of Financial Conditions, Operating Result, and Risk Management

I. Financial position analysis:

Unit: NT\$ thousands

Item \ Year	2022.12.31	2021.12.31	Difference	
			Increase (decrease) amount	%
Current assets	140,176,807	192,026,398	(51,849,591)	(27.0)
Long-term investment	33,644,483	26,755,290	6,889,193	25.7
Property, plant and equipment	178,833,837	171,222,045	7,611,792	4.4
Right-of-use assets	9,800,458	10,638,373	(837,915)	(7.9)
Investment property	1,393,244	1,437,692	(44,448)	(3.1)
Intangible assets	11,396,241	11,756,955	(360,714)	(3.1)
Deferred tax assets	6,649,457	6,466,588	182,869	2.8
Other assets	4,946,147	4,507,705	438,442	9.7
Total assets	386,840,674	424,811,046	(37,970,372)	(8.9)
Current liabilities	97,168,161	123,754,502	(26,586,341)	(21.5)
Noncurrent liabilities	98,261,865	63,090,073	35,171,792	55.7
Total liabilities	195,430,026	186,844,575	8,585,451	4.6
Common Stock	76,993,961	96,242,451	(19,248,490)	(20.0)
Capital surplus	61,942,210	60,057,001	1,885,209	3.1
Retained earnings	50,078,752	80,669,998	(30,591,246)	(37.9)
Other components of equity	(3,620,305)	(4,743,182)	1,122,877	(23.7)
Treasury shares	(295,527)	(439,228)	143,701	(32.7)
Equity attributable to shareholders of AUO Corporation	185,099,091	231,787,040	(46,687,949)	(20.1)
Non-controlling Interests	6,311,557	6,179,431	132,126	2.1
Total equity	191,410,648	237,966,471	(46,555,823)	(19.6)

Analysis of items that have major changes:

1. The decrease in current assets was mainly due to the decrease in accounts receivable and financial assets at amortized cost.
2. The increase in long-term investment was mainly due to the new investments in associates in the current year.
3. The decrease in current liabilities was mainly due to the decrease in accounts payable, accrued bonus and remuneration to employees payable.
4. The increase in noncurrent liabilities was mainly due to the increase in long-term borrowings.
5. The decrease in common stock was mainly due to capital reduction in the current year.
6. The decrease in retained earnings was mainly due to the distribution of cash dividends and losses in the current year.
7. The increase in other components of equity was mainly due to currency exchange gains incurred in the translation of foreign operations due to exchange rate fluctuations.
8. The decrease in treasury shares was mainly due to capital reduction and treasury shares transferred to employees in accordance with Securities and Exchange Act requirements in the current year.
9. The decrease in equity attributable to shareholders of AUO Corporation was mainly due to capital reduction and losses in the current year.

II. Financial performance

(I) Financial performance analysis

Unit: NT\$ thousands

Item \ Year	2022	2021	Change in proportion	
			Increase (decrease) amount	%
Revenue	249,956,539	373,670,560	(123,714,021)	(33.1)
Less: sales return and discount	3,163,865	2,985,419	178,446	6.0
Net revenue	246,792,674	370,685,141	(123,892,467)	(33.4)
Cost of sales	245,225,166	279,917,384	(34,692,218)	(12.4)
Gross profit (loss)	1,567,508	90,767,757	(89,200,249)	(98.3)
Operating expenses	25,537,904	27,692,141	(2,154,237)	(7.8)
Profit (loss) from operations	(23,970,396)	63,075,616	(87,046,012)	(138.0)
Non-operating income and expenses	4,464,204	3,331,179	1,133,025	34.0
Profit (loss) before income tax for the year	(19,506,192)	66,406,795	(85,912,987)	(129.4)
Less: income tax expenses (benefits)	1,466,988	2,947,697	(1,480,709)	(50.2)
Profit (loss) for the year	(20,973,180)	63,459,098	(84,432,278)	(133.0)

Analysis of items that have major changes:

1. Revenue, cost of sales, gross profit, loss from operations, loss before income tax and loss in 2022 are mainly due to the high overall market inventory this year, weak customer demand, and a significant decrease in shipment area and sales price, resulting in a decrease in revenue and profits.
2. Non-operating income and expenses: Mainly due to the increase in subsidiary's receipt of subsidies from local governments in China in 2022.
3. Income tax expenses (benefits): The decrease of income tax expense was due to the loss in the current year.

(II) The special key performance indicators (KPI) of the panel industry

Item \ Year	2022				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full year
Consolidated shipment (Kilometer squared)	6,053	4,919	3,876	4,322	19,170
Operating margin (%)	6.5	(7.4)	(27.6)	(20.7)	(9.7)
EBITDA (Note 1) Margin (%)	16.3	5.2	(11.8)	(6.0)	3.0
Inventory turnover (days)	47	56	54	48	48
Net debt to equity (%)	(13.3)	(14.0)	(6.3)	3.3	3.3

Note 1 EBITDA = Operating profit + D&A.

(III) Estimated sales volume and supporting info

AUO is a leading global technology and manufacturer of optoelectronic solutions. Its main product lines cover TFT-LCD panels in large, medium, and small sizes. The current panel sizes in production range from 1.2 inches to 85 inches. The application range and dimensions are very comprehensive. The Company's panel shipments fluctuate considerably when the product mix changes. Therefore, it is not appropriate to only use sales as the basis for measurement. However, the Company continues to focus on product value enhancement and product mix optimization. Meanwhile, the Company also focuses on strengthening its leading edge in product technology and increasing the shipment of integrated and high value-added products to maintain its product competitiveness in response to the future development direction of panels toward high-end technologies under the rapidly changing industry environment. With the popularization of 5G, AI, and other futuristic technology, AUO turns its 20 years of experience in the display industry into the driving force of seizing

industrial transformation and business opportunities in the smart segment. Working with the ecological circle, AUO will develop into a solution provider in such segments as smart retail, smart healthcare, smart education, smart mobility, and smart manufacturing.

III. Cash flow

Changes in consolidated cash flows in 2022:

Unit: NT\$ thousands

Cash balance at the beginning of the period	Net cash flow from operating activities	Net cash flow from investing activities	Net cash flow due to financing activities	Cash balance (including effect of exchange rate)
79,944,686	26,970,958	(31,912,960)	2,354,235	80,613,120

(I) Analysis of changes in consolidated cash flows in 2022

Operating activities: The main changes were net profit plus depreciation and amortization of non-cash expenses and changes in working capital.

Investing activities: The main changes were changes in capital expenditures and financial assets.

Financing activities: The main changes are from borrowing and repaying long-term loans and reducing capital in cash.

(II) Liquidity improvement plan: The Company showed no signs of liquidity deficit.

(III) Analysis of cash liquidity in the coming year: The Company, on the premise of maintaining stable cash liquidity, will carefully plan and manage cash expenditures related to investments and operations while taking cash balances on accounts, cash flows from operating activities and investing activities and the status of financial markets into consideration.

IV. Material capital expenditures of the most recent year and impact on the Company's finances and operations

In 2022, the Company's major capital expenditure was to pay for the expansion of the high-end production capacity and investment of the upgrading technology to maintain the long-term dominant position of AUO. Based on the consolidated financial statements, the amount paid for the purchase of fixed assets in 2022 was NT\$36 billion, accounting for about 15% of the net sales, which had no significant impact on the Company's financial business.

V. Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.

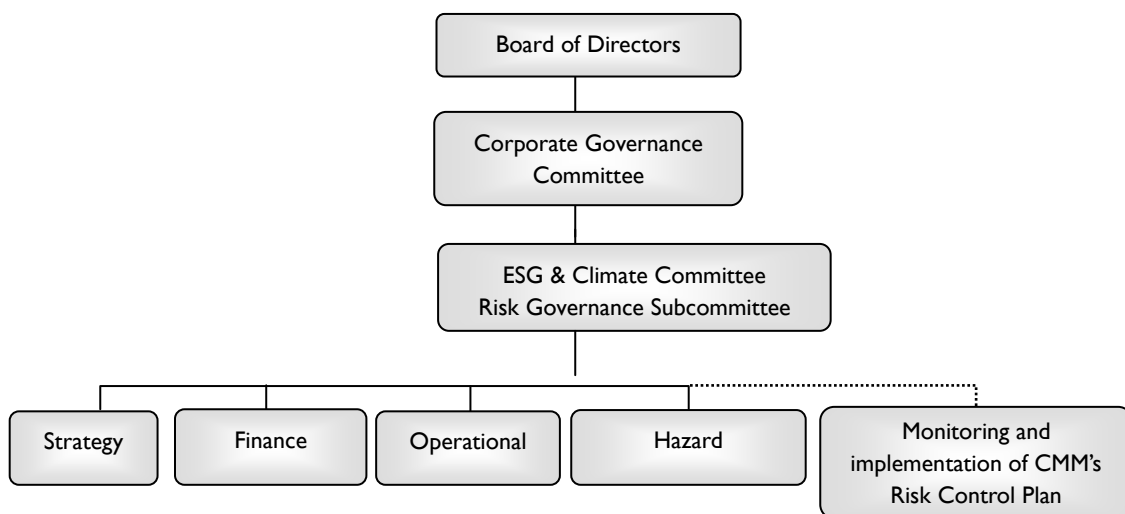
The Company's reinvestment policy is to seek appropriate strategic partners in line with the Company's development strategy and operational needs in recent years. The main scope of reinvestment is panel-related key components, software and hardware integration solutions for field applications and solar power plants. The net investment profit recognized by the equity method in the Company's 2022 consolidated financial statements is NT\$2,003,297 thousand, which is an increase compared with the previous year, mainly due to the steady growth of the operating conditions of part of reinvested companies. In the future, the investment will cooperate with the "biaxial transformation" strategy of Go Premium and Go Vertical through investment, joint venture, merger and actuation or strategic alliance, and increase the investment in advanced technologies and targets in five fields: smart retail, smart healthcare, smart education and entertainment, smart mobility and smart manufacturing. In addition to continuing to carefully evaluate the reinvestment plan, and considering the disposal of investment positions at an appropriate time.

VI. Analyze and assess the following matters during the most recent fiscal year and as they stood on the date of publication of the annual report.

(1) Organizational structure of risk management

The Company's risk management organization takes the board of directors as the highest management unit. Corporate Governance Committee, composed of the Chairman and Independent Director, supervises the risk management and formulate risk management policies. The Risk Governance Subcommittee of ESG and Climate Committee execute the risk management policies, including strategy, financial, operate and damage. The Risk Governance Subcommittee should report to the Board of Directors at least once a year on issues such as risk identification, prevention, and monitoring as well as major risk control.

The organization chart of our ESG and Climate Committee is as follows:



(2) The impacts of interest rate, foreign exchange rate fluctuations and inflation situation on the Company's profit and loss and future countermeasures;

- Interest rate fluctuation

The interest rate risk of the Company and its subsidiaries is mainly from floating-rate long-term borrowings borrowed for operating and investing activities, and the future cash flow of interest expense will fluctuate due to changes in interest rates. The consolidated interest expense in 2022 is NT\$1,507,963 thousand. Based on the long-term borrowings of the Company and its subsidiaries in 2022, if the interest rate is increased by 0.25% in the future, the net profit before tax will be reduced by approximately NT\$214,330 thousand.

In terms of assets, the Company and its subsidiaries allocate funds in a conservative and prudent manner, mainly in bank deposits and highly liquid short-term government bonds with reverse repurchase agreements, so as to ensure the safety of principal and maintain liquidity.

- Foreign exchange rate fluctuation

The currency risk of the Company and its subsidiaries mainly comes from cash and cash equivalents, accounts receivable, borrowings and accounts payable denominated in foreign currency, so the fluctuation of foreign exchange rate may affect the operating income, operating costs and expenses, and even profit denominated in foreign currencies. In order to avoid the adverse impact of foreign exchange rate fluctuation on the operating results of the Company and its subsidiaries, the Company and its subsidiaries hedge with forward contracts to reduce the impact of currency risk on the profits and losses of the Company and its subsidiaries. On the basis of consolidated financial statements, the gains (losses) on valuation of forward contracts at FVTPL and foreign

exchange gains (losses) in 2022 are a net loss of NT\$132,841 thousand. In the future, hedging will be continued to reduce currency risk. Based on the cost structure of the Company and its subsidiaries in 2022, if the NT dollar appreciates by 1% against the US dollar, the consolidated gross margin may decrease by about 0.5%.

- Inflation or deflation

According to the statistics of Directorate General of Budget, Accounting and Statistics, Executive Yuan and Central Bank of the Republic of China (Taiwan) in 2022, the domestic economic growth rate was 2.45%, and the annual gross rate of the Consumer Price Index (CPI) was 2.95%. Such price increase was relatively moderate compared with the economies of the United States, Britain and the Eurozone, which should not have a significant impact on the consolidated operating results of the Company and its subsidiaries in 2022. Based on the consolidated amount of raw materials purchased in NT\$, If the inflation rate is increased by 1% (that is, the Consumer Price Index increases by 1%), the consolidated purchase amount of the Company and its subsidiaries will increase by about NT\$150 million.

(3) The policies to engage in high-risk, highly leveraged investment, lending funds to others, endorsement guarantee and derivative transactions, the main reasons for policy, profit or loss and the future countermeasures

The Company and its subsidiaries did not engage in high-risk and high-leverage investments, and have conducted fund allocation and hedging transactions on a conservative principle.

When the Company and its subsidiaries engage in the loan of funds to others, endorsement guarantee and derivative commodity transactions, they shall not only comply with the relevant operating procedures, but also make regular announcements and declarations in accordance with the provisions of the competent authorities:

1. Capital lending to others: As of the publication date of the Annual Report, the Company and its subsidiaries are limited to lending its capital to the Company and its subsidiaries.
2. Endorsements and Guarantees: As of the publication date of the Annual Report, the Company and its subsidiaries are limited to providing endorsements and guarantees for the Company and subsidiaries in which the Company holds more than 50% of ownership of such subsidiaries' total shares.
3. Derivative transactions: The Company and its subsidiaries engage in derivatives transactions based on the positions arising from the Company's business exposed to currency risk, with the purpose of avoiding market risks and reducing the Company's operating risks. On the basis of consolidated financial statements, the gains (losses) on valuation of forward contracts at FVTPL and foreign exchange gains (losses) in 2022 were a net loss of NT\$132,841 thousand, indicating that hedging strategies was still appropriate. In the future, the Company and its subsidiaries will follow the principle of avoiding risks caused by foreign exchange rate and interest rate fluctuations, and regularly evaluate and adjust relevant hedging strategies in a timely manner according to the Company's operating conditions and market trends.

(4) Future R&D plans and estimated R&D expenses:

Please refer to the annual report V. Technical and R&D status of Operational Highlights (pages 72-77).

(5) The impact of major domestic and foreign policies and legal changes on the Company's financial business and the corresponding measures:

The Company has always paid close attention to and mastered the policies and decrees that may affect the Company's operation, and cooperated with the revision of relevant internal systems. The legal changes in 2022 have not had a significant impact on the operation of the Company.

(6) The impact of technological changes on the Company's financial business and the corresponding measures:

As the market application of flat panel display is more and more extensive, it is an important man-machine interface in the smart or application era, and display will affect life from all aspects such as food, clothing, housing, entertainment and so on. From a technical point of view, TFT-LCD is still the most mature and competitive technology, while AUO has been deeply involved in this field for a long time, accumulating wide, deep R&D patents and skilled manufacturing technology.

At present, the market demand for panel product specifications, AUO continues to develop towards larger size, ultra-high resolution 8K, wide color gamut, high contrast, wide viewing angle, fast response time, zero border, thinness, fashionable appearance and low power consumption. Based on the existing TFT-LCD, AUO has developed relevant processes and product technologies accordingly, such as GOA (Gate on Array), COA (Color Filter on Array), AHVA (advanced hyper-viewing angle), MIP (Memory in Pixel), RLCD (Reflective LCD) and High refresh rate, HDR, curved design, special-shaped cutting, on-cell/in-cell Touch, A.R.T., etc., to meet the needs of market development, meanwhile AUO continues to develop new technologies, such as Mini LED, Micro LED, under display Fingerprint, X-Ray sensor and other related technologies, through technological innovation, we can achieve the strategic goal of Go Premium to drive market development in the future and embark on a value-added road different from competitors.

(7) The influence of corporate image change on corporate crisis management and the countermeasures;

In view of the crisis events and external potential risks, if there is any danger of affecting AUO's operation and corporate reputation, the Company will immediately start the crisis management mechanism, and the emergency response team will know the situation of the events as soon as possible, conduct risk assessment on various impacts and take necessary actions. This emergency response team is composed of senior executives from various business groups, supply chain management, finance, environmental protection, human resources, information security, sales and marketing, who will examine the Company's crisis management principles to ensure the safety of employees and the environment and ensure the efficiency of ongoing production operations. The Company's crisis communication plan also adheres to the principle of open communication to ensure that employees, customers, competent authorities, investors, news media and relevant stakeholders can know the latest situation in time.

The Company has continuously demonstrated its sustainable strength in all aspects of economy, environment and society, and will continue to uphold the core values of honesty and integrity, and shoulder long-term and sustainable responsibilities to all stakeholders and society.

(8) Expected benefits, possible risks and countermeasures of merger and acquisition:

AUO's Board of Directors resolved on February 23, 2023 to acquire 5.0% to 30.0% common shares of Crystalvue Medical Corporation via Tender Offer through its subsidiary, AUO Display Plus Corporation. By this acquisition case, it is expected that both parties will combine their advantages in optics and display technology to jointly deepen the vertical field of smart medical care. The tender offer consideration is NT\$67.00 in cash per common share, and the public tender offer period is start from March 1, 2023 to April 10, 2023.

(9) Expected benefits, possible risks and countermeasures of expanding the plant:

The Company is committed to providing customers with innovative product portfolio with high added value, and flexibly adjusting and developing various application products with the competitive advantage of complete layout of production lines of all generations. In the next few years, small and medium-sized TFT-LCD panels will develop towards higher specifications, such as wearable displays with ultra-high resolution and low energy consumption, panel products of: notebook computer and e-sports. Based on the past experience in LTPS, the Company invested in the construction of the second phase of LTPS 6 generation line in Kunshan, China in 2021, and gradually increased the production capacity according to the market demand from 2023, so as to meet the demand for notebook computer panels and low-energy products for vehicles.

In addition, the TV product production line of Taiwan 8.5 generation line completed the first and second phase of capacity expansion in 2016 and 2018, Respectively, to meet the market demand of increasing TV size year by year. In 2021, through the third phase of capacity expansion and product transformation investment, the production capacity of TV products will be gradually converted into desktop monitors and notebook computers, which will be separated from other manufacturers in line with the complete product line and create market differences to cope with the changes in market supply and demand. In response to the oversupply of the overall TFT market in the future, the overall capacity optimization adjustment and transformation planning will be carried out in the future.

(10) Risks in purchasing or concentrating sales and countermeasures:

1. Risks from sales concentration and response measures:

- (1) The Company's major customers have accounted for a significant proportion of the Company's revenue, and the major customers are adjusted due to the change in product mix in recent years. If the orders from major customers have reduced, delayed or canceled, or if the major customers face any financial difficulties, it will affect the Company's revenue and profitability. Therefore, the Company is committed to maintaining a close relationship with our customers and will continue to provide services that satisfy their needs. The Company will also strictly monitor the changes in customers' credit status and is committed to the development of potential customers in order to reduce the risk of concentrated sales.
- (2) For customers who accounted for more than 10% of the net sales in the last two years, please refer to Chapter 5 Operational Highlights of this Annual Report, which provides information on Markets and Overview of Production and Sales (page 81).

2. Risks from purchase concentration and response measures:

(1) Raw materials

The Company needs to adequately procure raw materials needed for production purposes. Some of the purchased raw materials are supplied by a single manufacturer. Therefore, if there is a shortage of raw materials from the suppliers' end or its upstream manufacturers, and the Company fails to find alternative materials in time, the risk of not being able to meet the needs of customers in a timely manner may arise. As a result, the Company's revenue and profit may decline. The Company continues to bring in local suppliers to reduce the proportion of imported raw materials. In addition to effectively reducing supply chain costs, it also reduces supply chain risks. In addition, for raw materials that come from single supplier, the Company distributes its raw material purchases from upstream in addition to the Company's cooperation with existing suppliers to bring in more than one production plants. The Company is also committed to bring in new suppliers and expects to minimize the risks involved.

(2) Equipment

The suppliers of key process equipment are often supplied by limited suppliers, and the equipment preparation lasts for 6 ~ 12 months or more. In recent years, the delivery period of some electronic parts and components has been prolonged due to the vigorous development of various industries. Therefore, the Company will consider the needs for operational growth and capacity expansion and actively seek equipment and services that can meet production requirements. The Company will also discuss various business models with suppliers to shorten the pre-procurement period of the machines. Thus, the suppliers can be expected to provide equipment and related services on time to reduce the risks arising from limited and concentrated suppliers and supply.

- (3) The Company does not have any suppliers that account for more than 10% of net purchases in the last two years.

(11) The impacts and risks arising from major transfer or exchange of shares by directors or shareholders with over 10 percent of shares in the Company and the countermeasures:

In the most recent year up to the publication date of this Annual Report, the Company is not aware of any risk of substantial transfer or replacement of shares of directors or large shareholders holding more than 10% of shares, except those who have already declared according to law.

(12) Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations:

In the most recent year up to the publication date of this Annual Report, the Company has not had any operating rights changes.

(13) Litigation or non-litigation events shall list the major litigation, non-litigation or administrative litigation events that have been decided by the Company and the Company's directors, supervisors, general manager, substantive responsible persons, major shareholders with a shareholding ratio of more than 10% and subordinate companies, and if the results may have a significant impact on shareholders' rights and interests or securities prices, the disputed facts, the target amount, the commencement date of litigation, the main litigants and the handling situation up to the publication date of the annual report shall be disclosed.

1. Major litigation, non-litigation or administrative litigation in the Company's recent year and up to the date of publication of the annual report, the outcome of which may have a significant impact on shareholders' rights and interests or securities prices:

Antitrust civil action

In May, 2014, LG Electronics Nanjing Display Co., Ltd. and seven affiliated enterprises filed a civil lawsuit against some LCD manufacturers including the Company in the Central District Court of Seoul, South Korea, claiming overcharge and claiming damages. Our company does not think that the service of this case is effective, but in order to safeguard the Company's interests, we have entrusted a lawyer to handle this lawsuit. At this stage, the final result of this case cannot be determined, and the Company is continuously evaluating the substance of this lawsuit. In addition, in September 2018, AUOUS received a civil lawsuit from the Puerto Rican government against some LCD manufacturers, including our company and AUOUS, in the court of first instance of the San Juan High Court, claiming unjust profits and asking for unspecified monetary compensation. Our company has entrusted a lawyer to handle this lawsuit. The court of first instance of the San Juan High Court dismissed the case in October 2022.

As of February 23, 2023, the merged company will evaluate the rationality of the recognized expenses in each financial reporting period according to the nature of the case, whether the possible loss amount is significant, the progress of the case and the opinions of professional consultants, and make necessary adjustments in the way the Company thinks fit, but the final amount will not be determined until the relevant cases are concluded. The merged company wants to actively defend the aforementioned unsettled or ongoing litigation cases, but the final results of these cases cannot be determined, and the possible losses (if any) cannot be accurately estimated at present. The merged company is continuously evaluating the substance of these lawsuits. In addition to the above litigation events, there are other litigation cases arising from the normal operation of the merged company, but other litigation cases should not have a significant adverse impact on the operation of the merged company.

2. Directors, supervisors, general managers, substantive responsible persons, shareholders holding more than 10% of the shares and affiliated companies of the Company, which have been decided by judgment as of the date of publication of the annual report, or are still involved in major litigation, non-litigation or administrative disputes, the results of which may have a significant impact on shareholders' rights and interests or securities prices: None.

3. Please refer to Appendix I of this annual report, the consolidated financial statements with Independent Auditors' Report for the most recent year for a description of the litigation events of the Company's subsidiaries (pages 136-265).

(14) Security risks of information

As the frequency of cyber-attacks derived from geopolitics showing that information systems cannot completely avoid targeted cyber-attacks from any malicious third party, and cyber-attacks may be carried out through email social engineering, phishing, violent password cracking and other methods. After obtaining the authority of the Company's internal network, malicious programs are implanted into the Company's internal network to destroy or steal data, or they lurk in the internal network for a long time and wait for opportunities, and after obtaining the control of the internal network domain, the network is paralyzed or encrypted for blackmail. Sabotage and encryption blackmail attacks may cause the Company's production and operation to be interrupted, and data theft attacks may cause confidential operational data or personal data such as employees and customers to be leaked.

The Company has adopted active operations to enhance information security. In addition to introducing a variety of information security defense equipment and mechanisms, the system of the production equipment in each plant area

were backed up and plant information security event response drills were taken, the event response periods were shortened and the processes were optimized, so as to reduce the impact of unexpected attacks. A billboard on the maturity of information security has also been established internally, so that each plant and unit can immediately grasp and independently manage and improve their own information security status. The Company evaluates the risks related to the information safety through the internal risk management system every quarter and regularly reports the risk control and improvement status to the Risk Management Committee so as to control and reduce the relevant network risks.

(15) Other important risks: None.

VII. Other material matters: None.

Chapter 8. Corporate Sustainability

I. Overview

AUO adheres to the core concept of the Company's sustainable operation, attaches importance to the management and communication of stakeholders, shows financial and non-financial performance at the same time, draws up the strategic blueprint of AUO CSR (Corporate Social Responsibility), and implements AUO's sustainable vision by "Go Beyond CSR, Create Shared Values".

● AUO's sustainability policy

Considering the international trends and relevant standards, the Company formulated the "AUO Sustainability Policy", which was formally submitted to the board of directors in 2015. It covers three major aspects, including corporate governance, environment and society, with a total of 12 items, which is the highest spiritual guide for the Company's sustainable development, and accordingly echoes the Company's sustainable development principles and implements the road to sustainability.

(1) ESG and Climate Committee Operation

The balanced development of corporate management and sustainability is AUO's sustainable management philosophy. While pursuing strong enterprise physique, in order to invest more long-term resources in environmental protection and social participation issues, the CSR Committee established in 2013 is the highest governance body of AUO's sustainable development operation, closely linking the United Nations Sustainable Development Goals (SDGs) with the core competitive strategies of enterprises, attaching importance to value chain cooperation, actively practicing global partnership, expecting to play a leading role in enterprise sustainable development and strive to create more shared value. In 2021, in response to global climate action toward net zero carbon emission, it was renamed ESG and Climate Committee.

The chairman of the ESG Climate Committee of the Company is the Chairman of Board, with the post of Sustainability Chief, and the Sustainable Development Strategy Department is the dedicated unit responsible for the operation of the Committee. According to the substantive importance of operation, the establishment has eight sub-committees, chaired by the top executives such as the vice president, leading the sub-committees to operate and cooperate with other units, expanding the vision blueprint into various groups of goals and plans, reviewing them every month, reporting to the chairman quarterly to make decisions on major issues, and reporting the operation results to the board of directors every year in accordance with the sustainable development principles. In addition, in response to new current issues, sustainable policies and development, we will discuss, generate creative ideas and communicate project resources in the form of occasional exchange meetings between managers.

(2) CSR EPS 2025 goal

AUO is in line with the sustainable development goal of the United Nations, and takes "Go Beyond CSR, Create Shared Values " as the blueprint for the development of the enterprise's sustainable vision, and has drawn up three sustainable development themes of AUO EPS (Environment, People & Society), which are environmental sustainability, inclusive growth, agile innovation, and actively promises to achieve the short-, medium- and long-term goals of sustainable development in 2025. In the goal, AUO pays attention to the environmental issues of climate change and the consumption of the earth's resources, and is also committed to the long-term social vulnerable groups and improving the demand for quality education, and welcomes new opportunities of energy, intelligent manufacturing and convenient life through agile innovation.

Theme		Aspect	Meaning	2025 goal	Cumulative target compliance
Environment sustainability	Implement low-carbon production and resource recycling in the value chain to achieve the goal of environmental sustainability.	Energy Optimization	Optimize product life-cycle and energy consumption through technology and management; work with value chain partners to create even greater environmental benefits.	Set reduction targets based on life-cycle and reduce carbon emissions by up to 6.5 million tones CO ₂ e cumulatively.	>100%
		Water Optimization	Optimize product life-cycle and water resources through technology and management; work with value chain partners to create even greater environmental benefits.	Work with the value chain to combat the threat of water resource shortages and conserve up to 100,000 CMD in tap water cumulatively.	>100%
		Circular Production	Reduce the environmental impact of the production process; take circular economy value and extended applications into account.	Spearhead the development of the circular value chain, expand its economic performance and achieve a growth rate of 135%.	58%
		Climate Adaptation	Reduce the risk to company operations from the climate and Improve adaptability to build a resilient value chain.	Increase the resilience of climate adaptation and continue to reduce the risk of financial impact from climate change issues.	Continue to manage risk
Inclusive Growth	Corporate growth should take into account the diverse development of key stakeholders in order to achieve the influence of common inclusive growth	Quality Education	Improve employee competency, promote industry-academic collaboration, popularize basic education and provide disadvantaged students with equal access to education.	Provide diversified educational opportunities to more than 600,000 people and increase employee participation in AUO quality education by 20% each year.	66%
		Inclusive Growth	Support employment for youths and the disadvantaged, and include them in the value chain to promote national economic growth.	Support the disadvantaged and ally with industry chain partners to grow inclusive employment and learning opportunities more than eight-fold.	85%
		Enjoyable Workplace	Build a quality working environment that helps employee balance work and family; invite value chain partners to participate as well.	Become the preferred enterprise and reach 80% in employee identification with the four dimensions in Primary demand, Management support, Team work and Learning and growth.	Continue achieved
Agile Innovation	Continue to apply core technologies to enhance the resilience of human life style and promote agile innovation	Affordable and Clean Energy	Popularize renewable energy to make it more affordable and easy to use; increase market share in Taiwan and become a professional global provider of renewable energy.	Improve capability in renewable technology, expand the installed capacity of renewable energy around the world and double the cumulative growth rate. (100% cumulative growth)	73%
		Smart Manufacturing	Improve manufacturing competitiveness through intelligent management; play a key role in technology (IIoT) and services to help with the transformation of other industries.	Boost industry competitiveness and overall performance by 50% through intelligent manufacturing and technology integration.	42%
		Intelligent Life	Combine industry advantages with AI technology to create smart	Development products and integrated services to expand the cumulative	68%

Theme	Aspect	Meaning	2025 goal	Cumulative target compliance
		living and smart cities.	reach of education, health, finance, shopping, lifestyle, transport and other smart city applications to a one billion people.	

(3) Stakeholder Engagement and Communication

AUO attaches great importance to stakeholder communication and its feedback. With reference to AA100SES stakeholder negotiation standard and GRI Universal Standards 2021, it defines the categories of stakeholders that have a deep impact on the Company, and adopts customized short-, medium-, and long-term deep-rooted plans based on the principles of complementarity, cooperation and co-creation. Through regular cross-departmental communication, the overall resources can be quickly integrated, two-way interaction with stakeholders can be implemented, feedback, needs and risks can be grasped, and mutually beneficial business opportunities can be explored.

Stakeholder communication topics and channels:

Stakeholder	Topic of Communication	Channel of Communication
Government/ Academic expert	Technology research and development, product health and safety, environmental safety and health practices, industry-university cooperation, talent development, regulatory consultation, brand image, climate change	Expert consultation meetings and seminars, and external communication mailbox
Supplier	Circular economy, net zero carbon emission, operational risk, stable supply chain	Project meeting, field communication, co-prosperity course, supplier audit, supply chain ESG platform, complaint mailbox
Customer	Sustainable products, circular economy, renewable energy business opportunities	Project meeting, customer satisfaction survey, customer service website system
NGO	Environmental education promotion, popular science education promotion, social welfare practice	Project meetings, external seminars, AUO Sustainable Foundation, external communication mailbox.
Media	Operational performance, dual-axis transformation strategy, ESG brand	Exhibitions, press conferences, press releases, social media
Employee	Operating status, public welfare activities	Internal publications, community activities, labor meetings, questionnaires, secretaries' meetings, welfare committees, internal communication mailboxes, various complaint and consultation lines, and business briefings
Investor	Bio-axis transformation strategy, ESG strategy and performance, solar energy business strategy, communication on risk issues	Website investor zone, annual general meeting of shareholders, quarterly briefings, investor relations department, shareholder mailbox, financial report
Student	Industrial Internship, Appointment and Benefits, Brand Image	A+ summer internship program, GOLF platform, campus recruitment, external communication mailbox, job search webpage
Community & neighborhood	Promotion of culture and education, promotion of popular science education, communication in photoelectric field, communication in factory environment maintenance	Regular on-site visits and care, factory venues, project meetings, irregular neighborhood activities, factory complaint lines, and external communication mailboxes

(4) Enterprise risk identification and operation management

AUO Risk Management Organization takes the board of directors as the highest management and decision-making unit, and adopted the risk management policy as the highest guiding principle in 2020. The risk management group under ESG and Climate Committee is responsible for implementing the risk management policy approved by the board of directors. The risk management policy follows the ISO 31000 risk management criteria to establish relevant coping policies and processes, and quantitatively evaluates the frequency, impact degree and control degree of the Company's risks through the processes of identification, analysis and evaluation. The strategic framework

includes external political economy, climate and environmental protection, and compliance with laws and regulations, as well as internal risks such as operation and manufacturing, R&D business, information security, finance, etc. If the evaluation results of risk projects have high impact and control uncertainty, the risks will be included in the tracking management. Continuously monitor the development of external trends, consider the risks that may impact the operation in real time, establish operation emergency procedures in series with the responsible units, improve the efficiency of process improvement, and enhance the ability of crisis emergency handling, so as to ensure stable operation in the drastic change environment.

(5) Customer management

AUO is committed to being the best partner of customers' long-term cooperation, with innovative technology and intelligent service, immediately approaching customers' needs, and constructing a set of meticulous quality management system with a cautious attitude, with the goal of creating excellent products and becoming customers' trusted long-term partners. AUO regularly arranges meetings to communicate with customers, and conducts a customer satisfaction survey every year. In 2022, the customer satisfaction result was 97.1%, showing customers' affirmation of AUO's quality ability and intelligent management achievements. AUO also conducts review and improvement according to customers' irregular appraisal and individual customer needs. Facing the industrial cycle, we should actively adjust our physique, continuously observe the industrial trend and master the pulse of customers, with customer satisfaction as the ultimate goal.

Under AUO's quality policy, we provide cross-border e-quality after-sales service through service points around the world. During the product warranty period, customers can apply for RMA service or contact customer service personnel to arrange product return, repair and delivery, and they can also track the progress of maintenance and return through CSS system. In addition to improving customer satisfaction, it can also reduce waste and achieve the benefit of reducing environmental impact. In addition, in order to support the Company's development in the smart field, international standards related to automotive and medical industries, such as AIAG-VDAFMEA (Failure Mode and Effect Analysis) and ISO 14971:2019 risk management guidelines, have been introduced to make complete preparations to bring customers high-value technology and high-quality products and services.

(6) Supplier management

AUO adheres to the principle of sustainable and balanced development in three aspects, grasps the performance of supply chain in three aspects: economy, society and environment, and formulates specific methods and objectives for sustainable management of suppliers. Through communication, counseling and audit training, AUO will work with partners to jointly improve their capabilities and reduce risks, fulfill their responsibilities and grow together.

AUO adopts "Responsible Business Alliance (RBA)" as the implementation criterion of corporate social responsibility policy, and has formulated "AUO Supplier/Subcontractor Code of Conduct", and requires all suppliers and outsourcers to sign "AUO Supplier/ Subcontractor Code of Conduct Conformity Statement", which includes occupational safety, industrial hygiene, environmental protection and labor human rights, etc., to ensure that suppliers and outsourcers abide by the behavior of responsible business alliance or relevant local laws and regulations. .

AUO conducts ESG risk assessment of supply chain every year, and understands the risk level and control status of suppliers in ESG environment, society and economy through self-assessment of questionnaires, so as to identify high-risk manufacturers and list them as the audit targets every other year. The audit team is composed of procurement, quality, environmental safety and human resources departments. Through on-site audit, document review and employee interviews, the audit team ensures that suppliers and outsourcers abide by the code of conduct and relevant laws and regulations. If suppliers or outsourcers violate social and environmental responsibilities, their business cooperation relationship with the Company will be affected. At the same time, suppliers are also arranged to participate in a series of courses such as society, environment and energy

conservation. In 2022, five series of co-prosperity activities will be held, including CSR portal system operation training, product carbon footprint introduction, contractor whole process management, RBA 7.1 practice sharing, energy saving and carbon reduction and practical case observation meeting, and invite supply chain partners to participate in the learning.

(VII) 2022 ESG Awards and Recognition

- Selected in the Dow Jones Sustainability Index for 13 consecutive years & S&P Global Sustainability Award Silver Class.
- Selected in the Bloomberg Gender Equality Index for six consecutive years.
- Selected in the MSCI ESG Leaders Indexes.
- ISS ESG corporate ratings Prime Status
- Nine awards including Taiwan Corporate Sustainability Award (TCSA), Top Ten Model Enterprises in Manufacturing Industry and Global Corporate Sustainability Award (GCSA).
- Won the National Enterprise Environmental Protection Award of the Environmental Protection Agency.
- Won the MSCI ESG rating A.
- Manufacturing Leadership Awards (MLA) of American Manufacturing Association.
- Taiwan Circular Economy Award Product Annual Model Award and Enterprise Annual Model Award.

II.Environmental

(I) Environmental Policy

- AUO formulates environmental safety, health and energy policies based on the expectation of overall environmental safety, health and energy performance, taking into account the Company's business philosophy, environmental identification results, legal requirements, resource requirements, pollution prevention and the needs of stakeholders, and requires the supply chain to comply with the regulations on hazardous substances management. AUO continuously improves manufacturing efficiency, creates environmentally-friendly production, promotes green manufacturing, and focuses on green factories, energy saving and carbon reduction, resource reuse, waste reduction and environmental load reduction, and continues to make efforts in the fields of sustainable production and clean manufacturing.
- Environmental management system
AUO has introduced ISO 14001 environmental management system since 2002, covering all factories domestic and overseas, and ensuring that all factories meet the specifications through third-party verification, and updating the certificates regularly. AUO takes into account the thinking of life cycle and the voice of stakeholders, and makes continuous improvement with PDCA [Plan (P) - Do (D) - Check (C) - Action (A)] cycle. It systematically manages environmental affairs from policy, management organization, documented management to management review, which not only ensures the effectiveness and compliance of the environmental management system, but also prevents the opportunity of environmental damage or pollution, so as to promote environmental protection objectives.
- Environmental accounting
- AUO began to promote the environmental accounting system in 2009, and completed the global system construction in 2012. In 2022, the total expenditure on environmental protection was about NT\$1.81 billion, including recurrent expenditure of NT\$ 1.67 billion and capital expenditure of NT\$138 million.

Unit: NT\$ Thousand

Environmental accounting		Description	2022		2021		2020	
			Current	Capital expenditure	Current expenditure	Capital expenditure	Current expenditure	Capital expenditure
Operating cost	Pollution prevention cost	Costs related to prevention of various pollution, such as air pollution prevention and control, water pollution prevention and control, etc.	658,432	73,826	629,756	282,714	471,622	40,976
	Global environmental protection cost	Costs related to global environmental protection such as preventing climate change and ozone layer depletion.	53,886	51,920	29,192	3,486	37,176	1,995
	Cost of sustainable utilization of resources	Improve the efficiency of resource use or reduce or avoid waste generation and affect related costs.	531,796	10,540	591,935	-Improve the efficiency of resource use or reduce or avoid waste generation and affect related costs.	483,034	9,870

Environmental accounting	Description	2022		2021		2020	
		Current	Capital expenditure	Current expenditure	Capital expenditure	Current expenditure	Capital expenditure
Upstream and downstream associated costs	Reduce the related costs of environmental impact in upstream and downstream activities, such as green procurement, product packaging recycling and other related costs.	192,693	2,155	209,635	-	188,464	-
Management cost	Related costs incurred for the development and implementation of environmental management.	58,931	-	52,743	-	44,270	-
R&D costs	In order to reduce the cost related to the process and product environmental impact.	11,308	-	3,696	-	13,270	-
Social activity cost	Promote the environment, community and social environment to improve the public welfare-related derivative expenses.	3,880	-	3,197	-	3,996	-
Loss and remedial cost	The expenses derived from solving environmental problems, compensation, punishment and litigation.	88	-	-	-	-	-
Other environmental protection costs	Other environmental protection costs, such as related environmental permit fees, energy and greenhouse gas related taxes and fees.	158,922	-	177,089	-	201,015	-
Total of itemized costs		1,669,936	138,441	1,697,243	286,200	1,442,847	52,841
Total cost			1,808,377		1,983,443		1,495,688

(2) Climate management/climate change

In the face of global climate change issues, in the Paris Agreement's goal of keeping the global temperature rise below 2°C, and paying attention to the growth risks and potential market opportunities of enterprises, AUO has set four policy directions for climate change management, and actively prepares for and faces challenges through information transparency, mitigation and adjustment, responsible participation and cooperative development. As the decision-making platform of the Company's climate issues, ESG & Climate Committee echoes SDGs to formulate the Company's goals and implications, and manages the complicated issues of climate change, such as cherishing water resources, saving energy and reducing carbon, climate adaptation and operational resilience, and energy popularization, etc., and through the carbon energy working group, according to the current situation and trend of the organization's operation, timely and appropriately formulate and implement annual goals. ESG and Climate Committee will include climate management effectiveness in the annual report of the board of directors, and if there are major climate change issues, it can be added to the report of the board of directors.

AUO faces up to the issue of net zero, and participates in domestic and foreign initiative organizations to set sustainable goals:

1. Science Based Target

AUO set a Science Based Target, which was approved by Science Based Target initiative in 2021, to achieve an absolute 25% carbon reduction by 2025 with well below 2°C scenario and use 2018 as the base year.

2. RE100

AUO joined the Global Renewable Energy Initiative RE100 in 2022. AUO is committed to using 30% renewable energy by 2030 and 100% renewable energy by 2050. AUO is also the first company in the global display industry to commit to using renewable energy by 2050.

3. Net zero commitment

- Taiwan Climate Partnership: AUO worked with enterprises in 2021 to establish Taiwan Climate Partnership to promote the implementation of energy saving and carbon reduction in the industry and drive industry chain suppliers towards the "RE 100" and "EV 100" targets.
- Taiwan Alliance for Net Zero Emission: Joined the Taiwan Alliance for Net Zero Emission in 2021 to achieve net zero in the corporate headquarters building by 2023, net zero in all offices by 2030, and net zero in the Company's operating boundary by 2050 through energy saving and carbon reduction in office facilities, installation of solar panels, and purchase of renewable energy certificates or offset by AUO's own carbon credits.

● TCFD Identification of Climate Risks and Opportunities

AUO incorporated the topic of climate change into the Company's CSR target and carried out adaptation and mitigation activities. In terms of adaptation, AUO established the PDCA cycle management of climate related risk and opportunity scenarios of AUO based on the framework of Task Force on Climate-Related Financial Disclosure (TCFD), which became a long-term and continuous operating mechanism. TCFD risk scenario case is consolidated with annual risk identification work, and the director of the responsible unit makes an in-depth evaluation on the topic of "Climate Change-Carbon Management" to converge the challenges and opportunities that the organization may face in the short and medium term in the future, and identify the contents of risks through the TCFD framework. After the risk identification, the focus issues that converge include increased interest from stakeholders, emission reduction, changes in raw material costs, and customer dynamics. AUO continuously monitors the development of external trends, considers the risks that may impact the operation in real time, and establishes operation emergency procedures in series with the responsible units, so as to improve the efficiency of process improvement and enhance the ability of crisis emergency handling, so as to ensure stable operation. For details of AUO's climate strategy, identification results and management information, please refer to AUO's climate-related financial disclosure report.

AUO TCFD Framework:

Core elements	Description	Disclosure items		
Governance	Disclose the organization's governance around climate related risks and opportunities.	Supervisory process of the Board of Directors <ul style="list-style-type: none"> Regularly reports to the Board of Directors Material topic, project report 	Roles and responsibilities <ul style="list-style-type: none"> ESG and Climate Committee consists of the CSO and level-one executives who report to the Chairman directly Climate change topic project management and progress report Target review and monitor external trends 	
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Risk and opportunity <ul style="list-style-type: none"> Carbon reduction in the value chain Renewable energy development & market development Climate actions linked to the CSR goals 	Risk & opportunity financial impact <ul style="list-style-type: none"> Categorization based on people, machine, and material-related laws Regularly updates the financial impact Evaluate case closure based according to the magnitude of the financial impact 	Scenario and analysis <ul style="list-style-type: none"> Transformation risk: IEA below 2°C scenario Physical risk: SSP5-8.5 drastic temperature increase scenario
Risk Management	Disclose how the organization identifies, assesses, and manages climate-related risks.	Identification and evaluation process <ul style="list-style-type: none"> Coupled with the Company's risk identification operations Form a working group manage risk Opportunity topics are reviewed by the ESG and Climate Committee 	Management process <ul style="list-style-type: none"> Annual project PDCA management Confirm risk scenario and hypothesis Clarify the responsible department based on the scenario Financial impact assessment and management Annual achievement report 	Annual risk management system <ul style="list-style-type: none"> High-risk topics are included in high-level meetings for management
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Evaluation indicator <ul style="list-style-type: none"> Mitigation: Reduce carbon by 6.5 million tons, SBT path and RE100 Adaptation: Increase climate resilience, continue to lower climate related financial impacts and risks 	Carbon emission management <ul style="list-style-type: none"> GHG inventory is conducted according to ISO14064 Organizational boundaries: Scope 1 and scope 2 Other indirect emissions: Scope 3: total 8 types of emissions, completed external verification 	Target setting and review <ul style="list-style-type: none"> Quantitative target management <ol style="list-style-type: none"> Renewable energy and power quality Reclaimed water and water resources are stable Carbon emission reduction Create a value chain ecosystem with operational resilience

● Greenhouse gas emission reduction and energy management

AUO has started to inventory the greenhouse gas emission of the global operating sites since 2003 and has passed verification and conducted transparent disclosure of emission information in accordance with ISO14064. Since 2010, the Company carbon inventory system and eco-efficiency index system have been developed and built internally as the management tool for long-term carbon reduction targets. AUO launched the ISO 50001 Energy Management System in 2011 and was fully introduced at all sites. In 2018, AUO introduced the IPMVP (International Performance Measurement & Verification Protocol) and conducted the performance verification of large-scale energy conservation projects through the third-party professional testing and verification agency, to improve the objectivity and correctness of data. In 2020, AUO took the lead in implementing the latest standard ISO14064 and continuously advanced AUO's AUO continues to improve energy efficiency through the management and investment of energy-saving measures, and independently sets the annual energy-saving rate of 1.5%, while meeting the requirements of government energy

regulations and self-goal setting. In 2022, AUO's global power consumption totaled 4.45 billion kWh, with 1.1% renewable energy usage and annual electricity saving rate of approximately 2.87%.

In 2022, AUO's global direct greenhouse gas emissions is 69.7 thousand metric tons of carbon dioxide equivalent and indirect emissions from the generation of purchased energy is 2.37 million metric tons of carbon dioxide equivalent. The greenhouse gas emissions per square meter input sheet were 51.47 kg of carbon dioxide equivalent, and other indirect emissions (not included purchased energy) is 1.00 million metric tons of carbon dioxide equivalent. In 2021, AUO's global direct greenhouse gas emissions is 79.2 thousand metric tons of carbon dioxide equivalent and indirect emissions from the generation of purchased energy is 2.84 million metric tons of carbon dioxide equivalent. The greenhouse gas emissions per square meter input sheet were 43.0 kg of carbon dioxide equivalent, and other indirect emissions (not included purchased energy) is 1.29 million metric tons of carbon dioxide equivalent. For more information, please refer to AUO Sustainability Report.

- Internal carbon pricing

After the Paris Agreement came into effect, AUO began to promote the carbon price mechanism based on the international carbon trading market price. The carbon price is announced every year as the reference index of external cost internalization and is applied to the evaluation of investment benefit of the energy-saving scheme and the calculation of carbon emission cost of employees' travel so that employees can feel the impact of the external cost of the Company and their activities.

(3) Water resources management

In order to avoid the impact of rainstorm or drought caused by climate change, AUO assessed the risk of water resources, and developed water-saving technologies to reduce water consumption. In 2022, the total water consumption of the whole plant was 21.55 million tons, the recovery rate of process water was 94.89%, and the process water consumption per square meter input sheet was 0.35 metric tons. In 2021, the total water consumption of the whole plant was 24.99 million tons, the recovery rate of process water was 94.47%, and the process water consumption per square meter input sheet was 0.29 metric tons. In waste water management, the output of waste water is reduced, the waste water discharged from the factory will be tested regularly, and the water quality of waste water will be ensured to meet the standard through automatic monitoring facilities.

(4) Circular production

- AUO promotes the green commitment in an all-round way, actively draws a blueprint for circular economy and echoes SDG-12 responsible production, continuously examines and improves the reduction management of raw materials in production links, actively forms an alliance with upstream and downstream value chains, and combines technology and innovation to implement and continuously expand the benefits of circular economy. AUO set up a "Circular Economy Working Group" and operated in a cross-departmental horizontal integration mode, striving for source reduction, product recycling certification, material recycling rate increase and process waste reduction, and cooperating with partners to recycle materials, research and develop recycled materials technology and process material recycling, so as to implement the circular economy goal with practical actions. In order to practice sustainable product innovation and design capacity, AUO continuously evaluates the high-value application of different recycled materials based on 2021. It is expected that the proportion of recycled materials used in special products will reach 20% in 2022, and the proportion of recycled materials actually used in special products is 21.9% in 2022.

- Waste management

AUO's waste management principle prioritizes Reduction at source and Reuse in production process, followed by Recycling as a by-product or by a qualified contractor, and finally incineration or burial to ensure efficient use of resources. In addition, a "Whole Waste Management Process" has been established, which focuses on the addition and use of raw materials at the source and the adjustment and change of manufacturing process, so that new wastes can be dealt with and disposed of in advance. In addition, keep abreast of market changes of waste removal and disposal of

manufacturers. In addition, it can avoid the random dumping event by monitoring the cleaning track of the manufacturer. The integrity of the overall management mechanism ensures that waste removal has no impact on operations, and that waste can be disposed of legally and properly, thus reducing the public's doubts about the disposal of technological waste.

In 2022, there were 62.8 thousand metric tons of non-hazardous waste and 13.4 thousand metric tons of hazardous waste in AUO plant, of which 89.49% was recycled, and the amount of waste per square meter input sheet was 1.35 kg. In 2021, there were 64.6 thousand metric tons of non-hazardous waste and 18.1 thousand metric tons of hazardous waste in AUO plant, of which 89.49% was recycled, and the amount of waste per square meter input sheet was 1.22 kg.

- Green product

AUO Hazardous Substances Management policy adopts the three aspects of sustainable business philosophy. Through providing high-quality green products and services, AUO hazardous substances management regulations are formulated, and hazardous substances management procedures are implemented to reduce the impact on the environment and ecology and fulfill corporate social responsibility. AUO hazardous substances management policy continues to aim at no hazardous substances in products. And follow the spirit of the Basel Convention to recycle and dispose of hazardous waste. The sources of AUO's hazardous substances regulations include the requirements of international regulations, customers and environmental protection trends. AUO will collect information about hazardous substances regularly and update the contents of AUO's hazardous substances regulations regularly. In 2022, AUO controlled a total of 144 categories of hazardous substances to cover customers' specification requirements.

III. Social aspect

(I) Human rights policy

AUO is committed to safeguarding employees' human rights. In 2006, it comprehensively referred to international standards, such as Social Accountability 8000, Global Sullivan Principles and the United Nations Guiding Principles on Business and Human Rights, and the code of conduct of Responsible Business Alliance, etc., to establish a four-stage human rights management system that meets the requirements of various laws and regulations, such as freedom of employment, humane treatment, prohibition of improper discrimination and sexual harassment, and to establish a diversified and effective communication mechanism, protect employees' rights and interests in filing complaints, improve wages and benefits, training and development opportunities and course selection, and ensure that employees' rights and interests are protected and fulfill their social responsibilities.

In accordance with the principle of equal treatment, AUO does not affect its employment, salary and promotion opportunities due to differences in gender, race, nationality, religion, age, physical disability, political stance, marital status and union associations. Through a fair and equitable recruitment and selection mechanism, it aims to create a gender-equal, multicultural and cross-generation friendly workplace environment.

AUO conducts quarterly human rights risk assessment, aiming at eight major human rights issues, including sexual harassment, working hours, workplace safety and health, discrimination, personal information risk, salary and welfare, obstruction of free choice of occupation and obstruction of freedom of association, and evaluates the risk value borne by enterprises. AUO also conducted on-site audit, document review and employee interviews in accordance with the audit standards of the RBA (Responsible Business Alliance) Code of Conduct, so as to ensure that no human rights violations occurred.

(2) Talent retention

AUO has bases all over Asia, America, Europe and other places, and strives to create a diverse working environment of equality, integration and development for employees in many countries around the world, with an open and inclusive atmosphere to encourage employees to respect differences, learn together and enhance team cohesion. In 2022, female employees accounted for 34.03%, of which female senior management positions accounted for 10.71%.

AUO firmly believes that employees are the biggest asset of the enterprise, and provide diversified and competitive salary and career development opportunities. The salary is approved according to the academic background, professional knowledge and technology, professional experience, etc. of employees in global operation bases, and there is no difference in gender, race, nationality, religion, age, physical disability, political stance, marital status and unions associations. In order to ensure market competitiveness, we participate in salary survey in international market every year, and adjust salary according to the market level of each job and individual performance. The average standard salary of grassroots employees is better than the legal minimum salary. In accordance with the overall operation of the Company, team and individual performance, according to the flexibility of different positions to design a variety of short - and long-term reward incentive schemes, share profit and surplus with employees, in order to achieve the purpose of talent attraction, retention, incentive and planned cultivation of high-quality talents.

In order to enable colleagues to give full play to their strengths in a good and friendly workplace environment and immerse themselves in a healthy and happy corporate atmosphere, AUO provides comprehensive systems and facilities in the aspects of "work, life, study and career development," including labor insurance, national health insurance and group insurance, annual bonus, staff restaurant, life plaza, Health Fit Center, fitness center, staff welfare committee; for example, AUO Taiwan Employee Welfare Committee is responsible for the planning and implementation of various welfare programs, continuously promoting employee welfare business, such as sports season, festivals, community activities, employee travel, etc., and providing various welfare subsidies such as emergency relief, hospital condolences, wedding and funeral celebrations. AUO also has an "employee Stock Ownership Trust plan", which provides relative incentive funds to help employees save small amounts in the long term, and establish individual flexible fund use or financial planning in the short, medium and long term. In addition, in order to encourage employees to provide professional services and settle down after retirement, there is an "Employee Pension Regulation", and according to the statutory provisions of each operating base, various social insurance benefits such as labor retirement, medical care and old-age pension are allocated and paid for each employee. For detailed information, please refer to Chapter V, Operation Overview and V. Labor Relations or AUO's Sustainability Report.

(3) Occupational safety and health

For a long time, AUO has devoted itself to environmental protection, energy conservation and employee care, hoping to fulfill our social responsibilities while the enterprise is established, and move towards the road of sustainable management. The global factories have passed the ISO45001 occupational health and safety management system certification in an all-round way, and independently monitor the operation exposure risk, biological detection indicators and working environment monitoring every year, formulate a health classification management mechanism, and strengthen work safety. In 2022, the ratio of recordable occupational injuries was 0.278, with 22 recordable occupational injuries, 2 serious occupational injuries and 0 occupational injury fatality. The main types of occupational injuries were slip and fall, twist and fracture, and pinching, rolling and crushing injuries. Therefore, AUO keep advocacy "Positive Safety Culture", encourage manager and colleagues actively proposals, discover hidden dangers in advance and make relevant preparations in advance. For detailed information, please refer to V. Labor Relations or AUO's Sustainability Report in Chapter V Operation Overview.

(4) Employee development

AUO has established the "Education and Training Procedure" as the basis for employees' education and training, which enriches employees' knowledge and skills, improves work efficiency and quality, and combines employees' growth and enterprise development goals. Since joining the Company, the Company has invested sufficient resources to colleagues in different positions and ranks, and adopted different training plans for systematic learning and development at various stages, including new personnel training, personal function development, professional knowledge upgrading, external training plans, supervisor training, etc. Based on people-oriented thinking, it also provides resources such as employee referral or career consultation window for retiring or terminating the employment relationship to promote workplace employability. Simultaneously we set up the academic affairs center of AUO University, and hold regular education and training meetings to check the training effect and optimize and improve the countermeasures. For detailed information, please refer to V. Labor Relations or AUO's Sustainability Report in Chapter V Operation Overview.

(5) Employee engagement and communication

● Labor relations management

In addition to complying with the provisions of the Labor Standards Law and relevant laws and regulations, AUO also provides benefits and measures that are superior to those specified by laws and regulations to establish harmonious labor relations. There are union organizations in factories such as Suzhou, Xiamen and Singapore. In Taiwan, AUO has formulated the "Measures for the Implementation of Labor Meetings" in accordance with Article 83 of the Labor Standards Law and the measures promulgated by the Ministry of Internal Affairs, and regularly holds labor-management conferences according to law to carry out labor consultation and labor discussion. All employees can make recommendations to the Company through their representatives. Quarterly labor-management conferences provide labor representatives with a clear picture of the Company's latest operation situation, manpower situation, and labor-related communication issues.

● Communication channels and employee engagement survey

AUO actively establishes positive employee relations and various open and positive communication channels. Employees can respond to any opinions through various channels, including internal communication mailbox, president mailbox, audit committee mailbox, sexual harassment complaint mailbox and 7885 (please help me) hotline. In addition, all factories have set up special personnel for employee relations to conduct random telephone sampling interviews to care for employees' physical and mental health.

In order to create a friendly working environment and enhance employees' recognition, AUO uses the comprehensive index of "Q12 Employee Engagement Survey" to detect the organizational atmosphere, grasp employees' voices, and draw up strengthening countermeasures, such as employee experience, education and training, departmental communication, etc., and regularly track employees' average recognition in four aspects: basic needs, management support, teamwork and learning and growth, reaching 81%.

(6) Social participation

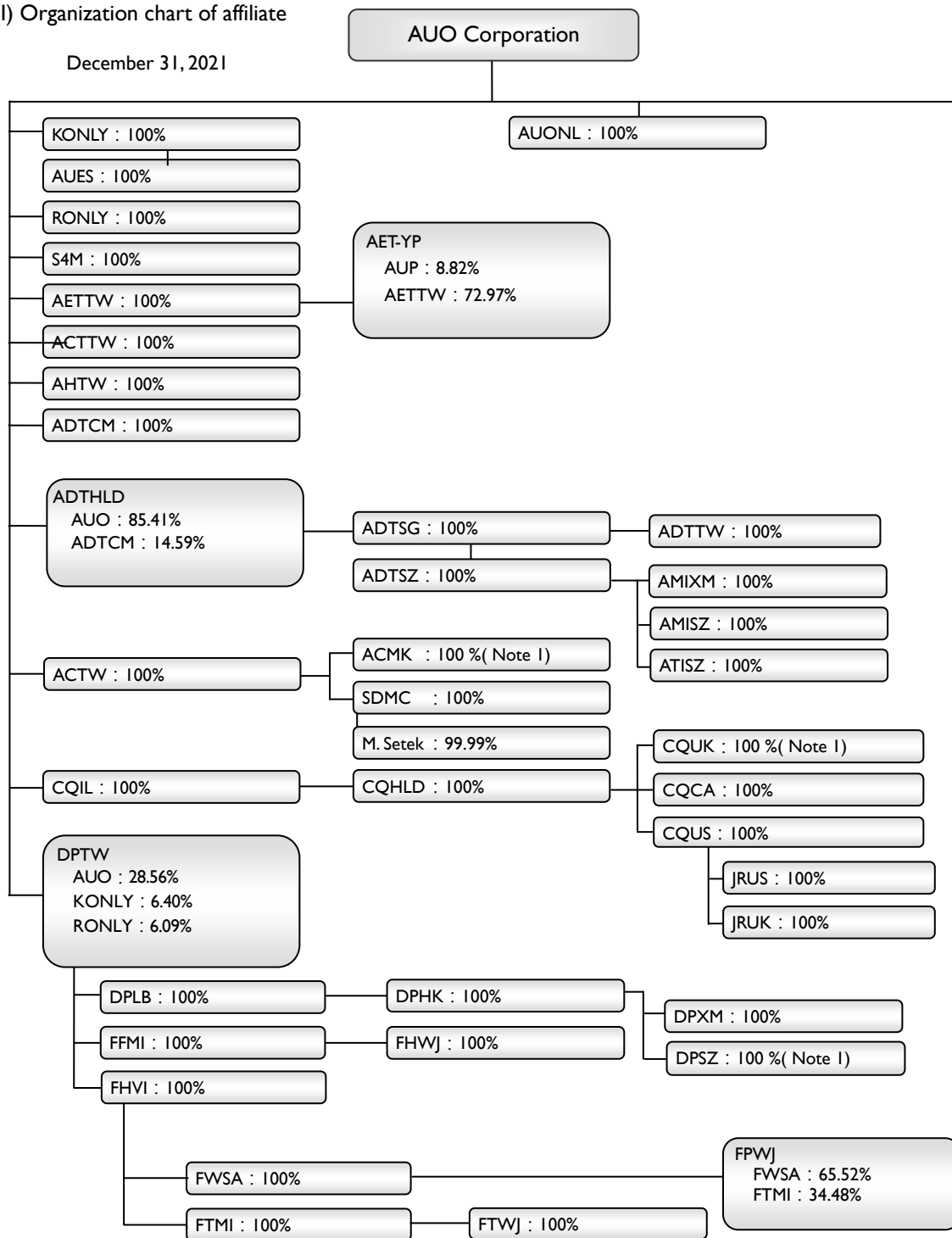
AUO believes that the sustainable development of an enterprise must balance the needs of the economic, environmental, and social aspects. The AUO Foundation was founded in 2019 to fulfill our Green Corporate Commitment and cultivate the vision of sustainable society citizenship. The AUO Foundation is develop in the four key areas and four volunteer systems to protect natural ecology, improve the quality of life, promote environmental education and practice philanthropy. Employees were encouraged to take part in volunteer service. We hope this will help solve social problems and support government policies, and work with stakeholders to build a better society by complementarity, collaboration and co-creation.

The actual implementation includes AUO Sustainability Literacy Scholarship, AUO Wish Program, charitable club services which caring the society through the way of companionship for the disadvantaged, emergency assistance, supplementary assistance and material injection; Protect the Green Forest of Taiwan, No Plastic Green Activity, summer-time energy saving action, Sustainable Agriculture Teams which investing in environmental protection actions and caring for local agriculture; Dada's Magic World, optoelectronics science education, energy environmental education and water environmental education which popularize science and environmental education and cultivate scientific talents and environmental literacy; Hsi Ta Tun Kiln Cultural Museum, Fuke Walk-Study, Shantou Village, Quatang Barns which pass the local cultural treasures to the public; continue to join The GOLF (Gap of Learning & Field) participate in promoting the integration of learning and application, and cultivate the employability of young people. In 2022, the cumulative volunteer service hours exceed 7,000 hours, the number of science popularization and environmental education promotion exceed 8,000 people, 12 million NTD public welfare funds be raised, and 11 million NTD be subscribed for local agricultural products.

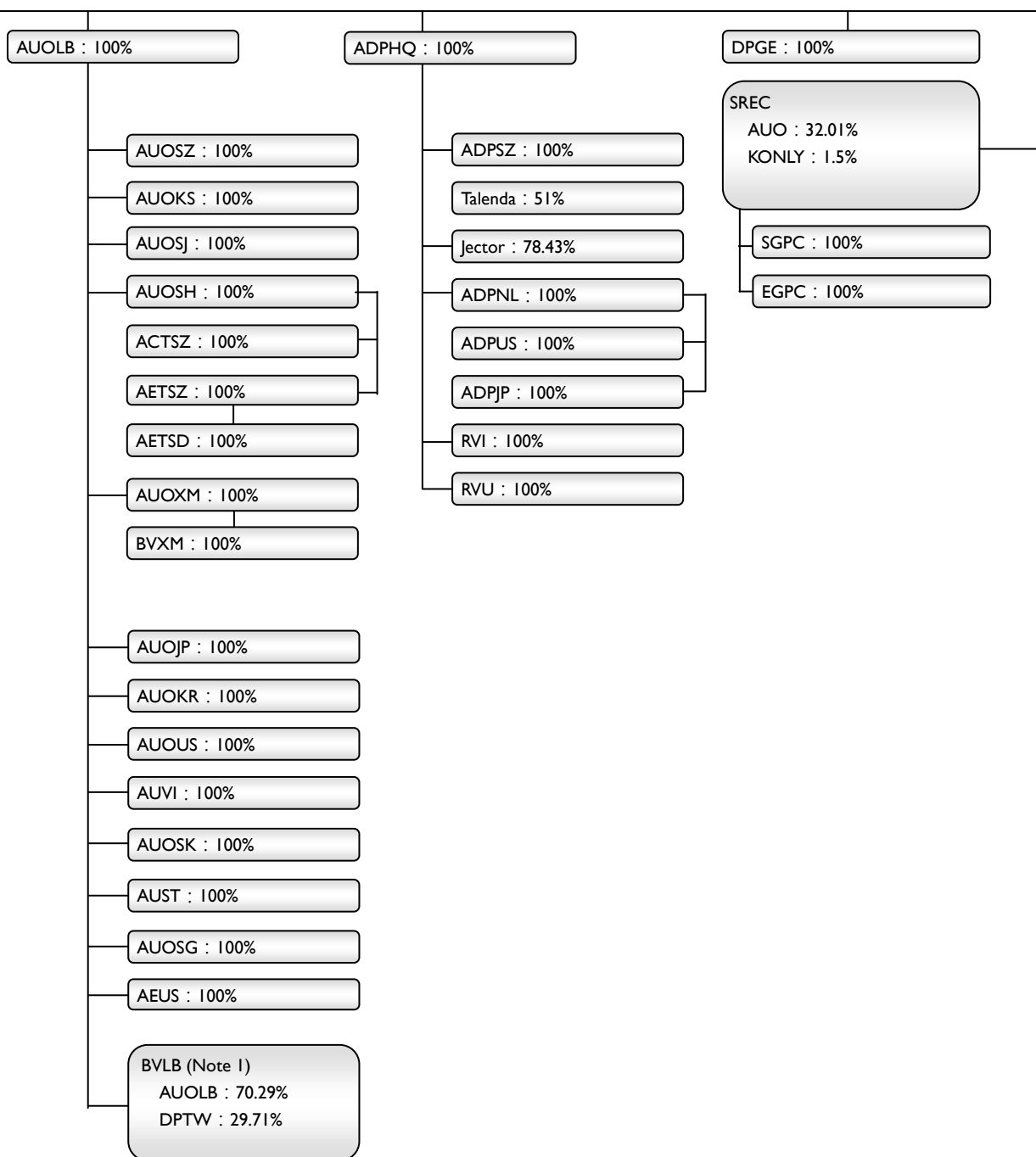
Chapter 9 Special Disclosure

I. Information about affiliates

(I) Organization chart of affiliate



Note I : ACMK 、DPSZ 、BVLB and CQUK is in the process of liquidation.



(II) Basic information of affiliates

December 31, 2022; Unit: NT\$ thousands

Name of business	Date of incorporation	Address	Paid-in Capital	Main Activities
a.u. Vista Inc. (AUVI)	2014/12/18	8915 Research Drive, Suite 100, Irvine, CA 92618, USA	USD 5,000	Research and development and IP related business
AFPD Pte. Ltd. (AUST)	2001/3/14	10 Tampines Industrial Avenue 3 Singapore 528798	SGD 601,841	Manufacturing TFT-LCD panels based on low temperature polysilicon technology
AUO (L) Corp. (AUOLB)	2000/9/7	Unit Level 3(J), Main Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 Labuan F.T., Malaysia.	USD 2,507,189	Holding company
AUO (Slovakia) s.r.o. (AUOSK)	2009/1/24	Bratislavská 517, 911 05 Trenčín, Slovak Republic	EUR 1,000	Repairing of TFT-LCD modules
AUO Corporation America (AUOUS)	2000/9/11	37085 Grand River Avenue, Suite 340, Farmington, MI 48335, USA	USD 1,000	Sales and sales support of TFT-LCD panels
AUO Corporation Japan (AUOJP)	2001/9/11	3-24-21 Sanwa Bld. 5F, Shiba, Minato-Ku, Tokyo 105-0014, Japan	JPY 40,000	Sales support of TFT-LCD panels
AUO Crystal (Malaysia) Sdn. Bhd.(ACMK) (Note 1)	2010/10/8	Melaka World Solar Valley, 78000 Alor Gajah, Melaka, Malaysia	MYR 14,992	Manufacturing and sales of solar wafers
AUO Digitech (CAYMAN) Limited (ADTCM)	2020/8/5	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	USD 2,700	Holding Company
AUO Digitech Holding Limited (ADTHLD)	2020/8/11	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	USD 18,500	Holding Company
AUO Digitech Pte. Ltd. (ADTSG)	2020/10/8	10 Tampines Industrial Avenue 3, Singapore 528798	USD 16,800	Holding company, and sales of software and hardware integration system relating to intelligent manufacturing and software development
AUO Display Plus America Corp. (ADPUS)	2020/10/26	35 Corporate Drive, Suite 170, Burlington, MA 01803, USA	USD 1,500	Sales and sales support of display
AUO Display Plus Japan Corp. (ADPJP)	2020/11/18	Sanwa Bld. 5F 3-24-21 Shiba, Minato-Ku, Tokyo 105-0014, Japan	JPY 25,000	Sales and sales support of display
AUO Display Plus Netherlands B.V.(ADPNL)	2010/9/29	Zekeringstraat 39, 1014BV Amsterdam, Netherlands	EUR 43	Sales and sales support of display and holding company
AUO Europe B.V. (AUONL)	2004/5/24	Zekeringstraat 39, 1014BV Amsterdam, Netherlands	EUR 50	Sales support of TFT-LCD panels
AUO Green Energy America Corp.(AEUS)	2010/7/6	37085 Grand River Avenue, Suite 340, Farmington, MI 48335, USA	USD 1,194	Sales support of solar-related products
AUO Korea Ltd. (AUOKR)	2004/7/11	No.906, 907, 156, Gwanggyo-ro, Yeongtong-gu, Suwon-si, Gyeonggi-do, Republic of Korea	KRW 173,075	Sales support of TFT-LCD panels
AUO Singapore Pte. Ltd. (AUOSG)	2006/9/20	10 Tampines Industrial Avenue 3 Singapore 528798	SGD 19,597	Holding company and sales support of TFT-LCD panels
BriView (L) Corp. (BVLB) (Note 1)	2009/7/2	Unit Level 3(J), Main Office Tower, Financial Park Complex Labuan, Jalan Merdeka, 87000 W.P. Labuan, Malaysia	USD 121,171	Holding Company
ComQi Canada Inc. (CQCA)	2007/3/6	1425 Norjohn Court, Unit 7, Burlington, ON L7L 0E6	CAD 1,016	Research and development of content management system
ComQi Holdings Ltd. (CQHLD)	2007/2/27	Suite 305, Stanmore Bic Howard Road, Stanmore, UK, HA7 1BT	GBP 27,129	Holding Company
ComQi Inc. (CQUS)	2007/3/5	1209 Orange Street, Corporation Trust Center, Wilmington, County of New Castle, Delaware 19801	USD 25,857	Sales of content management system and hardware

Name of business	Date of incorporation	Address	Paid-in Capital	Main Activities
ComQi Ltd. (CQIL)	2010/2/15	30 Ha-Kishor St., Holon, Israel 5886600	USD 44,909	Holding Company
ComQi UK Ltd. (CQUK) (Note 1)	2007/1/23	Suite 305, Stanmore Bic Howard Road, Stanmore, UK, HA7 1BT	GBP 2,372	Sales support of content management system
Darwin Precisions (Hong Kong) Limited (DPHK)	2007/11/21	Room 1204, Yu Sung Boon Building, 107-111 Des Voeux Road Central, Hong Kong	USD 58,786	Holding Company
Darwin Precisions (L) Corp. (DPLB)	2005/11/18	Unit Level 3(J), Main Office Tower, Financial Park Complex Labuan, Jalan Merdeka, 87000 W.P. Labuan, Malaysia	USD 91,846	Holding Company
Forefront Corporation (FFMI)	2001/6/20	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 6,526	Holding Company
Forhouse International Holding Ltd. (FHVI)	1999/9/17	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, VG1110, Virgin Islands, British	USD 22,006	Holding Company
Fortech International Corp. (FTMI)	2002/7/26	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 6,503	Holding Company
Forward Optronics International Corporation (FWSA)	2004/12/13	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 19,000	Holding Company
JohnRyan Inc. (JRUS)	2019/10/7	1209 Orange Street, Corporation Trust Center, Wilmington, County of New Castle, Delaware 19801	USD 8,000	Development and sales of content management system and sales of the related hardware
JohnRyan Limited (JRUUK)	2019/10/11	Suite 305, Stanmore Bic Howard Road, Stanmore, UK, HA7 1BT	GBP 1,500	Development and sales of content management system and sales of the related hardware
M.Setek Co., Ltd. (M.Setek)	1978/2/3	Sanwa Build 5F, 3-24-21 Shiba, Minato-ku Tokyo 105-0014, Japan	JPY 18,000	Manufacturing and sale of ingots
Rise Vision Incorporated (RVI)	2001/8/31	2967 Dundas St. W #632 Toronto ON, M6P 1Z2	CAD 1,427	Design, sales and sales support of digital signage content management system
Rise Vision USA Inc. (RVU)	2001/10/2	16 N Mosley St #126, Wichita, KS 67202	USD 1	Design, sales and sales support of digital signage content management system
Yo-Pei Water Corporation (AET-YP)	2022/3/17	1F., No. 45, Ln. 313, Sec. 3, Minsheng Rd., Daya Dist., Taichung City	TWD 17,000	Invest in the construction of public construction industry, waste (sewage) water treatment industry
AUO Manufacturing (Shanghai) Co., Ltd. (AUOSJ)	2001/12/20	No. 3, Alley 58, Sanzhuang Rd., Songjiang Export Processing Zone, Shanghai	USD 108,000	Leasing
AUO (Kunshan) Co., Ltd. (AUOKS)	2009/8/21	No. 6, Longteng Road, Kunshan Economic and Technological Development Zone, Jiangsu Province,	USD 961,000	Manufacturing and sale of TFT-LCD panels
AUO (Xiamen) Co., Ltd. (AUOXM)	2005/12/13	No.1689, Xiang'An North Road, Xiang'An Branch, Torch Hi-tech Industrial Development Zone Xiamen	USD 454,000	Manufacturing, assembly, and sales of TFT-LCD modules
AUO (Suzhou) Co., Ltd. (AUOSZ)	2001/6/19	No.398, SuHong Zhong Road, Suzhou Industrial Park, China (Jiangsu) Pilot Free Trade Zone.	USD 466,000	Manufacturing, assembly, and sales of LCD modules
AUO (Shanghai) Co., Ltd. (AUOSH)	2005/9/22	5th Floor, Building B, No. 33, Guangshun Road, Shanghai	USD 15,000	Sales support of TFT-LCD panels

Name of business	Date of incorporation	Address	Paid-in Capital		Main Activities
AUO Envirotech (Suzhou) Co., Ltd. (AETSZ)	2018/2/24	No.398, SuHong Zhong Road, Suzhou Industrial Park, China (Jiangsu) Pilot Free Trade Zone.	CNY	12,000	Planning, design and development of construction for environmental protection and related project management
AUO Envirotech Inc. (AETTW)	2017/1/23	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City	TWD	424,050	Planning, design and development of construction project for environmental protection and related project management
AUO Envirotech (Shandong) Co., Ltd. (AETSD)	2019/5/27	South Zone, 2nd Floor, Building 7, No. 299 Zidong Avenue, New Material Industrial Park, Tianqiao District, Jinan City	CNY	2,000	Planning, design and development of construction for environmental protection and related project management
AUO Health Inc. (AHTW)	2020/9/21	No. 6-6 Mabushupai, Beipu Township, Hsinchu County	TWD	5,000	Manufacturing, development and sales of medical equipments
AUO Crystal Corp. (ACTW)	2009/5/22	No. 335, Sec. 2, Houke Road, Houli District, Taichung City	TWD	2,425,646	Manufacturing and sale of ingots and solar wafers
AUO Megalnsight (Xiamen) Corp., Ltd. (AMIXM)	2021/4/20	IF Building T1, No. 1689, North of Xiang'an Road, Xiang'an Branch, Torch Hi-tech Industrial Development Zone, Xiamen, China	CNY	20,000	Sales of software and hardware relating to intelligent manufacturing, and related consulting services
AUO Megalnsight (Suzhou) Co., Ltd. (AMISZ)	2018/8/28	No.398, SuHong Zhong Road, Suzhou Industrial Park, China (Jiangsu) Pilot Free Trade Zone.	CNY	30,000	Development and sales and licensing of software and hardware relating to intelligent manufacturing, and related consulting services
AUO Digitech (Suzhou) Co., Ltd. (ADTSZ)	2020/12/7	Floor 4 , Building 9, No.398, SuHong Zhong Road, Suzhou Industrial Park, China(Jiangsu) Pilot Free Trade Zone.	USD	9,000	Business management consulting and services of technology promotion and application
AUO Digitech Taiwan Inc. (ADTTW)	2021/3/22	5F., No. 288, Longyuan 1st Rd., Longtan Dist., Taoyuan City, Taiwan (R.O.C.)	TWD	60,000	Design and sales of software and hardware integration system and equipment, software development and consulting services relating to intelligent manufacturing
AUO Care Information Tech.(Suzhou) CO., Ltd. (ACTSZ)	2017/9/22	No.398, SuHong Zhong Road, Suzhou Industrial Park, China (Jiangsu) Pilot Free Trade Zone.	CNY	25,000	Design, development and sales of software and hardware for health care industry
AUO Care Inc. (ACTTW)	2021/2/8	No. 6-6 Mabushupai, Beipu Township, Hsinchu County	TWD	30,000	Design, development and sales of software and hardware for health care industry
Evergen Power Corporation (EGPC)	2015/7/14	No. 23,Lixing Rd., Hsinchu Science Park, Hsinchu City	TWD	245,000	Solar power generation
Edgetech Data Technologies (Suzhou) Corp., Ltd. (ATISZ)	2018/8/28	No.398, SuHong Zhong Road, Suzhou Industrial Park, China	CNY	10,000	Design and sales of software and hardware system and equipment relating to intelligent manufacturing
Star River Energy Corporation (SREC)	2014/4/24	IF., No.20-I, Guangfu N. Rd., Hukou Township, Hsinchu County	TWD	902,208	Venture capital investment
Sanda Materials Corporation (SDMC)	2014/4/23	IF., No.20-I, Guangfu N. Rd., Hukou Township, Hsinchu County	TWD	1,480,528	Holding company
Konly Venture Corp. (KONLY)	2002/7/29	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City	TWD	4,695,585	Venture capital investment

Name of business	Date of incorporation	Address	Paid-in Capital		Main Activities
Jector Digital Corporation (Jector)	2021/4/15	2F.-I, No. 268, Liancheng Rd., Zhonghe Dist., New Taipei City	TWD	153,300	Introduction of smart field construction and other related software and hardware solutions
Space Money Inc. (S4M)	2015/10/5	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City	TWD	50,000	Sales and leasing of content management system and hardware, and design of digital signage content and field curation
BriView (Xiamen) Corp. (BVXM)	2008/12/2	No. 1998, Fangshan West Road, Torch High-Tech (Xiang'an) Industrial Development Zone, Xiang'an District, Xiamen City	CNY	600,000	Sales of liquid crystal products and related parts; leasing
Sungen Power Corporation (SGPC)	2011/1/13	No. 1, JhongKe Rd., Central Taiwan Science Park, Taichung City	TWD	568,109	Solar power generation
Ronly Venture Corp. (RONLY)	2005/1/11	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City	TWD	4,532,760	Venture capital investment
Heilongjiang Talenda Smart Display Technology Co., Ltd. (Talenda)	2022/6/10	Building B, Former Liuhe Passenger Transport Hub, Suihua Economic and Technological Development Zone, Heilongjiang Province	CNY	15,000	Manufacturing of electronic components
Da Ping Green Energy Corporation (DPGE)	2020/8/27	No. 6-6 Mabushupai, Beipu Township, Hsinchu County	TWD	350,000	Renewable energy power generating industry
AUO Education Service Corp. (AUES)	2020/12/10	No. 6-6 Mabushupai, Beipu Township, Hsinchu County	TWD	4,000	Servicing educational activities and related venue leasing
Darwin Precisions (Xiamen) Corp. (DPXM)	2006/3/31	No. 3089, Xiang'an North Road, Torch High-Tech (Xiang'an) Industrial Development Zone, Xiang'an District, Xiamen City., Fujian Province	USD	70,000	Manufacturing and sales of backlight modules and related parts
Darwin Precisions (Suzhou) Corp. (DPSZ) (Note 1)	2005/12/8	No. 11, Tingxin Street, Suzhou Industrial Park, Suzhou City, Jiangsu Province	USD	25,000	Manufacturing and sales of backlight modules and related parts
Darwin Precisions Corporation (DPTW)	1989/10/13	No.20-I, Guangfu N. Rd., Hukou Township, Hsinchu County	TWD	6,655,551	Manufacturing, design and sales of TFT-LCD modules, TV set, backlight modules and related parts
AUO Display Plus Corporation (ADPHQ)	2020/5/28	5F, No. 1, Gongye E. 3rd Rd., East Dist., Hsinchu City	TWD	2,000,000	Research, development and sales of displays
AUO Display Plus Technology (Suzhou) Co., Ltd. (ADPSZ)	2021/2/26	9-4, No. 398, Suhong Zhong Road, Suzhou Industrial Park, Suzhou, China	USD	2,000	Sales and sales support of displays
Fortech Electronics (Suzhou) Co., Ltd. (FTWJ)	2002/8/30	No. 399, Jinhu Road, Wujiang Economic and Technological Development Zone, Suzhou City, Jiangsu Province	USD	35,000	Manufacturing and sales of backlight modules and related parts
Forhouse Electronics (Suzhou) Co., Ltd. (FHWJ)	2001/10/9	No. 399, Jinhu Road, Wujiang Economic and Technological Development Zone, Suzhou City, Jiangsu Province	USD	6,500	Manufacturing and sales of backlight modules and related parts
Suzhou Forplax Optronics Co., Ltd. (FPWJ)	2005/2/28	No. 399, Jinhu Road, Wujiang Economic and Technological Development Zone, Suzhou City, Jiangsu Province	USD	29,000	Manufacturing and sales of precision plastic parts

Note 1 : ACMK、DPSZ、BVLB and CQUK is in the process of liquidation.

(III) Shareholders of the companies presumed to have a relationship of control and affiliation: None.

(IV) Industries covered by all affiliates:

The businesses that all affiliates of AUO are engaged in include manufacturing, assembly, sales and sales support of LCD, LCD modules, and back-lighting modules; development of solar business related products and solar power plants; intelligent manufacturing related software and hardware development and sales and environmentally sustainable engineering planning and construction business. Some of the related enterprises have been set up for investment purposes of relevant technologies to the aforementioned products and their upstream and downstream industries. In general, the main purpose is to vertically integrate the upstream and downstream industry chains so that all affiliates can achieve the maximum synergy through the integration of their value chains, thereby stabilizing the Company's competitive advantage in the industry.

(V) Directors, supervisors, and presidents of affiliates

December 31, 2021; Unit: in thousand shares; NT\$ thousands; %

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	%
AUVI	Director	Paul KP Lee 、 Wei-Lung Liao 、 Hung-Jye Hong	-	-
AUST	Director	Ting-Li Lin 、 Yi-Cheng Chen	-	-
AUOLB	Director	Shuang-Lang (Paul) Peng	-	-
AUOSK	Director	TY Lin	-	-
AUOUS	Director	James CP Chen 、 Mett Ke 、 Linh Ha	-	-
AUOJP	Director	James CP Chen 、 Yaotung Chen	-	-
ACMK(Note 1)	Director	Shih-Kun Chen 、 Jessie Shan 、 Cheng-Lung Chan	-	-
ADTCM	Director	Shuang-Lang (Paul) Peng 、 Andy Yang	-	-
ADTHLD	Director	Shuang-Lang (Paul) Peng 、 Andy Yang	-	-
ADTSG	Director	Shuang-Lang (Paul) Peng 、 Andy Yang 、 Yi-Cheng Chen	-	-
ADPUS	Director	Frank Ko 、 Shih-Hong Liao 、 Simon Nip	-	-
ADPJP	Director	Shih-Hong Liao 、 Seki Shih	-	-
ADPNL	Director	Frank Ko 、 Shih-Hong Liao	-	-
AUONL	Director	James CP Chen	-	-
AEUS	Director	TY Lin	-	-
AUOKR	Director	James CP Chen	-	-
AUOSG	Director	Shuang-Lang (Paul) Peng 、 Yi-Cheng Chen	-	-
BVLB(Note 1)	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	-	-
CQCA	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip 、 Gregory Galvin	-	-
			AUOLB holds 5,000 shares	100
			AUOLB holds 907,114 shares	100
			AUO holds 2,507,189 shares	100
			AUOLB's investment EUR 1,000	100
			AUOLB holds 1,000 shares	100
			AUOLB holds 1 shares	100
			ACTW holds 46,196 shares	100
			AUO holds 2,700 shares	100
			AUO holds 15,800 shares	85.41
			ADTCM holds 2,700 shares	14.59
			ADTHLD holds 20,000 shares	100
			ADPNL holds 1 shares	100
			ADPNL holds 1 shares	100
			ADPHQ holds -	100
			AUO holds 50 shares	100
			AUOSG holds 1,194 shares	100
			AUOLB's investment KRW 173,075	100
			AUOLB holds 266,268 shares	100
			AUOLB holds 85,171 shares	70.29
			DPTW holds 36,000 shares	29.71
			CQHLD holds 110 shares	100

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	%
CQHLD	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip	-	-
			CQIL holds 635,730 shares	100
CQUS	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip	-	-
			CQHLD holds 13 shares	100
CQIL	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip	-	-
			AUO holds 39,974 shares	100
CQUK(Note 1)	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip	-	-
			CQHLD holds -	100
DPHK	Director	Darwin Precisions (L) Corp. Kuo-Hsin (Michael) Tsai	-	-
			DPLB holds 10 shares	100
DPLB	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	-	-
			DPTW holds 91,846 shares	100
FFMI	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	-	-
			DPTW holds 653 shares	100
FHVI	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	-	-
			DPTW's investment USD 22,006	100
FTMI	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	-	-
			FHVI's investment USD 6,503	100
FWSA	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	-	-
			FHVI holds 19,000 shares	100
JRUS	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip	-	-
			CQUS holds 18 shares	100
JRUK	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip	-	-
			CQUS holds 1 shares	100
M.Setek	Director	Shih-Kun Chen 、 Jim Lee Hiroyuki Saito	-	-
	Supervisor	Betty Chen	-	-
			SDMC holds 11,404,184 shares	100
RVI	Director	Frank Ko 、 Jerry Lee 、 Simon Nip 、 Brian Loosbrock	-	-
			ADPNL holds 28,775 shares	100
RVU	Director	Jerry Lee 、 Simon Nip 、 Brian Loosbrock	-	-
			ADPNL holds 1 share	100
AET-YP	Director	Representative of AUO Envirotech Inc.: HC Lee 、 Andy Yang 、 Mark Wu Zhensheng Construction Co., Ltd.: Jun-Yi Lee	-	-
			-	-
			AUO holds 12,405 shares	72.97
			Zhensheng holds 1,595 shares	9.38
AUOSJ	Director Supervisor	Shuang-Lang (Paul) Peng 、 Wei-Lung Liao 、 Ting-Li Lin Mark Wu	-	-
			-	-
			AUOLB's investment USD 108,000	100
AUOKS	Director Supervisor	Shuang-Lang (Paul) Peng 、 James CP Chen 、 Vincent Lin Mark Wu	-	-
			-	-
			AUOLB's investment USD 961,000	100
AUOXM	Director Supervisor	Shuang-Lang (Paul) Peng 、 Wei-Lung Liao 、 Ting-Li Lin Mark Wu	-	-
			-	-
			AUOLB's investment USD 454,000	100
AUOSZ	Director Supervisor	Shuang-Lang (Paul) Peng 、 Wei-Lung Liao 、 Ting-Li Lin Mark Wu	-	-
			-	-
			AUOLB's investment USD 466,000	100
AUOSH	Director Supervisor	Shuang-Lang (Paul) Peng Mark Wu	-	-
			-	-
			AUOLB's investment USD 15,000	100
AETSZ	Director Supervisor President	HC Lee 、 Andy Yang 、 Kenny Yang Mark Wu Kenny Yang	-	-
			-	-
			-	-
			AUOSH's investment CNY 12,000	100

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	%
AETTW	Director	Representative of AUO Corporation. HC Lee	-	-
	Supervisor		AUO holds 42,405 shares	100
AETSD	Director	HC Lee 、 Andy Yang 、 Kenny Yang	-	-
	Supervisor	Mark Wu	-	-
	President	Kenny Yang	-	-
			AETSZ's investment CNY 2,000	100
AHTW	Director	Representative of AUO Corporation.: Frank Ko	-	-
			AUO holds 500 shares	100
ACTW	Director	Representative of AUO Corporation.:Shih-Kun Chen	-	-
			AUO holds 242,565 shares	100
AMIXM	Director	Andy Yang 、 Benjamin Tseng 、 Linda Zhao	-	-
	Supervisor	Mark Wu	-	-
	President	Golden Shen	-	-
			ADTSZ's investment CNY 20,000	100
AMISZ	Director	Andy Yang 、 Benjamin Tseng 、 Linda Zhao	-	-
	Supervisor	Mark Wu	-	-
	President	Judy He	-	-
			ADTSZ's investment CNY 45,000	100
ADTSZ	Director	Shuang-Lang (Paul) Peng 、 Andy Yang 、 Benjamin Tseng	-	-
	Supervisor	Mark Wu	-	-
	President	Linda Zhao	-	-
			ADTSG's investment USD 13,500	100
ADTTW	Director	Representative of AUO DIGITECH PTE. LTD.: Andy Yang	-	-
			ADTSG holds 6,000 shares	100
ACTSZ	Director	Andy Yang 、 Benjamin Tseng 、 Alex JJ Yeh	-	-
	Supervisor	Mark Wu	-	-
	President	DC Liu	-	-
			AUOSH's investment CNY 35,000	100
ACTTW	Director	Representative of AUO Corporation.:Alex JJ Yeh	-	-
			AUO holds 3,000 shares	100
EGPC	Director	Representative of SREC:Clair Chang	-	-
			SREC holds 24,500 shares	100
ATISZ	Director	Andy Yang 、 Benjamin Tseng 、 Linda Zhao	-	-
	Supervisor	Mark Wu	-	-
	President	Michael Lai	-	-
			ADTSZ's investment CNY 26,500	100
SREC	Director	Representative of AUO Corporation: TY Lin 、 Frank Cheng	-	-
	Supervisor	Representative of Fubon Financial Holding Venture Capital Corp.:Carey Lin	-	-
		Representative of Konly Venture Corp.:Mark Wu	-	-
			AUO holds 28,883 shares	32.01
			Fubon Financial Holding Venture Capital Corp. holds 1,341 shares	1.49
			Konly holds 1,353 shares	1.5
SDMC	Director	Representative of AUO Crystal Corp.:Shih-Kun Chen	-	-
			ACTW holds 148,053 shares	100
KONLY	Director	Representative of AUO Corporation:Shuang-Lang (Paul) Peng	-	-
			AUO holds 469,558 shares	100
Jector	Director	Representative of AUO Display Plus Corporation: Jerry Lee 、 Shih-Hong Liao	-	-
	Supervisor	Representative of Jector Digital System Inc.: Wells Tong	-	-
		Eddie Ke	-	-
			ADPHQ holds 12,000 shares	78.28
			Jector Digital System Inc. holds 3,300 shares	21.72
S4M	Director	Representative of AUO Corporation:PH Lin	-	-
			AUO holds 5,000 shares	100

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	%
BVXM	Director Supervisor	Ting-Li Lin 、 Wei-Lung Liao 、 David Lee Mark Wu	- - AUOXM's investment CNY 600,000	- - 100
SGPC	Director	Representative of Star River Energy Corporation: Clair Chang	- SREC holds 56,811 shares	- 100
RONLY	Director	Representative of AUO Corporation: Shuang-Lang (Paul) Peng	- AUO holds 453,276 shares	- 100
Talenda	Director Supervisor	Frank Ko 、 Shih-Hong Liao 、 Apple Jiang Wen-bo Wang 、 Dong-fang Lu Eunice Lin Hong-liang Wen	- - ADPSZ's investment CNY7,650 TYW's investment CNY7,350	- - 51 49
DPGE	Director	Representative of AUO Corporation: TY Lin	- AUO holds 35,000 shares	- 100
AUES	Director	Representative of Konly Venture Corp.: Amy Ku	- Konly holds 400 shares	- 100
DPXM	Director Supervisor President	Sheng-Kai Huang 、 Kuo-Tai Ching 、 Limbo FJ Cheng-Cho Tsao Limbo FJ	- - - DPHK's investment USD 70,000	- - - 100
DPSZ(Note 1)	Director Supervisor President	Sheng-Kai Huang 、 CC Lee 、 Kuo-Tai Ching Cheng-Cho Tsao CC Lee	- - - DPHK's investment USD 25,000	- - - 100
DPTW	Director	Representative of AUO Corporation: Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang 、 Frank Ko HB Chen Independent Director : I-Shih Chen 、 Cheng-Chung Li 、 Hui-Shi Long	- Holds 563 shares - AUO holds 190,108 shares	- 0.08 - 28.56
ADPHQ	Director	Representative of AUO Corporation: Frank Ko	- AUO holds 200,000 shares	- 100
ADPSZ	Director Supervisor	Shih-Hong Liao Jerry Liu	- - ADPHQ's investment USD 2,000	- - 100
FTWJ	Director Supervisor President	Sheng-Kai Huang 、 CC Lee 、 Kuo-Tai Ching Cheng-Cho Tsao CC Lee	- - - FTMI's investment USD 35,000	- - - 100
FHWJ	Director Supervisor President	Sheng-Kai Huang 、 CC Lee 、 Kuo-Tai Ching Cheng-Cho Tsao CC Lee	- - - FFMI's investment USD 6,500	- - - 100
FPWJ	Director Supervisor President	Sheng-Kai Huang 、 CC Lee 、 Kuo-Tai Ching Cheng-Cho Tsao CC Lee	- - - FTMI's investment USD 10,000 FWSA's investment USD 19,000	- - - 34.48 65.52

Note 1 : ACMK 、 DPSZ 、 BVLB and CQUK is in the process of liquidation.

(VI) Overview of subsidiaries' operations

December 31, 2022; Unit: NT\$ thousands except for earnings per share

Name of business	Currency	Capital	Total assets	Total liabilities	Net assets	Revenue	Profit from operations	Profit or loss for the year(After income tax)	Earnings per Share (Note 2) (dollar; after tax)
AUVI	USD	5,000	6,431	37	6,394	1,699	188	180	0.04
AUST	USD	378,867	144,631	46,507	98,124	125,987	4,068	2,087	-
AUOLB	USD	2,507,189	2,469,624	24,218	2,445,406	-	-55	158,137	0.06
AUOSK	EUR	1,000	9,497	4,971	4,526	5,779	579	525	-
AUOUS	USD	1,000	5,018	2,271	2,746	9,913	308	284	0.28
AUOJP	JPY	40,000	247,761	33,293	214,468	289,513	13,786	10,110	12,637.28
ACMK (Note 1)	USD	3,395	1,002	-	1,002	-	-8	-18	-
ADTCM	USD	2,700	1,170	-	1,170	-	-	-1,284	-0.48
ADTHLD	USD	18,500	8,019	-	8,019	-	-13	-6,938	-0.47
ADTSG	USD	16,800	6,717	370	6,347	729	126	-6,944	-0.41
ADPUS	USD	1,500	2,767	1,124	1,642	4,525	210	76	76.45
ADPJP	JPY	25,000	84,195	29,018	55,177	221,350	10,540	3,399	3,398.90
ADPNL	USD	53	34,296	5,616	28,680	62,114	811	97	226.61
AUONL	EUR	50	1,573	579	994	2,316	110	-87	-1.74
AEUS	USD	1,194	574	1	574	-	-11	13	0.01
AUOKR	KRW	173,075	2,774,419	1,144,596	1,629,823	3,024,309	143,704	243,945	-
AUOSG	USD	7,787	7,070	150	6,920	917	50	128	0
BVLB (Note 1)	USD	121,171	26,935	-	26,935	-	-6	-2,721	-0.02
CQCA	CAD	1,385	1,602	334	1,268	4,307	135	225	2,041.87
CQHLD	GBP	27,638	22,604	3	22,602	-	-6	-6	-
CQUS	USD	25,857	18,597	4,014	14,583	10,237	-437	-419	-31.51
CQIL	USD	44,909	26,611	15	26,597	-	-30	-794	-0.02
CQUK (Note 1)	GBP	1,874	78	4	74	-	-1	-1	-404.78
DPHK	USD	58,786	175,541	-	175,541	-	-	93	9.25
DPLB	USD	91,846	175,541	-	175,541	-	-	432	-
FFMI	USD	6,526	2,139	-	2,139	-	-	379	0.58
FHVI	USD	22,006	64,399	-	64,399	-	-	-3,805	-0.17
FTMI	USD	6,503	48,541	-	48,541	-	-	-9,140	-1.41
FWSA	USD	19,000	15,858	-	15,858	-	-	471	0.02
JRUS	USD	8,000	7,480	938	6,542	2,735	-677	-677	-37.64
JRUK	GBP	1,141	1,740	342	1,397	1,208	143	130	129.73
M.Setek	JPY	18,000	12,570,241	3,768,938	8,801,303	5,294,414	591,092	1,062,475	0.09
RVI	CAD	2,478	2,140	4,632	-2,492	6,899	-1,991	-2,146	-0.07
RVU	USD	1	157	150	7	1,837	169	229	229.38
AET-YP	TWD	170,000	232,259	63,367	168,892	29,573	-869	-1,108	-0.07
AUOSJ	CNY	866,978	963,735	3,948	959,787	-	-4,746	28,590	-
AUOKS	CNY	5,948,236	10,877,603	6,881,164	3,996,439	5,538,323	388,337	461,607	-
AUOXM	CNY	3,103,670	6,770,575	3,203,285	3,567,290	8,391,189	198,817	43,088	-
AUOSZ	CNY	3,406,990	7,359,822	2,996,783	4,363,039	9,606,988	200,835	264,118	-
AUOSH	CNY	98,231	77,628	9,332	68,295	46,015	2,600	-3,145	-
AETSZ	CNY	12,000	107,989	99,629	8,360	127,843	5,273	3,685	-
AETTW	TWD	424,050	757,240	476,072	281,168	736,863	-34,455	-35,116	-0.83
AETSD	CNY	2,000	551	-	551	-	-2	-	-
AHTW	TWD	5,000	4,367	1,577	2,790	933	-1,046	-1,042	-2.08
ACTW	TWD	2,425,646	7,337,821	3,280,068	4,057,753	7,029,151	365,247	647,846	2.67
AMIXM	CNY	10,000	29,284	25,204	4,079	33,195	-3,333	-3,220	-
AMISZ	CNY	45,000	29,291	18,168	11,122	33,584	-10,709	-10,013	-
ADTSZ	CNY	90,604	35,869	6,612	29,257	7,674	-15,778	-40,240	-
ADTTW	TWD	60,000	61,825	39,522	22,303	97,110	-33,923	-33,317	-9.54
ACTSZ	CNY	35,000	12,583	6,722	5,860	10,292	-10,419	-10,383	-
ACTTW	TWD	30,000	23,069	8,444	14,626	33,639	-6,328	-6,308	-2.1
EGPC	TWD	245,000	843,394	553,499	289,895	120,309	44,259	25,930	1.06

Name of business	Currency	Capital	Total assets	Total liabilities	Net assets	Revenue	Profit from operations	Profit or loss for the year(After income tax)	Earnings per Share (Note 2) (dollar; after tax)
ATISZ	CNY	26,500	43,679	34,796	8,883	36,736	-11,692	-11,572	-
SREC	TWD	902,208	1,052,267	91	1,052,176	-	-1,170	84,914	0.94
SDMC	TWD	1,480,528	2,072,320	61	2,072,259	-	-528	240,702	1.63
KONLY	TWD	4,695,585	9,565,618	168	9,565,450	-	-25,322	843,958	1.89
Jector	TWD	153,000	380,865	226,159	154,706	506,051	-2,310	-7,298	-0.47
S4M	TWD	50,000	129,868	113,355	16,513	132,439	-9,946	-10,462	-2.09
BVXM	CNY	600,000	316,549	6,599	309,950	-	-13,337	5,431	-
SGPC	TWD	568,109	1,416,059	727,781	688,278	236,222	95,597	66,221	1.17
RONLY	TWD	4,532,760	4,962,797	127	4,962,670	-	-1,623	-13,996	-0.03
Talenda	CNY	15,000	15,067	271	14,796	22	-308	-204	-
DPGE	TWD	350,000	350,935	205	350,731	-	-492	722	0.02
AUES	TWD	4,000	61,641	56,179	5,463	47,231	2,137	1,308	3.27
DPXM	CNY	505,962	1,361,544	437,613	923,930	2,059,852	-14,026	-24,788	-
DPSZ (Note 1)	CNY	184,322	300,029	-	300,029	4,503	4,188	27,242	-
DPTW	TWD	6,655,551	18,494,471	9,166,676	9,327,795	6,809,294	-926,224	125,664	-
ADPHQ	TWD	2,000,000	9,151,707	5,534,059	3,617,648	36,319,745	1,477,034	1,218,354	6.09
ADPSZ	CNY	13,302	38,925	22,808	16,117	43,430	2,218	2,270	-
FTWJ	CNY	279,158	953,689	669,727	283,961	899,809	-63,758	-63,342	-
FHWJ	CNY	53,779	15,453	540	14,913	-	-4,121	2,555	-
FPWJ	CNY	223,933	165,223	176	165,047	6,446	-4,313	4,852	-

Note 1 : ACMK 、DPSZ 、BYLB and CQUK is in the process of liquidation.

Note 2 : Calculated based on the number of outstanding shares for each company on Dec. 31, 2022

II. Consolidated Financial Statements of Affiliates :

Representation Letter

The entities that are required to be included in the consolidated financial statements of AUO Corporation as of and for the year ended December 31, 2022 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, AUO Corporation and Subsidiaries do not prepare a separate set of consolidated financial statements.

Hereby declared

AUO Corporation



Chairman: Shuang-Lang (Paul) Peng

February 8, 2023



III. Affiliation Reports: Not applicable.

- IV. Privately placed securities handling status in the most recent year up to the publication date of this Annual Report shall disclose the date and amount passed by the Shareholders' Meeting/Board of Directors, price setting basis and reasonableness, selection method for specific people, necessary reason for organizing private placement, and the completion of fund application plan after monies and proceeds are fully collected. Fund application status in privately placed securities and plan implementation progress: None.
- V. Holding or disposition of the Company shares by subsidiaries in the most recent year up to the publication date of this Annual Report: None.
- VI. Other items that must be included: None.
- VII. Any event that results in substantial impact on the shareholders' equity or prices of the Company's securities as prescribed by Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act that have occurred in the most recent year up to the publication date of this Annual Report: None.

**AUO CORPORATION (FORMERLY AU OPTRONICS CORP.)
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Representation Letter

The entities that are required to be included in the combined financial statements of AUO Corporation (formerly AU Optronics Corp.) as of and for the year ended December 31, 2022 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, AUO Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: AUO Corporation
Chairman: Shuang-Lang (Paul) Peng
Date: February 8, 2023

Independent Auditors' Report

To the Board of Directors of AUO Corporation:

Opinion

We have audited the consolidated financial statements of AUO Corporation (formerly AU Optronics Corp.) and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Impairment of long-term non-financial assets (including goodwill)

Refer to Note 4(15) "Impairment – non-financial assets" , Note 5(1) and Note 5(2) "Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty" , Note 6(10) "Property, Plant and Equipment" , Note 6(11) "Lease Arrangements" and Note 6(13) "Intangible Assets" to the consolidated financial statements.

Description of key audit matter:

The Company operates in an industry with high investment costs, has goodwill through the acquisition of subsidiaries, and may experience volatility in response to changes in the external market; hence, it is important to assess the impairment of its long-term non-financial assets (including goodwill). The impairment assessment includes identifying cash-generating units, determining a valuation model, determining significant assumptions, and computing recoverable amounts. With the complexity of the impairment assessment process and the involvement of significant management judgment regarding assumptions used, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's controls surrounding the impairment assessment and testing process; assessing whether there are impairment indications for the identified cash-generating units of the Company and its related assets; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets' future cash flows projection, useful lives, and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; in addition to the above audit procedures, appointing specialists to evaluate the appropriateness of the weighted-average cost of capital used and related assumptions; performing an inquiry of the management and identifying any event after the balance sheet date if able to affect the results of the impairment assessment; and assessing the adequacy of the Company's disclosures of its policy on impairment of noncurrent non-financial assets and other related disclosures.

2. Revenue recognition

Refer to Note 4(18) "Revenue from contracts with customers" and Note 6(21) "Revenue from Contracts with Customers" to the consolidated financial statements.

Description of key audit matter:

Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. The Company recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. In addition, the Company operates in an industry in which revenue is considered to be complex in determining the timing of revenue recognition. Consequently, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's controls surrounding revenue recognition; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards and understanding the Company's main revenue types, its related sales agreements, and sales terms; on a sample basis, inspecting contracts with customers or customers' orders and assessing whether the accounting treatment of the related contracts (including sales terms) is applied appropriately; performing a test of details of sales revenue and understanding the rationale for any identified significant sales fluctuations and any significant reversals of revenue through sales discounts and sales returns which incurred within a certain period before or after the balance sheet date; and assessing the adequacy of the Company's disclosures of its revenue recognition policy and other related disclosures.

Other Matters

AUO Corporation has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yu, Chi-Lung and Yu, Wan-Yuan.

KPMG

Hsinchu, Taiwan (Republic of China)
February 8, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
AUO CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2022 and 2021****(Expressed in thousands of New Taiwan dollars)**

	December 31, 2022		December 31, 2021			December 31, 2022		December 31, 2021	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (Note 6(1))	\$ 80,613,120	21	79,944,686	19	2100 Short-term borrowings (Note 6(15))	\$ 128,487	-	45,324	-
1110 Financial assets at fair value through profit or loss—current (Note 6(2))	365,037	-	159,270	-	2120 Financial liabilities at fair value through profit or loss—current (Notes 6(2),(8)&(9))	351,825	-	132,797	-
1136 Financial assets at amortized cost—current (Note 6(4))	-	-	10,000,000	2		41,479,524	11	54,574,143	13
1170 Notes and accounts receivable, net (Note 6(5))	18,620,248	5	59,093,573	14		5,890,185	2	8,825,361	2
1180 Accounts receivable from related parties, net (Notes 6(5)&(7))	1,255,503	-	2,479,395	1		7,882,627	2	4,317,199	1
1210 Other receivables from related parties (Note 7)	6,139	-	20,699	-		27,853	-	72,411	-
1220 Current tax assets	41,186	-	60,802	-		1,567,623	-	2,607,235	1
130X Inventories (Note 6(6))	30,263,713	8	34,489,088	8		559,654	-	942,290	-
1460 Noncurrent assets held for sale (Note 6(10))	586,406	-	-	-		583,251	-	534,706	-
1476 Other current financial assets (Notes 6(5),(10),(21)&(8))	4,593,094	1	2,186,682	-		24,812,498	6	34,869,439	8
1479 Other current assets (Note 6(14))	3,832,361	1	3,592,203	1		13,884,634	4	16,833,597	4
	140,176,807	36	192,026,398	45		97,168,161	25	123,754,502	29
Noncurrent assets:					Noncurrent liabilities:				
1517 Financial assets at fair value through other comprehensive income—noncurrent (Note 6(3))	1,900,581	1	1,308,157	-	2527 Contract liabilities—noncurrent (Note 6(21))	8,739,846	3	8,739,846	2
1550 Investments in equity-accounted investees (Notes 6(7)&(7))	31,743,902	8	25,447,133	6	2540 Long-term borrowings, excluding current installments (Notes 6(16)&(8))	72,930,817	19	37,821,267	9
1600 Property, plant and equipment (Notes 6(10),7&(8))	178,833,837	46	171,222,045	40	2550 Provisions—noncurrent (Note 6(17))	909,405	-	946,018	-
1755 Right-of-use assets (Notes 6(11)&(8))	9,800,458	3	10,638,373	3	2570 Deferred tax liabilities (Note 6(25))	5,101,186	1	4,224,720	1
1760 Investment property (Note 6(12))	1,393,244	-	1,437,692	-	2580 Lease liabilities—noncurrent (Note 6(11))	8,661,640	2	9,190,535	2
1780 Intangible assets (Note 6(13))	11,396,241	3	11,756,955	3	2600 Other noncurrent liabilities (Note 6(18))	1,918,971	1	2,167,687	1
1840 Deferred tax assets (Note 6(25))	6,649,457	2	6,466,588	2		98,261,865	26	63,090,073	15
1900 Other noncurrent assets (Notes 6(4),(14),(18)&(8))	4,946,147	1	4,507,705	1		195,430,026	51	186,844,575	44
	246,663,867	64	232,784,648	55	Total liabilities				
					Equity (Note 6(19)):				
					Equity attributable to shareholders of AUO Corporation :				
					Common stock	76,993,961	20	96,242,451	23
					Capital surplus	61,942,210	16	60,057,001	14
					Retained earnings	50,078,752	13	80,669,998	19
					Other components of equity	(3,620,305)	(1)	(4,743,182)	(1)
					Treasury shares	(295,527)	-	(439,228)	-
						185,099,091	48	231,787,040	55
					Non-controlling interests				
					Non-controlling interests	6,311,557	1	6,179,431	1
						191,410,648	49	237,966,471	56
Total Assets	\$ 386,840,674	100	424,811,046	100	Total equity				
					Total Liabilities and Equity	\$ 386,840,674	100	424,811,046	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

AUO CORPORATION AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2022 and 2021****(Expressed in thousands of New Taiwan dollars, except for Earnings (loss) per share)**

		2022		2021	
		Amount	%	Amount	%
4110	Revenue	\$ 249,956,539	101	373,670,560	101
4190	Less: sales return and discount	<u>3,163,865</u>	<u>1</u>	<u>2,985,419</u>	<u>1</u>
	Net revenue (Notes 6(21)&7)	246,792,674	100	370,685,141	100
5000	Cost of sales (Notes 6(6),(11),(18),(22),(23)&7)	<u>245,225,166</u>	<u>99</u>	<u>279,917,384</u>	<u>76</u>
	Gross profit	<u>1,567,508</u>	<u>1</u>	<u>90,767,757</u>	<u>24</u>
	Operating expenses (Notes 6(8),(9),(11),(18),(20),(22),(23)&7):				
6100	Selling and distribution expenses	4,817,426	2	5,095,946	1
6200	General and administrative expenses	7,852,697	3	9,526,519	3
6300	Research and development expenses	<u>12,867,781</u>	<u>5</u>	<u>13,069,676</u>	<u>3</u>
	Total operating expenses	<u>25,537,904</u>	<u>10</u>	<u>27,692,141</u>	<u>7</u>
	Profit (loss) from operations	<u>(23,970,396)</u>	<u>(9)</u>	<u>63,075,616</u>	<u>17</u>
	Non-operating income and expenses:				
7100	Interest income (Note 6(24))	878,975	-	495,332	-
7010	Other income (Notes 6(3),(24)&7)	3,211,169	1	1,389,680	-
7020	Other gains and losses (Notes 6(7),(10),(11),(13),(24)&7)	(121,274)	-	1,037,458	-
7050	Finance costs (Notes 6(10)&(24))	(1,507,963)	-	(2,217,565)	-
7060	Share of profit of equity-accounted investees (Note 6(7))	<u>2,003,297</u>	<u>1</u>	<u>2,626,274</u>	<u>1</u>
	Total non-operating income and expenses	<u>4,464,204</u>	<u>2</u>	<u>3,331,179</u>	<u>1</u>
7900	Profit (loss) before income tax	(19,506,192)	(7)	66,406,795	18
7950	Less: income tax expense (Note 6(25))	<u>1,466,988</u>	<u>1</u>	<u>2,947,697</u>	<u>1</u>
8200	Profit (loss) for the year	<u>(20,973,180)</u>	<u>(8)</u>	<u>63,459,098</u>	<u>17</u>
8300	Other comprehensive income (Notes 6(7),(18),(19)&(25)):				
8310	Items that will never be reclassified to profit or loss				
8311	Remeasurement of defined benefit obligations	58,455	-	21,260	-
8316	Unrealized gain (loss) on equity investments at fair value through other comprehensive income	57,359	-	(33,560)	-
8320	Equity-accounted investees – share of other comprehensive income	(1,362,377)	(1)	244,624	-
8349	Related tax	<u>(11,691)</u>	<u>-</u>	<u>(4,577)</u>	<u>-</u>
		<u>(1,258,254)</u>	<u>(1)</u>	<u>227,747</u>	<u>-</u>
8360	Items that are or may be reclassified subsequently to profit or loss				
8361	Foreign operations – foreign currency translation differences	2,388,106	1	(1,277,481)	-
8370	Equity-accounted investees – share of other comprehensive income	562,474	-	(59,103)	-
8399	Related tax	<u>(490,056)</u>	<u>-</u>	<u>345,815</u>	<u>-</u>
		<u>2,460,524</u>	<u>1</u>	<u>(990,769)</u>	<u>-</u>
8300	Other comprehensive income (loss), net of tax	<u>1,202,270</u>	<u>-</u>	<u>(763,022)</u>	<u>-</u>
8500	Total comprehensive income (loss) for the year	<u>\$ (19,770,910)</u>	<u>(8)</u>	<u>62,696,076</u>	<u>17</u>
	Profit (loss) attributable to:				
8610	Shareholders of AUO Corporation	\$ (21,101,374)	(8)	61,330,628	16
8620	Non-controlling interests	<u>128,194</u>	<u>-</u>	<u>2,128,470</u>	<u>1</u>
		<u>\$ (20,973,180)</u>	<u>(8)</u>	<u>63,459,098</u>	<u>17</u>
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of AUO Corporation	\$ (19,892,545)	(8)	60,644,766	16
8720	Non-controlling interests	<u>121,635</u>	<u>-</u>	<u>2,051,310</u>	<u>1</u>
		<u>\$ (19,770,910)</u>	<u>(8)</u>	<u>62,696,076</u>	<u>17</u>
	Earnings (loss) per share (NT\$, Note 6(26))				
9750	Basic earnings (loss) per share	<u>\$ (2.39)</u>		<u>6.44</u>	
9850	Diluted earnings (loss) per share	<u>\$ (2.39)</u>		<u>6.26</u>	

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

AUO CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2022 and 2021****(Expressed in thousands of New Taiwan dollars)**

	2022	2021
Cash flows from operating activities:		
Profit (loss) before income tax	\$ (19,506,192)	66,406,795
Adjustments for:		
- depreciation	31,281,587	33,457,081
- amortization	184,766	207,519
- gains on financial instruments at fair value through profit or loss	(85,959)	(86,083)
- interest expense	1,349,724	2,135,444
- interest income	(878,975)	(495,332)
- dividend income	(6,571)	(8,090)
- compensation costs of share-based payments	84,085	831,251
- share of profit of equity-accounted investees	(2,003,297)	(2,626,274)
- gains on disposals of property, plant and equipment, net	(1,024,832)	(1,841,771)
- gains on disposals of right-of-use assets	-	(8,294)
- gains on disposals of investments	-	(890,046)
- impairment losses on assets	1,179,565	1,046,693
- unrealized foreign currency exchange losses	158,438	413,858
- others	82,019	203,557
Changes in operating assets and liabilities:		
- notes and accounts receivable	39,381,310	(13,601,272)
- receivables from related parties	1,238,452	(401,129)
- inventories	4,214,575	(7,754,868)
- net defined benefit assets	1,829	(16,711)
- other operating assets	(49,986)	(1,913,817)
- contract liabilities	(1,507,156)	11,610,060
- notes and accounts payable	(12,705,469)	6,265,160
- payables to related parties	(2,979,734)	1,564,223
- provisions	(489,391)	103,273
- other operating liabilities	(9,677,630)	11,690,743
Cash generated from operations	28,241,158	106,291,970
Interest received	782,513	462,503
Dividends received	1,827,279	920,439
Interest paid	(1,522,704)	(2,143,663)
Income taxes paid	(2,357,288)	(810,013)
Net cash provided by operating activities	26,970,958	104,721,236

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

AUO CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from investing activities:		
Disposals of financial assets at fair value through profit or loss	5,440	551,841
Acquisitions of financial assets at fair value through other comprehensive income	(544,218)	(962,762)
Disposals of financial assets at fair value through other comprehensive income	10,002	-
Acquisitions of financial assets at amortized cost	(660,262)	(20,695,648)
Disposals of financial assets at amortized cost	10,000,000	10,000,000
Acquisitions of equity-accounted investees	(5,183,707)	(3,890,105)
Disposals of equity-accounted investees	83,152	66,117
Net cash inflow arising from disposal of subsidiaries	-	5,303
Acquisitions of property, plant and equipment	(35,950,205)	(17,033,027)
Disposals of property, plant and equipment	845,768	2,009,445
Disposals of right-of-use assets	-	12,752
Increase in receipts in advance due to disposal of assets	848,008	-
Decrease (increase) in refundable deposits	83,193	(579,745)
Acquisitions of intangible assets	(2,929)	-
Increase in other financial assets	(743,153)	(19,465)
Net cash inflow (outflow) arising from acquisition of subsidiaries	(704,049)	227,701
Net cash outflow arising from acquisition of business	-	(42,715)
Net cash used in investing activities	<u>(31,912,960)</u>	<u>(30,350,308)</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	539,963	1,568,737
Repayments of short-term borrowings	(457,499)	(1,723,311)
Proceeds from long-term borrowings	64,168,996	12,987,993
Repayments of long-term borrowings	(32,619,345)	(75,917,873)
Payment of lease liabilities	(574,590)	(551,367)
Decrease in received guarantee deposits	(20,819)	(20,409)
Cash dividends	(9,575,824)	(2,850,967)
Capital reduction	(19,151,648)	-
Treasury shares sold to employees	46,718	572,472
Acquisition of interest in subsidiary	-	(17,317,787)
Net change of non-controlling interests	(2,812)	(218,415)
Others	1,095	449
Net cash provided by (used in) financing activities	<u>2,354,235</u>	<u>(83,470,478)</u>
Effect of exchange rate change on cash and cash equivalents	<u>3,256,201</u>	<u>(1,230,451)</u>
Net increase (decrease) in cash and cash equivalents	668,434	(10,330,001)
Cash and cash equivalents at January 1	79,944,686	90,274,687
Cash and cash equivalents at December 31	<u><u>\$ 80,613,120</u></u>	<u><u>79,944,686</u></u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

AUO CORPORATION AND SUBSIDIARIES**Notes to Consolidated Financial Statements****For the years ended December 31, 2022 and 2021****(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)****1. Organization**

AUO Corporation (“AUO” , formerly AU Optronics Corp.) was founded on August 12, 1996 and is located in Hsinchu Science Park, the Republic of China (“ROC”). AUO’ s main activities are the research, development, production and sale of thin film transistor liquid crystal displays (“TFT-LCDs”) and other flat panel displays used in a wide variety of applications. AUO also engages in the production and sale of solar modules and systems. AUO’ s common shares have been publicly listed on the Taiwan Stock Exchange since September 2000, and its American Depositary Shares (“ADSs”) have been listed on the New York Stock Exchange (“NYSE”) since May 2002. On and from October 1, 2019, AUO’ s ADSs has delisted from the NYSE and begun trading on the over-the-counter (“OTC”) market. Further on January 27, 2021, AUO’ s ADSs and underlying ordinary shares was officially cancelled from the registration of the United States Securities and Exchange Commission and its reporting obligations under the U.S. Securities Exchange Act was terminated.

On September 1, 2001, October 1, 2006 and October 1, 2016, Unipac Optoelectronics Corp. (“Unipac”), Quanta Display Inc. (“QDI”) and Taiwan CFI Co., Ltd. (“CFI”) were merged with and into AUO, respectively. AUO is the surviving Company, whereas Unipac, QDI and CFI were dissolved.

In order to advance AUO’ s value transformation strategy, to accelerate the extension of the value chain and enhance the overall operating performance, upon the resolution of the shareholders’ meeting held on June 17, 2020, AUO demerged and transferred the business of the General Display and the Public Information Display, including assets, liabilities and the operations, to its wholly-owned subsidiary, AUO Display Plus Corporation (“ADP”). ADP issued new shares to AUO as the consideration. The effective date of the demerger was set on January 1, 2021.

The consolidated financial statements comprise AUO and its subsidiaries (collectively as “the Company”).

2. The Authorization of Financial Statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors of AUO on February 8, 2023.

3. Application of New and Revised Standards, Amendments and Interpretations

- (1) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, ROC (“FSC”)

The Company has adopted the amendments to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (collectively, “IFRSs”) with effective date from January 1, 2022. The adoption does not have a material impact on the Company’ s consolidated financial statements.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (2) Impact of the IFRSs that have been endorsed by the FSC but not yet in effect

The Company assessed that the adoption of the following amendments, effective for annual period beginning on January 1, 2023, would not have a material impact on its consolidated financial statements.

- Amendments to IAS 1, *Disclosure of Accounting Policies*
 - Amendments to IAS 8, *Definition of Accounting Estimates*
 - Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- (3) The IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

New, revised or amended standards and interpretations issued by the IASB but not yet endorsed by the FSC are listed below:

- Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*
- IFRS 17, *Insurance Contracts* and amendments to IFRS 17
- Amendments to IAS 1, *Classification of Liabilities as Current or Noncurrent*
- Amendments to IAS 1, *Noncurrent Liabilities with Covenants*
- Amendments to IFRS 17, *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
- Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*

As of the date that the accompanying consolidated financial statements were issued, the Company continues in assessing the impact on its financial position and results of operations as a result of the application of abovementioned standards and interpretations except for IFRS 17, *Insurance Contracts* and the amendments to IFRS 17 that are not relevant to the Company. The related impact will be disclosed when the assessment is complete.

4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out as below. The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

- (1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the IFRSs endorsed by the FSC with effective dates (hereinafter referred to as “TIFRSs”).

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Basis of preparation

a. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated balance sheets:

- (i) Financial instruments at fair value through profit or loss (including derivative financial instruments) (Note 6(2));
- (ii) Financial assets at fair value through other comprehensive income (Note 6(3));
- (iii) Defined benefit asset (liability) is recognized as the fair value of the plan assets less the present value of the defined benefit obligation (Note 6(18)).

b. Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Company's consolidated financial statements are presented in New Taiwan Dollar ("NTD"), which is also AUO's functional currency. All financial information presented in NTD has been rounded to the nearest thousand, unless otherwise noted.

(3) Basis of consolidation

a. Principle of preparation of the consolidated financial statements

The Company includes in its consolidated financial statements the results of operations of all controlled entities in which the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All significant inter-company transactions, income and expenses are eliminated in the consolidated financial statements.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Total comprehensive income (loss) in a subsidiary is allocated to the shareholders of AUO and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Company.

Changes in the Company's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Company's investment and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between such adjustment and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of AUO.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Upon the loss of control, the Company derecognizes the carrying amounts of the assets and liabilities of the subsidiary and non-controlling interests. Any interest retained in the former subsidiary is remeasured at fair value when control is lost. The gain or loss is measured as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any retained investment in the former subsidiary at the date when the Company loses control; and (ii) the aggregate of the carrying amount of the former subsidiary's assets (including goodwill), liabilities and non-controlling interests at the date when the Company loses control. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

- b. List of subsidiaries in the consolidated financial statements was as follows:

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2022	December 31, 2021
AUO	AUO (L) Corp. (AUOLB, formerly AU Optronics (L) Corp.)	Holding company (Malaysia)	100.00	100.00
AUO	Konly Venture Corp. (Konly)	Investment (Taiwan ROC)	100.00	100.00
AUO	Ronly Venture Corp. (Ronly)	Investment (Taiwan ROC)	100.00	100.00
AUO	Space Money Inc. (S4M)	Design, sales and leasing activities (Taiwan ROC)	100.00	100.00
AUO	AUO Envirotech Inc. (AETTW, formerly U-Fresh Technology Inc.)	Construction project and related project management (Taiwan ROC)	100.00	100.00
AUO	ComQi Ltd. (CQIL)	Holding company (Israel)	100.00	100.00
AUO	AUO Europe B.V. (AUONL, formerly AU Optronics Europe B.V.)	Sales support activities (Netherlands)	100.00	100.00
AUO	AUO Crystal Corp. (ACTW)	Manufacturing and sales company (Taiwan ROC)	100.00	100.00
AUO	AUO Display Plus Corporation (ADP)	Research and development and sales activities (Taiwan ROC)	100.00	100.00
AUO	Da Ping Green Energy Corporation (DPGE)	Renewable energy power generation (Taiwan ROC)	100.00	100.00
AUO	AUO Health Corporation (AHTW)	Manufacturing, development and sales company (Taiwan ROC)	100.00	100.00
AUO	AUO Digitech (CAYMAN) Limited (ADTCM)	Holding company (Cayman Islands)	100.00	100.00
AUO	AUO Care Inc. (ACTTW)	Intelligent health care services (Taiwan ROC)	100.00	100.00 ⁽¹⁾
AUO and Konly	Star River Energy Corp. (SREC)	Investment (Taiwan ROC)	33.51	33.51 ⁽²⁾
AUO and ADTCM	AUO Digitech Holding Limited (ADTHLD)	Holding company (Cayman Islands)	100.00	100.00

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2022	December 31, 2021
AUO, Konly and Ronly	Darwin Precisions Corporation (DPTW)	Manufacturing and sales company (Taiwan ROC)	41.05 ⁽³⁾	41.05 ⁽³⁾
AUO and AETTW	Yo-Pei Water Corporation (AET-YP)	Investment and construction in public construction, and wastewater (sewage) treatment (Taiwan ROC)	81.79 ⁽¹⁾	-
Konly	AUO Education Service Corp. (AUES)	Leasing and service company (Taiwan ROC)	100.00	100.00
ADTHLD	AUO Digitech Pte. Ltd. (ADTSG)	Holding and sales company, and software development (Singapore)	100.00	100.00
ADTSG	AUO Digitech (Suzhou) Co., Ltd. (ADTSZ)	Design, sales and consulting (PRC)	100.00	100.00
ADTSG	AUO Digitech Taiwan Inc. (ADTTW)	Design, sales and consulting (Taiwan ROC)	100.00	100.00 ⁽¹⁾
ACTW	Sanda Materials Corporation (SDMC)	Holding company (Taiwan ROC)	100.00	100.00
ACTW	AUO Crystal (Malaysia) Sdn. Bhd. (ACMK) ⁽⁴⁾	Manufacturing and sales company (Malaysia)	100.00	100.00
SDMC	M.Setek Co., Ltd. (M.Setek)	Manufacturing and sales company (Japan)	99.9991	99.9991
AUOLB	AUO Corporation America (AUOUS, formerly AU Optronics Corporation America)	Sales and sales support activities (United States)	100.00	100.00
AUOLB	AUO Corporation Japan (AUOJP, formerly AU Optronics Corporation Japan)	Sales support activities (Japan)	100.00	100.00
AUOLB	AUO Korea Ltd. (AUOKR, formerly AU Optronics Korea Ltd.)	Sales support activities (South Korea)	100.00	100.00
AUOLB	AUO Singapore Pte. Ltd. (AUOSG, formerly AU Optronics Singapore Pte. Ltd.)	Holding company and sales support activities (Singapore)	100.00	100.00
AUOLB	AUO (Shanghai) Co., Ltd. (AUOSH, formerly AU Optronics (Shanghai) Co., Ltd.)	Sales support activities (PRC)	100.00	100.00
AUOLB	AUO (Xiamen) Co., Ltd. (AUOXM, formerly AU Optronics (Xiamen) Corp.)	Manufacturing and sales company (PRC)	100.00	100.00 ⁽⁵⁾
AUOLB	AUO (Suzhou) Co., Ltd. (AUOSZ, formerly AU Optronics (Suzhou) Corp., Ltd.)	Manufacturing and sales company (PRC)	100.00	100.00

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2022	December 31, 2021
AUOLB	AUO Manufacturing (Shanghai) Co., Ltd. (AUOSJ, formerly AU Optronics Manufacturing (Shanghai) Corp.)	Leasing activities (PRC)	100.00	100.00
AUOLB	AUO (Slovakia) s.r.o (AUOSK, formerly AU Optronics (Slovakia) s.r.o.)	Repairing activities (Slovakia Republic)	100.00	100.00
AUOLB	AFPD Pte., Ltd. (AUST)	Manufacturing company (Singapore)	100.00	100.00
AUOLB	AUO (Kunshan) Co., Ltd. (AUOKS, formerly AU Optronics (Kunshan) Co., Ltd.)	Manufacturing and sales company (PRC)	100.00	100.00 ⁽⁵⁾
AUOLB	a.u. Vista Inc. (AUVI)	Research and development and IP related business (United States)	100.00	100.00
AUOLB and DPTW	BriView (L) Corp. (BVLB) ⁽⁴⁾	Holding company (Malaysia)	100.00	100.00
SREC	Sungen Power Corporation (SGPC)	Solar power generation (Taiwan ROC)	100.00	100.00 ⁽²⁾
SREC	Evergen Power Corporation (EGPC)	Solar power generation (Taiwan ROC)	100.00	100.00 ⁽²⁾
AUOSG	AUO Green Energy America Corp. (AEUS)	Sales support activities (United States)	100.00	100.00
ADP	Jector Digital Corporation (Jector)	Introduction of smart field construction and other solutions (Taiwan ROC)	78.43	78.43 ⁽¹⁾
ADP	AUO Display Plus Netherlands B.V. (ADPNL) ⁽⁶⁾	Holding, sales and sales support activities (Netherlands)	100.00	100.00
ADP	AUO Display Plus Technology (Suzhou) Co., Ltd. (ADPSZ)	Sales and sales support activities (PRC)	100.00	100.00 ⁽¹⁾
ADPNL	AUO Display Plus America Corp. (ADPUS)	Sales and sales support activities (United States)	100.00	100.00
ADPNL	AUO Display Plus Japan Corp. (ADPIP)	Sales and sales support activities (Japan)	100.00	100.00
ADPNL	Rise Vision Incorporated (RVI)	System design, sales and sales support activities (Canada)	100.00 ⁽⁷⁾	-
ADPNL	Rise Vision USA Inc. (RVU)	System design and sales support activities (United States)	100.00 ⁽⁷⁾	-
ADPSZ	Heilongjiang Talenda Smart Display Technology Co., Ltd. (Talenda)	Manufacturing of electronic components (PRC)	51.00 ⁽¹⁾	-
AUOXM	BriView (Xiamen) Corp. (BVXM)	Sales and leasing activities (PRC)	100.00	100.00

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2022	December 31, 2021
AUOSH	AUO Care Information Tech. (Suzhou) Co., Ltd. (ACTSZ)	Intelligent health care services (PRC)	100.00	100.00
AUOSH	AUO Envirotech (Suzhou) Co., Ltd. (AETSZ, formerly U-Fresh Technology (Suzhou) Co., Ltd.)	Construction project and related project management (PRC)	100.00	100.00
ADTSZ	AUO Megainsight (Xiamen) Co., Ltd. (AMIXM)	Sales of software and hardware and consulting services (PRC)	100.00	100.00 ⁽¹⁾
ADTSZ	Edgetech Data Technologies (Suzhou) Corp., Ltd. (ATISZ) ⁽⁸⁾	Integration service of software and hardware (PRC)	100.00	100.00
ADTSZ	AUO MegaInsight (Suzhou) Co., Ltd. (AMISZ, formerly Mega Insight Smart Manufacturing (Suzhou) Corp., Ltd.) ⁽⁸⁾	Development, sales and licensing of software and hardware and consulting services (PRC)	100.00	100.00
AETSZ	AUO Envirotech (Shandong) Co., Ltd. (AETSD, formerly U-Fresh Environmental Technology (Shandong) Co., Ltd.)	Construction project and related project management (PRC)	100.00	100.00
CQIL	ComQi Holdings Ltd. (CQHLD)	Holding company (United Kingdom)	100.00	100.00
CQHLD	ComQi UK Ltd. (CQUK) ⁽⁴⁾	Sales support activities (United Kingdom)	100.00	100.00
CQHLD	ComQi Inc. (CQUS)	Sales company (United States)	100.00	100.00
CQHLD	ComQi Canada Inc. (CQCA)	Research and development activities (Canada)	100.00	100.00
CQUS	JohnRyan Limited (JRUUK)	Development and sales activities (United Kingdom)	100.00	100.00
CQUS	JohnRyan Inc. (JRUS)	Development and sales activities (United States)	100.00	100.00
DPTW	Darwin Precisions (L) Corp. (DPLB)	Holding company (Malaysia)	100.00	100.00
DPTW	Forhouse International Holding Ltd. (FHVI)	Holding company (BVI)	100.00	100.00
DPTW	Forefront Corporation (FFMI)	Holding company (Mauritius)	100.00	100.00
FHVI	Fortech International Corp. (FTMI)	Holding company (Mauritius)	100.00	100.00
FHVI	Forward Optronics International Corp. (FWSA)	Holding company (Samoa)	100.00	100.00
FHVI	Prime Forward International Ltd. (PMSA) ⁽⁴⁾	Holding company (Samoa)	-	100.00

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2022	December 31, 2021
FFMI	Forhouse Electronics (Suzhou) Co., Ltd. (FHWJ)	Manufacturing and sales company (PRC)	100.00	100.00
FTMI	Fortech Electronics (Suzhou) Co., Ltd. (FTWJ)	Manufacturing and sales company (PRC)	100.00	100.00
FWSA and FTMI	Suzhou Forplax Optronics Co., Ltd. (FPWJ)	Manufacturing, sales and trading company (PRC)	100.00	100.00
PMSA	Fortech Electronics (Kunshan) Co., Ltd. (FTKS) ⁽⁴⁾	Manufacturing and sales company (PRC)	-	100.00
DPLB	Darwin Precisions (Hong Kong) Limited (DPHK)	Holding company (Hong Kong)	100.00	100.00
DPLB	Darwin Precisions (Slovakia) s.r.o. (DPSK) ⁽⁴⁾	Manufacturing and sales company (Slovakia Republic)	-	100.00
DPHK	Darwin Precisions (Suzhou) Corp. (DPSZ) ⁽⁴⁾	Manufacturing and sales company (PRC)	100.00	100.00
DPHK	Darwin Precisions (Xiamen) Corp. (DPXM)	Manufacturing and sales company (PRC)	100.00	100.00
BVLB	BriView (Hefei) Co., Ltd. (BVHF) ⁽⁴⁾	Manufacturing and sales company (PRC)	-	100.00

Note 1: ACTTW and ADPSZ were incorporated in February 2021. ADTTW was incorporated in March 2021. Jector and AMIXM were incorporated in April 2021. AET-YP was incorporated in March 2022. Talenda was incorporated in June 2022.

Note 2: The Company re-assessed the investment of SREC and considered that it has control over the main operating activities of SREC; consequently, SREC and its subsidiaries were included in the Company's consolidated financial statements from January 2021. Refer to Note 6(8) for the relevant information.

Note 3: Although the Company did not own more than 50% of the DPTW's ownership interests, it was considered to have de facto control over the main operating policies of DPTW. As a result, DPTW was accounted for as a subsidiary of the Company.

Note 4: As of December 31, 2022, FTKS, PMSA, DPSK and BVHF have completed liquidation. The liquidation of ACMK, DPSZ, BVLB and CQUK are still in process.

Note 5: The Company purchased 49% equity interests of AUOKS from its joint venture partner in December 2021. Refer to Note 6(19) for the relevant information.

Note 6: As part of a business restructuring, AUOSG sold all its shareholdings in ADPNL to ADP in January 2021.

Note 7: In July 2022, the Company acquired 100% of shareholdings of RVI and RVU from third parties. Refer to Note 6(8) for the relevant information.

Note 8: As part of a business restructuring, AUOSH sold all its shareholdings in ATISZ and AMISZ to ADTSZ in January 2021.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Foreign currency transactions and operations

- a. Transactions in foreign currencies are translated to the respective functional currencies of the individual entities of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date and the resulting exchange differences are included in profit or loss for the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date when the fair value was determined. The resulting exchange differences are included in profit or loss for the year except for those arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences arising from the effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognized in other comprehensive income.

- b. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NTD using exchange rates at the reporting date. Income and expenses of foreign operations are translated at the average exchange rates for the period unless the exchange rates fluctuate significantly during the period; in that case, the exchange rates at the dates of the transactions are used. Foreign currency differences are recognized in other comprehensive income and accumulated in equity.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current when:

- a. The asset expected to realize, or intends to sell or consume, in its normal operating cycle;
- b. The asset primarily held for the purpose of trading;
- c. The asset expected to realize within twelve months after the reporting date; or
- d. Cash and cash equivalent excluding the asset restricted to be exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is classified as current when:

- a. The liability expected to settle in its normal operating cycle;
- b. The liability primarily held for the purpose of trading;
- c. The liability is due to be settled within twelve months after the reporting date; or

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- d. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments, do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash comprises cash balances and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amount of cash and are subject to an insignificant risk of changes in their fair value. Time deposits with short-term maturity but not for investments and other purposes and are qualified with the aforementioned criteria are classified as cash equivalent.

(7) Financial instruments

a. Financial assets

(i) Classification of financial assets

The Company classifies financial assets into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. When, and only when, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets.

(a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- i. it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- ii. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are initially recognized at fair value, plus any directly attributable transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment losses, are recognized in profit or loss.

(b) Financial assets at fair value through other comprehensive income

On initial recognition, the Company is able to make an irrevocable election to present subsequent changes in the fair value of investments in equity instruments that is not held for trading in other comprehensive income. This election is made on an instrument-by-instrument basis.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Such financial assets are initially recognized at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and accumulated in equity—unrealized gains (losses) on financial assets at fair value through other comprehensive income, except for dividends deriving from equity investments which are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. When an investment is derecognized, the cumulative gain or loss in equity will not be reclassified to profit or loss, instead, is reclassified to retained earnings.

Dividends on investments in equity instruments are recognized on the date that the Company's right to receive the dividends is established.

(c) Financial assets at fair value through profit or loss

All financial assets not classified as at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets.

Such financial assets are initially recognized at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in profit or loss.

(ii) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets at amortized cost, including cash and cash equivalents, receivables, refundable deposits and other financial assets, etc., and contract assets. Loss allowances for financial assets are deducted from the gross carrying amount of the assets. The recognition or reversal of the loss allowance is recognized in profit or loss.

The expected credit loss is the weighted average of credit losses with the respective risks of a default occurring on the financial instrument as the weights.

The Company measures the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses, except for the financial instrument that is determined to have low credit risk at the reporting date and the credit risk thereof has not increased significantly since initial recognition, which is measured at an amount equal to the 12-month expected credit losses. For trade receivables and contract assets, the Company measures their loss allowances at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant. This includes both qualitative and quantitative information and analysis, based on the Company's historical experience and credit assessment as well as forward-looking information.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In the circumstance that a financial asset is past due or the borrower is unlikely to pay its credit obligations to the Company in full, the Company considers the credit risk on that financial asset has significantly increased, or further, to be in default.

At each reporting date, the Company assesses whether financial assets at amortized cost are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(iii) De-recognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets to another entity.

b. Financial liabilities

(i) Classification of financial liabilities

The Company classifies financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

The Company designates financial liabilities as held for trading for the purpose of hedging exposure to foreign exchange risk arising from operating and financing activities. When a financial liability is not effective as a hedge, the Company accounts for it as a financial liability at fair value through profit or loss.

The Company accounts for financial liabilities, other than the one mentioned above, as at fair value through profit or loss at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities in this category are subsequently measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss.

(b) Other financial liabilities

Financial liabilities not classified as held for trading, or not designated as at fair value through profit or loss (including loans and borrowings, trade and other payables), are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method, except for insignificant recognition of interest expense from short-term borrowings and payables. Interest expense not capitalized as an asset cost is recognized in profit or loss.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) De-recognition of financial liabilities

The Company derecognizes financial liabilities when the contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed is recognized in profit or loss.

c. Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis in the consolidated balance sheet when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(8) Inventories

The cost of inventories includes all necessary expenditures and charges for bringing the inventory to a stable, useable and marketable condition and location. The production overhead is allocated to finished goods and work in progress based on the normal capacity of the production facilities. Subsequently, inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted-average method. Net realizable value is calculated based on the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

(9) Investments in associates and joint ventures

Associates are those entities in which the Company has the power to exercise significant influence, but not control or joint control, over their financial and operating policies.

Joint venture is a joint arrangement whereby the Company and other parties agreed to share the control of the arrangement, and have rights to the net assets of the arrangement. Unanimous consent from the parties sharing control is required when making decisions for the relevant activities of the arrangement.

Investments in associates or joint ventures are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of associates or joint ventures, after adjustments are made to align their accounting policies with those of the Company. When an associate or a joint venture incurs changes in its equity not derived from profit or loss and other comprehensive income, the Company recognizes all the equity changes in proportion to its ownership interest in the associate or joint venture as capital surplus provided that the ownership interest in the associate or joint venture remains unchanged.

The difference between acquisition cost and fair value of associates' or joint ventures' identifiable assets and liabilities as of the acquisition date is accounted for as goodwill. Goodwill is included in the original investment cost of acquired associates or joint ventures and is not amortized. If the fair value of identified assets and liabilities is in excess of acquisition cost, the remaining excess over acquisition cost is recognized as a gain in profit or loss.

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AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company discontinues the use of the equity method from the date when its investment ceases to be an associate or a joint venture, and then measures the retained interests at fair value at that date. The difference between the carrying amount of the investment at the date the equity method was discontinued and the fair value of the retained interests along with any proceeds from disposing of a part interest in the associate or joint venture is recognized in profit or loss. Moreover, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would be required if the investee had directly disposed of the related assets or liabilities.

When the Company subscribes for additional shares in an associate or a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate or joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the capital surplus arising from investment accounted for under the equity method in associates or joint ventures is insufficient to offset with the said corresponding amount, the differences will be charged or credited to retained earnings.

If the Company's ownership interest in an associate or a joint venture is reduced due to disposal of or disproportionate subscription to the shares, but the Company continues to apply the equity method, the Company shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest on the same basis as would be required if the investee had directly disposed of the related assets or liabilities.

At the end of each reporting period, if there is any indication of impairment, the entire carrying amount of the investment including goodwill is tested for impairment as a single asset, by comparing its recoverable amount with its carrying amount. An impairment loss recognized forms part of the carrying amount of the investment in associates or joint ventures. Accordingly, any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Profits and losses resulting from the transactions between the Company and associates or joint ventures are recognized in the Company's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Company.

When the Company's share of losses exceeds its interest in an associate or a joint venture, the carrying amount of that interest, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has a legal or constructive obligation, or has made payments on behalf of the investee.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured using the cost model. Depreciation is charged and recognized in non-operating income and expenses based on the depreciable amount. Depreciation methods, useful lives and residual values are in accordance with the policy of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is reclassified to property, plant and equipment at its carrying amount when the use of the investment property changes.

(11) Property, plant and equipment

a. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of the software is capitalized as part of the equipment if the purchase of the software is necessary for the equipment to be capable of operating.

When part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and the useful life or the depreciation method of the significant part is different from another significant part of that same item, it is accounted for as a separate item (significant component) of property, plant and equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss.

b. Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. Ongoing repairs and maintenance expenses are recognized in profit or loss as incurred.

c. Depreciation

Depreciation is determined by depreciable amount allocated over the estimated useful lives of the respective assets, considering significant components of an individual asset on a straight-line basis. If a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation charge is recognized in profit or loss.

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AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Leased assets are depreciated over their useful lives if it is reasonably certain that the Company will obtain ownership by the end of the lease term. Otherwise, leased assets are depreciated over the shorter of the lease term and their useful lives.

Except for land, which is not depreciated, the estimated useful lives of the assets are as follows:

- (i) Buildings: 20~50 years
- (ii) Machinery and equipment: 3~10 years
- (iii) Other equipment: 3~6 years

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and, if necessary, adjusted as appropriate. Any changes therein are accounted for as changes in accounting estimates.

d. Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment purpose.

(12) Leases

a. Identifying a lease

A contract is, or contains, a lease when all the following conditions are satisfied:

- (i) the contract involves the use of an identified asset, and the supplier does not have a substantive right to substitute the asset; and
- (ii) the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- (iii) the Company has the right to direct the use of the identified asset throughout the period of use.

b. As a lessee

Payments for leases of low-value assets and short-term leases are recognized as expenses on a straight-line basis during the lease term for which the recognition exemption is applied. Except for leases described above, a right-of-use asset and a lease liability shall be recognized for all other leases at the lease commencement date.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments (including fixed payments and variable lease payments that depend on an index or a rate), discounted using the lessee's incremental borrowing rate. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred in restoring the underlying asset.

The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the useful life of the right-of-use asset or the lease term. The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured (i) if there is a change in the lease term; (ii) if there is a change in future lease payments arising from a change in an index or a rate; (iii) if there is a change in the amounts expected to be payable under a residual value guarantee; or (iv) if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in the circumstances aforementioned, a corresponding adjustment is made to the carrying amount of the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

Moreover, the lease liability is remeasured when lease modifications occur that decrease the scope of the lease. The Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- (i) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- (ii) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (iii) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- (iv) there is no substantive change in other terms and conditions of the lease.

Under the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

c. As a lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the asset leased to others and recognized as an expense on a straight-line basis over the lease term.

(13) Intangible assets

a. Goodwill

Goodwill is recognized when the purchase price exceeds the fair value of identifiable net assets acquired in a business combination. Goodwill is measured at cost less accumulated impairment losses.

Equity-method goodwill is included in the carrying amounts of the equity investments. The impairment losses for the goodwill within the equity-accounted investees are accounted for as deductions of carrying amounts of investments in equity-accounted investees.

b. Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditure arising from development is capitalized as an intangible asset when the Company demonstrates all of the following:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (ii) its intention to complete the intangible asset and use or sell it;
- (iii) its ability to use or sell the intangible asset;
- (iv) the probability that the intangible asset will generate probable future economic benefits;
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenditure which fails to meet the criteria for recognition as an intangible asset is reflected in profit or loss when incurred. Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

c. Other intangible assets

Other intangible assets acquired are measured at cost less accumulated amortization and any accumulated impairment losses.

d. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

e. Amortization

The depreciable amount of an intangible asset is the cost less its residual value. Other than goodwill and intangible assets with indefinite useful life, an intangible asset with a finite useful life is amortized over 3 to 20 years using the straight-line method from the date that the asset is made available for use. The amortization charge is recognized in profit or loss.

The residual value, amortization period, and amortization method are reviewed at least annually at each annual reporting date, and any changes therein are accounted for as changes in accounting estimates.

(14) Noncurrent assets held for sale

Noncurrent assets are classified as held for sale when their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Such noncurrent assets must be available for immediate sale in their present condition and the sale is highly probable within one year. When classified as held for sale, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. However, subsequent gains are not recognized in excess of the cumulative impairment loss that has been recognized.

When property, plant and equipment and right-of-use assets are classified as held for sale, they are no longer depreciated.

(15) Impairment – non-financial assets

Other than inventories, deferred tax assets and noncurrent assets held for sale, the carrying amounts of the Company's investment property measured at cost and other long-term non-financial assets (property, plant and equipment, right-of-use assets and other intangible assets with finite useful lives), are reviewed at the reporting date to determine whether there is any indication of impairment. When there is an indication of impairment exists for the aforementioned assets, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset has been allocated to.

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AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In performing an impairment test for other long-term non-financial assets, the estimated recoverable amount is evaluated in terms of an asset or a CGU. Any excess of the carrying amount of the asset or its related CGU over its recoverable amount is recognized as an impairment loss. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use.

If there is evidence that the accumulated impairment loss of an asset other than goodwill and intangible assets with indefinite useful lives in prior years no longer exists or has decreased, the amount previously recognized as an impairment loss is reversed, and the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. The increased carrying amount shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

For goodwill and intangible assets with indefinite useful lives or that are not yet available for use, are required to be tested for impairment at least annually. Any excess of the carrying amount of the asset over its recoverable amount is recognized as an impairment loss.

For the purpose of impairment test, goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination. If the recoverable amount of a CGU is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to the unit, then the carrying amounts of the other assets in the unit on a pro rata basis. The impairment loss recognized on goodwill is not reversed in a subsequent period.

(16) Provisions

A provision is recognized when the Company has a present obligation arising from a past event, it is probable that the Company will be required to make an outflow of resources embodying economic benefits to settle the obligation, and the amount of the obligation can be estimated reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

a. Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is weighting factors based on historical experience of warranty claims rate and other possible outcomes against their associated probabilities.

b. Decommissioning obligation

The Company is subject to decommissioning obligations related to certain items of property, plant and equipment. Such decommissioning obligations are primarily attributable to clean-up costs, including deconstruction, transportation, and recover costs. The unwinding of the discount based on original discount rate is recognized in profit or loss as interest expense over the periods with corresponding increase in the carrying amounts of the accrued decommissioning costs. The carrying amount of the accruals at the end of the assets' useful lives is the same as the estimated decommissioning costs.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

c. Litigation

Management periodically assesses the obligation of all litigation and claims and relative legal costs. Provision for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recognized when it is probable the present obligation as a result of a past event will result in an outflow of resources and the amount can be reasonably estimated.

Provisions recognized are the best estimates of the expenditure for settling the present obligation at each reporting date.

(17) Treasury shares

Where the Company repurchases its common stock that has been issued, the consideration paid, including all directly attributable costs is recorded as treasury share and deducted from equity. When treasury share is reissued, the excess of sales proceeds over cost is accounted for as capital surplus – treasury shares. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of capital surplus arising from similar types of treasury shares. If such capital surplus is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The carrying amount of treasury share is calculated using the weighted-average cost of different types of repurchase.

If treasury share is retired, the weighted-average cost of the retired treasury share is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus premium, the difference is accounted for as a reduction of capital surplus – treasury shares, or a reduction of retained earnings for any deficiency where capital surplus – treasury shares is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and the capital surplus premium, if any, of the stock retired, the difference is accounted for as an increase in capital surplus – treasury shares.

(18) Revenue from contracts with customers

Revenue is measured based on the consideration that the Company expects to be entitled in the transfer of goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The following is a description of the Company's major revenues:

a. Sales of goods

Revenue is recognized when the control over a product has been transferred to the customer. The transfer of control refers to the product has been delivered to and accepted by the customer without remaining performance obligations from the Company. Delivery occurs when the product has been shipped to the specified location and the risk of loss over the product has been transferred to the customer, as well as when the product has been accepted by the customer according to the terms of sales contract, or when the Company has objective evidence that all criteria for acceptance have been satisfied.

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AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For certain contracts with volume discounts offer to customers, revenue is recognized on a net basis of contract price less estimated volume discounts, and only to the extent that it is highly probable that a significant reversal will not occur. The amount of volume discounts is estimated based on the expected value with reference to the historical experience, and is recorded as refund liability (presented under other current liabilities).

Trade receivable is recognized when the Company is entitled for unconditional right to receive payment upon delivery of goods to customers. The consideration received in advance from the customer according to the sales contract but without delivery of goods is recognized as a contract liability, for which revenue is recognized when the control over the goods is transferred to the customer.

The Company provides standard warranties for goods sold and has obligation to refund payments for defective goods, in which the Company has recognized provisions for warranties to fulfill the obligation. Refer to Note 4(16) for further details.

b. Construction contracts

For construction contracts, revenue is recognized progressively based on the progress towards complete satisfaction of contract activities, and only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

If the Company cannot reasonably measure its progress towards complete satisfaction of performance obligations in accordance with the construction contracts, revenue is recognized only to the extent of contract costs incurred that it is expected to be recoverable.

The consideration is paid by the customer according to the agreed payment terms. The excess of the amount that has been recognized as revenue over the amount that the Company has issued a bill is recognized as a contract asset. When the entitlement to the payment becomes unconditional, the contract asset is transferred to receivables.

A contract liability is recognized for an advance consideration that the Company has billed to customers arising from construction contracts. When the construction is completed and accepted by the customers, the contract liability is transferred to revenue.

If there are changes in circumstances, the estimates of revenue, cost and the progress towards complete satisfaction of contract will be amended. Any changes therein are recognized in profit or loss during the period in which the changes and amendments are made.

The Company provides standard warranties for construction contracts and has recognized provisions for warranties to fulfill the obligation. Refer to Note 4(16) for further details.

c. Financing components

The Company expects that the length of time when the Company transfers the goods or services to the customer and when the customer pays for those goods or services will be less than one year. Therefore, the amount of consideration is not adjusted for the time value of money.

AUO CORPORATION AND SUBSIDIARIES
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(19) Government grants

a. Grants for compensating the research and development expenditures

Grants that compensate the Company for research and development expenditures are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

b. Grants related to the purchase of assets

Grants related to the purchase of assets are set up as deferred income and are recognized in profit or loss on a systematic basis over the useful life of the assets.

c. Other grants

Other grants from government that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss of the period in which it becomes receivable.

(20) Employee benefits

a. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

b. Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each benefit plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Discount rate is determined by reference to the yield rate of Taiwan government bonds at the reporting date. The calculation of defined benefit obligations is performed annually by a qualified actuary using the Projected Unit Credit Cost Method.

Remeasurements of the net defined benefit liability (asset) which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in other comprehensive income in the period in which they occur, and which then are reflected in retained earnings and will not be reclassified to profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

c. Short-term employee benefits

Short-term employee benefit obligations, which are due to be settled within twelve months are measured on an undiscounted basis and are expensed as the related service is provided.

The expected cost of cash bonus or profit-sharing plans, which is anticipated to be paid within one year, are recognized as a liability when the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(21) Share-based payment arrangements

The fair value of equity-settled share-based payment arrangements at the grant date is recognized as compensation cost, together with a corresponding increase in equity, over the periods in which the employees become unconditionally entitled to the awards. The amount of the compensation cost recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the fair value of the share-based payment at the grant date is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(22) Income taxes

Income tax expense comprises current and deferred taxes.

a. Current taxes

Current taxes comprise the expected tax payable or receivable on the taxable income or losses for the year and any adjustments to tax payable or receivable in respect of previous years. It is measured using the statutory tax rate or the actual legislative tax rate at the reporting date.

In accordance with the ROC Income Tax Act, undistributed earnings from the companies located in the Republic of China, if any, is subject to an additional surtax. The surtax on unappropriated earnings is expensed in the year the shareholders approved the distributions which is the year subsequent to the year the earnings arise.

b. Deferred taxes

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes at the reporting date. Deferred tax liabilities are recognized for temporary difference of future taxable income. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

AUO CORPORATION AND SUBSIDIARIES

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Deferred tax assets are reviewed at annual reporting date, by considering global economic environment, industry environment, statutory tax deduction years and projected future taxable income, and reduced to the extent that it is no longer probable that future taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Deferred tax assets which originally not recognized is also reviewed at annual reporting date and recognized to the extent that it is probable that future taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred taxes liabilities for taxable temporary differences related to investments in subsidiaries, associates and joint arrangements are recognized, unless the Company is able to control the timing of the reversal of the taxable temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the reverse, using the statutory tax rate or the actual legislative tax rate on the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

Current taxes and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

(23) Business combinations

The consideration transferred in the acquisition is measured at fair value, as are identifiable net assets acquired. Goodwill is measured as the excess of the aggregate of the fair value of consideration transferred and the amount of any non-controlling interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred and the amount of any non-controlling interests in the acquiree, after reassessing all of the assets acquired and all of the liabilities assumed being properly identified, the difference is recognized in profit or loss as a gain on bargain purchase.

Acquisition-related costs are expensed as incurred, except that the costs are related to the issue of debt or equity instruments.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured, on a case-by-case basis, at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's net identifiable assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by TIFRSs.

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AUO CORPORATION AND SUBSIDIARIES

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Any contingent consideration included in the consideration transferred is recognized at fair value at the date of acquisition. Subsequent changes to the fair value of the contingent consideration during the measurement period shall adjust to the cost of the acquisition and the resulting goodwill retrospectively. An adjustment made during the measurement period is to reflect additional information obtained by the Company about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date. The accounting treatment for those changes to the fair value of the contingent consideration that are not measurement period adjustments is depending on the classification of the contingent consideration. If the contingent consideration is classified as equity, it is not remeasured and the subsequent settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value are recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the provisional amounts for the items for which the accounting has not yet completed are reported in financial statements. During the measurement period, the provisional amounts are retrospectively adjusted, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(24) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing profit or loss attributable to the shareholders of AUO by the weighted-average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss attributable to the shareholders of AUO and the weighted-average number of common shares outstanding during the period are adjusted for the effects of dilutive potential common stock, assuming dilutive share equivalents had been issued. The Company's potential dilutive common shares comprise the estimate of employee compensation to be distributed in the form of stock.

The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings or capital surplus to common stock.

(25) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). Operating results of the operating segments are reviewed regularly by the Company's chief operating decision maker ("CODM") to make decisions pertaining to the allocation of resources to the segment and to assess its performance. Meanwhile, discrete financial information for operating results is available.

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Notes to Consolidated Financial Statements

5. Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and TIFRSs requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

(1) Impairment of long-term non-financial assets, other than goodwill

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups with the consideration of the usage mode of asset and the nature of industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(2) Impairment of goodwill

The assessment of impairment of goodwill requires the Company to make subjective judgment to determine the identified CGUs, allocate the goodwill to relevant CGUs and estimate the recoverable amount of relevant CGUs. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments.

(3) Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability, the sources of taxable income, the amount of tax credits can be utilized and feasible tax planning strategies. Changes in the global economic environment, the industry trends and relevant laws and regulations may result in adjustments to the deferred tax assets.

(4) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash on hand, demand deposits and checking accounts	\$ 48,151,084	48,949,652
Time deposits	<u>32,462,036</u>	<u>30,995,034</u>
	<u>\$ 80,613,120</u>	<u>79,944,686</u>

Refer to Note 6(29) for the disclosure of credit risk, currency risk and sensitivity analysis of the financial instruments of the Company.

As at December 31, 2022 and 2021, no cash and cash equivalents were pledged with banks as collaterals.

(2) Financial Assets and Liabilities at Fair Value through Profit or Loss ("FVTPL")

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at FVTPL:		
Foreign currency forward contracts	<u>\$ 365,037</u>	<u>159,270</u>
Financial liabilities measured at FVTPL:		
Contingent consideration from business combination	\$ 99,222	-
Financial liabilities held for trading:		
Foreign currency forward contracts	<u>252,603</u>	<u>132,797</u>
	<u>\$ 351,825</u>	<u>132,797</u>

The Company entered into derivative contracts to manage the exposure to currency risk arising from operating activities. Refer to Note 6(29) for the disclosure of the Company' s credit and currency risks related to financial instruments.

As at December 31, 2022 and 2021, the Company' s outstanding foreign currency forward contracts were as follows:

December 31, 2022		
Contract item	Maturity date	Contract amount
Sell USD / Buy NTD	Jan. 2023~Feb. 2023	USD 208,700 / NTD 6,465,622
Sell USD / Buy JPY	Jan. 2023~Feb. 2023	USD 93,000 / JPY 12,527,074
Sell USD / Buy CNY	Jan. 2023~Mar. 2023	USD 68,000 / CNY 487,743
Sell USD / Buy SGD	Jan. 2023~Feb. 2023	USD 26,938 / SGD 36,770
Sell NTD / Buy USD	Apr. 2023~May 2023	NTD 2,779,971 / USD 89,000
Sell NTD / Buy JPY	Jan. 2023~Mar. 2023	NTD 1,939,137 / JPY 8,600,000
Sell JPY / Buy NTD	Jan. 2023	JPY 1,000,000 / NTD 232,086

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022		
Contract item	Maturity date	Contract amount
Sell CNY / Buy USD	Jan. 2023~May 2023	CNY 2,700,000 / USD 387,616
Sell EUR / Buy JPY	Jan. 2023	EUR 1,000 / JPY 140,530
December 31, 2021		
Contract item	Maturity date	Contract amount
Sell USD / Buy NTD	Jan. 2022~Feb. 2022	USD 843,700 / NTD 23,496,028
Sell USD / Buy JPY	Jan. 2022~Feb. 2022	USD 188,117 / JPY 21,470,200
Sell USD / Buy CNY	Jan. 2022~Jul. 2022	USD 147,500 / CNY 947,875
Sell USD / Buy SGD	Jan. 2022~Feb. 2022	USD 33,517 / SGD 45,430
Sell JPY / Buy NTD	Jan. 2022	JPY 1,300,000 / NTD 316,850
Sell CNY / Buy USD	Jan. 2022~Mar. 2022	CNY 1,700,000 / USD 263,122
Sell EUR / Buy JPY	Jan. 2022~Feb. 2022	EUR 14,000 / JPY 1,814,893

(3) Financial Assets at Fair Value through Other Comprehensive Income ("FVTOCI")

	December 31, 2022	December 31, 2021
Investments in equity instruments at FVTOCI:		
Equity securities – listed stocks	\$ 1,305,625	149,177
Equity securities – non-listed stocks	594,956	1,158,980
	<u>\$ 1,900,581</u>	<u>1,308,157</u>

The purpose that the Company invests in the abovementioned equity securities is for long-term strategies, but rather for trading purpose. Therefore, those equity securities are designated as financial assets at FVTOCI. Additionally, the Company holds shares in PlayNitride inc., and from August 2022, the stock of PlayNitride inc. has begun listing.

If the value of these equity securities appreciates or depreciates by 10% at the reporting date, other comprehensive income would increase or decrease by \$190,058 thousand and \$130,816 thousand for the years ended December 31, 2022 and 2021, respectively.

Dividends recognized from the investments in equity instruments at FVTOCI held by the Company were disclosed as follows:

	For the years ended December 31,	
	2022	2021
Investments held at the balance sheet date	<u>\$ 6,571</u>	<u>8,090</u>

As at December 31, 2022 and 2021, none of the Company's financial assets abovementioned was pledged as collateral.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Financial Assets at Amortized Cost

	December 31, 2022	December 31, 2021
Domestic and foreign time deposits	\$ 1,142,218	10,706,340
Less: current	-	(10,000,000)
Noncurrent (recognized in other noncurrent assets)	<u>\$ 1,142,218</u>	<u>706,340</u>

The Company has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of receivables of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets at amortized cost.

As at December 31, 2022 and 2021, none of the Company's domestic and foreign time deposits was pledged as collateral.

(5) Notes and Accounts Receivable, net (Including Related and Unrelated Parties)

	December 31, 2022	December 31, 2021
Notes receivable	\$ 5,366	80,584
Accounts receivable	19,887,995	61,508,437
Less: loss allowance	(17,610)	(16,053)
	<u>\$ 19,875,751</u>	<u>61,572,968</u>
Notes and accounts receivable, net	<u>\$ 18,620,248</u>	<u>59,093,573</u>
Accounts receivable from related parties, net	<u>\$ 1,255,503</u>	<u>2,479,395</u>

The Company measures loss allowance for notes and accounts receivable using the simplified approach under IFRS 9 with the lifetime expected credit losses. Analysis of expected credit losses which was measured based on the aforementioned method, was as follows:

	December 31, 2022		
	Carrying amount of notes and accounts receivable	Weighted-aver age loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 19,081,287	0.00%	-
Past due less than 60 days	655,603	0.00%	-
Past due 61~180 days	137,963	0.00%	-
Past due over 180 days	3,287	72.68%	2,389
	<u>\$ 19,878,140</u>		<u>2,389</u>

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	December 31, 2021		
	Carrying amount of notes and accounts receivable	Weighted-aver age loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 60,241,697	0.00%	102
Past due less than 60 days	1,307,466	0.01%	72
Past due 61~180 days	20,541	1.51%	311
Past due over 180 days	3,749	0.00%	-
	<u>\$ 61,573,453</u>		<u>485</u>

In addition, there was objective evidence indicating that, under reasonable expectation, some of the notes and accounts receivable would not be recovered in total; therefore, the Company recognized a loss allowance of \$15,221 thousand and \$15,568 thousand as of December 31, 2022 and 2021, respectively.

The movement of the loss allowance for notes and accounts receivable was as follows:

	For the years ended December 31,	
	2022	2021
Balance at beginning of the year	\$ 16,053	19,516
Provisions charged to expense	1,513	213
Write-offs	-	(3,628)
Effect of changes in foreign currency exchange rates	44	(48)
Balance at end of the year	<u>\$ 17,610</u>	<u>16,053</u>

The payment terms granted to customers are generally 25 to 60 days from the end of the month during which the invoice is issued. This term is consistent with practices in our industry, and thus, no financing components involved.

Information about the Company's exposure to credit risk is included in Note 6(29).

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AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As at December 31, 2021, the Company did not sell its accounts receivables to banks. As at December 31, 2022, the Company's accounts receivables sold and derecognized were as follows:

December 31, 2022						
Underwriting bank	Factoring limit (in thousands)		Amount sold and derecognized (in thousands)		Amount advanced (in thousands)	Principal terms
CTBC Bank	USD	78,000	USD	38,091	NTD 1,056,000	See Notes(a)~(d)
DBS Bank	USD	170,000	USD	111,137	NTD 3,049,000	See Notes(a)~(d)
Taipei Fubon Bank	USD	100,000	USD	55,938	NTD 1,529,000	See Notes(a)~(d)
Bank of Taiwan	USD	250,000	USD	15,219	USD 13,830	See Notes(a)~(d)
				EUR 3,984	EUR 3,620	
E.SUN Bank	USD	35,000	USD	35,000	USD 31,490	See Notes(a)~(d)

Note (a): Under these facilities, the Company transferred accounts receivable to the respective underwriting banks, which are without recourse subject to the underwriting consents.

Note (b): The Company informed its customers pursuant to the respective facilities to make payment directly to the respective underwriting banks.

Note (c): As of December 31, 2022, total outstanding receivables after the above transactions, net of fees charged by underwriting banks, of \$862,484 thousand was recognized under other current financial assets. In addition, interest rate for the balance of advanced amount as of December 31, 2022 was ranging from 1.48% to 5.48%.

Note (d): To the extent of the amount transferred to the underwriting banks, risks of non-collection or potential payment default by customers in the event of insolvency are borne by respective banks. The Company is not responsible for the collection of receivables subject to these facilities, or for any legal proceedings and costs thereof in collecting these receivables. In case any commercial dispute between the Company and customers or other reasons results in the Company's failure to perform the obligation under these facilities, the banks have requested the Company to issue promissory notes in the amounts equal to 10 percent of respective facilities or to transfer receivables in the amounts equal to 10 percent of respective facilities. Other than such arrangements, no collaterals were provided by the Company.

(6) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 10,126,618	12,141,844
Work-in-progress	10,161,992	12,683,485
Raw materials	9,975,103	9,663,759
	<u>\$ 30,263,713</u>	<u>34,489,088</u>

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021, the amounts recognized as cost of sales in relation to inventories were \$245,225,166 thousand and \$279,917,384 thousand, respectively. The net of provisions for inventories written down to net realizable value, which were also included in cost of sales, amounted to \$1,804,332 thousand and \$782,060 thousand for the years ended December 31, 2022 and 2021, respectively.

As at December 31, 2022 and 2021, none of the Company's inventories was pledged as collateral.

(7) Investments in Equity-accounted Investees

	December 31, 2022	December 31, 2021
Associates	\$ 31,743,902	25,375,636
Joint ventures	-	71,497
	<u>\$ 31,743,902</u>	<u>25,447,133</u>

a. Associates

	December 31, 2022	December 31, 2021
Qisda Corporation ("Qisda")	\$ 12,056,578	12,424,480
Ennostar Inc. ("Ennostar")	9,858,062	5,358,394
ADLINK Technology Inc. ("ADLINK")	4,104,562	2,593,701
Star Shining Energy Corporation. ("SSEC")	2,390,435	2,353,520
Raydium Semiconductor Corporation ("Raydium")	2,194,517	1,800,034
Daxin Materials Corp. ("Daxin")	729,966	759,245
Others	409,782	86,262
	<u>\$ 31,743,902</u>	<u>25,375,636</u>

None of the above associates is considered individually material to the Company. The following table summarized the amount recognized by the Company at its share of those associates.

	For the years ended December 31, 2022	2021
The Company's share of associates' :		
Profit	\$ 1,991,642	2,740,512
Other comprehensive income (loss)	(799,903)	185,521
Total comprehensive income (loss)	<u>\$ 1,191,739</u>	<u>2,926,033</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Lextar, upon the resolution of its Board of Directors on June 18, 2020, carried out a joint share exchange with Epistar Corporation (“Epistar”) for a newly incorporated company, Ennostar. Such plan was also approved by Lextar’ s and Epistar’ s special shareholders’ meetings held on August 7, 2020. In November 2020, Lextar received a written decision on anti-monopoly examination of the business operators’ concentration from the Antitrust authority in China wherein the authority approved and decided not to prohibit the concentration. On the record date, January 6, 2021, Ennostar’ s shares have been publicly listed on the Taiwan Stock Exchange. In the meanwhile, Lextar’ s and Epistar’ s listing and public offering were terminated. Upon completion of the share exchange, the Company still remains significant influence over Ennostar.

When the share exchange took place on January 6, 2021, the Company deemed the conversion of shares of Lextar as disposal. The fair value at disposal was \$3,577,076 thousand and the gain on disposal was \$888,925 thousand.

In connection with the Company’ s operational strategy, the Company continually increased its shareholdings in Qisda, Ennostar, Raydium and ADLINK with total investments of \$5,183,707 thousand and \$3,890,105 thousand for the years ended December 31, 2022 and 2021, respectively. Among those, in July 2022, the Company participated in Ennostar’ s capital increase through a private placement offering with consideration of \$3,484,895 thousand. Due to the disproportionate subscription to the shares, the Company’ s ownership interest in Ennostar increased from 9.30% to 17.38%. The difference between the consideration and the carrying amount arising from the acquisition of interest was recognized in capital surplus with amount of \$1,398,054 thousand.

As of December 31, 2022, the Company held 32.84% of the voting rights of ADLINK and became the sole largest shareholder of it. Although the remaining voting rights are not concentrated in particular shareholders, the Company is still unable to obtain more than half of directors, and has not obtained more than half of the voting rights of the shareholders present in the shareholders’ meeting. Moreover, ADLINK’ s key management is not designated by the Company. In view of the aforementioned facts, the Company only has significant influence, but not control, over ADLINK. Therefore, ADLINK is still accounted for using the equity method.

b. Joint ventures

None of the joint ventures is considered individually material to the Company. The following table summarized the amount recognized by the Company at its share of those joint ventures.

	For the years ended December 31,	
	2022	2021
The Company’ s share of joint ventures’ :		
Profit (loss)	\$ 11,655	(114,238)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u>\$ 11,655</u>	<u>(114,238)</u>

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The joint venture has dissolved in January 2022, and resolved the liquidation date set on May 18, 2022. The Company received the liquidation payment in November 2022.

As at December 31, 2022 and 2021, none of the Company's investments in equity-accounted investees was pledged as collateral.

(8) Acquisition of Subsidiaries

a. Acquisition of subsidiaries — SREC

The Company is the sole largest shareholder of SREC with 33.51% of its voting shares. Upon the amendment to the joint venture agreement in January 2021, the Company re-assessed the investment of SREC and considered that it has control over the main operating activities of SREC. Consequently, SREC and its subsidiaries were included in the Company's consolidated financial statements from January 2021.

	<u>Amount</u>
Consideration transferred:	
Investments in equity-accounted investees	\$ 447,171
Non-controlling interests (measured by the fair value of identifiable net assets in proportion to non-controlling interests)	<u>887,129</u>
	<u>\$ 1,334,300</u>
	<u>Fair value</u>
Fair value of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	\$ 227,701
Property, plant and equipment	2,107,168
Other assets	222,774
Total liabilities	<u>(1,223,343)</u>
	<u>\$ 1,334,300</u>

b. Acquisition of subsidiaries — RVI & RVU

The Company obtained control over RVI and RVU (collectively as "RV Company") in July 2022 through acquisition of 100% equity interest of them. RV Company is engaged in the design and integration service of digital signage content management system. By taking an equity investment in RV Company, the Company expects to become the preferred supplier of field solutions via providing software and hardware integrated solutions and enhancing product competitiveness. Acquisition-related costs are at approximately \$8,820 thousand on legal fees and due diligence fees and were recognized in operating expenses in the consolidated statement of comprehensive income.

The following table summarized each major class of consideration transferred, the assets acquired and liabilities assumed at the acquisition date and the amount of goodwill recognized.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (i) Consideration transferred (translated at the exchange rates on December 31, 2022)

	<u>Amounts</u>
Cash	\$ 756,529
Contingent consideration (recognized in financial liabilities at FVTPL — current)	<u>85,579</u>
	<u>\$ 842,108</u>

The cash consideration above includes an adjustment to the purchase price on an agreed calculation basis within four months after the closing date upon the share purchase and sale agreement.

In accordance with the terms of the contingent consideration, in the event that the acquired entity achieves the conditions stated in the agreement within twelve months after the closing, the Company shall pay additional consideration of USD2,750 thousand or in pro rata to the original shareholders of RV Company. Under the arrangement of the contingent consideration, the potential undiscounted amount of the contingent payment that the Company may have to pay in the future is between USD0 thousand and USD2,750 thousand.

The fair value of the contingent consideration estimated using Monte Carlo simulation was \$78,427 thousand. The fair value measurement was based on the significant unobservable inputs in the market and categorised as a Level 3 fair value under IFRS 13. The significant inputs in the valuation technique used are discount rate of 9.6% and revenue volatility rate of 20.0%.

In addition, both parties agreed that RV Company's possible tax refund that existed as of the acquisition date will be fully paid to the original shareholders of RV Company, provided that the tax refund is approved by the tax authority in the future. Under the aforesaid agreement, the potential undiscounted amount that the Company may have to pay in the future is between USD0 thousand and USD236 thousand. The Company estimated the fair value thereof at \$7,152 thousand based on the expected value.

As of December 31, 2022, there were no changes to the amount of contingent consideration recognized, the range of estimation results and the assumptions used to estimate the contingent consideration.

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Notes to Consolidated Financial Statements

(ii) Identifiable assets acquired and liabilities assumed

The following table summarized the fair value of identifiable assets acquired and liabilities assumed recognized at the acquisition date (translated at the exchange rates on December 31, 2022):

	<u>Fair value</u>
Cash	\$ 52,480
Accounts receivable and other current assets	34,540
Intangible assets	279,863
Accounts payable and other current liabilities	<u>(135,963)</u>
	<u>\$ 230,920</u>

(iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows (translated at the exchange rates on December 31, 2022):

	<u>Amounts</u>
Consideration transferred	\$ 842,108
Less: Fair value of identifiable net assets	<u>(230,920)</u>
	<u>\$ 611,188</u>

(iv) Intangible assets

Technology in development and customer relationship that are recognized as intangible assets are amortized using the straight-line method over its economic useful life of 7 and 10 years, respectively.

Goodwill is primarily derived from merger synergies, customer and technology integrations as well as employee value. However, such benefits do not meet the criteria for recognition of identifiable intangible assets, and are therefore not recognized separately.

(v) Pro forma information on results of operations

If the acquisition had taken place on January 1, 2022, management estimated that the Company's consolidated revenue and consolidated net loss for the year ended December 31, 2022 would have been \$246,888,780 thousand and \$21,041,493 thousand, respectively. In determining these amounts, management had assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had taken place on January 1, 2022. The aforementioned pro forma information is presented for illustrative purposes only and is not necessarily an indication of consolidated revenue and results of operations of the Company that would have been achieved had the acquisition been completed on January 1, 2022, nor is it intended to be a projection of future results.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(9) Acquisition of Business

In April 2021, the Company acquired specific assets such as the operation and trademark right of Jector Digital System Inc. and Jector Technology Inc. (hereinafter referred to as “Jector Digital”) through its newly incorporated company, Jector. Through this transaction, the Company expects to extend the business scale of the construction of smart fields.

If the acquisition had taken place on January 1, 2021, management estimated that the Company’ s consolidated revenue and consolidated net profit for the year ended December 31, 2021 would have been \$370,742,945 thousand and \$63,476,046 thousand, respectively. In determining these amounts, management had assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had taken place on January 1, 2021. The aforementioned proforma information is presented for illustrative purposes only and is not necessarily an indication of consolidated revenue and results of operations of the Company that would have been achieved had the acquisition been completed on January 1, 2021, nor is it intended to be a projection of future results.

Acquisitionrelated costs amounted to \$790 thousand on legal fees and due diligence fees and were recognized in operating expenses in the consolidated statement of comprehensive income.

The following table summarized each major class of consideration transferred, and the assets acquired and liabilities assumed at the acquisition date.

a. Consideration transferred

	Amounts
Cash	\$ 42,715
Contingent consideration	16,371
	<u>\$ 59,086</u>

In accordance with the terms of the contingent consideration, in the event that the annual revenues rendered from the acquired business for consecutive three years starting from 2021 are either greater than the agreed revenue targets or hit the agreed goals specified in the agreement, the Company shall issue additional convertible preferred shares of Jector to Jector Digital in the following year, with cumulative issued shares not greater than 180 thousand shares and with both par value and issuance amount of \$10 per share, as additional consideration for the acquisition of the business. Under the arrangement of the contingent consideration, the potential undiscounted amount of the contingent payment that the Company may have to pay in the future is between \$0 and \$16,371 thousand.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The fair value of the contingent consideration estimated using binominal option pricing model and expected value was \$16,371 thousand. The fair value measurement was based on the significant unobservable inputs in the market and categorised as a Level 3 fair value under IFRS 13. The significant inputs in the valuation technique used are expected stock price volatility rate of 42.57%, expected dividend yield of 0.0% and risk-free rate of 0.4%.

Owing to the fact that the annual revenue rendered from the acquired business for the year ended December 31, 2021 reached the agreed revenue targets specified in the agreement, the Company issued 30,000 shares of convertible preferred shares of Jector on October 19, 2022 to Jector Digital. As of December 31, 2022, the fair value of the contingent consideration aforementioned was \$13,643 thousand and was recognized in financial liabilities at FVTPL – current.

b. Identifiable net assets acquired

The following table summarized the fair value of identifiable net assets acquired and recognized at the acquisition date:

	Fair value
Property, plant and equipment	\$ 4,715
Intangible assets	54,371
	<u>\$ 59,086</u>

c. Intangible assets

Trademark right and customer relationship that are recognized as intangible assets are amortized using the straight-line method over its economic useful life of 3~6 years.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10) Property, Plant and Equipment

For the year ended December 31, 2022						
	Balance, Beginning of Year	Effect of change in consolidated entities	Additions (Deductions)	Disposal or write off	Reclassification, effect of change in exchange rate and others	Balance, End of Year
Cost:						
Land	\$ 8,763,260	-	-	(996,049)	(9,249)	7,757,962
Buildings	117,475,024	-	(80,777)	(425,603)	(124,282)	116,844,362
Machinery and equipment	832,882,543	-	1,491,613	(4,893,149)	17,928,274	847,409,281
Other equipment	37,174,884	-	4,308,684	(4,097,513)	2,365,674	39,751,729
	<u>996,295,711</u>	<u>-</u>	<u>5,719,520</u>	<u>(10,412,314)</u>	<u>20,160,417</u>	<u>1,011,763,334</u>
Accumulated depreciation and impairment loss:						
Buildings	42,819,944	-	2,698,962	(86,632)	5,344	45,437,618
Machinery and equipment	758,531,143	-	22,534,747	(4,705,029)	4,033,433	780,394,294
Other equipment	29,723,444	-	5,431,251	(4,078,401)	133,191	31,209,485
	<u>831,074,531</u>	<u>-</u>	<u>30,664,960</u>	<u>(8,870,062)</u>	<u>4,171,968</u>	<u>857,041,397</u>
Prepayments for purchase of land and equipment, and construction in progress	6,000,865	-	33,683,927	-	(15,572,892)	24,111,900
Net carrying amounts	<u>\$ 171,222,045</u>					<u>178,833,837</u>
For the year ended December 31, 2021						
	Balance, Beginning of Year	Effect of change in consolidated entities	Additions	Disposal or write off	Reclassification, effect of change in exchange rate and others	Balance, End of Year
Cost:						
Land	\$ 8,858,167	-	-	(61,062)	(33,845)	8,763,260
Buildings	120,107,200	-	18,313	(2,243,709)	(406,780)	117,475,024
Machinery and equipment	834,855,721	2,107,168	1,397,799	(10,060,441)	4,582,296	832,882,543
Other equipment	38,159,878	4,715	4,142,570	(5,906,564)	774,285	37,174,884
	<u>1,001,980,966</u>	<u>2,111,883</u>	<u>5,558,682</u>	<u>(18,271,776)</u>	<u>4,915,956</u>	<u>996,295,711</u>
Accumulated depreciation and impairment loss:						
Buildings	42,027,956	-	2,831,918	(1,749,054)	(290,876)	42,819,944
Machinery and equipment	745,962,397	-	24,370,471	(9,991,989)	(1,809,736)	758,531,143
Other equipment	30,065,978	-	5,661,314	(5,853,536)	(150,312)	29,723,444
	<u>818,056,331</u>	<u>-</u>	<u>32,863,703</u>	<u>(17,594,579)</u>	<u>(2,250,924)</u>	<u>831,074,531</u>
Prepayments for purchase of land and equipment, and construction in progress	1,555,481	-	12,104,276	-	(7,658,892)	6,000,865
Net carrying amounts	<u>\$ 185,480,116</u>					<u>171,222,045</u>

As of December 31, 2022 and 2021, a non-irrigated farmland located in LongTan plant amounted to \$23,671 thousand was registered in the name of a farmer due to regulations. An agreement of pledge had been signed between the Company and the farmer clarifying the rights and obligations of each party.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In 2022 and 2021, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its display segment and recognized impairment losses of \$70,686 thousand and \$73,195 thousand, respectively.

In 2022 and 2021, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its energy segment and recognized impairment losses of \$2,879 thousand and \$26,809 thousand, respectively.

Impairment losses as mentioned above were recognized under other gains and losses in the consolidated statements of comprehensive income.

AUO decided to dispose of part of its plants and related appendages to Vanguard International Semiconductor Corporation pursuant to the resolution of Board of Directors' meeting held on April 28, 2021. Both parties have completed the transaction in December 2021. The consideration of disposal (net of related transaction costs) and gain on disposal were \$808,662 thousand and \$787,460 thousand, respectively. The consideration aforementioned is to be received in installments. As of December 31, 2021, outstanding receivables totaled \$509,524 thousand (recognized in other current financial assets), which were fully received in January 2022.

ACTW decided to dispose of part of its plants and related appendages pursuant to the resolution of its Board of Directors' meeting held on March 16, 2021, and those assets were reclassified as noncurrent assets held for sale then. The aforementioned assets have been disposed of in October 2021. The consideration of disposal (net of related transaction costs) and gain on disposal were \$486,276 thousand and \$335,709 thousand, respectively. Such consideration was fully received in October 2021.

DPSZ decided to dispose of part of its right-of-use assets, plants and related appendages pursuant to the resolution of its Board of Directors' meeting held on June 29, 2021. The aforementioned assets have been disposed of in December 2021. The consideration of disposal (net of related transaction costs) and gain on disposal were \$951,543 thousand and \$618,916 thousand, respectively. Such consideration was fully received in December 2021.

On June 22, 2022, the Board of Directors of DPTW resolved to dispose of part of real estate. DPTW has entered into an agreement with a non-related party on June 24, 2022 for the disposal of the related land and buildings. The aforementioned assets have been disposed of on December 28, 2022. The consideration of disposal (net of related transaction costs) and gain on disposal were \$2,285,894 thousand and \$950,874 thousand, respectively. Such cash consideration was entrusted by a bank with its real estate values trust service. As of December 31, 2022, outstanding receivables totaled \$2,230,840 thousand (recognized in other current financial assets), which were fully received from the specific account of the real estate values trust on January 3, 2023.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In order to enhance the utilization of assets and to strengthen the efficient use of working capital, AUOXM resolved to dispose of part of its land classified in right-of-use assets and employee dormitories on October 26, 2022. The aforementioned assets have been reclassified as noncurrent assets held for sale totaling \$586,406 thousand. The relevant procedures are expected to be completed within twelve months. As of December 31, 2022, the consideration of the transaction received in advance amounted to \$848,008 thousand (recognized in other current liabilities).

The following table summarized the Company's capitalized borrowing costs and the interest rate range applied for the capitalization:

	For the years ended December 31,	
	2022	2021
Capitalized borrowing costs	\$ <u>114,671</u>	<u>35,662</u>
The interest rates applied for the capitalization	0.9%~ 2.05%	0.75%~ 1.63%

Certain property, plant and equipment were pledged as collateral, see Note 8.

(11) Lease Arrangements

a. Lessee

(i) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount of right-of-use assets		
Land	\$ 9,492,758	10,308,082
Buildings	295,209	314,517
Other equipment	12,491	15,774
	<u>\$ 9,800,458</u>	<u>10,638,373</u>
	For the years ended December 31,	
	2022	2021
Additions to right-of-use assets	<u>\$ 285,806</u>	<u>130,194</u>
Depreciation charge for right-of-use assets		
Land	\$ 535,949	540,995
Buildings	148,584	147,052
Other equipment	5,659	5,335
	<u>\$ 690,192</u>	<u>693,382</u>

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Lease liabilities

	December 31, 2022		
	Future minimum lease payments	Interests	Present value of minimum lease payments
Less than one year	\$ 746,377	163,126	583,251
Between one and five years	2,667,019	549,425	2,117,594
More than five years	7,487,223	943,177	6,544,046
	<u>\$ 10,900,619</u>	<u>1,655,728</u>	<u>9,244,891</u>
Lease liabilities — current			<u>\$ 583,251</u>
Lease liabilities — noncurrent			<u>\$ 8,661,640</u>

	December 31, 2021		
	Future minimum lease payments	Interests	Present value of minimum lease payments
Less than one year	\$ 709,127	174,421	534,706
Between one and five years	2,682,008	592,229	2,089,779
More than five years	8,184,783	1,084,027	7,100,756
	<u>\$ 11,575,918</u>	<u>1,850,677</u>	<u>9,725,241</u>
Lease liabilities — current			<u>\$ 534,706</u>
Lease liabilities — noncurrent			<u>\$ 9,190,535</u>

(iii) Significant lease agreements

AUO has entered into various land lease agreements with Hsinchu Science Park Bureau, Central Science Park Administration Bureau and Southern Taiwan Science Park Bureau, respectively, for the construction of plant for operations. All lease amounts are adjusted in accordance with the land value announced by the government from time to time.

In 2022 and 2021, AUO modified some of its lease contracts due to the decrease of the scope of the lease, and therefore, the carrying amounts of the right-of-use assets were reduced by \$273,932 thousand and \$10,131 thousand, respectively. The difference between the remeasurement of the lease liability and the reduction of the right-of-use asset was recognized in profit or loss.

(iv) Sublease of right-of-use assets

The Company subleased part of its right-of-use assets under operating leases. In 2022 and 2021, income from sublease were \$4,973 thousand and \$4,846 thousand, respectively. Right-of-use assets that meet the definition of investment properties are reclassified to investment properties. Refer to Note 6(12) for further information on investment properties.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(v) Additional lease information

The Company applies the recognition exemption to account for short-term leases and leases of low-value assets, primarily for some leases of office buildings and other sporadic leasing. The amounts recognized in profit or loss during the lease term were as follows:

	For the years ended December 31,	
	2022	2021
Expenses relating to short-term leases	<u>\$ 19,883</u>	<u>36,641</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 206</u>	<u>430</u>
Variable lease payments not included in the measurement of the lease liability	<u>\$ 2,363</u>	<u>3,559</u>
COVID-19-related rent concessions (recognized as deduction of rent expense)	<u>\$ -</u>	<u>738</u>

Total cash outflow for the Company' s leases in which it acts as a lessee for the years ended December 31, 2022 and 2021 were \$760,957 thousand and \$774,850 thousand, respectively.

b. Lessor

The Company leased out its investment properties and part of its land, buildings and equipment and did not transfer substantially all the risks and rewards incidental to their ownership to the lessee, therefore, those leases were recognized as operating leases. Refer to Note 6(24) for the information of rental income from operating leases. In addition, the direct costs relating to the aforementioned operating leases for the years ended December 31, 2022 and 2021 were \$893 thousand and \$895 thousand, respectively.

The maturity analysis of undiscounted operating lease receivable for the abovementioned assets are as follows:

	December 31, 2022	December 31, 2021
Year 1	\$ 98,387	99,506
Year 2	102,522	98,860
Year 3	102,458	98,800
Year 4	94,595	93,434
Year 5	94,492	93,354
Year 6 onwards	<u>1,449,382</u>	<u>1,635,387</u>
Total undiscounted operating lease receivable	<u>\$ 1,941,836</u>	<u>2,119,341</u>

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(12) Investment Property

For the year ended December 31, 2022				
	Balance, Beginning of Year	Additions	Reclassification and effect of change in exchange rate	Balance, End of Year
Cost:				
Land	\$ 695,429	-	(9,339)	686,090
Buildings	1,429,270	-	19,659	1,448,929
Right-of-use assets	28,784	-	395	29,179
	<u>\$ 2,153,483</u>	<u>-</u>	<u>10,715</u>	<u>2,164,198</u>
Accumulated depreciation:				
Buildings	\$ 710,502	43,693	9,610	763,805
Right-of-use assets	5,289	1,794	66	7,149
	<u>\$ 715,791</u>	<u>45,487</u>	<u>9,676</u>	<u>770,954</u>
Net carrying amounts	<u>\$ 1,437,692</u>			<u>1,393,244</u>
Fair Value	<u>\$ 4,119,728</u>			<u>4,065,791</u>
For the year ended December 31, 2021				
	Balance, Beginning of Year	Additions	Reclassification and effect of change in exchange rate	Balance, End of Year
Cost:				
Land	\$ 729,163	-	(33,734)	695,429
Buildings	1,440,644	-	(11,374)	1,429,270
Right-of-use assets	29,013	-	(229)	28,784
	<u>\$ 2,198,820</u>	<u>-</u>	<u>(45,337)</u>	<u>2,153,483</u>
Accumulated depreciation:				
Buildings	\$ 672,875	42,902	(5,275)	710,502
Right-of-use assets	3,554	1,762	(27)	5,289
	<u>\$ 676,429</u>	<u>44,664</u>	<u>(5,302)</u>	<u>715,791</u>
Net carrying amounts	<u>\$ 1,522,391</u>			<u>1,437,692</u>
Fair Value	<u>\$ 4,035,907</u>			<u>4,119,728</u>

The fair value of investment property is based on a valuation performed by a qualified independent appraiser who holds a recognized and relevant professional qualification and has recent valuation experience in the location and category of the investment property being valued. The valuation is performed using income approach, sales comparison approach and land development analysis approach with reference to available market information.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

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The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation techniques used. Income approach determines the fair value of the investment property based on the projected cash flows from the Company' s estimated future rentals collected and discounted using the capitalization rate of the property. Sales comparison approach is through comparison, analysis, adjustment and other means of value for comparable properties to estimate the value of the investment property. Land development analysis approach determine the fair value of investment property based on the value prior to development or construction, after deducting the direct cost, indirect cost, capital interest and profit during the development period, and also consider total sales price of properties after completion of development or construction. It also incorporates the possibility of changes in utility of land through development or improvement in accordance with legal use and density of the land. The overall capital interest rate and the rate of return used in the valuation were 1.91% and 15.00%, respectively. The capitalization rate was ranging from 8.00% to 12.00%.

As at December 31, 2022 and 2021, there was no investment property that was pledged as collateral.

(13) Intangible Assets

For the year ended December 31, 2022					
	Balance, Beginning of Year	Additions	Effect of change in consolidated entities	Effect of change in exchange rate	Balance, End of Year
Cost:					
Goodwill	\$ 12,190,064	-	611,188	8,692	12,809,944
Patent and technology fee	12,266,954	-	-	2,575	12,269,529
Others	<u>385,742</u>	<u>2,929</u>	<u>296,234</u>	<u>12,599</u>	<u>697,504</u>
	<u>24,842,760</u>	<u>2,929</u>	<u>907,422</u>	<u>23,866</u>	<u>25,776,977</u>
Accumulated amortization and impairment loss:					
Goodwill	1,122,270	1,106,000	-	-	2,228,270
Patent and technology fee	11,778,742	130,745	-	705	11,910,192
Others	<u>184,793</u>	<u>54,021</u>	<u>-</u>	<u>3,460</u>	<u>242,274</u>
	<u>13,085,805</u>	<u>1,290,766</u>	<u>-</u>	<u>4,165</u>	<u>14,380,736</u>
Net carrying amounts	<u>\$ 11,756,955</u>				<u>11,396,241</u>

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the year ended December 31, 2021					
	Balance, Beginning of Year	Additions	Effect of change in consolidated entities	Effect of change in exchange rate	Balance, End of Year
Cost:					
Goodwill	\$ 12,192,574	-	-	(2,510)	12,190,064
Patent and technology fee	12,268,444	-	-	(1,490)	12,266,954
Others	<u>272,717</u>	<u>-</u>	<u>116,428</u>	<u>(3,403)</u>	<u>385,742</u>
	<u>24,733,735</u>	<u>-</u>	<u>116,428</u>	<u>(7,403)</u>	<u>24,842,760</u>
Accumulated amortization and impairment loss:					
Goodwill	175,581	946,689	-	-	1,122,270
Patent and technology fee	11,596,538	182,535	-	(331)	11,778,742
Others	<u>160,258</u>	<u>24,984</u>	<u>-</u>	<u>(449)</u>	<u>184,793</u>
	<u>11,932,377</u>	<u>1,154,208</u>	<u>-</u>	<u>(780)</u>	<u>13,085,805</u>
Net carrying amounts	<u>\$ 12,801,358</u>				<u>11,756,955</u>

The Company acquired goodwill and other intangible assets from the acquisition of subsidiaries in July 2022. Also, the Company acquired other intangible assets in January 2021 due to the inclusion of SREC and its subsidiaries in the Company's consolidated financial statements. See Notes 6(8) and 6(9) for further details.

For the purpose of impairment test, the following table shows the information of the operating business that the Company's goodwill allocating to.

	December 31, 2022	December 31, 2021
Display business	<u>\$ 10,581,674</u>	<u>11,067,794</u>

The Company's goodwill has been tested for impairment at least once at the end of the annual reporting period. The recoverable amount was determined based on value in use of the operating business.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The key assumptions used in the estimation of the recoverable amount included discount rate and terminal growth rate. The annual discount rates for the years ended December 31, 2022 and 2021 were 11.44% and 10.42%, respectively, based on industry weighted average cost of capital. The cash flow projections were determined based on the financial budgets approved by management covering the future five-year period and extrapolated with a steady annual terminal growth rate for subsequent years, which were negative 1% for both 2022 and 2021. The key assumptions abovementioned represents the management's forecast of the future for the related industry by considering the history information from internal and external sources.

Based on the impairment assessments in 2022 and 2021, as the recoverable amount of display CGU was lower than its carrying value, the Company recognized an impairment loss of \$1,106,000 thousand and \$946,689 thousand on goodwill of display segment, respectively.

(14) Other Current Assets and Other Noncurrent Assets

	December 31, 2022	December 31, 2021
Prepayments for purchases	\$ 1,687,836	1,181,680
Noncurrent financial assets at amortized cost	1,142,218	706,340
Refundable deposits	985,770	980,390
Refundable and overpaid tax	957,798	1,156,780
Restricted cash in banks — noncurrent	766,226	80,427
Prepayments for equipment	10,508	474,636
Others	<u>3,228,152</u>	<u>3,519,655</u>
	8,778,508	8,099,908
Less: current	<u>(3,832,361)</u>	<u>(3,592,203)</u>
Noncurrent	<u><u>\$ 4,946,147</u></u>	<u><u>4,507,705</u></u>

(15) Short-term Borrowings

	December 31, 2022	December 31, 2021
Unsecured borrowings	<u>\$ 128,487</u>	<u>45,324</u>
Unused credit facilities	<u>\$ 29,118,096</u>	<u>27,648,756</u>
Interest rate range	1.38%~4.00%	0.90%~1.35%

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(16) Long-term Borrowings

Bank or agent bank	Durations	December 31, 2022	December 31, 2021
Syndicated loans:			
Bank of Taiwan and others	From Oct. 2021 to Oct. 2025	\$ 32,500,000	9,750,000
Bank of Taiwan and others	From Apr. 2022 to Apr. 2029	20,000,000	-
Bank of China and others	From Nov. 2015 to Nov. 2023	2,001,456	8,055,653
Bank of Taiwan and others	From Feb. 2019 to Feb. 2022	-	12,000,000
Bank of Taiwan and others	From Mar. 2019 to Apr. 2022	-	4,600,000
Unsecured bank loans	From Apr. 2017 to Dec. 2026	6,126,000	3,604,614
Unsecured other loans	From Sep. 2022 to Sep. 2024	21,333	-
Secured bank loans	From Apr. 2017 to Apr. 2032	25,509,945	17,059,917
Secured other loans	From Apr. 2022 to Mar. 2026	921,960	-
		87,080,694	55,070,184
Less: transaction costs		(265,243)	(415,320)
		86,815,451	54,654,864
Less: current portion		(13,884,634)	(16,833,597)
		<u>\$ 72,930,817</u>	<u>37,821,267</u>
Unused credit facilities		<u>\$ 54,984,115</u>	<u>90,379,635</u>
Interest rate range		1.25%~7.95%	0.75%~5.15%

The Company entered into the aforementioned long-term loan arrangements with banks and financial institutions to finance capital expenditures for purchase of machinery and equipment, and to fulfill working capital, as well as to repay the matured debts. A commitment fee is negotiated with the leading banks of syndicated loans and is calculated based on the committed-to-withdraw but unused balance, if any. No commitment fees were paid for the year ended December 31, 2022.

These credit facilities contain covenants that require the Company to maintain certain financial ratios, calculating based on the Company's annual audited consolidated financial statements prepared in accordance with IFRSs endorsed and issued into effect by the FSC, such as current ratio, leverage ratio, interest coverage ratio, tangible net worth and others as specified in the loan agreements. As of December 31, 2022 and 2021, the Company complied with all financial covenants required under each of the loan agreements.

Refer to Note 6(29) for detailed information of exposures to interest rate, currency, and liquidity risks. Refer to Note 8 for assets pledged as collateral to secure the aforementioned long-term borrowings.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(17) Provisions

	Warranties⁽ⁱ⁾	Litigation, claims and others	Total
Balance at January 1, 2022	\$ 1,184,514	703,794	1,888,308
Reversals	(177,597)	(128,114)	(305,711)
Usage	(137,978)	(45,702)	(183,680)
Effect of change in exchange rate	317	69,825	70,142
Balance at December 31, 2022	869,256	599,803	1,469,059
Less: current	(245,513)	(314,141)	(559,654)
Noncurrent	\$ 623,743	285,662	909,405
Balance at January 1, 2021	\$ 1,375,327	410,429	1,785,756
Additions	325,090	328,774	653,864
Usage	(515,602)	(34,989)	(550,591)
Effect of change in consolidated entities	-	8,555	8,555
Effect of change in exchange rate	(301)	(8,975)	(9,276)
Balance at December 31, 2021	1,184,514	703,794	1,888,308
Less: current	(474,509)	(467,781)	(942,290)
Noncurrent	\$ 710,005	236,013	946,018

⁽ⁱ⁾ The provisions for warranties were estimated based on historical experience of warranty claims rate associated with similar products and services. The Company expects most warranty claims will be made within two years from the date of the sale of the product.

(18) Employee Benefits

a. Defined benefit plans

Pursuant to the ROC Labor Standards Act, AUO and ADP have established defined benefit pension plans covering their full-time employees in the ROC. Such plans provide for retirement benefits to retiring employees based on years of service and the average salaries and wages for the six-month period before the employee's retirement. The funding of these retirement plans by AUO and ADP are contributed monthly based on a certain percentage of their respective employees' total salaries and wages. The funds are deposited with Bank of Taiwan.

M.Setek has established defined benefit pension plans providing for retirement benefits to retiring employees based on years of service, position, and certain other factors in accordance with the regulations of its country of establishment.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (i) Reconciliation of the present value of defined benefit obligation and the fair value of plan assets for AUO, ADP and M.Setek

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ (152,421)	(188,699)
Fair value of plan assets	322,137	301,790
Net defined benefit asset	<u>\$ 169,716</u>	<u>113,091</u>

The recognition of net defined benefit asset was as follows:

	December 31, 2022	December 31, 2021
Other noncurrent assets	\$ 202,114	146,646
Other noncurrent liabilities	(32,398)	(33,555)
	<u>\$ 169,716</u>	<u>113,091</u>

- (ii) Movement in net defined benefit asset (liability)

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit asset (liability)	
	2022	2021	2022	2021	2022	2021
Balance at January 1	\$ (188,699)	(181,758)	301,790	256,878	113,091	75,120
Service cost	(6,529)	(6,104)	-	-	(6,529)	(6,104)
Interest cost	(1,011)	(581)	-	-	(1,011)	(581)
Expected return on plan assets	-	-	1,962	1,002	1,962	1,002
Included in profit or loss	(7,540)	(6,685)	1,962	1,002	(5,578)	(5,683)
Actuarial (loss) gain arising from:						
- demographic assumptions	22	(1,804)	-	-	22	(1,804)
- financial assumptions	31,110	(16,558)	-	-	31,110	(16,558)
- experience adjustment	958	(7,754)	-	-	958	(7,754)
Return on plan assets excluding interest income	-	-	26,365	47,376	26,365	47,376
Included in other comprehensive income	32,090	(26,116)	26,365	47,376	58,455	21,260
Contributions paid by the employer	-	-	339	18,304	339	18,304
Benefits paid	10,419	21,236	(8,319)	(21,770)	2,100	(534)
Others	1,309	4,624	-	-	1,309	4,624
	11,728	25,860	(7,980)	(3,466)	3,748	22,394
Balance at December 31	<u>\$ (152,421)</u>	<u>(188,699)</u>	<u>322,137</u>	<u>301,790</u>	<u>169,716</u>	<u>113,091</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(iii) Plan assets

Pursuant to the ROC Labor Standards Act, AUO and ADP contribute an amount based on a certain percentage of employees' total salaries and wages paid every month to their respective pension funds (the "Funds"), which are administered by the Bureau of Labor Fund, Ministry of Labor and supervised by the employees' pension plan committee (the "Committee") and deposited in the Committee's name with Bank of Taiwan. Under the ROC Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum return on the plan assets should not be lower than the average interest rate on two-year time deposits published by the local banks. The government is not only responsible for the determination of the investment strategies and policies, but also for any shortfall in the event that the rate of return is less than the required rate of return.

As of December 31, 2022 and 2021, the Funds deposited in AUO Committee's name and ADP Committee's name in the Bank of Taiwan amounted to \$322,137 thousand and \$301,790 thousand, respectively. Information on utilization of labor pension funds, including the yield rate of funds and the component of plan assets are available at the Bureau of Labor Funds, Ministry of Labor website.

Under the defined benefit plans in Japan, M.Setek is responsible to pay to employees when they are retired.

(iv) Present value of defined benefit obligation

(a) Principal actuarial assumptions

	December 31, 2022	December 31, 2021
Discount rate	0.80%~1.37%	0.50%~0.65%
Rate of increase in future salary	0.47%~4.80%	0.77%~4.49%

The Company anticipates contributing \$125 thousand to the defined benefit plans in the next year starting from January 1, 2023.

As at December 31, 2022, the weighted-average duration of the defined benefit obligation was between 10 years to 13 years.

(b) Sensitivity analysis

Reasonably possible changes at December 31, 2022 and 2021 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	December 31, 2022		December 31, 2021	
	Changes in assumptions		Changes in assumptions	
	+ 0.25%	-0.25%	+0.25%	-0.25%
Discount rate	\$ (4,849)	5,065	(6,059)	6,354

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Rate of increase in future salary	\$	<u>4,986</u>	<u>(4,785)</u>	<u>6,109</u>	<u>(5,856)</u>
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In practical, the relevant actuarial assumptions are correlated to each other. The approach to develop the sensitivity analysis as above is the same approach to recognize the net defined benefit asset (liability) in the balance sheet.

The approach to develop the sensitivity analysis and its relevant actuarial assumptions are the same as those in previous year.

b. Defined contribution plans

Commencing July 1, 2005, pursuant to the ROC Labor Pension Act (the “Act”), employees who elected to participate in the Act or joined the Company after July 1, 2005, are subject to a defined contribution plan under the Act. Under the defined contribution plan, AUO and its subsidiaries located in the ROC contribute monthly at a rate of no less than six percent of the employees’ monthly salaries and wages to the employee’s individual pension fund account at the ROC Bureau of Labor Insurance. Besides, matters that are not addressed in the Company’s defined contribution plan should be governed by the Act. The Company’s foreign subsidiaries have set up their retirement plans, if necessary, based on their respective local government regulations.

AUO and its subsidiaries in the ROC have set up defined contribution plans in accordance with the Act. For the years ended December 31, 2022 and 2021, these companies set aside, \$1,022,581 thousand and \$972,301 thousand, respectively, of the pension costs under the pension plan to the ROC Bureau of Labor Insurance. Except for the aforementioned companies, other foreign subsidiaries recognized pension expenses of \$1,224,046 thousand and \$837,885 thousand for the years ended December 31, 2022 and 2021, respectively, for the defined contribution plans based on their respective local government regulations.

(19) Capital and Other Components of Equity

a. Common stock

AUO’s authorized common stock, with par value of \$10 per share, amounted to \$120,000,000 thousand and \$100,000,000 thousand as at December 31, 2022 and 2021, respectively.

AUO’s issued common stock, with par value of \$10 per share, amounted to \$76,993,961 thousand and \$96,242,451 thousand as at December 31, 2022 and 2021, respectively.

In order to adjust AUO’s capital structure to correspond with its corporate transformation, on June 17, 2022, AUO’s shareholders’ meeting resolved to reduce capital and refund cash to shareholders. Total amount of capital reduction is \$19,248,490 thousand, which translates to 1,924,849 thousand cancelled shares and represents approximately 20% capital reduction ratio. The record date of capital reduction was set on August 10, 2022 and the relevant legal registration procedures have been completed.

As of December 31, 2022, AUO has issued 19,368 thousand ADSs, which represented 193,677 thousand shares of its common stock.

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AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

b. Capital surplus

The components of capital surplus were as follows:

	December 31, 2022	December 31, 2021
From common stock	\$ 52,756,091	52,756,091
From convertible bonds	6,049,862	6,049,862
From others	3,136,257	1,251,048
	<u><u>\$ 61,942,210</u></u>	<u><u>60,057,001</u></u>

According to the ROC Company Act, capital surplus, including premium from stock issuing and donations received, may be used to offset a deficit. When a company has no deficit, such capital surplus may be distributed by issuing common stock as stock dividends or by cash according to the proportion of shareholdings. Pursuant to the ROC Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of capital surplus capitalized per annum shall not exceed 10 percent of the paid-in capital.

c. Retained earnings and dividend policy

In accordance with AUO' s Articles of Incorporation, distribution of earnings by way of cash dividends should be approved by AUO' s Board of Directors and reported to AUO' s shareholders in its meeting. After payment of income taxes and offsetting accumulated deficits, the legal reserve shall be set aside until the accumulated legal reserve equals AUO' s paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside or reversed. The remaining current-year earnings together with accumulated undistributed earnings from preceding years can be distributed according to relevant laws and AUO' s Articles of Incorporation.

Legal reserve may be used to offset a deficit. When the Company incurs no loss, it may distribute its legal reserve by issuing new shares or by cash in accordance with the proportion of shareholdings for the portion in excess of 25% of the paid-in capital.

AUO' s dividend policy is to pay dividends from surplus considering factors such as AUO' s current and future investment environment, cash requirements, domestic and overseas competitive conditions and capital budget requirements, while taking into account shareholders' interest, maintenance of balanced dividend and AUO' s long-term financial plan. If the current-year retained earnings available for distribution reach 2% of the paid-in capital of AUO, dividend to be distributed shall be no less than 20% of the current-year retained earnings available for distribution. If the current-year retained earnings available for distribution do not reach 2% of the paid-in capital of AUO, AUO may decide not to distribute dividend. The cash portion of the dividend, which may be in the form of cash and stock, shall not be less than 10% of the total dividend distributed during the year. The dividend distribution ratio aforementioned could be adjusted after taking into consideration factors such as finance, business and operations, etc.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Pursuant to relevant laws or regulations or as requested by the local authority, total net debit balance of the other components of equity shall be set aside from current earnings as special reserve, and not for distribution. Subsequent decrease pertaining to items that are accounted for as a reduction to the other components of equity shall be reclassified from special reserve to undistributed earnings.

AUO's appropriation of earnings for 2021 by way of cash dividends has been approved in the Board of Directors' meeting held on March 28, 2022. The appropriation of 2021 earnings by other ways has been approved in the annual shareholders' meeting held on June 17, 2022. Details of distribution were as follows:

	Appropriation of earnings	Dividends per share (NT\$)
Legal reserve	\$ 5,326,268	
Special reserve	1,472,878	
Cash dividends to shareholders	<u>9,575,824</u>	1.00
	<u>\$ 16,374,970</u>	

The aforementioned appropriation of earnings for 2021 was consistent with the resolutions of the Board of Directors' meeting held on March 28, 2022.

AUO's appropriation of earnings for 2020 by way of cash dividends has been approved in the Board of Directors' meeting held on March 16, 2021. The appropriation of 2020 earnings by other ways has been approved in the annual shareholders' meeting held on August 19, 2021. Details of distribution were as follows:

	Appropriation of earnings	Dividends per share (NT\$)
Legal reserve	\$ 735,456	
Special reserve	1,264,919	
Cash dividends to shareholders	<u>2,850,967</u>	0.30
	<u>\$ 4,851,342</u>	

The aforementioned appropriation of earnings for 2020 was consistent with the resolutions of the Board of Directors' meeting held on March 16, 2021.

Information on the approval of Board of Directors and shareholders for AUO's appropriations of earnings are available at the Market Observation Post System website.

(Continued)

AUO CORPORATION AND SUBSIDIARIES
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d. Treasury shares

AUO repurchased 125,000 thousand shares as treasury shares transferred to employees in accordance with Securities and Exchange Act requirements. The related information on treasury share transactions was as follows (shares in thousands):

For the year ended December 31, 2022					
Reason for reacquisition	Number of shares, Beginning of Year	Additions	Reductions	Capital Reduction	Number of shares, End of Year
Transferring to employees	54,199	-	(5,778)	(9,684)	38,737
For the year ended December 31, 2021					
Reason for reacquisition	Number of shares, Beginning of Year	Additions	Reductions		Number of shares, End of Year
Transferring to employees	125,000	-	(70,801)		54,199

Refer to Note 6(20) for information on employee treasury shares plan for 2022 and 2021. A total of 5,778 thousand and 70,801 thousand shares were transferred with total costs for treasury shares of \$46,859 thousand and \$574,195 thousand, respectively, and with both cost per share of \$8.11.

Pursuant to the Securities and Exchange Act, the number of shares repurchased shall not exceed 10 percent of the number of the company' s issued and outstanding shares, and the total amount repurchased shall not exceed the sum of the company' s retained earnings, share premium, and realized capital surplus. Also, the shares repurchased for transferring to employees shall be transferred within five years from the date of reacquisition and those shares not transferred within the five-year period are to be retired.

In accordance with the Securities and Exchange Act, treasury shares held by AUO shall not be pledged, and do not hold any shareholder rights before their transfer.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

e. Other components of equity

	Cumulative translation differences	Unrealized gains (losses) on financial assets at FVTOCI	Total
Balance at January 1, 2022	\$ (4,873,573)	130,391	(4,743,182)
Foreign operations – foreign currency translation differences	2,508,167	-	2,508,167
Net change in fair value of financial assets at FVTOCI	-	57,359	57,359
Equity-accounted investees – share of other comprehensive income	562,474	(1,359,911)	(797,437)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(41,654)	(41,654)
Realized gain on sales of securities reclassified to profit or loss	(111,862)	-	(111,862)
Related tax	(491,696)	-	(491,696)
Balance at December 31, 2022	<u>\$ (2,406,490)</u>	<u>(1,213,815)</u>	<u>(3,620,305)</u>
Balance at January 1, 2021	\$ (3,206,520)	(63,783)	(3,270,303)
Foreign operations – foreign currency translation differences	(1,267,032)	-	(1,267,032)
Net change in fair value of financial assets at FVTOCI	-	(33,560)	(33,560)
Equity-accounted investees – share of other comprehensive income	(166,521)	253,084	86,563
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(25,350)	(25,350)
Acquisition of interest in subsidiary	(753,444)	-	(753,444)
Realized loss on sales of securities reclassified to profit or loss	183,820	-	183,820
Related tax	336,124	-	336,124
Balance at December 31, 2021	<u>\$ (4,873,573)</u>	<u>130,391</u>	<u>(4,743,182)</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

f. Non-controlling interests, net of tax

	For the years ended December 31,	
	2022	2021
Balance at beginning of the year	\$ 6,179,431	10,985,674
Equity attributable to non-controlling interests:		
Profit for the year	128,194	2,128,470
Foreign currency translation differences, net of tax	(6,559)	(77,160)
Acquisition of subsidiaries	-	887,129
Acquisition of interest in subsidiary from non-controlling interests	-	(7,530,685)
Subsidiaries capital return and cash dividends	(66,458)	(251,415)
Subsidiaries capital increase and others	76,949	37,418
Balance at end of the year	\$ 6,311,557	6,179,431

AUO, upon the resolution of the Board of Directors on April 28, 2021, decided to purchase 49% equity interests of AUOKS from its joint venture partner through a capital injection of USD625,462 thousand (equivalent to RMB3,995,210 thousand) in its subsidiary AUOLB. The aforementioned equity transaction has been approved by the Investment Commission, Ministry of Economic Affairs on October 21, 2021, and completed on December 24, 2021. The procedure of change of shareholder has been completed on December 27, 2021, and therefore AUOKS became a 100%-owned subsidiary of AUOLB.

	For the year ended December 31, 2021
Carrying amount of the equity interests acquired	\$ 7,530,685
Consideration paid to non-controlling interests	(17,317,787)
Capital surplus — changes in ownership interest of subsidiary	534
Other equity — effect from foreign currency translation differences arising from foreign operations	753,444
Capital surplus and retained earnings — differences between consideration and carrying amount arising from acquisition of interest in subsidiary	\$ (9,033,124)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(20) Share-based Payments

a. Employee treasury shares plan

AUO granted the treasury shares to eligible employees, including those of AUO and its subsidiaries in accordance with the relevant plan. The key terms and conditions related to the grants were disclosed as follows:

<u>Grant date</u>	<u>Total shares granted (in thousands)</u>	<u>Vesting conditions</u>	<u>Share price</u>	<u>Exercise price</u>	<u>Fair value per unit</u>
Feb. 18, 2021	3,978	Vest immediately	16.4	8.11	9.84
Aug. 16, 2021~ Aug. 24, 2021	66,823	Vest immediately	17.8~20.7	8.11	9.69~12.59
Feb. 23, 2022	5,778	Vest immediately	20.7	8.11	12.59

The fair value of the share-based payments granted by AUO was measured at the date of grant using the Black-Scholes option pricing model. For the years ended December 31, 2022 and 2021, the related compensation costs recognized for the abovementioned plan amounted to \$72,744 thousand and \$826,705 thousand, respectively.

b. Employee restricted stock plan

As of December 31, 2022, information about the share-based payment rewards plan that ADTHLD, a subsidiary of AUO, granted to employees of AUO and its subsidiaries was as follows:

<u>Plan</u>	<u>Grant date</u>	<u>Granted units</u>	<u>Vesting conditions</u>
Employee restricted stock plan	Apr. 1, 2021	850,000	Note
Employee restricted stock plan	Dec. 2, 2021	400,000	Note
Employee restricted stock plan	Apr. 1, 2022	150,000	Note

Note: Employees are granted restricted stocks without consideration, and are eligible to vest 100% of 400,000 units when they provide two years of service subsequent to the grant date. Further employees who provide two years and five years of service, respectively, subsequent to the grant date as well as fulfill specific performance conditions are eligible to vest 40% and 60% of 1,000,000 units, respectively.

ADTCM' s special shares without voting right which are held by AUO are the subject for the execution of the aforementioned plan. According to the relevant plan, one special share without voting right of ADTCM represents one common share right of ADTHLD.

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AUO CORPORATION AND SUBSIDIARIES

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The weighted average fair value per share estimated using the income approach for the abovementioned plan was USD1.105. The weighted average cost of capital which is the principal parameter was between 18.1% and 20.1%. For the years ended December 31, 2022 and 2021, the compensation costs recognized for the abovementioned plan amounted to \$11,341 thousand and \$4,546 thousand, respectively.

(21) Revenue from Contracts with Customers

a. Disaggregation of revenue

	For the years ended December 31,					
	2022			2021		
	Display segment	Energy segment	Total segments	Display segment	Energy segment	Total segments
Primary geographical markets:						
PRC (including Hong Kong)	\$ 80,041,681	1,815,017	81,856,698	111,848,026	1,268,984	113,117,010
Taiwan	62,020,560	14,543,895	76,564,455	114,629,475	7,824,949	122,454,424
United States	26,233,911	1,256	26,235,167	18,497,167	116	18,497,283
Singapore	19,845,620	-	19,845,620	55,035,626	2,173	55,037,799
Japan	13,474,576	115,877	13,590,453	22,628,900	174,862	22,803,762
Others	24,274,086	4,426,195	28,700,281	35,774,907	2,999,956	38,774,863
	<u>\$ 225,890,434</u>	<u>20,902,240</u>	<u>246,792,674</u>	<u>358,414,101</u>	<u>12,271,040</u>	<u>370,685,141</u>
Major products:						
Products for Televisions	\$ 36,814,146	-	36,814,146	85,372,809	-	85,372,809
Products for Monitors	35,883,320	-	35,883,320	63,797,402	-	63,797,402
Products for Mobile PCs and Devices	67,517,517	-	67,517,517	110,617,765	-	110,617,765
Products for Automotive Solutions	33,209,443	-	33,209,443	29,389,600	-	29,389,600
Products for PID and General Display	35,197,516	-	35,197,516	47,375,823	-	47,375,823
Others ⁽ⁱ⁾	17,268,492	20,902,240	38,170,732	21,860,702	12,271,040	34,131,742
	<u>\$ 225,890,434</u>	<u>20,902,240</u>	<u>246,792,674</u>	<u>358,414,101</u>	<u>12,271,040</u>	<u>370,685,141</u>
Major customers:						
Customer A	\$ 17,931,911	-	17,931,911	38,556,227	-	38,556,227
Others (individually not greater than 10%)	207,958,523	20,902,240	228,860,763	319,857,874	12,271,040	332,128,914
	<u>\$ 225,890,434</u>	<u>20,902,240</u>	<u>246,792,674</u>	<u>358,414,101</u>	<u>12,271,040</u>	<u>370,685,141</u>

⁽ⁱ⁾ Including sales of solar-related products, raw materials and components and from products for other applications and service charges.

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

b. Contract balances

	December 31, 2022	December 31, 2021
Contract assets — current (recorded in other current financial assets)	<u>\$ 877,375</u>	<u>1,371,390</u>
Contract liabilities — current (recorded in other current liabilities)	\$ 1,818,609	3,325,765
Contract liabilities — noncurrent	<u>8,739,846</u>	<u>8,739,846</u>
	<u>\$ 10,558,455</u>	<u>12,065,611</u>

The amounts of revenue recognized for the years ended December 31, 2022 and 2021 that previously included in the contract liability balance at the beginning of the year were \$3,498,784 thousand and \$264,480 thousand, respectively. Additionally, in the first quarter of 2021, AUO entered into long-term sales agreements with customers and has received payments in advance. Under the agreements, the customers should fulfill the requirement of minimum order quantity and AUO should fulfill the obligation of relevant delivery quantity as agreed. AUO accounted for such obligation as contract liabilities.

(22) Remuneration to Employees and Directors

According to AUO's Articles of Incorporation, AUO should distribute remuneration to employees and directors no less than 5% and no more than 1% of annual profits before income tax, respectively, after offsetting accumulated deficits, if any. Only employees, including employees of affiliate companies that meet certain conditions are entitled to the abovementioned remuneration which to be distributed in stock or cash. The said conditions and distribution method are decided by Board of Directors or the personnel authorized by Board of Directors.

AUO did not accrue remuneration to employees and directors due to the loss making position for the year ended December 31, 2022. AUO accrued remuneration to employees based on the profit before income tax excluding the remuneration to employees and directors for the period, multiplied by the percentage resolved by Board of Directors. For the year ended December 31, 2021, AUO estimated the remuneration to employees amounting to \$6,339,435 thousand. Remuneration to directors was estimated based on the amount expected to pay and recognized together with the remuneration to employees as cost of sales or operating expenses. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex-dividend effect) on the day preceding the Board of Directors' meeting. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Remuneration to employees and directors for 2021 in the amounts of \$6,339,435 thousand and \$206,946 thousand, respectively, in cash for payment had been approved in the meeting of Board of Directors held on March 28, 2022. The aforementioned approved amounts are the same as the amounts charged against earnings of 2021.

The information about AUO' s remuneration to employees and directors is available at the Market Observation Post System website.

(23) Additional Information of Expenses by Nature

	For the years ended December 31,					
	2022			2021		
	Recognized in cost of sales	Recognized in operating expenses	Total	Recognized in cost of sales	Recognized in operating expenses	Total
Employee benefits expenses:						
Post-employment benefits	\$ 1,686,657	565,548	2,252,205	1,384,747	431,122	1,815,869
Salaries and other employee benefits	28,552,896	11,750,466	40,303,362	35,882,188	14,309,024	50,191,212
Depreciation	27,080,628	4,200,959	31,281,587	29,022,101	4,434,980	33,457,081
Amortization	136,823	47,943	184,766	188,613	18,906	207,519

(24) Non-Operating Income and Expenses

a. Interest income

	For the years ended December 31,	
	2022	2021
Interest income on bank deposits	\$ 849,230	495,281
Other interest income	29,745	51
	<u><u>\$ 878,975</u></u>	<u><u>495,332</u></u>

AUO CORPORATION AND SUBSIDIARIES

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b. Other income

	For the years ended December 31,	
	2022	2021
Grants	\$ 2,032,775	374,445
Rental income, net	491,954	569,970
Dividend income	6,571	8,090
Others	679,869	437,175
	<u>\$ 3,211,169</u>	<u>1,389,680</u>

c. Other gains and losses

	For the years ended December 31,	
	2022	2021
Foreign exchange gains , net	\$ 937,064	144,679
Losses on valuation of financial instruments at FVTPL, net	(1,069,905)	(376,949)
Gains on disposals of property, plant and equipment, net	1,024,832	1,841,771
Gains on disposals of investments, net	-	890,046
Gains on liquidation of subsidiaries, net	111,862	-
Impairment losses on assets	(1,179,565)	(1,046,693)
Others	54,438	(415,396)
	<u>\$ (121,274)</u>	<u>1,037,458</u>

d. Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense on bank borrowings	\$ 1,138,211	1,889,834
Interest expense on lease liabilities	163,915	182,853
Other interest expense	47,598	62,757
Finance expense	158,239	82,121
	<u>\$ 1,507,963</u>	<u>2,217,565</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(25) Income Taxes

AUO and its subsidiary ADP have filed a combined business income tax return since 2021. Other subsidiaries filed their income tax return individually. The Company cannot file a consolidated tax return under local regulations; therefore, AUO and its subsidiaries calculate their income taxes liabilities individually on a stand-alone basis using the enacted tax rates in their respective tax jurisdictions.

a. Income tax expense

The components of income tax expense for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Current income tax expense:		
Current year	\$ 1,442,516	2,052,141
Adjustment to prior years and others	<u>(201,190)</u>	<u>62,676</u>
	<u>1,241,326</u>	<u>2,114,817</u>
Deferred tax expense:		
Temporary differences	<u>225,662</u>	<u>832,880</u>
	<u>\$ 1,466,988</u>	<u>2,947,697</u>

Income taxes expense recognized directly in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Items that will never be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	<u>\$ 11,691</u>	<u>4,577</u>
Items that are or may be reclassified subsequently to profit or loss:		
Foreign operations – foreign currency translation differences	<u>\$ 490,056</u>	<u>(345,815)</u>

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Reconciliation of the expected income tax expense (benefit) calculated based on the ROC statutory income tax rate compared with the actual income tax expense as reported in the consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021, was as follows:

	For the years ended December 31,	
	2022	2021
Income tax expense (benefit) at AUO' s statutory tax rate	\$ (3,901,238)	13,281,359
Tax on undistributed earnings, net	510,244	62,580
Effect of different subsidiaries income tax rate	489,505	728,228
Share of profit of equity-accounted subsidiaries	2,259,866	3,365,832
Net of non-taxable income from domestic investments and non-deductible expense	(2,091,387)	(2,979,703)
Change of unrecognized deductible temporary differences	4,666,296	(11,604,638)
Effect of combined business income tax return	(261,574)	-
Adjustments to prior years	(202,529)	62,676
Others	(2,195)	31,363
Income tax expense	<u><u>\$ 1,466,988</u></u>	<u><u>2,947,697</u></u>

The above reconciliation is prepared based on each individual entity of the Company and presented on an aggregate basis.

b. Deferred tax assets and liabilities

Deferred tax assets have not been recognized in respect of the following items.

	December 31, 2022	December 31, 2021
Deductible temporary differences	\$ 2,544,698	2,480,011
Unused investment tax credits	1,140,038	952,111
Unused tax losses carryforwards	21,992,267	19,541,669
	<u><u>\$ 25,677,003</u></u>	<u><u>22,973,791</u></u>

As of December 31, 2022, the unused investment tax credits include \$1,130 thousand from AUST with no expiration, and \$10,001 thousand from a domestic subsidiary, DPTW.

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AUO CORPORATION AND SUBSIDIARIES

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Tax loss carryforwards is utilized in accordance with the relevant jurisdictional tax laws and regulations. Net losses from foreign subsidiaries are approved by tax authorities in respective jurisdiction to offset future taxable profits. Under the ROC tax laws, approved tax losses of AUO and its domestic subsidiaries can be carried forward for 10 years to offset future taxable profits.

As of December 31, 2022, the expiration period for abovementioned unrecognized deferred tax assets of unused tax losses carryforwards were as follows:

Year of assessment	Unrecognized deferred tax assets	Expiration in year
2012	\$ 9,234	(i)
2013	1,124,191	2023
2014	2,135,942	2023~ 2024
2015	1,747,247	2024 ~ 2025
2016	3,317,029	2025 ~ 2026
2017	994,608	2026~ 2027 ⁽ⁱ⁾
2018	1,266,138	2023~ 2028 ⁽ⁱ⁾
2019	4,998,289	2023~ 2029 ⁽ⁱ⁾
2020	522,292	2025 ~ 2030
2021	199,955	2026~ 2031 ⁽ⁱ⁾
2022	<u>5,677,342</u>	2027 ~ 2032 ⁽ⁱ⁾
	<u>\$ 21,992,267</u>	

⁽ⁱ⁾ As of December 31, 2022, the unrecognized deferred tax assets of unused tax losses carryforwards include \$10,662 thousand with no expiration.

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The components of and changes in deferred tax assets and liabilities were as follows:

	Deferred tax assets		Deferred tax liabilities		Total	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Investment tax credits	\$ 259,993	299,861	-	-	259,993	299,861
Tax losses carryforwards	2,313,338	1,289,775	-	-	2,313,338	1,289,775
Unrealized loss and expenses	208,723	233,405	(63,053)	(74,637)	145,670	158,768
Inventories write-down	1,097,026	740,795	-	-	1,097,026	740,795
Foreign investment gains under the equity method	-	-	(3,099,695)	(2,007,545)	(3,099,695)	(2,007,545)
Accumulated amortization of goodwill in accordance with local tax laws	-	-	(1,802,891)	(2,024,091)	(1,802,891)	(2,024,091)
Remeasurement of defined benefit plans	112,905	124,596	-	-	112,905	124,596
Foreign operations –foreign currency translation differences	731,679	1,215,022	(6,713)	-	724,966	1,215,022
Others	1,925,793	2,563,134	(128,834)	(118,447)	1,796,959	2,444,687
	<u>\$ 6,649,457</u>	<u>6,466,588</u>	<u>(5,101,186)</u>	<u>(4,224,720)</u>	<u>1,548,271</u>	<u>2,241,868</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Effect of change in consolidated entities, exchange rate and others	December 31, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Effect of change in consolidated entities, exchange rate and others	December 31, 2022
Deferred tax assets (liabilities):									
Investment tax credits	\$ 228,056	79,276	-	(7,471)	299,861	(70,740)	-	30,872	259,993
Tax losses carryforwards	2,209,244	(912,719)	-	(6,750)	1,289,775	1,025,126	-	(1,563)	2,313,338
Unrealized loss and expenses	233,963	(75,171)	-	(24)	158,768	(13,256)	-	158	145,670
Inventories write-down	559,809	181,006	-	(20)	740,795	356,188	-	43	1,097,026
Foreign investment losses (gains) under the equity method	(869,124)	(1,138,421)	-	-	(2,007,545)	(1,092,149)	-	(1)	(3,099,695)
Accumulated amortization of goodwill in accordance with local tax laws	(2,213,429)	189,338	-	-	(2,024,091)	221,200	-	-	(1,802,891)
Remeasurement of defined benefit plans	129,173	-	(4,577)	-	124,596	-	(11,691)	-	112,905
Foreign operations – foreign currency translation differences	869,207	-	345,815	-	1,215,022	-	(490,056)	-	724,966
Others	1,645,121	843,811	-	(44,245)	2,444,687	(652,031)	-	4,303	1,796,959
	<u>\$ 2,792,020</u>	<u>(832,880)</u>	<u>341,238</u>	<u>(58,510)</u>	<u>2,241,868</u>	<u>(225,662)</u>	<u>(501,747)</u>	<u>33,812</u>	<u>1,548,271</u>

c. Assessments by the tax authorities

As of December 31, 2022, the tax authorities have completed the examination of income tax returns of AUO through 2020.

(26) Earnings (loss) per Share

	For the years ended December 31,	
	2022	2021
Basic earnings (loss) per share		
Profit (loss) attributable to AUO's shareholders	<u>\$ (21,101,374)</u>	<u>61,330,628</u>
Weighted-average number of common shares outstanding during the year	<u>8,819,096</u>	<u>9,522,200</u>
Basic earnings (loss) per share (NT\$)	<u>\$ (2.39)</u>	<u>6.44</u>

AUO CORPORATION AND SUBSIDIARIES

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	For the Years ended December 31,	
	2022	2021
Diluted earnings (loss) per share		
Profit (loss) attributable to AUO' s shareholders	<u>\$ (21,101,374)</u>	<u>61,330,628</u>
Weighted-average number of common shares outstanding during the year	8,819,096	9,522,200
Effect of employee remuneration in stock	<u>-</u>	<u>279,624</u>
	<u>8,819,096</u>	<u>9,801,824</u>
Diluted earnings (loss) per share (NT\$)	<u>\$ (2.39)</u>	<u>6.26</u>

Since AUO incurred net loss for the year ended December 31, 2022, there were no potential ordinary shares with dilutive effect for the year.

(27) Non-cash Transactions of Investing and Financing Activities

Except for otherwise disclosed in other notes to the consolidated financial statements, the reconciliation of liabilities to cash flows arising from financing activities for the years ended December 31, 2022 and 2021, were as follows:

	Long-term borrowings (including current installments)	Short-term borrowings	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
Balance at January 1, 2022	\$ 54,654,864	45,324	771,877	9,725,241	65,197,306
Cash flows	31,549,651	82,464	(20,819)	(574,590)	31,036,706
Non-cash changes:					
Additions	-	-	-	285,806	285,806
Changes in consolidated entities	-	-	506	-	506
Changes in exchange rate and others	610,936	699	26,862	(191,566) ⁽ⁱ⁾	446,931
Balance at December 31, 2022	<u>\$ 86,815,451</u>	<u>128,487</u>	<u>778,426</u>	<u>9,244,891</u>	<u>96,967,255</u>

⁽ⁱ⁾ Including decrease in the current year of \$284,460 thousand.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	Long-term borrowings (including current installments)	Short-term borrowings	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
Balance at January 1, 2021	\$ 116,594,969	200,000	864,868	10,297,272	127,957,109
Cash flows	(62,929,880)	(154,574)	(20,409)	(551,367)	(63,656,230)
Non-cash changes:					
Additions	-	-	-	123,715	123,715
Changes in consolidated entities	1,149,806	-	-	617	1,150,423
Changes in exchange rate and others	(160,031)	(102)	(72,582)	(144,996)	(377,711)
Balance at December 31, 2021	<u>\$ 54,654,864</u>	<u>45,324</u>	<u>771,877</u>	<u>9,725,241</u>	<u>65,197,306</u>

(28) Financial Instruments

a. Fair value and carrying amount

The carrying amounts of the Company's current non-derivative financial instruments, including financial assets and financial liabilities at amortized cost, were considered to approximate their fair value due to their short-term nature. This methodology applies to cash and cash equivalents, receivables or payables (including related parties), other current financial assets, and short-term borrowings.

Disclosures of fair value are not required for the financial instruments abovementioned and lease liabilities. Other than those, the carrying amount and fair value of other financial instruments of the Company as of December 31, 2022 and 2021 were as follows:

	December 31, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ 365,037	365,037	159,270	159,270
Financial assets at FVTOCI	1,900,581	1,900,581	1,308,157	1,308,157
Financial assets at amortized cost:				
Domestic and foreign time deposits	1,142,218	1,142,218	10,706,340	10,706,340
Refundable deposits	985,770	985,770	980,390	980,390
Financial liabilities:				
Financial liabilities at FVTPL:				
Contingent consideration from business combination	99,222	99,222	-	-
Financial liabilities held for trading	252,603	252,603	132,797	132,797
Financial liabilities at amortized cost:				
Long-term borrowings (including current installments)	86,815,451	86,815,451	54,654,864	54,654,864
Guarantee deposits	778,426	778,426	771,877	771,877
Long-term payables (including current installments)	968,520	968,520	1,404,990	1,404,990

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b. Valuation techniques and assumptions applied in fair value measurement

The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices. The fair values of other financial assets and financial liabilities without quoted market prices are estimated using valuation approach. The estimates and assumptions used are the same as those used by market participants in the pricing of financial instruments.

Fair value of foreign currency forward contract is measured based on the maturity date of each contract with quoted spot rate and quoted swap points from Reuters quote system.

For domestic and foreign time deposits, their fair value approximate to their carrying amount.

Fair value of long-term payable, which approximates to its carrying value is determined by discounting the expected cash flows at a market interest rate.

The refundable deposits and guarantee deposits are based on carrying amount as there is no fixed maturity.

Long-term borrowings are mainly at floating rate, whose fair value approximates to their carrying value.

c. Fair value measurements recognized in the consolidated balance sheets

The Company determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- (i) Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets.
- (ii) Level 2 inputs: Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 inputs: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Continued)

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The fair value measurement level of an asset or a liability within their fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2022				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ -	365,037	-	365,037
Financial assets at FVTOCI	1,305,625	-	594,956	1,900,581
Financial assets at amortized cost:				
Domestic and foreign time deposits	-	1,142,218	-	1,142,218
Long-term receivables	-	3,462	-	3,462
Financial liabilities at FVTPL:				
Contingent consideration from business combination	-	-	99,222	99,222
Financial liabilities held for trading	-	252,603	-	252,603
Financial liabilities at amortized cost:				
Long-term payables (including current installments)	-	968,520	-	968,520
December 31, 2021				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ -	159,270	-	159,270
Financial assets at FVTOCI	149,177	-	1,158,980	1,308,157
Financial assets at amortized cost:				
Domestic and foreign time deposits	-	10,706,340	-	10,706,340
Financial liabilities at FVTPL:				
Financial liabilities held for trading	-	132,797	-	132,797
Financial liabilities at amortized cost:				
Long-term payables (including current installments)	-	1,404,990	-	1,404,990

There were no transfers between Level 1 and 2 for the years ended December 31, 2022 and 2021.

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Notes to Consolidated Financial Statements

d. Reconciliation for fair value measurements categorized within Level 3

	For the years ended December 31,	
	2022	2021
Financial assets at FVTOCI—equity instruments without active market		
Balance at beginning of the year	\$ 1,158,980	328,156
Purchases	354,603	780,026
Disposals	(10,002)	-
Reclassification	(909,473)	51,015
Effect of exchange rate change	848	(217)
Balance at end of the year	<u>\$ 594,956</u>	<u>1,158,980</u>
Financial liabilities at FVTPL—contingent consideration from business combination		
Balance at beginning of the year	\$ -	-
Contingent consideration derived from business combination	99,222	-
Balance at end of the year	<u>\$ 99,222</u>	<u>-</u>

e. Description of valuation processes and quantitative disclosures for fair value measurements categorized within Level 3

The Company's management reviews the policy and procedures of fair value measurements at least once at the end of the annual reporting period, or more frequently as deemed necessary. When a fair value measurement involves one or more significant inputs that are unobservable, the Company monitors the valuation process discreetly and examines whether the inputs are used the most relevant market data available.

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVTOCI—equity instruments without active market	Market approach	<ul style="list-style-type: none"> Price-Book ratio (1.00~6.52 at Dec. 31, 2022 and 1.44~17.85 at Dec. 31, 2021) Price-Earnings ratio (7.57~23.38 at Dec. 31, 2022 and 8.82~26.12 at Dec. 31, 2021) Discount for lack of marketability (16%~22% at Dec. 31, 2022 and 20% at Dec. 31, 2021) 	<ul style="list-style-type: none"> The higher the price-book ratio is, the higher the fair value is. The higher the price-earnings ratio is, the higher the fair value is. The greater degree of lack of marketability is, the lower the fair value is.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial liabilities at FVTPL – contingent consideration from business combination	Monte Carlo simulation	<ul style="list-style-type: none"> • Discount rate: 9.6% • Revenue volatility rate: 20.0% 	<ul style="list-style-type: none"> • Not applicable
Financial liabilities at FVTPL – contingent consideration from business combination	Binominal option pricing model	<ul style="list-style-type: none"> • Expected stock price volatility rate: 42.57% • Expected dividend yield: 0.0% • Risk-free rate: 0.4% 	<ul style="list-style-type: none"> • Not applicable

(29) Financial Risk Management

a. Risk management framework

The managerial officers of related divisions are appointed to review, control, trace and monitor the strategic risks, financial risks and operational risks faced by the Company. The managerial officers report to executive officers the progress of risk controls from time to time and, if necessary, report to the board of directors, depending on the extent of impact of risks.

b. Financial risk information

Hereinafter discloses information about the Company' s exposure to variable risks, and the goals, policies and procedures of the Company' s risk measurement and risk management.

The Company is exposed to the following risks due to usage of financial instruments:

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company' s exposures to credit risk are mainly from:

- (a) The carrying amount of financial assets recognized in the consolidated balance sheets.
- (b) The amount of contingent liabilities as a result from the Company providing financial guarantee to its customers.

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The Company's potential credit risk is derived primarily from cash in bank, cash equivalents and trade receivables. The Company deposits its cash with various reputable financial institutions of high credit quality. The Company also entered into reverse repurchase agreements with securities firms or banks in Taiwan covering government bonds that classified as cash equivalents. There should be no major concerns for the performance capability of trading counterparts. Management performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution. Management believes that there is a limited concentration of credit risk in cash and cash equivalent investments.

The majority of the Company's customers are in high technology industries. Management continuously evaluates and controls the credit quality, credit limit and financial strength of its customers to ensure any overdue receivables are taken necessary procedures. The Company also flexibly makes use of advance receipts, accounts receivable factoring and credit insurance as credit enhancement instruments. If necessary, the Company will request collaterals or assurance from its customers in order to reduce the credit risk from particular customers.

Additionally, on the reporting date, the Company reviews the recoverability of its receivables to provide appropriate valuation allowances. Consequently, management believes there is a limited concentration of its credit risk.

For the years ended December 31, 2022 and 2021, the Company's five largest customers accounted for 37.6% and 43.0%, respectively, of the Company's consolidated net revenue. There is no other significant concentration of credit risk.

Refer to Note 6(5) for expected credit loss analysis of accounts receivable and the movement in the loss allowance of accounts receivable.

For credit of guarantee, the Company's policy is to provide financial guarantees only to subsidiaries. Refer to Note 13(1)b. for information about endorsements or guarantees provided by the Company to its subsidiaries as of December 31, 2022.

(ii) Liquidity risk

Liquidity risk is the risk that the Company has no sufficient working capital and unused credit facilities to meet its obligations associated with matured financial liabilities, that may resulting from an economic downturn or uneven demand and supply in the market and cause a significant decrease in product selling prices and market demands.

Liquidity risk of the Company is monitored through its corporate treasury department which tracks the development of the actual cash flow position for the Company and uses input from a number of sources in order to forecast the overall liquidity position both on a short and long term basis. Corporate treasury invests surplus cash in money market deposits with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

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AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following, except for payables (including related parties) and equipment and construction payable, are the contractual maturities of other financial liabilities. The amounts include estimated interest payments (except for short-term borrowings) but exclude the impact of netting agreements.

	Contractual cash flows	2023.1.1~ 2023.12.31	2024.1.1~ 2025.12.31	2026.1.1~ 2027.12.31	2028 and thereafter
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 128,487	128,487	-	-	-
Long-term borrowings (including current installments)	93,260,848	16,104,803	49,964,973	14,791,410	12,399,662
Guarantee deposits	778,426	40,178	-	3,640	734,608
Long-term payables (including current installments)	968,520	343,500	625,020	-	-
Derivative financial instruments					
Foreign currency forward contracts — inflows	(9,961,496)	(9,961,496)	-	-	-
Foreign currency forward contracts — outflows	9,783,507	9,783,507	-	-	-
	\$ 94,958,292	16,438,979	50,589,993	14,795,050	13,134,270
	Contractual cash flows	2022.1.1~ 2022.12.31	2023.1.1~ 2024.12.31	2025.1.1~ 2026.12.31	2027 and thereafter
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 45,324	45,324	-	-	-
Long-term borrowings (including current installments)	56,690,221	17,682,179	31,778,153	6,742,119	487,770
Guarantee deposits	771,877	53,319	3,590	717	714,251
Long-term payables (including current installments)	1,404,990	467,460	625,020	312,510	-
Derivative financial instruments					
Foreign currency forward contracts — inflows	(30,039,393)	(30,039,393)	-	-	-
Foreign currency forward contracts — outflows	30,005,597	30,005,597	-	-	-
	\$ 58,878,616	18,214,486	32,406,763	7,055,346	1,202,021

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

As at December 31, 2022, the management believes the Company's existing unused credit facilities under its existing loan agreements, together with net cash flows expected to be generated from its operating activities, will be sufficient for the Company to fulfill its payment obligations. Therefore, management believes that the Company does not have significant liquidity risk.

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Notes to Consolidated Financial Statements

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable range.

The Company buys and sells derivatives, and also incurs financial assets and liabilities, in order to manage market risks. All such transactions are executed in accordance with the Company's handling procedures for conducting derivative transactions, and also monitored by internal audit department.

(a) Currency risk

The Company is exposed to currency risk on foreign currency denominated financial assets and liabilities arising from operating, financing and investing activities such that the Company uses forward exchange contracts to hedge its currency risk. Gains and losses derived from the foreign currency fluctuations on underlying assets and liabilities are likely to offset. However, transactions of derivative financial instruments help minimize the impact of foreign currency fluctuations, but the risk cannot be fully eliminated.

The Company periodically examines portions exposed to currency risks for individual asset and liability denominated in foreign currency and uses forward contracts as hedging instruments to hedge positions exposed to risks. The contracts have maturity dates that do not exceed one year, and do not meet the criteria for hedge accounting.

I. Exposure of currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency amounts	Exchange rate	NTD	Foreign currency amounts	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 1,417,706	30.7320	43,568,941	3,001,028	27.6880	83,092,463
JPY	9,536,579	0.2311	2,203,903	4,543,754	0.2409	1,094,590
EUR	23,192	32.7634	759,849	34,718	31.4203	1,090,850
<u>Non-monetary items</u>						
USD	42,914	30.7320	1,318,833	34,579	27.6880	957,423
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	1,284,636	30.7320	39,479,434	1,944,481	27.6880	53,838,790
JPY	15,658,556	0.2311	3,618,692	20,754,389	0.2409	4,999,732
EUR	319	32.7634	10,452	28	31.4203	880

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II. Sensitivity analysis

The Company's exposure to foreign currency risk arises mainly from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables, loans and borrowings and trade payables that are denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against the USD, EUR and JPY at December 31, 2022 and 2021, while all other variables were remained constant, would have increased or decreased the net profit before tax for the years ended December 31, 2022 and 2021 as follows:

	For the years ended December 31,	
	2022	2021
1% of depreciation	\$ 34,241	264,385
1% of appreciation	(34,241)	(264,385)

III. Foreign exchange gain (loss) on monetary items

With varieties of functional currencies within the Company, the Company disclosed foreign exchange gain (loss) on monetary items in aggregate. The aggregate of realized and unrealized foreign exchange gains for the years ended December 31, 2022 and 2021 were \$937,064 thousand and \$144,679 thousand, respectively.

(b) Interest rate risk

The Company's exposure to changes in interest rates is mainly from floating-rate long-term debt obligations. Any change in interest rates will cause the effective interest rates of long-term borrowings to change and thus cause the future cash flows to fluctuate over time. The Company will, depending on the market condition, enter into and designate interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

Assuming the amount of floating-rate debts at the end of the reporting period had been outstanding for the entire year and all other variables were remained constant, an increase or a decrease in the interest rate by 0.25% would have resulted in a decrease or an increase in the net profit before tax for the years ended December 31, 2022 and 2021 by \$214,330 thousand and \$137,675 thousand, respectively.

(c) Equity price risk

See Note 6(3) for disclosure of equity price risk analysis.

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(30) Capital Management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and corporate growth plan, the Company manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures and research and development expenses, to repay debts and to distribute dividends in accordance to its plan. The management pursues the most suitable capital structure by monitoring and maintaining proper financial ratios as below. The Company aims to enhance the returns of its shareholders through achieving an optimized debt-to-equity ratio from time to time.

	December 31,	
	2022	2021
Short-term borrowings	\$ 128,487	45,324
Long-term borrowings (including current installments)	86,815,451	54,654,864
Total liabilities	195,430,026	186,844,575
Total equity	191,410,648	237,966,471
Debt-to-equity ratio	102%	79%
Net debt-to-equity ratio ⁽ⁱ⁾	3%	(11)%

⁽ⁱ⁾ Net debt-to-equity ratio is defined as short-term borrowings plus long-term borrowings less cash and cash equivalents and divided by total equity.

7. Related-party Transactions

All inter-company transactions and balances between AUO and its subsidiaries have been eliminated upon consolidation, and therefore, are not disclosed in this note. The transactions between the Company and other related parties are set out as follows:

(1) Name and relationship of related parties

The following is a summary of related parties that have had transactions with the Company during the periods presented in the consolidated financial statements.

Name of related party	Relationship with the Company
Ennostar Inc. (“Ennostar”)	Associate
Lextar Electronics Corporation (“Lextar”)	Subsidiary of Ennostar
Lextar Electronics (Suzhou) Co., Ltd. (“LESZ”)	Subsidiary of Ennostar
Lextar Electronics (Chuzhou) Corp. (“LEXCZ”)	Subsidiary of Ennostar
Epistar Corporation (“Epistar”)	Subsidiary of Ennostar
Yenrich Technology Corporation (“Yenrich”)	Subsidiary of Ennostar
Trendylite Corporation (“Trendylite”)	Subsidiary of Ennostar
Unikorn Semiconductor Corporation (“USC”)	Subsidiary of Ennostar
Raydium Semiconductor Corporation (“Raydium”)	Associate
Raydium Semiconductor (Kunshan) Co., Ltd. (“RKS”)	Subsidiary of Raydium
Star Shining Energy Corporation (“SSEC”)	Associate

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Name of related party	Relationship with the Company
Fargen Power Corporation (“FGPC”)	Subsidiary of SSEC
Sheng Li Energy Corporation (“SLEC”)	Subsidiary of SSEC
ChampionGen Power Corporation (“CGPC”)	Subsidiary of SSEC
TronGen Power Corporation (“TGPC”)	Subsidiary of SSEC
Ri Ji Power Corporation (“RJPC”)	Subsidiary of SSEC
Ri Jing Power Corporation (“RGPC”)	Subsidiary of SSEC
Mao Zheng Energy Corporation (“MZEC”)	Subsidiary of SSEC
Mao Xin Energy Corporation (“MXEC”)	Subsidiary of SSEC
Sheng Feng Power Corporation (“SFPC”)	Subsidiary of SSEC
Sheng He Power Corporation (“SHPC”)	Subsidiary of SSEC
Sheng Yao Power Corporation (“SYPC”)	Subsidiary of SSEC
Sheng Da Power Corporation (“SDPC”)	Subsidiary of SSEC
Shin Sheng Feng Investment Corp. (“SSF1”)	Subsidiary of SSEC
Renovatio Pictures Co., Ltd. (“RP”)	Associate
Zhao Feng Energy Co., Ltd. (“ZFE”)	Associate
Mega Green Energy Corporation (“MGE”)	Subsidiary of ZFE
YTTEK Technology Corp. (“YTTEK”)	Associate
Daxin Materials Corp. (“Daxin”)	Associate
Darwin Summit Corporation Ltd. (“DSC”)	Associate
ADLINK Technology Inc. (“ADLINK”)	Associate
ADLINK Technology (China) Co., Ltd. (“ADLINKCN”)	Subsidiary of ADLINK
ADLINK Technology GmbH (“ATG”)	Subsidiary of ADLINK
IRIS Optronics Co., Ltd. (“IOC”)	Associate
Ubitech Inc. (“Ubitech”)	Associate ⁽ⁱ⁾
Evonik Forhouse Optical Polymers Corp. (“EFOP”)	Joint venture ⁽ⁱⁱ⁾
Qisda Corporation (“Qisda”)	Associate
Qisda Vietnam Co., Ltd (“QVH”)	Subsidiary of Qisda
BenQ Corporation (“BenQ”)	Subsidiary of Qisda
BenQ Materials Corp. (“BMC”)	Subsidiary of Qisda
BenQ Medical Technology Corp. (“TMC”)	Subsidiary of Qisda
BenQ Healthcare Corporation (“BHS”)	Subsidiary of Qisda
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd. (“QCES”)	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	Subsidiary of Qisda

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Name of related party	Relationship with the Company
Qisda Precision Industry (Suzhou) Co., Ltd. (“QCPS”)	Subsidiary of Qisda
Global Intelligence Network Co., Ltd. (“GINNET”)	Subsidiary of Qisda
Standard Technology Corp. (“STC”)	Subsidiary of Qisda
BenQ Europe B.V. (“BQE”)	Subsidiary of Qisda
BenQ America Corporation (“BQA”)	Subsidiary of Qisda
BenQ Asia Pacific Corp. (“BQP”)	Subsidiary of Qisda
BenQ Co., Ltd. (“BQC”)	Subsidiary of Qisda
BenQ Technology (Shanghai) Co., Ltd. (“BQls”)	Subsidiary of Qisda
Guru Systems (Suzhou) Co., Ltd. (“GSS”)	Subsidiary of Qisda
Mainteq Europe B.V.	Subsidiary of Qisda
Metaguru Corporation (“Metaguru”)	Subsidiary of Qisda
BenQ Material (Suzhou) Co., Ltd. (“BMS”)	Subsidiary of Qisda
Suzhou BenQ Hospital Co., Ltd. (“QCHS”)	Subsidiary of Qisda
DFI Inc. (“DFI”)	Subsidiary of Qisda
Data Image Corporation (“DIC”)	Subsidiary of Qisda
Data Image (Suzhou) Corporation (“DICSZ”)	Subsidiary of Qisda
Partner Tech Corp. (“PTT”)	Subsidiary of Qisda
Webest Solution Corp. (“WEBEST”)	Subsidiary of Qisda
AEWIN Technologies Co., Ltd. (“AEWIN”)	Subsidiary of Qisda
ACE Pillar Co., Ltd. (“ACE”)	Subsidiary of Qisda
Tianjin ACE Pillar Co., Ltd. (“ACETJ”)	Subsidiary of Qisda
Golden Spirit Co., Ltd. (“GSC”)	Subsidiary of Qisda
Alpha Networks Inc. (“Alpha”)	Subsidiary of Qisda
LILY Medical Corporation (“LILY”)	Subsidiary of Qisda
Hitron Technologies Inc. (“Hitron”)	Subsidiary of Qisda
AdvancedTEK International Corp. (“AdvancedTEK”)	Subsidiary of Qisda
BenQ Intelligent Technology (Shanghai) Co., Ltd. (“BQC_RO”)	Subsidiary of Qisda
Metaage Corporation (“MTG”)	Subsidiary of Qisda
Concord Medical Co., Ltd. (“Concord”)	Subsidiary of Qisda
Daxon Biomedical (Suzhou) Co., Ltd. (“DTB”)	Subsidiary of Qisda
BenQ Materials Medical Supplies (Suzhou) Co., Ltd. (“BMM”)	Subsidiary of Qisda
Qisda Optronics Corp. (“QTOS”)	Subsidiary of Qisda
AUO Foundation	Substantive related party
BenQ Foundation	Substantive related party ⁽ⁱⁱⁱ⁾

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of related party	Relationship with the Company
WishMobile, Inc. (“WMI”)	Konly represented as a director of WMI ^(iv)
WiBASE Industrial Solutions Inc. (“WIS”)	DPTW represented as a director of WIS
ToYou Display (Suzhou) Co., Ltd. (“TYSZ”)	AUOSZ represented as a director of TYSZ ^(v)
Jector Digital System Inc. (“JDSI”)	Director of Jector
Heilongjiang Tianyouwei Electronics Co., Ltd. (“TYW”)	Director of Talenda
SINTRONES Technology Corp. (“SINTRONES”)	AUO represented as a director of SINTRONES
Play Nitride Inc. (“PlayNitride”)	Konly represented as a director of PlayNitride
Carota Corporation (“Carota”)	Konly represented as a director of Carota
PlayNitride Display Co., Ltd. (“PND”)	Subsidiary of PlayNitride

- (i) The Company sold all of its ownership interests in Ubitech in July 2021. Therefore, Ubitech is no longer a related party of the Company starting from the date of disposal.
- (ii) EFOP completed its liquidation in May 2022.
- (iii) BenQ Foundation is no longer a related party of the Company starting from the second quarter of 2021.
- (iv) The Company has not had significant influence over WMI since October 2021; therefore, WMI was changed from associate to other related party.
- (v) The Company sold part of its ownership interests in TYSZ in January 2021. After the disposal, the Company assessed and considered that it did not have significant influence over TYSZ; therefore, TYSZ was changed from joint venture to other related party.
- (2) Compensation to key management personnel

Key management personnel’ s compensation comprised:

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 471,604	872,527
Post-employment benefits	1,359	1,402
Share-based payments	39,592	17,276
	\$ 512,555	891,205

Refer to Note 6(20) for information on share-based payments.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (3) Except for otherwise disclosed in other notes to the consolidated financial statements, the Company's significant related party transactions and balances were as follows:

a. Sales

	Sales		Accounts receivable from related parties	
	For the years ended December 31,		December 31,	
	2022	2021	2022	2021
Associates	\$ 12,869,886	12,904,965	1,254,686	2,478,006
Others	8,306	2,101	817	1,389
	<u>\$ 12,878,192</u>	<u>12,907,066</u>	<u>1,255,503</u>	<u>2,479,395</u>

The collection terms for sales to related parties were 25 to 55 days from the end of the month during which the invoice is issued. The pricing for sales to related parties were not materially different from those with third parties.

b. Purchases

	Purchases		Accounts payable to related parties	
	For the years ended December 31,		December 31,	
	2022	2021	2022	2021
Associates	\$ 20,938,477	27,141,672	5,889,460	8,821,310
Joint ventures	-	797,785	-	-
Others	5,999	31,226	725	4,051
	<u>\$ 20,944,476</u>	<u>27,970,683</u>	<u>5,890,185</u>	<u>8,825,361</u>

The payment terms for purchases from related parties were 45 to 120 days. The pricing and payment terms with related parties were not materially different from those with third parties.

c. Acquisition of property, plant and equipment

	Acquisition prices	
	For the years ended December 31,	
	2022	2021
Associates	\$ 62,306	37,972
Others	-	656
	<u>\$ 62,306</u>	<u>38,628</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

d. Disposal of property, plant and equipment

	Proceeds from disposal		Gains on disposal	
	For the years ended		For the years ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Associates	<u>\$ 550</u>	<u>-</u>	<u>550</u>	<u>-</u>

e. Other related party transactions

Transaction type	Type of related party	For the years ended	
		December 31,	
		2022	2021
Rental income	Associates		
	BMC	\$ 96,391	95,345
	Others	35,547	33,953
	Joint ventures	-	5,509
	Others	<u>-</u>	<u>3,720</u>
		<u>\$ 131,938</u>	<u>138,527</u>
Other income	Associates	\$ 64,106	23,955
	Others	<u>142</u>	<u>66</u>
		<u>\$ 64,248</u>	<u>24,021</u>
Cost of sales and operating expenses	Associates	\$ 107,342	101,001
	Joint ventures	-	23
	Others	<u>157,204</u>	<u>66,150</u>
		<u>\$ 264,546</u>	<u>167,174</u>

The Company leased portion of its offices and plants to related parties. The collection term was receipts in advance, and the pricing was not materially different from that with third parties.

Transaction type	Type of related party	December 31,	
		2022	2021
Other receivables due from related parties	Associates	\$ 6,139	20,682
	Others	<u>-</u>	<u>17</u>
		<u>\$ 6,139</u>	<u>20,699</u>
Other payables due to related parties, including payables for equipment	Associates	\$ 20,177	62,110
	Others	<u>11,614</u>	<u>11,734</u>
		<u>\$ 31,791</u>	<u>73,844</u>

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company participated in capital increase of related parties, including Ennostar for 2022 by \$3,484,895 thousand, and PlayNitride, SSEC and WMI for 2021 in the aggregate of \$1,231,730 thousand. In addition, for the years ended December 31, 2022 and 2021, the Company entitled for cash dividends declared by related parties of \$1,824,694 thousand and \$914,322 thousand, respectively. As of December 31, 2022 and 2021, the aforementioned dividends were all received.

8. Pledged Assets

The carrying amounts of the assets which the Company pledged as collateral were as follows:

Pledged assets	Pledged to secure	December 31,	
		2022	2021
Restricted cash in banks ⁽ⁱ⁾	Customs duties, guarantee for warranties, long-term borrowings limit, and outstanding letters of credit	\$ 1,109,414	93,124
Land and buildings	Long-term borrowings limit	60,580,031	49,863,581
Machinery and equipment	Long-term borrowings limit	21,373,787	31,810,247
Right-of-use assets	Long-term borrowings limit	77,821	79,030
		<u>\$ 83,141,053</u>	<u>81,845,982</u>

⁽ⁱ⁾ Classified as other current financial assets and other noncurrent assets by its liquidity.

9. Significant Contingent Liabilities and Unrecognized Commitments

The significant commitments and contingencies of the Company as of December 31, 2022, in addition to those disclosed in other notes to the consolidated financial statements, were as follows:

(1) Outstanding letters of credit

As at December 31, 2022, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

Currency	December 31, 2022 (in thousands)
USD	129,831
JPY	12,988,000

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Technology licensing agreements

Starting in 1998, AUO has entered into technical collaboration, patent licensing, and/or patent cross licensing agreements with Fujitsu Display Technologies Corp. (subsequently assumed by Fujitsu Limited), Toppan Printing Co., Ltd. (“Toppan Printing”), Semiconductor Energy Laboratory Co., Ltd., Japan Display Inc. (formerly Japan Display East Inc./Hitachi Displays, Ltd.), Panasonic Liquid Crystal Display Co., Ltd. (formerly IPS Alpha Technology, Ltd.), LG Display Co., Ltd., Sharp Corporation, Samsung Electronics Co., Ltd., Hydis Technologies Co., Ltd., Sanyo Electronic Co., Ltd., Seiko Epson Corporation and others. AUO believes that it is in compliance with the terms and conditions of the aforementioned agreements.

(3) Purchase commitments

- a. In 2021, AUO entered into a long-term materials supply agreement with a supplier, under which, AUO and the supplier agreed on the supply of certain IC chip at agreed prices and quantities.
- b. Starting from the third quarter of 2022, ACTW has entered into long-term materials supply agreements with suppliers. Under the agreements, ACTW and the suppliers agreed on the supply of silicon materials at respective agreed prices and quantities.
- c. As at December 31, 2022, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled \$33,907,397 thousand.

(4) Litigation

Antitrust civil actions lawsuits in the United States and other jurisdictions

In May 2014, LG Electronics Nanjing Display Co., Ltd. and seven of its affiliates filed a lawsuit in Seoul Central District Court against certain LCD manufacturers including AUO, alleging overcharge and claiming damages. AUO does not believe service has been properly made, but in order to protect its rights, AUO has retained counsel to handle the related matter, and at this stage, the final outcome of these matters is uncertain. AUO has been reviewing the merits of this lawsuit on an on-going basis.

In September 2018, AUOUS received a complaint filed by the Government of Puerto Rico on its own behalf and on behalf of all consumers and governmental agencies of Puerto Rico against certain LCD manufacturers including AUO and AUOUS in the Superior Court of San Juan, Court of First Instance alleging unjust enrichment and claiming unspecified monetary damages. AUO has retained counsel to handle the related matter and intends to defend this lawsuit vigorously. In October 2022, the Superior Court of San Juan, Court of First Instance entered a judgment dismissing the case.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of February 8, 2023, the Company has made certain provisions with respect to certain of the above lawsuits as the management deems appropriate, considering factors such as the nature of the litigation or claims, the materiality of the amount of possible loss, the progress of the cases and the opinions or views of legal counsel and other advisors. Management will reassess all litigation and claims at each reporting date based on the facts and circumstances that exist at that time, and will make additional provisions or adjustments to previous provisions. The ultimate amount cannot be ascertained until the relevant cases are closed. The ultimate resolution of the legal proceedings and/or lawsuits cannot be predicted with certainty. While management intends to defend certain of the lawsuits described above vigorously, there is a possibility that one or more legal proceedings or lawsuits may result in an unfavorable outcome to the Company. In addition to the matters described above, the Company is also a party to other litigations or proceedings that arise during the ordinary course of business. Except as mentioned above, the Company, to its knowledge, is not involved as a defendant in any material litigation or proceeding which could be expected to have a material adverse effect on the Company's business or results of operations.

10. Significant Disaster Losses: None

11. Subsequent Event: None

12. Others

Since 2010, there have been environmental proceedings relating to the development project of the Central Taiwan Science Park in Houli, Taichung, which AUO's second 8.5 generation fab is located at (the "Project"). The Environmental Protection Administration ("EPA") of the Executive Yuan of Taiwan issued the environmental assessment and development approval on November 6, 2018. On October 24, 2019, the Appeal Review Committee of the Executive Yuan rejected the administrative appeal filed by five local residents. On December 24, 2019, the residents filed an administrative action for invalidating the environmental assessment again and the Appeal Review Committee of the Executive Yuan ruled in the residents' favor on July 21, 2022 and invalidated the environmental assessment approval. The EPA filed an appeal in the Supreme Administrative Court on August 17, 2022. The Company will continue to monitor the development of this event.

13. Additional Disclosures

(1) Information on significant transactions:

Following are the additional disclosures required by the Regulations for the Company for the year ended December 31, 2022.

- a. Financings provided: Please see Table 1 attached.
- b. Endorsements/guarantees provided: Please see Table 2 attached.
- c. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Please see Table 3 attached.
- d. Individual marketable securities acquired or disposed of with costs or prices exceeding NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached.

(Continued)

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- e. Acquisition of individual real estate with costs exceeding NT\$300 million or 20% of the paid-in capital: None
 - f. Disposal of individual real estate with prices exceeding NT\$300 million or 20% of the paid-in capital: Please see Table 5 attached.
 - g. Purchases from or sales to related parties with amounts exceeding NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached.
 - h. Receivables from related parties with amounts exceeding NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached.
 - i. Information about trading in derivative instruments: Please see Note 6(2).
 - j. Business relationship and significant intercompany transactions: Please see Table 8 attached.
- (2) Information on investees (excluding information on investment in Mainland China): Please see Table 9 attached.
- (3) Information on investment in Mainland China:
- a. The related information on investment in Mainland China: Please see Table 10.1 and 10.2 attached.
 - b. Upper limit on investment in Mainland China: Please see Table 10.1 and 10.2 attached.
 - c. Significant transactions:
- Significant direct or indirect transactions with the investees in Mainland China for the year ended December 31, 2022, for which intercompany transactions were eliminated upon consolidation, are disclosed in Note 13(1) "Information on significant transactions" .
- (4) Major shareholders:

Major Shareholder	Shares	
	Total Shares Owned	Ownership Percentage
Qisda	530,878,896	6.89%
Trust Holding for Employees of AUO Corporation	395,478,284	5.13%

Note: This table discloses the information that shareholders who hold in total, more than 5% of AUO' s common shares and preferred shares that are in dematerialized form and with the registration being completed. The aforesaid information was provided by Taiwan Depository & Clearing Corporation and calculated based on the data on the last business day at the end of each quarter.

AUO CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

14. Segment Information

(1) Operating segment information

The Company has two operating segments: display and energy. The display segment generally is engaged in the research, development, design, manufacturing and sale of flat panel displays and most of our products are TFT-LCD panels. The energy segment primarily is engaged in the design, manufacturing and sale of ingots, solar wafers and solar modules, as well as providing technical engineering services and maintenance services for solar system projects.

Segment results are excluding non-operating income and expenses and income tax expense (benefit). There are no differences between the consolidated financial statements for the years ended December 31, 2022 and 2021 with the financial results received by the Company's chief operating decision maker. The accounting policies for the operating segments are the same as those used in preparation of the consolidated financial statements of the Company. The Company uses the net revenue, profit (loss) from operations and segment profit (loss) excluding depreciation and amortization as the basis of segment performance assessment.

	For the year ended December 31, 2022		
	Display segment	Energy segment	Total segments
Net revenue from external customers	<u>\$ 225,890,434</u>	<u>20,902,240</u>	<u>246,792,674</u>
Segment profit (loss)	<u>\$ (25,346,461)</u>	<u>1,376,065</u>	(23,970,396)
Net non-operating income and expenses			4,464,204
Consolidated profit (loss) before income tax			<u>\$ (19,506,192)</u>
Segment profit (loss) excluding depreciation and amortization	<u>\$ 5,634,505</u>	<u>1,861,452</u>	<u>7,495,957</u>
Segment assets			<u>\$ 386,840,674</u>
	For the year ended December 31, 2021		
	Display segment	Energy segment	Total segments
Net revenue from external customers	<u>\$ 358,414,101</u>	<u>12,271,040</u>	<u>370,685,141</u>
Segment profit (loss)	<u>\$ 62,040,808</u>	<u>1,034,808</u>	63,075,616
Net non-operating income and expenses			3,331,179
Consolidated profit (loss) before income tax			<u>\$ 66,406,795</u>
Segment profit (loss) excluding depreciation and amortization	<u>\$ 95,148,029</u>	<u>1,592,187</u>	<u>96,740,216</u>
Segment assets			<u>\$ 424,811,046</u>

(Continued)

AUO CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Geographic information

- a. Net revenue from external customers: See Note 6(21).
- b. Consolidated noncurrent assets⁽ⁱ⁾

<u>Region</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Taiwan	\$ 145,471,577	148,037,327
PRC (including Hong Kong)	55,329,413	47,035,469
Others	<u>4,224,605</u>	<u>3,636,987</u>
	<u>\$ 205,025,595</u>	<u>198,709,783</u>

- ⁽ⁱ⁾ Noncurrent assets are not inclusive of financial instruments, deferred tax assets and prepaid pension.

(3) Major customer and product information: See Note 6(21).

AUO CORPORATION AND SUBSIDIARIES

Financings Provided

For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars)

Table 1

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
0	AUO	AETW	Other receivables from related parties	Yes	400,000	200,000	200,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,509,909	74,039,636
0	AUO	ACTW	Other receivables from related parties	Yes	2,600,000	1,800,000	1,400,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,509,909	74,039,636
0	AUO	S4M	Other receivables from related parties	Yes	130,000	100,000	50,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,509,909	74,039,636
0	AUO	DPTW	Other receivables from related parties	Yes	1,000,000	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,509,909	74,039,636
0	AUO	AUOKS	Other receivables from related parties	Yes	16,246,330	7,492,920	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,509,909	74,039,636
1	AUOLB	AUOKS	Other receivables from related parties	Yes	18,071,160	16,308,120	11,900,520	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	75,152,215	75,152,215

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
2	AUOKS	AUOXM	Other receivables from related parties	Yes	1,763,040	1,763,040	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,614,705	17,614,705
2	AUOKS	AUOSZ	Other receivables from related parties	Yes	881,520	881,520	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,614,705	17,614,705
3	AUOXM	AUOSZ	Other receivables from related parties	Yes	881,520	881,520	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	15,723,188	15,723,188
3	AUOXM	AUOKS	Other receivables from related parties	Yes	4,782,580	2,424,180	661,140	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	15,723,188	15,723,188
4	BVXM	AUOKS	Other receivables from related parties	Yes	881,520	881,520	440,760	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,366,135	1,366,135
5	AUOSJ	AMIXM	Other receivables from related parties	Yes	72,082	70,522	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358
5	AUOSJ	AMISZ	Other receivables from related parties	Yes	112,628	22,038	13,223	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358
5	AUOSJ	ACTSZ	Other receivables from related parties	Yes	108,122	52,891	8,815	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
5	AUOSJ	ATISZ	Other receivables from related parties	Yes	90,102	44,076	44,076	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358
5	AUOSJ	AUOKS	Other receivables from related parties	Yes	2,424,180	1,983,420	1,983,420	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358
5	AUOSJ	ADTSZ	Other receivables from related parties	Yes	45,051	44,076	44,076	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358
5	AUOSJ	AETSZ	Other receivables from related parties	Yes	450,510	352,608	352,608	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358
6	AUOSZ	AUOXM	Other receivables from related parties	Yes	881,520	881,520	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	19,230,531	19,230,531
6	AUOSZ	AUOKS	Other receivables from related parties	Yes	9,035,580	9,035,580	5,509,500	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	19,230,531	19,230,531
7	DPSZ	FTWJ	Other receivables from related parties	Yes	225,255	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,322,407	1,322,407
8	FPWJ	FTWJ	Other receivables from related parties	Yes	448,750	440,760	220,380	Based on base lending rate of People's Bank of China or China LPR	Needs for short-term financing	-	Operating capital	-	-	-	727,463	727,463

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
9	FTWJ	FHWJ	Other receivables from related parties	Yes	21,835	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,251,588	1,251,588

Note 1: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 2: The ending balance represents the amounts approved by the Board of Directors.

Note 3: The maximum balance for the period represents the highest amount in New Taiwan Dollars announced or occurred during the period.

Note 4: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

Note 5: The policy for the limit on total financing amount and the financing limit for any individual entity are prescribed as follows:

- AUO: The total amount available for lending purposes shall not exceed 40% of AUO's net worth as stated in its latest financial statement. The total amount for lending to a company shall not exceed 10% of AUO's net worth as stated in its latest financial statement.
- AUOLB, AUOKS, AUOSZ, AUOXM, AUOSJ and BVXM: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company as stated in its latest financial statement. The total amount for lending to a company shall not exceed 40% of the net worth of the lending company as stated in its latest financial statement.
- In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by AUO, the aggregate amount available for lending to such borrowers and total amount lendable to a company both shall not exceed the net worth of the lending company as stated in its latest financial statement.
- DPSZ, FPWJ and FTWJ: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company. The total amount for lending to a company shall not exceed 40% of the net worth of the lending company.
- In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly and indirectly, by DPTW, the aggregate amount available for lending to such borrowers and the total amount lendable to each of such borrowers shall not exceed the net worth of the lending company.

AUO CORPORATION AND SUBSIDIARIES
Endorsements/Guarantees Provided
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars)

Table 2

No.	Endorser/ Guarantor	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided for Each Party (Notes 4 and 5)	Maximum Endorsement/ Guarantee Balance for the Period (Note 2)	Ending Balance (Notes 3 and 4)	Amount Actually Drawn Down (Note 4)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Notes 4 and 5)	Endorsement/ Guarantee Provided by Parent Company to Subsidiary	Endorsement/ Guarantee Provided by Subsidiary to Parent Company	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	AUO	AUOKS	2	92,549,545	19,685,731	19,153,434	1,570,467	-	10.35%	185,099,091	Yes	No	Yes
1	DPXM	DPTW	3	1,628,926	436,700	-	-	-	-	1,628,926	No	No	No
2	FPWJ	FTWJ	4	290,985	225,255	220,380	-	-	30.29%	290,985	No	No	Yes

Note 1: The relationship between the endorser/guarantor and the guaranteed party:

1. A company with which it does business.
2. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The maximum endorsement/guarantee balance for the period represents the highest amount in New Taiwan Dollars announced or occurred during the period.

Note 3: The ending balance represents the amounts approved by the Board of Directors.

Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5: The policy for the limit of total endorsement/guarantee amount and the limit on endorsement/guarantee amount provided to each party are prescribed as follows:

- a. AUO: The total endorsement/guarantee amount provided shall not exceed the net worth of AUO as stated in its latest financial statement. The aggregate amount of endorsement/guarantee provided to each guaranteed party shall not exceed 50% of AUO's net worth as stated in its latest financial statement.
- b. DPXM and FPWJ: The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed 40% of the net worth of the endorser/guarantor as stated in its latest financial statement.

AUO CORPORATION AND SUBSIDIARIES
Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)

December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 3

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2022			Maximum Shareholding in the Interim	Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
AUO	SINTRONES Technology Corp.'s stock	Related party	Financial assets at FVTOCI – noncurrent	1,338	85,362	7.06 %	85,362	7.06 %
ADPNL	Avocor Technologies USA, Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	317	2,001	4.43 %	USD 2,001	4.59 %
AUOLB	Abakus Solar AG's stock	-	Financial assets at FVTPL – noncurrent	3	-	2.22 %	-	2.22 %
AUOSH	T-poweritek Optronics Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	1,293	6,250	1.58 %	CNY 6,250	1.58 %
AUOSZ	ToYou Display (Suzhou) Co., Ltd.'s stock	Related party	Financial assets at FVTOCI – noncurrent	-	7,931	18.00 %	CNY 7,931	18.00 %
Konly	Carota Corporation's stock	Related party	Financial assets at FVTOCI – noncurrent	2,997	247,038	8.58 %	247,038	8.58 %
Konly	Mindtronic AI Co. Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	36	29,943	3.17 %	29,943	3.17 %
Konly	PlayNitride Inc.'s stock	Related party	Financial assets at FVTOCI – noncurrent	7,535	750,449	7.03 %	750,449	7.47 %
Konly	SnapBizz CloudTech Pte. Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	13	-	4.61 %	-	4.61 %
Konly	Azotek Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	2,407	7,345	3.96 %	7,345	3.98 %
Konly	WishMobile, Inc.'s stock	Related party	Financial assets at FVTOCI – noncurrent	8,625	16,531	14.38 %	16,531	14.38 %
Konly	Chenfeng Optonics Corporation's stock	-	Financial assets at FVTPL – noncurrent	1,500	-	1.60 %	-	2.06 %
Konly	GCS Holdings, Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	1,119	43,641	1.01 %	43,641	1.23 %
Konly	a2peak power Co., Ltd.'s stock	-	Financial assets at FVTPL – noncurrent	4,000	-	10.87 %	-	10.87 %
Konly	SINTRONES Technology Corp.'s stock	Related party	Financial assets at FVTOCI – noncurrent	1,402	89,419	7.40 %	89,419	7.40 %
DPTW	Disign Incorporated's stock	-	Financial assets at FVTOCI – noncurrent	2	10,714	19.89 %	10,714	19.89 %
DPTW	Evertrust Technology Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	150	1,500	16.13 %	1,500	16.13 %
DPTW	D8AI Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	8,400	8,649	4.91 %	8,649	4.91 %
DPTW	HUAI I Precision Technology Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	2,914	34,968	10.00 %	34,968	10.00 %
								Note

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2022			Maximum Shareholding in the Interim	Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
DPTW	WiBASE Industrial Solutions Inc.'s stock	Related party	Financial assets at FVTOCI – noncurrent	3,536	42,432	9.05 %	42,432	9.11 %
Ronly	PlayNitride Inc.'s stock	Related party	Financial assets at FVTOCI – noncurrent	2,011	200,254	1.88 %	200,254	1.99 %
Ronly	ProfetAI Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	911	40,823	13.58 %	40,823	13.58 %
Ronly	Exploit Technology Co., Ltd.'s stock	-	Financial assets at FVTPL – noncurrent	41	-	0.49 %	-	0.49 %
Ronly	Cruise10 Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	1,250	20,000	10.53 %	20,000	10.53 %
Ronly	Prognosis Technology Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	245	11,025	11.16 %	11,025	11.16 %
Ronly	GCS Holdings, Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	3,500	136,500	3.16 %	136,500	3.17 %

Note: DPTW previously held 7,000 thousand shares of D8AI Holdings Corporation. In December, 2022, due to D8AI's business restructuring, DPTW acquired shares of D8AI Inc. according to the share exchange ratio of 1:1.2.

AUO CORPORATION AND SUBSIDIARIES
Individual Marketable Securities Acquired or Disposed of with Costs or Prices Exceeding
NT\$300 Million or 20% of the Paid-in Capital
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 4

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		Note	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain/Loss on Disposal	Shares		Amount
AUO	Ennostar's stock	Investments in equity-accounted investees	-	-	26,319	2,248,301	67,250	3,484,895	-	-	-	-	93,569	6,963,339	Notes 1&2
AUO	Konly's stock	Investments in equity-accounted investees	-	-	409,008	8,207,625	60,550	1,304,853	-	-	-	-	469,558	9,565,450	Notes 1&3
AUO	Ronly's stock	Investments in equity-accounted investees	-	-	378,576	4,496,552	74,700	900,135	-	-	-	-	453,276	4,962,670	Notes 1&3
ADPNL	RVI's stock	Investments in equity-accounted investees	-	-	-	-	28,775	USD 27,204	-	-	-	-	28,775	USD 26,403	Notes 1&4
Konly	ADLINK's stock	Investments in equity-accounted investees	-	-	5,944	300,682	10,000	610,000	-	-	-	-	15,944	941,814	Notes 1&5
ADP	ADPNL's stock	Investments in equity-accounted investees	-	-	-	125,776	-	715,065	-	-	-	-	-	881,401	Notes 1&3
Ronly	ADLINK's stock	Investments in equity-accounted investees	-	-	1,175	73,771	12,000	732,000	-	-	-	-	13,175	848,721	Notes 1&5

Note 1: The ending balance includes the recognition of investment gain (loss) and other related adjustments under the equity method.

Note 2: Acquisition was made through private placement offering.

Note 3: Acquisition was made through participating in capital increase.

Note 4: Acquisition was made from a third party.

Note 5: Acquisition was made on the open market.

AUO CORPORATION AND SUBSIDIARIES
Disposal of Individual Real Estate with Costs Exceeding NT\$300 Million or 20% of the Paid-in Capital
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 5

Company Name	Property	Date of the Event	Date of Original Acquisition	Carrying Amount	Transaction Amount	Status of Proceeds Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Pricing Reference	Other Terms	Note
DPTW	Land and buildings	June 2022	December 2005	1,335,020	2,285,894	150,000	950,874	Four natural persons	Non-related party	Activating assets and enhancing the efficient use of working capital	A report on the appraisal price of a real estate appraiser	None	Note 1
AUOXM	Land and buildings	October 2022	July 2006~ July 2010~	CNY 133,041	CNY 318,966	CNY 163,610	-	Xiamen Torch Hi-Tech Industrial Development Zone Investment Service Center Co., Ltd.	Non-related party	Activating assets	A report on the appraisal price of a real estate appraiser	None	Note 2

Note: 1. The transaction amount is the disposal amount net of relevant costs and taxes. See Note 6(10).

2. This transaction has not been completed, and the relevant transaction costs and taxes have not yet been determined. See Note 6(10).

AUO CORPORATION AND SUBSIDIARIES

Purchases from or Sales to Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital

For the year ended December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 6

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUO	AUOKS	Subsidiary of AUO	Purchases	20,407,615	12%	EOM 30 days	-	-	(1,977,483)	(5)%	
AUO	AUOSK	Subsidiary of AUO	Purchases	134,091	-	EOM 45 days	-	-	(20,412)	-	
AUO	AUOSZ	Subsidiary of AUO	Purchases	34,603,976	21%	EOM 45 days	-	-	(9,896,076)	(23)%	
AUO	AUOXM	Subsidiary of AUO	Purchases	29,608,493	18%	EOM 45 days	-	-	(8,482,244)	(20)%	
AUO	AUST	Subsidiary of AUO	Purchases	3,719,819	2%	EOM 45 days	-	-	(653,618)	(2)%	
AUO	Qisda	Associate	Purchases	5,389,542	3%	EOM 45 days	-	-	(604,052)	(1)%	
AUO	BMC	Subsidiary of Qisda	Purchases	3,286,211	2%	EOM 90 days	-	-	(1,013,320)	(2)%	
AUO	Raydium	Associate	Purchases	1,029,679	1%	EOM 120 days	-	-	(317,705)	(1)%	
AUO	Daxin	Associate	Purchases	1,893,001	1%	EOM 120 days	-	-	(658,846)	(2)%	
AUO	DPTW	Subsidiary of AUO	Purchases	2,521,229	2%	EOM 60 days	-	-	(576,468)	(1)%	
AUO	AUOSZ	Subsidiary of AUO	Sales	(2,950,678)	(1)%	EOM 45 days	-	-	-	-	
AUO	AUOUS	Subsidiary of AUO	Sales	(121,759)	-	EOM 75 days	-	-	25,029	-	
AUO	AUOXM	Subsidiary of AUO	Sales	(2,312,706)	(1)%	EOM 45 days	-	-	-	-	
AUO	DICSZ	Subsidiary of Qisda	Sales	(208,453)	-	EOM 45 days	-	-	19,727	-	
AUO	QCSZ	Subsidiary of Qisda	Sales	(3,457,619)	(2)%	EOM 55 days	-	-	229,432	1%	
AUO	QVH	Subsidiary of Qisda	Sales	(195,601)	-	EOM 55 days	-	-	6,788	-	
AUO	CGPC	Subsidiary of SSEC	Sales	(242,892)	-	EOM 25 days	-	-	(130)	-	

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUO	BenQ	Subsidiary of Qisda	Sales	(1,271,750)	(1)%	EOM 55 days	-	-	129,177	1%	
AUO	SLEC	Subsidiary of SSEC	Sales	(149,465)	-	EOM 25 days	-	-	(3,382)	-	
AUO	SFPC	Subsidiary of SSEC	Sales	(2,640,414)	(1)%	EOM 25 days	-	-	-	-	
AUO	MXEC	Subsidiary of SSEC	Sales	(903,509)	-	EOM 25 days	-	-	89,918	1%	
AUO	MZEC	Subsidiary of SSEC	Sales	(2,929,069)	(1)%	EOM 25 days	-	-	683,385	4%	
AUO	ADP	Subsidiary of AUO	Sales	(24,710,610)	(11)%	EOM 45 days	-	-	4,178,523	24%	
ADPNL	ADP	Subsidiary of AUO	Purchases	59,038	100%	EOM 30 days	-	-	USD (2,511)	(100)%	
ADPSZ	ADP	Subsidiary of AUO	Sales	(27,087)	(62)%	EOM 45 days	-	-	-	-	
ADPUS	ADP	Subsidiary of AUO	Sales	(4,490)	(9)%	EOM 30 days	-	-	-	-	
AETSZ	AUOKS	Subsidiary of AUO	Sales	(123,712)	(97)%	EOM 30 days	-	-	-	-	
AMIXM	AUOXM	Subsidiary of AUO	Sales	(23,991)	(72)%	EOM 30 days	-	-	35,366	95%	
AUOKS	AUOSZ	Subsidiary of AUO	Purchases	264,355	10%	EOM 60 days	-	-	14,053	82%	
AUOKS	Qisda	Associate	Purchases	74,740	3%	EOM 120 days	-	-	(72,017)	(8)%	
AUOKS	Raydium	Associate	Purchases	96,137	4%	EOM 120 days	-	-	(27,293)	(3)%	
AUOKS	DPTW	Subsidiary of AUO	Purchases	59,219	2%	EOM 120 days	-	-	(31,652)	(4)%	
AUOKS	AUO	Ultimate parent company	Sales	(4,614,050)	(83)%	EOM 30 days	-	-	(19,393)	(2)%	
AUOKS	AUOXM	Subsidiary of AUO	Sales	(745,304)	(13)%	EOM 30 days	-	-	454,472	74%	
AUOSH	AUO	Ultimate parent company	Sales	(44,369)	(96)%	End of quarter 25 days	-	-	129,433	21%	
AUOSK	AUO	Ultimate parent company	Sales	(4,655)	(81)%	EOM 45 days	-	-	-	-	
AUOSZ	AUO	Ultimate parent company	Purchases	697,816	9%	EOM 45 days	-	-	1,040	84%	
AUOSZ	Qisda	Associate	Purchases	278,450	4%	EOM 120 days	-	-	-	-	
AUOSZ	BMC	Subsidiary of Qisda	Purchases	219,855	3%	EOM 90 days	-	-	(91,682)	(4)%	
AUOSZ	Raydium	Associate	Purchases	553,860	7%	EOM 120 days	-	-	(77,494)	(3)%	
									(186,296)	(8)%	

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUOSZ	DPTW	Subsidiary of AUO	Purchases	CNY 234,775	3%	EOM 120 days	-	-	CNY (81,109)	(3)%	
AUOSZ	Lextar	Subsidiary of Ennostar	Purchases	CNY 38,278	1%	EOM 120 days	-	-	CNY (10,684)	-	
AUOSZ	AUO	Ultimate parent company	Sales	CNY (7,837,816)	(82)%	EOM 45 days	-	-	CNY 2,248,898	96%	
AUOSZ	AUOKS	Subsidiary of AUO	Sales	CNY (264,354)	(3)%	EOM 60 days	-	-	CNY 72,017	3%	
AUOSZ	ADP	Subsidiary of AUO	Sales	CNY (1,502,074)	(16)%	EOM 45 days	-	-	CNY (194)	-	
AUOUS	AUO	Ultimate parent company	Purchases	USD 4,085	100%	EOM 75 days	-	-	USD (814)	(100)%	
AUOUS	AUO	Ultimate parent company	Sales	USD (5,796)	(58)%	EOM 30 days	-	-	-	-	
AUOXM	AUO	Ultimate parent company	Purchases	CNY 533,832	7%	EOM 45 days	-	-	-	-	
AUOXM	AUOKS	Subsidiary of AUO	Purchases	CNY 743,908	10%	EOM 30 days	-	-	CNY (129,433)	(5)%	
AUOXM	DPXM	Subsidiary of AUO	Purchases	CNY 45,824	1%	EOM 120 days	-	-	CNY (18,956)	(1)%	
AUOXM	BMC	Subsidiary of Qisda	Purchases	CNY 192,437	3%	EOM 90 days	-	-	CNY (78,122)	(3)%	
AUOXM	Raydium	Associate	Purchases	CNY 499,607	7%	EOM 120 days	-	-	CNY (192,589)	(8)%	
AUOXM	DPTW	Subsidiary of AUO	Purchases	CNY 241,775	3%	EOM 120 days	-	-	CNY (89,363)	(4)%	
AUOXM	Lextar	Subsidiary of Ennostar	Purchases	CNY 24,741	-	EOM 120 days	-	-	CNY (8,257)	-	
AUOXM	AUO	Ultimate parent company	Sales	CNY (6,683,793)	(80)%	EOM 45 days	-	-	CNY 1,929,145	90%	
AUOXM	ADP	Subsidiary of AUO	Sales	CNY (280,436)	(3)%	EOM 45 days	-	-	CNY (2)	-	
AUST	AUO	Ultimate parent company	Sales	USD (125,446)	(100)%	EOM 45 days	-	-	USD 21,268	99%	
DPXM	DPTW	Subsidiary of AUO	Purchases	CNY 24,241	2%	EOM 60 days	-	-	CNY (17,946)	(7)%	
DPXM	AUOXM	Subsidiary of AUO	Sales	CNY (45,789)	(2)%	EOM 120 days	-	-	CNY 18,956	6%	
DPXM	DPTW	Subsidiary of AUO	Sales	CNY (324,254)	(16)%	EOM 90 days	-	-	CNY 126,742	42%	
FTWJ	Lextar	Subsidiary of Ennostar	Purchases	CNY 57,962	11%	EOM 120 days	-	-	CNY (18,257)	(3)%	
FTWJ	DPTW	Subsidiary of AUO	Sales	CNY (882,568)	(98)%	EOM 90 days	-	-	CNY 642,477	99%	
M.Setek	ACTW	Subsidiary of AUO	Sales	JPY (4,830,445)	(91)%	EOM 45 days	-	-	JPY 3,357,988	99%	

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
Jector	ADP	Subsidiary of AUO	Purchases	192,978	42%	EOM 45 days	-	-	(49,505)	(30)%	
AETTW	AUO	Ultimate parent company	Sales	(359,384)	(49)%	EOM 60 days	-	-	91,035	53%	
ACTW	M.Setek	Subsidiary of AUO	Purchases	1,149,060	19%	EOM 45 days	-	-	(776,031)	(65)%	
ADP	AUO	Ultimate parent company	Purchases	24,672,047	75%	EOM 45 days	-	-	(4,167,272)	(99)%	
ADP	AUOSZ	Subsidiary of AUO	Purchases	6,617,129	20%	EOM 45 days	-	-	-	-	
ADP	AUOXM	Subsidiary of AUO	Purchases	1,239,246	4%	EOM 45 days	-	-	-	-	
ADP	ADPNL	Subsidiary of AUO	Sales	(1,722,724)	(5)%	EOM 30 days	-	-	78,201	2%	
ADP	QCOS	Subsidiary of Qisda	Sales	(458,483)	(1)%	EOM 55 days	-	-	64,273	2%	
ADP	Jector	Subsidiary of AUO	Sales	(194,018)	(1)%	EOM 45 days	-	-	57,183	2%	
DPTW	DPXM	Subsidiary of AUO	Purchases	1,412,554	22%	EOM 90 days	-	-	(474,921)	(25)%	
DPTW	FTWJ	Subsidiary of AUO	Purchases	3,871,365	59%	EOM 90 days	-	-	(1,180,377)	(63)%	
DPTW	AUO	Ultimate parent company	Sales	(2,662,674)	(39)%	EOM 60 days	-	-	467,150	27%	
DPTW	AUOKS	Subsidiary of AUO	Sales	(259,455)	(4)%	EOM 120 days	-	-	85,573	5%	
DPTW	AUOSZ	Subsidiary of AUO	Sales	(1,027,514)	(15)%	EOM 120 days	-	-	357,899	21%	
DPTW	AUOXM	Subsidiary of AUO	Sales	(1,064,997)	(16)%	EOM 120 days	-	-	394,321	23%	
DPTW	DPXM	Subsidiary of AUO	Sales	(106,910)	(2)%	EOM 60 days	-	-	586	-	

Note 1: Transaction terms with related parties were similar to those with third parties, except for particular transactions with no similar transactions to compare with. For those transactions, transaction terms were determined in accordance with mutual agreements.

Note 2: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

AUO CORPORATION AND SUBSIDIARIES
Receivables from Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital
December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 7

Company Name	Counterparty	Relationship	Ending Balance of Receivables (Note 3)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
AUO	QCSZ	Subsidiary of Qisda	229,432	7.32	-	-	-	-
AUO	AETTW	Subsidiary of AUO	201,014	(Note 2)	-	-	-	-
AUO	ACTW	Subsidiary of AUO	1,407,208	(Note 2)	-	-	-	-
AUO	BenQ	Subsidiary of Qisda	129,177	4.67	-	-	-	-
AUO	MZEC	Subsidiary of SSEC	683,385	4.37	-	-	-	-
AUO	ADP	Subsidiary of AUO	4,546,425	(Note 2)	79,561	Will be collected in next period	-	-
AETSZ	AUOKS	Subsidiary of AUO	CNY 35,366	7.00	CNY 35,366	Will be collected in next period	-	-
AUOKS	AUO	Ultimate parent company	CNY 454,472	5.45	CNY 9,207	Collected in subsequent period	CNY 303,646	-
AUOKS	AUOXM	Subsidiary of AUO	CNY 129,433	6.65	CNY 6,724	Will be collected in next period	-	-
AUOLB	AUOKS	Subsidiary of AUO	USD 392,157	(Note 2)	-	-	-	-
AUOSJ	AETSZ	Subsidiary of AUO	CNY 56,104	(Note 2)	-	-	-	-
AUOSJ	AUOKS	Subsidiary of AUO	CNY 456,276	(Note 2)	-	-	-	-
AUOSZ	AUO	Ultimate parent company	CNY 2,248,898	3.22	CNY 26,265	Collected in subsequent period	CNY 1,232,958	-
AUOSZ	AUOKS	Subsidiary of AUO	CNY 1,335,378	(Note 2)	CNY 24,417	Collected in subsequent period	CNY 36,224	-
AUOXM	AUO	Ultimate parent company	CNY 1,929,145	3.02	CNY 99,453	Collected in subsequent period	CNY 981,395	-
AUOXM	AUOKS	Subsidiary of AUO	CNY 154,593	(Note 2)	CNY 25	Will be collected in next period	-	-
AUST	AUO	Ultimate parent company	USD 21,268	5.57	-	-	-	-
BVXMX	AUOKS	Subsidiary of AUO	CNY 102,981	(Note 2)	-	-	-	-
DPXMX	DPTW	Subsidiary of AUO	CNY 126,742	1.79	-	-	-	-

Company Name	Counterparty	Relationship	Ending Balance of Receivables (Note 3)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
FPWJ	FTWJ	Subsidiary of AUO	CNY 50,547	(Note 2)	-	-	-	-
FTWJ	DPTW	Subsidiary of AUO	CNY 642,477	1.13	-	-	CNY 62,753	-
M.Setek	ACTW	Subsidiary of AUO	JPY 3,357,988	1.54	JPY 1,043,335	Will be collected in next period	-	-
ACTW	M.Setek	Subsidiary of AUO	685,364	(Note 2)	-	-	-	-
DPTW	AUO	Ultimate parent company	467,150	4.41	25,976	Will be collected in next period	-	-
DPTW	AUOSZ	Subsidiary of AUO	357,899	2.33	-	-	-	-
DPTW	AUOXM	Subsidiary of AUO	394,321	2.45	-	-	-	-
DPTW	FTWJ	Subsidiary of AUO	1,426,858	(Note 2)	-	-	265,276	-

Note 1: Until the mid of January 2023.

Note 2: The ending balance includes other receivables from transactions not related to ordinary sales.

Note 3: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

AUO CORPORATION AND SUBSIDIARIES
Business Relationship and Significant Intercompany Transactions
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 8

No.	Company Name	Counterparty	Nature of Relationship	Inter-company Transactions			Percentage of Consolidated Net Revenue or Total Assets
				Financial Statement Account	Amount	Trading Terms	
0	AUO	AUOSZ	Parent to subsidiary	Net revenue	2,950,678	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	1 %
0	AUO	AUOXM	Parent to subsidiary	Net revenue	2,312,706	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	1 %
0	AUO	ADP	Parent to subsidiary	Net revenue	24,710,610	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	10 %
0	AUO	ADP	Parent to subsidiary	Receivables from related parties	4,546,425	The credit term is EOM 45 days.	1 %
1	AUOKS	AUO	Subsidiary to parent	Net revenue	CNY 4,614,050	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 30 days.	8 %
1	AUOKS	AUO	Subsidiary to parent	Receivables from related parties	CNY 454,472	-	1 %
1	AUOKS	AUOXM	Subsidiary to subsidiary	Net revenue	CNY 745,304	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 30 days.	1 %
2	AUOLB	AUOKS	Subsidiary to subsidiary	Receivables from related parties	USD 392,157	-	3 %
3	AUOSJ	AUOKS	Subsidiary to subsidiary	Receivables from related parties	CNY 456,276	-	1 %
4	AUOSZ	AUO	Subsidiary to parent	Net revenue	CNY 7,837,816	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	14 %

No.	Company Name	Counterparty	Nature of Relationship	Inter-company Transactions			Percentage of Consolidated Net Revenue or Total Assets
				Financial Statement Account	Amount	Trading Terms	
4	AUOSZ	AUO	Subsidiary to parent	Receivables from related parties	CNY 2,248,898	-	3 %
4	AUOSZ	AUOKS	Subsidiary to subsidiary	Receivables from related parties	CNY 1,335,378	-	2 %
4	AUOSZ	ADP	Subsidiary to subsidiary	Net revenue	CNY 1,502,074	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	3 %
5	AUOXM	AUO	Subsidiary to parent	Net revenue	CNY 6,683,793	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	12 %
5	AUOXM	AUO	Subsidiary to parent	Receivables from related parties	CNY 1,929,145	-	2 %
5	AUOXM	ADP	Subsidiary to subsidiary	Net revenue	CNY 280,436	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	1 %
6	AUST	AUO	Subsidiary to parent	Net revenue	USD 125,446	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	2 %
7	DPXM	DPTW	Subsidiary to subsidiary	Net revenue	CNY 324,254	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	1 %
8	FTWJ	DPTW	Subsidiary to subsidiary	Net revenue	CNY 882,568	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 90 days.	2 %
8	FTWJ	DPTW	Subsidiary to subsidiary	Receivables from related parties	CNY 642,477	-	1 %
9	ADP	ADPNL	Subsidiary to subsidiary	Net revenue	1,722,724	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 30 days.	1 %
10	DPTW	AUO	Subsidiary to parent	Net revenue	2,662,674	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 60 days.	1 %

Note 1: This table discloses the information on inter-company sales and receivables which are accounted for 1% or more of the consolidated net revenue or the consolidated total assets, respectively. The information of the corresponding inter-company purchases and payables is no more disclosed herein.

Note 2: All inter-company transactions have been eliminated in the consolidated financial statements.

AUO CORPORATION AND SUBSIDIARIES
Information on Investees (Excluding Information on Investment in Mainland China)
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 9

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	AUOLB	Malaysia	Holding company	76,491,558	76,491,558	2,507,189	100.00 %	75,152,215	100.00 %	4,720,099	4,720,099	Subsidiary
AUO	AUONL	Netherlands	Sales support of TFT-LCD panels	24,275	24,275	50	100.00 %	32,570	100.00 %	(2,732)	(2,732)	Subsidiary
AUO	Konly	Taiwan ROC	Investment	7,226,603	5,921,750	469,558	100.00 %	9,565,450	100.00 %	843,958	843,958	Subsidiary
AUO	Ronly	Taiwan ROC	Investment	5,078,047	4,177,912	453,276	100.00 %	4,962,670	100.00 %	(13,996)	(13,996)	Subsidiary
AUO	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	3,569,155	3,569,155	190,108	28.56 %	2,664,374	28.56 %	125,664	35,894	Subsidiary
AUO	ACTW	Taiwan ROC	Manufacturing and sale of ingots and solar wafers	15,687,921	15,687,921	242,565	100.00 %	4,057,753	100.00 %	647,846	647,846	Subsidiary
AUO	Qisda	Taiwan ROC	Manufacturing, sales and service of high-end displays, optical precision electronic products and functional film products; manufacturing, sales and service of products related to intelligent solutions; medical equipment and services; research, development, design, manufacturing and sales of network communication products	9,505,477	9,505,477	335,231	17.04 %	10,487,775	17.04 %	8,251,930	1,258,862	Associate
AUO	S4M	Taiwan ROC	Sales and leasing of content management system and hardware, and design of digital signage content and field curation	50,000	30,000	5,000	100.00 %	16,513	100.00 %	(10,462)	(10,462)	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	AETW	Taiwan ROC	Planning, design and development of construction project for environmental protection and related project management	424,050	300,000	42,405	100.00 %	281,168	100.00 %	(35,116)	(35,116)	Subsidiary
AUO	SSEC	Taiwan ROC	Investment	2,170,000	2,170,000	217,000	31.00 %	2,245,560	31.00 %	198,808	61,631	Associate
AUO	CQIL	Israel	Holding company	1,182,621	1,182,621	39,974	100.00 %	883,555	100.00 %	(23,705)	(23,705)	Subsidiary
AUO	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	2,411,693	2,411,693	42,310	19.45 %	2,314,027	19.45 %	807,541	26,377	Associate
AUO	DPGE	Taiwan ROC	Renewable energy power generation	350,000	350,000	35,000	100.00 %	350,731	100.00 %	722	722	Subsidiary
AUO	ADTHLD	Cayman Islands	Holding company	462,008	317,063	15,800	85.41 %	210,479	85.41 %	(207,083)	(168,769)	Subsidiary
AUO	ADTCM	Cayman Islands	Holding company	76,437	76,437	2,700	100.00 %	35,968	100.00 %	(38,314)	(38,314)	Subsidiary
AUO	AHTW	Taiwan ROC	Manufacturing, development and sales of medical equipments	5,000	5,000	500	100.00 %	2,790	100.00 %	(1,042)	(1,042)	Subsidiary
AUO	ADP	Taiwan ROC	Research, development and sales of display	369,555	369,555	200,000	100.00 %	3,617,648	100.00 %	1,218,354	1,218,354	Subsidiary
AUO	SREC	Taiwan ROC	Investment	288,828	288,828	28,883	32.01 %	336,838	32.01 %	84,914	27,184	Subsidiary
AUO	Ennostar	Taiwan ROC	Holding company	4,764,942	1,280,047	93,569	12.45 %	6,963,339	12.45 %	38,024	(156,572)	Associate
AUO	ACTTW	Taiwan ROC	Design, development and sales of software and hardware for health care industry	30,000	30,000	3,000	100.00 %	14,626	100.00 %	(6,308)	(6,308)	Subsidiary
AUO	AET-YP	Taiwan ROC	Investment and construction in public construction, and wastewater (sewage) treatment	15,000	-	1,500	8.82 %	14,902	15.00 %	(1,108)	(111)	Subsidiary
Konly	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	703,795	703,795	42,598	6.40 %	597,015	6.40 %	125,664	8,043	Subsidiary
Konly	Raydium	Taiwan ROC	IC Design	175,857	175,857	11,454	15.10 %	1,953,602	17.11 %	3,862,336	583,223	Associate
Konly	Daxin	Taiwan ROC	Research, manufacturing and sales of display and semiconductor related chemicals	154,748	154,748	19,114	18.61 %	548,749	18.61 %	426,120	79,294	Associate

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
Konly	Qisda	Taiwan ROC	Manufacturing, sales and service of high-end displays, optical precision electronic products and functional film products; manufacturing, sales and service of products related to intelligent solutions; medical equipment and services; research, development, design, manufacturing and sales of network communication products	1,363,481	1,363,481	50,145	2.55 %	1,568,803	2.55 %	8,251,930	188,306	Associate
Konly	SSEC	Taiwan ROC	Investment	140,000	140,000	14,000	2.00 %	144,875	2.00 %	198,808	3,976	Associate
Konly	SkyREC Ltd.	Taiwan ROC BVI	Business intelligence and AI video management system	46,016	46,016	188	16.12 %	-	16.12 %	(12,488)	-	Associate
Konly	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	988,837	378,837	15,944	7.33 %	941,814	7.33 %	807,541	5,782	Associate
Konly	AUES	Taiwan ROC	Services related to educational activities and site rental	4,000	4,000	400	100.00 %	5,463	100.00 %	1,308	1,308	Subsidiary
Konly	IOC	Taiwan ROC	R&D of color e-paper related technology, and processing product design and development	20,000	20,000	1,000	5.00 %	7,990	5.00 %	(83,907)	(5,857)	Associate
Konly	SREC	Taiwan ROC	Investment	13,533	13,533	1,353	1.50 %	15,783	1.50 %	84,914	1,274	Subsidiary
Konly	Ennostar	Taiwan ROC	Holding company	1,180,491	1,180,491	16,413	2.18 %	1,271,863	2.41 %	38,024	(26,954)	Associate
Konly	Naidun-tech Co., Ltd.	Taiwan ROC	Solution provider to improve the performance and reliability of semiconductor components	39,997	39,997	8,733	22.03 %	15,389	26.67 %	(11,816)	(2,637)	Associate
Ronly	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	845,510	845,510	40,509	6.09 %	567,737	6.09 %	125,664	7,649	Subsidiary
Ronly	Raydium	Taiwan ROC	IC Design	240,647	240,647	669	0.88 %	240,915	1.00 %	3,862,336	(3,053)	Associate
Ronly	Daxin	Taiwan ROC	Research, manufacturing and sales of display and semiconductor related chemicals	70,021	70,021	6,312	6.15 %	181,218	6.15 %	426,120	26,186	Associate

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
Ronly	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	809,508	77,508	13,175	6.06 %	848,721	6.06 %	807,541	22,163	Associate
Ronly	IOC	Taiwan ROC	R&D of color e-paper related technology, and processing product design and development	68,400	68,400	3,420	17.10 %	27,324	17.10 %	(83,907)	(20,030)	Associate
Ronly	Ennostar	Taiwan ROC	Holding company	1,245,456	1,245,456	20,686	2.75 %	1,622,860	3.03 %	38,024	(39,425)	Associate
Ronly	Zhao Feng Energy Co., Ltd.	Taiwan ROC	Energy technical services	160,000	-	16,000	20.00 %	156,285	20.00 %	(45,896)	(3,715)	Associate
Ronly	Renovatio Pictures Co., Ltd.	Taiwan ROC	Production/visual effects	50,000	-	315	23.95 %	48,532	23.95 %	42	(1,467)	Associate
Ronly	YTEK Technology Corp.	Taiwan ROC	5G SDR platform-a pure software platform, 5G non-signaling tester, 5G mm wave FEM, 28GHz 2-way up/down converter, beam calibration solution	146,812	-	6,673	27.81 %	142,781	27.81 %	(19,701)	(4,389)	Associate
DPTW	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71 %	245,929	29.71 %	(81,218)	(24,130)	Subsidiary
DPTW	DPLB	Malaysia	Holding company	4,350,631	4,362,627	91,846	100.00 %	5,332,878	100.00 %	12,881	83,257	Subsidiary
DPTW	FHVI	BVI	Holding company	2,362,321	2,362,321	22,006	100.00 %	1,934,694	100.00 %	(113,564)	(105,164)	Subsidiary
DPTW	FFMI	Mauritius	Holding company	274,700	274,700	653	100.00 %	115,436	100.00 %	11,302	11,132	Subsidiary
DPTW	RFOP	Taiwan ROC	Manufacturing and sales of polymer plasticized raw materials	-	338,729	-	-	-	49.00 %	23,786	11,655	(Note 6)
DPTW	Darwin Summit Corporation Ltd.	Thailand	International trade	3,740	3,740	40	40.00 %	11,481	40.00 %	(146)	(58)	Associate
ACTW	ACMK	Malaysia	Manufacturing and sale of solar wafers	121,444	169,197	46,196	100.00 %	30,796	100.00 %	(535)	(535)	Subsidiary
ACTW	SDMC	Taiwan ROC	Holding company	1,988,488	1,988,488	148,053	100.00 %	2,035,615	100.00 %	240,702	238,591	Subsidiary
SDMC	M.Setek	Japan	Manufacturing and sale of ingots	23,596,398	23,596,398	11,404,184	99.9991 %	2,033,962	99.9991 %	241,182	241,180	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
ADP	ADPNL	Netherlands	Sales and sales support of display and holding company	811,798	96,733	-	100.00 %	881,401	100.00 %	2,908	2,908	Subsidiary
ADP	Jector	Taiwan ROC	Introduction of smart field construction and other related software and hardware solutions	120,000	120,000	12,000	78.43 %	121,213	78.43 %	(7,298)	(5,614)	Subsidiary
SREC	SGPC	Taiwan ROC	Solar power generation	820,000	820,000	56,811	100.00 %	728,692	100.00 %	66,221	62,145	Subsidiary
SREC	EGPC	Taiwan ROC	Solar power generation	280,000	280,000	24,500	100.00 %	315,754	100.00 %	25,930	23,928	Subsidiary
AETTW	AET-YP	Taiwan ROC	Investment and construction in public construction, and wastewater (sewage) treatment	124,050	-	12,405	72.97 %	123,241	72.97 %	(1,108)	(780)	Subsidiary
AUOLB	AUOUS	United States	Sales and sales support of TFT-LCD panels	1,000	1,000	1,000	100.00 %	2,746	100.00 %	USD	284	Subsidiary
AUOLB	AUOJP	Japan	Sales support of TFT-LCD panels	276	276	1	100.00 %	1,613	100.00 %	USD	77	Subsidiary
AUOLB	AUOKR	South Korea	Sales support of TFT-LCD panels	155	155	-	100.00 %	1,294	100.00 %	USD	189	Subsidiary
AUOLB	AUOSK	Slovakia Republic	Repairing of TFT-LCD modules	1,359	1,359	-	100.00 %	4,825	100.00 %	USD	552	Subsidiary
AUOLB	AUST	Singapore	Manufacturing TFT-LCD panels based on low temperature polysilicon technology	241,487	241,487	907,114	100.00 %	98,124	100.00 %	USD	2,087	Subsidiary
AUOLB	AUVI	United States	Research and development and IP related business	5,000	5,000	5,000	100.00 %	6,394	100.00 %	USD	180	Subsidiary
AUOLB	BVLB	Malaysia	Holding company	85,171	85,171	85,171	70.29 %	18,933	70.29 %	USD	(2,721)	Subsidiary
AUOLB	AUOSG	Singapore	Holding company and sales support of TFT-LCD panels	9,958	9,958	266,268	100.00 %	6,920	100.00 %	USD	128	Subsidiary
AUOSG	AEUS	United States	Sales support of solar-related products	1,194	1,194	1,194	100.00 %	574	100.00 %	USD	13	Subsidiary
DPLB	DPHK	Hong Kong	Holding company	103,785	103,785	10	100.00 %	175,541	100.00 %	USD	93	Subsidiary (Note 4)
DPLB	DPSK	Slovakia Republic	Manufacturing and sales of automotive parts	-	4,216	-	-	-	100.00 %	USD	(2)	(Note 5)
FHVI	FTMI	Mauritius	Holding company	6,503	6,503	6,503	100.00 %	48,541	100.00 %	USD	(9,140)	Subsidiary
FHVI	FWSA	Samoa	Holding company	19,000	19,000	19,000	100.00 %	15,858	100.00 %	USD	471	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
FHVI	PMISA	Samoa	Holding company	USD -	USD 39,673	-	-	USD -	100.00 %	USD 12,772	USD 12,772 (Note 5)	
ADTCM	ADTHLD	Cayman Islands	Holding company	USD 2,700	USD 2,700	2,700	14.59 %	USD 1,170	19.29 %	USD (6,938)	USD (1,284)	Subsidiary
ADPNL	ADPUS	United States	Sales and sales support of display	USD 1,500	USD 1,500	1	100.00 %	USD 1,642	100.00 %	USD 76	USD 76	Subsidiary
ADPNL	ADPJP	Japan	Sales and sales support of display	USD 508	USD 508	1	100.00 %	USD 415	100.00 %	USD 26	USD 26	Subsidiary
ADPNL	RV1	Canada	Design, sales and sales support of digital signage content management system	USD 27,204	-	28,775	100.00 %	USD 26,403	100.00 %	USD (1,648)	USD (903)	Subsidiary
ADPNL	RVU	United States	Design and sales support of digital signage content management system	USD 198	-	1	100.00 %	USD 226	100.00 %	USD 229	USD 229	Subsidiary
ADTHLD	ADTSG	Singapore	Holding company, and sales of software and hardware integration system relating to intelligent manufacturing and software development	USD 16,800	USD 12,300	16,800	100.00 %	USD 6,347	100.00 %	USD (6,944)	USD (6,944)	Subsidiary
ADTSG	ADTTW	Taiwan ROC	Design and sales of software and hardware integration system and equipment, software development and consulting services relating to intelligent manufacturing	USD 2,013	USD 1,080	6,000	100.00 %	USD 726	100.00 %	USD (1,116)	USD (1,116)	Subsidiary
M.Setek	Ichijo Seisakusyo Co., Ltd.	Japan	Manufacturing of automatic machinery and equipment and related parts	JPY 5,000	JPY 5,000	-	38.46 %	-	38.46 %	-	-	Associate (Note 3)
CQIL	CQHLD	United Kingdom	Holding company	USD 26,548	USD 26,548	635,730	100.00 %	USD 25,122	100.00 %	USD (8)	USD (8)	Subsidiary
CQHLD	CQUK	United Kingdom	Sales and sales support of content management system	GBP 1,874	GBP 1,874	-	100.00 %	GBP 74	100.00 %	GBP (1)	GBP (1)	Subsidiary
CQHLD	CQUS	United States	Sales of content management system and hardware	GBP 19,948	GBP 19,948	13	100.00 %	GBP 13,120	100.00 %	GBP (322)	GBP (322)	Subsidiary
CQHLD	CQCA	Canada	Research and development of content management system	GBP 798	GBP 798	-	100.00 %	GBP 834	100.00 %	GBP 138	GBP 138	Subsidiary
CQUS	JRUK	United Kingdom	Development and sales of content management system and sales of the related hardware	USD 1,500	USD 1,500	1	100.00 %	USD 1,553	100.00 %	USD 165	USD 165	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
CQUS	JRUS	United States	Development and sales of content management system and sales of the related hardware	USD 8,000	USD 8,000	18	100.00 %	USD 6,542	100.00 %	USD (677)	USD (677)	Subsidiary

Note 1: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

Note 2: Inclusive of the amortization of differences between the investment cost and the entity's share of the net value of investee, and the effect of upstream and sidestream transactions.

Note 3: The carrying amount includes accumulated impairment loss.

Note 4: The registration of the alteration of DPHK's common stock has not been completed.

Note 5: The liquidation process was completed in March 2022.

Note 6: The liquidation process was completed in May 2022.

AUO CORPORATION AND SUBSIDIARIES
Information on Investment in Mainland China
For the year ended December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 10

1. AUO :

(1) Related information on investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 2)	Net Income (Loss) of Investee (Notes 4 and 5)	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee (Notes 4 and 5)	Carrying Amount of the Investment as of December 31, 2022 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow								
ACTSZ	Design, development and sales of software and hardware for health care industry	154,266	(Note 1)	-	-	-	-	(45,933)	100%	100%	(45,933)	25,830	-	
ADTSZ	Business management consulting and services of technology promotion and application	414,882	(Note 1)	276,588	138,294	-	414,882	(178,021)	100%	100%	(178,021)	128,955	-	
AETSD	Planning, design and development of construction project for environmental protection and related project management	8,815	(Note 1)	-	-	-	-	(2)	100%	100%	(2)	2,431	-	
AETSZ	Planning, design and development of construction project for environmental protection and related project management	52,891	(Note 1)	-	-	-	-	16,303	100%	100%	16,303	36,848	-	
AMISZ	Development, sales and licensing of software and hardware relating to intelligent manufacturing, and related consulting services	198,342	(Note 1)	-	-	-	-	(44,295)	100%	100%	(44,295)	49,023	-	

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 2)	Net Income (Loss) of Investee (Notes 4 and 5)	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee (Notes 4 and 5)	Carrying Amount of the Investment as of December 31, 2022 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow								
AMIXM	Sales of software and hardware relating to intelligent manufacturing, and related consulting services	44,076	(Note 1)	-	-	-	-	(14,247)	100%	100%	(14,247)	17,979	-	
ATISZ	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing	116,801	(Note 1)	-	-	-	-	(51,196)	100%	100%	(51,196)	39,151	-	
AUOKS	Manufacturing and sales of TFT-LCD panels	29,533,452	(Note 1)	34,269,561	-	-	34,269,561	2,042,148	100%	100%	2,042,148	17,614,705	-	
AUOSH	Sales support of TFT-LCD panels	460,980	(Note 1)	30,732	-	-	30,732	(13,912)	100%	100%	(13,912)	301,019	-	
AUOSJ	Leasing	3,319,056	(Note 1)	2,458,560	-	-	2,458,560	126,482	100%	100%	114,649	3,686,993	-	
AUOSZ	Manufacturing, assembly and sales of TFT-LCD modules	14,321,112	(Note 1)	6,146,400	-	-	6,146,400	1,168,458	100%	100%	1,088,248	19,141,140	-	
AUOXM	Manufacturing, assembly and sales of TFT-LCD modules	13,952,328	(Note 1)	7,683,000	-	-	7,683,000	1,199,571	100%	100%	1,199,571	15,723,188	-	
BVHF	Manufacturing and sale of liquid crystal products and related parts	-	(Note 1)	-	-	-	-	13,088	-	100%	13,088	-	-	Notes 6&7
BVXM	Sales of liquid crystal products and related parts; leasing	2,644,560	(Note 1)	-	-	-	-	24,028	100%	100%	24,028	1,366,135	-	

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2022 (Note 2)	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
51,003,135 (USD1,659,610)	81,539,184 (USD1,702,948 and HKD60,000 and CNY6,572,210)	114,846,388

Note 1: Indirect investments in Mainland China through companies registered in a third region.

Note 2: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 3: Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, AUO's accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").

Note 4: Amounts were recognized based on the investees' audited financial statements and inclusive of the amortization of differences between the investment cost and the entity's share of the net value of investee as well as the effect of upstream and sidestream transactions.

Note 5: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2022.

Note 6: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW.

Note 7: The liquidation process was completed in July 2022.

2. DPTW and ADP:

(1) Related information on investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 4)	Method of Investment	Accumulated Outflow of Investment as of January 1, 2022 (Note 4)	Investment Flows		Accumulated Outflow of Investment as of December 31, 2022 (Note 4)	Net Income (Loss) of Investee (Notes 2 and 6)	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee (Notes 2 and 6)	Carrying Amount of the Investment as of December 31, 2022 (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2022 (Note 4)	Note
					Outflow	Inflow								
ADPSZ	Sales and sales support of display	61,464	(Note 1(1))	23,049	38,415	-	61,464	10,044	100 %	100 %	10,044	71,038	-	Notes 5 & 11
BVHF	Manufacturing and sale of liquid crystal products and related parts	-	(Note 1(2))	491,712	-	(243,298)	248,414	13,088	-	29.71 %	13,088	-	-	Note 9
DPSZ	Manufacturing and sale of backlight modules and related parts	768,300	(Note 1(2))	460,980	-	-	460,980	120,520	100 %	100 %	120,520	1,322,407	1,795,783	
DPXM	Manufacturing and sales of liquid crystal products, backlight modules and related parts	2,151,240	(Note 1(2))	2,151,240	-	-	2,151,240	(109,662)	100 %	100 %	(109,662)	4,072,316	1,932,863	
FHWJ	Manufacturing and sale of backlight modules and related parts	199,758	(Note 1(2))	252,002	-	-	252,002	11,302	100 %	100 %	11,302	65,730	-	
FPWJ	Manufacturing, sales and trading of precision plastic parts	891,228	(Note 1(2))	583,908	-	-	583,908	21,464	100 %	100 %	21,464	727,463	-	Note 8
FTKS	Manufacturing and sale of backlight modules and related parts	-	(Note 1(2))	1,106,352	-	(1,106,352)	-	7,869	-	100 %	7,869	-	418,409	Note 10
FTWJ	Manufacturing and sale of backlight modules and related parts	1,075,620	(Note 1(2))	199,758	-	-	199,758	(280,225)	100 %	100 %	(280,225)	1,251,588	432,539	Note 7
Talenda	Manufacturing of electronic components	66,114	(Note 1(2))	-	-	-	-	(902)	51 %	51 %	(460)	33,260	-	

(2) Upper limit on investment in Mainland China

Entity	Accumulated Investment in Mainland China as of December 31, 2022 (Note 4)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
DPTW	3,896,303 (USD126,783)	2,904,484 (USD94,510)	5,596,677
ADP	61,464 (USD2,000)	153,660 (USD5,000)	2,209,858

Note 1: (1) Direct investments in Mainland China.

(2) Indirect investments in Mainland China through companies registered in a third region.

Note 2: Amounts were recognized based on the investees' audited financial statements.

Note 3: Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, DPTW's and ADP's accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").

Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW. Accordingly, the share of profit (loss) of investee and the carrying amount of the investment as of December 31, 2022 disclosed in the table are presented based on 100% held.

Note 6: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2022.

Note 7: The amount of paid-in capital includes the capitalization of retained earnings amounting to USD28,500 thousand for the years from 2005 to 2007.

Note 8: The amount of paid-in capital includes the capital injection of USD10,000 thousand from the offshore holding company, which was originally from FTWJ's appropriation of earnings.

Note 9: The amount of paid-in capital includes the capital injection of USD1,000 thousand from DPLB in 2010 and the capitalization of retained earnings of USD9,000 thousand from DPSZ in 2012.

Note 10: The liquidation process was completed in January 2022.

Note 11: The liquidation process was completed in July 2022.

AUO CORPORATION (FORMERLY AU OPTRONICS CORP.)**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and the parent company only financial statements, the Chinese version shall prevail.

Independent Auditors' Report

To the Board of Directors of AUO Corporation:

Opinion

We have audited the parent company only financial statements of AUO Corporation (formerly AU Optronics Corp., “the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years ended December 31, 2022 and 2021, and notes to the parent company only financial statements including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Impairment of long-term non-financial assets (including goodwill)

Refer to Note 4(15) “Impairment – non financial assets”, Note 5(1) and Note 5(2) “Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty”, Note 6(8) “Property, Plant and Equipment”, Note 6(9) “Lease Arrangements” and Note 6(11) “Intangible Assets” to the parent company only financial statements.

Description of key audit matter:

The Company operates in an industry with high investment costs, has goodwill through the acquisition of subsidiaries, and may experience volatility in response to changes in the external market; hence, it is important to assess the impairment of its long-term non-financial assets (including goodwill). The impairment assessment includes identifying cash-generating units, determining a valuation model, determining significant assumptions, and computing recoverable amounts. With the complexity of the impairment assessment process and the involvement of significant management judgment regarding assumptions used, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's controls surrounding the impairment assessment and testing process; assessing whether there are impairment indications for the identified cash-generating units of the Company and its related assets; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets' future cash flows projection, useful lives, and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; in addition to the above audit procedures, appointing specialists to evaluate the appropriateness of the weighted-average cost of capital used and related assumptions; performing an inquiry of the management and identifying any event after the balance sheet date if able to affect the results of the impairment assessment; and assessing the adequacy of the Company's disclosures of its policy on impairment of noncurrent non-financial assets and other related disclosures.

2. Revenue recognition

Refer to Note 4(18) "Revenue from contracts with customers" and Note 6(18) "Revenue from Contracts with Customers" to the parent company only financial statements.

Description of key audit matter:

Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. The Company recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. In addition, the Company operates in an industry in which revenue is considered to be complex in determining the timing of revenue recognition. Consequently, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's controls surrounding revenue recognition; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards and understanding the Company's main revenue types, its related sales agreements, and sales terms; on a sample basis, inspecting contracts with customers or customers' orders and assessing whether the accounting treatment of the related contracts (including sales terms) is applied appropriately; performing a test of details of sales revenue and understanding the rationale for any identified significant sales fluctuations and any significant reversals of revenue through sales discounts and sales returns which incurred within a certain period before or after the balance sheet date; and assessing the adequacy of the Company's disclosures of its revenue recognition policy and other related disclosures.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yu, Chi-Lung and Yu, Wan-Yuan.

KPMG

Hsinchu, Taiwan (Republic of China)
February 8, 2023

Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

AUO CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars, except for Earnings (loss) per share)

		2022		2021	
		Amount	%	Amount	%
4110	Revenue	\$ 217,686,089	101	333,453,625	101
4190	Less: sales return and discount	2,515,723	1	2,223,070	1
	Net revenue (Notes 6(18)&7)	215,170,366	100	331,230,555	100
5000	Cost of sales (Notes 6(6),(9),(15),(19),(20)&7)	225,776,767	105	260,307,149	79
	Gross profit (loss)	(10,606,401)	(5)	70,923,406	21
	Operating expenses (Notes 6(9),(15),(17),(19),(20)&7):				
6100	Selling and distribution expenses	3,029,807	1	3,540,549	1
6200	General and administrative expenses	4,631,479	2	6,357,095	2
6300	Research and development expenses	10,129,375	5	10,093,084	3
	Total operating expenses	17,790,661	8	19,990,728	6
	Profit (loss) from operations	(28,397,062)	(13)	50,932,678	15
	Non-operating income and expenses:				
7100	Interest income (Notes 6(21)&7)	386,558	-	159,594	-
7010	Other income (Notes 6(3),(21)&7)	862,214	-	565,952	-
7020	Other gains and losses (Notes 6(7),(8),(9),(21)&7)	(1,200,499)	(1)	(206,835)	-
7050	Finance costs (Notes 6(8),(9)&(21))	(1,127,843)	-	(1,447,159)	-
7060	Share of profit of equity-accounted investees (Note 6(7))	8,383,800	4	12,431,269	4
	Total non-operating income and expenses	7,304,230	3	11,502,821	4
7900	Profit (loss) before income tax	(21,092,832)	(10)	62,435,499	19
7950	Less: income tax expense (Note 6(22))	8,542	-	1,104,871	-
8200	Profit (loss) for the year	(21,101,374)	(10)	61,330,628	19
8300	Other comprehensive income (Notes 6(3),(7),(15),(16)&(22)):				
8310	Items that will never be reclassified to profit or loss				
8311	Remeasurement of defined benefit obligations	58,558	-	21,693	-
8316	Unrealized gain (loss) on equity investments at fair value through other comprehensive income	19,373	-	(25,518)	-
8330	Equity-accounted investees – share of other comprehensive income	(1,324,473)	(1)	236,236	-
8349	Related tax	(11,712)	-	(4,664)	-
		(1,258,254)	(1)	227,747	-
8360	Items that are or may be reclassified subsequently to profit or loss				
8361	Foreign operations – foreign currency translation differences	7,463,944	3	(1,765,440)	(1)
8380	Equity-accounted investees – share of other comprehensive income	(4,511,574)	(2)	523,293	-
8399	Related tax	(485,287)	-	328,538	-
		2,467,083	1	(913,609)	(1)
8300	Other comprehensive income (loss), net of tax	1,208,829	-	(685,862)	(1)
8500	Total comprehensive income (loss) for the year	<u>\$ (19,892,545)</u>	<u>(10)</u>	<u>60,644,766</u>	<u>18</u>
	Earnings (loss) per share (NT\$, Note 6(23))				
9750	Basic earnings (loss) per share	<u>\$ (2.39)</u>		<u>6.44</u>	
9850	Diluted earnings (loss) per share	<u>\$ (2.39)</u>		<u>6.26</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AUO CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan dollars)

	Other Components of Equity										
	Capital Stock Common Stock	Capital Surplus	Legal Reserve	Retained Earnings		Cumulative Translation Differences	Other Comprehensive Income	Subtotal	Treasury Shares	Total Equity	
				Special Reserve	Unappropriated Earnings						
Balance at January 1, 2021	96,242,451	60,587,684	7,691,688	2,005,384	20,561,210	30,258,282	(3,206,520)	(63,783)	(3,270,303)	(1,013,423)	182,804,691
Appropriation of earnings:											
Legal reserve	-	-	735,456	-	(735,456)	-	-	-	-	-	-
Special reserve	-	-	-	1,264,919	(1,264,919)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(2,850,967)	-	(2,850,967)	-	-	-	(2,850,967)
Profit for the year	-	-	-	-	61,330,628	61,330,628	-	-	-	-	61,330,628
Other comprehensive income (loss), net of tax	-	-	-	-	8,223	8,223	(913,609)	219,524	(694,085)	-	(685,862)
Total comprehensive income (loss) for the year	-	-	-	-	61,338,851	61,338,851	(913,609)	219,524	(694,085)	-	60,644,766
Donations from shareholders	-	449	-	-	-	-	-	-	-	-	449
Adjustments for changes in investees' equity	-	(1,356,246)	-	-	(8,101,518)	(8,101,518)	(753,444)	-	(753,444)	-	(10,211,208)
Share-based payments	-	825,114	-	-	-	-	-	-	574,195	-	1,399,309
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	25,350	25,350	-	(25,350)	-	-	-
Balance at December 31, 2021	96,242,451	60,057,001	8,427,144	3,270,303	68,972,551	80,669,998	(4,873,573)	130,391	(4,743,182)	(439,228)	231,787,040
Appropriation of earnings:											
Legal reserve	-	-	5,326,268	-	(5,326,268)	-	-	-	-	-	-
Special reserve	-	-	-	1,472,878	(1,472,878)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(9,575,824)	(9,575,824)	-	-	-	-	(9,575,824)
Loss for the year	-	-	-	-	(21,101,374)	(21,101,374)	-	-	-	-	(21,101,374)
Other comprehensive income (loss), net of tax	-	-	-	-	44,298	44,298	2,467,083	(1,302,552)	1,164,531	-	1,208,829
Total comprehensive income (loss) for the year	-	-	-	-	(21,057,076)	(21,057,076)	2,467,083	(1,302,552)	1,164,531	-	(19,892,545)
Donations from shareholders	-	1,095	-	-	-	-	-	-	-	-	1,095
Adjustments for changes in investees' equity	-	1,812,907	-	-	-	-	-	-	-	-	1,812,907
Capital reduction	(19,248,490)	-	-	-	-	-	-	-	-	96,842	(19,151,648)
Share-based payments	-	71,207	-	-	-	-	-	-	46,859	-	118,066
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	41,654	41,654	-	(41,654)	-	-	-
Balance at December 31, 2022	76,993,961	61,942,210	13,753,412	4,743,181	31,582,159	50,078,752	(2,406,490)	(1,213,815)	(3,620,305)	(295,527)	185,099,091

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AUO CORPORATION

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Profit (loss) before income tax	\$ (21,092,832)	62,435,499
Adjustments for:		
- depreciation	19,845,290	22,394,148
- amortization	118,802	170,775
- losses (gains) on financial instruments at fair value through profit or loss	11,461	(205,199)
- interest expense	976,170	1,371,931
- interest income	(386,558)	(159,594)
- dividend income	(1,559)	(2,598)
- compensation costs of share-based payments	70,352	793,463
- share of profit of equity-accounted investees	(8,383,800)	(12,431,269)
- gains on disposals of property, plant and equipment, net	(3,192)	(782,257)
- gains on disposals of investments, net	-	(496,461)
- impairment losses on assets	1,121,772	1,017,725
- unrealized foreign currency exchange losses (gains)	560,099	(7,139)
- others	138,935	75,227
Changes in operating assets and liabilities:		
- accounts receivable	36,027,128	(11,734,364)
- receivables from related parties	2,550,124	(399,806)
- inventories	4,395,797	(2,973,563)
- net defined benefit assets	3,090	(12,299)
- other operating assets	255,505	(2,308,415)
- contract liabilities	(1,551,093)	11,503,416
- accounts payable	(7,438,696)	1,041,259
- payables to related parties	(9,207,644)	3,119,336
- provisions	(449,572)	72,305
- other operating liabilities	(9,058,509)	11,802,579
Cash generated from operations	8,501,070	84,284,699
Interest received	389,937	159,574
Dividends received	3,810,426	813,819
Interest paid	(930,473)	(1,416,424)
Income taxes refunded (paid)	(6,244)	14,958
Net cash provided by operating activities	<u>11,764,716</u>	<u>83,856,626</u>

(Continued)

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AUO CORPORATION

Statements of Cash Flows (Continued)

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from investing activities:		
Disposals of financial assets at fair value through profit or loss	5,440	-
Acquisitions of financial assets at amortized cost	-	(20,000,000)
Disposals of financial assets at amortized cost	10,000,000	10,000,000
Acquisitions of financial assets at fair value through other comprehensive income	-	(91,507)
Acquisitions of equity-accounted investees	(5,993,878)	(23,104,090)
Proceeds from return of capital deduction	-	90,212
Acquisitions of property, plant and equipment	(18,135,881)	(10,221,675)
Disposals of property, plant and equipment	516,127	311,229
Decrease (increase) in refundable deposits	95,645	(572,337)
Increase in other receivables from related parties	(140,000)	(510,000)
Net cash outflow arising from spin-off	-	(1,316,465)
Net cash used in investing activities	<u>(13,652,547)</u>	<u>(45,414,633)</u>
Cash flows from financing activities:		
Proceeds from long-term borrowings	59,583,475	10,770,000
Repayments of long-term borrowings	(21,814,000)	(65,837,500)
Payment of lease liabilities	(401,791)	(390,835)
Decrease in received guarantee deposits	-	(51,290)
Cash dividends	(9,575,824)	(2,850,967)
Capital reduction	(19,151,648)	-
Treasury shares sold to employees	46,718	572,472
Others	1,095	449
Net cash provided by (used in) financing activities	<u>8,688,025</u>	<u>(57,787,671)</u>
Effect of exchange rate change on cash and cash equivalents	<u>20,586</u>	<u>(2,709)</u>
Net increase (decrease) in cash and cash equivalents	6,820,780	(19,348,387)
Cash and cash equivalents at January 1	<u>35,620,938</u>	<u>54,969,325</u>
Cash and cash equivalents at December 31	<u>\$ 42,441,718</u>	<u>35,620,938</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AUO CORPORATION

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. Organization

AUO Corporation (“AUO” or “the Company” , formerly AU Optronics Corp.) was founded on August 12, 1996 and is located in Hsinchu Science Park, the Republic of China (“ROC”). AUO’ s main activities are the research, development, production and sale of thin film transistor liquid crystal displays (“TFT-LCDs”) and other flat panel displays used in a wide variety of applications. AUO also engages in the production and sale of solar modules and systems. AUO’ s common shares have been publicly listed on the Taiwan Stock Exchange since September 2000, and its American Depositary Shares (“ADSs”) have been listed on the New York Stock Exchange (“NYSE”) since May 2002. On and from October 1, 2019, AUO’ s ADSs has delisted from the NYSE and begun trading on the over-the-counter (“OTC”) market. Further on January 27, 2021, AUO’ s ADSs and underlying ordinary shares was officially cancelled from the registration of the United States Securities and Exchange Commission and its reporting obligations under the U.S. Securities Exchange Act was terminated.

On September 1, 2001, October 1, 2006 and October 1, 2016, Unipac Optoelectronics Corp. (“Unipac”), Quanta Display Inc. (“QDI”) and Taiwan CFI Co., Ltd. (“CFI”) were merged with and into AUO, respectively. AUO is the surviving Company, whereas Unipac, QDI and CFI were dissolved.

In order to advance AUO’ s value transformation strategy, to accelerate the extension of the value chain and enhance the overall operating performance, upon the resolution of the shareholders’ meeting held on June 17, 2020, AUO demerged and transferred the business of the General Display and the Public Information Display, including assets, liabilities and the operations, to its wholly-owned subsidiary, AUO Display Plus Corporation (“ADP”). ADP issued new shares to AUO as the consideration. The effective date of the demerger was set on January 1, 2021. The Company split the net operating assets amounted to \$368,555 thousand in exchange for 36,856 thousand shares, with par value of NT\$10 per share, of common shares of ADP. The carrying amounts of those assets and liabilities split off were as follows:

Assets:

Cash and cash equivalents	\$ 1,316,465
Accounts receivable, net	4,325,057
Accounts receivable from related parties, net	273,706
Inventories	266,788
Other current assets	265
Property, plant and equipment	11,382
Deferred tax assets	23,763

Liabilities:

Accounts payable to related parties	(5,630,385)
Provisions — current	(42,279)
Other current liabilities	(139,775)
Deferred tax liabilities	(24,088)
Provisions — noncurrent	(12,344)
	<u><u>\$ 368,555</u></u>

(Continued)

AUO CORPORATION

Notes to the Parent Company Only Financial Statements

2. The Authorization of Financial Statements

These parent company only financial statements were approved and authorized for issue by the Board of Directors of AUO on February 8, 2023.

3. Application of New and Revised Standards, Amendments and Interpretations:

- (1) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, ROC (“FSC”)

The Company has adopted the amendments to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (collectively, “IFRSs”) with effective date from January 1, 2022. The adoption does not have a material impact on the Company’s parent company only financial statements.

- (2) Impact of the IFRSs that have been endorsed by the FSC but not yet in effect

The Company assessed that the adoption of the following amendments, effective for annual period beginning on January 1, 2023, would not have a material impact on its parent company only financial statements.

- Amendments to IAS 1, *Disclosure of Accounting Policies*
- Amendments to IAS 8, *Definition of Accounting Estimates*
- Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

- (3) The IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

New, revised or amended standards and interpretations issued by the IASB but not yet endorsed by the FSC are listed below:

- Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*
- IFRS 17, *Insurance Contracts* and amendments to IFRS 17
- Amendments to IAS 1, *Classification of Liabilities as Current or Noncurrent*
- Amendments to IAS 1, *Noncurrent Liabilities with Covenants*
- Amendments to IFRS 17, *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
- Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*

As of the date that the accompanying parent company only financial statements were issued, the Company continues in assessing the impact on its financial position and results of operations as a result of the application of abovementioned standards and interpretations except for IFRS 17, *Insurance Contracts* and the amendments to IFRS 17 that are not relevant to the Company. The related impact will be disclosed when the assessment is complete.

(Continued)

AUO CORPORATION

Notes to the Parent Company Only Financial Statements

4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these parent company only financial statements are set out as below. The significant accounting policies have been applied consistently to all periods presented in these parent company only financial statements.

(1) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(2) Basis of preparation

a. Basis of measurement

The parent company only financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

- (i) Financial instruments at fair value through profit or loss (including derivative financial instruments) (Note 6(2));
- (ii) Financial assets at fair value through other comprehensive income (Note 6(3));
- (iii) Defined benefit asset (liability) is recognized as the fair value of the plan assets less the present value of the defined benefit obligation (Note 6(15)).

b. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollar (“NTD”), which is also the Company’ s functional currency. All financial information presented in NTD has been rounded to the nearest thousand, unless otherwise noted.

(3) Foreign currency transactions and operations

- a. Transactions in foreign currencies are translated to the functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date and the resulting exchange differences are included in profit or loss for the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date when the fair value was determined. The resulting exchange differences are included in profit or loss for the year except for those arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

AUO CORPORATION

Notes to the Parent Company Only Financial Statements

Exchange differences arising from the effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognized in other comprehensive income.

- b. For the purpose of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into NTD using exchange rates at the reporting date. Income and expenses of foreign operations are translated at the average exchange rates for the period unless the exchange rates fluctuate significantly during the period; in that case, the exchange rates at the dates of the transactions are used. Foreign currency differences are recognized in other comprehensive income and accumulated in equity.
- (4) Classification of current and non-current assets and liabilities

An asset is classified as current when:

- a. The asset expected to realize, or intends to sell or consume, in its normal operating cycle;
- b. The asset primarily held for the purpose of trading;
- c. The asset expected to realize within twelve months after the reporting date; or
- d. Cash and cash equivalent excluding the asset restricted to be exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is classified as current when:

- a. The liability expected to settle in its normal operating cycle;
- b. The liability primarily held for the purpose of trading;
- c. The liability is due to be settled within twelve months after the reporting date; or
- d. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments, do not affect its classification.

All other liabilities are classified as non-current.

- (5) Cash and cash equivalents

Cash comprises cash balances and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amount of cash and are subject to an insignificant risk of changes in their fair value. Time deposits with short-term maturity but not for investments and other purposes and are qualified with the aforementioned criteria are classified as cash equivalent.

(Continued)

AUO CORPORATION
Notes to the Parent Company Only Financial Statements

(6) Financial instruments

a. Financial assets

(i) Classification of financial assets

The Company classifies financial assets into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. When, and only when, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets.

(a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- i. it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- ii. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are initially recognized at fair value, plus any directly attributable transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment losses, are recognized in profit or loss.

(b) Financial assets at fair value through other comprehensive income

On initial recognition, the Company is able to make an irrevocable election to present subsequent changes in the fair value of investments in equity instruments that is not held for trading in other comprehensive income. This election is made on an instrument-by-instrument basis.

Such financial assets are initially recognized at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and accumulated in equity—unrealized gains (losses) on financial assets at fair value through other comprehensive income, except for dividends deriving from equity investments which are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. When an investment is derecognized, the cumulative gain or loss in equity will not be reclassified to profit or loss, instead, is reclassified to retained earnings.

Dividends on investments in equity instruments are recognized on the date that the Company's right to receive the dividends is established.

AUO CORPORATION

Notes to the Parent Company Only Financial Statements

(c) Financial assets at fair value through profit or loss

All financial assets not classified as at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets.

Such financial assets are initially recognized at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in profit or loss.

(ii) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets at amortized cost, including cash and cash equivalents, receivables, refundable deposits and other financial assets, etc., and contract assets. Loss allowances for financial assets are deducted from the gross carrying amount of the assets. The recognition or reversal of the loss allowance is recognized in profit or loss.

The expected credit loss is the weighted average of credit losses with the respective risks of a default occurring on the financial instrument as the weights.

The Company measures the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses, except for the financial instrument that is determined to have low credit risk at the reporting date and the credit risk thereof has not increased significantly since initial recognition, which is measured at an amount equal to the 12-month expected credit losses. For trade receivables and contract assets, the Company measures their loss allowances at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant. This includes both qualitative and quantitative information and analysis, based on the Company's historical experience and credit assessment as well as forward-looking information.

In the circumstance that a financial asset is past due or the borrower is unlikely to pay its credit obligations to the Company in full, the Company considers the credit risk on that financial asset has significantly increased, or further, to be in default.

At each reporting date, the Company assesses whether financial assets at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(iii) De-recognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets to another entity.

(Continued)

AUO CORPORATION

Notes to the Parent Company Only Financial Statements

b. Financial liabilities

(i) Classification of financial liabilities

The Company classifies financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

The Company designates financial liabilities as held for trading for the purpose of hedging exposure to foreign exchange risk arising from operating and financing activities. When a financial liability is not effective as a hedge, the Company accounts for it as a financial liability at fair value through profit or loss.

The Company accounts for financial liabilities, other than the one mentioned above, as at fair value through profit or loss at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities in this category are subsequently measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss.

(b) Other financial liabilities

Financial liabilities not classified as held for trading, or not designated as at fair value through profit or loss (including loans and borrowings, trade and other payables), are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method, except for insignificant recognition of interest expense from short-term borrowings and payables. Interest expense not capitalized as an asset cost is recognized in profit or loss.

(ii) De-recognition of financial liabilities

The Company derecognizes financial liabilities when the contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed is recognized in profit or loss.

c. Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis in the balance sheet when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

AUO CORPORATION
Notes to the Parent Company Only Financial Statements

(7) Inventories

The cost of inventories includes all necessary expenditures and charges for bringing the inventory to a stable, useable and marketable condition and location. The production overhead is allocated to finished goods and work in progress based on the normal capacity of the production facilities. Subsequently, inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted-average method. Net realizable value is calculated based on the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

(8) Investments in associates and joint ventures

Associates are those entities in which the Company and its subsidiaries have the power to exercise significant influence, but not control or joint control, over their financial and operating policies.

Joint venture is a joint arrangement whereby the Company and other parties agreed to share the control of the arrangement, and have rights to the net assets of the arrangement. Unanimous consent from the parties sharing control is required when making decisions for the relevant activities of the arrangement.

Investments in associates or joint ventures are accounted for using the equity method and are recognized initially at cost. The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of associates or joint ventures, after adjustments are made to align their accounting policies with those of the Company. When an associate or a joint venture incurs changes in its equity not derived from profit or loss and other comprehensive income, the Company recognizes all the equity changes in proportion to its ownership interest in the associate or joint venture as capital surplus provided that the ownership interest in the associate or joint venture remains unchanged.

The difference between acquisition cost and fair value of associates' or joint ventures' identifiable assets and liabilities as of the acquisition date is accounted for as goodwill. Goodwill is included in the original investment cost of acquired associates or joint ventures and is not amortized. If the fair value of identified assets and liabilities is in excess of acquisition cost, the remaining excess over acquisition cost is recognized as a gain in profit or loss.

The Company discontinues the use of the equity method from the date when its investment ceases to be an associate or a joint venture, and then measures the retained interests at fair value at that date. The difference between the carrying amount of the investment at the date the equity method was discontinued and the fair value of the retained interests along with any proceeds from disposing of a part interest in the associate or joint venture is recognized in profit or loss. Moreover, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would be required if the investee had directly disposed of the related assets or liabilities.

(Continued)

AUO CORPORATION

Notes to the Parent Company Only Financial Statements

When the Company subscribes for additional shares in an associate or a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate or joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the capital surplus arising from investment accounted for under the equity method in associates or joint ventures is insufficient to offset with the said corresponding amount, the differences will be charged or credited to retained earnings.

If the Company's ownership interest in an associate or a joint venture is reduced due to disposal of or disproportionate subscription to the shares, but the Company continues to apply the equity method, the Company shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest on the same basis as would be required if the investee had directly disposed of the related assets or liabilities.

At the end of each reporting period, if there is any indication of impairment, the entire carrying amount of the investment including goodwill is tested for impairment as a single asset, by comparing its recoverable amount with its carrying amount. An impairment loss recognized forms part of the carrying amount of the investment in associates or joint ventures. Accordingly, any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Profits and losses resulting from the transactions between the Company and associates or joint ventures are recognized in the Company's parent company only financial statements only to the extent of interests in the associate or joint venture that are not related to the Company.

When the Company's share of losses exceeds its interest in an associate or a joint venture, the carrying amount of that interest, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has a legal or constructive obligation, or has made payments on behalf of the investee.

(9) Investment in subsidiaries

The investees which are controlled by the Company are measured under equity method in preparing the parent company only financial statement. The profit or loss, other comprehensive income and equity in the parent company only financial statement are equal to the profit or loss, other comprehensive income and equity attributable to the shareholders of parent in the consolidated financial statement. The Company prepares the consolidated financial statement quarterly comprising of the Company and its subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transaction.

AUO CORPORATION
Notes to the Parent Company Only Financial Statements

(10) Spin-off

The Company demerged and transferred assets, liabilities and the operations to its subsidiary in exchange of the shares issued by the subsidiary. The cost of acquiring the subsidiary is based on the net carrying amount of the Company's assets and liabilities split off. In the meanwhile, there was no gain or loss needed to be recognized.

In accordance with the FAQ issued by Accounting Research and Development Foundation dated January 30, 2019, the Company chose not to restate the parent company only and consolidated financial statements for the comparative period for such organizational restructuring.

(11) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured using the cost model. Depreciation is charged and recognized in non-operating income and expenses based on the depreciable amount. Depreciation methods, useful lives and residual values are in accordance with the policy of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is reclassified to property, plant and equipment at its carrying amount when the use of the investment property changes.

(12) Property, plant and equipment

a. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of the software is capitalized as part of the equipment if the purchase of the software is necessary for the equipment to be capable of operating.

When part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and the useful life or the depreciation method of the significant part is different from another significant part of that same item, it is accounted for as a separate item (significant component) of property, plant and equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss.

(Continued)

AUO CORPORATION

Notes to the Parent Company Only Financial Statements

b. Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. Ongoing repairs and maintenance expenses are recognized in profit or loss as incurred.

c. Depreciation

Depreciation is determined by depreciable amount allocated over the estimated useful lives of the respective assets, considering significant components of an individual asset on a straight-line basis. If a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation charge is recognized in profit or loss.

Leased assets are depreciated over their useful lives if it is reasonably certain that the Company will obtain ownership by the end of the lease term. Otherwise, leased assets are depreciated over the shorter of the lease term and their useful lives.

Except for land, which is not depreciated, the estimated useful lives of the assets are as follows:

- (i) Buildings: 20~50 years
- (ii) Machinery and equipment: 3~9 years
- (iii) Other equipment: 3~6 years

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and, if necessary, adjusted as appropriate. Any changes therein are accounted for as changes in accounting estimates.

d. Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment purpose.

(13) Leases

a. Identifying a lease

A contract is, or contains, a lease when all the following conditions are satisfied:

- (i) the contract involves the use of an identified asset, and the supplier does not have a substantive right to substitute the asset; and
- (ii) the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- (iii) the Company has the right to direct the use of the identified asset throughout the period of use.

AUO CORPORATION

Notes to the Parent Company Only Financial Statements

b. As a lessee

Payments for leases of low-value assets and short-term leases are recognized as expenses on a straight-line basis during the lease term for which the recognition exemption is applied. Except for leases described above, a right-of-use asset and a lease liability shall be recognized for all other leases at the lease commencement date.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments (including fixed payments and variable lease payments that depend on an index or a rate), discounted using the lessee's incremental borrowing rate. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred in restoring the underlying asset.

The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the useful life of the right-of-use asset or the lease term. The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured (i) if there is a change in the lease term; (ii) if there is a change in future lease payments arising from a change in an index or a rate; (iii) if there is a change in the amounts expected to be payable under a residual value guarantee; or (iv) if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in the circumstances aforementioned, a corresponding adjustment is made to the carrying amount of the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

Moreover, the lease liability is remeasured when lease modifications occur that decrease the scope of the lease. The Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- (i) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- (ii) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (iii) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- (iv) there is no substantive change in other terms and conditions of the lease.

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Notes to the Parent Company Only Financial Statements

Under the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

c. As a lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the asset leased to others and recognized as an expense on a straight-line basis over the lease term.

(14) Intangible assets

a. Goodwill

Goodwill is recognized when the purchase price exceeds the fair value of identifiable net assets acquired in a business combination. Goodwill is measured at cost less accumulated impairment losses.

Equity-method goodwill is included in the carrying amounts of the equity investments. The impairment losses for the goodwill within the equity-accounted investees are accounted for as deductions of carrying amounts of investments in equity-accounted investees.

b. Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditure arising from development is capitalized as an intangible asset when the Company demonstrates all of the following:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (ii) its intention to complete the intangible asset and use or sell it;
- (iii) its ability to use or sell the intangible asset;
- (iv) the probability that the intangible asset will generate probable future economic benefits;
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenditure which fails to meet the criteria for recognition as an intangible asset is reflected in profit or loss when incurred. Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

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c. Other intangible assets

Other intangible assets acquired are measured at cost less accumulated amortization and any accumulated impairment losses.

d. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

e. Amortization

The depreciable amount of an intangible asset is the cost less its residual value. Other than goodwill and intangible assets with indefinite useful life, an intangible asset with a finite useful life is amortized over 3 to 20 years using the straight-line method from the date that the asset is made available for use. The amortization charge is recognized in profit or loss.

The residual value, amortization period, and amortization method are reviewed at least annually at each annual reporting date, and any changes therein are accounted for as changes in accounting estimates.

(15) Impairment – non-financial assets

Other than inventories, deferred tax assets and noncurrent assets held for sale, the carrying amounts of the Company's investment property measured at cost and other long-term non-financial assets (property, plant and equipment, right-of-use assets and other intangible assets with finite useful lives), are reviewed at the reporting date to determine whether there is any indication of impairment. When there is an indication of impairment exists for the aforementioned assets, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset has been allocated to.

In performing an impairment test for other long-term non-financial assets, the estimated recoverable amount is evaluated in terms of an asset or a CGU. Any excess of the carrying amount of the asset or its related CGU over its recoverable amount is recognized as an impairment loss. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use.

If there is evidence that the accumulated impairment loss of an asset other than goodwill and intangible assets with indefinite useful lives in prior years no longer exists or has decreased, the amount previously recognized as an impairment loss is reversed, and the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. The increased carrying amount shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

For goodwill and intangible assets with indefinite useful lives or that are not yet available for use, are required to be tested for impairment at least annually. Any excess of the carrying amount of the asset over its recoverable amount is recognized as an impairment loss.

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Notes to the Parent Company Only Financial Statements

For the purpose of impairment test, goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination. If the recoverable amount of a CGU is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to the unit, then the carrying amounts of the other assets in the unit on a pro rata basis. The impairment loss recognized on goodwill is not reversed in a subsequent period.

(16) Provisions

A provision is recognized when the Company has a present obligation arising from a past event, it is probable that the Company will be required to make an outflow of resources embodying economic benefits to settle the obligation, and the amount of the obligation can be estimated reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

a. Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is weighting factors based on historical experience of warranty claims rate and other possible outcomes against their associated probabilities.

b. Decommissioning obligation

The Company is subject to decommissioning obligations related to certain items of property, plant and equipment. Such decommissioning obligations are primarily attributable to clean-up costs, including deconstruction, transportation, and recover costs. The unwinding of the discount based on original discount rate is recognized in profit or loss as interest expense over the periods with corresponding increase in the carrying amounts of the accrued decommissioning costs. The carrying amount of the accruals at the end of the assets' useful lives is the same as the estimated decommissioning costs.

c. Litigation

Management periodically assesses the obligation of all litigation and claims and relative legal costs. Provision for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recognized when it is probable the present obligation as a result of a past event will result in an outflow of resources and the amount can be reasonably estimated.

Provisions recognized are the best estimates of the expenditure for settling the present obligation at each reporting date.

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(17) Treasury shares

Where the Company repurchases its common stock that has been issued, the consideration paid, including all directly attributable costs is recorded as treasury share and deducted from equity. When treasury share is reissued, the excess of sales proceeds over cost is accounted for as capital surplus – treasury shares. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of capital surplus arising from similar types of treasury shares. If such capital surplus is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The carrying amount of treasury share is calculated using the weighted-average cost of different types of repurchase.

If treasury share is retired, the weighted-average cost of the retired treasury share is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus premium, the difference is accounted for as a reduction of capital surplus – treasury shares, or a reduction of retained earnings for any deficiency where capital surplus – treasury shares is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and the capital surplus premium, if any, of the stock retired, the difference is accounted for as an increase in capital surplus – treasury shares.

(18) Revenue from contracts with customers

Revenue is measured based on the consideration that the Company expects to be entitled in the transfer of goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The following is a description of the Company's major revenues:

a. Sales of goods

Revenue is recognized when the control over a product has been transferred to the customer. The transfer of control refers to the product has been delivered to and accepted by the customer without remaining performance obligations from the Company. Delivery occurs when the product has been shipped to the specified location and the risk of loss over the product has been transferred to the customer, as well as when the product has been accepted by the customer according to the terms of sales contract, or when the Company has objective evidence that all criteria for acceptance have been satisfied.

For certain contracts with volume discounts offer to customers, revenue is recognized on a net basis of contract price less estimated volume discounts, and only to the extent that it is highly probable that a significant reversal will not occur. The amount of volume discounts is estimated based on the expected value with reference to the historical experience, and is recorded as refund liability (presented under other current liabilities).

Trade receivable is recognized when the Company is entitled for unconditional right to receive payment upon delivery of goods to customers. The consideration received in advance from the customer according to the sales contract but without delivery of goods is recognized as a contract liability, for which revenue is recognized when the control over the goods is transferred to the customer.

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The Company provides standard warranties for goods sold and has obligation to refund payments for defective goods, in which the Company has recognized provisions for warranties to fulfill the obligation. Refer to Note 4(16) for further details.

b. Construction contracts

For construction contracts, revenue is recognized progressively based on the progress towards complete satisfaction of contract activities, and only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

If the Company cannot reasonably measure its progress towards complete satisfaction of performance obligations in accordance with the construction contracts, revenue is recognized only to the extent of contract costs incurred that it is expected to be recoverable.

The consideration is paid by the customer according to the agreed payment terms. The excess of the amount that has been recognized as revenue over the amount that the Company has issued a bill is recognized as a contract asset. When the entitlement to the payment becomes unconditional, the contract asset is transferred to receivables.

A contract liability is recognized for an advance consideration that the Company has billed to customers arising from construction contracts. When the construction is completed and accepted by the customers, the contract liability is transferred to revenue.

If there are changes in circumstances, the estimates of revenue, cost and the progress towards complete satisfaction of contract will be amended. Any changes therein are recognized in profit or loss during the period in which the changes and amendments are made.

The Company provides standard warranties for construction contracts and has recognized provisions for warranties to fulfill the obligation. Refer to Note 4(16) for further details.

c. Financing components

The Company expects that the length of time when the Company transfers the goods or services to the customer and when the customer pays for those goods or services will be less than one year. Therefore, the amount of consideration is not adjusted for the time value of money.

(19) Employee benefits

a. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

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b. Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each benefit plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Discount rate is determined by reference to the yield rate of Taiwan government bonds at the reporting date. The calculation of defined benefit obligations is performed annually by a qualified actuary using the Projected Unit Credit Cost Method.

Remeasurements of the net defined benefit liability (asset) which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in other comprehensive income in the period in which they occur, and which then are reflected in retained earnings and will not be reclassified to profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

c. Short-term employee benefits

Short-term employee benefit obligations, which are due to be settled within twelve months are measured on an undiscounted basis and are expensed as the related service is provided.

The expected cost of cash bonus or profit-sharing plans, which is anticipated to be paid within one year, are recognized as a liability when the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(20) Share-based payment arrangements

The fair value of equity-settled share-based payment arrangements at the grant date is recognized as compensation cost, together with a corresponding increase in equity, over the periods in which the employees become unconditionally entitled to the awards. The amount of the compensation cost recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the fair value of the share-based payment at the grant date is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

For cash-settled share-based payment transactions, a liability equal to the portion of the goods or services received is recognized at its current fair value determined at each reporting date and at the date of settlement, with any changes in the fair value recognized in profit or loss of the period.

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(21) Income taxes

Income tax expense comprises current and deferred taxes.

a. Current taxes

Current taxes comprise the expected tax payable or receivable on the taxable income or losses for the year and any adjustments to tax payable or receivable in respect of previous years. It is measured using the statutory tax rate or the actual legislative tax rate at the reporting date.

In accordance with the ROC Income Tax Act, undistributed earnings is subject to an additional surtax. The surtax on unappropriated earnings is expensed in the year the shareholders approved the distributions which is the year subsequent to the year the earnings arise.

b. Deferred taxes

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes at the reporting date. Deferred tax liabilities are recognized for temporary difference of future taxable income. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at annual reporting date, by considering global economic environment, industry environment, statutory tax deduction years and projected future taxable income, and reduced to the extent that it is no longer probable that future taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Deferred tax assets which originally not recognized is also reviewed at annual reporting date and recognized to the extent that it is probable that future taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred taxes liabilities for taxable temporary differences related to investments in subsidiaries, associates and joint arrangements are recognized, unless the Company is able to control the timing of the reversal of the taxable temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the reverse, using the statutory tax rate or the actual legislative tax rate on the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

Current taxes and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

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(22) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing profit or loss attributable to the shareholders of the Company by the weighted-average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss attributable to the shareholders of the Company and the weighted-average number of common shares outstanding during the period are adjusted for the effects of dilutive potential common stock, assuming dilutive share equivalents had been issued. The Company's potential dilutive common shares comprise the estimate of employee compensation to be distributed in the form of stock.

The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings or capital surplus to common stock.

(23) Operating segments

The Company has provided the operating segments disclosure in the consolidated financial statements. Thus, disclosure of the segment information in the parent company only financial statements is waived.

5. Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty

The preparation of the parent company only financial statements in conformity with the Regulations requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the significant effect on the amounts recognized in the parent company only financial statements is included in the following notes:

(1) Impairment of long-term non-financial assets, other than goodwill

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups with the consideration of the usage mode of asset and the nature of industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(2) Impairment of goodwill

The assessment of impairment of goodwill requires the Company to make subjective judgment to determine the identified CGUs, allocate the goodwill to relevant CGUs and estimate the recoverable amount of relevant CGUs. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments.

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Notes to the Parent Company Only Financial Statements

(3) Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability, the sources of taxable income, the amount of tax credits can be utilized and feasible tax planning strategies. Changes in the global economic environment, the industry trends and relevant laws and regulations may result in adjustments to the deferred tax assets.

(4) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash on hand, demand deposits and checking accounts	\$ 36,177,290	28,465,702
Time deposits	6,264,428	7,155,236
	<u>\$ 42,441,718</u>	<u>35,620,938</u>

Refer to Note 6(26) for the disclosure of credit risk, currency risk and sensitivity analysis of the financial instruments of the Company.

As at December 31, 2022 and 2021, no cash and cash equivalents were pledged with banks as collaterals.

(2) Financial Assets and Liabilities at Fair Value through Profit or Loss ("FVTPL")

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at FVTPL:		
Foreign currency forward contracts	<u>\$ 169,455</u>	<u>130,434</u>
Financial liabilities held for trading:		
Foreign currency forward contracts	<u>\$ 89,776</u>	<u>39,294</u>

The Company entered into derivative contracts to manage the exposure to currency risk arising from operating activities. Refer to Note 6(26) for the disclosure of the Company's credit and currency risks related to financial instruments.

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As at December 31, 2022 and 2021, the Company's outstanding foreign currency forward contracts were as follows:

December 31, 2022		
Contract item	Maturity date	Contract amount
Sell USD / Buy NTD	Jan. 2023~Feb. 2023	USD 194,000 / NTD 6,014,753
Sell USD / Buy JPY	Jan. 2023~Feb. 2023	USD 68,000 / JPY 9,193,140
Sell NTD / Buy USD	Apr. 2023~May. 2023	NTD 2,779,971 / USD 89,000
Sell NTD / Buy JPY	Jan. 2023~Mar. 2023	NTD 1,939,137 / JPY 8,600,000
Sell EUR / Buy JPY	Jan. 2023	EUR 1,000 / JPY 140,530

December 31, 2021		
Contract item	Maturity date	Contract amount
Sell USD / Buy NTD	Jan. 2022~Feb. 2022	USD 754,000 / NTD 21,005,670
Sell USD / Buy JPY	Jan. 2022~Feb. 2022	USD 158,000 / JPY 18,016,025
Sell EUR / Buy JPY	Jan. 2022~Feb. 2022	EUR 14,000 / JPY 1,814,893

(3) Financial Assets at Fair Value through Other Comprehensive Income ("FVTOCI")

	December 31, 2022	December 31, 2021
Investments in equity instruments at FVTOCI:		
Equity securities – listed stocks	<u><u>\$ 85,362</u></u>	<u><u>65,989</u></u>

The purpose that the Company invests in the abovementioned equity securities is for long-term strategies, but rather for trading purpose. Therefore, those equity securities are designated as financial assets at FVTOCI.

If the value of these equity securities appreciates or depreciates by 10% at the reporting date, other comprehensive income would increase or decrease by \$8,536 thousand and \$6,599 thousand for the years ended December 31, 2022 and 2021, respectively.

Dividends recognized from the investments in equity instruments at FVTOCI held by the Company were disclosed as follows:

	For the years ended December 31,	
	2022	2021
Investments held at the balance sheet date	<u><u>\$ 1,559</u></u>	<u><u>2,598</u></u>

As at December 31, 2022, and 2021 none of the Company's financial assets abovementioned was pledged as collateral.

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(4) Financial Assets at Amortized Cost

	December 31, 2021
Domestic time deposits	<u>\$ 10,000,000</u>

The Company has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of receivables of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets at amortized cost.

As at December 31, 2021, none of the Company's domestic time deposits was pledged as collateral.

(5) Accounts Receivable, net (Including Related and Unrelated Parties)

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 17,757,640	56,459,488
Less: loss allowance	(1,459)	(485)
	<u>\$ 17,756,181</u>	<u>56,459,003</u>
Accounts receivable, net	<u>\$ 12,408,519</u>	<u>48,983,659</u>
Accounts receivable from related parties, net	<u>\$ 5,347,662</u>	<u>7,475,344</u>

The Company measures loss allowance for accounts receivable using the simplified approach under IFRS 9 with the lifetime expected credit losses. Analysis of expected credit losses which was measured based on the aforementioned method, was as follows:

	December 31, 2022		
	Carrying amount of accounts receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 17,213,247	0.00%	-
Past due less than 60 days	513,823	0.00%	-
Past due 61~180 days	29,111	0.00%	-
Past due over 180 days	1,459	100.00%	1,459
	<u>\$ 17,757,640</u>		<u>1,459</u>

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	December 31, 2021		
	Carrying amount of accounts receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 55,595,884	0.00%	102
Past due less than 60 days	851,595	0.01%	72
Past due 61~180 days	12,009	2.59%	311
	<u>\$ 56,459,488</u>		<u>485</u>

The movement of the loss allowance for accounts receivable was as follows:

	For the years ended December 31,	
	2022	2021
Balance at beginning of the year	\$ 485	200
Provisions charged to expense	974	285
Balance at end of the year	<u>\$ 1,459</u>	<u>485</u>

The payment terms granted to customers are generally 25 to 60 days from the end of the month during which the invoice is issued. This term is consistent with practices in our industry, and thus, no financing components involved.

Information about the Company's exposure to credit risk is included in Note 6(26).

As at December 31, 2021, the Company did not sell its accounts receivables to banks. As at December 31, 2022, the Company's accounts receivables sold and derecognized were as follows:

December 31, 2022						
Underwriting bank	Factoring limit	Amount sold and derecognized	Amount advanced	Principal terms		
CTBC Bank	USD 78,000	USD 38,091	NTD 1,056,000	See Notes(a)~(d)		
DBS Bank	USD 170,000	USD 111,137	NTD 3,049,000	See Notes(a)~(d)		
Taipei Fubon Bank	USD 100,000	USD 55,938	NTD 1,529,000	See Notes(a)~(d)		
Bank of Taiwan	USD 250,000	USD 15,219	USD 13,830	See Notes(a)~(d)		
		EUR 3,984	EUR 3,620	See Notes(a)~(d)		
E.SUN Bank	USD 35,000	USD 35,000	USD 31,490	See Notes(a)~(d)		

Note (a): Under these facilities, the Company transferred accounts receivable to the respective underwriting banks, which are without recourse subject to the underwriting consents.

Note (b): The Company informed its customers pursuant to the respective facilities to make payment directly to the respective underwriting banks.

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Notes to the Parent Company Only Financial Statements

Note (c): As of December 31, 2022, total outstanding receivables after the above transactions, net of fees charged by underwriting banks, of \$862,484 thousand was recognized under other current financial assets. In addition, interest rate for the balance of advanced amount as of December 31, 2022 was ranging from 1.48% to 5.48%.

Note (d): To the extent of the amount transferred to the underwriting banks, risks of non-collection or potential payment default by customers in the event of insolvency are borne by respective banks. The Company is not responsible for the collection of receivables subject to these facilities, or for any legal proceedings and costs thereof in collecting these receivables. In case any commercial dispute between the Company and customers or other reasons results in the Company's failure to perform the obligation under these facilities, the banks have requested the Company to issue promissory notes in the amounts equal to 10 percent of respective facilities or to transfer receivables in the amounts equal to 10 percent of respective facilities. Other than such arrangements, no collaterals were provided by the Company.

(6) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 7,075,387	8,613,195
Work-in-progress	7,251,319	10,293,672
Raw materials	2,969,049	2,784,685
	<u>\$ 17,295,755</u>	<u>21,691,552</u>

For the years ended December 31, 2022 and 2021, the amounts recognized as cost of sales in relation to inventories were \$225,776,767 thousand and \$260,307,149 thousand, respectively. The net of provisions for inventories written down to net realizable value, which were also included in cost of sales, amounted to \$1,403,390 thousand and \$865,868 thousand for the years ended December 31, 2022 and 2021, respectively.

As at December 31, 2022 and 2021, none of the Company's inventories was pledged as collateral.

(7) Investments in Equity-accounted Investees

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 102,200,251	92,701,406
Associates	22,010,701	17,486,238
	<u>\$ 124,210,952</u>	<u>110,187,644</u>

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a. Subsidiaries

Refer to consolidated financial statements for the years ended December 31, 2022 and 2021 for the details.

b. Associates

	December 31, 2022	December 31, 2021
Qisda Corporation (“Qisda”)	\$ 10,487,775	10,807,806
Ennostar Inc.(“Ennostar”)	6,963,339	2,248,301
ADLINK Technology Inc. (“ADLINK”)	2,314,027	2,219,249
Star Shining Energy Corporation. (“SSEC”)	2,245,560	2,210,882
	<u>\$ 22,010,701</u>	<u>17,486,238</u>

None of the above associates is considered individually material to the Company. The following table summarized the amount recognized by the Company at its share of those associates.

	For the years ended December 31, 2022	2021
The Company’ s share of associates’ :		
Profit (loss)	\$ 1,190,297	1,620,067
Other comprehensive income (loss)	(673,241)	50,315
Total comprehensive income (loss)	<u>\$ 517,056</u>	<u>1,670,382</u>

Lextar Electronics Corp. (“Lextar”), upon the resolution of its Board of Directors on June 18, 2020, carried out a joint share exchange with Epistar Corporation (“Epistar”) for a newly incorporated company, Ennostar. Such plan was also approved by Lextar’ s and Epistar’ s special shareholders’ meetings held on August 7, 2020. In November 2020, Lextar received a written decision on anti monopoly examination of the business operators’ concentration from the Antitrust authority in China wherein the authority approved and decided not to prohibit the concentration. On the record date, January 6, 2021, Ennostar’ s shares have been publicly listed on the Taiwan Stock Exchange. In the meanwhile, Lextar’ s and Epistar’ s listing and public offering were terminated. Upon completion of the share exchange, the Company still remains significant influence over Ennostar.

When the share exchange took place on January 6, 2021, the Company deemed the conversion of shares of Lextar as disposal. The fair value at disposal was \$1,793,854 thousand and the gain on disposal was \$498,701 thousand.

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The Company is the sole largest shareholder of Star River Energy Corp. (“SREC”) with 32.01% of its voting shares. Upon the amendment to the joint venture agreement in January 2021, the Company re-assessed the investment of SREC and considered that it has control over the main operating activities of SREC. Consequently, SREC was treated as the subsidiary from January 2021.

In July 2022, the Company participated in Ennostar’ s capital increase through a private placement offering with consideration of \$3,484,895 thousand. Due to the disproportionate subscription to the shares, the Company’ s ownership interest in Ennostar increased from 3.86% to 12.45%. The difference between the consideration and the carrying amount arising from the acquisition of interest was recognized in capital surplus with amount of \$1,398,054 thousand.

As at December 31, 2022 and 2021, none of the Company’ s investments in equity-accounted investees was pledged as collateral.

(8) Property, Plant and Equipment

	For the year ended December 31, 2022				
	Balance, Beginning of Year	Additions	Disposal or write off	Reclassification	Balance, End of Year
Cost:					
Land	\$ 6,344,658	-	-	-	6,344,658
Buildings	87,174,995	1,750	-	915	87,177,660
Machinery and equipment	698,506,521	919,203	(2,336,719)	6,026,046	703,115,051
Other equipment	26,845,509	2,884,449	(3,086,750)	1,043,051	27,686,259
	<u>818,871,683</u>	<u>3,805,402</u>	<u>(5,423,469)</u>	<u>7,070,012</u>	<u>824,323,628</u>
Accumulated depreciation and impairment loss:					
Buildings	27,444,229	1,723,133	-	-	29,167,362
Machinery and equipment	655,460,473	13,869,717	(2,335,677)	-	666,994,513
Other equipment	21,785,709	3,820,459	(3,084,381)	-	22,521,787
	<u>704,690,411</u>	<u>19,413,309</u>	<u>(5,420,058)</u>	<u>-</u>	<u>718,683,662</u>
Prepayments for purchase of land and equipment, and construction in progress	3,383,988	16,210,892	-	(7,070,012)	12,524,868
Net carrying amounts	<u>\$ 117,565,260</u>				<u>118,164,834</u>

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For the year ended December 31, 2021						
	Balance, Beginning of Year	Additions	Disposal or write off	Spin-off	Reclassification	Balance, End of Year
Cost:						
Land	\$ 6,344,658	-	-	-	-	6,344,658
Buildings	88,065,114	180	(903,202)	-	12,903	87,174,995
Machinery and equipment	700,787,904	859,121	(6,676,122)	(167)	3,535,785	698,506,521
Other equipment	<u>27,040,662</u>	<u>2,790,733</u>	<u>(3,452,487)</u>	<u>(16,481)</u>	<u>483,082</u>	<u>26,845,509</u>
	<u>822,238,338</u>	<u>3,650,034</u>	<u>(11,031,811)</u>	<u>(16,648)</u>	<u>4,031,770</u>	<u>818,871,683</u>
Accumulated depreciation and impairment loss:						
Buildings	26,565,851	1,761,391	(883,013)	-	-	27,444,229
Machinery and equipment	645,769,249	16,352,380	(6,660,989)	(167)	-	655,460,473
Other equipment	<u>21,342,963</u>	<u>3,897,158</u>	<u>(3,449,313)</u>	<u>(5,099)</u>	<u>-</u>	<u>21,785,709</u>
	<u>693,678,063</u>	<u>22,010,929</u>	<u>(10,993,315)</u>	<u>(5,266)</u>	<u>-</u>	<u>704,690,411</u>
Prepayments for purchase of land and equipment, and construction in progress	<u>993,930</u>	<u>6,421,828</u>	<u>-</u>	<u>-</u>	<u>(4,031,770)</u>	<u>3,383,988</u>
Net carrying amounts	<u>\$ 129,554,205</u>					<u>117,565,260</u>

As of December 31, 2022 and 2021, a non-irrigated farmland located in LongTan plant amounted to \$23,671 thousand was registered in the name of a farmer due to regulations. An agreement of pledge had been signed between the Company and the farmer clarifying the rights and obligations of each party.

In 2022 and 2021, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its display segment and recognized impairment losses of \$12,893 thousand and \$44,227 thousand, respectively.

In 2022 and 2021, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its energy segment and recognized impairment losses of \$2,879 thousand and \$26,809 thousand, respectively.

Impairment losses as mentioned above were recognized under other gains and losses in the statements of comprehensive income.

The Company decided to dispose of part of its plants and related appendages to Vanguard International Semiconductor Corporation pursuant to the resolution of Board of Directors' meeting held on April 28, 2021. Both parties have completed the transaction in December 2021. The consideration of disposal (net of related transaction costs) and gain on disposal were \$808,662 thousand and \$787,460 thousand, respectively. The consideration aforementioned is to be received in installments. As of December 31, 2021, outstanding receivables totaled \$509,524 thousand (recognized in other current financial assets), which were fully received in January 2022.

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The following table summarized the Company' s capitalized borrowing costs and the interest rate range applied for the capitalization:

	For the years ended December 31,	
	2022	2021
Capitalized borrowing costs	<u>\$ 114,533</u>	<u>35,568</u>
The interest rates applied for the capitalization	1.50%~ 2.01%	1.50%~ 1.63%

Certain property, plant and equipment were pledged as collateral, see Note 8.

(9) Lease Arrangements

a. Lessee

(i) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount of right-of-use assets		
Land	\$ 7,703,236	8,260,763
Buildings	106,773	64,926
Other equipment	695	-
	<u>\$ 7,810,704</u>	<u>8,325,689</u>
	For the years ended December 31,	
	2022	2021
Additions to right-of-use assets	<u>\$ 206,700</u>	<u>-</u>
Depreciation charge for right-of-use assets		
Land	\$ 406,887	414,656
Buildings	40,754	39,599
Other equipment	112	-
	<u>\$ 447,753</u>	<u>454,255</u>

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(ii) Lease liabilities

	December 31, 2022		
	Future minimum lease payments	Interests	Present value of minimum lease payments
Less than one year	\$ 543,678	142,381	401,297
Between one and five years	2,058,685	498,357	1,560,328
More than five years	7,020,717	926,677	6,094,040
	\$ 9,623,080	1,567,415	8,055,665
Lease liabilities — current			\$ 401,297
Lease liabilities — noncurrent			7,654,368
			\$ 8,055,665

	December 31, 2021		
	Future minimum lease payments	Interests	Present value of minimum lease payments
Less than one year	\$ 530,417	152,144	378,273
Between one and five years	2,075,976	538,837	1,537,139
More than five years	7,680,569	1,063,995	6,616,574
	\$ 10,286,962	1,754,976	8,531,986
Lease liabilities — current			\$ 378,273
Lease liabilities — noncurrent			8,153,713
			\$ 8,531,986

(iii) Significant lease agreements

AUO has entered into various land lease agreements with Hsinchu Science Park Bureau, Central Science Park Administration Bureau and Southern Taiwan Science Park Bureau, respectively, for the construction of plant for operations. All lease amounts are adjusted in accordance with the land value announced by the government from time to time. In 2022 and 2021, AUO modified some of its lease contracts due to the decrease of the scope of the lease, and therefore, the carrying amounts of the right-of-use assets were reduced by \$273,932 thousand and \$10,131 thousand, respectively. The difference between the remeasurement of the lease liability and the reduction of the right-of-use asset was recognized in profit or loss.

Total cash outflow for the Company's leases in which it acts as a lessee for the years ended December 31, 2022 and 2021 were \$541,730 thousand and \$549,472 thousand, respectively.

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b. Lessor

The Company leased out part of its land, recognized as investment properties, and did not transfer substantially all the risks and rewards incidental to their ownership to the lessee, therefore, those leases were recognized as operating leases. Refer to Note 6(21) for the information of rental income from operating leases. In addition, the direct costs relating to the aforementioned operating leases for the years ended December 31, 2022 and 2021 were \$236 thousand and \$541 thousand, respectively.

The maturity analysis of undiscounted operating lease receivable for the abovementioned assets are as follows:

	December 31, 2022	December 31, 2021
Year 1	\$ 8,879	8,052
Year 2	13,014	8,052
Year 3	13,014	8,052
Year 4	13,014	8,052
Year 5	13,014	8,052
Year 6 onwards	10,845	46,970
Total undiscounted operating lease receivable	<u>\$ 71,780</u>	<u>87,230</u>

(10) Investment Property

For the year ended December 31, 2022			
	Balance, Beginning of Year	Additions	Balance, End of Year
Cost:			
Land	\$ 465,868	-	465,868
Fair Value	<u>\$ 1,705,905</u>		<u>1,705,905</u>
For the year ended December 31, 2021			
	Balance, Beginning of Year	Additions	Balance, End of Year
Cost:			
Land	\$ 465,868	-	465,868
Fair Value	<u>\$ 1,578,838</u>		<u>1,705,905</u>

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The fair value of investment property is based on a valuation performed by a qualified independent appraiser who holds a recognized and relevant professional qualification and has recent valuation experience in the location and category of the investment property being valued. The valuation is performed using sales comparison approach and land development analysis approach with reference to available market information.

The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation techniques used. Sales comparison approach is through comparison, analysis, adjustment and other means of value for comparable properties to estimate the value of the investment property. Land development analysis approach determine the fair value of investment property based on the value prior to development or construction, after deducting the direct cost, indirect cost, capital interest and profit during the development period, and also consider total sales price of properties after completion of development or construction. It also incorporates the possibility of changes in utility of land through development or improvement in accordance with legal use and density of the land. The overall capital interest rate and the rate of return used in the valuation were 1.91% and 15.00%, respectively.

As at December 31, 2022 and 2021, there was no investment property that was pledged as collateral.

(11) Intangible Assets

For the year ended December 31, 2022				
	Balance, Beginning of Year	Additions	Reclassification	Balance, End of Year
Cost:				
Goodwill	\$ 11,280,595	-	-	11,280,595
Patent and technology fee	<u>12,078,767</u>	<u>-</u>	<u>-</u>	<u>12,078,767</u>
	<u>23,359,362</u>	<u>-</u>	<u>-</u>	<u>23,359,362</u>
Accumulated amortization and impairment loss:				
Goodwill	946,689	1,106,000	-	2,052,689
Patent and technology fee	<u>11,723,687</u>	<u>118,802</u>	<u>-</u>	<u>11,842,489</u>
	<u>12,670,376</u>	<u>1,224,802</u>	<u>-</u>	<u>13,895,178</u>
Net carrying amounts	<u>\$ 10,688,986</u>	<u>(1,224,802)</u>	<u>-</u>	<u>9,464,184</u>

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For the year ended December 31, 2021				
	Balance, Beginning of Year	Additions	Reclassification	Balance, End of Year
Cost:				
Goodwill	\$ 11,280,595	-	-	11,280,595
Patent and technology fee	12,078,767	-	-	12,078,767
	<u>23,359,362</u>	<u>-</u>	<u>-</u>	<u>23,359,362</u>
Accumulated amortization and impairment loss:				
Goodwill	-	946,689	-	946,689
Patent and technology fee	11,552,912	170,775	-	11,723,687
	<u>11,552,912</u>	<u>1,117,464</u>	<u>-</u>	<u>12,670,376</u>
Net carrying amounts	<u>\$ 11,806,450</u>	<u>(1,117,464)</u>	<u>-</u>	<u>10,688,986</u>

For the purpose of impairment test, the following table shows the information of the operating business that the Company' s goodwill allocating to.

	December 31, 2022	December 31, 2021
Display business	<u>\$ 9,227,906</u>	<u>10,333,906</u>

The Company' s goodwill has been tested for impairment at least once at the end of the annual reporting period. The recoverable amount was determined based on value in use of the operating business.

The key assumptions used in the estimation of the recoverable amount included discount rate and terminal growth rate. The annual discount rates for the years ended December 31, 2022 and 2021 were 11.44% and 10.42%, respectively, based on industry weighted average cost of capital. The cash flow projections were determined based on the financial budgets approved by management covering the future five-year period and extrapolated with a steady annual terminal growth rate for subsequent years, which were negative 1%, for both 2022 and 2021. The key assumptions abovementioned represents the management' s forecast of the future for the related industry by considering the history information from internal and external sources.

Based on the impairment assessments in 2022 and 2021, as the recoverable amount of display CGU was lower than its carrying value, the Company recognized an impairment loss of \$1,106,000 thousand and \$946,689 thousand on goodwill of display segment, respectively.

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(12) Other Current Assets and Other Noncurrent Assets

	December 31, 2022	December 31, 2021
Prepayments for purchases	\$ 935,038	960,171
Refundable deposits	915,464	922,576
Refundable and overpaid tax	372,112	235,373
Others	<u>2,614,590</u>	<u>2,884,018</u>
	4,837,204	5,002,138
Less: current	<u>(1,986,803)</u>	<u>(1,881,797)</u>
Noncurrent	<u>\$ 2,850,401</u>	<u>3,120,341</u>

(13) Long-term Borrowings

Bank or agent bank	Durations	December 31, 2022	December 31, 2021
Syndicated loans:			
Bank of Taiwan and others	From Feb. 2019 to Feb. 2022	\$ -	12,000,000
Bank of Taiwan and others	From Mar. 2019 to Apr. 2022	-	4,600,000
Bank of Taiwan and others	From Oct. 2021 to Oct. 2025	32,500,000	9,750,000
Bank of Taiwan and others	From Apr. 2022 to Apr. 2029	20,000,000	-
Unsecured bank loans	From Jun. 2021 to Aug. 2026	3,680,000	1,200,000
Secured bank loans	From Nov. 2019 to Jul. 2029	<u>22,646,000</u>	<u>13,500,000</u>
		78,826,000	41,050,000
Less: transaction costs		<u>(257,607)</u>	<u>(402,755)</u>
		78,568,393	40,647,245
Less: current portion		<u>(10,371,000)</u>	<u>(12,267,653)</u>
		<u>\$ 68,197,393</u>	<u>28,379,592</u>
Unused credit facilities		<u>\$ 50,430,000</u>	<u>87,100,000</u>
Interest rate range		1.2500%~ 2.4198%	0.7500%~ 1.7895%

The Company entered into the aforementioned long-term loan arrangements with banks and financial institutions to finance capital expenditures for purchase of machinery and equipment, and to fulfill working capital, as well as to repay the matured debts. A commitment fee is negotiated with the leading banks of syndicated loans and is calculated based on the committed-to-withdraw but unused balance, if any. No commitment fees were paid for the year ended December 31, 2022.

These credit facilities contain covenants that require the Company to maintain certain financial ratios, calculating based on the Company's annual audited consolidated financial statements prepared in accordance with IFRSs endorsed and issued into effect by the FSC, such as current ratio, leverage ratio, interest coverage ratio, tangible net worth and others as specified in the loan agreements. As of December 31, 2022 and 2021, the Company complied with all financial covenants required under each of the loan agreements.

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Refer to Note 6(26) for detailed information of exposures to interest rate, currency, and liquidity risks. Refer to Note 8 for assets pledged as collateral to secure the aforementioned long-term borrowings.

(14) Provisions

	Warranties⁽ⁱ⁾	Litigation, claims and others	Total
Balance at January 1, 2022	\$ 1,003,369	453,820	1,457,189
Reversals	(171,742)	(152,755)	(324,497)
Usage	(86,575)	(38,500)	(125,075)
Effect of change in exchange rate	-	44,755	44,755
Balance at December 31, 2022	745,052	307,320	1,052,372
Less: current	(135,877)	(307,320)	(443,197)
Noncurrent	\$ 609,175	-	609,175
Balance at January 1, 2021	\$ 1,276,284	165,466	1,441,750
Additions	244,926	324,203	569,129
Usage	(463,218)	(33,606)	(496,824)
Spin-off	(54,623)	-	(54,623)
Effect of change in exchange rate	-	(2,243)	(2,243)
Balance at December 31, 2021	1,003,369	453,820	1,457,189
Less: current	(323,462)	(453,820)	(777,282)
Noncurrent	\$ 679,907	-	679,907

⁽ⁱ⁾ The provisions for warranties were estimated based on historical experience of warranty claims rate associated with similar products and services. The Company expects most warranty claims will be made within two years from the date of the sale of the product.

(15) Employee Benefits

a. Defined benefit plans

Pursuant to the ROC Labor Standards Act, the Company has established a defined benefit pension plan covering their full-time employees in the ROC. This plan provides for retirement benefits to retiring employees based on years of service and the average salaries and wages for the six-month period before the employee's retirement. The funding of this retirement plan by the Company is contributed monthly based on a certain percentage of employees' total salaries and wages. The fund is deposited with Bank of Taiwan.

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- (i) Reconciliation of the present value of defined benefit obligation and the fair value of plan assets for the Company.

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ (117,333)	(152,728)
Fair value of plan assets	319,447	299,374
Net defined benefit asset (recognized in other noncurrent assets)	<u>\$ 202,114</u>	<u>146,646</u>

- (ii) Movement in net defined benefit asset (liability)

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit asset (liability)	
	2022	2021	2022	2021	2022	2021
Balance at January 1	\$ (152,728)	(146,554)	299,374	256,878	146,646	110,324
Spin-off	-	2,330	-	-	-	2,330
Service cost	(4,257)	(4,032)	-	-	(4,257)	(4,032)
Interest cost	(993)	(572)	-	-	(993)	(572)
Expected return on plan assets	-	-	1,946	1,002	1,946	1,002
Included in profit or loss	(5,250)	(4,604)	1,946	1,002	(3,304)	(3,602)
Actuarial (loss) gain arising from:						
- demographic assumptions	20	(1,759)	-	-	20	(1,759)
- financial assumptions	30,644	(16,648)	-	-	30,644	(16,648)
- experience adjustment	1,663	(7,263)	-	-	1,663	(7,263)
Return on plan assets excluding interest income	-	-	26,231	47,363	26,231	47,363
Included in other comprehensive income	32,327	(25,670)	26,231	47,363	58,558	21,693
Contributions paid by the employer	-	-	214	15,901	214	15,901
Benefits paid	8,318	21,770	(8,318)	(21,770)	-	-
	8,318	21,770	(8,104)	(5,869)	214	15,901
Balance at December 31	<u>\$ (117,333)</u>	<u>(152,728)</u>	<u>319,447</u>	<u>299,374</u>	<u>202,114</u>	<u>146,646</u>

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(iii) Plan assets

Pursuant to the ROC Labor Standards Act, the Company contributes an amount based on a certain percentage of employees' total salaries and wages paid every month to its pension fund (the "Fund"), which is administered by the Bureau of Labor Fund, Ministry of Labor and supervised by the employees' pension plan committee (the "Committee") and deposited in the Committee's name with Bank of Taiwan. Under the ROC Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum return on the plan assets should not be lower than the average interest rate on two-year time deposits published by the local banks. The government is not only responsible for the determination of the investment strategies and policies, but also for any shortfall in the event that the rate of return is less than the required rate of return.

As of December 31, 2022 and 2021, the Fund deposited in the Committee's name in the Bank of Taiwan amounted to \$319,447 thousand and \$299,374 thousand, respectively. Information on utilization of labor pension funds, including the yield rate of funds and the component of plan assets are available at the Bureau of Labor Funds, Ministry of Labor website.

(iv) Present value of defined benefit obligation

(a) Principal actuarial assumptions

	December 31, 2022	December 31, 2021
Discount rate	1.37%	0.65%
Rate of increase in future salary	3.00%	4.00%

The Company anticipates to make zero contribution to the defined benefit plans in the next year starting from January 1, 2023.

As at December 31, 2022, the weighted-average duration of the defined benefit obligation was 13 years.

(b) Sensitivity analysis

Reasonably possible changes at December 31, 2022 and 2021 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	December 31, 2022		December 31, 2021	
	Changes in assumptions		Changes in assumptions	
	+ 0.25%	-0.25%	+0.25%	-0.25%
Discount rate	\$ (3,762)	3,941	(5,495)	5,777
Rate of increase in future salary	\$ 3,868	(3,713)	5,573	(5,335)

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In practical, the relevant actuarial assumptions are correlated to each other. The approach to develop the sensitivity analysis as above is the same approach to recognize the net defined benefit asset (liability) in the balance sheet.

The approach to develop the sensitivity analysis and its relevant actuarial assumptions are the same as those in previous year.

b. Defined contribution plans

Commencing July 1, 2005, pursuant to the ROC Labor Pension Act (the “Act”), employees who elected to participate in the Act or joined the Company after July 1, 2005, are subject to a defined contribution plan under the Act. Under the defined contribution plan, the Company contributes monthly at a rate of no less than six percent of the employees’ monthly salaries and wages to the employee’s individual pension fund account at the ROC Bureau of Labor Insurance. Besides, matters that are not addressed in the Company’s defined contribution plan should be governed by the Act.

The Company has set up defined contribution plan in accordance with the Act. For the years ended December 31, 2022 and 2021, \$933,629 thousand and \$888,251 thousand, respectively, of the pension costs under the pension plan to the ROC Bureau of Labor Insurance.

(16) Capital and Other Components of Equity

a. Common stock

The Company’s authorized common stock, with par value of \$10 per share, amounted to \$120,000,000 thousand and \$100,000,000 thousand as at December 31, 2022 and 2021, respectively.

The Company’s issued common stock, with par value of \$10 per share, amounted to \$76,993,961 thousand and \$96,242,451 thousand as at December 31, 2022 and 2021, respectively.

In order to adjust the Company’s capital structure to correspond with its corporate transformation, on June 17, 2022, the Company’s shareholders’ meeting resolved to reduce capital and refund cash to shareholders. Total amount of capital reduction is \$19,248,490 thousand, which translates to 1,924,849 thousand cancelled shares and represents approximately 20% capital reduction ratio. The record date of capital reduction was set on August 10, 2022 and the relevant legal registration procedures have been completed.

As of December 31, 2022, the Company has issued 19,368 thousand ADSs, which represented 193,677 thousand shares of its common stock.

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b. Capital surplus

The components of capital surplus were as follows:

	December 31, 2022	December 31, 2021
From common stock	\$ 52,756,091	52,756,091
From convertible bonds	6,049,862	6,049,862
From others	3,136,257	1,251,048
	<u>\$ 61,942,210</u>	<u>60,057,001</u>

According to the ROC Company Act, capital surplus, including premium from stock issuing and donations received, may be used to offset a deficit. When a company has no deficit, such capital surplus may be distributed by issuing common stock as stock dividends or by cash according to the proportion of shareholdings. Pursuant to the ROC Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of capital surplus capitalized per annum shall not exceed 10 percent of the paid in capital.

c. Retained earnings and dividend policy

In accordance with the Company's Articles of Incorporation, distribution of earnings by way of cash dividends should be approved by the Company's Board of Directors and reported to the Company's shareholders in its meeting. After payment of income taxes and offsetting accumulated deficits, the legal reserve shall be set aside until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside or reversed. The remaining current-year earnings together with accumulated undistributed earnings from preceding years can be distributed according to relevant laws and the Company's Articles of Incorporation.

Legal reserve may be used to offset a deficit. When the Company incurs no loss, it may distribute its legal reserve by issuing new shares or by cash in accordance with the proportion of shareholdings for the portion in excess of 25% of the paid-in capital.

The Company's dividend policy is to pay dividends from surplus considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions and capital budget requirements, while taking into account shareholders' interest, maintenance of balanced dividend and the Company's long-term financial plan. If the current-year retained earnings available for distribution reach 2% of the paid-in capital of the Company, dividend to be distributed shall be no less than 20% of the current-year retained earnings available for distribution. If the current-year retained earnings available for distribution do not reach 2% of the paid-in capital of the Company, the Company may decide not to distribute dividend. The cash portion of the dividend, which may be in the form of cash and stock, shall not be less than 10% of the total dividend distributed during the year. The dividend distribution ratio aforementioned could be adjusted after taking into consideration factors such as finance, business and operations, etc.

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Pursuant to relevant laws or regulations or as requested by the local authority, total net debit balance of the other components of equity shall be set aside from current earnings as special reserve, and not for distribution. Subsequent decrease pertaining to items that are accounted for as a reduction to the other components of equity shall be reclassified from special reserve to undistributed earnings.

The Company's appropriation of earnings for 2021 by way of cash dividends has been approved in the Board of Directors' meeting held on March 28, 2022. The appropriation of 2021 earnings by other ways has been approved in the annual shareholders' meeting held on June 17, 2022. Details of distribution were as follows:

	Appropriation of earnings	Dividends per share (NT\$)
Legal reserve	\$ 5,326,268	
Special reserve	1,472,878	
Cash dividends to shareholders	<u>9,575,824</u>	1.00
	<u>\$ 16,374,970</u>	

The aforementioned appropriation of earnings for 2021 was consistent with the resolutions of the Board of Directors' meeting held on March 28, 2022.

The Company's appropriation of earnings for 2020 by way of cash dividends has been approved in the Board of Directors' meeting held on March 16, 2021. The appropriation of 2020 earnings by other ways has been approved in the annual shareholders' meeting held on August 19, 2021. Details of distribution were as follows:

	Appropriation of earnings	Dividends per share (NT\$)
Legal reserve	\$ 735,456	
Special reserve	1,264,919	
Cash dividends to shareholders	<u>2,850,967</u>	0.30
	<u>\$ 4,851,342</u>	

The aforementioned appropriation of earnings for 2020 was consistent with the resolutions of the Board of Directors' meeting held on March 16, 2021.

Information on the approval of Board of Directors and shareholders for the Company's appropriations of earnings are available at the Market Observation Post System website.

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d. Treasury shares

The Company repurchased 125,000 thousand shares as treasury shares transferred to employees in accordance with Securities and Exchange Act requirements. The related information on treasury share transactions was as follows (shares in thousands):

For the year ended December 31, 2022					
Reason for reacquisition	Number of shares, Beginning of Year	Additions	Reductions	Capital Reduction	Number of shares, End of Year
Transferring to employees	54,199	-	(5,778)	(9,684)	38,737

For the year ended December 31, 2021					
Reason for reacquisition	Number of shares, Beginning of Year	Additions	Reductions		Number of shares, End of Year
Transferring to employees	125,000	-	(70,801)		54,199

Refer to Note 6(17) for information on employee treasury shares plan for 2022 and 2021. A total of 5,778 thousand and 70,801 thousand shares were transferred with total costs for treasury shares of \$46,859 thousand and \$574,195 thousand, respectively, and with both cost per share of \$8.11.

Pursuant to the Securities and Exchange Act, the number of shares repurchased shall not exceed 10 percent of the number of the Company's issued and outstanding shares, and the total amount repurchased shall not exceed the sum of the Company's retained earnings, share premium, and realized capital surplus. Also, the shares repurchased for transferring to employees shall be transferred within five years from the date of reacquisition and those shares not transferred within the five-year period are to be retired.

In accordance with the Securities and Exchange Act, treasury shares held by the Company shall not be pledged, and do not hold any shareholder rights before their transfer.

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Notes to the Parent Company Only Financial Statements

e. Other components of equity

	Cumulative translation differences	Unrealized gains (losses) on financial assets at FVTOCI	Total
Balance at January 1, 2022	\$ (4,873,573)	130,391	(4,743,182)
Foreign operations – foreign currency translation differences	7,463,944	-	7,463,944
Net change in fair value of financial assets at FVTOCI	-	19,373	19,373
Equity-accounted investees – share of other comprehensive income	(4,511,574)	(1,321,925)	(5,833,499)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(41,654)	(41,654)
Related tax	(485,287)	-	(485,287)
Balance at December 31, 2022	<u><u>\$ (2,406,490)</u></u>	<u><u>(1,213,815)</u></u>	<u><u>(3,620,305)</u></u>
Balance at January 1, 2021	\$ (3,206,520)	(63,783)	(3,270,303)
Foreign operations – foreign currency translation differences	(1,765,440)	-	(1,765,440)
Net change in fair value of financial assets at FVTOCI	-	(25,518)	(25,518)
Equity-accounted investees – share of other comprehensive income	464,648	245,042	709,690
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(25,350)	(25,350)
Realized loss on sales of securities reclassified to profit or loss	58,645	-	58,645
Acquisition of interest in subsidiary	(753,444)	-	(753,444)
Related tax	328,538	-	328,538
Balance at December 31, 2021	<u><u>\$ (4,873,573)</u></u>	<u><u>130,391</u></u>	<u><u>(4,743,182)</u></u>

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Notes to the Parent Company Only Financial Statements

(17) Share-based Payments

a. Employee treasury shares plan

AUO granted the treasury shares to eligible employees, including those of AUO and its subsidiaries in accordance with the relevant plan. The key terms and conditions related to the grants were disclosed as follows:

Grant date	Total shares granted (in thousands)	Vesting conditions	Share price	Exercise price	Fair value per unit
Feb. 18, 2021	3,978	Vest immediately	16.4	8.11	9.84
Aug. 16, 2021~ Aug. 24, 2021	66,823	Vest immediately	17.8~20.7	8.11	9.69~12.59
Feb. 23, 2022	5,778	Vest immediately	20.7	8.11	12.59

The fair value of the share-based payments granted by AUO was measured at the date of grant using the Black-Scholes option pricing model. For the years ended December 31, 2022 and 2021, the related compensation costs recognized for the abovementioned plan amounted \$68,551 thousand and \$793,312 thousand, respectively.

b. Employee restricted stock plan

As of December 31, 2022, the share based payment rewards plan that AUO Digitech Holding Limited (ADTHLD), a subsidiary of AUO, granted to employees of AUO and its subsidiaries was totaled 1,400,000 units. Employees are granted restricted stocks without consideration, and are eligible to vest 100% of 400,000 units when they provide two years of service subsequent to the grant date. Further employees who provide two years and five years of service, respectively, subsequent to the grant date as well as fulfill specific performance conditions are eligible to vest 40% and 60% of 1,000,000 units, respectively. For the years ended December 31, 2022 and 2021, the related compensation costs recognized for the abovementioned employee restricted stock plan amounted to \$1,801 thousand and \$151 thousand, respectively.

The special shares of AUO Digitech (CAYMAN) Limited (ADTCM) without voting right which are held by AUO are the subject for the execution of the aforementioned plan. According to the relevant plan, one special share without voting right of ADTCM represents one common share right of ADTHLD. As of December 31, 2022 and 2021, the carrying amount recognized for abovementioned employee restricted stock plan liabilities amounted to \$17,117 thousand and \$4,418 thousand, respectively.

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(18) Revenue from Contracts with Customers

a. Disaggregation of revenue

For the years ended December 31,						
	2022			2021		
	Display segment	Energy segment	Total segments	Display segment	Energy segment	Total segments
Primary geographical markets:						
PRC (including Hong Kong)	\$ 57,724,848	5,963	57,730,811	96,574,654	6,743	96,581,397
Taiwan	76,465,187	13,515,699	89,980,886	89,656,802	6,996,018	96,652,820
Singapore	19,491,217	-	19,491,217	54,476,932	1,845	54,478,777
Japan	6,277,068	-	6,277,068	15,123,688	15,877	15,139,565
Others	41,689,077	1,307	41,690,384	68,360,127	17,869	68,377,996
	<u>\$ 201,647,397</u>	<u>13,522,969</u>	<u>215,170,366</u>	<u>324,192,203</u>	<u>7,038,352</u>	<u>331,230,555</u>
Major products:						
Products for Televisions	\$ 36,693,209	-	36,693,209	85,242,039	-	85,242,039
Products for Monitors	35,883,411	-	35,883,411	63,811,427	-	63,811,427
Products for Mobile PCs and Devices	66,717,473	-	66,717,473	110,622,052	-	110,622,052
Products for Automotive Solutions	28,778,964	-	28,778,964	28,048,600	-	28,048,600
Products for PID and General Display	27,963,207	-	27,963,207	28,837,318	-	28,837,318
Others ⁽ⁱ⁾	5,611,133	13,522,969	19,134,102	7,630,767	7,038,352	14,669,119
	<u>\$ 201,647,397</u>	<u>13,522,969</u>	<u>215,170,366</u>	<u>324,192,203</u>	<u>7,038,352</u>	<u>331,230,555</u>
Major customers:						
Customer A	\$ 24,710,610	-	24,710,610	18,352,179	-	18,352,179
Customer B	21,732,304	-	21,732,304	32,889,710	-	32,889,710
Customer C	18,485,719	-	18,485,719	33,310,649	-	33,310,649
Customer D	16,380,281	-	16,380,281	34,674,572	-	34,674,572
Others (individually not greater than 10%)	120,338,483	13,522,969	133,861,452	204,965,093	7,038,352	212,003,445
	<u>\$ 201,647,397</u>	<u>13,522,969</u>	<u>215,170,366</u>	<u>324,192,203</u>	<u>7,038,352</u>	<u>331,230,555</u>

⁽ⁱ⁾ Including sales of solar-related products, raw materials and components and from products for other applications and service charges.

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b. Contract balances

	December 31, 2022	December 31, 2021
Contract assets — current (recorded in other current financial assets)	<u>\$ 585,261</u>	<u>1,163,174</u>
Contract liabilities — current (recorded in other current liabilities)	\$ 1,535,180	3,051,364
Contract liabilities — noncurrent	<u>8,739,846</u>	<u>8,739,846</u>
	<u>\$ 10,275,026</u>	<u>11,791,210</u>

The amounts of revenue recognized for the years ended December 31, 2022 and 2021 that previously included in the contract liability balance at the beginning of the year were \$3,427,592 thousand and \$227,110 thousand, respectively. Additionally, in the first quarter of 2021, AUO entered into long-term sales agreements with customers and has received payments in advance. Under the agreements, the customers should fulfill the requirement of minimum order quantity and AUO should fulfill the obligation of relevant delivery quantity as agreed. AUO accounted for such obligation as contract liabilities.

(19) Remuneration to Employees and Directors

According to the Company's Articles of Incorporation, the Company should distribute remuneration to employees and directors no less than 5% and no more than 1% of annual profits before income tax, respectively, after offsetting accumulated deficits, if any. Only employees, including employees of affiliate companies that meet certain conditions are entitled to the abovementioned remuneration which to be distributed in stock or cash. The said conditions and distribution method are decided by Board of Directors or the personnel authorized by Board of Directors.

The Company did not accrue remuneration to employees and directors due to the loss making position for the year ended December 31, 2022. The Company accrued remuneration to employees based on the profit before income tax excluding the remuneration to employees and directors for the period, multiplied by the percentage resolved by Board of Directors. For the year ended December 31, 2021, the Company estimated the remuneration to employees amounting to \$6,339,435 thousand. Remuneration to directors was estimated based on the amount expected to pay and recognized together with the remuneration to employees as cost of sales or operating expenses. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex dividend effect) on the day preceding the Board of Directors' meeting. If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss.

Remuneration to employees and directors for 2021 in the amounts of \$6,339,435 thousand and \$206,946 thousand, respectively, in cash for payment had been approved in the meeting of Board of Directors held on March 28, 2022. The aforementioned approved amounts are the same as the amounts charged against earnings of 2021.

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The information about the Company' s remuneration to employees and directors is available at the Market Observation Post System website.

(20) Additional Information of Expenses by Nature

	For the years ended December 31,					
	2022			2021		
	Recognized in cost of sales	Recognized in operating expenses	Total	Recognized in cost of sales	Recognized in operating expenses	Total
Employee benefits expenses:						
Salaries and wages	\$ 14,270,007	6,731,184	21,001,191	20,540,303	8,728,512	29,268,815
Labor and health insurances	1,314,083	508,327	1,822,410	1,330,944	449,800	1,780,744
Retirement benefits	638,709	298,224	936,933	632,935	258,918	891,853
Compensation to directors	-	34,760	34,760	-	244,565	244,565
Other employee benefits	1,036,255	348,462	1,384,717	1,171,054	1,033,770	2,204,824
Depreciation	17,023,013	2,822,277	19,845,290	19,540,231	2,853,917	22,394,148
Amortization	118,802	-	118,802	170,775	-	170,775

Additional information on the number of the Company' s employees and the average employee benefit expenses of the Company for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Number of employees	<u>19,687</u>	<u>20,322</u>
Number of non-employee directors	<u>7</u>	<u>6</u>
Average employee benefit expenses	<u>\$ 1,278</u>	<u>1,681</u>
Average salaries expenses	<u>\$ 1,067</u>	<u>1,441</u>
Average salary expense adjustment	<u>(26)%</u>	<u>52%</u>
Remuneration to supervisor	<u>\$ -</u>	<u>-</u>

The Company' s compensation policies (including directors, managers and employees) were as follows:

- a. Directors: compensation for directors have been authorized for distribution by the Board of Directors pursuant to the Company' s Articles of Incorporation, based on individual Director' s level of participation and contributions to the Company operations, and have been paid pursuant to the "Compensation Policy to the Directors and Functional Committee Members" which is in reference to domestic and overseas industry standards. If the Company has a profit, the Board of Directors will determine the amount of Directors' remunerations in accordance with the Company' s Articles of Incorporation.

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AUO CORPORATION

Notes to the Parent Company Only Financial Statements

b. Managers and employees:

- (i) The Company provides diversified and competitive overall remuneration and career development opportunities. Apart from basic salary (including principal salary, meal allowance, etc.), various allowances and rewards, such as work allowances, duty allowances, performance bonuses, incentive bonuses and remuneration to employees based on annual profit, are designed for difference job nature and reward purpose.
- (ii) The Company participates in international market salary surveys every year, and makes salary adjustment based on the market level of each job and individual performance to sustain our market competitiveness. Under the premise of enhancing the Company's overall operations and performance from team work and individual, the Company designs various short-term or long-term reward plans and profit sharing with employees to achieve the purpose of talent attraction, retention, motivation and programmatic cultivation of high-quality talents.
- (iii) The remuneration for the managers is linked to the Company's operating performance and job duties. While designing the salary package, the Company refers to the salary market level and cooperates with long-term external professional consultants. According to the laws, the remuneration for the managers is proposed by the Remuneration Committee and approved by the Board of Directors. It is driven to build up a management team that focuses on creating long-term shareholders' value and has entrepreneurial spirit.
- (iv) Salaries for employees are determined by the factors such as the employees' educational background, professional knowledge and technology, and professional years of experience. Employees would not be discriminated regardless of their gender, race, religious beliefs, political stance, marital status and unions they participate.

(21) Non-Operating Income and Expenses

a. Interest income

	For the years ended December 31,	
	2022	2021
Interest income on bank deposits	\$ 192,747	142,182
Others interest income	193,811	17,412
	<u>\$ 386,558</u>	<u>159,594</u>

b. Other income

	For the years ended December 31,	
	2022	2021
Rental income, net	\$ 281,407	307,584
Dividend income	1,559	2,598
Grants and others	579,248	255,770
	<u>\$ 862,214</u>	<u>565,952</u>

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c. Other gains and losses

	For the years ended December 31,	
	2022	2021
Foreign exchange gains (losses), net	\$ 1,079,369	(52,341)
Losses on valuation of financial instruments at FVTPL, net	(1,294,731)	(121,873)
Gains on disposals of investments, net	-	496,461
Gains on disposals of property, plant and equipment, net	3,192	782,257
Impairment losses on assets	(1,121,772)	(1,017,725)
Others	133,443	(293,614)
	<u>\$ (1,200,499)</u>	<u>(206,835)</u>

d. Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense on bank borrowings	\$ 808,150	1,210,094
Interest expense on lease liabilities	139,939	158,637
Other interest expense	28,081	3,200
Finance expense	151,673	75,228
	<u>\$ 1,127,843</u>	<u>1,447,159</u>

(22) Income Taxes

a. Income tax expense

The components of income tax expense for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Current income tax expense:		
Tax on undistributed earnings, net	509,975	62,580
Effect of combined business income tax return	(261,574)	-
Adjustment to prior years	(361,991)	7
	<u>(113,590)</u>	<u>62,587</u>
Deferred tax expense:		
Temporary differences	122,132	1,042,284
Income tax expense	<u>\$ 8,542</u>	<u>1,104,871</u>

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Notes to the Parent Company Only Financial Statements

Income taxes expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Items that will never be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	<u>\$ 11,712</u>	<u>4,664</u>
Items that are or may be reclassified subsequently to profit or loss:		
Foreign operations – foreign currency translation differences	\$ 1,492,789	(353,088)
Equity-accounted investees – share of other comprehensive income	<u>(1,007,502)</u>	<u>24,550</u>
	<u>\$ 485,287</u>	<u>(328,538)</u>

Reconciliation of the expected income tax expense calculated based on the ROC statutory income tax rate compared with the actual income tax expense as reported in the statements of comprehensive income for the years ended December 31, 2022 and 2021, was as follows:

	For the years ended December 31,	
	2022	2021
Income tax expense (benefit) at statutory tax rate	\$ (4,218,566)	12,487,100
Tax on undistributed earnings, net	509,975	62,580
Net of non-taxable income from domestic investments and non-deductible expense	(733,598)	(1,515,292)
Change of unrecognized deductible temporary differences	5,074,296	(9,929,524)
Effect of combined business income tax return	(261,574)	-
Adjustments to prior years	<u>(361,991)</u>	<u>7</u>
Income tax expense	<u>\$ 8,542</u>	<u>1,104,871</u>

b. Deferred tax assets and liabilities

Deferred tax assets have not been recognized in respect of the following items.

	December 31, 2022	December 31, 2021
Deductible temporary differences	\$ 292,346	289,192
Unused tax losses carryforwards	<u>8,916,492</u>	<u>5,154,251</u>
	<u>\$ 9,208,838</u>	<u>5,443,443</u>

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Notes to the Parent Company Only Financial Statements

Under the ROC tax laws, approved tax losses can be carried forward for 10 years to offset future taxable profits.

As of December 31, 2022, the expiration period for abovementioned unrecognized deferred tax assets of unused tax losses carryforwards were as follows:

Year of assessment	Unrecognized deferred tax assets	Expiration in year
2016 (assessed)	20,551	2026
2019 (assessed)	3,455,101	2029
2020 (assessed)	102,632	2030
2022 (estimated)	5,338,208	2032
	\$ 8,916,492	

The components of and changes in deferred tax assets and liabilities were as follows:

	Deferred tax assets		Deferred tax liabilities		Total	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Tax losses carryforwards	\$ 2,239,878	1,210,727	-	-	2,239,878	1,210,727
Unrealized loss and expenses	138,086	189,749	-	-	138,086	189,749
Inventories write-down	1,039,656	696,184	-	-	1,039,656	696,184
Accumulated amortization of goodwill in accordance with local tax laws	-	-	(1,802,891)	(2,024,091)	(1,802,891)	(2,024,091)
Remeasurement of defined benefit plans	112,797	124,509	-	-	112,797	124,509
Foreign investment losses (gains)	-	-	(2,197,962)	(1,168,811)	(2,197,962)	(1,168,811)
Others	2,125,894	3,307,810	(77,413)	(138,901)	2,048,481	3,168,909
	\$ 5,656,311	5,528,979	(4,078,266)	(3,331,803)	1,578,045	2,197,176

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Notes to the Parent Company Only Financial Statements

	January 1, 2021	Spin-off	Recognized in profit or loss	Recognized in other comprehensiv e income	December 31, 2021	Recognized in profit or loss	Recognized in other comprehensiv e income	December 31, 2022
Deferred tax assets (liabilities):								
Tax losses carryforwards	\$ 2,120,783	-	(910,056)	-	1,210,727	1,029,151	-	2,239,878
Unrealized loss and expenses	255,257	(10,925)	(54,583)	-	189,749	(51,663)	-	138,086
Inventories write-down	523,594	(292)	172,882	-	696,184	343,472	-	1,039,656
Accumulated amortization of goodwill in accordance with local tax laws	(2,213,429)	-	189,338	-	(2,024,091)	221,200	-	(1,802,891)
Remeasurement of defined benefit plans	129,173	-	-	(4,664)	124,509	-	(11,712)	112,797
Foreign investment losses (gains)	-	-	(1,168,811)	-	(1,168,811)	(1,029,151)	-	(2,197,962)
Others	2,099,883	11,542	728,946	328,538	3,168,909	(635,141)	(485,287)	2,048,481
	<u>\$ 2,915,261</u>	<u>325</u>	<u>(1,042,284)</u>	<u>323,874</u>	<u>2,197,176</u>	<u>(122,132)</u>	<u>(496,999)</u>	<u>1,578,045</u>

c. Assessments by the tax authorities

As of December 31, 2022, the tax authorities have completed the examination of income tax returns of the Company through 2020.

(23) Earnings (loss) per Share

	For the years ended December 31,	
	2022	2021
Basic earnings (loss) per share		
Profit (loss) attributable to common shareholders	<u>\$ (21,101,374)</u>	<u>61,330,628</u>
Weighted-average number of common shares outstanding during the year	<u>8,819,096</u>	<u>9,522,200</u>
Basic earnings (loss) per share (NT\$)	<u>\$ (2.39)</u>	<u>6.44</u>
Diluted earnings (loss) per share		
Profit (loss) attributable to common shareholders	<u>\$ (21,101,374)</u>	<u>61,330,628</u>
Weighted-average number of common shares outstanding during the year	8,819,096	9,522,200
Effect of employee remuneration in stock	-	279,674
	<u>8,819,096</u>	<u>9,801,874</u>
Diluted earnings (loss) per share (NT\$)	<u>\$ (2.39)</u>	<u>6.26</u>

Since the Company incurred net loss for the year ended December 31, 2022, there were no potential common shares with dilutive effect for the year.

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(24) Non-cash Transactions of Investing and Financing Activities

Except for otherwise disclosed in other notes to the parent company only financial statements, the reconciliation of liabilities to cash flows arising from financing activities for the years ended December 31, 2022 and 2021, were as follows:

	Long-term borrowings (including current installments)	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
Balance at January 1, 2022	\$ 40,647,245	681,359	8,531,986	49,860,590
Cash flows	37,769,475	-	(401,791)	37,367,684
Non-cash changes:				
Additions	-	-	206,700	206,700
Deductions	-	-	(281,230)	(281,230)
Changes in exchange rate and others	151,673	26,862	-	178,535
Balance at December 31, 2022	<u>\$ 78,568,393</u>	<u>708,221</u>	<u>8,055,665</u>	<u>87,332,279</u>
Balance at January 1, 2021	\$ 95,639,518	805,231	8,932,952	105,377,701
Cash flows	(55,067,500)	(51,290)	(390,835)	(55,509,625)
Non-cash changes:				
Deductions	-	-	(10,131)	(10,131)
Changes in exchange rate and others	75,227	(72,582)	-	2,645
Balance at December 31, 2021	<u>\$ 40,647,245</u>	<u>681,359</u>	<u>8,531,986</u>	<u>49,860,590</u>

(25) Financial Instruments

a. Fair value and carrying amount

The carrying amounts of the Company's current non-derivative financial instruments, including financial assets and financial liabilities at amortized cost, were considered to approximate their fair value due to their short-term nature. This methodology applies to cash and cash equivalents, receivables or payables (including related parties) and other current financial assets.

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Notes to the Parent Company Only Financial Statements

Disclosures of fair value are not required for the financial instruments abovementioned and lease liabilities. Other than those, the carrying amount and fair value of other financial instruments of the Company as of December 31, 2022 and 2021 were as follows:

	December 31, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ 169,455	169,455	130,434	130,434
Financial assets at FVTOCI	85,362	85,362	65,989	65,989
Financial assets at amortized cost:				
Domestic time deposits	-	-	10,000,000	10,000,000
Refundable deposits	915,464	915,464	922,576	922,576
Financial liabilities:				
Financial liabilities at FVTPL:				
Financial liabilities held for trading	89,776	89,776	39,294	39,294
Financial liabilities at amortized cost:				
Long-term borrowings (including current installments)	78,568,393	78,568,393	40,647,245	40,647,245
Guarantee deposits	708,221	708,221	681,359	681,359
Long-term payables (including current installments)	968,520	968,520	1,404,990	1,404,990

b. Valuation techniques and assumptions applied in fair value measurement

The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices. The fair values of other financial assets and financial liabilities without quoted market prices are estimated using valuation approach. The estimates and assumptions used are the same as those used by market participants in the pricing of financial instruments.

Fair value of foreign currency forward contract is measured based on the maturity date of each contract with quoted spot rate and quoted swap points from Reuters quote system.

For domestic time deposits, their fair value approximate to their carrying amount.

Fair value of long-term payable, which approximates to its carrying value -is determined by discounting the expected cash flows at a market interest rate.

The refundable deposits and guarantee deposits are based on carrying amount as there is no fixed maturity.

Long-term borrowings are mainly at floating rate, whose fair value approximates to their carrying value.

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c. Fair value measurements recognized in the balance sheets

The Company determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- (i) Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets.
- (ii) Level 2 inputs: Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 inputs: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement level of an asset or a liability within their fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2022				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ -	169,455	-	169,455
Financial assets at FVTOCI	85,362	-	-	85,362
Financial liabilities at FVTPL:				
Financial liabilities held for trading	-	89,776	-	89,776
Financial liabilities at amortized cost:				
Long-term payables (including current installments)	-	968,520	-	968,520

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2021				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	-	130,434	-	130,434
Financial assets at FVTOCI	65,989	-	-	65,989
Financial assets at amortized cost:				
Domestic time deposits	-	10,000,000	-	10,000,000
Financial liabilities at FVTPL:				
Financial liabilities held for trading	-	39,294	-	39,294
Financial liabilities at amortized cost:				
Long-term payables (including current installments)	-	1,404,990	-	1,404,990

There were no transfers between Level 1 and 2 for the years ended December 31, 2022 and 2021.

(26) Financial Risk Management

a. Risk management framework

The managerial officers of related divisions are appointed to review, control, trace and monitor the strategic risks, financial risks and operational risks faced by the Company. The managerial officers report to executive officers the progress of risk controls from time to time and, if necessary, report to the board of directors, depending on the extent of impact of risks.

b. Financial risk information

Hereinafter discloses information about the Company' s exposure to variable risks, and the goals, policies and procedures of the Company' s risk measurement and risk management.

The Company is exposed to the following risks due to usage of financial instruments:

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company' s exposures to credit risk are mainly from:

- (a) The carrying amount of financial assets recognized in the balance sheets.
- (b) The amount of contingent liabilities as a result from the Company providing financial guarantee to its customers.

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The Company's potential credit risk is derived primarily from cash in bank, cash equivalents and trade receivables. The Company deposits its cash with various reputable financial institutions of high credit quality. There should be no major concerns for the performance capability of trading counterparts. Management performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution. Management believes that there is a limited concentration of credit risk in cash and cash equivalent investments.

The majority of the Company's customers are in high technology industries. Management continuously evaluates and controls the credit quality, credit limit and financial strength of its customers to ensure any overdue receivables are taken necessary procedures. The Company also flexibly makes use of advance receipts, accounts receivable factoring and credit insurance as credit enhancement instruments. If necessary, the Company will request collaterals or assurance from its customers in order to reduce the credit risk from particular customers.

Additionally, on the reporting date, the Company reviews the recoverability of its receivables to provide appropriate valuation allowances. Consequently, management believes there is a limited concentration of its credit risk.

For the years ended December 31, 2022 and 2021, the Company's five largest customers accounted for 46.1% and 41.3%, respectively, of the Company's net revenue. There is no other significant concentration of credit risk.

Refer to Note 6(5) for expected credit loss analysis of accounts receivable and the movement in the loss allowance of accounts receivable.

For credit of guarantee, the Company's policy is to provide financial guarantees only to subsidiaries. Refer to Note 13(1)b. for information about endorsements or guarantees provided by the Company to its subsidiaries as of December 31, 2022.

(ii) Liquidity risk

Liquidity risk is the risk that the Company has no sufficient working capital and unused credit facilities to meet its obligations associated with matured financial liabilities, that may resulting from an economic downturn or uneven demand and supply in the market and cause a significant decrease in product selling prices and market demands.

Liquidity risk of the Company is monitored through its corporate treasury department which tracks the development of the actual cash flow position for the Company and uses input from a number of sources in order to forecast the overall liquidity position both on a short and long term basis. Corporate treasury invests surplus cash in money market deposits with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

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The following, except for payables (including related parties) and equipment and construction payable, are the contractual maturities of other financial liabilities. The amounts include estimated interest payments but exclude the impact of netting agreements.

	Contractual cash flows	2023.1.1~ 2023.12.31	2024.1.1~ 2025.12.31	2026.1.1~ 2027.12.31	2028 and thereafter
December 31, 2022					
Non-derivative financial liabilities					
Long-term borrowings (including current installments)	\$ 84,646,112	11,968,269	46,561,612	14,316,617	11,799,612
Long-term payables (including current installments)	968,520	343,500	625,020	-	-
Guarantee deposits	708,221	-	-	-	708,221
Derivative financial instruments					
Foreign currency forward contracts — inflows	(12,894,372)	(12,894,372)	-	-	-
Foreign currency forward contracts — outflows	<u>12,803,655</u>	<u>12,803,655</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 86,232,136</u>	<u>12,221,052</u>	<u>47,186,632</u>	<u>14,316,617</u>	<u>12,507,833</u>
December 31, 2021					
Non-derivative financial liabilities					
Long-term borrowings (including current installments)	\$ 42,100,893	12,762,796	23,127,504	6,210,593	-
Long-term payables (including current installments)	1,404,990	467,460	625,020	312,510	-
Guarantee deposits	681,359	-	-	-	681,359
Derivative financial instruments					
Foreign currency forward contracts — inflows	(25,782,939)	(25,782,939)	-	-	-
Foreign currency forward contracts — outflows	<u>25,691,340</u>	<u>25,691,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 44,095,643</u>	<u>13,138,657</u>	<u>23,752,524</u>	<u>6,523,103</u>	<u>681,359</u>

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

As at December 31, 2022, the management believes the Company's existing unused credit facilities under its existing loan agreements, together with net cash flows expected to be generated from its operating activities, will be sufficient for the Company to fulfill its payment obligations. Therefore, management believes that the Company does not have significant liquidity risk.

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(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable range.

The Company buys and sells derivatives, and also incurs financial assets and liabilities, in order to manage market risks. All such transactions are executed in accordance with the Company's handling procedures for conducting derivative transactions, and also monitored by internal audit department.

(a) Currency risk

The Company is exposed to currency risk on foreign currency denominated financial assets and liabilities arising from operating, financing and investing activities such that the Company uses forward exchange contracts to hedge its currency risk. Gains and losses derived from the foreign currency fluctuations on underlying assets and liabilities are likely to offset. However, transactions of derivative financial instruments help minimize the impact of foreign currency fluctuations, but the risk cannot be fully eliminated.

The Company periodically examines portions exposed to currency risks for individual asset and liability denominated in foreign currency and uses forward contracts as hedging instruments to hedge positions exposed to risks. The contracts have maturity dates that do not exceed one year, and do not meet the criteria for hedge accounting.

I. Exposure of currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency amounts	Exchange rate	NTD	Foreign currency amounts	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 992,991	30.7320	30,516,599	2,360,707	27.6880	65,363,255
JPY	5,767,124	0.2311	1,332,782	2,330,699	0.2409	561,465
EUR	22,524	32.7634	737,963	34,030	31.4203	1,069,233
<u>Non-monetary items</u>						
USD	2,462,641	30.7320	75,681,883	2,478,144	27.6880	68,614,851
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	1,127,240	30.7320	34,642,340	1,715,893	27.6880	47,509,645
JPY	21,050,067	0.2311	4,864,670	19,876,946	0.2409	4,788,356
EUR	1,992	32.7634	65,265	2,033	31.4203	63,877

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II. Sensitivity analysis

The Company's exposure to foreign currency risk arises mainly from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables and trade payables that are denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against the USD, EUR and JPY at December 31, 2022 and 2021, while all other variables were remained constant, would have increased or decreased the net profit before tax for the years ended December 31, 2022 and 2021 as follows:

	For the years ended December 31,	
	2022	2021
1% of depreciation	\$ (69,849)	146,321
1% of appreciation	69,849	(146,321)

III. Foreign exchange gain (loss) on monetary items

With varieties of functional currencies within the Company, the Company disclosed foreign exchange gain (loss) on monetary items in aggregate. The aggregate of realized and unrealized foreign exchange gains (losses) for the years ended December 31, 2022 and 2021 were \$1,079,369 thousand in gains and \$52,341 thousand in losses, respectively.

(b) Interest rate risk

The Company's exposure to changes in interest rates is mainly from floating-rate long-term debt obligations. Any change in interest rates will cause the effective interest rates of long-term borrowings to change and thus cause the future cash flows to fluctuate over time. The Company will, depending on the market condition, enter into and designate interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

Assuming the amount of floating-rate debts at the end of the reporting period had been outstanding for the entire year and all other variables were remained constant, an increase or a decrease in the interest rate by 0.25% would have resulted in a decrease or an increase in the net profit before tax for the years ended December 31, 2022 and 2021 by \$197,065 thousand and \$102,625 thousand, respectively.

(c) Equity price risk

See Note 6(3) for disclosure of equity price risk analysis.

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(27) Capital Management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and corporate growth plan, the Company manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures and research and development expenses, to repay debts and to distribute dividends in accordance to its plan. The management pursues the most suitable capital structure by monitoring and maintaining proper financial ratios as below. The Company aims to enhance the returns of its shareholders through achieving an optimized debt-to-equity ratio from time to time.

	December 31	
	2022	2021
Long-term borrowings (including current installments)	\$ 78,568,393	40,647,245
Total liabilities	166,861,612	153,816,495
Total equity	185,099,091	231,787,040
Debt-to-equity ratio	90%	66%
Net debt-to-equity ratio ⁽ⁱ⁾	20%	2%

⁽ⁱ⁾ Net debt-to-equity ratio is defined as long-term borrowings less cash and cash equivalents and divided by total equity.

7. Related-party Transactions

(1) Name and relationship of related parties

The following is a summary of subsidiaries and related parties that have had transactions with the Company during the periods presented in the parent company only financial statements.

Name of related party	Relationship with the Company
Konly Venture Corp. (“Konly”)	Subsidiary
Ronly Venture Corp. (“Ronly”)	Subsidiary
Darwin Precisions Corporation (“DPTW”)	Subsidiary
AUO Crystal Corp. (“ACTW”)	Subsidiary
ADP	Subsidiary
AUO Digitech Taiwan Inc. (“ADTTW”)	Subsidiary
Jector Digital Corporation (“Jector”)	Subsidiary
Space Money Inc. (“S4M”)	Subsidiary
Da Ping Green Energy Corporation (“DPGE”)	Subsidiary
AUO Health Corporation (“AHTW”)	Subsidiary
AUO Envirotech Inc. (“AETTW” , formerly U Fresh Technology Inc.)	Subsidiary
AUO Care Inc. (“ACTTW”)	Subsidiary
AUO Education Service Corp. (“AUES”)	Subsidiary

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Name of related party	Relationship with the Company
Yo-Pei Water Corporation (“AET-YP”)	Subsidiary
SREC	Subsidiary
Evergen Power Corporation (“EGPC”)	Subsidiary
Sungen Power Corporation(“SGPC”)	Subsidiary
AUO Corporation America (“AUOUS” , formerly AU Optronics Corporation America)	Subsidiary
AUO Corporation Japan (“AUOJP” , formerly AU Optronics Corporation Japan)	Subsidiary
AUO Europe B.V. (“AUONL” , formerly AU Optronics Europe B.V.)	Subsidiary
AUO Korea Ltd. (AUOKR, formerly AU Optronics Korea Ltd.)	Subsidiary
AUO Singapore Pte. Ltd. (“AUOSG” , formerly AU Optronics Singapore Pte. Ltd.)	Subsidiary
AUO (Shanghai) Co., Ltd. (“AUOSH” , formerly AU Optronics (Shanghai) Co., Ltd.)	Subsidiary
AUO (Xiamen) Corp. (“AUOXM” , formerly AU Optronics (Xiamen) Corp.)	Subsidiary
AUO (Suzhou) Corp., Ltd. (“AUOSZ” , formerly AU Optronics (Suzhou) Corp., Ltd.)	Subsidiary
AUO (Slovakia) s.r.o. (“AUOSK” , formerly AU Optronics (Slovakia) s.r.o.)	Subsidiary
AFPD Pte., Ltd. (“AUST”)	Subsidiary
AUO (Kunshan) Co., Ltd. (“AUOKS” , formerly AU Optronics (Kunshan) Co., Ltd.)	Subsidiary
a.u.Vista Inc. (“AUVI”)	Subsidiary
Fortech Electronics (Suzhou) Co., Ltd. (“FTWJ”)	Subsidiary
Darwin Precisions (Xiamen) Corp. (“DPXM”)	Subsidiary
AUO Green Energy America Corp.(“AEUS”)	Subsidiary
ComQi Inc. (“CQUS”)	Subsidiary
Edgetech Data Technologies (Suzhou) Corp., Ltd. (“ATISZ”)	Subsidiary
Ennostar	Associate
Epistar	Subsidiary of Ennostar
Yenrich Technology Corporation (“Yenrich”)	Subsidiary of Ennostar
Lextar	Subsidiary of Ennostar
Trendylite Corporation (“Trendylite”)	Subsidiary of Ennostar
Unikorn Semiconductor Corporation (“USC”)	Subsidiary of Ennostar

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Name of related party	Relationship with the Company
Raydium Semiconductor Corporation (“Raydium”)	Associate
SSEC	Associate
Fargen Power Corporation (“FGPC”)	Subsidiary of SSEC
Sheng Li Energy Corporation (“SLEC”)	Subsidiary of SSEC
ChampionGen Power Corporation (“CGPC”)	Subsidiary of SSEC
TronGen Power Corporation (“TGPC”)	Subsidiary of SSEC
Ri Ji Power Corporation (“RJPC”)	Subsidiary of SSEC
Ri Jing Power Corporation (“RGPC”)	Subsidiary of SSEC
Mao Zheng Energy Corporation (“MZEC”)	Subsidiary of SSEC
Mao Xin Energy Corporation (“MXEC”)	Subsidiary of SSEC
Sheng Feng Power Corporation (“SFPC”)	Subsidiary of SSEC
Sheng Da Power Corporation (“SDPC”)	Subsidiary of SSEC
Sheng He Power Corporation (“SHPC”)	Subsidiary of SSEC
Sheng Yao Power Corporation (“SYPC”)	Subsidiary of SSEC
Shin Sheng Feng Investment Corp. (“SSFI”)	Subsidiary of SSEC
Zhao Feng Energy Co., Ltd. (“ZFE”)	Associate
Mega Green Energy Corporation (“MGE”)	Subsidiary of ZFE
Renovatio Pictures Co., Ltd. (“RP”)	Associate
YTTEK Technology Corp. (“YTTEK”)	Associate
Daxin Materials Corp. (“Daxin”)	Associate
ADLINK	Associate
Qisda	Associate ⁽ⁱⁱ⁾
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd. (“QCES”)	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	Subsidiary of Qisda
Mainteq Europe B.V. (“MQE”)	Subsidiary of Qisda
BenQ Corporation (“BenQ”)	Subsidiary of Qisda
BenQ Materials Corp. (“BMC”)	Subsidiary of Qisda
BenQ Asia Pacific Corp. (“BQP”)	Subsidiary of Qisda
BenQ America Corporation (“BQA”)	Subsidiary of Qisda
DFI Inc. (“DFI”)	Subsidiary of Qisda
Data Image Corporation (“DIC”)	Subsidiary of Qisda
Data Image (Suzhou) Corporation (“DICSZ”)	Subsidiary of Qisda
ACE Pillar Co., Ltd. (“ACE”)	Subsidiary of Qisda

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Name of related party	Relationship with the Company
Qisda Vietnam Co., Ltd (“QVH”)	Subsidiary of Qisda
Golden Spirit Co., Ltd. (“GSC”)	Subsidiary of Qisda
AdvancedTEK International Corp. (“AdvancedTEK”)	Subsidiary of Qisda
Metaage Corporation (“MTG”)	Subsidiary of Qisda
Global Intelligence Network Co., Ltd. (“GINNET”)	Subsidiary of Qisda
Concord Medical Co., Ltd. (“Concord”)	Subsidiary of Qisda
Standard Technology Corp. (“STC”)	Subsidiary of Qisda
IRIS Optronics Co., Ltd. (“IOC”)	Associate
SINTRONES Technology Corp. (“SINTRONES”)	AUO represented as a director of SINTRONES
Play Nitride Inc. (“PlayNitride”)	Konly represented as a director of PlayNitride
Carota Corporation (“Carota”)	Konly represented as a director of Carota
PlayNitride Display Co., Ltd. (“PND”)	Subsidiary of PlayNitride
BenQ Foundation	Substantive related party ⁽ⁱⁱⁱ⁾
AUO Foundation	Substantive related party

⁽ⁱ⁾ For the information in respect of the Company’ s subsidiaries and related parties, please refer to the consolidated financial statements for the years ended December 31, 2022 and 2021.

⁽ⁱⁱ⁾ BenQ Foundation is no longer a related party of the Company starting from the second quarter of 2021.

(2) Compensation to key management personnel

Key management personnel’ s compensation comprised:

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 468,841	869,292
Post-employment benefits	1,359	1,402
Share-based payments	39,592	17,276
	<u>\$ 509,792</u>	<u>887,970</u>

Refer to Note 6(17) for information on share-based payments.

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- (3) Except for otherwise disclosed in other notes to the parent company only financial statements, the Company's significant related party transactions and balances were as follows:

a. Sales

	Sales		Accounts receivable from related parties	
	For the years ended December 31,		December 31,	
	2022	2021	2022	2021
Subsidiaries	\$ 30,184,785	33,263,332	4,215,367	5,210,500
Associates	12,229,610	12,100,078	1,132,295	2,263,856
Others	4,196	-	-	988
	<u>\$ 42,418,591</u>	<u>45,363,410</u>	<u>5,347,662</u>	<u>7,475,344</u>

The collection terms for sales to related parties were 25 to 55 days from the end of the month during which the invoice is issued. The pricing for sales to related parties were not materially different from those with third parties.

b. Purchases

	Purchases		Accounts payable to related parties	
	For the years ended December 31,		December 31,	
	2022	2021	2022	2021
Subsidiaries	\$ 91,052,727	99,800,127	21,619,710	29,053,948
Associates	11,678,909	16,082,012	2,612,084	4,348,634
	<u>\$ 102,731,636</u>	<u>115,882,139</u>	<u>24,231,794</u>	<u>33,402,582</u>

The payment terms for purchases from related parties were 30 to 120 days. The pricing and payment terms with related parties were not materially different from those with third parties.

c. Acquisition of property, plant and equipment

	Acquisition prices	
	For the years ended December 31,	
	2022	2021
Subsidiaries	\$ 619,377	267,127
Associates	61,358	37,880
	<u>\$ 680,735</u>	<u>305,007</u>

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d. Disposal of property, plant and equipment

	Proceeds from disposal		Gains on disposal	
	For the years ended		For the years ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Subsidiaries	\$ 2,117	5,278	375	95
Associates	550	-	550	-
	\$ 2,667	5,278	925	95

e. Other related party transactions

Transaction type	Type of related party	For the years ended	
		December 31,	
		2022	2021
Rental income	Subsidiaries	\$ 52,261	30,110
	Associates	129,504	127,341
		\$ 181,765	157,451

Transaction type	Type of related party	For the years ended	
		December 31,	
		2022	2021
Interest and other income	Subsidiaries	\$ 307,683	57,883
	Associates	36,277	9,312
	Others	69	-
		\$ 344,029	67,195
Cost of sales and operating expenses	Subsidiaries	\$ 749,553	678,931
	Associates	83,233	76,431
	Others	156,440	65,536
		\$ 989,226	820,898

Transaction type	Type of related party	December 31,	
		2022	2021
Other receivables due from related parties ^{(i) (ii)}	Subsidiaries	\$ 2,045,101	2,051,484
	Associates	5,294	19,778
		\$ 2,050,395	2,071,262
Other payables due to related parties, including payables for equipment	Subsidiaries	\$ 376,018	305,561
	Associates	12,305	52,825
	Others	11,608	11,455
		\$ 399,931	369,841

⁽ⁱ⁾ The Company and its subsidiary ADP filed a combined business income tax return. The incurred receivables arising from the aforementioned event were \$261,574 thousand.

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- (ii) The Company provided financings to its subsidiaries in the aggregate of \$1,650,000 thousand and \$1,500,000 thousand, respectively, as of December 31, 2022 and 2021.

The Company leased portion of its offices and plants to related parties. The collection term was receipts in advance, and the pricing was not materially different from that with third parties.

The Company participated in capital increase of related parties in the aggregate of \$5,993,878 thousand and \$22,713,270 thousand, respectively, for 2022 and 2021. In addition, for the years ended December 31, 2022 and 2021, the Company entitled for cash dividends declared by related parties of \$3,810,426 thousand and \$813,819 thousand, respectively. As of December 31, 2022 and 2021, the aforementioned dividends were all received.

8. Pledged Assets

The carrying amounts of the assets which the Company pledged as collateral were as follows:

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Restricted cash in banks ⁽ⁱ⁾	Guarantee for warranties	\$ 8,657	8,657
Land and buildings	Long-term borrowings limit	58,264,107	47,454,920
Machinery and equipment	Long-term borrowings limit	19,550,802	31,810,247
		<u>\$ 77,823,566</u>	<u>79,273,824</u>

⁽ⁱ⁾ Classified as other noncurrent assets.

9. Significant Contingent Liabilities and Unrecognized Commitments

The significant commitments and contingencies of the Company as of December 31, 2022, in addition to those disclosed in other notes to the parent company only financial statements, were as follows:

(1) Outstanding letters of credit

As at December 31, 2022, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

Currency	December 31, 2022 (in thousands)
USD	86,412
JPY	3,339,600

(Continued)

AUO CORPORATION

Notes to the Parent Company Only Financial Statements

(2) Technology licensing agreements

Starting in 1998, AUO has entered into technical collaboration, patent licensing, and/or patent cross licensing agreements with Fujitsu Display Technologies Corp. (subsequently assumed by Fujitsu Limited), Toppan Printing Co., Ltd. (“Toppan Printing”), Semiconductor Energy Laboratory Co., Ltd., Japan Display Inc. (formerly Japan Display East Inc./Hitachi Displays, Ltd.), Panasonic Liquid Crystal Display Co., Ltd. (formerly IPS Alpha Technology, Ltd.), LG Display Co., Ltd., Sharp Corporation, Samsung Electronics Co., Ltd., Hydis Technologies Co., Ltd., Sanyo Electronic Co., Ltd., Seiko Epson Corporation and others. AUO believes that it is in compliance with the terms and conditions of the aforementioned agreements.

(3) Purchase commitments

- a. In 2021, AUO entered into a long-term materials supply agreement with a supplier, under which, AUO and the supplier agreed on the supply of certain IC chip at agreed prices and quantities.
- b. As at December 31, 2022, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled \$14,512,278 thousand.

(4) Litigation

Antitrust civil actions lawsuits in the United States and other jurisdictions

In May 2014, LG Electronics Nanjing Display Co., Ltd. and seven of its affiliates filed a lawsuit in Seoul Central District Court against certain LCD manufacturers including AUO, alleging overcharge and claiming damages. AUO does not believe service has been properly made, but in order to protect its rights, AUO has retained counsel to handle the related matter, and at this stage, the final outcome of these matters is uncertain. AUO has been reviewing the merits of this lawsuit on an on-going basis.

In September 2018, AUOUS received a complaint filed by the Government of Puerto Rico on its own behalf and on behalf of all consumers and governmental agencies of Puerto Rico against certain LCD manufacturers including AUO and AUOUS in the Superior Court of San Juan, Court of First Instance alleging unjust enrichment and claiming unspecified monetary damages. AUO has retained counsel to handle the related matter and intends to defend this lawsuit vigorously. In October 2022, the Superior Court of San Juan, Court of First Instance entered a judgment dismissing the case.

AUO CORPORATION

Notes to the Parent Company Only Financial Statements

As of February 8, 2023, the Company has made certain provisions with respect to certain of the above lawsuits as the management deems appropriate, considering factors such as the nature of the litigation or claims, the materiality of the amount of possible loss, the progress of the cases and the opinions or views of legal counsel and other advisors. Management will reassess all litigation and claims at each reporting date based on the facts and circumstances that exist at that time, and will make additional provisions or adjustments to previous provisions. The ultimate amount cannot be ascertained until the relevant cases are closed. The ultimate resolution of the legal proceedings and/or lawsuits cannot be predicted with certainty. While management intends to defend certain of the lawsuits described above vigorously, there is a possibility that one or more legal proceedings or lawsuits may result in an unfavorable outcome to the Company. In addition to the matters described above, the Company is also a party to other litigations or proceedings that arise during the ordinary course of business. Except as mentioned above, the Company, to its knowledge, is not involved as a defendant in any material litigation or proceeding which could be expected to have a material adverse effect on the Company's business or results of operations.

10. Significant Disaster Losses: None

11. Subsequent Event: None

12. Others

Since 2010, there have been environmental proceedings relating to the development project of the Central Taiwan Science Park in Houli, Taichung, which AUO's second 8.5 generation fab is located at (the "Project"). The Environmental Protection Administration ("EPA") of the Executive Yuan of Taiwan issued the environmental assessment and development approval on November 6, 2018. On October 24, 2019, the Appeal Review Committee of the Executive Yuan rejected the administrative appeal filed by five local residents. On December 24, 2019, the residents filed an administrative action for invalidating the environmental assessment again and the Appeal Review Committee of the Executive Yuan ruled in the residents' favor on July 21, 2022 and invalidated the environmental assessment approval. The EPA filed an appeal in the Supreme Administrative Court on August 17, 2022. The Company will continue to monitor the development of this event.

13. Additional Disclosures

(1) Information on significant transactions:

Following are the additional disclosures required by the Regulations for the Company for the year ended December 31, 2022.

- a. Financings provided: Please see Table 1 attached.
- b. Endorsements/guarantees provided: Please see Table 2 attached.
- c. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Please see Table 3 attached.

(Continued)

AUO CORPORATION

Notes to the Parent Company Only Financial Statements

- d. Individual marketable securities acquired or disposed of with costs or prices exceeding NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached.
 - e. Acquisition of individual real estate with costs exceeding NT\$300 million or 20% of the paid-in capital: None
 - f. Disposal of individual real estate with prices exceeding NT\$300 million or 20% of the paid-in capital: Please see Table 5 attached.
 - g. Purchases from or sales to related parties with amounts exceeding NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached.
 - h. Receivables from related parties with amounts exceeding NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached.
 - i. Information about trading in derivative instruments: Please see Note 6(2).
- (2) Information on investees (excluding information on investment in Mainland China): Please see Table 8 attached.
- (3) Information on investment in Mainland China:
- a. The related information on investment in Mainland China: Please see Table 9.1 and 9.2 attached.
 - b. Upper limit on investment in Mainland China: Please see Table 9.1 and 9.2 attached.
 - c. Significant transactions:
Significant direct or indirect transactions with the investees in Mainland China for the year ended December 31, 2022, are disclosed in Note 13(1) "Information on significant transactions" .
- (4) Major shareholders:

Major Shareholder	Shares	
	Total Shares Owned	Ownership Percentage
Qisda	530,878,896	6.89%
Trust Holding for Employees of AUO Corporation	395,478,284	5.13%

Note: This table discloses the information that shareholders who hold in total, more than 5% of the Company's common shares and preferred shares that are in dematerialized form and with the registration being completed. The aforesaid information was provided by Taiwan Depository & Clearing Corporation and calculated based on the data on the last business day at the end of each quarter.

AUO CORPORATION
Notes to the Parent Company Only Financial Statements

14. Segment Information

The Company has provided the operating segments disclosure in the consolidated financial statements. Disclosure of the segment information in the parent company only financial statements is waived.

AUO CORPORATION AND SUBSIDIARIES
Financings Provided
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars)

Table 1

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
0	AUO	AETW	Other receivables from related parties	Yes	400,000	200,000	200,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,509,909	74,039,636
0	AUO	ACTW	Other receivables from related parties	Yes	2,600,000	1,800,000	1,400,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,509,909	74,039,636
0	AUO	S4M	Other receivables from related parties	Yes	130,000	100,000	50,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,509,909	74,039,636
0	AUO	DPTW	Other receivables from related parties	Yes	1,000,000	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,509,909	74,039,636
0	AUO	AUOKS	Other receivables from related parties	Yes	16,246,330	7,492,920	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,509,909	74,039,636
1	AUOLB	AUOKS	Other receivables from related parties	Yes	18,071,160	16,308,120	11,900,520	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	75,152,215	75,152,215

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
2	AUOKS	AUOXM	Other receivables from related parties	Yes	1,763,040	1,763,040	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,614,705	17,614,705
2	AUOKS	AUOSZ	Other receivables from related parties	Yes	881,520	881,520	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,614,705	17,614,705
3	AUOXM	AUOSZ	Other receivables from related parties	Yes	881,520	881,520	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	15,723,188	15,723,188
3	AUOXM	AUOKS	Other receivables from related parties	Yes	4,782,580	2,424,180	661,140	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	15,723,188	15,723,188
4	BVXM	AUOKS	Other receivables from related parties	Yes	881,520	881,520	440,760	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,366,135	1,366,135
5	AUOSJ	AMIXM	Other receivables from related parties	Yes	72,082	70,522	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358
5	AUOSJ	AMISZ	Other receivables from related parties	Yes	112,628	22,038	13,223	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358
5	AUOSJ	ACTSZ	Other receivables from related parties	Yes	108,122	52,891	8,815	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
5	AUOSJ	ATISZ	Other receivables from related parties	Yes	90,102	44,076	44,076	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358
5	AUOSJ	AUOKS	Other receivables from related parties	Yes	2,424,180	1,983,420	1,983,420	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358
5	AUOSJ	ADTSZ	Other receivables from related parties	Yes	45,051	44,076	4,408	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358
5	AUOSJ	AETSZ	Other receivables from related parties	Yes	450,510	352,608	242,418	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,230,358	4,230,358
6	AUOSZ	AUOXM	Other receivables from related parties	Yes	881,520	881,520	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	19,230,531	19,230,531
6	AUOSZ	AUOKS	Other receivables from related parties	Yes	9,035,580	9,035,580	5,509,500	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	19,230,531	19,230,531
7	DPSZ	FTWJ	Other receivables from related parties	Yes	225,255	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,322,407	1,322,407
8	FPWJ	FTWJ	Other receivables from related parties	Yes	448,750	440,760	220,380	Based on base lending rate of People's Bank of China or China LPR	Needs for short-term financing	-	Operating capital	-	-	-	727,463	727,463

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
9	FTWJ	FHWJ	Other receivables from related parties	Yes	21,835	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,251,588	1,251,588

Note 1: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 2: The ending balance represents the amounts approved by the Board of Directors.

Note 3: The maximum balance for the period represents the highest amount in New Taiwan Dollars announced or occurred during the period.

Note 4: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

Note 5: The policy for the limit on total financing amount and the financing limit for any individual entity are prescribed as follows:

- a. AUO: The total amount available for lending purposes shall not exceed 40% of AUO's net worth as stated in its latest financial statement. The total amount for lending to a company shall not exceed 10% of AUO's net worth as stated in its latest financial statement.
- b. AUOLB, AUOKS, AUOSZ, AUOXM, AUOSJ and BVXM: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company as stated in its latest financial statement. The total amount for lending to a company shall not exceed 40% of the net worth of the lending company as stated in its latest financial statement.
- c. In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by AUO, the aggregate amount available for lending to such borrowers and total amount lendable to a company both shall not exceed the net worth of the lending company as stated in its latest financial statement.
- d. DPSZ, FPWJ and FTWJ: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company. The total amount for lending to a company shall not exceed 40% of the net worth of the lending company.
- e. In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly and indirectly, by DPTW, the aggregate amount available for lending to such borrowers and the total amount lendable to each of such borrowers shall not exceed the net worth of the lending company.

AUO CORPORATION AND SUBSIDIARIES
Endorsements/Guarantees Provided
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars)

Table 2

No.	Endorser/ Guarantor	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided for Each Party (Notes 4 and 5)	Maximum Endorsement/ Guarantee Balance for the Period (Note 2)	Ending Balance (Notes 3 and 4)	Amount Actually Drawn Down (Note 4)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Notes 4 and 5)	Endorsement/ Guarantee Provided by Parent Company to Subsidiary	Endorsement/ Guarantee Provided by Subsidiary to Parent Company	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	AUO	AUOKS	2	92,549,545	19,685,731	19,153,434	1,570,467	-	10.35%	185,099,091	Yes	No	Yes
1	DPXM	DPTW	3	1,628,926	436,700	-	-	-	-	1,628,926	No	No	No
2	FPWJ	FTWJ	4	290,985	225,255	220,380	-	-	30.29%	290,985	No	No	Yes

Note 1: The relationship between the endorser/guarantor and the guaranteed party:

1. A company with which it does business.
 2. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
 3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
 4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
 5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
 6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
 7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.
- Note 2: The maximum endorsement/guarantee balance for the period represents the highest amount in New Taiwan Dollars announced or occurred during the period.
- Note 3: The ending balance represents the amounts approved by the Board of Directors.
- Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.
- Note 5: The policy for the limit of total endorsement/guarantee amount and the limit on endorsement/guarantee amount provided to each party are prescribed as follows:
- a. AUO: The total endorsement/guarantee amount provided shall not exceed the net worth of AUO as stated in its latest financial statement. The aggregate amount of endorsement/guarantee provided to each guaranteed party shall not exceed 50% of AUO's net worth as stated in its latest financial statement.
 - b. DPXM and FPWJ: The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed 40% of the net worth of the endorser/guarantor as stated in its latest financial statement.

AUO CORPORATION AND SUBSIDIARIES
Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)
December 31, 2022
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 3

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
AUO	SINTRONES Technology Corp.'s stock	Related party	Financial assets at FVTOCI – noncurrent	1,338	85,362	7.06 %	85,362	
ADPNL	Avacor Technologies USA, Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	317	2,001	4.43 %	USD 2,001	
AUOLB	Abakus Solar AG's stock	-	Financial assets at FVTPL – noncurrent	3	-	2.22 %	-	
AUOSH	T-powertek Optronics Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	1,293	6,250	1.58 %	CNY 6,250	
AUOSZ	ToYou Display (Suzhou) Co., Ltd.'s stock	Related party	Financial assets at FVTOCI – noncurrent	-	CNY 7,931	18.00 %	CNY 7,931	
Konly	Carota Corporation's stock	Related party	Financial assets at FVTOCI – noncurrent	2,997	247,038	8.58 %	247,038	
Konly	Mindtronic AI Co. Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	36	29,943	3.17 %	29,943	
Konly	PlayNitride Inc.'s stock	Related party	Financial assets at FVTOCI – noncurrent	7,535	750,449	7.03 %	750,449	
Konly	SnapBizz CloudTech Pre. Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	13	-	4.61 %	-	
Konly	Azotek Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	2,407	7,345	3.96 %	7,345	
Konly	WishMobile, Inc.'s stock	Related party	Financial assets at FVTOCI – noncurrent	8,625	16,531	14.38 %	16,531	
Konly	Chenfeng Optronics Corporation's stock	-	Financial assets at FVTPL – noncurrent	1,500	-	1.60 %	-	
Konly	GCS Holdings, Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	1,119	43,641	1.01 %	43,641	
Konly	a2peak power Co., Ltd.'s stock	-	Financial assets at FVTPL – noncurrent	4,000	-	10.87 %	-	
Konly	SINTRONES Technology Corp.'s stock	Related party	Financial assets at FVTOCI – noncurrent	1,402	89,419	7.40 %	89,419	
DPTW	Disign Incorporated's stock	-	Financial assets at FVTOCI – noncurrent	2	10,714	19.89 %	10,714	
DPTW	Evertrust Technology Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	150	1,500	16.13 %	1,500	
DPTW	D8AI Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	8,400	8,649	4.91 %	8,649	Note
DPTW	HUAI I Precision Technology Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	2,914	34,968	10.00 %	34,968	

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2022			Note
				Shares	Carrying Amount	Percentage of Ownership	
DPTW	WiBASE Industrial Solutions Inc.'s stock	Related party	Financial assets at FVTOCI – noncurrent	3,536	42,432	9.05 %	42,432
Ronly	PlayNitride Inc.'s stock	Related party	Financial assets at FVTOCI – noncurrent	2,011	200,254	1.88 %	200,254
Ronly	ProfetAI Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	911	40,823	13.58 %	40,823
Ronly	Exploit Technology Co., Ltd.'s stock	-	Financial assets at FVTPL – noncurrent	41	-	0.49 %	-
Ronly	Cruise10 Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	1,250	20,000	10.53 %	20,000
Ronly	Prognosis Technology Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	245	11,025	11.16 %	11,025
Ronly	GCS Holdings, Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	3,500	136,500	3.16 %	136,500

Note: DPTW previously held 7,000 thousand shares of D8AI Holdings Corporation. In December, 2022, due to D8AI's business restructuring, DPTW acquired shares of D8AI Inc. according to the share exchange ratio of 1:1.2.

AUO CORPORATION AND SUBSIDIARIES
Individual Marketable Securities Acquired or Disposed of with Costs or Prices Exceeding
NT\$300 Million or 20% of the Paid-in Capital
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 4

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		Note	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain/Loss on Disposal	Shares		Amount
AUO	Ennostar's stock	Investments in equity-accounted investees	-	-	26,319	2,248,301	67,250	3,484,895	-	-	-	-	93,569	6,963,339	Notes 1&2
AUO	Konly's stock	Investments in equity-accounted investees	-	-	409,008	8,207,625	60,550	1,304,853	-	-	-	-	469,558	9,565,450	Notes 1&3
AUO	Ronly's stock	Investments in equity-accounted investees	-	-	378,576	4,496,552	74,700	900,135	-	-	-	-	453,276	4,962,670	Notes 1&3
ADPNL	RVT's stock	Investments in equity-accounted investees	-	-	-	-	28,775	USD 27,204	-	-	-	-	28,775	USD 26,403	Notes 1&4
Konly	ADLINK's stock	Investments in equity-accounted investees	-	-	5,944	300,682	10,000	610,000	-	-	-	-	15,944	941,814	Notes 1&5
ADP	ADPNL's stock	Investments in equity-accounted investees	-	-	-	125,776	-	715,065	-	-	-	-	-	881,401	Notes 1&3
Ronly	ADLINK's stock	Investments in equity-accounted investees	-	-	1,175	73,771	12,000	732,000	-	-	-	-	13,175	848,721	Notes 1&5

Note 1: The ending balance includes the recognition of investment gain (loss) and other related adjustments under the equity method.

Note 2: Acquisition was made through private placement offering.

Note 3: Acquisition was made through participating in capital increase.

Note 4: Acquisition was made from a third party.

Note 5: Acquisition was made on the open market.

AUO CORPORATION AND SUBSIDIARIES
Disposal of Individual Real Estate with Costs Exceeding NT\$300 Million or 20% of the Paid-in Capital
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 5

Company Name	Property	Date of the Event	Date of Original Acquisition	Carrying Amount	Transaction Amount	Status of Proceeds Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Pricing Reference	Other Terms	Note
DPTW	Land and buildings	June 2022	December 2005	1,335,020	2,285,894	150,000	950,874	Four natural persons	Non-related party	Activating assets and enhancing the efficient use of working capital	A report on the appraisal price of a real estate appraiser	None	Note 1
AUOXM	Land and buildings	October 2022	July 2006~ July 2010~	CNY 133,041	CNY 318,966	CNY 163,610	-	Xiamen Torch Hi-Tech Industrial Development Zone Investment Service Center Co., Ltd.	Non-related party	Activating assets	A report on the appraisal price of a real estate appraiser	None	Note 2

Note: 1. The transaction amount is the disposal amount net of relevant costs and taxes. See Note 6(10).

2. This transaction has not been completed, and the relevant transaction costs and taxes have not yet been determined. See Note 6(10).

AUO CORPORATION AND SUBSIDIARIES
Purchases from or Sales to Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 6

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUO	AUOKS	Subsidiary of AUO	Purchases	20,407,615	12%	EOM 30 days	-	-	(1,977,483)	(5)%	
AUO	AUOSK	Subsidiary of AUO	Purchases	134,091	-	EOM 45 days	-	-	(20,412)	-	
AUO	AUOSZ	Subsidiary of AUO	Purchases	34,603,976	21%	EOM 45 days	-	-	(9,896,076)	(23)%	
AUO	AUOXM	Subsidiary of AUO	Purchases	29,608,493	18%	EOM 45 days	-	-	(8,482,244)	(20)%	
AUO	AUST	Subsidiary of AUO	Purchases	3,719,819	2%	EOM 45 days	-	-	(653,618)	(2)%	
AUO	Qisda	Associate	Purchases	5,389,542	3%	EOM 45 days	-	-	(604,052)	(1)%	
AUO	BMC	Subsidiary of Qisda	Purchases	3,286,211	2%	EOM 90 days	-	-	(1,013,320)	(2)%	
AUO	Raydium	Associate	Purchases	1,029,679	1%	EOM 120 days	-	-	(317,705)	(1)%	
AUO	Daxin	Associate	Purchases	1,893,001	1%	EOM 120 days	-	-	(658,846)	(2)%	
AUO	DPTW	Subsidiary of AUO	Purchases	2,521,229	2%	EOM 60 days	-	-	(576,468)	(1)%	
AUO	AUOSZ	Subsidiary of AUO	Sales	(2,950,678)	(1)%	EOM 45 days	-	-	-	-	
AUO	AUOUS	Subsidiary of AUO	Sales	(121,759)	-	EOM 75 days	-	-	25,029	-	
AUO	AUOXM	Subsidiary of AUO	Sales	(2,312,706)	(1)%	EOM 45 days	-	-	-	-	
AUO	DICSZ	Subsidiary of Qisda	Sales	(208,453)	-	EOM 45 days	-	-	19,727	-	
AUO	QCSZ	Subsidiary of Qisda	Sales	(3,457,619)	(2)%	EOM 55 days	-	-	229,432	1%	
AUO	QVH	Subsidiary of Qisda	Sales	(195,601)	-	EOM 55 days	-	-	6,788	-	
AUO	CGPC	Subsidiary of SSEC	Sales	(242,892)	-	EOM 25 days	-	-	(130)	-	

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUO	BenQ	Subsidiary of Qisda	Sales	(1,271,750)	(1)%	EOM 55 days	-	-	129,177	1%	
AUO	SLEC	Subsidiary of SSEC	Sales	(149,465)	-	EOM 25 days	-	-	(3,382)	-	
AUO	SFPC	Subsidiary of SSEC	Sales	(2,640,414)	(1)%	EOM 25 days	-	-	-	-	
AUO	MXEC	Subsidiary of SSEC	Sales	(903,509)	-	EOM 25 days	-	-	89,918	1%	
AUO	MZEC	Subsidiary of SSEC	Sales	(2,929,069)	(1)%	EOM 25 days	-	-	683,385	4%	
AUO	ADP	Subsidiary of AUO	Sales	(24,710,610)	(11)%	EOM 45 days	-	-	4,178,523	24%	
ADPNL	ADP	Subsidiary of AUO	Purchases	59,038	100%	EOM 30 days	-	-	USD (2,511)	(100)%	
ADPSZ	ADP	Subsidiary of AUO	Sales	(27,087)	(62)%	EOM 45 days	-	-	-	-	
ADPUS	ADP	Subsidiary of AUO	Sales	(4,490)	(99)%	EOM 30 days	-	-	-	-	
AETSZ	AUOKS	Subsidiary of AUO	Sales	(123,712)	(97)%	EOM 30 days	-	-	35,366	95%	
AMIXM	AUOXM	Subsidiary of AUO	Sales	(23,991)	(72)%	EOM 30 days	-	-	14,053	82%	
AUOKS	AUOSZ	Subsidiary of AUO	Purchases	264,355	10%	EOM 60 days	-	-	(72,017)	(8)%	
AUOKS	Qisda	Associate	Purchases	74,740	3%	EOM 120 days	-	-	(27,293)	(3)%	
AUOKS	Raydium	Associate	Purchases	96,137	4%	EOM 120 days	-	-	(31,652)	(4)%	
AUOKS	DPTW	Subsidiary of AUO	Purchases	59,219	2%	EOM 120 days	-	-	(19,393)	(2)%	
AUOKS	AUO	Ultimate parent company	Sales	(4,614,050)	(83)%	EOM 30 days	-	-	454,472	74%	
AUOKS	AUOXM	Subsidiary of AUO	Sales	(745,304)	(13)%	EOM 30 days	-	-	129,433	21%	
AUOSH	AUO	Ultimate parent company	Sales	(44,369)	(96)%	End of quarter 25 days	-	-	-	-	
AUOSK	AUO	Ultimate parent company	Sales	(4,655)	(81)%	EOM 45 days	-	-	EUR 1,040	84%	
AUOSZ	AUO	Ultimate parent company	Purchases	697,816	9%	EOM 45 days	-	-	-	-	
AUOSZ	Qisda	Associate	Purchases	278,450	4%	EOM 120 days	-	-	(91,682)	(4)%	
AUOSZ	BMC	Subsidiary of Qisda	Purchases	219,855	3%	EOM 90 days	-	-	(77,494)	(3)%	
AUOSZ	Raydium	Associate	Purchases	553,860	7%	EOM 120 days	-	-	(186,296)	(8)%	

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUOSZ	DPTW	Subsidiary of AUO	Purchases	CNY 234,775	3%	EOM 120 days	-	-	CNY (81,109)	(3)%	
AUOSZ	Lextar	Subsidiary of Ennostar	Purchases	CNY 38,278	1%	EOM 120 days	-	-	CNY (10,684)	-	
AUOSZ	AUO	Ultimate parent company	Sales	CNY (7,837,816)	(82)%	EOM 45 days	-	-	CNY 2,248,898	96%	
AUOSZ	AUOKS	Subsidiary of AUO	Sales	CNY (264,354)	(3)%	EOM 60 days	-	-	CNY 72,017	3%	
AUOSZ	ADP	Subsidiary of AUO	Sales	CNY (1,502,074)	(16)%	EOM 45 days	-	-	CNY (194)	-	
AUOUS	AUO	Ultimate parent company	Purchases	USD 4,085	100%	EOM 75 days	-	-	USD (814)	(100)%	
AUOUS	AUO	Ultimate parent company	Sales	USD (5,796)	(58)%	EOM 30 days	-	-	-	-	
AUOXM	AUO	Ultimate parent company	Purchases	CNY 533,832	7%	EOM 45 days	-	-	-	-	
AUOXM	AUOKS	Subsidiary of AUO	Purchases	CNY 743,908	10%	EOM 30 days	-	-	CNY (129,433)	(5)%	
AUOXM	DPXM	Subsidiary of AUO	Purchases	CNY 45,824	1%	EOM 120 days	-	-	CNY (18,956)	(1)%	
AUOXM	BMC	Subsidiary of Qisda	Purchases	CNY 192,437	3%	EOM 90 days	-	-	CNY (78,122)	(3)%	
AUOXM	Raydium	Associate	Purchases	CNY 499,607	7%	EOM 120 days	-	-	CNY (192,589)	(8)%	
AUOXM	DPTW	Subsidiary of AUO	Purchases	CNY 241,775	3%	EOM 120 days	-	-	CNY (89,363)	(4)%	
AUOXM	Lextar	Subsidiary of Ennostar	Purchases	CNY 24,741	-	EOM 120 days	-	-	CNY (8,257)	-	
AUOXM	AUO	Ultimate parent company	Sales	CNY (6,683,793)	(80)%	EOM 45 days	-	-	CNY 1,929,145	90%	
AUOXM	ADP	Subsidiary of AUO	Sales	CNY (280,436)	(3)%	EOM 45 days	-	-	CNY (2)	-	
AUST	AUO	Ultimate parent company	Sales	USD (125,446)	(100)%	EOM 45 days	-	-	USD 21,268	99%	
DPXM	DPTW	Subsidiary of AUO	Purchases	CNY 24,241	2%	EOM 60 days	-	-	CNY (17,946)	(7)%	
DPXM	AUOXM	Subsidiary of AUO	Sales	CNY (45,789)	(2)%	EOM 120 days	-	-	CNY 18,956	6%	
DPXM	DPTW	Subsidiary of AUO	Sales	CNY (324,254)	(16)%	EOM 90 days	-	-	CNY 126,742	42%	
FTWJ	Lextar	Subsidiary of Ennostar	Purchases	CNY 57,962	11%	EOM 120 days	-	-	CNY (18,257)	(3)%	
FTWJ	DPTW	Subsidiary of AUO	Sales	CNY (882,568)	(98)%	EOM 90 days	-	-	CNY 642,477	99%	
M.Seitek	ACTW	Subsidiary of AUO	Sales	JPY (4,830,445)	(91)%	EOM 45 days	-	-	JPY 3,357,988	99%	

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
Jector	ADP	Subsidiary of AUO	Purchases	192,978	42%	EOM 45 days	-	-	(49,505)	(30)%	
AETTW	AUO	Ultimate parent company	Sales	(359,384)	(49)%	EOM 60 days	-	-	91,035	53%	
ACTW	M.Setek	Subsidiary of AUO	Purchases	1,149,060	19%	EOM 45 days	-	-	(776,031)	(65)%	
ADP	AUO	Ultimate parent company	Purchases	24,672,047	75%	EOM 45 days	-	-	(4,167,272)	(99)%	
ADP	AUOSZ	Subsidiary of AUO	Purchases	6,617,129	20%	EOM 45 days	-	-	-	-	
ADP	AUOXM	Subsidiary of AUO	Purchases	1,239,246	4%	EOM 45 days	-	-	-	-	
ADP	ADPNL	Subsidiary of AUO	Sales	(1,722,724)	(5)%	EOM 30 days	-	-	78,201	2%	
ADP	QCOS	Subsidiary of Qisda	Sales	(458,483)	(1)%	EOM 55 days	-	-	64,273	2%	
ADP	Jector	Subsidiary of AUO	Sales	(194,018)	(1)%	EOM 45 days	-	-	57,183	2%	
DPTW	DPXM	Subsidiary of AUO	Purchases	1,412,554	22%	EOM 90 days	-	-	(474,921)	(25)%	
DPTW	FTWJ	Subsidiary of AUO	Purchases	3,871,365	59%	EOM 90 days	-	-	(1,180,377)	(63)%	
DPTW	AUO	Ultimate parent company	Sales	(2,662,674)	(39)%	EOM 60 days	-	-	467,150	27%	
DPTW	AUOKS	Subsidiary of AUO	Sales	(259,455)	(4)%	EOM 120 days	-	-	85,573	5%	
DPTW	AUOSZ	Subsidiary of AUO	Sales	(1,027,514)	(15)%	EOM 120 days	-	-	357,899	21%	
DPTW	AUOXM	Subsidiary of AUO	Sales	(1,064,997)	(16)%	EOM 120 days	-	-	394,321	23%	
DPTW	DPXM	Subsidiary of AUO	Sales	(106,910)	(2)%	EOM 60 days	-	-	586	-	

Note 1: Transaction terms with related parties were similar to those with third parties, except for particular transactions with no similar transactions to compare with. For those transactions, transaction terms were determined in accordance with mutual agreements.

Note 2: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

AUO CORPORATION AND SUBSIDIARIES
Receivables from Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital
December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 7

Company Name	Counterparty	Relationship	Ending Balance of Receivables (Note 3)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
AUO	QCSZ	Subsidiary of Qisda	229,432	7.32	-	-	-	-
AUO	AETTW	Subsidiary of AUO	201,014	(Note 2)	-	-	-	-
AUO	ACTW	Subsidiary of AUO	1,407,208	(Note 2)	-	-	-	-
AUO	BenQ	Subsidiary of Qisda	129,177	4.67	-	-	-	-
AUO	MZEC	Subsidiary of SSEC	683,385	4.37	-	-	-	-
AUO	ADP	Subsidiary of AUO	4,546,425	(Note 2)	79,561	Will be collected in next period	-	-
AETSZ	AUOKS	Subsidiary of AUO	35,366	7.00	CNY 35,366	Will be collected in next period	-	-
AUOKS	AUO	Ultimate parent company	454,472	5.45	CNY 9,207	Collected in subsequent period	CNY 303,646	-
AUOKS	AUOXM	Subsidiary of AUO	129,433	6.65	CNY 6,724	Will be collected in next period	-	-
AUOLB	AUOKS	Subsidiary of AUO	392,157	(Note 2)	-	-	-	-
AUOSJ	AETSZ	Subsidiary of AUO	56,104	(Note 2)	-	-	-	-
AUOSJ	AUOKS	Subsidiary of AUO	456,276	(Note 2)	-	-	-	-
AUOSZ	AUO	Ultimate parent company	2,248,898	3.22	CNY 26,265	Collected in subsequent period	CNY 1,232,958	-
AUOSZ	AUOKS	Subsidiary of AUO	1,335,378	(Note 2)	CNY 24,417	Collected in subsequent period	CNY 36,224	-
AUOXM	AUO	Ultimate parent company	1,929,145	3.02	CNY 99,453	Collected in subsequent period	CNY 981,395	-
AUOXM	AUOKS	Subsidiary of AUO	154,593	(Note 2)	CNY 25	Will be collected in next period	-	-
AUST	AUO	Ultimate parent company	21,268	5.57	-	-	-	-
BVXM	AUOKS	Subsidiary of AUO	102,981	(Note 2)	-	-	-	-
DPXM	IDPTW	Subsidiary of AUO	126,742	1.79	-	-	-	-

Company Name	Counterparty	Relationship	Ending Balance of Receivables (Note 3)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
FPWJ	FTWJ	Subsidiary of AUO	CNY 50,547	(Note 2)	-	-	-	-
FTWJ	DPTW	Subsidiary of AUO	CNY 642,477	1.13	-	-	CNY 62,753	-
M.Setek	ACTW	Subsidiary of AUO	JPY 3,357,988	1.54	JPY 1,043,335	Will be collected in next period	-	-
ACTW	M.Setek	Subsidiary of AUO	685,364	(Note 2)	-	-	-	-
DPTW	AUO	Ultimate parent company	467,150	4.41	25,976	Will be collected in next period	-	-
DPTW	AUOSZ	Subsidiary of AUO	357,899	2.33	-	-	-	-
DPTW	AUOXM	Subsidiary of AUO	394,321	2.45	-	-	-	-
DPTW	FTWJ	Subsidiary of AUO	1,426,858	(Note 2)	-	-	265,276	-

Note 1: Until the mid of January 2023.

Note 2: The ending balance includes other receivables from transactions not related to ordinary sales.

Note 3: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

AUO CORPORATION AND SUBSIDIARIES
Information on Investees (Excluding Information on Investment in Mainland China)
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 8

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)			
AUO	AUOLB	Malaysia	Holding company	76,491,558	76,491,558	2,507,189	100.00 %	75,152,215	4,720,099	4,720,099	Subsidiary
AUO	AUONL	Netherlands	Sales support of TFT-LCD panels	24,275	24,275	50	100.00 %	32,570	(2,732)	(2,732)	Subsidiary
AUO	Konly	Taiwan ROC	Investment	7,226,603	5,921,750	469,558	100.00 %	9,565,450	843,958	843,958	Subsidiary
AUO	Ronly	Taiwan ROC	Investment	5,078,047	4,177,912	453,276	100.00 %	4,962,670	(13,996)	(13,996)	Subsidiary
AUO	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	3,569,155	3,569,155	190,108	28.56 %	2,664,374	125,664	35,894	Subsidiary
AUO	ACTW	Taiwan ROC	Manufacturing and sale of ingots and solar wafers	15,687,921	15,687,921	242,565	100.00 %	4,057,753	647,846	647,846	Subsidiary
AUO	Qisda	Taiwan ROC	Manufacturing, sales and service of high-end displays, optical precision electronic products and functional film products; manufacturing, sales and service of products related to intelligent solutions; medical equipment and services; research, development, design, manufacturing and sales of network communication products	9,505,477	9,505,477	335,231	17.04 %	10,487,775	8,251,930	1,258,862	Associate
AUO	S4M	Taiwan ROC	Sales and leasing of content management system and hardware, and design of digital signage content and field curation	50,000	30,000	5,000	100.00 %	16,513	(10,462)	(10,462)	Subsidiary
AUO	AETTW	Taiwan ROC	Planning, design and development of construction project for environmental protection and related project management	424,050	300,000	42,405	100.00 %	281,168	(35,116)	(35,116)	Subsidiary
AUO	SSEC	Taiwan ROC	Investment	2,170,000	2,170,000	217,000	31.00 %	2,245,560	198,808	198,808	Associate
AUO	CQIL	Israel	Holding company	1,182,621	1,182,621	39,974	100.00 %	883,555	(23,705)	(23,705)	Subsidiary
AUO	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	2,411,693	2,411,693	42,310	19.45 %	2,314,027	807,541	26,377	Associate

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)			
AUO	DPGE	Taiwan ROC	Renewable energy power generation	350,000	350,000	35,000	100.00 %	350,731	722	722	Subsidiary
AUO	ADTHLD	Cayman Islands	Holding company	462,008	317,063	15,800	85.41 %	210,479	(207,083)	(168,769)	Subsidiary
AUO	ADTCM	Cayman Islands	Holding company	76,437	76,437	2,700	100.00 %	35,968	(38,314)	(38,314)	Subsidiary
AUO	AHTW	Taiwan ROC	Manufacturing, development and sales of medical equipments	5,000	5,000	500	100.00 %	2,790	(1,042)	(1,042)	Subsidiary
AUO	ADP	Taiwan ROC	Research, development and sales of display	369,555	369,555	200,000	100.00 %	3,617,648	1,218,354	1,218,354	Subsidiary
AUO	SREC	Taiwan ROC	Investment	288,828	288,828	28,883	32.01 %	336,838	84,914	27,184	Subsidiary
AUO	Ennostar	Taiwan ROC	Holding company	4,764,942	1,280,047	93,569	12.45 %	6,963,339	38,024	(156,572)	Associate
AUO	ACTTW	Taiwan ROC	Design, development and sales of software and hardware for health care industry	30,000	30,000	3,000	100.00 %	14,626	(6,308)	(6,308)	Subsidiary
AUO	AET-YP	Taiwan ROC	Investment and construction in public construction, and wastewater (sewage) treatment	15,000	-	1,500	8.82 %	14,902	(1,108)	(111)	Subsidiary
Konly	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	703,795	703,795	42,598	6.40 %	597,015	125,664	8,043	Subsidiary
Konly	Raydium	Taiwan ROC	IC Design	175,857	175,857	11,454	15.10 %	1,953,602	3,862,336	583,223	Associate
Konly	Daxin	Taiwan ROC	Research, manufacturing and sales of display and semiconductor related chemicals	154,748	154,748	19,114	18.61 %	548,749	426,120	79,294	Associate
Konly	Qisda	Taiwan ROC	Manufacturing, sales and service of high-end displays, optical precision electronic products and functional film products; manufacturing, sales and service of products related to intelligent solutions; medical equipment and services; research, development, design, manufacturing and sales of network communication products	1,363,481	1,363,481	50,145	2.55 %	1,568,803	8,251,930	188,306	Associate
Konly	SSEC	Taiwan ROC	Investment	140,000	140,000	14,000	2.00 %	144,875	198,808	3,976	Associate
Konly	SkyREC Ltd.	BVI	Business intelligence and AI video management system	46,016	46,016	188	16.12 %	-	(12,488)	-	Associate
Konly	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	988,837	378,837	15,944	7.33 %	941,814	807,541	5,782	Associate
Konly	AUES	Taiwan ROC	Services related to educational activities and site rental	4,000	4,000	400	100.00 %	5,463	1,308	1,308	Subsidiary
Konly	IOC	Taiwan ROC	R&D of color e-paper related technology, and processing product design and development	20,000	20,000	1,000	5.00 %	7,990	(83,907)	(5,857)	Associate

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)			
Konly	SREC	Taiwan ROC	Investment	13,533	13,533	1,353	1.50%	15,783	84,914	1,274	Subsidiary
Konly	Ennostar	Taiwan ROC	Holding company	1,180,491	1,180,491	16,413	2.18%	1,271,863	38,024	(26,954)	Associate
Konly	Naidun-tech Co., Ltd.	Taiwan ROC	Solution provider to improve the performance and reliability of semiconductor components	39,997	39,997	8,733	22.03%	15,389	(11,816)	(2,637)	Associate
Ronly	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	845,510	845,510	40,509	6.09%	567,737	125,664	7,649	Subsidiary
Ronly	Raydium	Taiwan ROC	IC Design	240,647	240,647	669	0.88%	240,915	3,862,336	(3,053)	Associate
Ronly	Daxin	Taiwan ROC	Research, manufacturing and sales of display and semiconductor related chemicals	70,021	70,021	6,312	6.15%	181,218	426,120	26,186	Associate
Ronly	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	809,508	77,508	13,175	6.06%	848,721	807,541	22,163	Associate
Ronly	IOC	Taiwan ROC	R&D of color e-paper related technology, and processing product design and development	68,400	68,400	3,420	17.10%	27,324	(83,907)	(20,030)	Associate
Ronly	Ennostar	Taiwan ROC	Holding company	1,245,456	1,245,456	20,686	2.75%	1,622,860	38,024	(39,425)	Associate
Ronly	Zhao Feng Energy Co., Ltd.	Taiwan ROC	Energy technical services	160,000	-	16,000	20.00%	156,285	(45,896)	(3,715)	Associate
Ronly	Renovatio Pictures Co., Ltd.	Taiwan ROC	Production/visual effects	50,000	-	315	23.95%	48,532	42	(1,467)	Associate
Ronly	YITEK Technology Corp.	Taiwan ROC	5G SDR platform-a pure software platform, 5G non-signaling tester, 5G mm wave FEM, 28GHz 2-way up/down converter, beam calibration solution	146,812	-	6,673	27.81%	142,781	(19,701)	(4,389)	Associate
DPTW	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71%	245,929	(81,218)	(24,130)	Subsidiary
DPTW	DPLB	Malaysia	Holding company	4,350,631	4,362,627	91,846	100.00%	5,332,878	12,881	83,257	Subsidiary
DPTW	FHVI	BVI	Holding company	2,362,321	2,362,321	22,006	100.00%	1,934,694	(113,564)	(105,164)	Subsidiary
DPTW	FFMI	Mauritius	Holding company	274,700	274,700	653	100.00%	115,436	11,302	11,132	Subsidiary
DPTW	RFOP	Taiwan ROC	Manufacturing and sales of polymer plasticized raw materials	-	338,729	-	-	-	23,786	11,655	(Note 6)
DPTW	Darwin Summit Corporation Ltd.	Thailand	International trade	3,740	3,740	40	40.00%	11,481	(146)	(58)	Associate

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)			
ACTW	ACMK	Malaysia	Manufacturing and sale of solar wafers	121,444	169,197	46,196	100.00%	30,796	(535)	(535)	Subsidiary
ACTW	SDMC	Taiwan ROC	Holding company	1,988,488	1,988,488	148,053	100.00%	2,035,615	240,702	238,591	Subsidiary
SDMC	M.Setek	Japan	Manufacturing and sale of ingots	23,596,398	23,596,398	11,404,184	99.9991%	2,033,962	241,182	241,180	Subsidiary
ADP	ADPNL	Netherlands	Sales and sales support of display and holding company	811,798	96,733	-	100.00%	881,401	2,908	2,908	Subsidiary
ADP	Jector	Taiwan ROC	Introduction of smart field construction and other related software and hardware solutions	120,000	120,000	12,000	78.43%	121,213	(7,298)	(5,614)	Subsidiary
SREC	SGPC	Taiwan ROC	Solar power generation	820,000	820,000	56,811	100.00%	728,692	66,221	62,145	Subsidiary
SREC	EGPC	Taiwan ROC	Solar power generation	280,000	280,000	24,500	100.00%	315,754	25,930	23,928	Subsidiary
AETTW	AET-YP	Taiwan ROC	Investment and construction in public construction, and wastewater (sewage) treatment	124,050	-	12,405	72.97%	123,241	(1,108)	(780)	Subsidiary
AUOLB	AUOUS	United States	Sales and sales support of TFT-LCD panels	1,000	1,000	1,000	100.00%	2,746	284	284	Subsidiary
AUOLB	AUOIP	Japan	Sales support of TFT-LCD panels	276	276	1	100.00%	1,613	77	77	Subsidiary
AUOLB	AUOKR	South Korea	Sales support of TFT-LCD panels	155	155	-	100.00%	1,294	189	189	Subsidiary
AUOLB	AUOSK	Slovakia Republic	Repairing of TFT-LCD modules	1,359	1,359	-	100.00%	4,825	552	552	Subsidiary
AUOLB	AUST	Singapore	Manufacturing TFT-LCD panels based on low temperature polysilicon technology	241,487	241,487	907,114	100.00%	98,124	2,087	2,087	Subsidiary
AUOLB	AUVI	United States	Research and development and IP related business	5,000	5,000	5,000	100.00%	6,394	180	180	Subsidiary
AUOLB	BVLB	Malaysia	Holding company	85,171	85,171	85,171	70.29%	18,933	(2,721)	(1,913)	Subsidiary
AUOLB	AUOSG	Singapore	Holding company and sales support of TFT-LCD panels	9,958	9,958	266,268	100.00%	6,920	128	128	Subsidiary
AUOSG	AEUS	United States	Sales support of solar-related products	1,194	1,194	1,194	100.00%	574	13	13	Subsidiary
DPLB	DPHK	Hong Kong	Holding company	103,785	103,785	10	100.00%	175,541	93	93	Subsidiary (Note 4)
DPLB	DPSK	Slovakia Republic	Manufacturing and sales of automotive parts	-	USD 4,216	-	-	-	USD (2)	USD (2)	(Note 5)
FHVI	FTMI	Mauritius	Holding company	6,503	6,503	6,503	100.00%	48,541	USD (9,140)	USD (9,140)	Subsidiary
FHVI	FWSA	Samoa	Holding company	19,000	19,000	19,000	100.00%	15,858	471	471	Subsidiary
FHVI	PMSA	Samoa	Holding company	-	USD 39,673	-	-	-	USD 12,772	USD 12,772	(Note 5)
ADTCM	ADTHLD	Cayman Islands	Holding company	2,700	2,700	2,700	14.59%	1,170	USD (6,938)	USD (1,284)	Subsidiary
ADPNL	ADPUS	United States	Sales and sales support of display	1,500	1,500	1	100.00%	1,642	76	76	Subsidiary
ADPNL	ADPIP	Japan	Sales and sales support of display	508	508	1	100.00%	415	26	26	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)			
ADPNL	RVI	Canada	Design, sales and sales support of digital signage content management system	USD 27,204	-	28,775	100.00%	USD 26,403	USD (1,648)	USD (903)	Subsidiary
ADPNL	RVU	United States	Design and sales support of digital signage content management system	USD 198	-	1	100.00%	USD 226	USD 229	USD 28	Subsidiary
ADTHLD	ADTSG	Singapore	Holding company, and sales of software and hardware integration system relating to intelligent manufacturing and software development	USD 16,800	USD 12,300	16,800	100.00%	USD 6,347	USD (6,944)	USD (6,944)	Subsidiary
ADTSG	ADTTW	Taiwan ROC	Design and sales of software and hardware integration system and equipment, software development and consulting services relating to intelligent manufacturing	USD 2,013	USD 1,080	6,000	100.00%	USD 726	USD (1,116)	USD (1,116)	Subsidiary
M.Setek	Ichijo Seisakusyo Co., Ltd.	Japan	Manufacturing of automatic machinery and equipment and related parts	JPY 5,000	JPY 5,000	-	38.46%	-	-	-	Associate (Note 3)
CQIL	CQHLD	United Kingdom	Holding company	USD 26,548	USD 26,548	635,730	100.00%	USD 25,122	USD (8)	USD (8)	Subsidiary
CQHLD	CQUK	United Kingdom	Sales and sales support of content management system	GBP 1,874	GBP 1,874	-	100.00%	GBP 74	GBP (1)	GBP (1)	Subsidiary
CQHLD	CQUS	United States	Sales of content management system and hardware	GBP 19,948	GBP 19,948	13	100.00%	GBP 13,120	GBP (322)	GBP (322)	Subsidiary
CQHLD	CQCA	Canada	Research and development of content management system	GBP 798	GBP 798	-	100.00%	GBP 834	GBP 138	GBP 138	Subsidiary
CQUS	JRUK	United Kingdom	Development and sales of content management system and sales of the related hardware	USD 1,500	USD 1,500	1	100.00%	USD 1,553	USD 165	USD 165	Subsidiary
CQUS	JRUS	United States	Development and sales of content management system and sales of the related hardware	USD 8,000	USD 8,000	18	100.00%	USD 6,542	USD (677)	USD (677)	Subsidiary

Note 1: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

Note 2: Inclusive of the amortization of differences between the investment cost and the entity's share of the net value of investee, and the effect of upstream and sidestream transactions.

Note 3: The carrying amount includes accumulated impairment loss.

Note 4: The registration of the alteration of DPHK's common stock has not been completed.

Note 5: The liquidation process was completed in March 2022.

Note 6: The liquidation process was completed in May 2022.

AUO CORPORATION AND SUBSIDIARIES
Information on Investment in Mainland China
For the year ended December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 9

1. AUO :

(1) Related information on investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 2)	Net Income (Loss) of Investee (Notes 4 and 5)	% Ownership through Direct or Indirect Investment	Investor's Share of Profit (Loss) of Investee (Notes 4 and 5)	Carrying Amount of the Investment as of December 31, 2022 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow							
ACTSZ	Design, development and sales of software and hardware for health care industry	154,266	(Note 1)	-	-	-	-	(45,933)	100 %	(45,933)	25,830	-	
ADTSZ	Business management consulting and services of technology promotion and application	414,882	(Note 1)	276,588	138,294	-	414,882	(178,021)	100 %	(178,021)	128,955	-	
AETSD	Planning, design and development of construction project for environmental protection and related project management	8,815	(Note 1)	-	-	-	-	(2)	100 %	(2)	2,431	-	
AETSZ	Planning, design and development of construction project for environmental protection and related project management	52,891	(Note 1)	-	-	-	-	16,303	100 %	16,303	36,848	-	
AMISZ	Development, sales and licensing of software and hardware relating to intelligent manufacturing, and related consulting services	198,342	(Note 1)	-	-	-	-	(44,295)	100 %	(44,295)	49,023	-	
AMIXM	Sales of software and hardware relating to intelligent manufacturing, and related consulting services	44,076	(Note 1)	-	-	-	-	(14,247)	100 %	(14,247)	17,979	-	
ATISZ	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing	116,801	(Note 1)	-	-	-	-	(51,196)	100 %	(51,196)	39,151	-	
AUOKS	Manufacturing and sales of TFT-LCD panels	29,533,452	(Note 1)	34,269,561	-	-	34,269,561	2,042,148	100 %	2,042,148	17,614,705	-	
AUOSH	Sales support of TFT-LCD panels	460,980	(Note 1)	30,732	-	-	30,732	(13,912)	100 %	(13,912)	301,019	-	
AUOSJ	Leasing	3,319,056	(Note 1)	2,458,560	-	-	2,458,560	126,482	100 %	114,649	3,686,993	-	

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 2)	Net Income (Loss) of Investee (Notes 4 and 5)	% Ownership through Direct or Indirect Investment	Investor's Share of Profit (Loss) of Investee (Notes 4 and 5)	Carrying Amount of the Investment as of December 31, 2022 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow							
AUSZ	Manufacturing, assembly and sales of TFT-LCD modules	14,321,112	(Note 1)	6,146,400	-	-	6,146,400	1,168,458	100 %	1,088,248	19,141,140	-	
AUOXM	Manufacturing, assembly and sales of TFT-LCD modules	13,952,328	(Note 1)	7,683,000	-	-	7,683,000	1,199,571	100 %	1,199,571	15,723,188	-	
BVHF	Manufacturing and sale of liquid crystal products and related parts	-	(Note 1)	-	-	-	-	13,088	-	13,088	-	-	Notes 6&7
BVXM	Sales of liquid crystal products and related parts; leasing	2,644,560	(Note 1)	-	-	-	-	24,028	100 %	24,028	1,366,135	-	

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2022 (Note 2)	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
51,003,135 (USD1,659,610)	81,539,184 (USD1,702,948 and HKD60,000 and CNY6,572,210)	114,846,388

Note 1: Indirect investments in Mainland China through companies registered in a third region.

Note 2: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 3: Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, AUO's accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").

Note 4: Amounts were recognized based on the investees' audited financial statements and inclusive of the amortization of differences between the investment cost and the entity's share of the net value of investee as well as the effect of upstream and sidestream transactions.

Note 5: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2022.

Note 6: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW.

Note 7: The liquidation process was completed in July 2022.

2. DPTW and ADP:

(1) Related information on investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 4)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 4)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 4)	Net Income (Loss) of Investee (Notes 2 and 6)	% Ownership through Direct or Indirect Investment	Investor's Share of Profit (Loss) of Investee (Notes 2 and 6)	Carrying Amount of the Investment as of December 31, 2022 (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2022 (Note 4)	Note
					Outflow	Inflow							
ADPSZ	Sales and sales support of display	61,464	(Note 1(1))	23,049	38,415	-	61,464	10,044	100 %	10,044	71,038	-	Notes 5 & 11
BVHF	Manufacturing and sale of liquid crystal products and related parts	-	(Note 1(2))	491,712	-	(243,298)	248,414	13,088	-	13,088	-	-	
DPSZ	Manufacturing and sale of backlight modules and related parts	768,300	(Note 1(2))	460,980	-	-	460,980	120,520	100 %	120,520	1,322,407	1,795,783	Note 9
DPXM	Manufacturing and sales of liquid crystal products, backlight modules and related parts	2,151,240	(Note 1(2))	2,151,240	-	-	2,151,240	(109,662)	100 %	(109,662)	4,072,316	1,932,863	
FHWJ	Manufacturing and sale of backlight modules and related parts	199,758	(Note 1(2))	252,002	-	-	252,002	11,302	100 %	11,302	65,730	-	
FPWJ	Manufacturing, sales and trading of precision plastic parts	891,228	(Note 1(2))	583,908	-	-	583,908	21,464	100 %	21,464	727,463	-	Note 8
FTKS	Manufacturing and sale of backlight modules and related parts	-	(Note 1(2))	1,106,352	-	(1,106,352)	-	7,869	-	7,869	-	418,409	Note 10
FTWJ	Manufacturing and sale of backlight modules and related parts	1,075,620	(Note 1(2))	199,758	-	-	199,758	(280,225)	100 %	(280,225)	1,251,588	432,539	Note 7
Talenda	Manufacturing of electronic components	66,114	(Note 1(2))	-	-	-	-	(902)	51 %	(460)	33,260	-	

(2) Upper limit on investment in Mainland China

Entity	Accumulated Investment in Mainland China as of December 31, 2022 (Note 4)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
DPTW	3,896,303 (USD126,783)	2,904,484 (USD94,510)	5,596,677
ADP	61,464 (USD2,000)	153,660 (USD5,000)	2,209,858

Note 1: (1) Direct investments in Mainland China.

(2) Indirect investments in Mainland China through companies registered in a third region.

Note 2: Amounts were recognized based on the investees' audited financial statements.

Note 3: Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, DPTW's and ADP's accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").

Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW. Accordingly, the share of profit (loss) of investee and the carrying amount of the investment as of December 31, 2022 disclosed in the table are presented based on 100% held.

Note 6: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2022.

Note 7: The amount of paid-in capital includes the capitalization of retained earnings amounting to USD28,500 thousand for the years from 2005 to 2007.

Note 8: The amount of paid-in capital includes the capital injection of USD10,000 thousand from the offshore holding company, which was originally from FTWJ's appropriation of earnings.

Note 9: The amount of paid-in capital includes the capital injection of USD1,000 thousand from DPLB in 2010 and the capitalization of retained earnings of USD9,000 thousand from DPSZ in 2012.

Note 10: The liquidation process was completed in January 2022.

Note 11: The liquidation process was completed in July 2022.



Representative: Shuang-Lang (Paul) Peng



