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AU OPTRONICS CORP. 2021 ANNUAL REPORT

-Notice to readers-

This is a translation of the 2021 annual report of AU Optronics Corp. The translation is for reference only. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Printed on March 28, 2022

AU Optronics Corporation 2021 Annual Report

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Title: Chief Financial Officer

AUO Deputy Spokesperson

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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

Contents

Chapter 1	Letter to Shareholders	2
Chapter 2	Company Profile	7
Chapter 3	Corporate Governance	8
Chapter 4	Capital Overview	60
Chapter 5	Operational Highlights	67
Chapter 6	Financial Highlights	88
Chapter 7	Review of Financial Conditions, Operating Result, and Risk Management	96
Chapter 8	Corporate Sustainability	106
Chapter 9	Special Disclosure	124
Appendix 1	Consolidated Financial Statements with Independent Auditors' Report for the most recent years	138
Appendix 2	Parent Company Only Financial Statements with Independent Auditors' Report for the most recent years	258

Chapter 1 Letter to Shareholders

Dear Shareholders,

Looking back on 2021, the COVID-19 pandemic repeatedly ravaged economic activity while producing market turmoil. In terms of supply chain, additional factors such as component shortages and port congestions brought forth many variables and challenges for AUO's business. In the first half of the year, the pandemic generated sustained demand in the stay-at-home economy, leading in turn to strong demand for consumer products. With the pandemic gradually easing in the second half, demand shifted to commercial models and products centering on commercial applications. Confronting these rapid market changes, the Company fully leveraged our team spirit and adaptability in adjusting its business strategies. Furthermore, our Company-wide efforts created total annual revenues of NTD 370.7 billion, achieving a significant increase of nearly NTD 100 billion compared with the prior year. Meanwhile, net profit attributable to the parent company attained a record high of NTD 61.33 billion. These results have also fully demonstrated the outcome of the Company's value transformation strategy, bringing forth a year of abundance for AUO.

On our path toward value transformation under the concept of AUO NEXT, we continue to strengthen our research and development of forward-looking display technology while launching high-end product applications ahead of the market. Furthermore, the Company is extending into selected fields and teaming up with ecosystem partners to actively create smart field applications and value-added innovations. Looking back on 2021, AUO's achievements include the following:

- Grasping the trend of panels for gaming displays, AUO is taking the lead in extending gaming display technologies to gaming applications of different sizes, from monitors to TV panels, in order to meet the needs of customers in multiple entertainment scenarios.
 - AUO has launched the world's highest refresh rate 360Hz gaming notebook panel and ultra-high refresh rate 240Hz gaming monitor panel to display clear and smooth moving images.; and combined with Mini LED backlight technology, it clearly shows all the details of the dark scenes, allowing players to master speed, the crux skill for victory in racing and shooting games.
 - AUO was the first to launch an 85-inch 4K gaming TV panel with the highest 240Hz variable refresh rate in the world, using special processes and material for panel pixels combined with panel circuit design technology to create ultra-high screen refresh rates to effectively eliminate screen lag and image disruption. This makes animated images clearer and more realistic,

presenting game visual effects in their entirety along with ultra-high image contrast to create a new game immersion experience.

- AUO uses sophisticated and innovative technology in all aspects of the green cycle. In addition to being the first panel manufacturer in the world to receive the UL 3600 Circularity Certification, we have also launched environmentally friendly concept notebook panels with customers and have used more diversified material application methods to create differentiated brand value for customers.
 - AUO holds the leading position in LTPS notebook panels. Brands favor the advantages of LTPS including low power consumption and a narrow bezel, and it can be widely used in high-end notebook products. In order to meet market demand, AUO further expanded its production capacity of LTPS panels at the Kunshan plant in 2021. We shall continue to use existing technologies and fabs to increase overall notebook panel production capacity to meet the strong demand for IT panels in the post-pandemic era, consolidating AUO's global market share in high-end notebook panels.
- Given the accelerating digital transformation of global industries, there is an increasing reliance on human-machine interfaces. Long-distance, non-contact communication has given rise to a strong desire for high-end monitors. AUO continues to pursue the evolution of cutting-edge display technology, showing how displays can respond to changing demands and making them the best facilitator of smooth communications between humans and machines.
 - As the COVID-19 pandemic continues, a large portion of person-to-person communication has been transferred online. There are thus more opportunities for people to stare at their screens for long periods of time, which in turn further increases the burden on their eyes. For this reason, AUO has exclusively developed A.R.T. (Advanced Reflectionless Technology) eye protection technology with anti-glare and anti-reflection features. Focusing on the needs of content creators, graphic producers, and other types of workers, AUO launched the world's first 32-inch 8K professional editing monitor panel that allows users to see image details without being disturbed by ambient light reflections when drawing, making videos, or viewing photos. In addition, we have created different innovative values in different field applications in our A.R.T. eye protection technology. In the medical field, for example, AUO has also launched the world's first 21.3-inch A.R.T. panel for medical devices.
 - With the popularization of electric vehicles, cabin space is being freed up with the elimination of fuel engines and this in turn is accelerating the development of smart cockpits. As an integration expert and leading manufacturer of automotive display interfaces, AUO has insight into the trends

of next-generation automotive applications. These include product specs calling for high brightness, high contrast, wide color gamut, fast response speed, and a high degree of reliability. At the same time, cutting-edge display technologies are being introduced into various automotive display devices, such as large-size lamination integrated with in-screen fingerprint recognition and Mini LED backlight, in order to comprehensively upgrade the driving experience.

- Demand is flourishing for advanced medical imaging and highly integrated medical information in the smart healthcare field. AUO has cooperated with ecosystem partners to launch an operating room imaging integration solution and took the lead in launching high-end 3D surgical display solutions that allow surgeons to view stereoscopic images with in-depth information during surgery. Moreover, a 4K naked-eye 3D display panel used in the operating room that is equipped with an eye tracking system exclusively developed by AUO allows doctors to view clear 3D images from all angles without the need to wear glasses during surgery.
- In the field of smart transportation, TARTAN products can be customized into various sizes without space constraints. In addition to being installed in long and narrow or leftover spaces in a train carriage, these displays also provide a variety of options for different train models and can be applied to flexible space configurations that are centered on passenger needs and are convenient for office work and carrying bicycles.

Looking forward to 2022, the structure of the industry will continue to change. From the supply side, the growth rate of production capacity has slowed down. In addition, there are still problems with supply chains and shortages in materials; hence, effective production capacity is limited. Other factors continue to influence end consumer markets, however, including inflation and the impact from the Russia-Ukraine war. Moreover, prior shortages in containers along with port congestions have also led to increases in channel inventories. In addition, lockdowns in eastern China caused a supply chain crisis that has in turn reduced downstream production, while also causing customers to have a more conservative market outlook. Demand for panels has thus been weakened and especially among consumer products, where the impact is greater. In addition, there has been no significant production cut among peers. It thus may take a longer period of adjustment to return to relatively healthy levels of supply and demand. The Company will continue its internal adjustments in product mix as well as associated cost improvement initiatives. Necessary adjustments will also be made in terms of capacity flexibility in response to demand and to inventory conditions.

AUO has been promoting a biaxial transformation strategy over the past few years, and its results can now gradually be seen:

I. Go Premium:

- The Company has continued to invest in premium and high-value production capacities in recent years, adjusting our product mix and increasing the proportion of high value-added products. At present, high value-added products contribute 50% of revenues.
- Such products are relatively stable in terms of demand and profitability in comparison with commodity products. Because of this, the recent market volatility has had relatively minor impact on the Company's operations, and in turn has allowed AUO to hand in an outstanding report card for 2021.

II. Go Vertical:

- The Company will continue to focus on display technology while devoting attention to diversified applications in five fields, namely: smart healthcare, smart manufacturing, smart education and entertainment, smart retail, and smart transportation. Starting from panels and combining hardware systems, software, and solutions, and by applying field management, this approach is expected to create several times the value as compared to the pure panel business.
- Field operations of the non-pure panel business do not currently contribute substantially to revenues, but they should grow rapidly and become AUO's growth engine in the future. The associated mid- and long-term revenue contribution targets are more than 20%.

Becoming an outstanding sustainable enterprise has always been the Company's core goal. In order to be in line with international trends, AUO has linked SDGs to 2025 CSR targets, thereby allowing ESG to develop in a balanced way. Taiwan faced severe drought conditions in 2021, and the Company optimized its water usage efficiency through continuous improvements in smart manufacturing. Our overall process water recovery rate increased to nearly 95%, and we obtained the first ISO 46001 water resource efficiency management system certification in Taiwan. In this way, we have balanced both our competitiveness and the environment. Addressing global trends toward carbon reduction, AUO has engaged in active deployment in this area and passed a review by the Science Based Targets (SBT) initiative. Furthermore, we have moved along the path of reducing total carbon emissions year by year. This year, we also officially became a member of RE100, a global renewable energy initiative, and pledged to use 100% renewable energy by 2050 and work towards the goal of net zero. At the same time, on the basis of experience accumulated along the way, AUO will continue to strengthen its operational resilience and seek new business opportunities in coordination with the value chain. Elsewhere, in regard to the promotion of corporate sustainability in 2021, AUO has been selected as a constituent company of the Dow Jones Sustainability World Index for the 12th consecutive year and has earned an MSCI ESG Rating of "A." Furthermore,

the Company continues to place in the top 5% of corporate governance evaluations by the Taiwan Stock Exchange. 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 joining the Bloomberg Gender-Equality Index.

The Company’s financial health has tended to be stronger as the Company’s overall strategy has gradually shown results. Moreover, the Company continues to focus on its operations to bring stable cash flows as it plans and promotes a stable shareholder return policy in the medium and long term. Total shareholder return to be distributed from 2022 to 2024 is expected to be approximately NT\$55.77 billion (Note 1). The Company will enhance shareholder rights and corporate value in order to give back to the shareholders who have supported AUO for so long.



Shuang-Lang (Paul) Peng,
Chairman



Frank Ko,
President



Benjamin Tseng,
Chief Financial Officer and
Chief Accounting Officer

(Note 1) Methods of shareholder compensation are to include dividends, capital reductions, and returns of capital reserves with one or a combination of these methods being paid in cash. Actual amounts and methods of distribution will be submitted to the Board of Directors or Shareholders' Meeting for resolution in accordance with relevant laws and regulations. In 2022, a cash dividend of NT\$9.58 billion will be issued as well as a cash capital reduction of NT\$19.25 billion. A total of NT\$28.82 billion will thus be distributed in 2022, with the remainder to be distributed in 2023 and 2024. Actual distribution amount per share is to be calculated according to the amount of each shareholder's compensation and the number of shares eligible to participate at the time of distribution.

Chapter 2 Company Profile

(I) Date of Incorporation: August 12, 1996

(II) Company History:

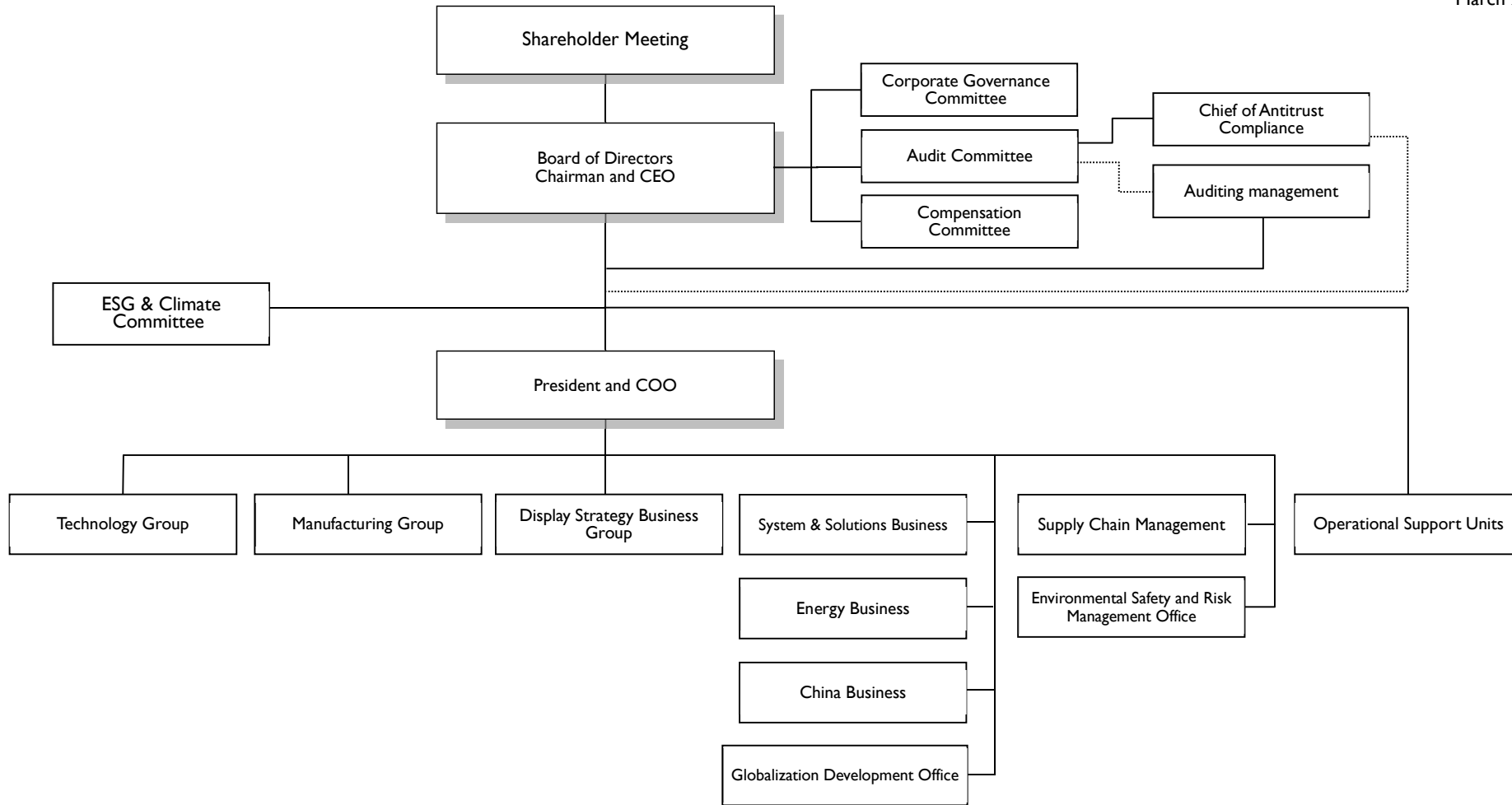
Aug 1996	Acer Display Technology (ADT) was established. The Company specialized in the development and manufacturing of key components and systems of flat display panels.
Apr 1999	Taiwan's first G3.5 TFT-LCD production line was completed and made a successful pilot run.
Sep 2000	ADT began initial public 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 2001	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.
Sep 2021	AUO selected for "Global Lighthouse Network" and leads the charge on 4IR transformation in manufacturing
Dec 2021	Acquiring 49% equity of AU Optronics (Kunshan) Co., Ltd. (AUOKS) from the other party, AUO owned 100% ownership of AUOKS
Dec 2021	Acquiring 49% equity of AU Optronics (Kunshan) Co., Ltd. (AUOKS) from the other party, AUO owned 100% ownership of AUOKS
Mar 2022	AUO joins RE100 Initiative and Commits to 100% renewable energy by 2050

Chapter 3 Corporate Governance

I. Organization

(I) Organizational Structure

March 28, 2022



(II) Responsibilities and functions of 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 & Solutions Business	The provision of a full range of smart systems, integrated solutions and marketing services for retail, transportation, 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 in Japan, the United States, South Korea, and Europe, etc.
Supply Chain Management	The management of procurement, export and import affairs.
Environmental Safety and Risk Management Office	Planning for environmental safety, health and operating risk management.
Operational Support Units	Finance, Legal, Sustainability Development, Human Resource, Digital Technology, Corporate Strategic Planning, New Business Investment, 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 28, 2022; Unit of shares: 1,000 shares

Position and Name	Gender Age	Nationality or Place of Registration	Date Elected (Appointed)	Term of Service	Date First Elected	Shares held when elected		Current Number of Shares Held		Shares Held By Spouse and Minor Children		Primary work or academic experiences	Position concurrently held in the Company and other companies (Note 4)
						Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)		
Chairman Shuang-Lang (Paul) Peng	Male 64	Republic of China	2019.06.14	3 years	2010.06.18	5,631	0.06	6,518	0.07	1,212	0.01	- M.B.A., Heriot-Watt University, U.K. - President, AU Optronics Corp.	- CEO, AU Optronics Corp. - Vice Chairman, Ennostar Inc. - Director, Qisda Corp.
Director Kuen-Yao (K.Y.) Lee	Male 70	Republic of China	2019.06.14	3 years	2004.04.30	10,512	0.11	10,512	0.11	1,215	0.01	- M.B.A, International Institute for Management Development, Switzerland - Chairman, Qisda Corp. - Chairman, AU Optronics Corp.	- Director, Qisda Corp. - Director, Darfon Electronics Corp. - Director, BenQ Materials Corp.
	-	Republic of China	2019.06.14	3 years	2019.06.14	312	0.00	312	0.00	-	-	-	-
Director AUO Foundation Representative: Frank Ko	Male 50	Republic of China	2019.09.10	-	-	-	-	1,008	0.01	0	0	- PhD in Optoelectronics (Science), National Chiao Tung University - Chairman and CEO, E Ink Holdings Inc. - Vice President, Strategic Development Office, AU Optronics Corp. - Vice President, TV Display Business Group, AU Optronics Corp.	- President and COO, AU Optronics Corp. - Director, Darwin Precisions Corp. - Director, ADLINK Technology Inc.
Independent Director Chin-Bing (Philip) Peng	Male 69	Republic of China	2019.06.14	3 years	2013.06.19	97	0.00	97	0.00	0	0	- M.B.A, National Chengchi University. - Senior Vice President and CFO, ACER Incorporated.	- Director, Wistron NeWeb Corporation. - Director, Wistron Information Technology & Services Corporation - Director, Wistron Corporation - Independent Director and Member of Audit Committee and Remuneration Committee, Apacer Technology Inc.
Independent Director Mei-Yueh Ho	Female 72	Republic of China	2019.06.14	3 years	2010.06.18	0	0	0	0	0	0	- B.S., Agricultural Chemistry, National Taiwan University - Minister, Ministry of Economic Affairs, R.O.C. - Council Minister, Council for Economic Planning and Development, R.O.C.	- Independent Director and Member of Audit Committee and Remuneration Committee, Kinpo Electronics, Inc. - Independent Director and Member of Audit Committee, Ase Technology Holding Co., Ltd. - Independent Director and Member of Audit Committee and Remuneration Committee, Center Laboratories Inc.
Independent Director Yen-Shiang Shih	Male 72	Republic of China	2019.06.14	3 years	2016.06.16	0	0	0	0	0	0	- Ph.D., Chemistry, Massachusetts Institute of Technology, USA - Chief of Chemical Engineering, National Taiwan University of Science and Technology - Professor of Chemical Engineering, National Taiwan University of Science and Technology - Director General, Small and Medium Enterprise Administration, Ministry of Economic Affairs, R.O.C. - Director General, Taiwan Tobacco & Wine Bureau - Director General, Industrial Development Bureau, Ministry of Economic Affairs, R.O.C. - Vice Minister, Ministry of Economic Affairs, R.O.C. - Deputy Minister, Ministry of Economic Affairs, R.O.C. - Chairman, CPC Corporation, Taiwan - Minister, Ministry of Economic Affairs, R.O.C. - National Policy Advisor, Office of the President, R.O.C. - Chairman, Sinotech Engineering Consultants, Inc. - Supreme Advisor, Commerce	- Independent Director and Member of Audit Committee, Nomination Committee and Remuneration Committee, CTCL Corporation - Independent Director and Member of Audit Committee and Remuneration Committee, Formosa Plastics Corporation - Director, Taiwan Research Institute - Director, Taiwan Institute of Economic Research - Policy Advisor, Taiwan Electrical and Electronic Manufacturers' Association - Chairman, Sustainable & Circular Economy Development Association - Chair Professor, Chung Yuan Christian University

Position and Name	Gender Age	Nationality or Place of Registration	Date Elected (Appointed)	Term of Service	Date First Elected	Shares held when elected		Current Number of Shares Held		Shares Held By Spouse and Minor Children		Primary work or academic experiences	Position concurrently held in the Company and other companies (Note 4)
						Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)		
Independent Director Yen-Hsueh Su	Female 53	Republic of China	2019.06.14	3 years	2019.06.14	0	0	0	0	0	0	<ul style="list-style-type: none"> - Master in Industrial Administration of Carnegie Mellon University, U.S.A. - Managing Director, and Head of Asia Technology Hardware Research, UBS - Chief Investment Officer, ASUSTEK Computer Inc. - Chief Investment Officer, Pegatron Corporation 	<ul style="list-style-type: none"> - Independent Director and Member of Audit Committee, Remuneration Committee and Investment Review Committee, TXC Corporation - Independent Director and Member of Audit Committee and Remuneration Committee, The Eslite spectrum Corp. - Independent Non-executive Director, Cowell E Holdings Inc.
Independent Director Jang-Lin (John) Chen	Male 69	Republic of China	2019.06.14	3 years	2019.06.14	0	0	0	0	0	0	<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 - Master in Chemistry, National Taiwan University - B.S., Chemistry, National Tsing Hua University - ITRI Fellow, Electronics & Optoelectronics System Research Lab - VP and DTC General Director, Display Technology Center, ITRI - Adjunct Professor, Department of Photonics, National 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

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 150 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:

The position of the chief executive officer of the Company is responsible for the planning and execution of the Company's sustainable operation and long-term development strategy, coordinating the management team and reporting to the Board of Directors; the president and chief operating officer is responsible for the planning and management of the Company's daily operations. The reason why the chairman also serves as the chief executive officer is to carry out the plan for sustainable management and strategic development of the enterprise, to lead the management team, and to report to the Board of Directors. In doing so, the powers and duties are clearly divided between the chairman and chief executive officer, and the president and chief operating officer. Meanwhile, the independence of the Board of Directors is assured in that independent directors constitute half of the Board.

Note 1: Major Shareholders of the Corporate Shareholders

Name of corporate shareholders	Major Shareholders of the Corporate Shareholders	
	Name	Shareholding percentage (%)
AUO Foundation	AU Optronics Corporation (Note3)	100

Note 2: Where the corporate shareholder is not a company, the aforementioned name of corporate shareholders and Shareholding Percentage denote the names of investors or donors, and their investment or contribution ratios.

Note 3: Please refer to the list of major shareholders as stated in Chapter 4 Capital Overview of this Annual Report (Page 62).

Note 4: As to the situation where directors are concurrently holding positions within the Company's affiliates, please see "Chapter 9 Special Disclosure" of this Annual Report, which provides information on the "Directors, supervisors, and general managers of affiliated businesses"(Pages 130-133).

- **Professional qualifications for directors**

Shuang-Lang (Paul) Peng

Mr. Peng has been Chairman and CEO of the Company since 2015. 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.

Kuen-Yao (K.Y.) Lee

Mr. Lee has been a director of the Company since 1996. He was Chairman of the Company from 1996 to May 10, 2015. Now, Mr. Lee is Chairman of BENQ foundation and director of Qisda Corp., Darfon Electronics Corp. and BENQ Materials Corp., with extensively professional background in technology sector. Mr. Lee once worked as Vice President of Acer Computer and served as President of BENQ Computer under Acer Group in 1991. Under his planning, the BenQ Group was developed. Mr. Lee received his bachelor's degree in Electrical Engineering from the National Taiwan University and his Master of Business Administration from the International Institute for Management Development in Switzerland.

Frank Ko

Mr. Ko has served as a director at the Company since 2019. 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.

Chin-Bing (Philip) Peng

Mr. Peng has been a 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.

Mei-Yueh Ho

Ms. Ho has been a director of the Company since 2010. Concurrently, she acts as independent director and member of audit committee of ASE Technology Holding Co., Ltd. and Center Ventures, independent director and member of audit committee and remuneration committee of Kinpo Electronics, Inc., and an independent director of Onward Therapeutics SA. She has professional background in the technology sector. Ms. Ho also acts as a member of risk management committee of ASE Technology Holding Co, Ltd. with professional background in risk management. Ms. Ho served as the Minister of the Ministry of Economic Affairs of the ROC from 2004 to 2006. She was also the Council Minister of the Council for Economic Planning and Development of the ROC from 2007 to 2008. Ms. Ho received her bachelor's degree in Agricultural Chemistry from the National Taiwan University in Taiwan.

Yen-Shiang Shih

Dr. Shih has been a director of the Company since 2016. Concurrently, he acts as independent director and member of auditing committee and remuneration committee of Formosa Plastics Corporation, independent director and member of auditing committee, nomination committee and remuneration committee of CTCL, with professional background in technology sector. Mr. Shih is a chair professor at Chung Yuan Christian University and chairman of Sustainable & Circular Economy Development Association, with related professional sustainable knowledge. Dr. Shih once worked as the Minister of Economic Affairs of the ROC, the chairman of CPC Corporation, director general of the Taiwan Tobacco &

Wine Bureau, director general of the Industrial Development Bureau, Ministry of Economic Affairs and other important positions. Mr. Shih has a Ph.D. from the Massachusetts Institute of Technology in the United States.

Yen-Hsueh Su

Ms. Su has been a 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 a 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, PhD in Polymer Material, NYU/Polytechnic University, U.S.A. He also attended Stanford Executive Program, Stanford University, Graduate School of Business.

• Diversification of the Board of Directors:

Pursuant to the Company's "Corporate Governance Principles," the composition of the Board of Directors should take into consideration the policy of diversity. Directors who serve concurrently as the Company's managers should not exceed one third of all Directors and appropriate diversification guidelines have been established based on Company operations, its business model, and development requirements. These guidelines stipulate that Directors should be assessed by standards including but not limited to the following two aspects:

1. Basic qualifications and value: gender and age
2. Professional knowledge and skills: professional background, competencies, and industry experiences etc.

The Company's management objectives and the goals achieved regarding the diversity policy are listed below:

Management objectives:	Progress
Independent Directors exceeding one-half of the total director seats	Achieved
Number of Directors who concurrently serve as Company managers do not exceed one-third of the total director seats	Achieved
At least two seats of Directors are females.	Achieved

The Company's fulfillment of diversification of members of the Board of Directors in 2021 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	Corporate management	Financial Accounting	Risk management	Sustainability	Financial investment	Technical research		
Shuang-Lang (Paul) Peng	Chairman	Male	64	Republic of China				√	√							√
Kuen-Yao (K.Y.) Lee	Director	Male	70	Republic of China				√	√							
Frank Ko	Director	Male	50	Republic of China				√	√							√
Chin-Bing (Philip) Peng	Independent Director	Male	69	Republic of China		√		√	√	√				√		
Mei-Yueh Ho	Independent Director	Female	72	Republic of China			√	√	√		√		√			
Yen-Shiang Shih	Independent Director	Male	72	Republic of China		√		√	√			√				
Yen-Hsueh Su	Independent Director	Female	53	Republic of China	√			√	√	√				√		
Jang-Lin (John) Chen	Independent Director	Male	69	Republic of China	√			√	√						√	

● **Independence of independent directors**

Five out of eight directors were independent directors, accounting for more than half of the board, all of whom had professional knowledge, skills, and experience in management.

Five independent directors: Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih, Yen-Hsueh Su and Jang-Lin (John) Chen meet the qualification requirements, such as professional knowledge, work experience, independence and number of public companies concurrently served as, specified in Article 2, Article 3 and Article 4 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

The qualification, independence and number of public companies concurrently served of independent directors are summarized below:

Name	Professional qualifications and experience	Independence	Number of other public companies where the Director concurrently serves as an Independent Director
Chin-Bing (Philip) Peng	<ul style="list-style-type: none"> Meet the provisions of Article 2(1) of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". <ul style="list-style-type: none"> Five independent directors have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. Yen-Shiang Shih and Jang-Lin (John) Chen have an experience of instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university. Please refer to II. Documents of directors, presidents, vice presidents, associate vice presidents, and managers of each departments and divisions (I) Director Information. 	<ul style="list-style-type: none"> All meet the provisions of Article 3(1) of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". There is no circumstances specified in Article 30 of the Company Act and the government agency, juristic person or authorized representative specified in Article 27 of the Company Act. They don't provide any commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in recent 2 years. The shares and shareholding ratio held by independent directors and their spouse or relative within the second degree of kinship (or in the name of others) refer to II. Information about directors, presidents, vice presidents, associate vice presidents, heads of departments and branches (I) Information about directors. 	1
Mei-Yueh Ho			3
Yen-Shiang Shih			2
Yen-Hsueh Su			2
Jang-Lin (John) Chen			0

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

February 28, 2022

Unit of shares: 1,000 shares

Title (Note 1)	Name	Gender	Nationality	Date Appointed (Note 2)	Number of Shares Held		Shares held by spouse or underage children		Primary work or academic experiences	Positions currently held in other companies (Note3)
					Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)		
CEO	Shuang-Lang (Paul) Peng	Male	Republic of China	2003.03.27	6,518	0.07	1,212	0.01	- M.B.A., Heriot-Watt University, U.K. - President, AU Optronics Corp.	- Vice Chairman, Ennostar Inc. - Director, Qisda Corp.
President and COO	Frank Ko	Male	Republic of China	2005.12.01	1,008	0.01	0	0	- Ph.D of Optoelectronics (Science), National Chiao Tung University - Chairman and CEO, E Ink Holdings Inc. - Vice President, Strategic Development Office, AU Optronics Corp. - Vice President, TV Display Business Group, AU Optronics Corp.	- Director, Darwin Precisions Corp. - Director, ADLINK Technology Inc.
Senior Vice President	Wei-Lung Liau	Male	Republic of China	2010.06.01	2,375	0.02	0	0	- Ph.D. of Applied Chemistry, National Chiao Tung University - Director, Qisda Corp. - Director, Darwin Precisions Corp.	- Director, Daxin Materials Corporation - Director, Iris Optronics Co., Ltd. - Director, PlayNitride Inc.
Senior Vice President	Ting-Li Lin	Male	Republic of China	2016.06.01	1,123	0.01	0	0	- Master of Applied Chemistry, National Chiao Tung University	None
Senior Vice President	James CP Chen	Male	Republic of China	2007.10.01	456	0.00	0	0	- Master of Electrical and Control Engineering, National Chiao Tung University - Section Manager at Electronics Research & Service Organization, ITRI	None
Senior Vice President	CS Hsieh	Male	Republic of China	2012.05.01	2,544	0.03	23	0	- Master of Electrical Engineering, National Tsing Hua University	None
Senior Vice President	Amy Ku	Female	Republic of China	2009.11.01	2,547	0.03	0	0	- Master of Human Resources Management, National Central University	None
Vice President	Hong-Jye Hong	Male	Republic of China	2008.12.01	658	0.01	183	0	- Master of Electrical Engineering, University of Massachusetts, U.S.A. - Director, Daxin Materials Corp.	- Director, Raydium Semiconductor Corporation
Vice President	TL Tseng	Male	Republic of China	2019.11.01	99	0.00	0	0	- Master of Industrial Engineering, University of Florida - Vice president of the smart solutions business group, Qisda Corp.	- Director, SINTRONES Technology Corp.
Vice President	TY Lin	Male	Republic of China	2015.06.01	688	0.01	1	0	- Master of Industrial Engineering, Chung Yuan Christian University - Director, BenQ Materials Corp.	None
Vice President	Tina Wu	Female	Republic of China	2013.11.01	995	0.01	0	0	- Master of Industrial Administration, Waseda University	None
Vice President	Andy Yang	Male	Republic of China	2008.12.01	728	0.01	855	0	- Master of Business Administration, George Washington University, U.S.A. - Associate Vice President at ABN AMRO Bank - Director, Lextar Electronics Corporation	None
Vice President	Benjamin Tseng	Male	Republic of China	2012.09.01	521	0.01	895	0	- Master of Business Administration, University of Rochester, U.S.A. - Vice President at ABN AMRO Bank	- Director, Raydium Semiconductor Corporation
Senior Associate Vice President	Kun-Yu Lin	Male	Republic of China	2005.12.01	439	0.00	479	0	- Master of Science in Optoelectronics, National Chiao Tung University	None

Title (Note 1)	Name	Gender	Nationality	Date Appointed (Note 2)	Number of Shares Held		Shares held by spouse or underage children		Primary work or academic experiences	Positions currently held in other companies (Note3)
					Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)		
Senior Associate Vice President	Yu-Chieh Lin	Female	Republic of China	2011.05.01	548	0.01	0	0	- Master of Science in Physics, National Central University	None
Senior Associate Vice President	Ivan Wu	Male	Republic of China	2010.06.01	1,201	0.01	12	0	- Master of Science in Optoelectronics, National Chiao Tung University	None
Senior Associate Vice President	SI Jeong	Male	Republic of Korea	2011.05.01	189	0.00	0	0	- Bachelor's Degree, Korea Aerospace University	None
Senior Associate Vice President	CC Hung	Male	Republic of China	2016.08.01	223	0.00	0	0	- Ph.D. of Mechanical Engineering, National Cheng Kung University	None
Associate Vice President	Center Chen	Male	Republic of China	2020.10.01	265	0.00	0	0	- B.S. of Electrical Engineering, National Central University	None
Associate Vice President	Debbie Chiu	Female	Republic of China	2020.10.01	187	0.00	0	0	- Master of Chemical Engineering, National Tsing Hua University - Manager, Taiwan Semiconductor Manufacturing Company (TSMC)	None
Associate Vice President	TL Chen	Male	Republic of China	2010.08.01	0	0	0	0	- Master of Asia Pacific Operating Management, The Chinese University of Hong Kong - Associate Vice President, Toppoly Optoelectronics Corp.	None
Associate Vice President	Jerry Liu	Male	Republic of China	2020.05.01	62	0.00	0	0	- Master of Economics, Feng Chia University	None
Associate Vice President	Bryan Kuo	Male	Republic of China	2021.04.01	77	0.00	20	0	- Master of Psychology, National Chung Cheng University	None

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:
The position of the chief executive officer of the Company is responsible for the planning and execution of the Company's sustainable operation and long-term development strategy, coordinating the management team and reporting to the Board of Directors; the president and chief operating officer is responsible for the planning and management of the Company's daily operations. The reason why the chairman also serves as the chief executive officer is to carry out the plan for sustainable management and strategic development of the enterprise, to lead the management team, and to report to the Board of Directors. In doing so, the powers and duties are clearly divided between the chairman and chief executive officer, and the president and chief operating officer. Meanwhile, the independence of the Board of Directors is assured in that independent directors constitute half of the Board, and that more than half of the directors are not an employee or a manager of the Company.

Note 1: Those who currently serve in their respective positions on the publication date of the Annual Report.

Note 2: Refers to either the initial date of a manager's term of service or the date in which No. 0920001301 Directive decreed on March 27, 2003 from the former Securities and Futures Commission, Ministry of Finance was processed.

Note 3: As to the situation where managers are concurrently holding positions within the Company's affiliates, please see "Chapter 9 Special Disclosure" of this Annual Report, which provides information on the "Directors, supervisors, and general managers of affiliated businesses" (Pages 130-133).

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 compensation								Ratio of sum of items A, B, C and D to profit (%) (Note 9)		Compensation earned by a Director who is an employee of the Company								Ratio of sum of items A, B, C, D, E, F and G to profit (%) (Note 9)		Compensation from investees other than AU Optronics Corp.'s subsidiaries or Parent Company (Note 10)
		Compensation (A) (Note 2)		Pension upon retirement (B) (Note 3)		Director's remuneration (C) (Note 4)		Business execution Expenses (D) (Note 5)		Salaries, bonuses and special expenses (E) (Note 6)		Pension upon retirement (F) (Note 3)		Employee's remuneration (G) (Note 7)								
		AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.		AU Optronics Corp. and its subsidiaries (Note 8)		AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	
Chairman	Shuang-Lang (Paul) Peng	10,956	10,956	0	0	123,099	123,099	4,346	4,386	0.23	0.23	152,190	152,230	108	108	56,153	0	56,155	0	0.57	0.57	92,409
Director	Kuen-Yao (K.Y.) Lee																					
Corporate Director	BenQ Foundation (Note 1)																					
Corporate Director Representative	Peter Chen (Note 1)																					
Corporate Director	AUO Foundation																					
Corporate Director Representative	Frank Ko																					
Independent Director	Chin-Bing (Philip) Peng	14,000	14,000	0	0	83,847	83,847	830	830	0.16	0.16	0	0	0	0	0	0	0	0	0.16	0.16	0
Independent Director	Mei-Yueh Ho																					
Independent Director	Yen-Shiang Shih																					
Independent Director	Yen-Hsueh Su																					
Independent Director	Jang-Lin (John) Chen																					

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

Table of compensation ranges

Compensation range for each Director in AU Optronics Corp.	Name of Director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 8)	AU Optronics Corp.	Parent Company, AU Optronics Corp. and its subsidiaries and investees (Note 11)
Less than NT\$ 1,000,000	Peter Chen	Peter Chen	Peter Chen	
NT\$ 1,000,000 (incl.) ~ NT\$ 2,000,000 (not incl.)				
NT\$ 2,000,000 (incl.) ~ NT\$ 3,500,000 (not incl.)	Frank Ko	Frank Ko		
NT\$ 3,500,000 (incl.) ~ NT\$ 5,000,000 (not incl.)				
NT\$ 5,000,000 (incl.) ~ NT\$ 10,000,000 (not incl.)	BenQ Foundation	BenQ Foundation	BenQ Foundation	
NT\$ 10,000,000 (incl.) ~ NT\$ 15,000,000 (not incl.)				
NT\$ 15,000,000 (incl.) ~ NT\$ 30,000,000 (not incl.)	Kuen-Yao (K.Y.) Lee, AUO Foundation, Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih, Yen-Hsueh Su, Jang-Lin (John) Chen	Kuen-Yao (K.Y.) Lee, AUO Foundation, Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih, Yen-Hsueh Su, Jang-Lin (John) Chen	Kuen-Yao (K.Y.) Lee, AUO Foundation, Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih, Yen-Hsueh Su, Jang-Lin (John) Chen	BenQ Foundation, AUO Foundation, Chin-Bing (Philip) Peng, Mei-Yueh Ho, Yen-Shiang Shih, Yen-Hsueh Su, Jang-Lin (John) Chen
NT\$ 30,000,000 (incl.) ~ NT\$ 50,000,000 (not incl.)				Kuen-Yao (K.Y.) Lee
NT\$ 50,000,000 (incl.) ~ NT\$ 100,000,000 (not incl.)	Shuang-Lang (Paul) Peng	Shuang-Lang (Paul) Peng		Peter Chen
More than NT\$ 100,000,000			Shuang-Lang (Paul) Peng, Frank Ko	Shuang-Lang (Paul) Peng, Frank Ko
Total	11 Persons (including 2 Corporate Directors)	11 Persons (including 2 Corporate Directors)	11 Persons (including 2 Corporate Directors)	11 Persons (including 2 Corporate Directors)

Note 1: BenQ Foundation resigned in May 11, 2021.

Note 2: Refers to compensation for Directors in 2021 (including salaries, job allowance, severance pay, bonuses, and performance fees).

Note 3: Refers to pension either allocated or paid out per legal requirements in 2021.

Note 4: Refers to Directors' remunerations in 2021.

Note 5: Refers to Directors' business execution expenses in 2021 (including provisions of compensation, transport fees, special expenses, various subsidies, accommodations, or company vehicles and other physical items for those serving as representatives of Corporate Directors or supervisors designated by AU Optronics Corp. and its subsidiaries).

Note 6: Refers to compensation for Directors who also served as President, Vice President, other managers or employees in 2021 including salaries, job remuneration, severance pay, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, company vehicles, and other physical items, etc. Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in compensation.

Note 7: Refers to employee's remuneration (including stock and cash) paid to Directors who also served as President, Vice President, other managers, or employees in 2021.

Note 8: Total compensation in various items paid out to AU Optronics Corp.'s Directors.

Note 9: Profit refers to the profit for the year in the 2021 parent company only financial statements of AU Optronics Corp. under Taiwan IFRS.

Note 10: Refers to compensation, remunerations (including remunerations for employees, Directors, and supervisors), business execution expenses, and other related payments received by Directors who served as Director, supervisor, or manager in investees other than AU Optronics Corp.'s subsidiaries or Parent Company in 2021.

Note 11: Total compensation paid to AU Optronics Corp.'s Directors.

(II) Compensation for President and Vice Presidents

Unit: NT\$ thousands; 1,000 shares

Title (Note 1)	Name (Note 1)	Salary (A) (Note 2)		Pension upon retirement (B) (Note 3)		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 AU Optronics Corp.'s subsidiaries or Parent Company (Note 8)
		AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 6)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 6)	AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 6)	AU Optronics Corp.		AU Optronics Corp. and its subsidiaries (Note 6)		AU Optronics Corp.	AU Optronics Corp. and its subsidiaries (Note 6)	
								Cash	Stock	Cash	Stock			
CEO	Shuang-Lang (Paul) Peng	75,666	75,666	1,402	1,402	295,954	298,687	277,453	0	277,455	0	1.06	1.07	396
President and COO	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													

Table of compensation ranges

Compensation range for each President and Vice President in AU Optronics Corp.	Name of the President and Vice presidents	
	AU Optronics Corp.	Parent Company, AU Optronics Corp. and its subsidiaries and investees (Note 9)
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.)		
NT\$ 15,000,000 (incl.) ~ NT\$ 30,000,000 (not incl.)		
NT\$ 30,000,000 (incl.) ~ NT\$ 50,000,000 (not incl.)	Amy Ku, Tina Wu, TY Lin, Ting-Li Lin, Hong-Jye Hong, James CP Chen, TL Tseng, Benjamin Tseng, Andy Yang, Wei-Lung Liao, CS Hsieh	Amy Ku, Tina Wu, TY Lin, Ting-Li Lin, Hong-Jye Hong, James CP Chen, TL Tseng, Benjamin Tseng, Andy Yang, Wei-Lung Liao, CS Hsieh
NT\$ 50,000,000 (incl.) ~ NT\$ 100,000,000 (not incl.)	Shuang-Lang (Paul) Peng	Shuang-Lang (Paul) Peng
More than NT\$ 100,000,000	Frank Ko	Frank Ko
Total	13 persons	13 persons

Note 1: The information in the table refers to 2021 compensation for current managers such as Vice Presidents or above as of the end of 2021.

Note 2: Refers to compensation for managers such as Vice Presidents or above in 2021, including salaries, job allowance and severance pay.

Note 3: Refers to pension either allocated or paid out per legal requirements in 2021.

Note 4: Refers to compensation for managers such as Vice Presidents or above in 2021, including bonuses, fees for serving as the AU Optronics Corp. or its subsidiaries' Corporate Directors or supervisors, performance fees, transport fees, special expenses, various subsidies, accommodation, company vehicles, and other physical items, etc Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in



compensation.

Note 5: Refers to remunerations for employee in 2021.

Note 6: Total compensation in various items paid out to AU Optronics Corp.'s managers such as Vice Presidents or above.

Note 7: Profit refers to the profit for the year in the 2021 parent company only financial statements of AU Optronics Corp. under Taiwan IFRS.

Note 8: Refers to compensation including compensation, remuneration (including remunerations for employees, Directors, and supervisors), business execution expenses, and other related payments received by managers such as Vice Presidents or above who served as Director, supervisor, or manager in investees other than AU Optronics Corp.'s subsidiaries or Parent Company in 2021.

Note 9: Total compensation paid to managers such as Vice Presidents or above.

(III) Name of the managers provided with employee's remunerations and state of payments:

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	CEO	Shuang-Lang (Paul) Peng	0	406,653	406,653	0.66
	President and COO	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				
	Senior Associate Vice President	CC Hung				
	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					

Note 1: Those who currently serve in their respective positions on the publication date of the Annual Report.

Note 2: Refers to remunerations for employee in 2021.

Note 3: The net income after taxes shall refer to the income after taxes identified in 2021 parent company only financial statements.

(IV) Compare and analyze the total compensation as a percentage of net income after taxes stated in the parent company only or individual financial statements, paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's Directors, supervisors, President and Vice President. Describe the policies, standards, and packages for payment of compensation, the procedures for determining compensation, and its linkage to business performance and future risk exposure.

1. The total compensation as a percentage of net income after taxes stated in the parent company only financial statement, paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's Directors, supervisors, President and Vice President are as the following:

Unit: NT\$ thousands

Item	Year	2021	2020
Net income (loss) after taxes on the Company's Parent Company Only Financial Statements		61,330,628	3,376,324
Ratio of compensation paid to Directors by the Company (%)		0.39	1.13
Ratio of compensation for Directors paid by all companies listed in the Consolidated Financial Statements (%)		0.39	1.13
Ratio of compensation for Managers such as Vice President or above paid by the Company (%)		1.06	5.35
Ratio of compensation for Managers such as Vice President or above paid by all companies listed in the Consolidated Financial Statements (%)		1.07	5.46

2. Policies, standards, and packages for payment of compensation, as well as the procedures followed for determining the compensation, and their linkages to business performance and future risk exposure.

- (1) Compensation for Company Directors have been authorized for distribution by the Board of Directors pursuant to the Company's Articles of Association, based on individual Director's level of participation and contributions to 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' remuneration in accordance with the Company's Articles of Incorporation.
- (2) Appointment, termination, and compensation for the Company's President and Vice presidents are handled in accordance with Company policies. Compensation is paid according to the "Principle of Compensation Paid to Managers" as stipulated by the Company's Remuneration Committee and the Board of Directors. The compensation paid to directors and managers of the Company, after being approved by the Remuneration Committee, is submitted to the Board of Directors for further approval.
- (3) The principle for distribution of remuneration of the Company's managers is linked to their job duties and performance thereof. The Company also provides an overall competitive remuneration package in the market.

The remuneration of the Company's managers is positioned within a certain interval of the industry remuneration comparison table, which rewards higher remuneration when high performance is achieved; in addition, the company has an incentive program for managers, which is carried out by the Remuneration Committee who will determine the targets for rewards according to the Company's long-term strategic development (such as market share, revenue, corporate sustainability, etc.). The Remuneration Committee will regularly review the overall operating status of the Company and the achievement of said targets, and give rewards accordingly. Moreover, according to the Company's Articles of Association, if the Company makes a profit in the year, it should allocate no less than 5% for employee compensation. In light of the aforementioned remuneration policies and standards, the Company provides managers with a competitive remuneration in the market as well as reflects its management of operational risks and corporate governance structure. The Company is committed to sustainable operations and is driven to attract, retain, and empower a management team that is entrepreneurial and focused on creating long-term shareholder value.

IV. Implementation of Corporate Governance

(I) Operations of the Board of Directors

The Company had convened six Board of Directors meetings in 2021 with the following attendance:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Remarks
Chairman	Shuang-Lang (Paul) Peng	6	0	100	-
Director	Kuen-Yao (K.Y.) Lee	6	0	100	-
Director	BenQ Foundation (Note 1)	Representative: Peter Chen 3	0	100	-
Director	AUO Foundation	Representative: Frank Ko 6	0	100	-
Independent Director	Mei-Yueh Ho	5	1	83	-
Independent Director	Chin-Bing (Philip) Peng	6	0	100	-
Independent Director	Yen-Shiang Shih	6	0	100	-
Independent Director	Yen-Hsueh Su	6	0	100	-
Independent Director	Jang-Lin (John) Chen	6	0	100	-

Note 1: BenQ Foundation resigned in May 2021.

Other items that shall be disclosed:

- I. When one of the following situations occurred to the operations of the Board, state the date and term of the Board meeting, content of proposals, opinions of all Independent Directors and the Company's actions in response to the opinions of the Independent Directors:
 - (I) Matters included in Article 14-3 of the Securities and Exchange Act: Regulations from Article 14-3 are not applicable since the Company has already established an Audit Committee. For explanations on matters stipulated in Article 14-5 of the Securities and Exchange Act, please see Operations of the Audit Committee (Page 16).
 - (II) In addition to the aforementioned matters, any other resolutions from the Board of Directors where an Independent Director expressed a dissenting or qualified opinion that has been recorded or stated in writing: None.
- II. When Directors abstain themselves for being a stakeholder in certain proposals, the name of the Directors, the content of the proposal, reasons for abstentions and the participation in voting should be stated:

Date of Board Meeting	Name of Director	Resolutions	Reason for Recusal	Participation in Voting
2021.02.03	Chairman Shuang-Lang (Paul) Peng	Approved the Company to invest in common shares of Ennostar Inc.	Concurrently serves as the representative of a corporate director for Ennostar Inc.	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng; Director Frank Ko, Representative of AUO Foundation	Approved the selection of applicable personnel for the "Measures for the Protection and Conversion of Management Rights"	Concurrently serve as a manager of the Company	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng; Director Frank Ko, Representative of AUO Foundation	Approved the list of treasury stocks' receiving managers and the number of distribution (subscription)	Concurrently serve as a manager of the Company	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng	Approved the donations	Concurrently serves as the Chairman of AUO Foundation	Did not participate in discussion or voting
2021.03.16	Chairman Shuang-Lang (Paul) Peng; Frank Ko, Representative of AUO Foundation	Approved the 2020 compensation to directors and senior managerial officers	Concurrently serve as a manager of the Company	Did not participate in discussion or voting
2021.04.28	Chairman Shuang-Lang (Paul) Peng	Approved the acquisition of an equity held by the other shareholder of AU Optronics (Kunshan) Co., Ltd., and capital injection of AU Optronics (Kunshan) Co., Ltd.,	Concurrently serves as a director of AU Optronics (Kunshan) Corp., Ltd.	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng	Approved the cancellation of the purchase of the building by AU Optronics (Kunshan) Co., Ltd.	Concurrently serves as a director of AU Optronics (Kunshan) Corp., Ltd.	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng	Approved the Company and the subsidiaries to lend capital to the subsidiary, AU	Concurrently serves as a director of AU Optronics (Kunshan) Corp., Ltd.	Did not participate in discussion or voting

		Optronics (Kunshan) Co., Ltd.		
2021.07.28	Chairman Shuang-Lang (Paul) Peng	Approved the distribution of accumulated surplus of AU Optronics (Suzhou) Corp., Ltd., AU Optronics (Xiamen) Corp., and AU Optronics (Shanghai) Co., Ltd.	Concurrently serves as a director of AU Optronics (Suzhou) Corp., Ltd., AU Optronics (Xiamen) Corp., and AU Optronics (Shanghai) Co., Ltd.	Did not participate in discussion or voting
	Chairman Shuang-Lang (Paul) Peng	Approved to cancel the endorsements and guarantees of the subsidiaries	Concurrently serves as a director of AU Optronics (Suzhou) Corp. and AU Optronics (Xiamen) Corp.	Did not participate in discussion or voting
2021.10.27	Chairman Shuang-Lang (Paul) Peng	Approved the Company and the subsidiaries to lend capital to the subsidiary, AU Optronics (Kunshan) Co., Ltd.	Concurrently serves as a director of AU Optronics (Kunshan) Corp., Ltd.	Did not participate in discussion or voting
	Director Frank Ko, Representative of AUO Foundation	Approved to lend capital to the subsidiary, Darwin Precisions Corporation	Concurrently serves as a director of Darwin Precisions Corporation	Did not participate in discussion or voting

III. The interval, period, scope, method, content, and implementation of the self-assessment (or peer assessment) made by the Company's Board of Directors and the external assessment:

Type	Assessment Interval	Assessment Period	Scope	Assessment Method	Assessment Content and Result
Self-assessment	Annually	October 2020 to September 2021	Board of Directors, Functional Committees (including Audit Committee, Remuneration Committee, and Corporate Governance Committee), and their individual members.	Internal self-assessment made by the Board of Directors, Functional Committees (including Audit Committee, Remuneration Committee, and Corporate Governance Committee), and their individual members	<p>Assessment Content:</p> <p>The performance assessment of the Board of Directors and its individual members includes five major aspects: the degree of participation in the Company's operations, the decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, the selection and appointment of directors and continuous education, and internal control.</p> <p>The performance assessment of the Functional Committees and their individual members includes five major aspects: the degree of participation in the Company's operations, the awareness of duties of the Functional Committees, the decision-making quality of the Functional Committees, the composition and election of the Functional Committees, and internal control.</p> <p>Evaluation Result:</p> <p>The self-assessment results of the Board of Directors, Functional Committees (including Audit Committee, Remuneration Committee, and Corporate Governance Committee), and their individual members were all "Exceeding Expectations".</p>
External Assessment:	Every three years	September 2020 to August 2021	Board of Directors	External assessment conducted through online self-assessment questionnaires and on-site visits	<p>Assessment Content:</p> <p>The Company has commissioned Taiwan Corporate Governance Association (TCGA) to carry out an external assessment of the Board's efficacy, especially with regard to eight aspects of the Board: composition, leadership, authority, supervision, communication, internal control and risk management, self-discipline and supportive systems. The assessment is carried out through an online questionnaire and site visits.</p> <p>Evaluation Result:</p> <p>Five of the Company's nine directors are independent directors, accounting for more than half of the total board of directors, and 2/8 of board of directors is female. All of them are professionals and with rich management experiences. Through the semi-annual strategy meeting, independent directors are invited to discuss the environment and major issues faced by the Company on the Company's "biaxial transformation" strategy, and to form a consensus on major development goals and strategies. The company submitted the evaluation results to</p>

					the board of directors on first meeting in 2022. The board of directors based on the recommendations of the TCGA as a reference for continuing to improve the functions of the board of directors, including amendments to the Whistleblowing policy and channel, showing that the company attaches importance to the effectiveness (including trustworthiness) of the reporting system.
<p>IV. Targets for strengthening the functions of the Board of Directors in the current and the most recent year (e.g., setting up an Audit Committee and enhancing information transparency) and evaluation of target implementation:</p> <ol style="list-style-type: none"> 1. The Company's Board of Directors' duties include supervising the Company's strategy, monitoring the management and the operation and arrangement of corporate governance systems. It is also responsible for the Company and the Shareholders' Meeting, and shall exercise its powers in accordance with the law, regulations, Articles of Incorporation or the resolutions of the Shareholders' Meetings. 2. The Company has established the Audit Committee on June 13, 2007 to carry out duties concerning the Securities and Exchange Act, Company Act, and other legal regulations. Please see Page 26 of the Annual Report for the operations of the Audit Committee. 3. The Company has established a Remuneration Committee on August 30, 2011 to regularly evaluate and establish the salaries and compensation for Directors and managers, as well as to regularly review the performance of Directors and managers as well as the policies, systems, standards, and structures of their salaries and compensation. Please see Pages 29-30 of the Annual Report for operations of the Remuneration Committee. 4. The Company set up a Corporate Governance Committee on October 29, 2019, of which the powers and duties include, establish independent standards required by members of the board of directors, and to seek, review and nominate director candidates with diverse backgrounds such as professional knowledge, technology, experience and gender; construct and develop the organizational structure of the board of directors and committees, to evaluate the performance of the board of directors, committees and directors, and to evaluate the independence of independent directors; develop and regularly review directors' training programs and succession plans; provide new directors with appropriate induction instructions so that new directors understand their responsibilities and are familiar with the company operations and environment; and establish the Company's corporate governance principles. 5. The Company held re-elections of its Directors at the Annual General Meeting on June 14, 2019. Nine seats of Directors were elected, including five seats of Independent Directors. To strengthen the functionality of the Board and corporate governance, the seats of Independent Directors account for majority of all Directors. 6. Please see Page 106 of the Annual Report for the goals and implementations of the Company's ESG & Climate Committee. 					

(II) Operations of the Audit Committee

The Company had convened six Audit Committee meetings in 2021 with the following attendance:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Remarks
Convener	Chin-Bing (Philip) Peng	6	0	100	-
Member	Mei-Yueh Ho	5	1	83	-
Member	Yen-Shiang Shih	6	0	100	-
Member	Yen-Hsueh Su	6	0	100	-
Member	Jang-Lin (John) Chen	6	0	100	-

Other items that shall be disclosed:

- I. When one of the following situations has occurred to the operations 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 actions in response to the resolutions:
 - (I) Matters included in Article 14-5 of the Securities and Exchange Act (please see III. Corporate Governance Report - Material Resolutions from the Shareholders' Meeting and the Board of Directors on Pages 52-54 of the Annual Report): All resolutions have been approved with the consent of one-half or more of all Audit Committee members before a resolution has been reached at the Board meeting. There were no resolutions which had not been approved with the concurrence of one-half or more of all Audit Committee members but were undertaken upon the consent of two-thirds or more of all directors.
 - (II) Except the items in the preceding issues, other resolutions which had not been approved with the concurrence of one-half or more of all Audit Committee members but were undertaken upon the consent of two-thirds or more of all directors: None.
- II. In regards to the recusal of independent directors from voting due to conflict of interests, the name of the independent directors, the resolutions, reasons for recusal due to conflict of interests and voting outcomes should be stated: None.
- III. Communication between the Independent Directors, the head of internal audit and CPAs (shall include material matters, methods and results of communication on the finances and state of business of the Company):
 - (I) The Company regularly convenes Audit Committee meetings. Where necessary, CPAs, the head of internal audit are respectively invited to the meeting. Besides, communication with CPAs, the head of internal audit and relevant executives take place whenever Independent Directors regard it as necessary.
 - (II) The head of Internal audit is required to submit audit reports to the Audit Committee based on annual audit plan on a regular basis, whereas the Audit Committee also conducts regular evaluation on the Company's internal control system, internal auditors and their audit results.
 - (III) The Audit Committee regularly communicates with the Company's CPAs for review or audit results of the quarterly financial statements and other communication matters required by law. The Audit Committee also undertakes independence reviews on the selection of CPA and the CPA's audit and non-audit services.
 - (IV) Descriptions of major communications in 2021:

I. Communications between the independent directors and CPAs are as follows:

Date	Meetings	Descriptions of the major matters	Communication status and Independent Directors' opinions	Actions in response to independent directors' opinions
2021.02.03	Audit Committee	The findings of the audits on the Company's financial results for 2020	After review by the Audit Committee, all independent directors have no objections	Not applicable
2021.04.28	Audit Committee	The findings of the review on the Company's financial results for the period ended March 31, 2021	After review by the Audit Committee, all independent directors have no objections	Not applicable
2021.07.28	Audit Committee	The findings of the review on the Company's financial results for the period ended June 30, 2021	After review by the Audit Committee, all independent directors have no objections	Not applicable
2021.10.27	Audit Committee	The findings of the review on the Company's financial results for the period ended September 30, 2021	After review by the Audit Committee, all independent directors have no objections	Not applicable
2021.11.16	Meeting (separate meeting)	2021 annual regulatory update and critical issue with AUO Audit committee	Noted and no other suggestions	Not applicable

2. Communications between the independent directors and the head of internal audit are as follows:

Date	Meetings	Descriptions of the major matters	Communication status and Independent Directors' opinions	Actions in response to independent directors' opinions
2021.02.03	Audit Committee	1. The findings of the internal audit reports for the fourth quarter of 2020 2. Statement of Internal Control System for 2020	After review by the Audit Committee, all independent directors have no objections	Not applicable
2021.04.28	Audit Committee	The findings of the internal audit reports for the first quarter of 2021	After review by the Audit Committee, all independent directors have no objections	Not applicable
2021.07.28	Audit Committee	The findings of the internal audit reports for the second quarter of 2021	After review by the Audit Committee, all independent directors have no objections	Not applicable
2021.10.27	Audit Committee	The findings of the internal audit reports for the third quarter of 2021	After review by the Audit Committee, all independent directors have no objections	Not applicable
2021.12.20	Meeting (separate meeting)	1. Sales analysis - yield rate and shipment of downgrade products 2. Internal auditors' in-house training plan for 2022 3. Updating the status of the Company's cooperation with the Investigation Bureau and the Prosecutor's Office in the investigation of the former employees' misconduct (Note)	1. The independent directors fully discussed the matter and suggested the Company review internal control systems and communicate to the Audit Committee any material matters discovered 2. Noted and no other suggestions	1. The questions raised by Independent Directors were answered 2. Not applicable

Note: Two former employees were involved in abnormal transactions during employment with the Company and were indicted for misconduct by Hsinchu District Prosecutors Office in December 2021. Please refer to Governance Section on the Company's website for its handling of the matter, following improvements and the Audit Committee's suggestions.

IV. Annual key functions and operations:

(I) Annual key functions

1. Communicate results of audit report with the head of internal audit regularly according to the annual audit plan.
2. Communicate with CPA regularly over financial statement review or audit results in each quarter.
3. Review financial reports.
4. Assessment of the effectiveness of internal control system.
5. Review the hiring, dismissal, compensation and service matters concerning CPAs in advance.
6. Evaluate the independence of the CPA who provide 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.

(II) The meeting date, content of proposals and resolutions of Audit Committee in 2021 are as follows:

Meeting Date	Proposals	Resolutions and opinions
5th Term 13th Meeting 2021.02.03	1. Approved the Internal Control Declaration for 2020 2. Approved the 2020 Parent Company Only and Consolidated Financial Statements 3. Approved the Company to invest in the common shares of Ennostar Inc. 4. Approved the capital injection from the Company to the subsidiaries, Konly Venture Corp. and Ronly Venture Corp. 5. Approved the subsidiary, AU Optronics Manufacturing (Shanghai) Corp., to lend capital 6. Approved the AU Optronics Corp. to lend capital 7. Approved the donations	Unanimously approved and for Board's approval
5th Term 14th Meeting 2021.03.16	1. Change of Certified Public Accountant 2. Approved the 2021 services and fees of Certified Public Accountant 3. Approved the 2020 Business Report and the 2021 Business Plan 4. Approved the distribution of 2020 earnings 5. Approved the issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement	Unanimously approved and for Board's approval

		<p>6. Approved the amendment to "Handling Procedures for Acquisition or Disposal of Assets" and "Handling Procedures for Providing Endorsements and Guarantees for Third Parties "</p> <p>7. Approved to authorize Chairman to endorse guarantee</p> <p>8. Approved the subsidiary, AUO Crystal Corp., to dispose of its plant in Zhonggang and the ancillary equipment therein</p>		
	5th Term 15th Meeting 2021.04.28	<p>1. Approved the Consolidated Financial Statements for the period ended March 31, 2021</p> <p>2. Approved the subsidiaries to lend capital to the subsidiary, AU Optronics (Kunshan) Co., Ltd.</p> <p>3. Approved the Company's disposal of property and related ancillary equipment</p> <p>4. Approved the amendment to "Handling Procedures for Acquisition or Disposal of Assets" and "Handling Procedures for Providing Endorsements and Guarantees for Third Parties "</p> <p>5. Approved the amendment to Chairman's authority to provide endorsement/guarantee amount</p> <p>6. Approved the acquisition of an equity held by the other shareholder of AU Optronics (Kunshan) Co., Ltd., and capital injection of AU Optronics (Kunshan) Co., Ltd.,</p> <p>7. Approved the cancellation of the purchase of the building by AU Optronics (Kunshan) Co., Ltd.</p>	Unanimously approved and for Board's approval	
	5th Term 16th Meeting 2021.07.28	<p>1. Approved the Consolidated Financial Statements for the period ended June 30, 2021</p> <p>2. Approved the distribution of accumulated surplus of AU Optronics (Suzhou) Corp., Ltd., AU Optronics (Xiamen) Corp., and AU Optronics (Shanghai) Co., Ltd.</p> <p>3. Approved to cancel the endorsements and guarantees of the subsidiaries</p> <p>4. Approved the capital increase for the subsidiary Da Ping Green Energy Corp.</p>	Unanimously approved and for Board's approval	
	5th Term 17th Meeting 2021.10.27	<p>1. Approved 2022 Annual Audit Plan</p> <p>2. Approved the Consolidated Financial Statements for the period ended September 30, 2021</p> <p>3. Approved the subsidiaries to lend capital to the subsidiary, AU Optronics (Kunshan) Co., Ltd.</p> <p>4. Approved to lend capital to the subsidiary, AUO Crystal Corp.</p> <p>5. Approved to lend capital to the subsidiary, AUO Envirotech Inc.</p> <p>6. Approved to lend capital to the subsidiary, Darwin Precisions Corporation</p>	Unanimously approved and for Board's approval	
	5th Term 18th Meeting 2021.11.16	<p>1. Approved the investment in the preferred shares of PlayNitride Inc. by the Company's subsidiaries Konly Venture Corp. and Ronly Venture Corp.</p> <p>2. Approved the capital injection from the Company to the subsidiaries, Konly Venture Corp. and Ronly Venture Corp.</p>	Unanimously approved and for Board's approval	

(III) Composition, duties, and operations of the Company's Remuneration Committee:

I. Information on the members of the Remuneration Committee

December 31, 2021

Condition		Professional qualifications and experience	Independence	Number of other public companies where the member concurrently serves as member in Remuneration Committee
Status	Name			
Independent Director (convener)	Yen-Shiang Shih	<ul style="list-style-type: none"> Meet Article 5(1) of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. <ul style="list-style-type: none"> They all have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. Regarding qualification and experience of independent directors, please refer to II. Documents of directors, presidents, vice presidents, associate vice presidents, and managers of each departments and divisions (I) Director Information Professional qualifications and experience of other members are described below. 	<ul style="list-style-type: none"> Meet Article 6(1) of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. There is no circumstances specified in Article 30 of the Company Act and the government agency, juristic person or authorized representative specified in Article 27 of the Company Act. They don't provide any commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in recent 2 years. The shares and shareholding ratio held by independent directors and their spouse or relative within the second degree of kinship (or in the name of others) refer to II. Information about directors, presidents, vice presidents, associate vice presidents, heads of departments and branches (I) Information about directors. Other members and their spouse or relative within the second degree of kinship (or in the name of others) don't hold the shares of the Company. 	2
Independent Director	Yen-Hsueh Su			2
Others	Ding-Yuan Yang (Note)			0

Note: Mr. Ding-Yuan Yang served as chairman of UNISVR Global Information Technology Corporation and director of AUO from 2010 to 2019. He was appointed as deputy director of Electronic Institute, ITRI, president and vice chairman of Winbond, with professional background in technological sector. Mr. Yang has PhD in electrical engineering from Princeton University, Master in corporate management science from Stanford University and Bachelor degree in electrical engineering from National Taiwan University.

2. Responsibilities of the Remuneration Committee:

Establish a performance-based compensation system for the Company through an independent standpoint, fulfill functional authority given by the Board of Directors, and regularly submit proposals or recommendations on the compensation system to be discussed at Board meetings.

3. Operation of Remuneration Committee:

- (1) The Company has a Remuneration Committee composed of three members.
- (2) Term of service: June 14, 2019 to June 13, 2022.

The Company had convened three Remuneration Committee meetings in 2021 with the following attendance:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Remarks
Convener	Yen-Shiang Shih	3	0	100	-
Member	Yen-Hsueh Su	3	0	100	-
Member	Ding-Yuan Yang	3	0	100	-

Other items that shall be disclosed:

- I. If the Board of Directors chooses not to adopt or revise recommendations proposed by the Remuneration Committee, the date of the Directors' Meeting, session, contents of proposals, results of meeting resolutions, and the Company's disposition of opinions provided by the Remuneration Committee shall be described in detail (also, where the salary and compensation approved by the Directors' Meeting is better than that recommended by the Remuneration Committee, the differences and the reason for the approval shall be described in detail): None.
- II. For the decisions made by the Remuneration Committee, if there are members who hold objection or reservation to a resolution and such objection or reservation is on record or raised through a written statement, the date, session, contents of proposals, all members' opinions, and ways in handling these opinions should be elaborated: None.
- III. Discussion from the Remuneration Committee, resolutions, and ways the Company handled opinions from committee members:

Meeting Date	Resolutions	Resolutions and opinions of all members
2021.02.03	Approved the selection of applicable personnel for the "Measures for the Protection and Conversion of Management Rights" Approved the list of treasury stocks' receiving managers and the amount of distribution (subscription)	Approved as proposed and reported to the Board of Directors for resolution.
2021.03.16	Approved the 2020 compensation to directors and senior managerial officers	
2021.07.28	Approved the distribution of 2020 employees' remuneration for senior managerial officers	

IV. Scope of responsibilities of the Remuneration Committee:

The Remuneration Committee shall exercise the care of a good administrator, faithfully fulfill the following function and power and submit recommendations to the Board of Directors for discussion:

1. Stipulate and regularly review the policies, systems, standards, and structure of performance assessment, salaries, and remunerations of directors and managerial officers.
2. Regularly review and stipulate the salaries and remunerations of directors and managerial officers.

(IV) Operation of Corporate Governance Committee:

1. The qualifications for the appointment to the Corporate Governance Committee Members and their duties.

Qualifications for appointment to the Corporate Governance Committee: The Committee is composed of at least three directors elected by the Board of Directors, among which the majority shall be independent directors.

Scope of duties 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) Provide new directors with appropriate induction instructions, so that new directors understand their responsibilities and are familiar with the company's operation and environment.
 - (5) Establish the Corporate Governance Principles of the Company.
2. The professional qualification and experience of the Corporate Governance Committee Member and their status of implementation:
- (1) The Company has a Corporate Governance Committee composed of six members.

(2) Term of office of the committee members: From Oct. 29, 2019 to Jun. 13, 2022. A total of two meetings (A) of the Corporate Governance Committee were held in the last year. The professional qualification and experience, meeting attendance and discussion items were as follows:

Title	Name	Professional Qualification and Work Experience	Number of actual attendance(B)	Number of proxy attendance	Actual attendance rate (%) (B / A)	Remarks (Note)										
Convener	Shuang-Lang (Paul) Peng	Please refer to II. Information on the directors, president, vice presidents, associate vice presidents, and managers of each department and division, (I) Information on the directors.	2	0	100	-										
Committee Member	Chin-Bing (Philip) Peng		2	0	100	-										
Committee Member	Mei-Yueh Ho		2	0	100	-										
Committee Member	Yen-Shiang Shih		2	0	100	-										
Committee Member	Yen-Hsueh Su		2	0	100	-										
Committee Member	Jang-Lin (John) Chen		2	0	100	-										
<p>Other items that shall be disclosed: Specify the dates of the meeting, session, content of the motion, the content of the suggestions or objections from the Corporate Governance Committee members, resolution by the Corporate Governance Committee and the Company's response to the Corporate Governance Committee's opinion:</p> <table border="1"> <thead> <tr> <th>Dates of the Corporate Governance Committee meetings</th> <th>Resolutions</th> <th>Resolutions and opinions of all members</th> <th>The Company's response to the Corporate Governance Committee's opinions</th> </tr> </thead> <tbody> <tr> <td>2021.02.03</td> <td> Report items <ul style="list-style-type: none"> Report on the performance evaluation of the Board of Directors and functional committees for the year ended December 31, 2020. Report on the independence of the independent directors: Report on the issues of the Chairman working concurrently as the top manager </td> <td rowspan="2">Noted and no other suggestions</td> <td rowspan="2">Not applicable</td> </tr> <tr> <td>2021.03.16</td> <td> Report items <ul style="list-style-type: none"> Corporate Governance Trends and Practices The Corporate Governance Report of the re-investment company Plans for the training courses to the directors in 2021 and 2022 </td> </tr> </tbody> </table>							Dates of the Corporate Governance Committee meetings	Resolutions	Resolutions and opinions of all members	The Company's response to the Corporate Governance Committee's opinions	2021.02.03	Report items <ul style="list-style-type: none"> Report on the performance evaluation of the Board of Directors and functional committees for the year ended December 31, 2020. Report on the independence of the independent directors: Report on the issues of the Chairman working concurrently as the top manager 	Noted and no other suggestions	Not applicable	2021.03.16	Report items <ul style="list-style-type: none"> Corporate Governance Trends and Practices The Corporate Governance Report of the re-investment company Plans for the training courses to the directors in 2021 and 2022
Dates of the Corporate Governance Committee meetings	Resolutions	Resolutions and opinions of all members	The Company's response to the Corporate Governance Committee's opinions													
2021.02.03	Report items <ul style="list-style-type: none"> Report on the performance evaluation of the Board of Directors and functional committees for the year ended December 31, 2020. Report on the independence of the independent directors: Report on the issues of the Chairman working concurrently as the top manager 	Noted and no other suggestions	Not applicable													
2021.03.16	Report items <ul style="list-style-type: none"> Corporate Governance Trends and Practices The Corporate Governance Report of the re-investment company Plans for the training courses to the directors in 2021 and 2022 															

(V) State of corporate governance, gaps with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps

Assessed Items	Implementation Status (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
I. Does the Company establish and disclose the Corporate Governance Best Practice Principles based on "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has established "Corporate Governance Principles" which aims at protecting the shareholders' rights, enhancing the functions of the Board of Directors, ensuring the performance of the Functional Committees of the Board of Directors, respecting stakeholders' rights, and improving information transparency. Please refer to the Company's official website or the Market Observation Post System (MOPS) for the Corporate Governance Principles stipulated by the Company.	No gaps
II. Shareholding structure & shareholders' rights	(I) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigation, and implement based on the procedure?	✓	The Company has established "Procedures to Handle Suggestions, Inquiries, Disputes and Litigation from Shareholders", setting up a spokesperson and acting spokesperson system in order to ensure that information that may affect shareholders' decision making can be timely and reasonably disclosed. Stock Affairs and Investor Relations are the designated departments to handle such tasks, and designated mailbox has been set up to receive suggestions, inquiries and disputes from shareholders. Our Legal Department will appropriately handle any litigation from shareholders in accordance with relevant laws.	No gaps
	(II) Does the Company possess the list of its major shareholders who control the Company substantially as well as the ultimate controller of these major shareholders?	✓	Changes in the shareholdings of the Company's directors, managers and major shareholders holding more than 10% of the Company's shares are reported monthly to the "Market Observation Post System" in accordance with laws and regulations.	No gaps
	(III) Does the Company establish and execute the risk management and firewall system with its affiliates?	✓	The Company has established and implemented firewalls and risk control mechanisms for associates in the Company's internal control system and "Management process for the subsidiary" in accordance with laws and regulations.	No gaps
	(IV) Does the Company establish internal rules against insiders trading securities with undisclosed information?	✓	The Company has established "Management Procedure for Insider Trading Prevention" to prohibit internal personnel from buying or selling securities by using undisclosed information to the public, and as reference for the Company's handling and disclosure of material information, the Company also reviews the Procedures from time to time to comply with present laws and practical management needs. The Company enforces educational promotions pertaining to insider trading preventive management for any new director and/or manager within one month of their appointment. The content of the promotions includes the applicable scope and targets of insider trading prevention, the scope and disclosure methods of the information which has a significant impact on stock prices, penalty provisions and statutory regulations. In 2021, a corporate integrity training course was arranged for the directors and all current and new employees of the Company to provide education and promotion on the prevention of dishonesty. A total of 7 directors and 19,125 employees completed the corporate integrity training course, and 1,987 new recruits signed the declaration of integrity. Before publishing quarterly operating	No gaps

Assessed Items	Implementation Status (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			results, the Company carried out educational promotions on Article 157-1 of Securities and Exchange Act for insiders, the supervisors, and employees with specific positions. The content includes reminder for observing the quiet period, the applicable scope and targets of insider trading prevention, the scope and disclosure methods of the information which has a significant impact on stock prices, penalty provisions and statutory regulations, etc.	
III. Composition and responsibilities of the Board of Directors	(I) Does the Board of Directors formulate and implement diversified policies and specific management objectives?	✓	Regarding the diversity policy of the Board of Directors, please refer to II. Information on the directors, president, vice presidents, associate vice presidents, and managers of each department and division, (I) Information on the directors (Pages 10-14).	No gaps
	(II) In addition to remuneration committee and audit committee established according to law, has the Company voluntarily established other functional committees?	✓	In addition to the Audit Committee and the Remuneration Committee, the Company also established a Corporate Governance Committee in October 2019 to strengthen corporate governance and enhance the effectiveness of the Board. The convener of the Corporate Governance Committee is the chairman of the Company, and its members are all independent directors. Its powers and duties include: establish independent standards required by members of the board of directors, and to seek, review and nominate director candidates with diverse backgrounds such as professional knowledge, technology, experience and gender; construct and develop the organizational structure of the board of directors and committees, to evaluate the performance of the board of directors, committees and directors, and to evaluate the independence of independent directors; develop and regularly review directors' training programs and succession plans; provide new directors with appropriate induction instructions so that new directors understand their responsibilities and are familiar with the company operations and environment; establish the Company's corporate governance principles. The Company has also set up a ESG & Climate Committee. For organization and operations of the ESG & Climate Committee, please see Chapter 7 Review of Financial Conditions, Operating Result, and Risk Management, in which financial performance is reviewed and analyzed and risks stated, and Chapter 8 Corporate Sustainability (Pages 99 and Pages 106) of this Annual Report.	No gaps
	(III) Does the company formulate the performance evaluation methods for the Board of Directors, conduct performance evaluations annually and regularly, and report the results of the performance evaluations to the Board of Directors, and use them as a reference for	✓	The Company's Board of Directors has approved the "Methods to Evaluate Performance of the Board of Directors" on January 25, 2017, which has clearly established that the Board of Directors shall undertake internal performance evaluation at least once each year, and evaluation from external independent entities or external experts and scholars shall be undertaken at least once every three years. I. Internal performance evaluation: The Company has conducted internal performance evaluations on the "Board of Directors", "Individual Director Members", "Audit Committee", "Remuneration Committee" and "Corporate Governance Committee" in 2021, performed by members of the Board of Directors, members of functional committees, and the Board's meeting units. The performance assessment of the Board of Directors and its	No gaps

Assessed Items	Implementation Status (Note 1)		Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	
individual directors' remuneration and nomination and renewal?			<p>individual members includes five major aspects: the degree of participation in the Company's operations, the decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, the selection and appointment of directors and continuous education, and internal control, consisting of a total of 50 evaluation indicators. The performance assessment of the Audit Committee also includes five major aspects: the degree of participation in the Company's operations, the awareness of duties of the Functional Committees, the decision-making quality of the Functional Committees, the composition and election of the Functional Committees, and internal control, consisting of a total of 23 evaluation indicators. The performance assessment of the Remuneration Committee and Corporate Governance Committee includes: the degree of participation in the Company's operations, the awareness of duties of the Functional Committees, the decision-making quality of the Functional Committees, the composition and election of the Functional Committees, consisting of a total of 19 evaluation indicators for the Remuneration Committee and 17 evaluation indicators for the Corporate Governance Committee. The "Board of Directors", "Audit Committee", "Remuneration Committee" and "Corporate Governance Committee" are evaluated on their performance, and the evaluation results are divided into three levels: Exceeding Expectations, Meets Expectations, and Room for Improvement.</p> <p>The self-evaluation results of "Board of Directors", "Audit Committee", "Remuneration Committee" and "Corporate Governance Committee" of the Company in 2021 were all "Exceeding Expectations", without any major improvement items. The evaluation results are expected to be reported to the Board of Directors in the first board meeting in 2022, which will serve as a reference for members of the Board of Directors and functional committees on their performance, remuneration, nomination and renewal.</p> <p>2. External performance evaluation: The Company has commissioned Taiwan Corporate Governance Association (TCGA) to carry out an external assessment of the Board's efficacy, especially with regard to eight aspects of the Board: composition, leadership, authority, supervision, communication, internal control and risk management, self-discipline and supportive systems. The assessment is carried out through an online questionnaire and site visits.</p> <p>The evaluation report on the performing of the Board of Directors issued by the TCGA concluded that five of the Company's nine directors are independent directors, accounting for more than half of the total board of directors, and 2/8 of board of directors is female. All of them are professionals and with rich management experiences. Through the semi-annual strategy meeting, independent directors are invited to discuss the environment and major issues faced by the Company on the Company's "biaxial transformation"</p>

Assessed Items	Implementation Status (Note 1)		Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	
			<p>strategy, and to form a consensus on major development goals and strategies.</p> <p>The company submitted the evaluation results to the board of directors on first meeting in 2022. The board of directors based on the recommendations of the TCGA as a reference for continuing to improve the functions of the board of directors, including amendments to the Whistleblowing policy and channel, showing that the company attaches importance to the effectiveness (including trustworthiness) of the reporting system.</p> <p>3. Pursuant to Article 15 of the Articles of Incorporation, directors' remunerations of the Company shall not exceed 1% of the Company's remaining profit for the year. Remuneration Committee and the Board of Directors will establish compensations for Directors based on the Company's management results and compensation policy to the directors and functional committee members and in reference to the Directors' performance evaluation results. The 2020 internal self-assessment result of the Board of Directors was Exceeding Expectations, and the 2020 remuneration of directors has been fully distributed in 2021 in accordance with the resolutions by the Remuneration Committee and the Board of Directors.</p>
(IV) Does the Company regularly implement assessments on the independence of CPA?	✓		<p>The Company's Audit Committee regularly evaluates the independence of CPAs every year, and submits the evaluation results to the Board of Directors.</p> <p>Below is a summary of the evaluation mechanism:</p> <ol style="list-style-type: none"> 1. CPA of the Company is not a related party with either the Company or its Directors. 2. The Company abides by the Corporate Governance Principles and undertakes rotation of CPA. 3. Prior approval from the Audit Committee is required prior to the appointment of the annual audit service from the firm of CPAs. Non-audit services are reviewed for compliance with independence requirements prior to appointment. The CPAs will report the non-audit services on a quarterly basis in communication with the Audit Committee. 4. The CPA reports to the Audit Committee quarterly for the review/audit results and the compliance of independence. 5. Regularly obtain the Declaration of Independence from CPA. <p>Set forth below is the evaluation result:</p> <ol style="list-style-type: none"> 1. Independence between the CPA and the Company complies with the Certified Public Accountant Act of the Republic of China, Code of Professional Ethics for Certified Public Accountant, and other relevant regulations. 2. The Company has not commissioned the same CPA for five consecutive years.
IV. Has the Company appointed competent and appropriate number of personnel responsible for corporate governance matters, and delegated the company's corporate governance supervisors to be in charge of such matters (including but not limited to providing information for directors and supervisors to perform their	✓		<p>The Board of Directors has appointed Mr. Benjamin Tseng, the vice president, as the head of corporate governance, who is responsible for the supervision and planning of corporate governance. His qualifications meet the requirements set forth in Article 3-1-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The duties of the head of corporate governance include: provide directors and Audit Committee with the information required for the implementation</p>

Assessed Items	Implementation Status (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
functions, assisting directors and supervisors in complying with laws and regulations, handling matters related to Board meetings and shareholders' meetings according to the law, and producing minutes of the Board meetings and shareholders' meetings)?			<p>and the latest regulations pertaining to the Company's operations, assist directors and Audit Committee in complying with laws and regulations, report regularly to the Corporate Governance Committee and the Board of Directors on corporate governance operations, handle affairs relating to the board and shareholder meetings in accordance with the law, produce the minutes of the Board of Directors and shareholders' meetings, assist directors and members of Audit Committee in their appointments and continuing education, etc., all are performed by the Board's secretary unit.</p> <p>Key corporate governance implementations include the following:</p> <ol style="list-style-type: none"> 1. Six Board of Directors meetings, six Audit Committee meetings, and two Corporate Governance Committee meetings were held in 2021. 2. One Annual General Meeting was held in 2021. 3. All members of the Board have completed at least six credits of continuing education. 4. The Company has filed for liability insurance for its Directors and important employees, and reports to the Board of Directors after the insurance has been renewed. 5. The Company has conducted internal performance evaluation on the Board of Directors and the Functional Committees. The evaluation results of the Board of Directors, Audit Committee, Remuneration Committee, and Corporate Governance Committee were all Exceeding Expectations. 6. For details of external performance evaluation on the directors, please refer to Pages 24-25 of the Annual Report. 7. The Company's results in the 7th Corporate Governance Evaluation had ranked among Top 5%. 8. The training hours for the chief of corporate governance totaled 19.5 hours in 2021. See Page 50 of the Annual Report for further information about training courses. 	
V. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section of the company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	✓		The Company has a spokesperson system. At the same time, the Company's website uses a variety of methods and channels to provide the Company's latest information and important results of corporate social responsibility issues, which methods and channels include stakeholder zone on the website, seminars, investor conference call, industry-government-academia consultation meetings, customer satisfaction surveys, mails, and corporate social responsibility reports.	No gaps
VI. Has the Company commissioned a professional stock affair agency to manage shareholders' meetings relevant affairs?	✓		The Company has appointed the Stock-Affairs Agency Department of Taishin International Bank as its agency to carry out tasks relevant to Shareholders' Meetings.	No gaps
VII. Information Disclosure (I) Does the Company establish a website to disclose information on financial operations and corporate governance?	✓		<ol style="list-style-type: none"> 1. Financial information disclosure: The Company's Chinese and English websites have investor zones, which regularly update financial information and investor conference call materials for investors' reference. 2. Disclosure of business information: Product Introduction and Technical R&D sections have been set up on the Company's website, providing product and business information on a timely basis, and the Company also uploads the latest business activities for the public at all times. 3. Disclosure of corporate governance information: 	No gaps

Assessed Items	Implementation Status (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			The Company has a Corporate Governance section, which includes: information about the Board of Directors and functional committees, performance evaluation of the Board of Directors and corporate governance related information; in addition, the Company's policies, regulations, and important documents are placed on the website.	
(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?	✓		<p>1. Appointed designated personnel to collect and disclose Company information: Information collection and disclosure from the Company is done by specific personnel, and the Company also announces the latest and accurate Company information to the public through press release or material information disclosure.</p> <p>2. Implementation of the spokesperson system: The Company has appointed CFO Benjamin Tseng to serve as Spokesperson, and Director from Finance Planning Division, Jack Juang, to serve as Deputy Spokesperson.</p> <p>3. Proceedings from the Investors' Conference call is uploaded to the Company website: The Company's recordings and abstract information from Investors' Conference call are both uploaded to the Investor section of the Company website for all to see. Besides the Investor section, finance, business and operating information from the Investors' Conference call are also posted to the Market Observation Post System (MOPS) pursuant to regulations from the TWSE.</p>	No gaps
(III) Does the company announce and report the annual financial report within two months after the end of the fiscal year, and announce and file the first, second and third quarter financial reports and operating conditions of each month as early as possible before the prescribed deadline?	✓		The Company's 2021 consolidated and parent-company-only financial report was announced and filed on February 25, 2022; the first, second and third quarter of 2021 financial reports and monthly revenue were also announced and filed at the Market Observation Post System before the prescribed period, and were uploaded to the Company's website simultaneously.	No gaps
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance?	(I) Employee Rights	✓	One of the Company's management missions is to respect human nature and to care for its employees. Various benefits programs have been established, and Company employees have also formed a Welfare Committee. As to the employees' rights, please see "Chapter 5 Operational Highlights" of this Annual Report, which provides information on "Labor-Management Relations" (Pages 81-83).	No gaps
	(II) Employee care	✓		No gaps
	(III) Investor Relations	✓	To achieve openness and information transparency, the Company has delegated specific personnel to announce information including finance, business, and changes from internal personnel's shareholding status on the MOPS on a timely basis in compliance with the related regulations.	No gaps
	(IV) Supplier Relationship	✓	The Company has established Supplier Evaluation Procedures for the quality/service level, green products, environmental safety and health risks (ESH), ethical conducts, and social responsibility of	No gaps

Assessed Items	Implementation Status (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			suppliers, which are reviewed by the relevant internal departments. Only those who have passed the evaluation procedures can be the qualified suppliers. In order to enhance smooth communication with suppliers, the Company has set up a system for reporting ethical violations (http://integrity.abl.auo.com) as a communication and complaint channel with the Company, and has also set up several systems to enhance communication efficiency and transparency of information.	
(V) Rights of Stakeholders	✓		The Company has set up different and diversified interaction methods for different stakeholders, and disclosed them in the ESG report every year. At the beginning of each year, the Company reports to the Board of Directors on the communication with various stakeholders so that they can hear the voices of the stakeholders.	No gaps
(VI) Directors' continuing education	✓		1. The Company has undertaken the following training in 2021 pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" from TWSE. 2. The Company's managers may hold concurrent positions as Directors or supervisors of the Company's Subsidiaries. As to continuing education for the managers, please see "Chapter 3 Corporate Governance" of this Annual Report, which provides information on "Other important information that can promote understanding of the company's corporate governance operations"(Pages 41-42).	No gaps
(VII) The implementation of risk management policies and risk evaluation standard	✓		Please see Chapter 7 Review of Financial Conditions, Operating Result, and Risk Management (Pages 99-105).	No gaps
(VIII) The implementation of customer relations policies	✓		The Company normally maintains close contact with its customers, and constantly informs clients of products that satisfy the clients' interest. The Company also ensures that its products can achieve the expected reliability and quality. Moreover, the Company also actively participates in the clients' CSR promotional plans to blend new perspectives and methods into the Company's management system in practice.	No gaps
(IX) Status of purchasing liability insurance for Company Directors	✓		The Company has filed for liability insurance for its Directors and managers. The Company regularly evaluates the insurance limit on an annual basis, and reports the renewal of liability insurance to the Board of Directors.	No gaps
IX. Succession Plan and Operations of Members of the Board of Directors and Key Managerial Officers	✓		The Company has a diversity policy on the composition of members of the Board of Directors. Under the structure of the Board of Directors with more than half of the independent directors, the Company's Corporate Governance Committee formulates independent standards required by members of the board of directors, and to seek, review and nominate director candidates with diverse backgrounds such as professional knowledge, technology, experience and gender. At the same time, the Corporate Governance Committee will also consider the professional knowledge, technology and experience required by the directors of the Company based on the Company's size, business nature, future strategic development and transformation planning to establish directors' training programs, and regularly	No gaps

Assessed Items	Implementation Status (Note 1)			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			<p>review the number of directors and the criteria that should be met, and in reference to the Directors' performance evaluation results, so as to plan for succession of directors.</p> <p>The Company has set up a Talent Development Committee, which regularly meets to discuss and inspect the transitional planning and talent cultivation for important managerial roles within the Company. The committee has also set up an Individual Development Program (IDP) for important managerial roles based on their individual competencies and functional needs. To foster the managerial competency, leadership, and operational skills of important managerial roles, the IDP includes training courses, interdisciplinary learning, job rotation, and a mentorship system based on the needs of the organization and individuals. In particular, the training courses are planned by the Company's training system. In addition to internal training courses, renowned external institutions are also introduced to facilitate the management team in expanding its external perspectives. To foster multi-dimensional strategic views at the management level, the Talent Development Committee will establish management level rotations based on the organization's needs. A mentorship system is also established to facilitate new managers. In addition to organizing and incubating a well-rounded management reserve to assume subsequent leadership through cross-disciplinary methods, the mentorship system also allows managers to learn up close the strategic views required for corporate management.</p> <p>The Company will also arrange important management to serve as members of the Board of Directors of the Company or investment enterprise, familiarize them with the operation of the Board of Directors, and have them participated in the planning of the Company's or investment enterprise's long-term strategic direction and vision.</p>	
<p>X. Please provide information on the status of improvement regarding the results of corporate governance evaluation published by the TWSE Corporate Governance Center in the most recent year. For improvements not yet implemented, state the areas and policies the Company has set as priority for improvement:</p> <p>The Company is named among the top 5% in the 7th Corporate Governance Evaluation from the TWSE in 2020. At the same time, the Company referred to the corporate governance evaluation indicators and took the recommendations of the Board of Directors in their performance evaluation results to set up a Corporate Governance Committee at the end of 2019 in order to establish appropriate and sufficient functional committees and strengthen corporate governance and enhance the effectiveness of the Board of Directors. The Company continuously demonstrates its sustainable strength in all aspects of economy, environment and society, and will continue to uphold the core values of the Company, namely integrity, and undertake the long-term sustainable responsibility for all stakeholders and the society. To realize our mission of "becoming a leading green project enterprise around the world," the Company has invested toward new business areas in solar energy, developed eco-friendly products, and is committed to in-depth environmental issues in the manufacturing industry.</p> <p>Energy management: The Company is the first manufacturing company in the world to introduce the ISO 50001 energy management system. Each year, there are hundreds of energy-saving management improvement programs, with investment of several hundred million NTD. In addition, through the three-year implementation of IPMVP, the company constructed a data management platform for energy consumption in production and operations. No matter by training professionals in energy efficiency management, or by independently developing an IoT radio meter reporting system, the Company's capabilities in intelligent big data management were greatly improved. In addition, the fruitful results and technologies born out of industry-university cooperation in recent years have also been utilized in various plants to maximize the benefits of energy-saving. For example, in 2021, 100 million kWh of electricity was saved.</p> <p>Environmental management:</p> <p>The Company has introduced the ISO 14001 environmental management system for a long time. Through continuous improvement of the recycling mechanism, it ensures the sustainability of the environment and meets the needs of stakeholders. Practices of such includes the implementation of water-saving technologies in the production process, the promotion of sludge reduction projects, the improvement of material recycling, support for the government policies, promotion of the use of recycled water, and cooperation with suppliers to implement the Company's 2025 CSR goal of [sustainable environment, inclusive growth, and flexible innovation]. We also continue to extend our</p>				

Assessed Items	Implementation Status (Note 1)		Explanation	Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No		
environmentally friendly influence to the supply chain to create a sustainable ecosystem together with our supplying partners through promotion, sharing, teaching and leading by actions. Green energy: As of the end of 2021, the Company has indirectly established and implemented a 190 MWp solar power system through its investees such as Star River Energy Corp. and Star Shining Energy Corp.				

Note 1: The operating status column is based on the Company's practices, and either Yes or No will be ticked. Please see the content of the abstract for explanations.

Continuing education of the Company's Directors in 2021:

Title	Name	Date	Organizer	Course Name	Length of the curriculum
Chairman	Shuang-Lang (Paul) Peng	2021.04.27	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
		2021.07.27	Taiwan Corporate Governance Association	Organizational Restructuring of Overseas Holding Companies—Evaluation of Re-registration and the Impact of Global Minimum Tax System on Multinational Enterprises	1.5 hours
		2021.09.01	Financial Supervisory Commission (FSC)	The 13th Taipei Corporate Governance Forum	3 hours
		2021.10.26	Taiwan Corporate Governance Association	Competition for Management Rights and Case Studies	3 hours
Director	Kuen-Yao (K.Y.) Lee	2021.07.27	Taiwan Corporate Governance Association	Organizational Restructuring of Overseas Holding Companies—Evaluation of Re-registration and the Impact of Global Minimum Tax System on Multinational Enterprises	1.5 hours
		2021.08.19	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
		2021.11.18	Digital Governance Association	Corporate Integrity, Governance, and Insider Trading Control	3 hours
Director	AUO Foundation Representative: Frank Ko	2021.04.27	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
		2021.07.27	Taiwan Corporate Governance Association	Organizational Restructuring of Overseas Holding Companies—Evaluation of Re-registration and the Impact of Global Minimum Tax System on Multinational Enterprises	1.5 hours
		2021.10.26		Competition for Management Rights and Case Studies	3 hours
Independent Director	Mei-Yueh Ho	2021.04.15	Taiwan Corporate Governance Association	Development and Defense Strategies of Cyber Threats	3 hours
		2021.04.27	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
		2021.07.27	Taiwan Corporate Governance Association	Organizational Restructuring of Overseas Holding Companies—Evaluation of Re-registration and the Impact of Global Minimum Tax System on Multinational Enterprises	1.5 hours
		2021.10.15		Climate-related Laws and Legal Risk Management in Corporate Governance	3 hours
		2021.11.12	Securities and Futures Institute	Business Risks and Opportunities of Climate Change and Net Zero Policies	3 hours
Independent Director	Chin-Bing (Philip) Peng	2021.04.27	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
		2021.07.27	Taiwan Corporate Governance Association	Organizational Restructuring of Overseas Holding Companies—Evaluation of Re-registration and the Impact of Global Minimum Tax System on Multinational Enterprises	1.5 hours
		2021.09.01	Financial Supervisory Commission (FSC)	The 13th Taipei Corporate Governance Forum	6 hours
		2021.10.26	Taiwan Corporate Governance Association	Competition for Management Rights and Case Studies	3 hours
Independent Director	Yen-Shiang Shih	2021.07.27	Taiwan Corporate Governance Association	Organizational Restructuring of Overseas Holding Companies—Evaluation of Re-registration and the Impact of Global Minimum Tax System on Multinational Enterprises	1.5 hours

Title	Name	Date	Organizer	Course Name	Length of the curriculum
		2021.08.03		Building Enterprise Digital Resilience—Protective Measures Against Ransomware	3 hours
		2021.10.26		Competition for Management Rights and Case Studies	3 hours
		2021.11.22	Securities and Futures Institute	The Value of Information Security in the Post-Epidemic Era and the China-U.S. Trade War	3 hours
		2021.11.22		Global Risks in the Post-Pandemic Era	3 hours
Independent Director	Yen-Hsueh Su	2021.04.13	Securities and Futures Institute	2021 Economic Outlook and Industry Trends	3 hours
		2021.04.27		Employee Compensation Strategies and Tools	3 hours
		2021.07.27	Taiwan Corporate Governance Association	Organizational Restructuring of Overseas Holding Companies—Evaluation of Re-registration and the Impact of Global Minimum Tax System on Multinational Enterprises	1.5 hours
		2021.09.10		2021 ESG/CSR and Sustainable Governance Trends	3 hours
		2021.10.26		Competition for Management Rights and Case Studies	3 hours
Independent Director	Jang-Lin (John) Chen	2021.04.27	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
		2021.07.27	Taiwan Corporate Governance Association	Organizational Restructuring of Overseas Holding Companies—Evaluation of Re-registration and the Impact of Global Minimum Tax System on Multinational Enterprises	1.5 hours
		2021.09.01	Financial Supervisory Commission (FSC)	The 13th Taipei Corporate Governance Forum	3 hours
		2021.10.26	Taiwan Corporate Governance Association	Competition for Management Rights and Case Studies	3 hours

(VI) Fulfillment of Sustainable Development and Its Gaps with the Sustainable Development Best Practice

Principles for TWSE/TPEX Listed Companies:

Assessed Items	Implementation Status (Note 1)		Explanation	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No		
I. Does the Company conduct risk assessment of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 2)	✓		Please see chapter 8 Corporate Sustainability. (Pages 106-123)	No gaps
II. Has the Company established exclusively (or concurrently) dedicated units to implement CSR, and has the board of directors appointed executive-level positions with responsibility for CSR, and to report the status of the handling to the board of directors?	✓		Please see chapter 8 Corporate Sustainability. (Pages 106-123)	No gaps
III. Environmental Issues	(I) Has the Company referred to the nature of its industry to establish a suitable environmental management system (EMS)?	✓	Please see chapter 8 Corporate Sustainability. (Pages 106-123)	No gaps
	(II) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	✓	Please see chapter 8 Corporate Sustainability. (Pages 106-123)	No gaps
	(III) Does the Company assess the potential risks and opportunities brought by climate changes on the Company, both for the time being and for the future, and take measures to respond to climate issues?	✓	Please see chapter 8 Corporate Sustainability. (Pages 106-123)	No gaps
	(IV) Does the Company count the amount of greenhouse gas emissions, water consumption and total weight of waste for the past two years? Are any policies pertaining to energy conservation, carbon reduction, greenhouse gas reduction, reduction of water consumption, or other waste management policies formulated accordingly?	✓	Please see chapter 8 Corporate Sustainability. (Pages 106-123) Each year, the Company discloses its annual achievement regarding greenhouse gas (GHG) emissions due to climate change, water resource management and waste reduction, as well as the implementation status of environmental goals, and related data in its Sustainability Report, of which the Chapter 3 "Environment Sustainability" can be referred to for further information.	No gaps
IV. Society	(I) Has the Company set up management policy and procedures according to related laws and regulations and the International Bill of Human Rights?	✓	Please see chapter 8 Corporate Sustainability. (Pages 106-123)	No gaps
	(II) Does the Company formulate and implement reasonable employee benefits measures (including compensation, days-off, and other benefits, etc.), and appropriately link the operating performance or results to employee compensation?	✓	Please see chapter 5 Operational Highlights and chapter 8 Corporate Sustainability (Page 81 and Pages 106-123)	No gaps

Assessed Items	Implementation Status (Note 1)		Explanation	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No		
(III) Has the Company provided employees with a safe and healthy work environment as well as conducted regular classes on health and safety?	✓		Please see chapter 8 Corporate Sustainability. (Pages 106-123)	No gaps
(IV) Has the Company established effective career and competence development and training plans?	✓		Please see chapter 8 Corporate Sustainability. (Pages 106-123)	No gaps
(V) Has the Company complied with relevant laws and regulations and international standards for its products and services respecting customer health and safety, customer privacy, marketing and labeling, and formulated relevant consumer protection policies and grievance procedures? Please see chapter 8 Corporate Social Responsibility.	✓		Please see chapter 8 Corporate Sustainability. (Pages 106-123)	No gaps
(VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor rights, and how well are those policies implemented?	✓		Please see chapter 8 Corporate Sustainability. (Pages 106-123)	No gaps
V. Does the Company refer to the guidelines for the preparation of internationally accepted reports in preparing its corporate social responsibility reports and other reports that disclose the Company's nonfinancial information? Did the aforesaid report obtain the assurance or accreditation of an impartial third party?	✓		The Company's first Sustainability Report was published in 2006. Since adopting GRI STANDARDS in 2017, the Company has compiled the Sustainability Reports in compliance with the Comprehensive option of the standards to report to interested parties the Company's economic, environmental and social strategies and activities. The reports have been verified by independent third-party institutions. Since 2016, we have also autonomously adopted the accounting system ISAE 3000 for assurance, which not only strengthens the transparency of reports but also enhances the precision of our internal work.	No gaps
VI. If the company has established sustainable development best-practice principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from such principles: The Company has established a set of "Sustainable Development Principles," which includes regulations on environmental protection, community participation, social contribution, community service, social welfare, customer's rights, human rights, safety and health, and these Principles can be downloaded from the Company website: (https://csr.auo.com/en/operating/policy-person). As for the Company's CSR strategies and status of implementation, please see "Chapter 8 Corporate Sustainability" (Pages 106-123) of this Annual Report, and Sustainability Report compiled by the Company.				
VII. Other important information to facilitate a better understanding of the execution of sustainable development initiatives: Please see Chapter 8 Corporate Sustainability (Pages 121-123) or the Company CSR website (https://csr.auo.com/en) for related information.				

Note 1: If "Yes" is checked in the operating status column, please explain the important policies, strategies, measures and implementation situations; if "No" is checked in the operating status column, please explain the reasons, as well as give relevant policies, strategies and measures to counter the situation.

Note 2: The materiality principle refers to those environmental, social and corporate governance issues that have significant influence on the Company's investors and other interested parties.

(VII) Implementation of Ethical Corporate Management and the Gaps With the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Causes Thereof

Assessed Items		Implementation Status (Note 1)		Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps	
		Yes	No		Explanation
I. Formulating policies and plans for ethical corporate management	(I) Does the Company formulate its ethical corporate management policies that have been approved by the Board of Directors? Has the Company declared its ethical corporate management policies and procedures in its guidelines and external documents, and does the Board of Directors and management work proactively to implement their commitment to those management policies?	✓		The "Code of Ethical Management" disclosed on the Company's website is approved by the Board of Directors. In addition, the Company has also formulated a manual regarding ethical corporate management. Moreover, Board members and all employees must sign the "Ethic Declaration." In addition, every year, the effectiveness and outcomes of the Code of Ethical Management are reported regularly to the Board of Directors, and publicly disclosed in the annual report and CSR report.	No gaps
	(II) Does the Company establish an assessment mechanism for unethical risks, according to which it analyzes and assesses operating activities with high potential unethical risks? Does the mechanism include any precautionary measures against all the conducts as stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has developed an assessment mechanism for unethical risks, and set out the following precautionary measures for the following unethical conducts in the corporate ethic manual: <ul style="list-style-type: none"> ● Bribing or receiving bribes, and taking or receiving inappropriate benefits. ● Providing illegal political contributions ● Improper charitable donation or sponsorship ● Unreasonable Presents, Hospitality or Other Improper Benefits ● Violation against Anti-trust Law ● Infringement on Intellectual Property Moreover, preventative measures for infringement on trade secrets have also been proposed in the "Management Principles for Information Security".	No gaps
	(III) Has the Company established policies to prevent unethical conduct, with clear statements regarding relevant procedures, conduct guidelines, punishments for violation, and rules for appeal, and does the Company implement them accordingly, and regularly review and correct such measures?	✓		The Company regularly analyzes and evaluates business activities with a high unethical risk. We also conduct job inventory and arranges mandatory training courses for executives who are defined as having an honest duty, so that they comply with regulations when conducting their businesses. For those who breach the Corporate Ethical Policy, the following punitive actions will be taken based on the severity of the breach, including oral or written reprimands and warning, salary deduction or cancellation of bonuses or even termination of employment. In case of unlawful activity, legal actions will also be taken. In addition to the above-mentioned actions, if the breach of the Corporate Ethical Policy is done to obtain inappropriate benefits for the perpetrator, the benefits obtained shall be returned	No gaps

Assessed Items	Implementation Status (Note 1)			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			to the victim or the Company.	
II. Implementing ethical management	(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	✓	Only after requiring all contracted vendors to sign code of ethical conduct can the Company file the information of any trading counterparty or vendor and transaction be undertaken.	No gaps
	(II) Has the Company established an exclusively (or concurrently) dedicated unit under the Board to implement ethical corporate management, and report to the Board on a regular basis (at least annually) about the ethical corporate management policies, precautionary measures against unethical conducts, as well as the implementation and supervision thereof?	✓	In order to improve ethical corporate management, the Sustainability Development Head Office is responsible for the formulation and supervision of the implementation of the ethical corporate management plan, for reporting the implementation status thereof to the Board of Directors at least once a year, and for conducting inventory of honest job positions in order to provide trainings and declare conflict of interests. At the annual supplier conference, the Company announces commitments to ethical transactions. In addition, to confirm that key suppliers meet the regulations, we have employed the external audit system of the Responsible Business Alliance (RBA). In 2021, we communicated the ethical transaction commitment to suppliers, had 479 suppliers sign the Code of Conduct, and audited the implementation of ethical corporate management of 30 suppliers. The signing rate of new employees for ethics training courses, as well as Declaration of Ethics, is 100%.	No gaps
	(III) Has the Company established policies preventing conflict of interest, provided proper channels of appeal, and enforced these policies and opened channels accordingly?	✓	To implement the regulations on conflict of interest in the Corporate Ethics Handbook and to prevent Company losses from conflict of interest from its employees, "AUO Reporting Procedures for Conflict of Interest" had been established, allowing employees to report through the system. Alternatively, employees in specific roles (that require honesty) are required to file their status on the reporting system on an annual basis. In 2021, new internal supervisors were required to report, and a total of 2,786 people completed reporting.	No gaps
	(IV) Has the Company established effective systems for both accounting and internal control to implement ethical corporate management? Has the internal auditors formulated related plans and checked the compliance of anti-unethical conduct based on the unethical risks assessed? Or	✓	"Internal control system" has been established at AUO, in which internal audit personnel will regularly evaluate risks and propose audit plans and undertake audits accordingly. Special project-based audits will also be undertaken when necessary. Results of such audits are regularly reported to the Audit Committee and the Board of Directors, facilitating the management level to understand the operations of the Company's internal control to achieve	No gaps

Assessed Items		Implementation Status (Note 1)		Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps	
		Yes	No		Explanation
	does the Company commission a CPA for the audit task?			management purposes.	
	(V) Does the Company regularly hold internal and external training related to ethical corporate management?	✓		In accordance with the code of conduct on integrity for TWSE/TPEX Listed Companies, the Company arranges mandatory training courses for directors, all employees, and relevant stakeholders to prevent and correct the seven major dishonest behaviors. In 2021, a total of 19,125 people completed the training (the overall employee completion rate was 96%). New employees must also conduct an integrity training course upon arrival and then sign a declaration of compliance after completing the training. In 2021, the signing rate was 100%.	No gaps
III. Operation of whistle-blowing mechanisms in the Company	(I) Has the Company established concrete whistle-blowing and rewarding systems and accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?	✓		Reporting can be made through any of the following channels when breach of ethical or integral conduct is found during any of the Company's business activities: <ul style="list-style-type: none"> ● Internal: Direct executives, President Mailbox ● External: Reporting System on Breach of Code of Ethical Conduct (http://integrity.abl.auo.com) After an accusation case has been filed, investigation will ensue by the Audit Department or a special committee formed based on the "Management Methods of Material Disciplinary Investigation Committee". A mailbox has also been set up for the Audit Committee to receive internal and external complaints.	No gaps
	(II) Has the Company established standard operating procedures for the reported matters, the measures to be taken after investigation is completed, and the relevant confidential mechanism?	✓		The Company's Procedures for Accounting, Internal Control and Audit Related Grievance and the Grievance Reporting Method have clearly stipulated standard operating procedures, responsible departments for receiving such reports, and procedures to handle these reports. The Company also maintains confidentiality of personal information and strictly prohibits its employees from taking retaliatory actions.	No gaps
	(III) Has the Company adopted protection against inappropriate disciplinary action for the whistle-blower?	✓			No gaps
IV. Enhanced information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?		✓		The Company has clearly stated the content and effectiveness of the Ethical Corporate Management Best Practice Principles in the Company's CSR Report, which can be found on the Company website. The Ethical Corporate Management Best Practice Principles are also disclosed on the Company website, and relevant performance is regularly	No gaps

Assessed Items	Implementation Status (Note 1)			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			disclosed and updated each year.	
<p>V. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles: The Company has established Ethical Management Principles based on Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and there is no material discrepancy between the Company's ethical management and Ethical Management Principles.</p>				
<p>VI. Other important information that facilitates the understanding of the implementation of ethical corporate management (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles):</p> <p>Since the Company has begun advocating for the "Honest AUO" activities in 2012, a series of activities ranging from signing a Declaration of Ethics, online ethics testing, read-aloud of the Corporate Ethics Handbook and anti-trust course, have helped to cultivate a mindset for 'honesty' in each and every one of AUO's employees, forming the most basic corporate culture of AUO.</p> <p>Ethics Promotion is planned regularly, in which employees can become more familiar with the Company's internal ethics culture through broadcast and e-bulletin. In 2021, three Ethics Promotion sessions were conducted, and training courses were also provided to suppliers and contractors. The training was based upon the seven major dishonest behaviors in order to strengthen the concept of integrity and establish integrity with the stakeholders.</p> <p>Moreover, the Corporate Integrity Handbook is announced to be the Code of Conduct for all AUO employees. To ensure that all employees can implement integrity in their work, the Code offers a guide to behavioral conduct, case studies, and examples for the Company's Corporate Integrity Policy, standards on working with business partners, standards on working with government agencies, Intellectual Property rights, conflict of interest, information system security, insider trading, and anti-trust.</p> <p>Concurrently, to abide by the local laws and regulations in which the Company operates in and to undertake business activities with the highest level of moral standards and to help employees gain accurate legal knowledge, AUO requires indirect employees to undertake online legal compliance courses and subjects them to relevant quizzes, as well as signing a declaration for legal compliance after the completion of the course.</p> <p>Furthermore, to facilitate all employees to understand the meaning of the Antitrust Law, besides having established an Antitrust Law section on the internal website, a mobile APP has also been established so that employees can inquire for relevant information on a timely basis.</p> <p>In addition, the Company deems unit managers who handle supplier matters and have close relationships with manufacturers as having an honest job position. Considering that supervisory positions require high ethical standards in conducting business so as to protect the Company and individual employees, we have made the "AUO Declaration of Conflict of Interests", according to which colleagues having an honest job position must make a declaration each year. A total of 2,786 persons declared in 2021, with a completion rate of 100%. A compulsory compliance training course is arranged for the managers holding honest positions, which courses cover practical case sharing and regulations that must be followed when handling relevant business at work.</p> <p>In December 2021, the Hsinchu District Prosecutor's Office filed a lawsuit against a former employee for dishonest behavior during his employment. Please refer to the Company website https://www.auo.com/zh-TW/Governance/index/Event_countermeasures.</p>				

Note 1: The operating status column is based on the Company's practices, and either Yes or No will be ticked. Please see the content of the abstract for explanations.

(VIII) If the Company has stipulated best practices for corporate governance and other relevant bylaws, the means to search for these bylaws shall be disclosed

The Company has established the "Corporate Governance Principles" to provide regulations on protecting shareholders' rights, strengthening the functionalities of the Board of Directors, ensuring the performance of the Functional Committees of the Board of Directors, respecting stakeholders' rights, and enhancing information transparency. Please see either the MOPS or the Company website for the Company's "Corporate Governance Principles".

(IX) Other important information that can promote understanding of the company's corporate governance operations:

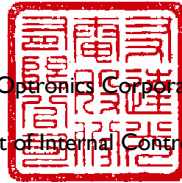
1. In order to strengthen corporate governance and enhance the effectiveness of the Board of Directors, the Board of Directors established a Corporate Governance Committee and formulated the "Organizational Charter for Corporation Governance Committee" in October 2019. For related content, please visit either the MOPS or the Company website.
2. The Board of Directors has appointed Mr. Benjamin Tseng, the vice president, as the head of corporate governance, who is responsible for the supervision and planning of corporate governance. Such an appointment is to protect shareholders' rights and enhance the competence of the Board of Directors. His qualifications meet the requirements set forth in Article 3-1-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The duties of the head of corporate governance include: provide directors and Audit Committee with the information required for the implementation and the latest regulations pertaining to the Company's operations, assist directors and Audit Committee in complying with laws and regulations, report regularly to the Corporate Governance Committee and the Board of Directors on corporate governance operations, handle affairs relating to the board and shareholder meetings in accordance with the law, produce the minutes of the Board of Directors and shareholders' meetings, assist directors and members of Audit Committee in their appointments and continuing education, etc., all are performed by the Board's secretary unit.
3. The Company has established "Management Procedure for Insider Trading Prevention" to serve as a reference for the Company's handling and disclosure of material information, the Company also reviews the Procedures from time to time to comply with present laws and practical management needs. The Procedures are also announced on AUO's internal Document Management System and the Company website for all managers and employees around the world to review. The Company also alerts insider of the Company the material information and notifications as needed.
4. The Company regularly arranges for senior executives to attend corporate governance courses. Please see the following table for corporate governance training undertaken by senior executives in 2021:
- 5.

Title	Name	Date	Organizer	Course Name	Length of the curriculum
CEO	Shuang-Lang (Paul) Peng	2021.04.27	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
		2021.07.27	Taiwan Corporate Governance Association	Organizational Restructuring of Overseas Holding Companies—Evaluation of Re-registration and the Impact of Global Minimum Tax System on Multinational Enterprises	1.5 hours
		2021.09.01	Financial Supervisory Commission (FSC)	The 13th Taipei Corporate Governance Forum	3 hours
		2021.10.26	Taiwan Corporate Governance Association	Competition for Management Rights and Case Studies	3 hours

Title	Name	Date	Organizer	Course Name	Length of the curriculum
President and COO	Frank Ko	2021.04.27	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
		2021.07.27	Taiwan Corporate Governance Association	Organizational Restructuring of Overseas Holding Companies— Evaluation of Re-registration and the Impact of Global Minimum Tax System on Multinational Enterprises	1.5 hours
		2021.10.26		Competition for Management Rights and Case Studies	3 hours
Senior Vice President	Wei-Lung Liao, CS Hsieh, James CP Chen	2021.04.27	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
	Amy Ku	2021.10.26	Taiwan Corporate Governance Association	Competition for Management Rights and Case Studies	3 hours
		2021.04.27	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
Vice President	Hong-lye Hong, TY Lin	2021.04.27	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
	Andy Yang	2021.10.26	Taiwan Corporate Governance Association	Competition for Management Rights and Case Studies	3 hours
		2021.10.26	Taiwan Corporate Governance Association	Competition for Management Rights and Case Studies	3 hours
Financial Manager Accounting Manager Cooperate Governance Manager	Benjamin Tseng	2021.04.16	Accounting Research and Development Foundation	The Development and Internal Control Related to the Latest “Self-driving Financial Statements” Policy	6 hours
		2021.04.27	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
		2021.05.13	Accounting Research and Development Foundation	The Latest “Corporate Governance 3.0 - Sustainable Development Roadmap” Risk Management and Implementation	3 hours
		2021.07.27	Taiwan Corporate Governance Association	Organizational Restructuring of Overseas Holding Companies— Evaluation of Re-registration and the Impact of Global Minimum Tax System on Multinational Enterprises	1.5 hours
		2021.09.24	Accounting Research and Development Foundation	The Role and Operational Practice of “Independent Directors” in Corporate Governance	3 hours
		2021.10.26	Taiwan Corporate Governance Association	Competition for Management Rights and Case Studies	3 hours
Audit Manager	Maggie Chen	2021.04.27	Securities and Futures Institute	Employee Compensation Strategies and Tools	3 hours
		2021.08.23	The Institute of Internal Auditors – Chinese Taiwan	War and Protection of Invisible Assets—Trade Secrets and Non-competes	6 hours
		2021.09.02	Accounting Research and Development Foundation	An Analysis of the Legal Responsibilities of Internal Auditors and the Whistleblower System	6 hours
		2021.10.26	Taiwan Corporate Governance Association	Competition for Management Rights and Case Studies	3 hours

(X) Implementation of Internal Control System

I. Statement of Internal Control System



AU Optronics Corporation

Statement of Internal Control System

Date: February 10, 2022

Based on the findings of a self-assessment, AU Optronics Corporation (hereinafter “the Company”) states the following pertaining to its internal control system during year 2021:

- I. 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.
- II. 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.
- III. 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.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the results of the above mentioned assessment, the Company believes that, as of December 31, 2021, 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.
- VI. This Statement constitutes an integral part of the Annual Report for the year 2020 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.
- VII. This Statement has been approved by the Board of Directors in their meeting held on February 10, 2022, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

AU Optronics 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.

(XI) The Company and its personnel have been punished by law, the Company has undertaken disincentive measures for its personnel for breaching the internal control system, and any material deficiencies and revisions in the most recent year up to the publication date of the Annual Report:

1. As to penalties on environmental pollution, please see "Chapter 5 Operational Highlights" (Pages 80-81) of this Annual Report, which provides information on "Environmental Protection Expenditures".
2. As to penalties on labor conflicts, please see "Chapter 5 Operational Highlights" of this Annual Report, which provides information on "Labor-Management Relation"(Page 84).

(XII) Material resolutions made in the Shareholders' Meeting and the Board of Directors in the most recent year and up to the publication date of this Annual Report

I. Material resolutions from the 2021 Shareholders' Meeting and Implementation Status

- Accepted 2020 Business Report and Financial Statements
Implementation status: Resolution was passed
- Accepted the proposal for the distribution of 2020 earnings
Implementation status: According to the resolution, the ex-dividend record date was July 2, 2021. On July 30, 2021, a cash dividend was paid at the amount of NT\$0.3 per share, that is, NT\$300 in cash per 1,000 shares. The total cash dividend distribution was NT\$2,850,966,845.
- Approved issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in a private placement
Implementation status: Resolution was passed; the Board of Directors is authorized to proceed with funding. However, no actual action toward this means has been taken yet as of the publication date of the Annual Report.
- Approved the amendment to "Handling Procedures for Acquisition or Disposal of Assets" and "Handling Procedures for Providing Endorsements and Guarantees for Third Parties"
Implementation status: According to the resolution, the amendments to the "Handling Procedures for Acquisition or Disposal of Assets" and "Handling Procedures for Providing Endorsements and Guarantees for Third Parties" took effect on August 19, 2021.
- Approved to lift non-competition restrictions on board members
Implementation status: According to the resolution, the non-competition restrictions were lifted for four directors, namely Shuang-Lang (Paul) Peng, Chin-Bing (Philip) Peng, Mei-Yueh Ho, and Yen-Hsueh Su.

2. Material Resolutions from the Board of Directors

9th Term 12th Meeting 2021.02.03	<ul style="list-style-type: none"> ◆ Approved the Internal Control Declaration for 2020 (Note) ◆ Approved the 2020 Parent Company Only and Consolidated Financial Statements (Note) ◆ Approved the increase/decrease in capital expenditure budget ◆ Approved the Company to invest in the common shares of Ennostar Inc. (Note) ◆ Approved the capital injection from the Company to the subsidiaries, Konly Venture Corp. and Ronly Venture Corp. (Note) ◆ Approved the subsidiary, AU Optronics Manufacturing (Shanghai) Corp., to lend capital (Note) ◆ Approved the AU Optronics Corp. to lend capital (Note) ◆ Approved the selection of applicable personnel for the "Measures for the Protection and Conversion of Management Rights" ◆ Approved the list of treasury stocks' receiving managers and the number of distribution (subscription) ◆ Approved the donations (Note) ◆ Approved the addition and renewal of banking facilities
9th Term 13th Meeting 2021.03.16	<ul style="list-style-type: none"> ◆ Approved the 2020 Business Report and the 2021 Business Plan (Note) ◆ Approved the distribution of 2020 earnings (Note) ◆ Approved the distribution of 2020 employees' and directors' remuneration ◆ Approved the issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for

	<p>cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement (Note)</p> <ul style="list-style-type: none"> ◆ Approved the amendment to "Handling Procedures for Acquisition or Disposal of Assets" and "Handling Procedures for Providing Endorsements and Guarantees for Third Parties" (Note) ◆ Approved to authorize Chairman to endorse guarantee (Note) ◆ Approved the date of convening 2021 Annual General Shareholders' Meeting, meeting agenda, and submission period of shareholder proposals and directors ◆ Approved to cancel the issuance of securities in private placement resolved in the 2018 Annual General Shareholders' Meeting ◆ Approved the subsidiary, AUO Crystal Corp., to dispose of its plant in Zhonggang and the ancillary equipment therein (Note) ◆ Approved the budget for capital expenditure ◆ Change of Certified Public Accountant (Note) ◆ Approved the 2021 services and fees of Certified Public Accountant (Note) ◆ Approved the 2020 compensation to directors and senior managerial officers
9th Term 14th Meeting 2021.04.28	<ul style="list-style-type: none"> ◆ Approved the Consolidated Financial Statements for the period ended March 31, 2021 (Note) ◆ Approved the acquisition of an equity held by the other shareholder of AU Optronics (Kunshan) Co., Ltd., and capital injection of AU Optronics (Kunshan) Co., Ltd., (Note) ◆ Approved the cancellation of the purchase of the building by AU Optronics (Kunshan) Co., Ltd. (Note) ◆ Approved the subsidiaries to lend capital to the subsidiary, AU Optronics (Kunshan) Co., Ltd. (Note) ◆ Approved the Company's disposal of property and related ancillary equipment (Note) ◆ Approved to conduct Syndication loan ◆ Approved the addition and renewal of banking facilities ◆ Approved the amendment to "Handling Procedures for Acquisition or Disposal of Assets" and "Handling Procedures for Providing Endorsements and Guarantees for Third Parties" (Note) ◆ Approved the amendment to Chairman's authority to provide endorsement/guarantee amount (Note) ◆ Approved to lift non-competition restrictions on board members ◆ Examined shareholders' proposal for 2021 Annual General Shareholders' Meeting
9th Term 15th Meeting 2021.07.28	<ul style="list-style-type: none"> ◆ Approved the Consolidated Financial Statements for the period ended June 30, 2021 (Note) ◆ Approved the change of the 2021 Annual General Shareholders' Meeting date ◆ Approved the increase in capital expenditure budget ◆ Approved the distribution of accumulated surplus of AU Optronics (Suzhou) Corp., Ltd., AU Optronics (Xiamen) Corp., and AU Optronics (Shanghai) Co., Ltd. (Note) ◆ Approved to cancel the endorsements and guarantees of the subsidiaries (Note) ◆ Approved the capital increase for the subsidiary Da Ping Green Energy Corp. (Note) ◆ Approved the addition and renewal of banking facilities ◆ Approved the distribution of 2020 employees' remuneration for senior managerial officers
9th Term 16th Meeting 2021.10.27	<ul style="list-style-type: none"> ◆ Approved 2022 Annual Audit Plan (Note) ◆ Approved the Consolidated Financial Statements for the period ended September 30, 2021 (Note) ◆ Approved the subsidiaries to lend capital to the subsidiary, AU Optronics (Kunshan) Co., Ltd. (Note) ◆ Approved to lend capital to the subsidiary, AUO Crystal Corp. (Note) ◆ Approved to lend capital to the subsidiary, AUO Envirotech Inc. (Note) ◆ Approved to lend capital to the subsidiary, Darwin Precisions Corporation (Note) ◆ Approved the addition and renewal of banking facilities
9th Term 17th Meeting 2021.11.16	<ul style="list-style-type: none"> ◆ Approved the investment in the preferred shares of PlayNitride Inc. by the Company's subsidiaries Konly Venture Corp. and Ronly Venture Corp. (Note) ◆ Approved the capital injection from the Company to the subsidiaries, Konly Venture Corp. and Ronly Venture Corp. (Note)
9th Term 18th Meeting 2022.02.10	<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 (Note) ◆ Approved the amendments to Internal Control Systems (Note) ◆ Approved the 2021 Financial Statements (Note) ◆ Approved the 2022 services and fees of Certified Public Accountant (Note) ◆ Approved the increase/decrease in capital expenditure budget ◆ Approved to lend capital to the subsidiary, SPACE MONEY INC. (Note) ◆ Approved the subsidiary, AU Optronics Manufacturing (Shanghai) Corp., to lend capital (Note) ◆ Approved the amendments to "Audit Committee Charter", "Remuneration Committee Charter", "Corporate Governance Committee Charter", "Corporate Governance Principles" and "Corporate Social Responsibility

	<p>Principles"</p> <ul style="list-style-type: none"> ◆ Approved the selection of applicable personnel for the "Measures for the Protection and Conversion of Management Rights" ◆ Approved the list of treasury stocks' receiving managers and the number of distribution (subscription) Approved the addition and renewal of banking facilities
9th Term 19th Meeting 2022.03.28	<ul style="list-style-type: none"> ◆ Approved the 2021 Business Report and 2022 Business Plan (Note) ◆ Approved the distribution of 2021 earnings (Note) ◆ 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 plan for authorizing chairman to determine the trading quota of affiliates (Note) ◆ 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 (Note) ◆ Approved the 2021 compensation to directors and senior managerial officers Approved the donations

Note: Matters included in Article 14-5 of the Securities and Exchange Act.

- (XIII) Major contents of any dissenting opinions on record or stated in a written statement made by Directors or supervisors regarding material resolutions passed by the Board of Directors' Meeting in the most recent year up to the publication date of this report: None.
- (XIV) In the most recent year up to the publication date of the Annual Report, a summary of the resignation and dismissal of Chairman, President, Accounting Manager, financial Manager, internal audit manager , Head of Corporate Governance and R&D: None.
- (XV) Certification obtained by the Company and its personnel related to financial information transparency from competent authorities:

December 31, 2021

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
The Fundamentals of Corporate Governance Test held by the Securities and Futures Institute	2	-

V. Information on CPA fees

(I) Information on CPA fees

Unit: NT\$ thousands

Name of the Accounting Firm	Name of CPA	CPA's Audit Period	Audit Fee	Non-accounting fee	Total	Remarks
KPMG Certificated Public Accountants	Chi-Lung Yu Wan-Yuan Yu	2021.1.1~2021.12.31	13,700	6,497	20,197	Note: The service fees included the fees for tax compliance, CSR assurance, Country-by-Country Report (CBCR) filing, and so on.

1. Replacement of accounting firm and the audit fees in the replacing years is less than that in the previous year: Not applicable.
 2. Audit fees were reduced by over 10% compared with the previous year: The audit fees in 2021 decreased by NT\$4,710 thousand, a decrease of 25% compared with 2020, mainly because the tax compliance fee was included in the audit fees in 2020 but was instead classified as non-audit fee in 2021 according to relevant guidelines and standards.
- (II) The audit fees mentioned above are the fees paid to the CPA regarding the services of audit and review on 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	Condition	Party	Consignor
	Engagement terminated automatically	CPA	
	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 Situation 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(Note)	Name	2021		As of February 28, current year	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Chairman and CEO	Shuang-Lang (Paul) Peng	(108)	0	0	0
Director	Kuen-Yao (K.Y.) Lee	0	0	0	0
Corporate Director	AUO Foundation	0	0	0	0
Representative of Corporate Director	Frank Ko	508	0	0	0
President and COO					
Independent Director	Chin-Bing (Philip) Peng	0	0	0	0
Independent Director	Mei-Yueh Ho	0	0	0	0
Independent Director	Yen-Shiang Shih	0	0	0	0
Independent Director	Yen-Hsueh Su	0	0	0	0
Independent Director	Jang-Lin (John) Chen	0	0	0	0
Senior Vice President	Wei-Lung Liao	480	0	0	0
Senior Vice President	Ting-Li Lin	237	0	(25)	0
Senior Vice President	James CP Chen	168	0	0	0
Senior Vice President	CS Hsieh	355	0	0	0
Senior Vice President	Amy Ku	1,038	0	0	0
Vice President	Hong-Jye Hong	166	0	0	0
Vice President	TL Tseng	56	0	0	0
Vice President	TY Lin	305	0	0	0
Vice President	Tina Wu	257	0	0	0
Vice President	Andy Yang	236	0	0	0
Vice President	Benjamin Tseng	30	0	0	0
Senior Associate Vice President	Kun-Yu Lin	136	0	0	0
Senior Associate Vice President	Yu-Chieh Lin	(15)	0	0	0
Senior Associate Vice President	Ivan Wu	293	0	0	0
Senior Associate Vice President	SI Jeong	44	0	0	0
Senior Associate Vice President	CC Hung	56	0	0	0
Associate Vice President	Center Chen	19	0	0	0
Associate Vice President	Debbie Chiu	56	0	0	0
Associate Vice President	TL Chen	187	0	0	0
Associate Vice President	Jerry Liu	125	0	(155)	0
Associate Vice President	Bryan Guo	62	0	0	0

Note: Those who still serve in their respective positions when the Annual Report is published.

(II) Counterparty of equity transfer is a related party: None.

(III) Counterparty of 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	663,599	6.90	-	-	-	-	-	-	
Qisda Corporation Representative: Peter Chen	Information not available								
Trust Holding for Employees for AU Optronics Corp.	469,563	4.88	-	-	-	-	-	-	
Quanta Computer Inc.	443,930	4.61	-	-	-	-	-	-	
Quanta Computer Inc. Representative: Barry Lam	Information not available								
ADR of AU Optronics Corp.	253,089	2.63	-	-	-	-	-	-	
Yuanta Taiwan Dividend Plus ETF	134,387	1.40	-	-	-	-	-	-	
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	100,603	1.05	-	-	-	-	-	-	
New Labor Pension Fund	87,503	0.91	-	-	-	-	-	-	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	76,441	0.79	-	-	-	-	-	-	
GOLDMAN SACHS INTERNATIONAL	74,331	0.77	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd.	60,000	0.62	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd. Representative: Richard M. Tsai	Information not available								

Note: Information recorded on the shareholder roster as of the latest book closure date (July 2, 2021) of the Company.

X. Number of shares held and combined 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	60,195	3.06	395,426	20.10
Ennostar Inc.	26,319	3.84	29,410	4.29	55,728	8.13
Raydium Semiconductor Corporation	-	-	12,321	18.41	12,321	18.41
Daxin Materials Corp.	-	-	25,462	24.79	25,462	24.79
ADLINK Technology Co., Ltd.	42,310	19.45	5,616	2.58	47,926	22.03
Iris Optronics Co., Ltd.	-	-	4,420	22.10	4,420	22.10
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	23.80	8,733	23.80

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 Capital increase by retained earnings	-	Note 13
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 Capital increase by cash to participate in the issuance of overseas depositary receipt	-	Note 17
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 Employee stock options	-	Note 22
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
2007.11	10	9,000,000,000	90,000,000,000	7,817,705,505	78,177,055,050	Corporate bond conversion Employee stock options	-	Note 24
2008.05	10	9,000,000,000	90,000,000,000	7,865,200,583	78,652,005,830	Corporate bond conversion	-	Note 25

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
						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

- 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.

As of March 28, 2022; Unit: Shares

Category	Shares	Authorized capital			Amount of corporate bonds that can be converted
	Shares outstanding (Note)	Unissued shares	Total		
Registered common shares	9,624,245,115	375,754,885	10,000,000,000	725,000,000	

Note: The outstanding shares include 48,421 thousand treasury shares held by the Company.

Shelf registration: Not applicable.

(II) Shareholder structure

Shareholding Record Date: July 2, 2021; Unit: Shares

Shareholder structure	Government institutions	Financial institutions	Other corporations	Individual	Foreign institutions and foreigners	Total
Quantity						
Number of persons	13	141	649	537,317	1,709	539,829
Number of Shares Held	116,060,084	996,535,589	1,406,188,716	4,326,123,172	2,779,337,554	9,624,245,115
Shareholding percentage (%)	1.21	10.35	14.61	44.95	28.88	100.00

(III) Distribution of Equity Ownership

Type: Common Shares

Shareholding Record Date: July 2, 2021; Unit: Shares

Class of Shareholding	Number of shareholders	Number of Shares Held	Shareholding percentage (%)
1 to 999	103,302	20,189,189	0.21
1,000 to 5,000	301,609	686,222,158	7.13
5,001 to 10,000	65,314	524,712,893	5.45
10,001 to 15,000	20,654	263,797,529	2.74
15,001 to 20,000	15,162	284,149,431	2.95
20,001 to 30,000	12,116	312,775,158	3.25
30,001 to 40,000	5,713	205,984,039	2.14
40,001 to 50,000	4,064	190,968,951	1.98
50,001 to 100,000	6,526	478,714,814	4.97
100,001 to 200,000	2,824	402,133,715	4.18
200,001 to 400,000	1,239	351,637,186	3.65
400,001 to 600,000	365	181,623,693	1.89
600,001 to 800,000	193	136,312,088	1.42
800,001 to 1,000,000	120	110,026,272	1.14
1,000,001 to more	628	5,474,997,999	56.89
Total	539,829	9,624,245,115	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: July 2, 2021

Names of major shareholders	Shares	Number of shares held (thousand shares)	Shareholding percentage (%)
Qisda Corporation		663,599	6.90
Trust Holding for Employees of AU Optronics Corp.		469,563	4.88
Quanta Computer Inc.		443,930	4.61
ADR of AU Optronics Corp.		253,089	2.63
Yuanta Taiwan Dividend Plus ETF		134,387	1.40
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS		100,603	1.05
New Labor Pension Fund		87,503	0.91
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		76,441	0.79
GOLDMAN SACHS INTERNATIONAL		74,331	0.77
Fubon Life Insurance Co., Ltd		60,000	0.62

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

Unit: NT\$

Item		Year	As of March 28, 2022	2021	2020
Market Price per Share	Highest		22.95	35.55	16.50
	Lowest		19.6	13.00	6.10
	Average (Note 1)		21.33	20.45	10.19
Net Value per Share	Before distribution	(Note 6)		24.22	18.99
	After distribution		-	23.22 (Note 2)	18.70
Earnings per share (EPS)	Weighted Average of Share Number (thousand shares)		9,559,293	9,522,200	9,499,245
	Earnings per share (EPS)	(Note 6)		6.44	0.36
Dividend per Share	Cash dividend		-	1.00 (Note 2)	0.3
	Stock Dividends	Dividend from retained earnings (Shares)	-	-	-
		Dividend from capital reserve	-	-	-
	Cumulative unpaid dividends		-	-	-
Return on Investment (ROI) Analysis	Price-to-Earning Ratio (Note3)		(Note 6)	3.18	28.31
	Price-Dividend ratio (Note 4)		-	20.45 (Note 2)	33.97
	Cash dividend yield (Note 5)		-	4.89% (Note 2)	2.94%

Note 1: Average market price calculated based on transaction amount and transaction volume.

Note 2: The cash dividend amount for 2021 was approved by the Board of Directors on March 28, 2022.

Note 3: Price/Earnings ratio = Average closing price per share for the year / Earnings per share.

Note 4: Price/Dividend ratio = Average closing price per share for the year / Cash dividend per share.

Note 5: Cash dividend yield = Cash dividend per share / Average closing price per share for the year.

Note 6: As of the publication date of the Annual Report, the data that had been attested or reviewed by CPAs was not available.

(VI) Dividend Policy and Implementation:

1. The dividend policy set forth 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 recover 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 a 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 shall be included in an earnings distribution proposal, and distributed accordingly. If all or part of the dividends and bonuses are distributed by means of issuing new shares, such distribution shall be resolved by the Shareholder's Meeting; if the distribution is made by means of paying cash, such distribution shall be resolved by the Board of Directors, who shall then report to the Shareholder's 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. Dividend payout plans proposed during the most recent shareholders' meeting

The Company distributed cash dividends of NT\$9,575,823,815 (NT\$1 per common share), have been approved by the meeting of the board of directors held on March 28, 2022, which will be reported at the 2022 Annual Shareholders' Meeting

3. Major changes expected in the dividend policy:

The Company has devoted itself to a value transformation strategy these past few years and as a result has achieved market-leading positions by developing advanced display technology and launching high-end products. Various applications in smart fields have been developed as well. The strategy of "Biaxial Transformation" has been gradual but effective. As a result, AUO has confidence that it can reduce the influence of industry cyclicity and generate more stable operating cash flow. Thus, AUO commits to delivering stable and clear 3-year shareholder return to enhance long-term shareholder equity and corporate values.

The Company plans to distribute not less than NT\$55.77 billion as shareholder return from 2022 to 2024. The total amount distributed in 2022 will be NT\$28.82 billion, and the rest of the shareholder return will be allocated in 2023 and 2024. Shareholder return includes dividends, capital reduction and return of capital reserve and may be executed separately or collaboratively via cash distribution. The actual allocation and amount of shareholder return in each year will be subject to approval from the Board of Directors or Shareholders' Meeting in accordance with the applicable laws and company bylaw.

The shareholder return NT\$28.82 billion in 2022 will be distributed via cash dividends and capital reductions. If converted into a per-share basis, it will be NT\$3 per share, including cash dividends of NT\$1 per share and capital reductions of NT\$2 per share. Capital reduction is expected to occur after the dividend distribution. Shareholder return this year is partially distributed via capital reduction to reduce the tax burden for shareholders and adjust the Company's capital structure to correspond with value transformation.

The overall financial structure of the Company is sound, and the three-year shareholder compensation plan will not affect the future investment plans and the funds required for operation

(VII) The impact of stock dividend distribution proposed by this shareholders' meeting on the Company's operating performance and earnings per share: The Company did not disclose the 2022 financial forecast information and thus does not apply.

(VIII) Compensation for employees and Directors

1. The percentage or range of compensations for employees and Directors based on Article 15 and Article 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 accounting procedure used to handle differences between estimated column of employee dividend and forecast basis of director's compensation, basis for calculating shares for the purpose of paying out share dividends and actual payout figure for this period:

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. Compensation based on the resolution of the Board of Directors:

Approved by the Company's Board of Directors on Mar. 28, 2022

(1) The remuneration of employees distributed in cash was NT\$6,339,434,696 and the remuneration of directors was NT\$206,945,638.

(2) Sum of employees' compensation in stock and its proportion of the net income after tax (NIAT) provided in the Individual Financial Statement and the total sum of employees' compensation: Not applicable.

4. Actual distribution of employees and Directors' compensation in the previous year, and the difference, reasons, and processing situation for the employees and Directors' compensation that were recognized:

Unit: NT\$

Item	Amount
Employee cash compensation	253,492,567
Director's compensation	8,275,057

There is no difference between the actual distribution amount and the recognized amount in 2021.

(IX) The situation of the Company's repurchase of its own shares: The Company didn't repurchase its own shares in the most recent year and up to the publication date of this Annual Report.

II. Corporate bond processing (including outstanding and corporate bonds in progress)

- (I) Information regarding Ordinary Corporate Bonds: None.
- (II) Information regarding the Conversion Bonds: None.
- (III) Information regarding the Exchangeable Bonds: None.
- (IV) Information regarding Shelf Registration for Corporate Bonds: None.
- (V) Information regarding Corporate Bonds with Attached Warrant: None.

III. Handling of preferred shares (including preferred shares outstanding and in process)

- (I) Handling of preferred shares: None.
- (II) Information regarding preferred shares with attached warrant: 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 March 15, 2022 (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 March 15, 2022 (unit)	24,732,416		
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\$)	2021	Highest	13.10
		Lowest	4.78
		Average	7.31
	As of March 28, 2022	Highest	8.31
		Lowest	6.93
		Average	7.56

Note 1: Jul. 31, 2003, Jul. 12, 2004, Aug. 26, 2005, Aug. 30, 2006, Sep. 06, 2007, Aug. 22, 2008 and Sep. 9, 2009: The issuance of new shares through capital increase by retained earnings. October 1, 2006: The new issuance resulted from merging with Quanta Display Inc.

Note 2: From October 1, 2019, the Company's ADSs have been delisting from the New York Stock Exchange to the U.S. over-the-counter market for trading.

Note 3: According to Financial Supervisory Commission's directive, with respect to the Company's ADSs, no additional re-issuance after redemption of the Company's ADSs will be permitted beginning from New York time December 3, 2019, and the permitted number of the Company's outstanding ADSs in the U.S. over-the-counter market is capped at the total number of ADSs issued by the Company on New York time December 2, 2019.

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 combined 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 Activities

(I) Business scope:

AU Optronics Corp. ("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 transportation, and smart manufacturing) and solar power, to deliver high-quality products and services in these segments. In 2021, the revenues of display division accounted for about 96.7% of the consolidated revenues.

Concerning the main business scope of the Company's subsidiaries, please refer to the basic information of the affiliated companies in Chapter 9 Special Disclosure of this Annual Report. (Pages 126-129) °

(II) Industry overview

1. Current status and development of the industry:

The mainstream in the current flat display industry is still TFT-LCD. With the technological advantages, wide application range, and economies of scale, TFT-LCD caters to the need of the digital era for comprehensive information products and consumer electronic applications.

Tracing back the history of the TFT-LCD industry development, the business cycle can be summarized along with its capital- and technology-intensive characteristics. At present, the main TFT-LCD manufacturers in the world include Taiwan, South Korea, Japan, and Mainland China. According to the survey report of WitsView, Taiwan and Mainland China were the top two TFT-LCD manufacturers in the world in 2021, and the market share of large-sized (note) panel shipment was approximately 49% and 32%, respectively.

With the popularization of comprehensive digital information-based and consumer electronics-based products, TFT-LCD stands as a crucial component and has taken a strategic position in the flat panel display supply chain. It has led the industry in terms of upstream material components and their corresponding technological advances. Furthermore, it has lent support to the information electronics industry around the world to expand its downstream application market. Since TFT-LCD businesses started mass production in Taiwan, the synergistic effect of the industry has prompted robust development in local industries in related upstream materials and component businesses.

2. Relations among upstream, midstream and downstream industries

Upstream industry	Glass substrates, color filters, polarizers, driver ICs, printed circuit boards, backlight modules, liquid crystals, and so on
Midstream industry	Liquid crystal display panels, liquid crystal display modules, etc.
Downstream industry	LCD TVs, Tablets, Notebooks, Desktop monitors, Mobile phones, Commercial displays, and other electronic products

3. Various trends of products:

TFT-LCD production technology is now widely adopted in a variety of flat panel displays, including LCD TVs, desktop monitors, notebooks, tablets, mobile phones, car displays, displays for industrial and commercial use and other applications. Taking the TV market as an example, as the networking and smart features are gaining popularity, the TV has played a more important role in home entertainment and there is a trend of the ultra-narrow bezel, UHD, and large size. Take the laptop market as an example. The panel technologies and specifications are advancing rapidly, including the higher screen-to-body ratio, high resolution, slim, lightweight, power-saving, touch, and flexible displays. New technology Micro LED features many advantages, such as ultra-high resolution and color saturation, wide viewing, low

Note: According to the definition of the Witsview report, "large size" denotes products such as tablets and notebook screens, desktop displays, LCD TV screens and displays for public use.

power consumption, high brightness, fast response time, super energy-saving, long life, and high efficiency, enabling to support electronic signage, automotive panels and among others. The information can be transmitted without distortion among various devices in a smart streaming environment.

The development of various major applications is as below:

- LCD TVs

After the year 2000, LCD TVs has gradually become the mainstream in TV display technology. Their strengths include thinner bezels and lightweight features, energy-saving, and relative ease in increasing sizes. 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 2021, the average size of LCD TVs worldwide exceeded 47 inches, and the size of mainstream TVs gradually changed from 32 inches to over 50 inches. This trend of increasing TV sizes is expected to continue in the future. Regarding the development of television software, the introduction of smart TV with network features and embedded in value-added services platforms allowed televisions not only to play TV shows but also to offer diverse functions for audio-visual interactive entertainment. Under the canopy of the IoT, smart TV has now become one of the key focuses of a digital home.

Demand for high-definition panels has been driven by the pursuit of a real-scene visual experience and the same or better visual quality on larger TV screens. This, in turn, has further stimulated the development of UHD 4K panel technology (with a resolution 3840x2160) and a TV content ecosystem comprising camera, image compression technology, storage, and transmission technologies. Content providers such as online streaming and satellite TV operators have begun to introduce UHD 4K digital content. Other LCD TV technologies including: increases color saturation, curved designs that enhance an immersive experience, local dimming backlit modules that improve the contrast ratio via local light modulation, HDR (high dynamic range) technology that makes dark details clearer, and bezel-less technology that expands the visual range have been launched. When combined with UHD 4K, these technologies can provide consumers with new experiences and interactions in games, movies, sports, and other software applications, continuously driving LCD TV market growth momentum. The 2021 Tokyo Olympics and 2022 Beijing Winter Olympics broadcast the events by employing 8K (resolution 7680x4320) technology. As such, more 8K products will be launched in 2022, offering the ultimate visual experience for consumers.

Due to the pandemic, people stay at home more, and 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. The bezel-less large screen adds the simplicity and fashion of space and brings new immersive vision to viewers. It is expected to drive a new wave of high-end household market demand.

- Monitor Display

The COVID-19 pandemic has changed global development and people's lifestyle. Despite reopening after the COVID outbreak is controlled, the work and life has been integrated. Enterprises are planning a diversified working environment and actively purchase relevant devices after reopening. High efficiency and specification integration has become a new trend of enterprise procurement. Besides, consumers begin to re-examine the balance between work and life and expect to buy flexible monitor displays with more extra functions, to meet diversified demands, such as entertainment, information and work. The product specifications are developed towards high-resolution, high image quality, high refresh rate, curved design, bezel-less and other high-level products that meet the needs of multiple application scenarios. In addition, the specifications related to healthcare/eye care keep growing with increasing screen time due to remote work/learning.

- Notebooks and Tablets

With an intensive analysis of the notebook computer and tablet industry, it is found that the COVID-19 pandemic has completely changed the use and consumption patterns of enterprises, schools, and even people. More mobile notebooks and tablets have become the first choice, coupled with growing consumer demands for lightweight, standby time, and performance. Brands launched ultra-thin 16:10 notebooks aimed to break from previous designs, with novel features such as fast response time, longer battery life and lightweight. Touch screen notebooks with a stylus or 2-in-1 notebooks

that have the features of a tablet also penetrated the high-end or commercial market with the Windows operating system updated. Also, the professional notebooks with a high-resolution display, large size, and high refresh rate will be the main growth segments of notebook products.

- Car displays and others

In response to global warming, zero carbon emission has become a long-term concerned trend. Based on safety and environmental protection considerations, the world-famous automakers have also announced to be engaged in developing automatic driving and electric vehicles. In the use environment of electric vehicles, the visual presentation of safety sensing, in-car information, entertainment needs and multimedia connection has 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. The vehicle mounted-display panel functions as a platform to showcase the strength of human-computer interaction hardware equipment.

The development of science and technology boosts the quality of life. The health, fitness and fashion represent the life attitudes in the post-pandemic era. Wearable devices enable consumers to grasp comprehensive health and life information anytime, and major brands have also invested in the development of wearable products. AUO's MIP (Memory-in-pixel) technology only consumes one three thousandth of power of traditional products. The visibility in direct sunlight is an important feature for biking and other outdoor sports. In addition, AMOLED features lighter, thinner, energy saving and enlarges the screen size. In addition to continuously deepening its application in wearable applications, AMOLED also extends to high-end in-car knobs to display important messages. Combined with the integration of vehicle body and display device design, AMOLED has also become a highlight in the new generation market.

- Industrial and Commercial displays

Industrial and Commercial displays cover a wide range of areas, including: industrial computer, intelligent medical treatment (professional medical display and x-ray sensor), automatic teller machine, point of sale information system, intelligent transportation, security products (optical fingerprint identifier), man-machine interface display screen, Pachinko entertainment display screen, etc. With the popularization of 5G communication technology and the development of AI technology, the era of the IoT has driven the growth of various intelligent devices. TFT-LCD panels are gradually used to display a large amount of information in retail, medical, transportation, manufacturing and other fields, replacing the monotonous and inconvenient use of lights, negatives, paper, physical entities and so on. More and more applications and devices are connected with each other to share information, which brings the demand for man-machine interface display screen. Displays will be used in more facilities everywhere to enable people to access information or enhance visual entertainment effect anytime in their daily lives.

Driven by the new generation of AIoT and 5G digitization, public display applications such as smart retail, smart entertainment, smart transportation, have become necessary human-computer interface in intelligent life. All kinds of display products have integrated into modern life, such as large-scale electronic signage, interactive electronic whiteboard, outdoor high brightness digital signage, bar display, round display, curved display and touchscreen. Diversified display applications are provided for public space, such as instant public messages, product promotion, promotional advertisements, meal ordering services, riding information, guides, interactive education and entertainment, facilitating information transmission, bringing a diversified and convenient intelligent life and also driving the growth of demands for public displays.

4. Competitive Situations

TFT-LCD is one flat panel technology and is the mainstream technology in the current market. At present, the world's TFT-LCD manufacturers mainly include BOE, TCL CSOT, HKC and Tianma in Mainland China, LGD and SDC in South Korea, AUO, Innolux and Hannstar in Taiwan, and SHARP and JDI in Japan.

The Korean panel manufacturers turned their focus on AMOLED/QDOLED/MicroLED/ panel technology development

and production in recent years, while several old-generation LCD production lines were shut down. Manufacturers in Mainland China continued to set up high-generation TFT-LCD production lines, while they had actively set up AMOLED panel fabs. Meanwhile, given the limited growth of production capacity, Taiwanese manufacturers have continued to launch panels of differentiated size and high-tech products.

With the shutdown of old panel fabs and the tide of transformation, almost all the production lines of SDC and LGD under 5 generations are closed, and the production lines of 8.5 generations will be shut down by the end of 2021. In addition to producing IT and vehicle mounted panels by the production lines under G6, Taiwanese panel fabs also actively transform and develop new technologies, such as AUO Mini LED, screen-off fingerprint sensor, panel-level packaging and printed OLED panels.

As for the small-and-medium-sized product market, seeing that smartphones have evolved toward high screen-to-body ratio, larger size, higher resolution, notch design, lightweight, and low power consumption features, various panel makers have allocated production capacities on low-temperature polycrystalline silicon (LTPS) and AMOLED. While Korean manufacturers have focused on setting up AMOLED production lines, Japanese and Taiwanese manufacturers have increased more production capacity in LTPS. Separately, manufacturers in China have increased capacities for both. Currently, competition in the panel industry has shifted from capacity expansion to new technologies and high value-added products such as 8K resolution, curved desktop displays, or bezel-less TV panels. These production technologies require a longer learning curve but can satisfy the diverse needs of consumers and potentially create higher value.

At present, Taiwanese panel fabs create a differentiation strategy with technical strength and are committed to building high-end technical strength, such as mini LED (AmLED) and Micro LED to deploy their layout in high-value market. Taiwan takes the lead in technology and has a complete LED supply chain. We hope to speed up the introduction of products into the market, continuously reduce costs through R & D capabilities, and enhance market competitiveness.

(III) Technology and R&D Overview

Driven by 5G, AI, IoT, and other new technologies, AUO continuously invests in technological innovation. Through diversified products and solutions, AUO extends its technology to the value chain of smart display application, develops applications in such areas as smart retail, smart health care, smart education, smart transportation, and smart manufacturing, and creates new business opportunities in various areas in a combination of innovative display technology. Important products and technologies in 2021 are listed below:

- 85 inch 4K 240Hz high refresh rate E-sports TV panel

The post-pandemic era boosts the stay-at-home economy. The game entertainment environment has also begun to expand from personal space to the living room, resulting in the demand for large-size TVs that can support the next generation of game consoles. AUO takes the lead in the industry to launch the 85-inch 4K world's highest (note) 240Hz variable refresh rate E-sports TV panel. It adopts the special manufacturing process and material application of panel pixels, and the panel circuit design supports the variable refresh rate VRR (variable refresh rate) technology to create an ultra-high refresh rate, effectively eliminate the image delay and broken and make the animation images clearer and more realistic. New pixel design is introduced into the panel to maintain the aperture ratio and ultra-high penetration rate, improve the brighter color performance, and make the image clearer and natural. The new generation of HDR ultra-high dynamic range technology and ultra wide color gamut can reach the DCI P3 96% colorspace coverage, showing the ultimate real and delicate colors and diversified light and shadow levels. Along with AUO's leading anti-reflective technology, the glare interference could be effectively reduced through special surface structure design, to completely present the visual effect and ultra-high image contrast of the game and creating a new immersive experience.

- Development of a full range of Micro LED advanced panel technology

Micro LED features high brightness, high contrast, wide color gamut, fast response speed and high reliability. With the continuous improvement of large-scale transfer process technology, combined with the self-luminous active matrix

Note: The market data collected by AUO as of Dec. 31, 2021.

low temperature polycrystalline silicon (LTPS) backplane process and driving circuit design for many years, AUO leads the industry to develop a series of different applications of micro LED displays. In terms of Micro LED in automotive applications, AUO debuts a 12.1" (169 PPI) Micro LED display, which could be used for vehicle instrument panel or central console display. It adopts color conversion technology and features high weather resistance and stability. In addition, AUO releases the world's first and largest monolithic flexible Micro LED Display (note), a 9.4-inch flexible Micro LED display with 228PPI. Possessing the highest resolution in the same class, this display is presented as an S-shaped CID by assembling two panels with different inward and outward curvature, providing tailored solutions for automotive manufacturers to develop various automotive dashboard designs. Regarding the application of Micro LED on wearable applications, AUO partners with PlayNitride to demonstrate the 1.39-inch full circle micro LED display for the first time. Its 338PPI pixel density, ultra-wide viewing angle and high brightness features are able to display crystal-clear information both indoor and outdoor. In addition, AUO develops micro LED display with global consumer electronics giants. A proprietary active matrix is applied, along with LTPS process glass substrate technology and tri-color LED light source at micro level, together realize vivid colors with precise brightness ultra-fine image quality. The modular design goes beyond the existing TV frame and can be assembled to fit the installation space to create a unique micro LED display that subverts the imagination of top-class home audio visual experiences.

- A full lineup of Mini LED backlit panel products

AUO takes a lead to invest Mini LED backlit technology research and development and assists clients to achieve SoP (Start of Production). Powered by exclusive Adaptive Control Technology, the 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 to introduce this advanced model. In advanced e-sports displays, AUO presents a 32-inch gaming monitor panel and 17.3-inch gaming notebook panel, both equipped with mini LED backlighting and UHD 4K high resolution. Besides the AHVA (advanced hyper-viewing angle) feature, AUO has employed mini LED dimming technology to achieve a mega dynamic contrast ratio. The displays meet the highest (note) VESA DisplayHDR 1400 and 1000 performance levels respectively, perfectly capturing both bright and dark image details to provide gamers with most lifelike and immersive gaming experience possible. Meanwhile, AUO's 25-inch FHD 360Hz AHVA gaming display boasts the industry-leading 360Hz refresh rate (note), reducing the response time to mere 1 ms, delivering motion images without blurs to offer extremely fast-paced and smooth gaming experience.

- A line-up A.R.T. eye care displays

The remote working and new normal in the post-pandemic era force consumers to spend more time using electronic products. From the perspective of users, AUO launches the industry-leading A.R.T. (advanced reflectionless technology), which features non-reflective surface, anti-glare and anti-reflection to create reading quality and exquisite image quality superior to paper. A 27-inch QHD 300Hz gaming display integrates A.R.T. and AUO proprietary dual drive design to effectively reduce distractions resulting from the reflection or glare of ambient light. For workers highly stressing image details, like content creator or picture/text editor, AUO incorporates A.R.T. and LTPS processing technology with high conductivity to release the world's first 32-inch 8K4K professional editing monitor panel. The 8K resolution can display ultra-high resolution, which is no inferior to printing paper with high precision. Along with low reflection technology, such product could eliminate the distractions resulting from the reflection of ambient light, enabling users to view all sophisticated details when drawing, editing the video or viewing photos. To meet the special requirements in medical field, AUO debuts the world's first (note) 21.3-inch A.R.T. medical panel. The monitor screens adopt the A.R.T. Glass technology makes cleaning easier and prevents the screen surface from being scratched. Allowing medical personnel to make more precise diagnosis when interpreting the image results of radiology and modality without being affected by ambient light while eliminating dangers to eyesight reading for a long time.

Note: The market data collected by AUO as of Dec. 31, 2021.

- AUO's digital cockpit solutions to redefine smart vehicle user interface

With the growing penetration of electric vehicles, the elimination of combustion engine gives way to cockpit space, which accelerates the development of smart cockpit. AUO introduces cutting-edge display technologies into various automotive display devices to realize a totally digitalized smart cockpit application. At 2021 Touch Taiwan, AUO showcases the ultra-large curved cockpit display featuring special-shaped cutting and integration with on-board devices including console and dashboard, by applying high resolution, high contrast, wide viewing angle and multi-panel lamination technology. With the combination of AUO proprietary AHVA (advanced hyper-viewing angle) technology, the 10.25-inch head-up display can project high-brightness LED on the windshield glass to maintain a saturated and precise image quality with high contrast even in the changing outdoor environment and help the driver focus on the road to ensure safety. Moreover, AUO smart dashboard system for motorbike is equipped with AUO automotive panels and builds the key communication interface connecting human, vehicle and AloV cloud platform, as the core of realizing Smart Connected Motorcycle.

AUO partners with Sintrones, a leading in-vehicle computing manufacturer, to provide AloV solutions to commercial vehicles networking from cloud-end to ground, software to hardware, from AI to vertical application. Of them, AUO's fleet and vehicle condition management system and driving monitoring system help transportation service managers get the full picture in real time so as to meet the fleet management requirements and provide completed smart transportation solutions.

- Tailored super-large LED display

In addition, AUO is also working with the group and ecosystem partners to promote large-scale indoor and outdoor spaces, integrating modules and systems, and covering installation and after-sales service, using small-pitch LED display screens to create a complete solution for super large splicing walls for various retail, exhibition, entertainment and other public areas. AUO debuts its super-large L-shaped 270-inch LED splicing screen at Touch Taiwan 2021 with a pixel pitch as small as P1.25, going beyond the mainstream spec of P2. The LED wall is capable of showing immersive visual impact and realistic 3D effect. AUO also showcases the 288-inch display which is assembled to build a curved simulated scenario for racing, complementing by the 6-axis dynamic driver's seat developed by BROGENT, the leader of simulation technology, to create a more immersive experience for the racing driver. In addition, Space4M, a subsidiary of AUO that specializes in smart entertainment integration solutions, has used over 2,200 LED panels to build a mixed reality smart studio for Shih Hsin University. This ring-shaped LED Virtual Studio (LVS) is the largest of its kind in Taiwan, with a width of 15 meters, a height of 6 meters and a 270-degree panoramic screen, occupying an area of around 470 square meters. Featuring high color coverage and ultra-high refresh rate, this product makes the picture colorful and vivid, with stable fineness and acutance; Coupled with the characteristics of infinite size and seamless splicing, it creates stunning visual experience and 3D realistic effect. Unlike green-screen studios, Space4M uses hardware-software integration to combine fine LED display technology with real-time image tracking technology provided by Hollywood-based teams, thus enabling collaboration among all systems concerned, driving development of a brand-new film-making process, to render a WYSIWYG effect. As the first university introducing smart studio, Shih Hsin University will bring Taiwanese talents into international stage through this cooperation between industry and universities.

- Development of multi-application sensors

As a leader of TFT-LED manufacturer, in addition to specialized display products, AUO develops a variety of light sensing applications based on its TFT array technology, including ultra-thin LTPS TFT optical fingerprint sensor module integrated under OLED panel, with a sensing area of up to 2.9-inch, in support of multi-finger authentication and improving the security of biometric recognition. In the meantime, AUO develops a TFT optical fingerprint sensor with the world's highest pixel (note) density up to 1000PPI, which can not only clearly recognize the fingerprints of delicate newborn baby fingers, but also detect the heartbeat through the slightest gray scale change of fingertip pulse to achieve a more accurate identity authentication and significantly improved security and anti-counterfeiting level.

Note: The market data collected by AUO as of Dec. 31, 2021.

Strengthening its strategy of medical applications, AUO incorporates the TFT manufacturing advantages to the investment of X-ray sensor. AUO develops the flexible X-ray sensor featuring lightweight and unbreakable properties, which can substantially enhance product durability and is perfect for portable X-ray applications used for CT scan. In response to the demands of dynamic and 3D imaging including blood and oral applications, AUO releases a 6x6-inch X-ray display achieved by LTPS TFT process to deliver a higher refresh rate and low image noise and provide a low-dose X-ray solution when it is necessary to take multiple dynamic images.

- Sustainable circulation/environmental green products

AUO has received the first UL 3600 circularity certification in the display panel industry. AUO partners with Acer to introduce the first sustainability-focused notebook -- Aspire Vero. With the worldwide first UL 3600 circularity certified panel, AUO extends material usage to include PCR (Post-Consumer Recycled Plastic), recycled glass substrate and recycled steel material for the panel's back bezel. This endeavor reinvigorates the reclaimed materials with versatile material applications and transforms into differentiated brand value, providing eco-minded consumers more options.

Solar power technology R&D

AUO is committed to providing solar module products of high-efficiency, high-quality, and high-reliability and differentiation, as well as total energy management solutions for solar power stations. In 2021, we have continued to enhance the power of solar silicon modules. We have also enhanced smart solar power plant monitoring and maintenance information systems, as well as energy management solutions in combination of energy harvesting and energy storage to realize the Company's commitment to green energy through differentiated product design and comprehensive value-added services.

- High-performance solar module technology

AUO takes a lead in SoP of M4-plus cell multi-busbar and half-cut 360w module products, featuring reduced impact of micro cracks on power generation, effectively reduced the hot-spot temperature of the module and improving the power generation when the module is shaded by fallen leaves or other shading. In addition, AUO further introduces gallium-doped, M6-plus cell, to improve the light-induced attenuation effect and enhance the module power, enable the half-cut monocrystalline silicon module with a maximum power output of 380 watts. Along with bifacial module technology, AUO responds to different reflection rates of different installation methods and ground materials. The back has an additional power generation gain of about 3% ~ 15%.

- Building-integrated photovoltaics (BIPV) for energy harvesting

AUO develops monocrystalline colored PV module, in combination of building aesthetic design, applied nano-coating technology to the special design, preserving the balance between the vibrantly colored exterior and power performance so as to achieve the major benefits of energy, carbon reduction, heat insulation and aesthetics. This product wins 2022 Taiwan Excellence awards.

- Energy harvesting and storage integration and energy management system

AUO provides all-round solutions for photoelectric system and energy storage system. Through advanced energy management integration technology and artificial intelligence data management, the system can efficiently dispatch the harvesting, storage and load of energy, so as to realize efficient and stable energy management system solutions. With the optimal energy system planning and design, and the integration of real-time power dispatching and power grid communication, AUO provides comprehensive energy management solutions at the power generation end, power grid end and user end.

AUO's consolidated R&D expenditures in 2021 came to NT\$13.1 billion. As of the end of February 2022, consolidated R&D expenditures were NT\$2.1 billion. As always, AUO continues to invest in advanced technologies and use new technology and new application to improve our existing production capacity, in order to strengthen AUO's competitiveness in markets for new and high-end applications. As of the end of 2021, AUO has filed for applications of 28,700 patents and has cumulatively obtained 21,700 patents worldwide. In terms of R&D patents, 97% of our patents are invention patents. The Intellectual Property Bureau of the Ministry of Economic Affairs announced the ranking of patent

applications and certification in 2021. Among the application of all three kinds of patents, namely invention patents, utility model patents, and design patents, the Company ranked second in patent certification and in patent applications among domestic corporates. AUO's great efforts in proprietary technology and strategic deployment in patents have once again solidified our leadership position in flat panel displays.

In 2022, the Company is expected to invest about NT\$11.6 billion in R&D expenditure, which will be subject to the global market situation and the actual operation of the Company. AUO's major future R&D projects are summarized as below:

Project Title	Descriptions	Current status	Expected mass production time (Note)	Success factors
Futuristic Innovation Display Technology - Micro LED Project	Micro LED backplane technology and LED mass transfer technology	Under development	2022	1. AUO independently develops new product architectures and new manufacturing process technologies and works with key material suppliers to develop key materials, to build the technological barriers. 2. AUO completes technical planning and patent certification to achieve technological and product differentiation.
Mini LED Backlight Project (AmLED)	High dynamic contrast ratio, high brightness, k-zone, energy saving technology	Under development	2022	
LED display technology project	Low reflection, high contrast technology, curved screen, virtual studio application, educational application	Under development	2022	
Advanced TV display project	Image refresh rate, low delay and low residual image; 144Hz 8K	Under development	2022	
Eye protection display technology project	ART standard anti-glare technology, TV, medical and professional display application	Under development	2022	
Sensor project	Plastic substrate thin x-ray sensor, ultrasonic sensor technology, pulse detector, under screen fingerprint sensing technology (FoD)	Under development	2022	
Smart medical / retail / mobile / education and entertainment / manufacturing field application	Field application, hardware and software integration, AMR(Autonomous Mobile Robot) , etc.	Under development	2022	
Integrated photoelectric board building materials	Develop prefabricated integrated photoelectric board building materials achieve one-time construction of roof and photoelectric system.	Under development	2022	1. Quality control for the assembly, delivery and installation of prefabricated integrated photoelectric board. 2. Structural waterproofing of photoelectric board and engineering integration of photoelectric system.
Green power system integration technology	Develop the integrated power supply system of solar energy and energy storage to realize the stable green power.	Under development	2022	Integrated control technology and experience of solar energy and energy storage system, with real-time power dispatching ability.

Note: It refers to the expected mass production time. The actual production time is subject to the needs of the market and of customers.

(IV) Short/long-term business development plans

As a leading TFT-LCD manufacturer in Taiwan, AUO is dedicated to applications such as LCD TVs, desktop monitors, notebooks, tablets, mobile phones, commercial displays, and other small-and-medium-sized displays.

AUO's short-term business development plan is to increase high-quality production capacity with appropriate investment in capacity increase, including 6th generation LTPS plant in Kunshan, Mainland China, which is expected to expand its production capacity to 47,000 substrates in 2025. The 8.5 generation plant in Houli, Taichung also plans to increase to 120,000 substrates in 2023, so as to further improve its profits through the expansion of high-level high-quality production capacity. 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 long-term business development plans 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 67-69).

II. Markets and Overview of Production and Sales

(I) Market analysis

1. Regions of major sales:

The clients of AUO comprise global IT, consumer electronics, and industrial electronics manufacturers, among which are internationally renowned 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 competition in the TFT-LCD panel industry has become from the scale to value, AUO has specialized in launching high value-added products. According to the Witsview survey, the top five global TFT-LCD large-sized panel shipment in 2021 are BOE, Innolux, LGD, AU Optronics and TCL CSOT, accounting for approximately 33%, 17%, 13%, 12%, and 7% of the global market shares. The panel display industry has turned from scale competition to value competition, and AUO has been deeply engaged in high-value-added products. According to the Witsview survey, a market research agency, the top three manufacturers of notebook computer panels in the world in 2021 were BOC(29.3%), AUO (21.3%) and Innolux (20.6%); in terms of large-size 8K panel shipments, the top two manufacturers were TCL CSOT, and Innolux; in terms of desktop display panel shipments, the top four manufacturers were BOC(31%), LGD (22%), AUO (17%) and Innolux (12%). According to the data provided by the market research company, OMDIA, AUO shipped the most number of automotive displays (18%) in 2021, followed by LGD (16%) and BOE (15%).

3. Future market supply/demand and growth

According to the data from WitsView, a survey agency, the overall panel shipment demand of the display industry grew by 5% in 2021, and it is estimated that the panel shipment demand will grow by about 6% in 2022, mainly due to the rising the demand of stay-at-home economy due to the pandemic and the increasing average size of application panels. The TFT-LCD industry performance is closely tied to the end market of electronic products such as TVs, desktop monitors, notebooks and tablets, mobile phones and commercial displays, and so on.

With increasing the stay-at-home economy, the length of time at home, the demands for work at home, online education and home entertainment due to the pandemic drove the shipments of TVs in 2020, which exceeds the expectation. About 245 million of units were sold. As more people have been vaccinated, the pandemic is slowing down, and more countries lift their ban, the sales of TVs in 2021 returned to 210 million of units. However, consumers are willing to buy larger TVs with higher solution. This can be seen from the fact that the sales of 65" or larger TVs accounted for more than 30% during the Black Friday week in the U.S. and for more than 40% during the Double 11 in Mainland China.

Previously, the PC market was mature and the replacement cycle was prolonged. However, the demand is stimulated by the pandemic. In terms of desktop displays, the total number of desktop displays was about 158 million units in 2021 with a growth rate of 7%. It is estimated that the demand will keep stable in 2022, and the proportion of large-sized desktop displays will increase steadily. For notebooks, the total shipment volume in 2021 was 247 million units and is expected to be 243 million units in 2022, thanks to the replacement of machines due to operating system upgrades. The demand, especially among high-end notebooks, with ultra-light, of ultra-low power functions, is major driving force in the market. In addition, 2-in-1 products that function both as tablets and notebooks are increasingly popular in the market. As for mobile phones, smartphones will see a significant increase in 5G implementation. Customers prefer products with larger sizes, higher resolution, and higher screen-to-body ratio. The total shipment in 2021 was approximately 1.31 billion units and is expected to return to slightly positive growth in 2022.

From the perspective of the panel supply side, according to data from Witsview, a market survey agency, display high generation lines were continuing to be launched in these two years, resulting in that the annual growth rate of the TFT-LCD industry's production capacity area is still greater than the annual growth rate of product demand area. Despite the panel manufacturers increasing capacity of the high generation line, some generation lines were reorganized. In addition, various applications are developing toward higher-value products, including higher resolution, lighter weight design, on-cell panels, and software/hardware integration systems. Looking at the future panel industry, the success in industrial competition no longer depends on expanding production capacity but requires a breakthrough in combining technology and the ability to integrate product values.

4. Positive/negative factors of competitive niches and long-term development, and the countermeasures thereof

1) Competitive niches

- **Technology and product strength:** In the face of the increasing complexity of industry competition, AUO will continue to focus on product quality upgrades and new product development, such as on-cell touch panels, high-resolution panels, curved displays, and commercial displays. 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 production capacity:** AUO is above the other competitors in terms of cutting-edge technologies. It has complete generation lines at its back, and is capable of reconfiguring them to a maximal advantage in response to all kinds of 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.
- **Full customer strategy:** AUO is a professional panel manufacturer specializing in panel R&D and production. Having no brands of its own, it strategically avoids direct competition with its customers. Furthermore, 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 5G, AI, and other futuristic technologies, AUO expects to transform the accumulation of many years in various aspects into a powerful driving force to seize the opportunities of industrial transformation and business partners from the smart segment and works with the partners in the ecosystem to find the best solution and open up a new blue ocean of industry in the vast and unknown smart segment.
- 2) Favorable factors of development prospects:
- High-resolution ecosystem: Consumers are requesting better viewing quality, an immersive experience, and product design for large-sized display products. As the 4K ecosystem around the world is increasingly mature and in line with the development of 8K, AUO has launched various 4K/8K TV products with ultra-high resolution, curved design, wide color gamut, high dynamic range, and bezel-less features, providing a visual experience of virtually being inside the screen and offering perfectly delicate images for consumers. This is helping AUO maintain our leading position in the high-end product market. Demand for products such as desktop displays, notebook computers, and industrial as well as commercial displays is also emerging.
 - High-growth market: Some TFT-LCD related products still promise a high growth rate, such as commercial displays, public information displays, and wearable devices. Small-volume but diverse demands as well as high entry barriers characterize commercial displays. AUO has been cultivating the commercial market for a long time, as we clearly understand that customers value reliability and long-term supply capability. This was the reason why AUO has been the first in a number of non-consumer electronic fields, such as industrial computers, automated teller machines, point-of-sale information systems, and arcade games. On the other hand, AUO has enjoyed a leading market share in the steadily growing automotive market in recent years. In the meantime, we have also aggressively expanded into the market of high-end, high-entry-barrier automotive panel products. AUO's advanced integrated automotive touch panels combining full lamination have successfully broken into the supply chain of major car manufacturers in Japan, Europe, the United States, South Korea, and China.
 - Business opportunities of IoT: With the implementation of 5G, combines 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.

- Consumers' 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. The Hybrid Mode has been normalized in the post-epidemic era worldwide. The demand from a stay-at-home economy, such as working from home, distance learning, and online entertainment, still provides steady momentum for the IT product market. In addition, the panel technology continues to improve, which brings about the improvement of product functions such as high resolution and high image quality. With the product price becoming increasingly affordable, there is an opportunity to stimulate the replacement in the market. The Hybrid Mode continues to drive enterprises to change machines in 2022. The panel fabs have increased the IT panel shipment plan one after another to reduce the output of TV panels. It is estimated that the shipment volume of notebook and TV panels will reach 290 million units, with an annual growth of 3%, and the shipment of desktop display panels will reach 180 million units, with an annual growth of 3%. AUO will continue its product portfolio and expand market applications to reduce the impact of fluctuations in consumption intention.

(II) Important applications and production processes of the major products.

I. Important applications

TFT-LCD products are digital display devices used to transmit information. Their application is broad and includes commercial and industrial information displays, telecommunication-related products, and consumer electronic displays. With the 3C market integration driven by the digital age, current major products of TFT-LCD applications include LCD TVs, desktop LCD monitors, tablets, notebooks, mobile phones, car displays, and wearable devices. In general industrial and commercial areas, TFT-LCD related products include automatic teller machines, vending machines, public information displays, transportation information signage, and other touch screen products..

2. Production process

TFT-LCD production process consists of three phases:

- (1) Front-end array or TFT process: It is like the semiconductor process. The difference is that film transistors are mounted on glasses, instead of silicon wafers.
- (2) Middle-end cell or LCD process: The space between the two substrates is filled with liquid crystal.
- (3) Back-end module assembly or LCM Process: This process consists of assembling the post-cell-process glass with a variety of components such as backlights, circuits, and frames.

(III) Supply of primary raw materials

Due to the complex production process of TFT-LCD, it requires a lot of different materials and components, including glass substrate, driving IC, polarizer, backlight module, liquid crystal, printed circuit board, color filter and soft board, etc. AUO has strengthened its supplier management capability for a long time, kept a good cooperative relationship with domestic and foreign material manufacturers, and maintained more than two manufacturers in the procurement of key materials and components, so as to maintain procurement flexibility and mitigate the risk of excessive concentration of 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	2021				2020			
	Customer	Amount	Ratio to annual net revenue (%)	Relationship with AUO	Customer	Amount	Ratio to annual net revenue (%)	Relationship with AUO
1	Samsung	386	10.4	-	Samsung	332	12.3	-
2	Others	3,321	89.6	-	Others	2,378	87.7	-
	Net revenue	3,707	100.0		Net revenue	2,710	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 2020 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	2021			2020		
	Production capacity (Note)	Production Quantity	Production value	Production capacity (Note)	Production Quantity	Production value
TFT-LCD	12,903	264,859	2,758	12,848	238,635	2,156
Others	-	-	75	-	-	63
Total	12,903	264,859	2,833	12,848	238,635	2,219

Note: Calculated by Glass substrate (mother glass).

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

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

Year Main products	2021				2020			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
TFT-LCD	77,007	1,105	151,915	2,278	78,740	811	158,944	1,671
Others	-	119	-	205	-	85	-	143
Total	77,007	1,224	151,915	2,483	78,740	896	158,944	1,814

III. Employee Information

Year		As of February 28, 2022	2021	2020
Total number of employees (persons)	Production	27,068	28,996	32,481
	Technical	8,131	8,096	8,197
	Sales and marketing	979	969	1,179
	Management and administrative	3,106	3,063	3,341
	Total	39,284	41,124	45,198
Average age (years)		35.2	34.3	33.3
Average duration of service (years)		7.9	6.9	6.9
Educational distribution ratio (%)	Director of Philosophy	0.5	0.4	0.4
	Master's Degree	16.0	15.0	13.5
	Bachelor's Degree	38.5	37.5	36.3
	Senior High School	37.9	39.7	40.2
	senior high school or below	7.1	7.3	9.6

IV. Environmental Protection Expenditures

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, 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 due to environmental pollution:

Company Name	Incident	Amount of indemnity (NT\$ thousands)	Countermeasures and improvements
AUO Envirotech Inc.	<ol style="list-style-type: none"> Disposition date: August 16, 2021 Disposition reference number: TWCCREO3rd No. 1100005023 Violated clauses: Article 23(2) of the Law on Air Pollution Prevention and Control and Article 7, 8,9 and 10 of Regulations for Construction Project Air Pollution Control Facilities Contents of violated clauses: Upon the investigation of the Environmental Protection Bureau of Miaoli County, the following aspects need to be improved: (I) Material stacking: material stacking prevention and control facilities are not equipped (II) The pavement of the vehicle path in the construction site or the vehicle path from the car washing facilities to the main road is not cleaned (III) Exposed surface - the implementation area does not reach 80% of class I standard (IV) When the vehicle at the entrance and exit of the 	20	<ol style="list-style-type: none"> Material stacking: paved with dust prevention net. Vehicle route: cleaning work is assigned at all times to avoid dust and dirt on the road. Exposed surface: Black net was applied to cover over 80% of the area. Entry/exit of construction site: A car washing station is set up at the entrance of the construction area to wash the sludge from the construction vehicles to ensure the cleanliness of the road. Enhance the training and education of the environment protection staff and participate in environmental lectures As confirmed by the Central Region Engineering Office, Taiwan Water Corporation, all deficiencies have been improved.

	<p>construction site left the construction site, the vehicle body and tires are not effectively cleaned, and the surface is full of sludge</p> <p>5. Content of disposition: Fines of NT\$ 20,000</p>		
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(II) Future countermeasures thereof and possible expenditures: AUO and subsidiaries have always put emphasis on environmental protection work. Apart from internal pollution prevention and controls, all types of business waste are to be re-used or processed by qualified manufacturers according to the law. In the future, AUO will continue to reinforce educational training on the relevant laws/regulations and declaration procedures.

V. Labor-Management Relations

(I) List of employee benefits, in-service training, internal training, retirement system, and implementation status, as well as employer-employee agreements, and protection measures for employee entitlements:

1. Employee welfare measures

- (1) Employees are entitled to labor insurance, National Health Insurance, and group insurance on the first day of work.
- (2) The Company has set up a benefits trust fund program, which inspires employees through linking long-term benefit plans with the Company's operating performance.
- (3) Apart from the basic salary, also available are the annual bonuses such as Mid-Autumn Festival, Dragon Boat Festival and Spring Festival bonuses. Motivation bonuses, performance bonuses, and employee compensations are given in due course based on the Company's profitability.
- (4) Staff restaurants are available at each fab site, providing breakfast, lunch, dinner, and late-night meals. Meals are subsidized.
- (5) Life plaza that comprises convenience stores, coffee shops, bakeries, fruit bars, and laundry shops, is set up within each plant site. Annual sale activities are also held from time to time to provide staff with affordable daily goods. In addition, special sales events are also launched from time to time to provide affordable daily consumption for our colleagues.
- (6) The Company has set up a Wellness Center at each fab. A medical team of professional doctors and nurses are in charge of the employees' well-being. Various health promotion activities are held to provide comprehensive body, mind, and spiritual health care.
- (7) Fitness center managed by a professional health management team is built at each fab. Apart from permanent stadiums, fitness equipment, and sports classrooms, irregular courses are given at the request of colleagues.
- (8) AUO's Employee Welfare Committee is organized to take care of employees' lives, promote their wellness, and maintain a harmonious labor-management relationship. The committee is responsible for the planning and organizing of staff benefits and various activities, such as sports seasons, celebration of festival, club activities, and employee outings. Other benefits and subsidies include those connected to emergency assistance, in-hospitalization, weddings, funerals and other events.

2. Employee training

Starting from the first day of work, AUO new employees are given AUO Elite Camp. They are introduced to AUO's corporate guiding principles, including corporate social responsibility and related policies. AUO University plays a central role in employee learning. Through the AUO Learning System (ALS), every employee can participate in the various training courses and programs provided. AUO University plans for training needed by each professional discipline to create a comprehensive talent development program.

AUO's employee training programs are as below:

- (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 shared functions among colleagues, with offline courses as the main and online learning as the supplement, the management related knowledge and skill training will be provided (for example: cross-departmental communication skills, project management, business-related skills, legal knowledge). Also, relevant advanced elective courses are provided in line with service years of colleagues.
- (3) Professional knowledge improvement: In coordination with the Company's strategy, colleagues are sent to participate in domestic/international industrial and management-related seminars and forums. Trainings provided by the consultant companies and manufacturers also help the Company promote technology, develop new products, introduce innovative ideas, and improve management skills.
- (4) External training program: In response to the needs of skills necessary in positions or the development of professional ability from the staff, AUO provides the information on external training programs 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 of the Company. 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 managers.

2021 Global ALS curriculum and execution process are as follows:

Type	College	Sessions	Total number of persons	Total number of training hours	Total expense (NT\$ thousands)
AUO University course internal training	College of Engineering	450	39,583	31,574.4	49,104
	College of Future	29	1,761	214.5	
	College of Science	30	4,562	30.3	
	College of Liberal Arts	60	29,863	45.9	
	College of Leadership	28	1,434	216.5	
AUO University course external training	External training	--	900	--	
Learning development system maintenance and project implementation expense					

3. Retirement system and execution

- (1) The Company has provided Retirement Policy.
- (2) The Labor Pension Fund Supervisory Committee was established in August 1997 and began to deposit pensions in May 1998. The deposition is based on 2% to 15% of the monthly salary.
- (3) Starting from July 2005, the new pension system was implemented in accordance with the law.
- (4) According to the provisions of International Accounting Standard No.19, the actuary is required to conduct evaluation on the pension reserve fund, and submit an actuarial assessment report.

4. Labor-management agreement and implementation:

AUO has always valued the labor relation. Apart from complying with the Labor Standards Law and related regulations, AUO went further to offer more benefits and measures, the reason for our harmonious labor relation. On the other hand, AUO regularly holds quarterly/ monthly meetings, labor-management meeting business briefings, and other two-way meetings to deliver important notices and policies. Other means of communication included 24-7 platforms, such as "Audit Committee Box," "General Manager's Mailbox," "Grievance Mailbox for Sexual Harassment," and "Internal Communication Box," for the Company to collect, understand, and resolve employees' needs. Doing so has established a sound environment for mutual participation and full communication between employees and the management team.

5. Protective measurement of workplace and employee safety

AUO has been tried our best to dedicate to environment protection, energy saving and employee care. We expect to fulfill social responsibility with the growth of the corporation and create a sustainable business. In addition to meet the requirement of domestic regulations, all sites of AUO have thoroughly verified by ISO 45001, Occupational Health and Safety Management System. The specific measures are as follows:

(1) Emphasize on source management

Before construction, the plant is designed according to the Risk Engineering Guideline for New Construction, and all possible hazards are considered when the plant is built. During operation, best available control method and technology is adopted to on-site safety issues after hazard identification and assessment in the purpose of hazard prevention and risk control. With regard to equipment safety, AUO establishes equipment safety specification according to process characteristic and refer to important safety specifications. The equipment safety specification is then discussed with the supplier and taken into consideration of procurement process at the designing stage. After move-in, the equipment can only operate after conforming to the Specification for Equipment Installation Safety Sign-off, so as to guarantee the safety of our employees. For chemical management, we establish AUO chemical control checklist in line with international tendency to manage high-risk substances from the source; moreover, to fully protect employees' health and avoid environmental impact.

(2) Promote safety culture

AUO continues to promoting safety culture, and concludes employee safety as one of the five major missions of annual B2B Initiative. We expect employees to attach great importance to safety issue in their own position and blend safety awareness into work and life to achieve the goal of zero incident and hazard.

(3) Strengthen communication and training of hazard prevention

In order to effectively enhance the employees' safety and hygiene awareness, AUO has planned different thematic courses for all the employees. These courses cover topics including environmental protection, safety and hygiene, emergency response, management system, risk management, social responsibility, and green products to raise employees' awareness and fully implement safety procedures. Besides training, a departmental safety officer is appointed to regularly collect employees' safety and hygiene requirements and transmit related measures and notices for stable mutual communication.

(4) Promote employees' health

AUO has arranged professional nursing staff to plan an all-inclusive health management program. In addition to physical examination, medical consultations and various health promotion activities are held regularly. An E-health management platform has also been built, allowing employees to access relevant and personal health information at all times. On top of it, services of psychological and legal consultations with the professionals are also provided to employees if needed. To counter any impacts on corporation and employees from recent infectious diseases, AUO not only keeps tracking relevant information but also establishes a complete emergency procedure and organization to conduct epidemic prevention and disaster reduction, protecting employees' health and minimizing the impact on AUO.

(5) Establish an emergency response framework

Besides regular emergency organization and drills, AUO has established a 24-hour emergency response center equipped with full monitoring facilities to keep abreast of the situation in the plant and avoid any possible impact on business operation. A complete emergency response plan is also built to respond to fires, chemical spills, earthquakes, floods, and so on. Moreover, to minimize the impact on personnel and property during emergency situation, related drills are also performed to let employees familiarize with various emergency procedures.

(6) Monitoring and audit

Site ESH implements various environment and personnel workplace inspection in accordance with legal requirements and establishes a complete audit procedure. Audit includes routine inspection, high-risk operation inspection, supervisor inspection, and cross-plant audits performed by safety experts from each site. Irregular audits are also conducted by third-party verification units or customers. On top of that, management review committees at corporate and plant levels are held by the senior manager and the site manager, respectively. These committees are responsible of regular review of ESH issues and operation and setting up goals and directions for continuous improvement and better performance.

(II) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor-management disputes (including any violations of Labor Standards Act indicated in the labor inspection, specifying the disposition dates, disposition reference numbers, the articles of laws 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 due to labor-management disputes:

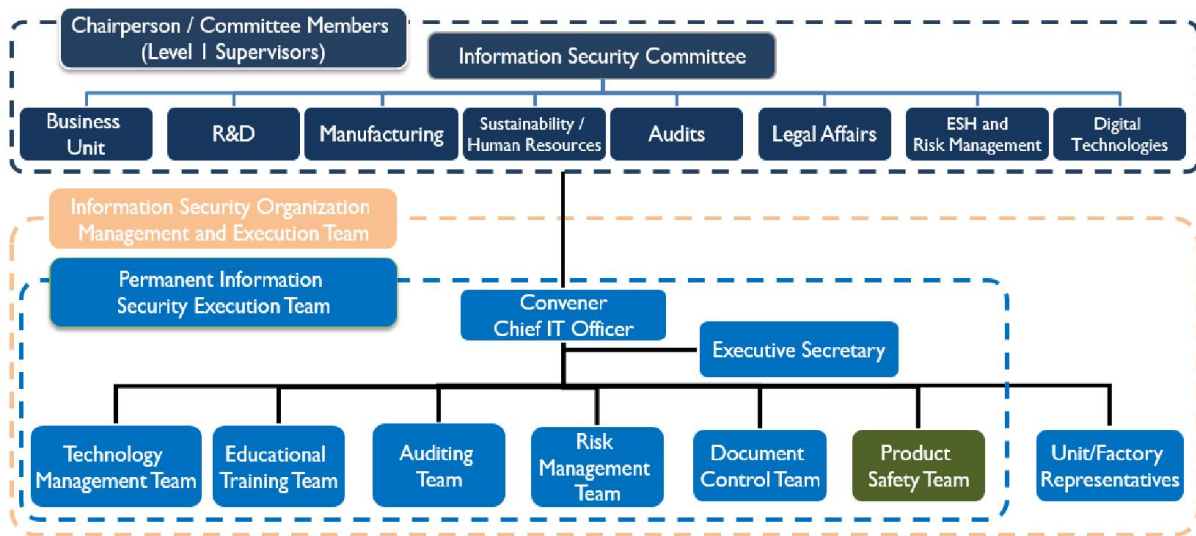
Company Name	Incident	Penalty/ indemnity amount (thousands)	Countermeasures and improvements
AU Optronics Corporation	1. Disposition date: January 27, 2021 2. Disposition reference number: NSLAZ No. 1100225433 3. Violated clauses: Article 32, Paragraph 2 of the Labor Standards Act 4. Contents of violated clauses: The extended working hours, together with the normal working hours, exceed 12 hours a day 5. Content of disposition: Labor Affairs Bureau of Tainan City Government inspected Tainan plant and spotted that labors had worked overtime	NT\$ 50	1. For the work time management of employees, the Company has voluntarily provided working hour reports to the management level for personnel care and work allocations. 2. The supervisor shall master the overtime hours of the colleagues under the management and monitor the situation regularly. 3. The Company will strengthen the promotion regularly, standardize and process the overtime application.
	1. Disposition date: March 16, 2021 2. Disposition reference number: ZHZ No. 1100009147B 3. Violated clauses: Article 32, Paragraph 2 of the Labor Standards Act 4. Contents of violated clauses: The extended working hours, together with the normal working hours, exceed 12 hours a day 5. Content of disposition: Labor inspection conducted by Central Science Park spotted that labors had worked overtime	NT\$ 50	
	1. Disposition date: September 16, 2021 2. Disposition reference number: ZHZ No. 1100027531 3. Violated clauses: Article 32, Paragraph 2 of the Labor Standards Act 4. Contents of violated clauses: The extended working hours, together with the normal working hours, exceed 12 hours a day 5. Content of disposition: Hsinchu Science Park Administration inspected Hsinchu plant and spotted that labors had worked overtime	NT\$ 50	
FORTECH ELECTRONICS (SUZHOU) CO., LTD.(FTWJ)	1. Disposition date: Dec. 27, 2021 2. Disposition reference number: WRSCFZ No. 15 of 2021 3. Violated clauses: Article 41 of Labor Law of the PRC and Article 42(2) of Regulations of Jiangsu Province on Labor Contracts 4. Contents of violated clauses: Violation of the regulations on extended work hours for workers and students' internship hours may not exceed 40 hours per week 5. Content of disposition: Give warning and fine CNY\$207 in thousands	CNY\$ 207	1. Comply with laws and regulations and properly plan manpower needs. 2. The attendance of employees is controlled by the system in real time.

(II) Except for the above matters, the Company and its subsidiaries are not fined for any other violations against the relevant regulations in the most recent year as of the publication of date this Annual Report is published.

VI. Information security governance

(I) Information Security Committee:

The Company has set up an Information Security Committee to initiate and promote the management of information security. The Committee is headed by the Company Chairman, and meetings are convened by the Chief Digital Officer. Senior managers from each department serve as committee members, formulate information security management policies and objectives, and review the implementation of information security management objectives and management measures through twice a year information security management review meetings. In addition, to fulfill information security management in practice, an information security implementation team has been set up under the Information Security Committee, including the Technology Control Team, Educational Training Team, Audit and Investigation Team, Risk Management Team, Product Security Team and Document Control Team. Senior managers from relevant departments serve as heads of these teams and carry out the information security tasks approved by the Information Security Committee. Review meeting will be held every two months.



(II) Information security policy and management plan:

The Company's information security policy is to "protect the Company's intellectual property, comprehensively enhance the awareness for information security, and to collectively create profitable business opportunities". In addition to improving various internal information security management mechanisms, regular information security publicity, employee information security education, and training over the years, we introduced ISO 27001 Information Security Management System in order to better meet international information security management trends and respond to customers' information security requirements. Since 2017, we have introduced ISO 27001 Information Security Management System and continuously passed annual re-evaluation verification. We passed the re-evaluation verification of the ISO 27001 Information Security Management System in Jul. 2021, with a validity period from Jul. 2020 to Jun. 2023.

The Company continues to strengthen its information security capability. The global systems and information security division, a special unit for information security, is responsible for the planning, implementation and management. Various information security measures have been introduced, such as next generation firewall, intrusion prevention system, application firewall, endpoint detection and response, mail filtering, Internet browsing protection, anti-virus, vulnerability scanning, penetration testing and 24/7 information security monitoring center. To more actively strengthen information security protection, a red team assessment simulating hacker attacks was carried out in 2021. Through the exercise, potential weaknesses are discovered as much as possible and potential vulnerabilities are repaired as soon as possible.

The Company regularly organizes email social engineering drills and educates employees on related information

security knowledge such as email sending and receiving to reduce the risk of accidental clicks on malicious emails.

The Company arranged an information security insurance policy in 2021 to respond to insurance claims that may incur related expenses (such as recovery and forensics) when a major information security incident occurs.

(III) Information security innovation

Device Security	<ul style="list-style-type: none"> • Execute automatic detection and scanning procedures before the new computers going online to prevent the risk of virus infection and spreading • Introduce Endpoint Detection and Response (EDR) measures to enhance malicious attack detection
Network Security	<ul style="list-style-type: none"> • Enhance firewall monitoring and analysis and conduct real-time monitoring of abnormalities and potential risks • Employ firewall policy check mechanism to ensure that firewall settings in each district comply with security rules
Application Security	<ul style="list-style-type: none"> • Conduct penetration tests on key service stations to identify potential risks and make improvements • Introduce black box and open source security checks to improve program security and compliance
Data Protection	<ul style="list-style-type: none"> • Enforce the policy "no storing of data in endpoints" to enhance secure data storage • Introduce full backup process in machines and computers
Educational Training	<ul style="list-style-type: none"> • Information Security Incident Investigation Bureau (ISIB) - Self-developed interactive web game to understand common hacking techniques from the perspective that everyone is an information security investigator • Autonomous social engineering drill platform and process. In addition to company-wide drills, each unit can also increase the number of drills to improve safety awareness

(IV) Information security risk management framework

Every year, the information security risks are assessed under ten topics, including system architecture, system change management, project and resource management, system and service outsourcing management, software and hardware authorization and legitimacy, general maintenance, information security, confidentiality and data protection, system and service outsourcing management, and system architecture. According to the risk value of the evaluation, the priority matters are determined and the countermeasures and improvement progress of high-risk matters shall be stated in the quarterly report for risk management committee.

(V) In the most recent year and up to the date of publication of this Annual Report, the Company has not experienced any major cyber attack incidents that have impacted the Company's operations.

VII. Material Contracts

- (I) As of the date of publication of this Report, the material long-term loan agreements and technical cooperation agreements that are still ongoing or are about to expire in the most recent year, are as follows:

Long-term loan contracts

Type	Party	Term	Main content	Restrictive clauses
Financing	Bank of Taiwan and other syndicated banks	2021.07~2029.04	Repaying existing debts	Secured by the building, equipment and machinery
Financing	Bank of Taiwan and other syndicated banks	2020.04~2025.10	Repaying existing debts	Secured by the building, equipment and machinery
Financing	Bank of Taiwan and other syndicated banks	2017.07~2023.04	Purchase of machinery and equipment	Secured by the equipment and machinery

Technical Collaboration Agreement

Type	Party	Term	Main content	Restrictive clauses
Patent license	Fujitsu Limited (former FDTC)	Subject to the agreement	Specific TFT-LCD patent licensing	Subject to the agreement
Patent/technology licensing	Toppan Printing Co., Ltd.	Subject to the agreement	Specific color filter patent/technology licensing	Subject to the agreement
Patent license	Semiconductor Energy Laboratory Co., Ltd.	Subject to the agreement	Specific LCD and OLED product patent licensing	Subject to the agreement
Patent Cross-license Agreement	Japan Display Inc. (formerly Japan Display East Inc., Hitachi Displays, Ltd.), Panasonic Liquid Crystal Display Co., Ltd. (formerly IPS Alpha Technology, Ltd.)	Subject to the agreement	Patent cross-license for specific TFT-LCD and OLED products	Subject to the agreement
Patent Cross-license Agreement	Sharp Corporation	Subject to the agreement	Patent cross-licensing for specific TFT-LCD products	Subject to the agreement
Patent Cross-license Agreement	LG Display Co., Ltd.	Subject to the agreement	Patent cross-licensing for specific TFT-LCD products	Subject to the agreement
Patent Cross-license Agreement	Hydis Technologies Co., Ltd.	Subject to the agreement	Patent cross-license for specific LCD products	Subject to the agreement
Patent Cross-license Agreement	Seiko Epson Corporation	Subject to the agreement	Patent cross-licensing for specific LCD and OLED products	Subject to the agreement

In addition to the aforesaid agreements, during the course of operation AUO has also signed licensing or cross-licensing agreements with other third parties for patents they owned or controlled.

- (II) For other material contracts of the Company and subsidiaries, please refer to Appendix I to this Annual Report, titled Consolidated Financial Statements with Independent Auditor's Report for the most recent years (Pages 138-257)

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)				
		2021.12.31	2020.12.31	2019.12.31	2018.12.31	2017.12.31
Current assets		192,026,398	168,317,673	143,200,211	149,067,627	180,175,541
Property, plant and equipment		171,222,045	185,480,116	206,734,543	221,586,475	224,933,089
Intangible assets		11,756,955	12,801,358	12,808,326	13,377,263	13,170,892
Other assets (Note 2)		49,805,648	40,671,148	34,894,511	25,800,410	23,171,762
Total assets		424,811,046	407,270,295	397,637,591	409,831,775	441,451,284
Current liabilities	Before distribution	123,754,502	98,338,179	90,528,089	128,937,971	107,236,609
	After distribution	133,330,326	101,189,146	90,528,089	133,750,093	121,672,977
Noncurrent liabilities		63,090,073	115,141,751	119,132,753	63,615,116	108,969,560
Total liabilities	Before distribution	186,844,575	213,479,930	209,660,842	192,553,087	216,206,169
	After distribution	196,420,399	216,330,897	209,660,842	197,365,209	230,642,537
Equity attributable to shareholders of AU Optronics Corp.		231,787,040	182,804,691	176,671,840	202,862,715	208,154,368
Common Stock		96,242,451	96,242,451	96,242,451	96,242,451	96,242,451
Capital surplus	Before distribution	60,057,001	60,587,684	60,544,474	60,622,043	60,540,326
	After distribution	60,057,001	60,587,684	60,544,474	60,622,043	60,540,326
Retained earnings	Before distribution	80,669,998	30,258,282	22,903,722	46,845,991	51,115,529
	After distribution	71,094,174	27,407,315	22,903,722	42,033,869	36,679,161
Other components of equity		(4,743,182)	(3,270,303)	(2,005,384)	(847,770)	256,062
Treasury shares		(439,228)	(1,013,423)	(1,013,423)	-	-
Non-controlling Interests		6,179,431	10,985,674	11,304,909	14,415,973	17,090,747
Total equity	Before distribution	237,966,471	193,790,365	187,976,749	217,278,688	225,245,115
	After distribution	228,390,647	190,939,398	187,976,749	212,466,566	210,808,747

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 2022 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)				
		2021	2020	2019	2018	2017
Net revenue		370,685,141	270,955,381	268,791,694	307,634,389	341,028,267
Gross profit		90,767,757	22,765,339	455,943	28,139,504	61,041,745
Profit (loss) from operations		63,075,616	2,083,042	(20,467,948)	6,667,865	39,139,124
Non-operating income and expenses		3,331,179	704,629	623,194	4,548,286	224,482
Profit (loss) before income tax		66,406,795	2,787,671	(19,844,754)	11,216,151	39,363,606
Profit (loss) from continuing operations for the year		63,459,098	2,907,427	(21,599,416)	7,959,895	30,258,488
Loss from discontinued operations		-	-	-	-	-
Profit (loss) for the year		63,459,098	2,907,427	(21,599,416)	7,959,895	30,258,488
Other comprehensive income (loss), net of tax		(763,022)	2,862,980	(1,411,771)	(1,383,775)	(960,183)
Total comprehensive income (loss) for the year		62,696,076	5,770,407	(23,011,187)	6,576,120	29,298,305
Profit (loss) attributable to shareholders of AU Optronics Corp.		61,330,628	3,376,324	(19,185,258)	10,160,598	32,359,417
Profit (loss) attributable to non-controlling interests		2,128,470	(468,897)	(2,414,158)	(2,200,703)	(2,100,929)
Total comprehensive income (loss) attributable to shareholders of AU Optronics Corp.		60,644,766	6,089,641	(20,192,454)	9,085,260	31,754,733
Total comprehensive income (loss) attributable to non-controlling interests		2,051,310	(319,234)	(2,818,733)	(2,509,140)	(2,456,428)
Earnings (loss) per share (EPS)		6.44	0.36	(2.00)	1.06	3.36

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 2022 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

Item	Year	Financial data for the most recent five years (Note 1)				
		2021.12.31	2020.12.31	2019.12.31	2018.12.31	2017.12.31
Current assets		129,654,779	121,044,855	96,317,458	98,928,620	133,588,893
Property, plant and equipment		117,565,260	129,554,205	144,142,738	148,448,632	141,796,990
Intangible assets		10,688,986	11,806,450	12,051,761	12,476,746	12,983,137
Other assets (Note 2)		127,694,510	101,595,066	93,152,910	87,550,523	85,732,867
Total assets		385,603,535	364,000,576	345,664,867	347,404,521	374,101,887
Current liabilities	Before distribution	102,911,656	84,124,305	73,270,709	110,042,400	91,044,482
	After distribution	112,487,480	86,975,272	73,270,709	114,854,522	105,480,850
Non-current liabilities		50,904,839	97,071,580	95,722,318	34,499,406	74,903,037
Total liabilities	Before distribution	153,816,495	181,195,885	168,993,027	144,541,806	165,947,519
	After distribution	163,392,319	184,046,852	168,993,027	149,353,928	180,383,887
Equity attributable to shareholders of AU Optronics Corp.		231,787,040	182,804,691	176,671,840	202,862,715	208,154,368
Common Stock		96,242,451	96,242,451	96,242,451	96,242,451	96,242,451
Capital surplus	Before distribution	60,057,001	60,587,684	60,544,474	60,622,043	60,540,326
	After distribution	60,057,001	60,587,684	60,544,474	60,622,043	60,540,326
Retained earnings	Before distribution	80,669,998	30,258,282	22,903,722	46,845,991	51,115,529
	After distribution	71,094,174	27,407,315	22,903,722	42,033,869	36,679,161
Other components of equity		(4,743,182)	(3,270,303)	(2,005,384)	(847,770)	256,062
Treasury shares		(439,228)	(1,013,423)	(1,013,423)	-	-
Non-controlling Interests		-	-	-	-	-
Total equity	Before distribution	231,787,040	182,804,691	176,671,840	202,862,715	208,154,368
Total	After distribution	222,211,216	179,953,724	176,671,840	198,050,593	193,718,000

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 2022 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)				
	2021	2020	2019	2018	2017
Revenue	331,230,555	256,089,345	255,167,176	293,060,339	319,839,895
Gross profit	70,923,406	16,018,967	(2,618,924)	26,377,798	59,586,501
Profit (loss) from operations	50,932,678	1,123,075	(17,726,245)	11,033,564	43,313,271
Non-operating income and expenses	11,502,821	1,373,510	(620,419)	951,429	(3,306,536)
Profit (loss) before income tax	62,435,499	2,496,585	(18,346,664)	11,984,993	40,006,735
Profit (loss) from continuing operations for the year	61,330,628	3,376,324	(19,185,258)	10,160,598	32,359,417
Loss from discontinued operations	-	-	-	-	-
Profit (loss) for the year	61,330,628	3,376,324	(19,185,258)	10,160,598	32,359,417
Other comprehensive income (loss), net of tax	(685,862)	2,713,317	(1,007,196)	(1,075,338)	(604,684)
Total comprehensive income (loss) for the year	60,644,766	6,089,641	(20,192,454)	9,085,260	31,754,733
Profit (loss) attributable to Shareholders of AU Optronics Corp.	61,330,628	3,376,324	(19,185,258)	10,160,598	32,359,417
Profit (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income (loss) attributable to shareholders of AU Optronics Corp.	60,644,766	6,089,641	(20,192,454)	9,085,260	31,754,733
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-
Earnings per share (EPS)	6.44	0.36	(2.00)	1.06	3.36

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 2022 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
2021	KPMG/Chi-Lung Yu	Unqualified opinion	-
	KPMG/Wan-Yuan Yu		
2020	KPMG/Shing-Hai Wei	Unqualified opinion	-
	KPMG/Chien-Hui Lu		
2019	KPMG/Shing-Hai Wei	Unqualified opinion	-
	KPMG/Chien-Hui Lu		
2018	KPMG/Shing-Hai Wei	Unqualified opinion	-
	KPMG/Chien-Hui Lu		
2017	KPMG/Shing-Hai Wei	Unqualified opinion	-
	KPMG/Chien-Hui Lu		

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)				
			2021	2020	2019	2018	2017
Financial structure	Ratio of debts to assets (%)		44.0	52.4	52.7	47.0	49.0
	Ratio of long-term capital to property, plant and equipment (%)		161.1	158.3	140.5	123.6	145.7
Solvency	Current ratio (%)		155.2	171.2	158.2	115.6	168.0
	Quick ratio (%)		125.7	142.4	130.7	94.3	142.3
	Interest coverage ratio		31.6	1.9	(Note2)	4.5	12.1
Operating ability	Receivables turnover rate (times)		6.8	6.9	6.8	7.0	7.7
	Average collection days for receivables		53	53	54	52	48
	Inventory turnover rate (times)		9.1	9.9	10.8	10.9	10.7
	Payables turnover rate (times)		4.7	4.7	4.9	4.9	4.9
	Average days for sales of goods		40	37	34	33	34
	Property, plant and equipment turnover rate (times)		2.1	1.4	1.3	1.4	1.5
	Total asset turnover rate (times)		0.9	0.7	0.7	0.7	0.8
Profitability	Return on assets (%)		15.7	1.3	(4.7)	2.4	7.5
	Return on equity (%)		29.4	1.5	(10.7)	3.6	14.2
	Ratio of profit before income tax to paid-in capital (%)		69.0	2.9	(20.6)	11.7	40.9
	Profit margin (%)		17.1	1.1	(8.0)	2.6	8.9
	Earnings (loss) per share (NT\$)		6.44	0.36	(2.00)	1.06	3.36
Cash flow	Cash flow ratio (%)		84.6	26.2	22.9	31.2	78.7
	Cash flow adequacy ratio (%)		145.5	99.9	109.1	136.2	160.6
	Cash reinvestment ratio (%)		9.1	2.3	1.5	2.4	7.3
Leverage	Operating leverage		1.8	26.3	(Note 3)	9.2	2.4
	Financial leverage		1.0	(Note 2)	(Note 3)	1.7	1.1

Explanations on changes in financial ratios in the most recent two years:

1. The increase in various profitability ratios was mainly due to the continuous growth of profitability in the current year.
2. The increase in cash flow ratios was mainly due to the continuous growth of profitability, which led to the increase in net cash inflow from operating activities in the current year.
3. The decrease in the degree of operating leverage was mainly due to the increase of profit from operations in the current year.

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 2022 financial data has not been audited or reviewed by CPAs.

Note 2: The ratio was zero or negative.

Note 3: The ratio was not calculated 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)				
			2021	2020	2019	2018	2017
Financial structure	Ratio of debts to assets (%)		39.9	49.8	48.9	41.6	44.4
	Ratio of long-term capital to property, plant and equipment (%)		221.3	206.3	179.4	156.7	196.4
Solvency	Current ratio (%)		126.0	143.9	131.5	89.9	146.7
	Quick ratio (%)		103.5	119.7	106.3	70.5	122.9
	Interest coverage ratio		45.3	2.4	(Note 2)	10.2	23.1
Operating ability	Receivables turnover rate (times)		6.6	7.0	6.8	7.0	7.8
	Average collection days for receivables		55	52	54	52	47
	Inventory turnover rate (times)		12.8	13.2	13.8	13.5	12.7
	Payables turnover rate (times)		4.6	4.6	4.7	4.6	4.7
	Average days for sales of goods		29	28	27	27	29
	Property, plant and equipment turnover rate (times)		2.7	1.9	1.7	2.0	2.3
	Total asset turnover rate (times)		0.9	0.7	0.7	0.8	0.9
Profitability	Return on assets (%)		16.7	1.3	(5.2)	3.0	9.2
	Return on equity (%)		29.6	1.9	(10.1)	4.9	16.6
	Ratio of profit before income tax to paid-in capital (%)		64.9	2.6	(19.1)	12.5	41.6
	Profit margin (%)		18.5	1.3	(7.5)	3.5	10.1
	Earnings (loss) per share (NT\$)		6.44	0.36	(2.00)	1.06	3.36
Cash flow	Cash flow ratio (%)		81.5	17.0	15.1	24.4	89.7
	Cash flow adequacy ratio (%)		137.2	110.5	107.9	132.1	171.3
	Cash reinvestment ratio (%)		8.3	1.5	0.7	1.4	8.2
Leverage	Operating leverage		1.7	32.7	(Note 3)	4.1	1.8
	Financial leverage		1.0	(Note 2)	(Note 3)	1.1	1.0

Explanations on changes in financial ratios in the most recent two years:

- The increase in various profitability ratios was mainly due to the continuous growth of profitability in the current year.
- The increase in cash flow ratios was mainly due to the continuous growth of profitability, which led to the increase in net cash inflow from operating activities in the current year.
- The decrease in the degree of operating leverage was mainly due to the increase of operating profit in the current year.

Note 1: The accompanying financial data has been audited and attested by CPAs. As of the date of this Annual Report, the 2022 financial data has not been audited or reviewed by CPAs..

Note 2: The ratio is zero or negative.

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

Calculated as follows:

1. Financial structure

- Ratio of debts to asset = Total liabilities/Total assets
- Ratio of long-term capital to property, plant and equipment = (Total equity + Long-term borrowings) / Net property, plant and equipment

2. Solvency

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

3. Operating ability

- 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).

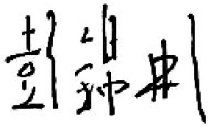
- (2) Average collection days for receivable = $365/\text{Receivables turnover}$.
 - (3) Inventory turnover rate = $\text{Cost of goods sold}/\text{Average inventory}$.
 - (4) Payable (including accounts payable and notes payable due to business operations) turnover rate = $\text{Cost of goods sold}/\text{Balance of average accounts payable of various periods (including accounts payable and notes payable due to business operations)}$.
 - (5) Average days for sales = $365/\text{Inventory turnover}$.
 - (6) Property, plant and equipment turnover rate = $\text{Net sale}/\text{Average net property, plant and equipment}$.
 - (7) Total asset turnover rate = $\text{Net sales}/\text{Average total assets}$
4. Profitability
- (1) Return on assets = $[\text{Net income after taxes} + \text{interest expense} \times (1 - \text{tax rate})] / \text{Average total assets}$
 - (2) Return on equity = $\text{Net income after taxes}/\text{Average total equity}$
 - (3) Profit margin = $\text{Net income after taxes}/\text{Net sales}$
 - (4) Earnings per share = $(\text{Net income attributable to shareholders of the parent company} - \text{preferred stock dividend}) / \text{Weighted average number of shares outstanding}$
5. Cash flow
- (1) Cash flow ratio = $\text{Net cash flow of operating activities}/\text{Current liabilities}$.
 - (2) Cash flow adequacy ratio = $\text{Net cash flow from operating activities for the most recent five years}/(\text{Capital expenditures} + \text{inventory increase} + \text{cash dividend}) \text{ for the most recent five years}$.
 - (3) Cash flow reinvestment ratio = $(\text{Net cash flow from operating activities} - \text{cash dividends})/(\text{Gross value of property, plant, and equipment} + \text{Long-term investments} + \text{Other non-current assets} + \text{working capital})$.
6. Leverage:
- (1) Operating leverage = $(\text{Net operating revenue} - \text{variable operating cost and expenses})/\text{Operation profit}$.
 - (2) Financial leverage = $\text{Operating profit}/(\text{Operating profit} - \text{interest expenses})$.

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 2021. Yu, Chi-Lung and Yu, Wan-Yuan, Certified Public Accountants of KPMG, have audited the Financial Statements. The 2021 Business Report, Financial Statements, and Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of AU Optronics Corp. 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.

AU Optronics Corp.

Chair of the Audit Committee



Chin-Bing (Philip) Peng

March 28, 2022

- IV. Consolidated Financial Statements with Independent Auditors' Report for the most recent year: Please refer to Appendix I pages 138-257.
- V. Parent Company Only Financial Statements with Independent Auditors' Report for the most recent year: Please refer to Appendix 2 pages 258-370.
- 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	2021.12.31	2020.12.31	Difference	
				Increase (decrease) amount	%
Current assets		192,026,398	168,317,673	23,708,725	14.1
Long-term investment		26,755,290	20,086,902	6,668,388	33.2
Property, plant and equipment		171,222,045	185,480,116	(14,258,071)	(7.7)
Right-of-use assets		10,638,373	11,277,353	(638,980)	(5.7)
Investment property		1,437,692	1,522,391	(84,699)	(5.6)
Intangible assets		11,756,955	12,801,358	(1,044,403)	(8.2)
Deferred tax assets		6,466,588	6,005,346	461,242	7.7
Other assets		4,507,705	1,779,156	2,728,549	153.4
Total assets		424,811,046	407,270,295	17,540,751	4.3
Current liabilities		123,754,502	98,338,179	25,416,323	25.8
Noncurrent liabilities		63,090,073	115,141,751	(52,051,678)	(45.2)
Total liabilities		186,844,575	213,479,930	(26,635,355)	(12.5)
Common Stock		96,242,451	96,242,451	-	-
Capital surplus		60,057,001	60,587,684	(530,683)	(0.9)
Retained earnings		80,669,998	30,258,282	50,411,716	166.6
Other components of equity		(4,743,182)	(3,270,303)	(1,472,879)	45.0
Treasury shares		(439,228)	(1,013,423)	574,195	(56.7)
Equity attributable to shareholders of AU Optronics Corp.		231,787,040	182,804,691	48,982,349	26.8
Non-controlling Interests		6,179,431	10,985,674	(4,806,243)	(43.8)
Total equity		237,966,471	193,790,365	44,176,106	22.8

Analysis of items that have major changes:

1. The increase in current assets was mainly due to the increase in accounts receivable and inventories.
2. The increase in long-term investment was mainly due to the new investments in associates in 2021.
3. The increase in other assets was mainly due to the increase in financial assets at amortized costs, prepayments and refundable deposits.
4. The increase in current liabilities was mainly due to the increase in contract liabilities, accounts payable, accrued expense and refund liabilities.
5. The decrease in noncurrent liabilities was mainly due to the decrease in long-term borrowings.
6. The increase in retained earnings was mainly due to the increase in profits for the year.
7. The decrease in other components of equity was mainly due to currency exchange losses incurred in the translation of foreign operations due to exchange rate fluctuations in 2021.
8. The decrease in treasury shares was mainly due to treasury shares transferred to employees in accordance with Securities and Exchange Act requirements.
9. The increase in equity attributable to shareholders of AU Optronics Corp. was mainly due to profit for the year in 2021.
10. The decrease in non-controlling interests was mainly due to purchasing 49% equity interests of AUOKS from its joint venture partner.

II. Financial performance

(I) Financial performance analysis

Unit: NT\$ thousands

Item	Year	2021	2020	Change in proportion	
				Increase (decrease) amount	%
Revenue		373,670,560	271,821,226	101,849,334	37.5
Less: sales return and discount		2,985,419	865,845	2,119,574	244.8
Net revenue		370,685,141	270,955,381	99,729,760	36.8
Cost of sales		279,917,384	248,190,042	31,727,342	12.8
Gross profit (loss)		90,767,757	22,765,339	68,002,418	298.7
Operating expenses		27,692,141	20,682,297	7,009,844	33.9
Profit (loss) from operations		63,075,616	2,083,042	60,992,574	2,928.1
Non-operating income and expenses		3,331,179	704,629	2,626,550	372.8
Profit (loss) before income tax for the year		66,406,795	2,787,671	63,619,124	2,282.2
Less: income tax expenses (benefits)		2,947,697	(119,756)	3,067,453	(2,561.4)
Profit (loss) for the year		63,459,098	2,907,427	60,551,671	2,082.7

Analysis of items that have major changes:

1. Gross profit, profit from operations, profit before income tax and profit in 2021 increased mainly because demand for consumer products was quite strong in the first half due to stay-at-home economy and as the pandemic gradually eased, demand shifted to commercial related products in the second half of the year.
2. Non-operating income and expenses: Mainly due to the increases in investment income under the equity method and gains on disposal of property, plants and equipment in 2021.
3. Income tax expense (benefit): The increase in the income tax expense was due to the increase of profit for the year.

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

Item	Year	2021				
		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full year
Consolidated shipment (Kilometer squared)		6,354	6,403	6,445	6,509	25,712
Operating margin (%)		14.5	21.2	20.6	11.1	17.0
EBITDA (Note 1) Margin (%)		24.8	30.1	29.1	19.9	26.1
Inventory turnover (days)		39	40	42	42	40
Net debt to equity (%)		5.8	2.1	(7.6)	(10.6)	(10.6)

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 transportation, and smart manufacturing.

III. Cash flow

Changes in consolidated cash flows in 2021:

Unit: NT\$ thousands

Cash balance at the beginning of the period	Net cash flow from operating activities	Net cash flow due to investment activities	Net cash flow due to financing activities	Cash balance (including effect of exchange rate)
90,274,687	104,721,236	(30,350,308)	(83,470,478)	79,944,686

(I) Analysis of changes in consolidated cash flows in 2021

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

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

Financing activities: The main changes were the repayment of long-term and short-term debts and the acquisition of equity in subsidiaries.

(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

The Company's material capital expenditure in 2021 mainly comprised of payment for Generation 8.5 phase III production line expansion in Houli, Taichung, 6 phase II production line expansion in Kunshan, China, and 6 transformation upgrading to IT production line in Longke Science Park, in response to customers' demanded quantity and optimizing the Company's product portfolio and technical specifications. Based on the consolidated financial statements, the amount paid for the acquisition of fixed assets in 2021 was NT\$17 billion, accounting for approximately 5% of the net sales, and thus had no significant impact on the Company's finances and operations.

V. Investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the improvement plan, and investment plans for the coming year

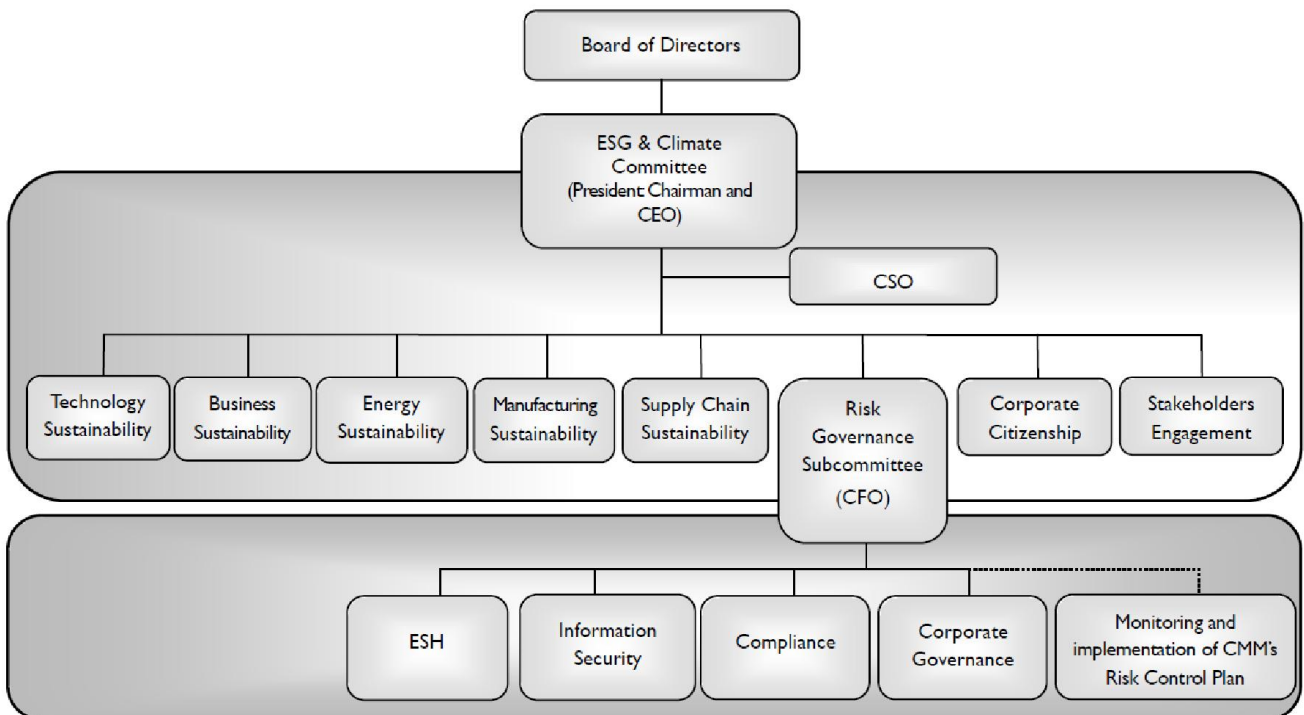
The Company's reinvestment policy is in line with the Company's business development strategy and operational needs in recent years. The Company seeks appropriate strategic partnerships, and the major scope of reinvestments includes related key components, upstream and downstream companies, comprehensive solutions for panel display applications and solar power plants. The net investment income recognized by the equity method in the consolidated financial report of the Company in 2021 was NT\$2,626,274 thousand, an increase over the previous year, mainly due to the stable growth of the operating conditions of some reinvestment companies and the recognized transfer of financial assets measured at fair value through other comprehensive income to investments measured by the equity method. In the future, in line with the "two-axis transformation" strategy of Go Premium and Go Vertical, we will increase the investment in advanced technology and five target segments (i.e., "smart retail", "smart healthcare", "smart education and entertainment", "smart transportation", and "smart manufacturing") by means of investment, joint venture, merger or strategic alliance. The Company will take appropriate measures to dispose of the investment positions in addition to continuing to evaluate the investment plan carefully.

VI. Analyze and assess the following risks in the most recent year up to the publication date of the Annual Report

(I) The organization of risk management

The Board of Directors serves as the highest management and decision unit in the organization of risk management. The risk management policy was thoroughly inspected by the Board of Directors in accordance with business strategy and industrial tendency, and make sure effective operation of the management mechanism. The ESG & Climate Committee is chaired by the Chairman and CEO, while the attached Risk Governance Subcommittee is responsible of implementing the risk management policy verified by the Board of Directors. The scope of management includes corporate risk assessment, handling risk-related issues, and supervision of implementation and operation. 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.

Structure of the Company's ESG & Climate Committee is as follow



(II) The impacts of interest rates, foreign exchange rates fluctuation and inflation situation on the Company's profit and loss, and the future countermeasures:

- Interest rates fluctuation

The exposure to changes in interest rate of the Company and its subsidiaries is mainly from floating-rate long-term debt obligations from operating and investment activities. Any change in interest rates will cause the cash flows of interest expense that will be paid in the future to fluctuate over time. The consolidated interest expense for 2021 was NT\$ 2,217,565 thousand, which was calculated based on the long-term loans of the Company and its subsidiaries with floating interest rates for 2021. If the market interest rate increases by 0.25% in the future, the net profit before tax will be reduced by approximately NT\$137,675 thousand.

In terms of assets, the capital allocation of the Company and its subsidiaries is based on the principles of stability and being conservative. It is mainly deposited in bank deposits and high liquidity short-term government bonds with repurchase agreements to preserve principal and maintain liquidity.

- Foreign exchange rates fluctuation

The exposure to foreign currency risk of the Company and its subsidiaries arises from cash and cash equivalents, accounts receivable, loans and accounts payables that are denominated in foreign currency. Therefore, fluctuations in foreign currency may affect operating income, operating costs and even profit performance denominated in foreign currencies. In order to avoid adverse effects of changes in foreign currency on the operating results of the Company and its subsidiaries, the Company and its subsidiaries use forward contracts as hedging instruments to reduce the impact of foreign currency risk on the profit and loss of the Company and its subsidiaries. Based on the Consolidated Financial Statements, gains and losses on forward contract derivatives measured at fair value and foreign exchanges that are included in the profit or loss in 2021 are a net loss of NT\$233,242 thousand. In the future, these hedges will continue to reduce foreign currency risks. Calculated based on the cost structure of the Company and its subsidiaries in 2021, if NT\$ appreciates by 1% relative to the US dollar, the consolidated gross margin will decline by about 0.4%.

- Inflation or deflation

According to the estimates of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) in 2021, the domestic economic growth rate was 6.45%, and the average annual reduction rate of the consumer price index (CPI) was 1.96%. Such a mild price increase should not have a material impact on the Company's consolidated operating results in 2021. Based on the combined amount of raw materials purchased in NT\$ by the Company and its subsidiaries in 2021, if the inflation rate increases by 1% (i.e., the consumer price index increases by 1%), the Company's combined purchase amount will increase by approximately NT\$180 million.

(III) The policies to engage in high-risk, high-leverage investments, capital lending, endorsements and guarantees, and the derivative transactions, the main reasons for profits and losses, and the future countermeasures:

The Company and its subsidiaries did not engage in high-risk, high-leverage investments, and acted with the principle of prudence and stability to carry out funds allocation and hedging activities.

When the Company and its subsidiaries are engaged in capital lending, endorsements and guarantees, and derivative transactions, the Company will, in addition to complying with the relevant handling procedures, and to making a public announcement and filing the necessary reports in accordance with the regulations 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 conduct derivative transactions based on the positions arising from the Company's business exposed to foreign currency risk. The purpose is to avoid market risks and reduce the

Company's business operating risks. Based on the consolidated financial statements, gains (losses) on valuation of forward derivative instrument at FVTPL and foreign exchange gains (losses) in 2021 of that period as a net loss of NT\$233,242 thousand, indicating that the hedging performance is adequate. The Company and its subsidiaries will continue to conduct hedging under the principle of avoiding risks arising from the fluctuation of foreign currency and interest rate. The Company and its subsidiaries will also take operating conditions and market trends into consideration to periodically evaluate positions exposed to interest rate and foreign currency risks and adjust the relevant hedging strategies. In addition, the Company's subsidiary has structured time deposits, and gains (losses) on valuation of structured deposits derivative instrument measured at FVTPL for the year in 2021 was a net gain of NT\$972 thousand.

(IV) Future research and development (R&D) plans and the R&D expenses expected to be invested:

Please see Chapter 5 Operational Highlights of this Annual Report, which provides information on the Technology and R&D Overview (Pages 70-74).

(V) The impacts of changes on important domestic and foreign policies and laws on the Company's finance and business, and the countermeasures:

The Company has always paid close attention to policies and laws that may affect the Company's operations, and cooperate with the Company's related internal policies. The changes in the law in 2021 have no significant impact on the Company after evaluation.

(VI) The impacts of technology changes on the Company's finance and business, and the countermeasures:

Market applications of flat panel displays are increasingly diversified, a person who opens his/her eyes to start a day will touch a variety of displays, ranging from consumer products such as TVs, desktop monitors, and notebooks, tablets, mobile phones, and smart watches to non-consumer products including automotive, medical, digital signage, and various commercial panel displays. Flat panel displays are ever-present in daily lives, and also are important human-machine interfaces in the era of digital application. However, in the era of intelligence or application, the display will fully enter people's lives in the aspects of food, clothing, housing, transportation and so on. If we look at the technical side, the TFT-LCD remains the most mature and most competitive technology. AUO has devoted substantial R&D efforts to developing advanced display technologies for years, and accumulated a wealth of patents and manufacturing experience.

Display market demand is currently trending toward features including larger size, ultra high resolution 8K, wide color gamut, high contrast, wide viewing angle, fast response time, Zero Border, thin and lightweight, stylish appearance, and low power consumption. Based on existing TFT-LCD competencies, AUO has developed related processes and product technologies such as GOA (Gate on Array), COA (Color Filter on Array), AHVA (Advanced Hyper-Viewing Angle), MIP (Memory in Pixel), RLCD (Reflective LCD), High Refresh Rate, HDR (High Dynamic Range), curved, free-form cutting, on-cell/in-cell touch, A.R.T. (advanced reflectionless technology) and among others to meet the needs of the market. At the same time, AUO continues to develop new technologies, such as AMOLED, Mini LED, Micro LED, under display Fingerprint, X-Ray sensor and related technologies. To achieve the strategic goal of Go Premium through technological innovation as a tool to drive market development in the future, and to create a value-added path different from that of the competitors.

(VII) The impacts of change of corporate image on the enterprise crisis management and the countermeasures:

The Company will initiate its crisis management mechanism immediately if there are any concerns that will adversely impact AUO's operations and corporate reputation in the event of crisis and potential external risks. The emergency response team will quickly investigate the incident for risk assessment and take necessary actions. This emergency response team is composed of a cross-section high-level executives from business groups, supply chain management, environment & safety, human resources, information technology and marketing departments. They will review the Company's crisis management principles to protect the safety of employees and the environment while ensuring the efficiency of its manufacturing operations. The Company's crisis communication plan also upholds open communication principles to ensure that employees, customers, authorities, investors, media and related stakeholders have immediate access to the latest status.

The Company continues to demonstrate potential for sustainable development in the economic, environmental, and social sectors. The Company shall also maintain its core business values for honesty and integrity and shoulder long-term responsibilities for sustainable development for the benefit of the stakeholders and society.

(VIII) The expected benefits and possible risks to engage in mergers and acquisitions (M&A) and the countermeasures:

- AUO's Board of Directors resolved on May. 6, 2020 to demerge AUO's General Display and Public Information Display businesses to AUO Display Plus Corporation ("AUO Display Plus"), an entity wholly owned by AUO. The effective date of this demerger was on Jan. 1, 2021. AUO Display Plus issued 36,855,500 common shares for AUO to acquire at NT\$10 per share, indicating a business value of NT\$368,555 thousand. It is hoped that these two companies could make more effective use of resources, push ahead with the value transformation strategy, extend the value chain, grasp the opportunity of vertical integration strategy cooperation between upstream and downstream, and increase the flexibility of strategic cooperation.
- AUO's Board of Directors resolved on Apr. 28, 2021 to purchase all the equity of AU Optronics (Kunshan) Corp., Ltd. (AUOKS) from Jiangsu Kunshan Development Zone Construction Group Company, a joint venturer of AUOKS, and to increase the capital of AUOKS in cash. Through this investment, the Company can not only increase its control over AUOKS, but also expand rapidly on the basis of the existing plants to meet the needs of customers for high-end applications so as to consolidate the cooperative relationship with customers.

(IX) The expected benefits and possible risks to expand the fabs and the countermeasures:

AUO is committed to providing customers with an innovative product portfolio with high added-value. AUO has the flexibility to adjust and develop various application products with the competitive advantages of the complete generations of production lines. Small-and-medium-sized TFT-LCD panels will move toward higher specifications such as ultra-high resolution and low-power mobile phone panels, wearable products, notebooks, and gaming panels in the next few years. Based on its past experience in LTPS, the Company invested in the construction of the LTPS Generation 6 line phase II through AUOKS in 2021, and plans to develop full capacity in 2023 to meet the growth in demand for notebook computer panels and low-energy on-board products.

In addition, phase I and phase II production capacity expansion in Generation 8.5 fab in Taiwan were also accomplished in 2016 and 2018 respectively, to respond to the market demand of increasing TV sizes over the years. In 2021, through the phase III production capacity expansion and product transformation investment, we will gradually convert the production capacity of TV products into that of desktop displays and notebook computers, and complete product lines to make a difference from other manufacturers, so as to create market differences in response to the changes of market supply and demand.

In view of the geographical and structural changes in the global panel industry, AUO approved in February 2022 the construction of a new 8.5-generation fab in Houli to consolidate its position as a high-end IT panel company and start laying out the new next-generation display technology, Micro LED, and will carefully evaluate the future expansion in stages depending on market demand and technology maturity.

(X) Risk of procurement and sales concentration, and countermeasures:

I. Risks from sales concentration and response measures:

- (I) The Company's major customers has 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 customer 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 47).

2. Risks from purchase concentration and response measures:

(1) Raw material

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) Equipments

The suppliers of key process equipment are often supplied by limited suppliers, and the equipment preoperation 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.

(XI) 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.

(XII) 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.

(XIII) If there are any litigation, non-litigation or administrative proceedings that has received final judgment or is still ongoing in which the Company, any of its director, supervisor, general manager, substantial representative, major shareholder (having holding of more than 10%) or subsidiary is a party and has a material impact on the shareholders' interests or stock price, the Company shall disclose the facts in dispute, amount in dispute, filing date, parties, and status as of the printing of the Report:

1. Final judgments or pending litigation, non-litigation or administrative proceedings in most recent year and as of the date of printing of this Report which may have a material impact on shareholders' interests or stock price:

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, and at this stage, the final outcome of these matters is uncertain. AUO is reviewing the merits of this lawsuit on an on-going basis.

As of February 10, 2022, 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.

Environmental Proceedings

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 have proceeded to file an administrative action for invalidating the environmental assessment again. The matter is still under review by the court. Management does not believe that this event will have a material adverse effect on the Company's operation and will continue to monitor the development of this event.

2. Final judgment, ongoing major litigation, non-litigation or administrative proceedings involving Company directors, supervisors, general manager, substantial representative, and shareholders that hold more than 10% of the Company's stock and affiliated companies up to the publication date of this Annual Report that can have a material impact on shareholders' interest or stock price: None.
3. For the Company's subsidiary litigations details, please refer to Appendix I: Consolidated Financial Statement with Independent Auditors' Report of the most recent year (Pages 138-257).

(XIV) Risks of information and communication security:

The frequent spread of encrypting ransomware and various kinds of cyberattacks shows that information systems cannot avoid targeted cyberattacks from any malicious third party completely. Network attacks may implant malicious programs into the Company's internal network for destruction or data theft after obtaining the Company's internal network permission through e-mail social engineering, phishing, brute force password cracking and other means, or lurk long in the internal network for network paralysis or ransomware after obtaining the control over the internal domain. Damage and ransomware attacks may interrupt the Company's production and operation, and data theft attacks may cause the disclosure of confidential operating data or personal data such as employees and customers data.

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.

(XV) Other material risks: None.

VII. Other material matters: None.

Chapter 8. Corporate Sustainability

I. Overview

AUO upholds the core concept of sustainability operation and values stakeholder management and communication. A strong emphasis is also placed on the realizing of financial and non-financial performance. An AUO CSR (Corporate Social Responsibility) strategic blueprint is developed in conjunction with the Company's core strategy to realize the AUO's sustainability vision through "going beyond CSR, creating shared values".

- AUO's sustainability policy

The AUO sustainability policy was formally approved in 2015 by a resolution of the Board of Directors. In accordance with international trends and the relevant standards, the policy encompasses a total of 12 items spread across the three aspects of governance, environment, and society. The policy not only serves as the ultimate guide for the sustainable development of AUO but also complements the Sustainable Development Principles that the Company has publicly committed to in its pursuit of sustainability.

(I) ESG & Climate Committee Operation

AUO adopts the sustainable management concept that advocates for the balanced development between enterprise operation and green sustainability and is committed to inputting more long-term resources into the environmental and social issues while emphasizing corporate growth. Established in 2013, the CSR Committee serves as the Company's top governance body for sustainable development. AUO embeds the UN's Sustainable Development Goals (SDGs) into our core competitiveness strategies. We emphasize cooperation alongside the value chain and actively establish global partnerships, with an expectation to take the lead in sustainable corporate development and create more shared values. In 2021, it was renamed ESG & Climate Committee in response to global climate action towards net zero carbon emission.

The ESG & Climate Committee is headed by Chairman and CEO, with a Chief Sustainability Officer appointed, responsible for the committee operation. According to the substantive importance of operation, eight subsidiary committees are set up under the ESG & Climate Committee. The vice presidents and other first-class directors are appointed as the commissioners to lead the operation of the subsidiary committees and cross-unit cooperation, and expand the vision blueprint into the teams' objectives and plans. The commissioners shall inspect the operation every month, report to the chairman every quarter to make decisions on major issues, and report the operation results to the board of directors every year in accordance with the Sustainable Development Principles. In addition, in response to current issues, ESG policies, and trends, they will hold discussions, brainstorming, and communications on project resources in the form of periodic executive meetings.

(II) CSR EPS 2025 Targets

The United Nations Sustainable Development Goals are adopted by AUO to define a corporate sustainability roadmap of "Go Beyond CSR, Create Shared Values." The three AUO EPS (Environment, People and Society) themes focusing on environmental sustainability, inclusive growth and agile innovation are defined. We are actively committed to achieving the short, medium and long-term goals of sustainable development by 2025. Close attention is paid to environmental issues such as climate change and the consumption of Earth's resources. Helping disadvantaged groups and ensuring quality education have long received AUO's support as well. We also explore future opportunities in energy and intelligent applications through agile innovation.

Theme		Aspect	Content	2025 target	Cumulative target realization
Environment (Environmental Sustainability)	Realize the goal of environmental sustainability through low-carbon production and resource recycling in the value chain	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 CO2e cumulatively.	60%
		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%.	77%
		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.	Continuously Control Financial Risks
People (Inclusive Growth)	Balance business growth with the diversified development of key stakeholders to achieve 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.	48%
		Inclusive Growth	Support employment for youths and the disadvantage, 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.	70%

Theme		Aspect	Content	2025 target	Cumulative target realization
		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.	86%
Society (Agile Innovation)	Continue to apply core technologies to improving the resilience of human lifestyle and promoting 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)	42%
		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.	88%
		Intelligent Life	Combine industry advantages with AI technology to create smart living and smart cities.	Development products and integrated services to expand the cumulative reach of education, health, finance, shopping, lifestyle, transport and other smart city applications to a one billion people.	41%

(III) Stakeholder Engagement and Communication

AUO values stakeholder communication and their feedback. By referring to the AA1000 SES (Stakeholder Engagement Standards), AUO has identified the categories of stakeholders that significantly impact the Company. Along with three principles (Complementarity, Collaboration, and Co-creation), the customized short, medium, and long-term development plan is adopted. Through regular inter-departmental communication, we will coordinate resources quickly, interact with stakeholders, grasp feedback, needs and risks, and explore mutually beneficial business opportunities.

Stakeholder communication topics and channels in 2021:

Stakeholder	Topic of Communication	Channel of Communication
Academic experts	Pollution prevention and control strategies, green product management, corporate public welfare publicity, and corporate culture shaping	Expert consultation meetings, and seminars
Suppliers	Conflict minerals response, banned and restricted substances policies, product carbon footprints, supplier ESG evaluation	Project meeting ∖ on-site exchanges ∖ Co-prosperity class ∖ Supplier audits ∖ supplier ESG platform ∖ Complaint mailbox
Customers	Return and exchange of goods, environmental management and performance, RBA implementation, employee safety and health, quality services, prohibited substance management	Project meeting ∖ customer satisfaction surveys, collaborative customer services
NGO	Water pollution management, corporate public welfare publicity, and corporate culture shaping	Project meeting ∖ external seminars, external communication mailboxes
Media	Operational performance, social participation, and environmental sustainability	Exhibitions, press conferences, press releases
Employees	Operation performance, environmental issues and events, environmental protection and safety projects, labor and salary issues	Club activities ∖ Labor-Management Conference ∖ questionnaire ∖ Welfare Committee ∖ internal communication mailbox , various complaint and consultation lines and business instruction meetings
Investors	Operation performance, ESG performance and stockholder's equity	The investor section of the Company's website, annual general meetings and quarterly press meetings, IR, external communication mailbox, financial report
Students	Social responsibility performance, appointment and welfare	A+ summer internship, GOLF Platform, campus recruitment, external communication mailbox, job search website
Communities & Neighborhoods	Public welfare activities, noise and odor, and ESG performance	regular visit and care, Factory space ∖ Project meeting ∖ Visits and Care ∖ plant appeal line and external communication mailbox

(IV) Enterprise Risk Identification and Operation Management

With the Board of Directors as the top management and decision-making organ, the risk management organization of AUO adopted the risk management policy as the top guiding principle in 2020. The risk management group under the ESG & Climate Committee is responsible for implementing the risk management policy approved by the Board of Directors. In accordance with the risk management standards and guidelines of ISO 31000, the Company has formulated corresponding policies and procedures. AUO quantified risk frequency, risk impact and degree of risk control through identification, analysis, evaluation and other processes. The strategic framework encompasses external political economy, climate protection and regulatory compliance, as well as the management of internal risks such as operational manufacturing, R&D operations, information security, and finance. In 2021, 18 key risk items are listed, including operation plans, production management, regulatory compliance, disasters and catastrophes, etc.; in terms of strategy, we are facing capacity constraints in the global market for both long and short term materials in the supply chain, as well as a net zero consensus under the global low carbon transformation; On the operational side, with the worsening of the local outbreak in 2021 and the second stage of water restrictions in Central Taiwan, there will be impacts on the supply chain, plant operations and logistics. To thoroughly and immediately consider any possible risks to its operations, AUO has deployed in advance to quickly establish operational contingency procedures in conjunction with relevant units, improve the flexibility of process improvement, enhance crisis response capabilities, and continuously improve its risk management structure to minimize the operational impact caused by risks.

(V) Customer Operation

AUO strives to be the best partner for long-term cooperation with customers. With innovative technology and intelligent services, AUO immediately follows the needs of customers and builds a thorough quality management system with a

strict attitude, aiming to create excellent products and become a long-term partner trusted by customers. The Company regularly meets and communicates with customers. A customer satisfaction survey is also undertaken on an annual basis, the result of customer satisfaction in 2021 is 97.9%, which shows that customers affirm the quality, ability and intelligent management achievements of AUO. We also review and improve individual customers' needs according to periodic customer evaluations. In the face of industrial cycle, AUO actively regulates the organization, continuously monitors the industrial trend, and grasps the customer trends, with customer satisfaction as the ultimate goal.

Under AUO's quality policy, we provide cross-border electronic quality after-sales service through our global service locations. Customers can apply for Return Material Authorization (RMA) service or contact our customer service staff to arrange for product return, repair and delivery during the product warranty period, and also track the progress of repair and return through the customer service system. In addition to improving customer satisfaction, we can also reduce waste and achieve the benefit of reducing environmental impact. In addition, we have also introduced international standards related to the automotive and medical industries to support the company's development in the smart field, such as the AIAG-VDA FMEA (Failure mode and effect analysis) and the ISO 14971:2019 risk management guidelines. We are fully prepared to bring our customers high-value technology and high quality products and services to our customers.

(VI) Supplier Management

AUO adheres to the principle of balanced development of the three aspects of sustainability, and assess the performance of the supply chain in the three aspects of economy, society and environment, and formulates specific supplier sustainability management methods and objectives. Through communication, coaching, audit and training, AUO works together with partners to improve capabilities and reduce risks, fulfill responsibilities and grow together for mutual prosperity.

AUO adopts the Responsible Business Alliance (RBA) as the implementation standard of corporate social responsibility policy and formulates the AUO Supplier/Subcontractor Code of Conduct. All AUO suppliers and contractors are asked to sign off the Statement of Compliance with AUO Supplier/Subcontractor Code of Conduct, which covers such topics as occupational safety, industrial health, environmental protection, and human rights to ensure suppliers and contractors to abide with the code of conduct of the RBA and related local laws.

AUO conducts supply chain ESG risk assessment every year. Through questionnaire self-assessment, AUO introduces the supplier ESG management mechanism, grasps the performance of the supply chain in the three major aspects (Economy, Society, and Environment) to identify high-risk suppliers and take follow up actions. The audit team consists of employees from procurement, quality, environmental safety and risk management, and human resources departments. Through on-site audits, document reviews, and employee interviews, AUO ensures that suppliers and contractors comply with the code of conduct and relevant laws and regulations. The business cooperation with the Company will be affected if suppliers or contractors violate the social and environmental responsibility. Meanwhile, suppliers are also arranged to participate in a series of ESG courses.

(VII) 2021 ESG Awards and Recognition

- AUO has been selected in the Dow Jones Sustainability Indexes for 12 consecutive years and S&P Global Sustainability Award Silver Class
- AUO has been selected for Bloomberg Gender Equality Index for 5 years in a row
- AUO has been selected in the MSCI ESG Leaders Indexes
- Prime Status awarded by ISS ESG Corporate Rating
- AUO has been selected in the Lighthouse Factories by World Economic Forum
- Honored with 15 awards including 2021 TCSA Top Ten Model Enterprises in Manufacturing Industry and GCSA
- Honored with the gold award of National Enterprise Environmental Protection Award awarded by the Environmental Protection Department
- Honored with National Occupational Safety and Health Award awarded by the Ministry of Labor
- Honored with the first prize of the Buying Power Award from Ministry of Economic Affairs for AUO's contribution in social engagement

- AUO has been rated A in MSCI ESG Rating

II. Environment

(I) Environmental Policy

In line with the expectation of overall environmental safety and health and energy performance, AUO reviews the Company's business philosophy, environmental identification results, legal requirements, resource demands, pollution prevention, and stakeholder needs. We develop environmental safety, health and energy policies and require the supply chain to comply with hazardous substance management regulations. AUO continuously improves its manufacturing efficiency, creates a friendly environment for production, promotes green manufacturing, green fabs, energy-saving and carbon reduction, resource reuse, waste reduction and environmental load reduction, and continues to make efforts in the field of sustainable production and clean manufacturing.

- Environmental management system

AUO has worked under the ISO 14001 environmental management system since 2002. This system also covers our domestic and overseas factories. Third party' verified make sure factories compliance, and the certificates are regularly renewed. Taking reference from life-cycle assessment and the voice of the stakeholders, AUO uses the PDCA (plan-do-check-act) cycle for continuous improvement. The Company uses policies, management task forces, documentation management to systematically environmental management to ensure not only the effectiveness and legitimacy of environmental management system but also the prevention of environmental damage or pollution. Through these measures, we are able to promote and achieve environmental protection goals.

- Environmental Accounting

The environmental accounting system was introduced by AUO in 2009. The global roll-out of the system was completed in 2012. Environmental expenditure amounted to NT\$1.983 billion in 2021, including NT\$1.697 billion in current expenditure and NT\$286 million in capital expenditure.

Unit: NT\$ thousands

Environmental Accounting		Explanation	2021		2020		2019	
			Current Expenditure	Capital Expenditure	Current Expenditure	Capital Expenditure	Current Expenditure	Capital Expenditure
Operating Costs	Pollution Control Costs	Costs related to pollution prevention, such as air pollution prevention, water pollution prevention	629,756	282,714	471,622	40,976	627,656	19,215
	Global Environmental Protection Costs	Costs related to global environmental protection, such as preventing climate change and ozone layer depletion	29,192	3,486	37,176	1,995	50,794	2,016
	Resource sustainability usage costs	Improve the efficiency of resource use, reduce resource use, avoid waste generation and affect related costs	591,935	-	483,034	9,870	740,693	7,770
Upstream and Downstream Related Costs		Costs related to environmental impact reduction in upstream and downstream activities, such as green procurement, product packaging recycling, and other related costs	209,635	-	188,464	-	207,283	-
Management Costs		Related costs derived from the development and implementation of environmental management	52,743	-	44,270	-	59,744	-
R&D Costs		Costs related to reducing environmental	3,696	-	13,270	-	19,187	-

Environmental Accounting	Explanation	2021		2020		2019	
		Current Expenditure	Capital Expenditure	Current Expenditure	Capital Expenditure	Current Expenditure	Capital Expenditure
	impact of manufacturing processes and products						
Social Activity Costs	Public welfare-related derivative costs for promoting and improving community environment	3,197	-	3,996	-	4,880	-
Losses and Remedy Costs	Costs derived from environmental problem solving, compensation, punishment, and litigation	-	-	-	-	-	-
Other Environmental Protection Costs	Other environmental protection costs, such as related environmental licensing fees, energy, and greenhouse gas-related taxes	177,089	-	201,015	-	227,870	-
Subtotal		1,697,243	286,200	1,442,847	52,841	1,938,107	29,001
Total Cost			1,983,443		1,495,688		1,967,108

(II) Climate Management/Climate Change

In the face of global climate change issues and the 2 °C global temperature target, AUO has defined four key strategic directions in climate change mitigation: transparency, action, responsibility, and cooperation. The ESG & Climate Committee is the decision-making platform for the Company's climate topics, establish connotations and targets of the Company in response to the SDGs, and manage the complex issues of climate changes, such as cherishing water resources, striving for energy conservation and carbon reduction, climate adaptation and operational resilience, and inclusive energy. Through the carbon energy working group, the ESG & Climate Committee formulates and implements year-by-year targets in a timely and appropriate manner according to the organization's operating status and development trends. The ESG & Climate Committee will include the effectiveness of climate management, and major climate changes if any, in the annual report of the board of directors.

AUO is taking the net zero issue seriously and is participating in domestic and international advocacy groups 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 Emissions

- 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.

● Climate-related financial disclosure

In response to the breadth and depth of climate change's impact on the organization's operations, AUO embedded the

climate adaptation topics into the Company's sustainable development goals. We established a management basis for climate risk opportunities and a PDCA cycle to build a long-term and continual improvement mechanism. In 2021, Using TCFD's recommended framework, AUO has identified and ranked climate-related risks/opportunities. Climate risk and opportunity-related research reports from international institutions are also taken into consideration, where risk/opportunity scenarios are identified and defined through group discussions.

Risk scenarios Identification and management policies of climate changes in 2021:

Item	Risks	Financial shocks	Governance
Operational risk management for Mainland China outsourcing companies or suppliers in response to local carbon controls	1. The industry is incapable of fast response to China's carbon reduction policy, causing broken supply chain 2. It is expected that the expansion of China's market carbon trading market and industry scope will result in high carbon trading price in 2030, and thus increase electricity rate by 10%.	Procurement costs increased by NT\$420 million	<ul style="list-style-type: none"> ● Facilitate the implementation of ISO 14064 carbon inventory and ISO 50001 energy management system for all partner companies ● Set management objectives, including carbon reduction and renewable energy targets ● Establish alternative key material suppliers
Market demand and household product specifications change due to green building and low-carbon living trends	Unable to provide low carbon emission products, resulting in customers' change of choice to other suppliers	High	<ul style="list-style-type: none"> ● Develop products that meet major Energy Label specifications in the world ● Introduce new design, new technology and new materials ● Control reasonable costs to ensure revenue and profitability ● Set up the product environmental footprint management
Global curbs on fossil fuel industry development, resulting in higher raw material prices and affecting supply chain	Increase in raw material costs due to the suppliers' transformation towards carbon emission reduction or national energy-saving policies of carbon emission reduction (such as electricity restrictions or tariff increases)	Medium	<ul style="list-style-type: none"> ● Establish upstream raw material price monitoring mechanism ● Monitor the inventory level of key vendors
The trends of technological development and electrification of transportation vehicles	Increase in transportation costs caused by decarbonization transformation and electrification policies in various countries	Low	<ul style="list-style-type: none"> ● Monitor the change in the transportation cost of major customers' transportation routes ● Monitor the transportation policy changes in countries within transportation routes ● Propose alternative transportation routes
The impact of ESG investment development and sustainable financial regulations on capital lending and market valuation	Missing out on the funds for transition demands provided by the green financing market	Low	<ul style="list-style-type: none"> ● Accelerate the planning and investment in Green Transformation ● Enhance the external communication, negotiation, and cooperation with stakeholders ● Strengthen external ESG performance evaluation

● 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 ISO 14064. Since 2010, the corporate 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 ISO 14064 and continuously advanced AUO's greenhouse gas management. AUO's global greenhouse gas emissions in 2021 totaled 2.92 million metric tons of carbon dioxide equivalent, including direct emissions of 79.2 thousand metric tons of carbon dioxide equivalent and indirect emissions of 2.84 million metric tons of carbon dioxide equivalent. The greenhouse gas emissions per square meter were 43.0 kg of carbon dioxide equivalent, a decrease of 2.11% compared with 2020; AUO's global greenhouse gas emissions in 2020 totaled 3.01 million metric tons of carbon dioxide equivalent, including direct emissions of 102.2 thousand metric tons of carbon dioxide equivalent and indirect emissions of 2.91 million metric tons of carbon dioxide equivalent. The greenhouse gas emissions per square meter were 43.9 kg of carbon dioxide equivalent;

- 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.

(III) Water Management

In 2021, the total water consumption of the whole plant was 24.99 million tons, successfully reducing the overall process water consumption by 1.47 million tons, the process water recovery rate was 94.47 %, and the process water consumption per square meter was 0.29 metric tons. In 2020, the total water consumption of the whole plant was 26.46 million tons, the process water recovery rate was 93.81%, and the process water consumption per square meter was 0.32 metric tons. We aim to reduce the output of wastewater, and detect the wastewater discharged from the plant regularly, and use automatic monitoring facilities to ensure that the quality of wastewater meets the standard.

- Water resource response and management

In 2020, it was the first year in the latest 56 years when there was no typhoon landing, and the southwest airflow and spring rainfall were also the lowest in the latest 10 years, resulting in severe orange-to-red light of rainfall in spring and summer of 2021. In addition to taking water shortage countermeasures according to the rainfall light switch of the Water Resources Department, AUO improved the Company's water consumption resilience through many water resources management changes, such as medium and long-term rainfall prediction for the plant area, groundwater hydrology research and monitoring water level of observation wells, and invested in the deployment of plant water purification equipment, additional works of standby waterways and material preparation procurement of water purification consumables; actively developed and introduced water from government, private and public drought-fighting wells, groundwater from construction sites, and water for people's livelihood from the regional water resource centers to increase the excess of allocation; put forward the water-saving plan of production equipment and plant affairs through the whole process inventory and professional judgment; monitored the local and weekly water consumption and increase used for key upstream components and cleaning outsourcing manufacturers, and required a water-saving target of 15 ~ 20% to increase the capacity control over the upstream raw material supply and outsourced cleaning. By the above measures, AUO was able to operate smoothly during the tight water supply period in the first half of 2021, under the government's water restriction measures and the increase of investment area in the same period, and the accumulated absolute water consumption of the period decreased by 11.2% and the unit water intensity of the period decreased by 14.2%, both compared with the same period of the previous year.

(IV) Circular Production

Comprehensively dedicated its green commitments, AUO has vigorously drawn up the circular economy blueprint and supported the SDG-12 responsible production. AUO continues to examine and refine the reduction management of raw materials throughout the production process. We will ally with upstream and downstream value chains to consolidate our technology and innovation foundation, thereby realizing and expanding the benefits of the circular economy. AUO has formed the "Circular Economy Working Group" that operates across different departments via horizontal integration. Comprehensive tracking indicators have been formulated in the product, manufacturing, and supply chain. These include reduction at the source, product circularity certification, increase in the recycling and reuse of materials, and reduction in waste generation during the production process. Furthermore, AUO has collaborated with its partners to recycle packaging materials, develop reclaimed materials technology and circular materials during the production process, thereby achieving the goal of a circular economy by taking action.

After 2020, AUO took the lead in the industry to obtain the world's first UL 3600 circularity certification of the panel industry with the 24 inch desktop displays. In 2021, AUO continued to examine and improve its own circular degree according to the UL certification indicators, continuously promoted the technology of cycle products to notebook displays, and promoted the improvement of product circular degree with 15.6-inch displays. In addition to recycled plastics, the recycling of other recycled materials was also optimized, including the use of glass materials recycled after cutting for panel glass, and the use of aluminized zinc steel plates containing waste steel for back plates. Compared with the previous case (24-inch desktop displays), the proportion of recycled materials was increased from 1% to 9%, achieving the performance of 54% product circular degree and 93% factory circular degree, and 74% comprehensive enterprise circular degree.

- Waste management

The AUO waste disposal principle now embraces the promotion of the circular economy. Reuse and Reduce are prioritized to minimize the use of raw materials, followed by recycling and waste resource recovery, and finally disposal by incineration or landfill to ensure the effective utilization and circulation of resources. In addition, we established "whole process of waste management", which starts with the addition and use of raw materials at the source and the adjustment and change of manufacturing process, so as to make the new waste be disposed of in advance. AUO keeps abreast of the changes of waste clearing and transportation market and the treatment status of manufacturers anytime. In addition, the cleaning track is monitored at sites to avoid illegal dumping. Through the integrity of the overall management mechanism, we can ensure that waste cleaning and transportation will not impact the operation and enable disposed of waste legally and properly so as to mitigate public doubts. In 2021, there was 64,600 metric tons of non-hazardous waste and 18,100 metric tons of hazardous waste, of which 82.86% was recycled and disposed of, and the amount of waste per square meter was 1.22 kg; in 2020, there was 62,200 metric tons of non-hazardous waste and 19,300 metric tons of hazardous waste, of which 83.16% was recycled and disposed of, and the amount of waste per square meter was 1.19 kg;

- Green products

AUO's hazardous substances management policy adopts the concept of sustainable operation in three aspects. Through the provision of high-quality green products and services, the Company formulates the management regulations of AUO's hazardous substances and implements the hazardous substances management process to reduce the impact on the environment and ecology and fulfill the corporate social responsibility. The Company continues to take the product free of hazardous substances as its goal and dispose of hazardous materials in keeping with the Basel Convention. AUO formulates the hazardous material regulations by taking into consideration of international regulations, the requirements of customers, and environmental protection trends. AUO regularly collects information related to hazardous materials. Upon the prudent evaluation, we update the regulations on hazardous materials. AUO

had 141 hazardous material management and control items in 2021, and the hazardous material items under control cover the specification requirements of all major customers.

(V) Sustainable Products

AUO's R&D team aims to provide display solutions in multiple application fields through technological innovation. In response to climate change issues, product life cycle assessment is considered to reduce resource consumption. In addition to achieving the goal of carbon reduction, AUO also attaches great importance to value co-creation and resource reciprocity to connect industry value chain partners together.

● Display Products

AUO has long been committed to environmental sustainability and efficient resource utilization. Since 2017, it has continuously refined technology in notebook, desktop computer and TV applications to improve panel usage efficiency and reduce power demand. In 2021, the energy consumption of laptop displays was reduced by 45%, the energy consumption of desktop displays was reduced by 55%, and the TV penetration rate was increased by 60%.

In the part of notebook computer displays, the number of mobile devices has continued to expand recently in the market. In addition to the development and introduction of power-saving and low-temperature polysilicon processes in the previous two years, which is a backplane technology with high electron mobility, AUO currently optimizes the light shape by virtue of backlight light guide plates to improve the utilization rate of backlight and lower power consumption. In the future, AUO will continue to develop panels for the matching system that support low operating frequency under different usage scenarios to further reduce power consumption.

In terms of desktop displays, AUO cooperated with backlight manufacturers to develop LEDs with wide color gamut, which can reach sRGB standard color specifications with exclusively developed color filters with high penetration, and cooperated with manufacturers of light guide plates to develop new directional light guide plates, which can greatly point the light source to the direction of users, so as to improve the shortcomings of excessive light source overflow and waste caused by traditional light guide plates.

● Solar energy products

AUO energy business starts from the vertical integration of solar module manufacturing and extends to the construction of solar power plants, operation and maintenance of power companies. Its energy storage and energy management software business is also growing with the increase of the proportion of renewable energy used. In terms of channels, AUO expanded the kit business of "one-stop shopping" of solar energy system, and transferred the kits from offline channels to online channels through digital transformation in response to the epidemic in 2021 by launching online shopping on AUO Mall, which is an innovation for Taiwan's solar energy industry. In addition, AUO also extended the development of solar building integrated niche product manufacturing and transport electrification-based power generation system solutions.

In response to the increase in the proportion of power generation with renewable energy, it is necessary to ensure the stability of power supply, and the importance of energy storage business and energy management has also increased along. With the profound strength of many years of development, AUO has become the only selected manufacturer in the "Taichung smart energy-saving community demonstration field". In terms of software business, AUO independently developed through its own solar energy project field the Sun Veillance product series, including data collector, monitoring system and wireless IoT environment sensors. AUO also introduced AI simulation, developed intelligent monitoring system, further expanded the software business from energy generation to energy storage, prepared for power dispatching and management of decentralized power grid, and extended the tentacles of software business to banks as asset management and price evaluation of solar projects.

AUO has formed an alliance with "SunnyFounder", the largest power plant platform in Taiwan, to cooperate in realizing the goal of 10MWp solar power plant construction every year which is estimated to involve about 30,000 people a

year, through the AUO professional ability of high-efficiency solar module products, power plant construction engineering and operation and maintenance. And AUO continued to expand the green energy ecosystem. Star Shining Energy, its related party, transferred 2MW green power to large power users in Taiwan through SunnyFounder. With the cooperation of the two parties, power users will be able to obtain a stable supply of renewable energy. AUO will give full play to the professional ability of power plant construction, provide reliable and stable green power, and work together to promote Taiwan's power liberalization and activate the green energy economy.

III. Social Aspect

(I) AUO Human Rights Policy

AUO is dedicated to safeguarding the human rights of employees. In 2006, AUO formulated four-stage human rights management system by referring to international standards, such as Social Accountability 8000, Global Sullivan Principles, The UN Guiding Principles on Business and Human Rights and Responsible Business Alliance Code of Conduct, meeting various regulatory requirements, such as freedom of employment, humane treatment, prohibition of discrimination and sexual harassment. Furthermore, diversified and effective communication mechanisms have been established together with the protection of the employees' reporting rights and interests, improvement of salary benefits, training and development opportunities, and course selection, ensuring that the rights and interests of employees are protected, and the social responsibilities are fulfilled.

AUO conducts human rights risk assessment every season to evaluate the risk value of the enterprise in terms of eight items of human rights issues, including sexual harassment, working hours, occupational safety and health, discrimination, personal information risk, salary and welfare, hampering free choice of occupation and freedom of association. In 2021, through assessed high-risk human rights issues at sites via a communication channel, and identified working hours and occupational safety as high risk, and thus the training and communication were delivered through implementing mitigation measures accordingly. In addition, AUO conducted a thorough review of each site's performance through an on-site audit, document review, and employee interviews in accordance with the RBA (Responsible Business Alliance) Code of Conduct, to make sure there are no human rights grievances events.

(II) Workforce Structure and Diversity

In pursuit of an excellent enterprise with sustainable operation, AUO draws up a forward-looking recruitment plan based on the medium and long-term strategy in the aspect of the own operations, new business, and key positions. AUO adopts an equal principle. Employee employment, salaries, and promotion are not differentiated by factors such as gender, ethnicity, nationality, religion, age, disability, political opinion, marital status, or union membership. Through a fair and just recruitment and selection mechanism, AUO creates a friendly workplace environment with equal rights between the sexes, featuring multi-cultural integration and cross-generation. In 2021, the Company had 39,480 employees worldwide, with its presence in Asia, America, Europe, and other regions. Aiming at the global multinational employees, we are committed to creating a multi-faceted working environment of equality, integration, and development so as to promote respect for differences among employees in an open and inclusive atmosphere, learn together, strengthen team cohesion, and drive AUO's ongoing growth.

(III) Talent Retention

AUO believes that employees are the greatest asset of a company, so we offer a diverse and competitive compensation package. Salary of worldwide operating sites is determined by the employees' educational background, previous work experience, professional knowledge/skills, years of professional experience and other factors, instead of differentiated by factors such as gender, ethnicity, nationality, religion, age, disability, political opinion, marital status, or union membership. AUO takes part in annual international market salary surveys, and salary adjustments are based on the job market and

individual performance to ensure that we remain competitive. The starting salary for employees is at least 1.3 times the local minimum wage. In line with the Company's overall operation, team and individual performance, the short-term and long-term reward incentive schemes are designed according to different job flexibility to share profits with employees, so as to achieve the purpose of talent attraction and retention, the incentive mechanism and planned training of high-quality talents. AUO also respects the diversity and differences among employees all over the world and specifies that the performance management system and assessment procedures are not treated differently because of the above conditions. In 2021, 100% of the global formal employees completed the performance management cycle.

In order to enable employees to give full play to their strengths in sound and friendly workplace environment and immerse themselves in the fine enterprise atmosphere of work, family and health, AUO provides employees with all-round and complete systems and facilities at the levels of "work, life, study and career development", including labor insurance, inclusive health insurances and group insurances, annual bonus, staff restaurant, life square, support center, fitness center, employee welfare committee, and has also set up an "employee stock ownership trust plan" to relatively allocate incentive funds to help employees save small amounts in the long term and establish a short-to-medium-to-long term flexible fund utilization or financial planning.

(IV) Occupational Safety and Health

AUO's all sites have obtained ISO45001. Each year, AUO independently monitors the operational exposure risks, biological detection indicators, and the operational environment and health grading management mechanism to strengthen the operational safety. In 2021, the rate of occupational injury was 0.201, there were 17 occupational injury, including 0 serious occupational injury and 1 occupational injury fatality. The main types of occupational injuries were sliding, falling, smashing, impact, clamping, rolling and crushing. Therefore, the management of up and down appliances, maintenance and cooperation in the equipment room was improved, and sensitive film advocacy was carried out to improve the alertness of employees.

- Highlight the source management

The Company's fabs were designed in accordance with the plant construction risk management specifications. Solutions to prevent all possible hazards were incorporated into fab construction. All on-site operations and possible damages/risks incurred were identified and evaluated, and the most feasible methods and techniques for hazard prevention and risk control were adopted accordingly, with a particular emphasis on source management. To ensure employee safety during operations, new equipment loaded in a plant site has to abide by the equipment installation safety inspection specifications before operations can begin. For chemicals, AUO Chemical Filter has been established to screen for high-risk substances, in line with the international trend for chemical management. Clearance control is also applied to the chemical sources, to protect employees' health and avoid environmental impact.

- Promoting a culture of safety

The Company continues to promote a culture of safety. Signing ceremonies for safety commitments and safety forums were held at each fab, through which each employee was expected to play a safety role in his or her own position so as to blend safety awareness into work and life and achieve the vision of zero incidents.

- Strengthen communication and training for hazard prevention

In order to effectively enhance the employees' safety and hygiene awareness, the Company planned different thematic courses for different employees. These courses cover environmental protection, safety and hygiene, emergency response, management system, risk management, social responsibility, and green products, so that employees can recognize the hazards and implement safety standards and procedures to truly protect themselves. Besides training, a departmental safety officer was appointed to regularly collect employees' safety and sanitation needs for work, and thus to transmit security management measures and notices for a healthy two-way communication.

- Promoting employees' health

AUO has arranged professional nursing staff to plan an all-inclusive health management program. In addition to health checks, medical consultations and various health promotion activities were held regularly. An e-health management platform has also been built, allowing employees to access relevant and personal health information at all times. On top of it, services of psychological and legal consultations with professionals were provided to employees in need.

- Establish an emergency response framework

Besides regular emergency response groupings and drills, AUO has established a 24-hour emergency response center equipped with full monitoring facilities to keep abreast of the situation in every factory corner, in order to avoid possible material impact of emergent accidents. A complete emergency response plan was also made to respond to fires, chemical spills, earthquakes, floods, and so on. Moreover, drills are also performed to familiarize personnel with the various procedures to minimize the impact on personnel and property in case of emergency.

- Keep on monitoring and auditing

To ensure the safety of sites, various environmental testings and personnel working environment measurements were performed in accordance with the laws. Also established was a complete audit procedure, which includes routine inspections, high-risk operations inspections, supervisor inspections, and the cross-plant audits performed by the safety experts from each plant site. Irregular audits were also conducted by domestic/oversea third-party verification units or customers.

(V) Talent Development

Employee education and training at AUO are guided by the "Education and Training Procedure." Its purpose is to enrich employee knowledge and skills, improve productivity and quality, and ensure the effective utilization and development of human resources so that the employee growth is aligned with corporate development goals. Extensive resources have been invested into training employees with different titles since they join the Company. Different training plans are adopted at each stage for systematic learning and development, including new staff training, personal function development, professional knowledge improvement, external training plans, supervisor training, etc., with 47,090 days of education received by employees in 2021. With a people-oriented approach, retiring or departing employees are also offered references, career consultation, and other resources to assist with their future employment or career planning. Educational and training meetings for reviewing the training effect and improving countermeasures are regularly convened by the Academic Affairs Center of AUO University.

(VI) Employee Engagement and Communication

- Labor-Management Relations

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. In principle, labor-management conferences shall be attended by an equal number of representatives on both sides, with 5 being the minimum and 15 being the maximum from each side. Representatives on the labor side are elected by all workers for a 4-year term, after which re-election is also possible. Labor-management conferences are held once every three months. There are currently 5 management representatives with 5 labor representatives from Headquarters and each site, in a total of 45 representatives. 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.

In addition to the labor-management conferences, AUO regularly holds with staff quarterly / monthly meetings, business briefings, and other two-way meetings to deliver important notices and policies. Other means of communication included 24-7 platforms, such as "Audit Committee Box," "President's Mailbox," "Grievance Mailbox for Sexual Harassment" and "Internal Communication Box," for the Company to collect, understand, and resolve employees' needs. Doing so has established a sound environment for mutual participation and full communication between employees and the management team.

- **Communication Channels and Employee Engagement Survey**

AUO has taken an active stance in building positive employee relationships by establishing various channels of open and positive communication. Employees are free to provide their opinions through the "Internal Communication Mailbox", "President's Mailbox", "Audit Committee Mailbox", "Grievance Mailbox for Sexual Harassment", and the "7885 (please help me) Hot-line". In 2021, 100% of cases were closed. In addition, employee relations specialists are also available at each site, and random telephone surveys are conducted at each unit to check on employees' physical and mental well-being.

To create a friendly working environment and improve employee recognition, AUO assesses the organizational atmosphere and listens to employees' voices every six months through the comprehensive indicators of the Gallup Q12 Employee Engagement Survey. In 2021, over 11,900 employees were surveyed, coverage rate nearly 60%, and 75% of employees were satisfied with basic needs, management support, team cooperation, and talent development. Through knowing the voice of employees, we support various sites and departments on a regular basis. In line with the concerns and weaknesses of each site, we formulate and strengthen corresponding measures, such as employee experience, education, and training, departmental communication, and track them regularly so as to set up the reference index for organizational management and optimize the Company's human capital strategy.

- **Sustainability Literacy Survey**

AUO respond to the Taiwan's first sustainability literacy survey "Donut Planet: 100 Actions for Sustainable New Life" launched by the social enterprises and Vision Engineering Foundation and Taiwan DBS Bank. AUO customized a AUO version of the sustainable literacy survey consisting of 50 questions in combination with the goal of AUO CSR 2025. In 2021, a total of 3,195 employees participated achieving an average score of 84.5, close to the highest literacy level, and received 1,148 feedback questionnaires, including 223 action plan suggestions: energy conservation and energy creation plan, plastic reduction, being paperless, recycling, clean energy and so on, which shows all employees are committed to the sustainable development of Company and the environment and society.

- **Welfare Committee**

AUO Taiwan establishes the AU Optronics Corporation Welfare Committee to look after employees' life, maintain harmonious labor relations, promote employee relationships and their physical and mental health and encourage appropriate entertainment and leisure activities. With the purpose of looking after employees' life, promoting their physical and mental health and maintaining harmonious labor relations, the Committee is responsible for the planning and implementation of various welfare schemes, and continuously promoting employee welfare business through perfect welfare system and various employee activities, such as: sports seasons, celebration of festival, club activities, and employee outings. Other benefits and subsidies include those connected to emergency assistance, in-hospitalization, weddings, funerals and other events.

(VII) Pension Scheme

The "Retirement Policy" were drawn up by AUO to encourage employees to fully commit to their careers and work towards a stable, supported lifestyle after retirement. AUO contributes towards relevant social security premiums such

as labor retirement, medical care, senior pension and so forth as legally stipulated at each operating location for every employee. The Labor Pension Fund Supervisory Committee was established in the Taiwan plants in August 1997 and began to deposit pensions in May 1998. The deposition is based on 2% to 15% of the monthly salary. According to the provisions of International Accounting Standard No.19, the actuary is required to conduct evaluation on the pension reserve fund, and submit an actuarial assessment report. The new labor pension system has been implemented according to law since July 2005.

(VIII) Social Engagement

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 developed in the four key business 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.

- **Honest-Intelligent Scholarship**

Since 2006, AUO employees have volunteered to donate one day or several days' worth of salary for recipients of our scholarship. Priority is given to elementary and junior-high-school students who are academically inclined and demonstrate qualities of upright character coming from impoverished families. So far, NT\$147.04 million scholarships are awarded, helping over 39,000 students from poor families or families in difficulty by facilitating their academic pursuit. In 2021, the Scholarship has collected nearly NT\$8.82 million donated by over 2,000 employees and helped nearly 2,700 students. In 2021, the "Campus Science Popularization and Environmental Education Program" was promoted to enable students to actively understand and explore problems and cultivate their ability of interdisciplinary learning and multiple thinking. Seven special studies were produced, benefiting 109 students and accumulating more than 1,500 learning hours.

- **AUO Wish Program**

AUO launched Christmas Wish Program in 2002. Employees recommend the institutions in need of help and raise funds for gifts and Wish Fund. So far, more than 10,000 gifts and more than NT\$19 million dream fulfillment scholarship have been raised cumulatively for disadvantaged children in rural regions and social welfare institutions. In 2021, 772 gifts were raised, and 16 public welfare groups were assisted in special fund-raising, raising a total of NT\$4.27 million.

- **Charitable club services**

In order to practice the mission of social care and serve local vulnerable groups, seven public welfare associations have been established in each factory of AUO since 2013, which have established a deep connection with local social welfare institutions. Through public welfare activities such as loving companionship, environmental protection, after-school counseling, annual warming and factory fund-raising, the associations have become the promoters of realizing dreams of vulnerable groups on their growth path. Volunteers were dispatched more than 370 times in 2021 and provided up to 1,050 hours of service.

- **Green Party**

AUO Sustainability Foundation has held Green Party, a tree planting activity, for 14 consecutive years, achieving a high green landscaping coverage at AUO's sites. Since 2020, AUO Foundation has more actively expanded the scope of tree planting outside the plant areas, responded to "Friendly Ecological Afforestation", one of six themes of National Ecological Green Network Establishment Project Policy by the Forest Bureau. In 2021, the AUO Foundation joined hands with the Hsinchu Forest Management Office under the Forest Bureau to adopt the security forest, an important habitat of ocelots with an area of 0.73 hectares, mobilized employees to participate in the three-year maintenance period from tree planting to tree protection observation and replanting and continued to promote the decade plan of "Protecting Taiwan's Green Fortress".

- No Plastic Green Activity

The green action was initiated before Earth Day on April 22 to spread AUO's sustainability concept. Employees were invited to go online and sign the 21-day Green Life petition sponsored by Taiwan Environmental Information Association. The online environmental protection creativity relay competition was held to encourage employees to share their daily environmental protection photos and videos. More than 1,400 employees submitted their entries, which received 73,000 likes and shares in 2021.

- Summer-time energy saving action

In order to promote energy conservation and carbon emission reduction, two interactive games, "Energy Conservation Class" and "Green Energy Class", were launched through the AUO LOHAS App in the peak power consumption season of summer in 2021, by which employees may enjoy by learning about carbon emission reduction and understanding the current situation of green power and green energy in Taiwan, with a total of 2,200 participation times.

- Support Taiwan's agricultural products _ Sustainable agriculture teams

AUO is committed to fulfilling its corporate social responsibility and caring for Taiwan's agriculture. Since 2008, it has encouraged employees to give priority to purchase from local agricultural product exhibitions through the "Youxiantaiwan" (Fresh Taiwan) project. In 2021, the concept of "Sustainable agriculture teams" was put forward to strictly select seasonal agricultural products such as fresh vegetables and May peaches from Hsinchu tribes, citrus reticulata 'murcotts', citrus tankan hayatas, and sin-hing-lai pears from Taichung, pineapples and sugar-apples from Taitung, as well as jujubes, pineapples and mangoes from Pingtung, in response to the Taiwan agricultural policy and in conjunction with partners specialized in agricultural product transport and marketing. At the same time, AUO purchased rice gift boxes and all kinds of cultural and creative small farmers gift boxes as gifts for shareholders' meetings and stockholders.

- Dada's Magic World

"Dada's Magic World" is a popular science education base under AUO Sustainable Foundation and is committed to promoting popular science education and cultivating scientific literacy.

In addition to the update of exhibits, AUO also held an experience course of the "DADA for Elementary School" course, jointly developed with Yuan T. Lee Foundation Science Education for All, on the opening day. Combined with the exhibition resources and the spirit of 108 syllabus, students may learn from life situations through exploration and interesting hand-made work to cultivate their scientific quality. In 2021, there were 106,295 tour sessions in the exhibition hall and 56 times of volunteer services.

- Environmental Education

Environmental education facilities located in AUO Taichung plant combined with the characteristics of green plant, solar energy, Hsi Ta Tun Kiln and other fields, and developed two courses of "Energy" and "Culture". In addition to corresponding to SDGs objectives, the course contents are also combined with 108 syllabus to enhance the environmental literacy of visiting students and convey the concept of environmental sustainability in a vivid, interesting and practical way. In 2021, there were 1,268 participations in outdoor teaching, rural invitation, adult visit and online courses, 1,238 times of online film watching. In 2021, AUO also served as the leader of the "Central Environmental Education Places Alliance", discussed the development direction with the alliance partners together, and carried out series cooperation in the form of "digital marketing", including holding online lectures and achievement carnivals, promoting the central environmental education places through joint marketing, and strengthening the professional knowledge of environmental education of professionals, so as to expand the influence of environmental education. In the Water Resources Education Hall (GreenArk) in the Lungtan plant area, AUO environmental education team has designed simple and understandable environmental education units for students of senior grades of primary schools based on the full recovery processes of process water in the Lungtan plant and combined with the facilities of "AUO GreenArk Water Resources Education Hall" since 2018. In 2021, AUO developed digital learning and launched a film with the theme of water pollution to promote environmental education through online courses "Zero-Distance

Learning". In the second half of the year, AUO cooperated with Laojie River Education Center across the region to enter the campus together. In addition, the Water Resources Education Hall also transmitted the zero discharge principle and the concept of cherishing water resources to the social public under the theme of "a drop of water used for five times".

- Cultural Preservation

AUO Hsi Ta Tun Kiln Cultural Museum opened at October, 2020 to make enterprise employees recognize and convey cultural influence. For the first time, it was combined with the in-plant intelligent manufacturing exhibition in 2021, to allow enterprise employees to visit ancient and modern high-tech technology. It also passed on the concept of the balance of science and technology and humanities through the interactive exhibits of the cultural museum. In addition, the exhibition hall also plans an exclusive day for enterprise employees, The event features an exclusive Cultural Hall tour with clay making DIY · allowing the employees and their families to learn and understand the historical stories of the Hsi Ta Tun Kiln from DIY activities. In 2021, there were 3,113 visits to the hall and 26 cultural voluntary services.

(IX) Youth Empowerment-GOLF Program

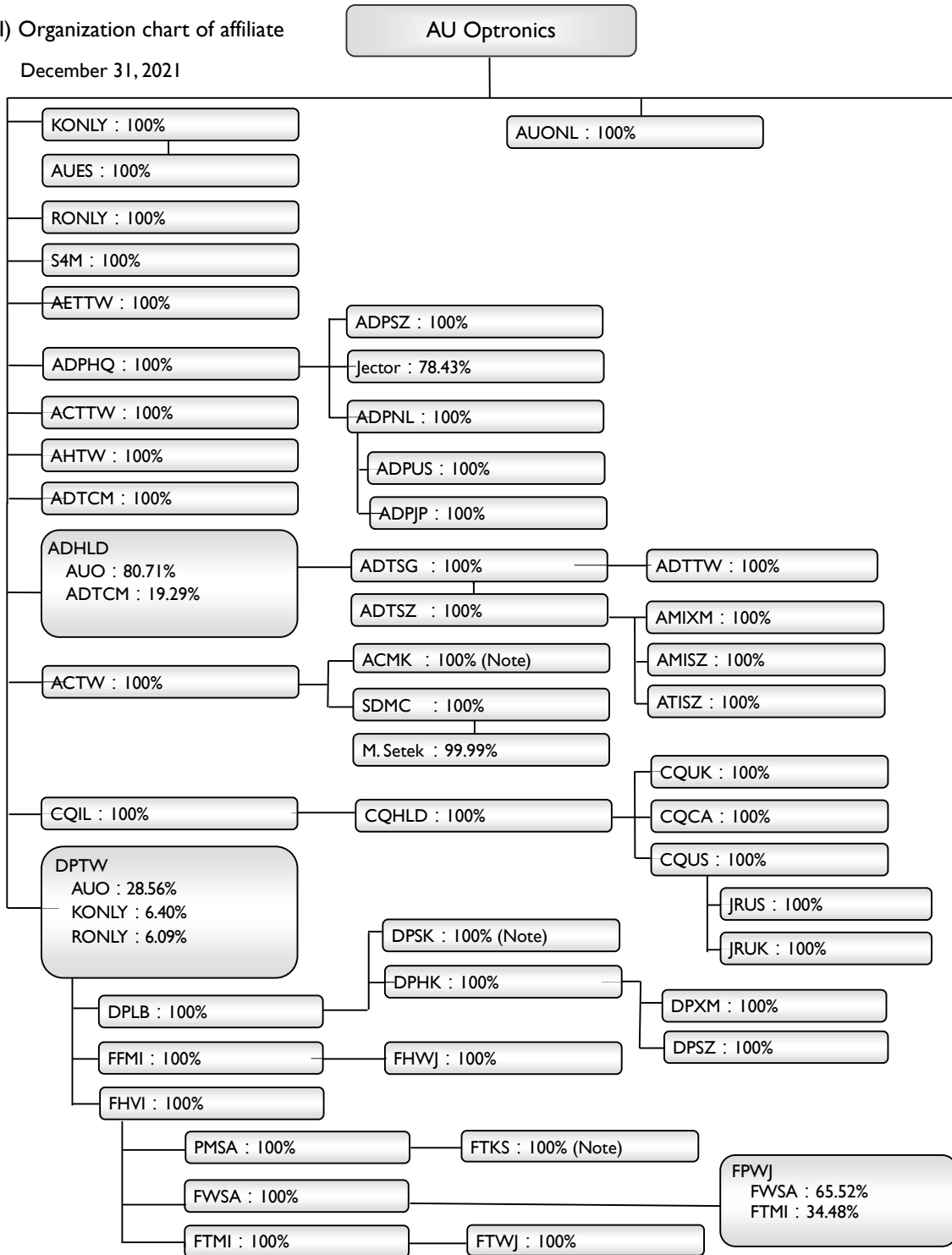
The GOLF (Gap of Learning & Field) alliance jointly launched by AUO, Compal and Wistron has attracted more than 38 enterprises to cooperate and 48 university allies to join, integrated the rich training and internship resources of various companies, and provided more than 200 digital courses and thousands of internship vacancies, creating an innovative cooperation mode of two-way connection between industry and universities and resource sharing. Among them, the "Institute of Information and Communication Industry", "Institute of Optoelectronics Industry" and "Institute of Semiconductor Industry" have been set on the online learning platform to help students obtain first-hand practical knowledge of the science and technology industries, help students build workplace soft power, cross-domain learning ability and industrial professionalism through the GOLF learning map. 4 GOLF campus lectures and 3 online live conversations were held, where GOLF alliance enterprises were invited to share industry trends and workplace experience with students face to face.

Chapter 9 Special Disclosure

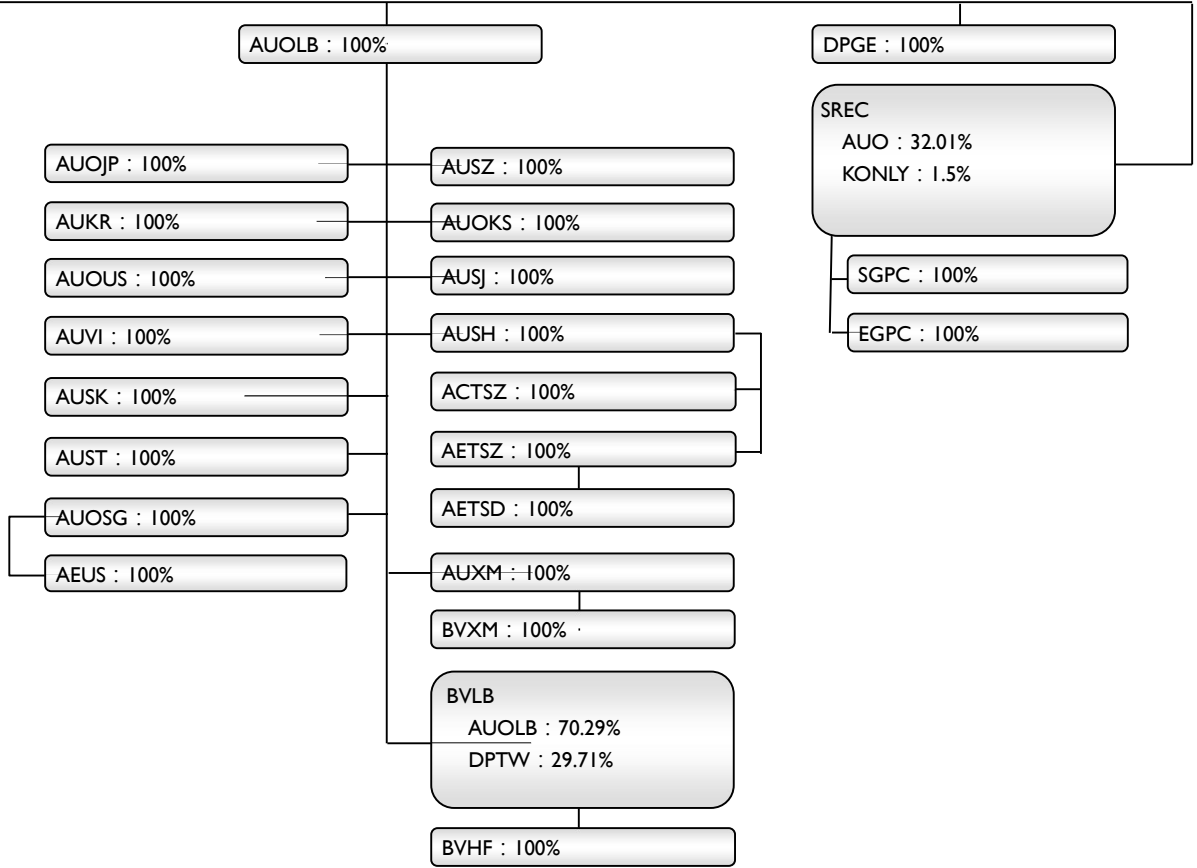
I. Information about affiliates

(I) Organization chart of affiliate

December 31, 2021



Note : ACMK , DPSK and FTKS is in the process of liquidation.



(II) Basic information of affiliates

Decrmbtr 31, 2021; 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)	2001/03/14	10 Tampines Industrial Avenue 3 Singapore 528798	SGD 601,841	Manufacturing TFT-LCD panels based on low temperature polysilicon technology
AU Optronics (Slovakia) s.r.o. (AUSK)	2009/01/24	Bratislavská 517, 911 05 Trenčín, Slovak Republic	EUR 1,000	Repairing of TFT-LCD modules
AU Optronics Korea Ltd. (AUKR)	2004/07/01	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 (L) Corp. (AUOLB)	2000/09/07	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 Corporation America (AUOUS)	2000/09/11	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)	2001/09/11	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)	2010/10/08	Melaka World Solar Valley, 78000 Alor Gajah, Melaka, Malaysia	MYR 20,386	Manufacturing and sales of solar wafers
AUO Digitech (CAYMAN) Limited (ADTCM)	2020/08/05	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)	2020/08/11	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	USD 14,000	Holding Company
AUO Digitech Pte. Ltd. (ADTSG)	2020/10/08	10 Tampines Industrial Avenue 3, Singapore 528798	USD 12,300	Holding Company
AUO Display Plus America Corp. (ADPUS)	2020/10/26	8915 Research Drive, Suite 100, Irvine, CA 92618, USA	USD 1,500	Sales and sales support of TFT-LCD panels
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 support of TFT-LCD panels
AUO Display Plus Netherlands B.V. (ADPNL)	2010/09/29	Zekeringstraat 39, 1014BV Amsterdam, Netherlands	EUR 43	Holding company, and sales and sales support of TFT-LCD panels
AUO Europe B.V. (AUONL)	2004/05/24	Zekeringstraat 39, 1014BV Amsterdam, Netherlands	EUR 50	Sales and sales support of TFT-LCD panels
AUO Green Energy America Corp. (AEUS)	2010/07/06	37085 Grand River Avenue, Suite 340, Farmington, MI 48335, USA	USD 1,194	Sales support of solar-related products
AUO Singapore Pte. Ltd. (AUOSG)	2006/09/20	10 Tampines Industrial Avenue 3 Singapore 528798	SGD 19,597	Holding company and sales support of TFT-LCD panels
BriView (L) Corp. (BVLB)	2009/07/02	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)	2007/03/06	199 Bay Street, Suite 4000, Toronto ON M5L 1A9, Canada	USD 1,016	Research and development of content management system
ComQi Holdings Ltd. (CQHLD)	2007/02/27	Suite 305, Stanmore Bic Howard Road, Stanmore, UK, HA7 1BT	USD 27,129	Holding Company
ComQi Inc. (CQUS)	2007/03/05	1209 Orange Street, Corporation Trust Center, Wilmington, County of New Castle, Delaware 19801	USD 25,857	Sales of content management system and hardware
ComQi Ltd. (CQIL)	2010/02/15	14 Yad Harutzim St. Tel Aviv, Israel 67778	USD 44,909	Holding Company
ComQi UK Ltd. (CQUK)	2007/01/23	Suite 305, Stanmore Bic Howard Road, Stanmore, UK, HA7 1BT	USD 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 92,267	Holding Company

Name of business	Date of incorporation	Address	Paid-in Capital		Main Activities
Darwin Precisions (Slovakia) s.r.o. (DPSK) (Note 1)	2016/05/07	Prejtská 336/290 Dubnica nad Váhom 018 41 , Slovak Republic	EUR	4,000	Manufacturing and sales of automotive products
Forefront Corporation (FFMI)	2001/06/20	Level 3,Alexander House, 35 Cybercity, Ebene, Mauritius	USD	6,526	Holding Company
Forhouse International Holding Ltd. (FHVI)	1999/09/17	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)	2002/07/26	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)	2019/10/07	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 (JRUK)	2019/10/11	Suite 305, Stanmore Bic Howard Road, Stanmore, UK, HA7 1BT	USD	1,500	Development and sales of content management system and sales of the related hardware
M.Setek Co., Ltd. (M.Setek)	1978/02/03	Sanwa Build 5F, 3-24-21 Shiba, Minato-ku Tokyo 105-0014, Japan	JPY	18,000	Manufacturing and sale of ingots
Prime Forward International Limited (PMSA)	2002/01/25	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road,Apia, Samoa	USD	31,993	Holding company
AU Optronics Manufacturing (Shanghai) Corp. (AUSJ)	2001/12/20	No. 3, Alley 58, Sanzhuang Rd., Songjiang Export Processing Zone, Shanghai	USD	108,000	Manufacturing and assembly of TFT-LCD modules; leasing
AUO (Kunshan) Co., Ltd. (AUOKS)	2009/08/21	No. 6, Longteng Road, Kunshan Economic and Technological Development Zone, Jiangsu Province,	USD	961,000	Manufacturing and sale of TFT-LCD panels
AU Optronics (Xiamen) Corp. (AUXM)	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
AU Optronics (Suzhou) Corp., Ltd. (AUSZ)	2001/06/19	No.398, SuHong Zhong Road, Suzhou Industrial Park, China(Jiangsu) Pilot Free Trade Zone.	USD	466,000	Manufacturing, assembly, and sales of LCD modules
AU Optronics (Shanghai) Co., Ltd. (AUSH)	2005/09/22	5th Floor, Building B, No. 33, Guangshun Road, Shanghai	USD	15,000	Sales support of TFT-LCD panels
AUO Envirotech (Suzhou) Co., Ltd. (AETSZ)	2018/02/24	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 (Shandong) Co., Ltd. (AETSD)	2019/05/27	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 Megalnsight (Xiamen) Corp., Ltd. (AMIXM)	2021/04/20	1F Building T1, No.1689, North of Xiang'an Road, Xiang'an Branch, Torch Hi-tech Industrial Development Zone, Xiamen, China	CNY	5,000	Sales of software and hardware relating to intelligent manufacturing, and related consulting services
AUO Megalnsight (Suzhou) Co., Ltd. (AMISZ)	2018/08/28	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 Care Information Tech.(Suzhou) CO.,Ltd (ACTSZ)	2017/09/22	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 Digitech (Suzhou) Co., Ltd. (ADTSZ)	2020/12/07	Floor 4 , Building 9, No.398, SuHong Zhong Road, Suzhou Industrial Park, China(Jiangsu) Pilot Free Trade Zone.	USD	9,000	Business management consulting, technology promotion, and application services

Name of business	Date of incorporation	Address	Paid-in Capital		Main Activities
Edgetech Data Technologies (Suzhou) Corp., Ltd. (ATISZ)	2018/08/28	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
BriView (Hefei) Co., Ltd. (BVHF)	2010/04/09	No. 176, Yuner Road, Economic and Technological Development Zone, Hefei, Anhui Province	USD	73,450	Manufacturing and sales of liquid crystal products and related parts
BriView (Xiamen) Corp. (BVXM)	2008/12/02	No. 1998, Fangshan West Road, Torch High-Tech (Xiangan) Industrial Development Zone, Xiangan District, Xiamen City	CNY	600,000	Manufacturing and sale of liquid crystal products and related parts
Darwin Precisions (Xiamen) Corp. (DPXM)	2006/03/31	No. 3089, Xiangan North Road, Torch High-Tech (Xiangan) Industrial Development Zone, Xiangan District, Xiamen City., Fujian Province	USD	70,000	Manufacturing and sales of backlight modules and related parts
Darwin Precisions (Suzhou) Corp. (DPSZ)	2005/12/08	No. 11, Tingxin Street, Suzhou Industrial Park, Suzhou City, Jiangsu Province	USD	25,000	Manufacturing and sales of backlight modules and related parts
AUO Display Plus Technology (Suzhou) Co., Ltd. (ADPSZ)	2021/02/26	9-4, No. 398, Suhong Zhong Road, Suzhou Industrial Park, Suzhou, China	USD	750	Sales and sales support of displays
Fortech Electronics (Kunshan) Co., Ltd. (FTKS) (Note 1)	2004/01/02	No. 6, Longteng Road, Kunshan Economic and Technological Development Zone, Jiangsu Province	USD	36,000	Manufacturing and sales of backlight modules and related parts
Fortech Electronics (Suzhou) Co., Ltd. (FTWJ)	2002/08/30	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)	2001/10/09	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)	2005/02/28	No. 399, Jinhu Road, Wujiang Economic and Technological Development Zone, Suzhou City, Jiangsu Province	USD	29,000	Manufacturing and sales of precision plastic parts
AUO Envirotech Inc. (AETTW)	2017/01/23	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City	TWD	300,000	Planning, design and development of construction project for environmental protection and related project management
AUO Health Inc. (AHTW)	2020/09/21	No. 6-6 Mabushupai, Beipu Township, Hsinchu County	TWD	5,000	Manufacturing, development and sales of medical equipments
AUO Crystal Corp. (ACTW)	2009/05/22	No. 335, Sec. 2, Houke Road, Houli District, Taichung City	TWD	4,185,832	Manufacturing and sale of ingots and solar wafers
AUO Digitech Taiwan Inc. (ADTTW)	2021/03/22	No. 6-6 Mabushupai, Beipu Township, Hsinchu County	TWD	30,000	Design and sales of software and hardware integration system and equipment, software development and consulting services relating to intelligent manufacturing
AUO Care Inc. (ACTTW)	2021/02/08	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)	2015/07/14	No. 23, Lixing Rd., Hsinchu Science Park, Hsinchu City	TWD	245,000	Solar power generation
Star River Energy Corporation (SREC)	2014/04/24	1F., No.20-1, Guangfu N. Rd., Hukou Township, Hsinchu County	TWD	902,208	Venture capital investment
Sanda Materials Corporation (SDMC)	2014/04/23	1F., No.20-1, Guangfu N. Rd., Hukou Township, Hsinchu County	TWD	1,289,706	Holding company
Konly Venture Corp. (KONLY)	2002/07/29	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City	TWD	4,090,085	Venture capital investment
Jector Digital Corporation (Jector)	2021/04/15	5F.-2, No. 268, Liancheng Rd., Zhonghe Dist., New Taipei City	TWD	153,000	Introduction of smart field construction and other related software and hardware solutions
Space Money Inc. (S4M)	2015/10/05	9F., No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City	TWD	30,000	Sales and leasing of content management system and hardware
Sungen Power Corporation (SGPC)	2011/01/13	No. 1, JhongKe Rd., Central Taiwan Science Park, Taichung City	TWD	568,109	Solar power generation

Name of business	Date of incorporation	Address	Paid-in Capital	Main Activities
Ronly Venture Corp. (RONLY)	2005/01/11	9F, No. 198, Jingmao 2nd Rd., Nangang Dist., Taipei City	TWD 3,785,760	Venture capital investment
Da Ping Green Energy Corporation (DPGE)	2020/08/27	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 Corporation (DPTW)	1989/10/13	No.20-1, 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)	2020/05/28	5F, No. 1, Gongye E. 3rd Rd., East Dist., Hsinchu City	TWD 369,555	Research, development and sales of displays

Note 1: ACMK、DPSK and FTKS 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	- AUOLB holds 5,000 shares	- 100.00
AUST	Director	Ting-Li Lin 、 Yi-Cheng Chen	- AUOLB holds 907,114 shares	- 100.00
AUSK	Director	TY Lin	- AUOLB's investment EUR 1,000	- 100.00
AUKR	Director	James CP Chen	- AUOLB's investment KRW 173,075	- 100.00
AUOLB	Director	Shuang-Lang (Paul) Peng	- AUO holds 2,507,189 shares	- 100.00
AUOUS	Director	James CP Chen 、 John Choe 、 Linh Ha	- AUOLB holds 1,000 shares	- 100.00
AUOJP	Director	James CP Chen 、 Yaotung Chen	- AUOLB holds 1 shares	- 100.00
ACMK (Note 1)	Director	Shih-Kun Chen 、 Jessie Shan 、 Cheng-Lung Chan	- ACTW holds 46,196 shares	- 100.00
ADTCM	Director	Shuang-Lang (Paul) Peng 、 Andy Yang	- AUO holds 2,700 shares	- 100.00
ADTHLD	Director	Shuang-Lang (Paul) Peng 、 Andy Yang	- AUO holds 11,300 shares ADTCM holds 2,700 shares	- 80.71 19.29
ADTSG	Director	Shuang-Lang (Paul) Peng 、 Andy Yang 、 Yi-Cheng Chen	- ADTHLD holds 20,000 shares	- 100.00
ADPUS	Director	Shih-Hong Liao 、 Simon Nip	- ADPNL holds 1 shares	- 100.00
ADPJP	Director	Shih-Hong Liao 、 Seki Shih	- AUPNL holds 1 shares	- 100.00
ADPNL	Director	Shih-Hong Liao	- ADPHQ holds -	- 100.00
AUONL	Director	James CP Chen	- AUO holds 50 shares	- 100.00
AEUS	Director	TY Lin	- AUOSG holds 1,194 shares	- 100.00
AUOSG	Director	Shuang-Lang (Paul) Peng 、 Yi-Cheng Chen	- AUOLB holds 266,268 shares	- 100.00
BVLB	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	- AUOLB holds 85,171 shares DPTW holds 36,000 share	- 70.29 29.71
CQCA	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip 、 Gregory Galvin	- CQHLD holds -	- 100.00
CQHLD	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip	- CQIL holds 635,730 shares	- 100.00
CQUS	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip	- CQHLD holds 13 shares	- 100.00
CQIL	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip	- AUO holds 39,974 shares	- 100.00
CQUK	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip	- CQHLD holds -	- 100.00
DPHK	Director	Darwin Precisions (L) Corp. Kuo-Hsin (Michael) Tsai	- DPLB holds 10 shares	- 100.00
DPLB	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	- DPTW holds 92,267 shares	- 100.00
DPSK (Note 1)	Director	Kuo-Hsin (Michael) Tsai	- DPLBs investment EUR 4,000	- 100.00
FFMI	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	- DPTW holds 653 shares	- 100.00
FHVI	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	- DPTW's investment USD 22,006	- 100.00
FTMI	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	- FHVI's investment USD 6,503	- 100.00

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	%
FWSA	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	- FHVI holds 19,000 shares	- 100.00
JRUS	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip	- CQUS holds 18 shares	- 100.00
JRUK	Director	Hank M. Liu 、 Andy Yang 、 Simon Nip	- CQUS holds 1 shares	- 100.00
M.Setek	Director	Sheaffer Lee 、 Jim Lee	- Holds 24 shares	- 0.00
	Supervisor	Hiroyuki Saito Betty Chen	- SDMC holds 11,404,184 shares	- 99.99
PMSA	Director	Kuo-Hsin (Michael) Tsai 、 Sheng-Kai Huang	- FHVI's investment USD 31,993	- 100.00
AUSJ	Director Supervisor President	Shuang-Lang (Paul) Peng 、 Wei-Lung Liao 、 Ting-Li Lin Jack Juang Robert Kuo	- - - AUOLB's investment USD 108,000	- - - 100.00
AUOKS	Director Supervisor President	Shuang-Lang (Paul) Peng 、 James CP Chen 、 Vincent Lin Jack Juang Vincent Lin	- - - AUOLB's investment USD 961,000	- - - 100.00
AUXM	Director Supervisor President	Shuang-Lang (Paul) Peng 、 Wei-Lung Liao 、 Ting-Li Lin Jack Juang David Lee	- - - AUOLB's investment USD 454,000	- - - 100.00
AUSZ	Director Supervisor President	Shuang-Lang (Paul) Peng 、 Wei-Lung Liao 、 Ting-Li Lin Jack Juang Robert Kuo	- - - AUOLB's investment USD 466,000	- - - 100.00
AUSH	Director Supervisor President	Shuang-Lang (Paul) Peng Jack Juang Robert Kuo	- - - AUOLB's investment USD 15,000	- - - 100.00
AETSZ	Director Supervisor President	HC Lee 、 Andy Yang 、 Kenny Yang Jack Juang Kenny Yang	- - - AUSH's investment CNY 12,000	- - - 100.00
AETSD	Director Supervisor President	HC Lee 、 Andy Yang 、 Kenny Yang Jack Juang Kenny Yang	- - - AETSZ's investment CNY 2,000	- - - 100.00
AMIXM	Director Supervisor President	Andy Yang 、 Benjamin Tseng 、 Linda Zhao Jack Juang Golden Shen	- - - ADTSZ's investment CNY 5,000	- - - 100.00
AMISZ	Director Supervisor President	Andy Yang 、 Benjamin Tseng 、 Linda Zhao Jack Juang Judy He	- - - ADTSZ's investment CNY 30,000	- - - 100.00
ACTSZ	Director Supervisor President	Andy Yang 、 Benjamin Tseng 、 Alex JJ Yeh Jack Juang DC Liu	- - - AUSH's investment CNY 25,000	- - - 100.00
ADTSZ	Director Supervisor President	Shuang-Lang (Paul) Peng 、 Andy Yang 、 Benjamin Tseng Jack Juang Linda Zhao	- - - ADTSG's investment USD 9,000	- - - 100.00
ATISZ	Director Supervisor President	Andy Yang 、 Benjamin Tseng 、 Linda Zhao Jack Juang Linda Zhao	- - - ADTSZ's investment CNY 10,000	- - - 100.00
BVHF	Director Supervisor President	Sheng-Kai Huang 、 CC Lee 、 Kuo-Tai Ching Cheng-Cho Tsao CC Lee	- - - BVLB's investment USD 73,450	- - - 100.00
BVXM	Director Supervisor President	Ting-Li Lin 、 Wei-Lung Liao 、 David Lee Jack Juang David Lee	- - - AUXM's investment CNY 600,000	- - - 100.00

Name of business	Title	Name	Shareholding	
			Shares (Investment Amount)	%
DPXM	Director Supervisor President	Sheng-Kai Huang 、 Kuo-Tai Ching 、 Limbo FJ Cheng-Cho Tsao Limbo FJ	-	-
			-	-
			DPHK's investment USD 70,000	100.00
DPSZ	Director Supervisor President	Sheng-Kai Huang 、 CC Lee 、 Kuo-Tai Ching Cheng-Cho Tsao CC Lee	-	-
			-	-
			DPHK's investment USD 25,000	100.00
ADPSZ	Director Supervisor	Shih-Hong Liao Jerry Liu	-	-
			ADPHQ's investment CNY 750	100.00
FTKS (Note 1)	Director Supervisor President	Sheng-Kai Huang 、 CC Lee 、 Kuo-Tai Ching Cheng-Cho Tsao CC Lee	-	-
			-	-
			PMSA's investment USD 36,000	100.00
FTWJ	Director Supervisor President	Sheng-Kai Huang 、 CC Lee 、 Kuo-Tai Ching Cheng-Cho Tsao CC Lee	-	-
			-	-
			FTMI's investment USD 35,000	100.00
FHWJ	Director Supervisor President	Sheng-Kai Huang 、 CC Lee 、 Kuo-Tai Ching Cheng-Cho Tsao CC Lee	-	-
			-	-
			FFMI's investment USD 6,500	100.00
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
AETTW	Director	Representative of AU Optronics Corp.:HC Lee	-	-
			AUO holds 30,000 shares	100.00
AHTW	Director	Representative of AU Optronics Corp.:Frank Ko	-	-
			AUO holds 500 shares	100.00
ACTW	Director	Representative of AU Optronics Corp.:Shih-Kun Chen	-	-
			AUO holds 418,583 shares	100.00
ADTTW	Director	Representative of AU Optronics Corp.:Andy Yang	-	-
			ADTSG holds 3,000 shares	100.00
ACTTW	Director	Representative of AU Optronics Corp.:Alex JJ Yeh	-	-
			AUO holds 3,000 shares	100.00
EGPC	Director	Representative of Star River Energy Corporation:TY Lin	-	-
			SREC holds 24,500 shares	100.00
SREC	Director Supervisor	Representative of AU Optronics Corp.:TY Lin 、 Frank Cheng Representative of Fubon Financial Holding Venture Capital Corp.:Carey Lin Representative of Konly Venture Corp.:Jack Juang	-	-
			-	-
			AUO holds 28,883 shares Fubon Financial Holding Venture Capital Corp. holds 1,341 shares Konly holds 1,353 shares	32.01 1.49 1.50
SDMC	Director	Representative of AUO Crystal Corp.:Shih-Kun Chen	-	-
			ACTW holds 128,971 shares	100.00
Konly	Director	Representative of AU Optronics Corp.:Shuang-Lang (Paul) Peng	-	-
			AUO holds 409,008 shares	100.00
Jector	Director Supervisor	Representative of AUO Display Plus Corporation:Jerry Lee 、 Shih-Hong Liao Representative of Jector Digital System Inc.: Wells Tong Richard Lee	-	-
			-	-
			ADPHQ holds 12,000 shares Jector Digital System Inc. holds 3,300 share	78.43 21.57
S4M	Director	Representative of AU Optronics Corp.:PH Lin	-	-
			AUO holds 3,000 shares	100.00
SGPC	Director	Representative of Star River Energy Corporation:TY Lin	-	-
			SREC holds 56,811 shares	100.00
RONLY	Director	Representative of AU Optronics Corp.:Shuang-Lang (Paul) Peng	-	-
			AUO holds 378,576 shares	100.00
DPGE	Director	Representative of AU Optronics Corp.:TY Lin	-	-
			AUO holds 35,000 shares	100.00
AUES	Director	Representative of Konly Venture Corp.:Amy Ku	-	-

Name of business	Title	Name	Shareholding		
			Shares (Investment Amount)	%	
DPTW	Director	Representative of AU Optronics Corp.:Kuo-Hsin (Michael)	Konly holds 400 shares		100.00
		Tsai \ Sheng-Kai Huang \ Frank Ko	-	-	-
		HB Chen	Holds 563 shares		0.08
		Independent Director : I-Shih Chen \ Cheng-Chung Li	-	-	28.56
ADPHQ	Director	Representative of AU Optronics Corp.:Frank Ko	AUO holds 190,108 shares		-
			AUO holds 36,956 shares		100.00

Note 1: ACMK \ DPSK and FTKS is in the process of liquidation.

(VI) Overview of subsidiaries's operations

December 31, 2021; 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	6,301	86	6,214	2,060	224	213	0.04
AUST	USD	378,867	149,353	53,316	96,037	130,467	4,183	6,813	0.01
AUSK	EUR	1,000	9,155	5,155	4,000	5,028	587	329	-
AUKR	KRW	173,075	2,715,114	1,329,236	1,385,878	2,611,268	124,035	269,371	-
AUOLB	USD	2,507,189	2,512,017	54,544	2,457,473	-	(290)	191,142	0.08
AUOUS	USD	1,000	4,555	2,093	2,462	13,771	216	(279)	(0.28)
AUOJP	JPY	40,000	246,832	42,474	204,358	229,832	10,944	3,854	4,817.63
ACMK (Note 1)	USD	4,895	2,523	3	2,520	13	(392)	(1,168)	(0.03)
ADTCM	USD	2,700	1,975	-	1,975	0	-	(1,112)	(0.41)
ADTHLD	USD	14,000	10,240	-	10,240	0	(35)	(3,823)	(0.27)
ADTSG	USD	12,300	9,309	736	8,573	1,661	-	(3,789)	(0.31)
ADPUS	USD	1,500	2,632	1,067	1,566	1,905	91	66	65.64
ADPJP	JPY	25,000	76,612	24,834	51,778	130,673	6,223	1,778	1,777.67
ADPNL	USD	53	13,182	8,639	4,543	71,580	1,145	1,195	2,779.56
AUONL	EUR	50	2,675	793	1,881	3,319	159	(17)	(0.34)
AEUS	USD	1,194	576	15	561	-	(21)	(127)	(0.11)
AUOSG	USD	7,787	6,938	146	6,792	900	45	(78)	0
BVLB	USD	121,171	30,147	5	30,142	-	(7)	720	0.01
CQCA	CAD	1,385	1,315	272	1,043	3,494	160	160	1,450.30
CQHLD	GBP	27,638	22,625	18	22,608	-	(16)	(16)	0
CQUS	USD	25,857	17,744	2,742	15,001	21,887	814	876	65.88
CQIL	USD	44,909	26,640	14	26,626	-	(34)	455	0.01
CQUK	GBP	1,874	89	2	87	69	(18)	(21)	(10,610.71)
DPHK	USD	58,786	206,572	-	206,572	-	-	16,344	1,634.40
DPLB	USD	92,267	206,995	-	206,995	-	-	15,954	0.17
DPSK (Note 1)	EUR	4,000	373	-	373	(39)	(319)	(330)	-
FFMI	USD	6,526	1,941	-	1,941	-	-	113	0.17
FHVI	USD	22,006	130,535	-	130,535	-	-	(9,379)	(0.43)
FTMI	USD	6,503	62,863	-	62,863	-	-	(10,678)	(1.64)
FWSA	USD	19,000	16,830	-	16,830	-	-	474	0.02
JRUS	USD	8,000	7,364	144	7,219	3,830	(621)	(636)	(35.34)
JRUK	GBP	1,141	1,195	(72)	1,267	1,300	103	81	80.95
M.Setek	JPY	18,000	11,756,635	4,017,807	7,738,827	4,868,955	375,264	834,648	0.07
PMSA	USD	31,993	50,841	-	50,841	-	-	825	0.03
AUSJ	CNY	866,978	931,954	757	931,197	-	(3,780)	25,781	-
AUOKS	CNY	5,948,236	10,423,267	6,888,435	3,534,832	6,862,053	1,358,015	1,144,461	-
AUXM	CNY	3,103,670	6,176,194	2,651,991	3,524,202	8,307,537	216,418	216,986	-
AUSZ	CNY	3,406,990	8,031,735	3,932,814	4,098,921	13,080,451	394,896	364,004	-
AUSH	CNY	98,231	80,489	9,049	71,440	33,947	1,581	(7,459)	-
AETSZ	CNY	12,000	31,111	26,436	4,675	21,263	(2,410)	(2,592)	-
AETSD	CNY	2,000	552	-	552	-	(2)	-	-
AMIXM	CNY	5,000	18,334	16,313	2,020	9,130	(3,073)	(3,027)	-
AMISZ	CNY	30,000	32,574	27,009	5,565	29,472	(12,702)	(12,352)	-
ADTSZ	CNY	57,831	38,718	3,854	34,865	2,363	(5,035)	(23,004)	-
ACTSZ	CNY	25,000	13,465	7,222	6,243	10,248	(8,343)	(8,140)	-
ATISZ	CNY	10,000	34,732	31,322	3,410	40,962	(3,909)	(3,670)	-
BVHF	CNY	472,327	192,640	987	191,653	-	66	4,687	-
BVXM	CNY	600,000	311,081	6,562	304,518	(1,774)	(13,185)	5,688	-

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)
DPXM	CNY	505,962	1,682,396	733,677	948,718	2,777,607	14,100	36,452	-
DPSZ	CNY	184,322	384,696	43,909	340,787	131,270	(59,806)	68,056	-
ADPSZ	CNY	4,913	8,801	3,344	5,457	12,795	622	545	-
FTKS (Note 1)	CNY	281,567	323,770	-	323,770	-	(693)	5,320	-
FTWJ	CNY	279,158	1,263,617	916,314	347,304	1,046,280	(75,531)	(70,464)	-
FHWJ	CNY	53,779	17,795	5,437	12,358	-	(4,427)	731	-
FPWJ	CNY	223,933	171,627	11,431	160,196	61,616	(4,220)	4,660	-
AETTW	TWD	300,000	502,586	310,323	192,262	525,727	(38,362)	(39,762)	(1.73)
AHTW	TWD	5,000	3,852	20	3,832	-	(1,155)	(1,153)	(2.31)
ACTW	TWD	4,185,832	6,717,137	3,245,056	3,472,081	4,839,955	569,972	1,051,352	2.51
ADTTW	TWD	30,000	55,699	31,396	24,303	82,051	(6,427)	(6,240)	(2.08)
ACTTW	TWD	30,000	23,424	2,490	20,934	2,893	(9,070)	(9,066)	(3.02)
EGPC	TWD	245,000	915,670	612,700	302,970	133,437	65,103	43,338	1.77
SREC	TWD	902,208	1,067,345	127	1,067,218	-	(1,261)	111,063	1.23
SDMC	TWD	1,289,706	1,903,170	129	1,903,041	-	(815)	212,025	1.64
KONLY	TWD	4,090,085	8,207,852	227	8,207,625	-	(25,050)	1,199,670	3.49
Jector	TWD	153,000	317,981	159,005	158,976	265,914	7,305	5,976	0.39
S4M	TWD	30,000	44,241	37,266	6,975	98,966	(7,453)	(7,260)	(2.42)
SGPC	TWD	568,109	1,539,017	849,568	689,449	246,730	104,195	74,880	1.32
RONLY	TWD	3,785,760	4,520,997	24,445	4,496,552	-	(1,534)	202,853	0.72
DPGE	TWD	350,000	350,137	50	350,087	-	(126)	102	0
AUES	TWD	4,000	60,344	54,797	5,547	28,065	2,241	1,547	3.87
DPTW	TWD	6,655,551	20,263,415	11,050,157	9,213,259	10,740,173	(863,355)	(649,231)	(0.98)
ADPHQ	TWD	369,555	15,672,737	11,969,295	3,703,442	48,213,076	4,078,398	3,304,816	89.43

Note 1: ACMK, DPSK and FTKS is in the process of liquidation.

Note 2: Calculated based on the number of outstanding shares for each company on Dec. 31, 2021

II. Consolidated Financial Statements of Affiliates :

Representation Letter

The entities that are required to be included in the combined financial statements of AU Optronics Corp. as of and for the year ended December 31, 2021 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, AU Optronics Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declared

AU Optronics Corporation



Chairman: Shuang-Lang (Paul) Peng

February 10, 2022



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:

Item	2021 Private Placement (Note)
The type of securities Private Placement	Common shares and/or overseas or domestic convertible bonds
The date and amount of the Shareholders' Meeting resolution	Approved by the Shareholders' Meeting on Aug. 19, 2021 Amount: It has been approved by the Annual Shareholders' Meeting held on Aug. 19, 2021 to authorize the Board of Directors depending on the principles approved by Annual General Shareholders' Meeting, within the limit of 945,000,000 common shares, to choose one or more fundraising instruments to issue new common shares for cash to sponsor issuance of the overseas depository shares and/or new common shares for cash in public offering and/or new common shares for cash in private placement and/or overseas or domestic convertible bonds in private placement in accordance with the applicable laws and regulations.
Basis and reasonableness for determination of the subscription price	<ol style="list-style-type: none"> The higher of (x) the simple average closing price of the Company's common shares for 1, 3 or 5 trading days prior to the pricing date, and (y) the simple average closing price of the Company's common shares for 30 trading days prior to the pricing date, after adjustment for shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends, as the reference subscription price of the Private Placement Shares. The issue price of the Private Placement Shares shall be no less than 80% of the reference price. It is proposed to authorize the Board to decide the actual issue price within the range approved by the shareholders meeting, depending on the status of finding specific investor(s) and market conditions. The issue price of the Private Placement CB shall be no less than 80% of the theoretical price. As aforementioned, subscription price of the Private Placement Shares and issue price of Private Placement CB will be determined with reference to the price of the Company's common shares and the theoretical price in accordance with the Regulations Governing Public Companies Issuing Securities in Private Placement, thus, the price should be reasonable.
The method to determine specific investor(s)	The investors to subscribe to the Private Placement Shares and/or Private Placement CB must meet the qualifications listed in Article 43-6 of the Securities and Exchange Act and are limited to strategic investor(s). Priority will be given to the investor(s) who could benefit the Company's long term development, competitiveness, and existing shareholders' rights. The Board is fully authorized to determine the specific investor(s). The purpose, necessity and projected benefits for choosing strategic investor(s) are to accommodate the Company's operation and development needs to have the strategic investor(s) to assist the Company, directly or indirectly, in its finance, business, manufacturing, technology, procurement, management, and strategy development, etc. so to strengthen the Company's competitiveness and enhance its operational efficiency and long term development.
The necessary of issuance for private Placement	Considering the effectiveness and convenience for issuance of the Private Placement Shares/Private Placement CB and/or accommodating the Company's development planning, including inviting the strategic investor(s), it would be necessary to issue the Private Placement Shares and/or Private Placement CB.
Payment completion date	Not applicable (Note)
The placee information	
Actual subscription (or conversion) price	
Actual subscription (or conversion) price and reference price difference	
Impact on shareholders' equity for conducting private placement	
The use of funds acquired from private placement and the implementation progress of the plan	
Benefits of private placement	

Note: The Annual Shareholders' Meeting approved to authorize the Board of Directors to handle the fund raising on August 19, 2021, but the private placement has not been issued as of the publication date of the Annual Report.

- 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.

Appendix I Consolidated Financial Statements with Independent Auditors' Report for the most recent years

Stock Code:2409

AU OPTRONICS CORP. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report For the Years Ended December 31, 2021 and 2020

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 AU Optronics Corp. as of and for the year ended December 31, 2021 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, AU Optronics Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: AU Optronics Corp.
Chairman: Shuang-Lang (Paul) Peng
Date: February 10, 2022

Independent Auditors' Report

To the Board of Directors of AU Optronics Corp.:

Opinion

We have audited the consolidated financial statements of AU Optronics Corp. and its subsidiaries (“the Company”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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 audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 estimation and assumption 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

AU Optronics Corp. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified audit opinion and an unmodified audit opinion with the paragraph on emphasis of matter, respectively.

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 auditors' 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained 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 10, 2022

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)
AU OPTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

Assets	December 31, 2021		December 31, 2020			Liabilities and Equity	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:				
1100 Cash and cash equivalents (Note 6(1))	\$ 79,944,686	19	90,274,687	22	2100	Short-term borrowings (Note 6(15))	\$ 45,324	-	200,000	-
1110 Financial assets at fair value through profit or loss—current (Note 6(2))	159,270	-	668,058	-	2120	Financial liabilities at fair value through profit or loss—current (Note 6(2))	132,797	-	170,956	-
1136 Financial assets at amortized cost—current (Note 6(4))	10,000,000	2	-	-	2170	Notes and accounts payable	54,574,143	13	47,508,933	12
1170 Notes and accounts receivable, net (Note 6(5))	59,093,573	14	44,718,800	11	2180	Accounts payable to related parties (Note 7)	8,825,361	2	7,302,792	2
1180 Accounts receivable from related parties, net (Notes 6(5)&7)	2,479,395	1	2,076,156	-	2213	Equipment and construction payable (Note 7)	4,317,199	1	3,706,652	1
1210 Other receivables from related parties (Note 7)	20,699	-	21,929	-	2220	Other payables to related parties (Note 7)	72,411	-	22,101	-
1220 Current tax assets	60,802	-	60,541	-	2230	Current tax liabilities	2,607,235	1	1,325,068	-
130X Inventories (Note 6(6))	34,489,088	8	26,753,401	7	2250	Provisions—current (Note 6(17))	942,290	-	744,654	-
1460 Noncurrent assets held for sale (Note 6(10))	-	-	3,931	-	2280	Lease liabilities—current (Note 6(11))	534,706	-	553,120	-
1476 Other current financial assets (Notes 6(10),(21)&8)	2,186,682	-	564,222	-	2399	Other current liabilities (Notes 6(21)&(22))	34,869,439	8	20,032,462	5
1479 Other current assets (Note 6(14))	3,592,203	1	3,175,948	1	2322	Current installments of long-term borrowings (Notes 6(16)&8)	16,833,597	4	16,771,441	4
	<u>192,026,398</u>	<u>45</u>	<u>168,317,673</u>	<u>41</u>			<u>123,754,502</u>	<u>29</u>	<u>98,338,179</u>	<u>24</u>
Noncurrent assets:						Noncurrent liabilities:				
1517 Financial assets at fair value through other comprehensive income—noncurrent (Note 6(3))	1,308,157	-	622,824	-	2527	Contract liabilities—noncurrent (Note 6(21))	8,739,846	2	-	-
1550 Investments in equity-accounted investees (Notes 6(7)&7)	25,447,133	6	19,464,078	5	2540	Long-term borrowings, excluding current installments (Notes 6(16)&8)	37,821,267	9	99,823,528	25
1600 Property, plant and equipment (Notes 6(10),7&8)	171,222,045	40	185,480,116	46	2550	Provisions—noncurrent (Note 6(17))	946,018	-	1,041,102	-
1755 Right-of-use assets (Notes 6(11)&8)	10,638,373	3	11,277,353	3	2570	Deferred tax liabilities (Note 6(25))	4,224,720	1	3,213,326	1
1760 Investment property (Note 6(12))	1,437,692	-	1,522,391	-	2580	Lease liabilities—noncurrent (Note 6(11))	9,190,535	2	9,744,152	2
1780 Intangible assets (Notes 6(9)&(13))	11,756,955	3	12,801,358	3	2600	Other noncurrent liabilities	2,167,687	1	1,319,643	-
1840 Deferred tax assets (Note 6(25))	6,466,588	2	6,005,346	2			<u>63,090,073</u>	<u>15</u>	<u>115,141,751</u>	<u>28</u>
1900 Other noncurrent assets (Notes 6(4),(14),(18)&8)	4,507,705	1	1,779,156	-		Total liabilities	<u>186,844,575</u>	<u>44</u>	<u>213,479,930</u>	<u>52</u>
	<u>232,784,648</u>	<u>55</u>	<u>238,952,622</u>	<u>59</u>		Equity (Note 6(19)):				
						Equity attributable to shareholders of AU Optronics Corp. :				
					3100	Common stock	96,242,451	23	96,242,451	24
					3200	Capital surplus	60,057,001	14	60,587,684	15
					3300	Retained earnings	80,669,998	19	30,258,282	7
					3400	Other components of equity	(4,743,182)	(1)	(3,270,303)	(1)
					3500	Treasury shares	(439,228)	-	(1,013,423)	-
							<u>231,787,040</u>	<u>55</u>	<u>182,804,691</u>	<u>45</u>
						Non-controlling interests				
					36XX	Non-controlling interests	6,179,431	1	10,985,674	3
						Total equity	<u>237,966,471</u>	<u>56</u>	<u>193,790,365</u>	<u>48</u>
Total Assets	<u>\$ 424,811,046</u>	<u>100</u>	<u>407,270,295</u>	<u>100</u>		Total Liabilities and Equity	<u>\$ 424,811,046</u>	<u>100</u>	<u>407,270,295</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
AU OPTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars, except for Earnings per share)

		2021		2020	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4110	Revenue	\$ 373,670,560	101	271,821,226	100
4190	Less: sales return and discount	2,985,419	1	865,845	-
	Net revenue (Notes 6(21)&7)	<u>370,685,141</u>	<u>100</u>	<u>270,955,381</u>	<u>100</u>
5000	Cost of sales (Notes 6(6),(11),(18),(22),(23)&7)	<u>279,917,384</u>	<u>76</u>	<u>248,190,042</u>	<u>92</u>
	Gross profit	<u>90,767,757</u>	<u>24</u>	<u>22,765,339</u>	<u>8</u>
	Operating expenses (Notes 6(9),(11),(18),(20),(22),(23)&7):				
6100	Selling and distribution expenses	5,095,946	1	3,499,116	1
6200	General and administrative expenses	9,526,519	3	6,897,103	2
6300	Research and development expenses	<u>13,069,676</u>	<u>3</u>	<u>10,286,078</u>	<u>4</u>
	Total operating expenses	<u>27,692,141</u>	<u>7</u>	<u>20,682,297</u>	<u>7</u>
	Profit from operations	<u>63,075,616</u>	<u>17</u>	<u>2,083,042</u>	<u>1</u>
	Non-operating income and expenses:				
7100	Interest income (Note 6(24))	495,332	-	533,052	-
7010	Other income (Notes 6(3),(24)&7)	1,389,680	-	3,758,856	1
7020	Other gains and losses (Notes 6(7),(10),(11),(13),(24)&7)	1,037,458	-	(761,143)	-
7050	Finance costs (Notes 6(10),(11)&(24))	(2,217,565)	-	(2,943,872)	(1)
7060	Share of profit of equity-accounted investees (Note 6(7))	<u>2,626,274</u>	<u>1</u>	<u>117,736</u>	<u>-</u>
	Total non-operating income and expenses	<u>3,331,179</u>	<u>1</u>	<u>704,629</u>	<u>-</u>
7900	Profit before income tax	66,406,795	18	2,787,671	1
7950	Less: income tax expense (benefit) (Note 6(25))	<u>2,947,697</u>	<u>1</u>	<u>(119,756)</u>	<u>-</u>
8200	Profit for the year	<u>63,459,098</u>	<u>17</u>	<u>2,907,427</u>	<u>1</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	21,260	-	140,218	-
8316	Unrealized gain on equity investments at fair value through other comprehensive income	(33,560)	-	2,676,706	1
8320	Equity-accounted investees – share of other comprehensive income	244,624	-	3,686	-
8349	Related tax	<u>(4,577)</u>	<u>-</u>	<u>(28,043)</u>	<u>-</u>
		<u>227,747</u>	<u>-</u>	<u>2,792,567</u>	<u>1</u>
8360	Items that are or may be reclassified subsequently to profit or loss				
8361	Foreign operations – foreign currency translation differences	(1,277,481)	-	137,051	-
8370	Equity-accounted investees – share of other comprehensive income	(59,103)	-	(49,783)	-
8399	Related tax	<u>345,815</u>	<u>-</u>	<u>(16,855)</u>	<u>-</u>
		<u>(990,769)</u>	<u>-</u>	<u>70,413</u>	<u>-</u>
8300	Other comprehensive income (loss), net of tax	<u>(763,022)</u>	<u>-</u>	<u>2,862,980</u>	<u>1</u>
8500	Total comprehensive income for the year	<u>\$ 62,696,076</u>	<u>17</u>	<u>5,770,407</u>	<u>2</u>
	Profit (loss) attributable to:				
8610	Shareholders of AU Optronics Corp.	\$ 61,330,628	16	3,376,324	1
8620	Non-controlling interests	<u>2,128,470</u>	<u>1</u>	<u>(468,897)</u>	<u>-</u>
		<u>\$ 63,459,098</u>	<u>17</u>	<u>2,907,427</u>	<u>1</u>
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of AU Optronics Corp.	\$ 60,644,766	16	6,089,641	2
8720	Non-controlling interests	<u>2,051,310</u>	<u>1</u>	<u>(319,234)</u>	<u>-</u>
		<u>\$ 62,696,076</u>	<u>17</u>	<u>5,770,407</u>	<u>2</u>
	Earnings per share (NT\$, Note 6(26))				
9750	Basic earnings per share	<u>\$ 6.44</u>		<u>0.36</u>	
9850	Diluted earnings per share	<u>\$ 6.26</u>		<u>0.35</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
AU OPTRONICS CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan dollars)

Equity Attributable to Shareholders of AU Optronics Corp.

	Retained Earnings						Other Components of Equity			Equity Attributable to Shareholders of AU Optronics Corp.	Non-controlling Interests	Total Equity	
	Capital Stock Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Subtotal	Cumulative Translation Differences	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Subtotal				Treasury Shares
Balance at January 1, 2020	\$ 96,242,451	60,544,474	7,691,688	847,770	14,364,264	22,903,722	(3,129,982)	1,124,598	(2,005,384)	(1,013,423)	176,671,840	11,304,909	187,976,749
Appropriation of earnings:													
Special reserve	-	-	-	1,157,614	(1,157,614)	-	-	-	-	-	-	-	-
Profit (loss) for the year	-	-	-	-	3,376,324	3,376,324	-	-	-	-	3,376,324	(468,897)	2,907,427
Other comprehensive income (loss), net of tax	-	-	-	-	113,073	113,073	(76,538)	2,676,782	2,600,244	-	2,713,317	149,663	2,862,980
Total comprehensive income (loss) for the year	-	-	-	-	3,489,397	3,489,397	(76,538)	2,676,782	2,600,244	-	6,089,641	(319,234)	5,770,407
Changes in deemed contributions from shareholders	-	1,073	-	-	-	-	-	-	-	-	1,073	-	1,073
Adjustments for changes in investees' equity	-	42,137	-	-	-	-	-	-	-	-	42,137	-	42,137
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	3,865,163	3,865,163	-	(3,865,163)	(3,865,163)	-	-	-	-
Balance at December 31, 2020	\$ 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	10,985,674	193,790,365
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)	-	(2,850,967)
Profit for the year	-	-	-	-	61,330,628	61,330,628	-	-	-	-	61,330,628	2,128,470	63,459,098
Other comprehensive income (loss), net of tax	-	-	-	-	8,223	8,223	(913,609)	219,524	(694,085)	-	(685,862)	(77,160)	(763,022)
Total comprehensive income (loss) for the year	-	-	-	-	61,338,851	61,338,851	(913,609)	219,524	(694,085)	-	60,644,766	2,051,310	62,696,076
Changes in deemed contributions from shareholders	-	449	-	-	-	-	-	-	-	-	449	-	449
Adjustments for changes in investees' equity	-	(22,599)	-	-	(401,507)	(401,507)	-	-	-	-	(424,106)	-	(424,106)
Share-based payments	-	825,114	-	-	-	-	-	-	-	574,195	1,399,309	4,418	1,403,727
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	25,350	25,350	-	(25,350)	(25,350)	-	-	-	-
Acquisition of interest in subsidiary from non-controlling interests	-	(1,333,647)	-	-	(7,700,011)	(7,700,011)	(753,444)	-	(753,444)	-	(9,787,102)	(7,530,685)	(17,317,787)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	668,714	668,714
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	6,179,431	237,966,471

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
AU OPTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan dollars)

	2021	2020
Cash flows from operating activities:		
Profit before income tax	\$ 66,406,795	2,787,671
Adjustments for:		
- depreciation	33,457,081	35,130,348
- amortization	207,519	267,182
- losses (gains) on financial instruments at fair value through profit or loss	(86,083)	41,899
- interest expense	2,135,444	2,866,787
- interest income	(495,332)	(533,052)
- dividend income	(8,090)	(261,382)
- compensation costs of share-based payments	831,251	-
- share of profit of equity-accounted investees	(2,626,274)	(117,736)
- gains on disposals of property, plant and equipment, net	(1,841,771)	(58,558)
- gains on disposals of right-of-use assets	(8,294)	-
- gains on disposals of investments and financial assets	(890,046)	(159)
- impairment losses on assets	1,046,693	396,339
- unrealized foreign currency exchange losses (gains)	413,858	(18,470)
- others	203,557	74,020
Changes in operating assets and liabilities:		
- notes and accounts receivable	(13,601,272)	(14,799,026)
- receivables from related parties	(401,129)	(315,630)
- inventories	(7,754,868)	(3,403,782)
- net defined benefit assets	(16,711)	(548,058)
- other operating assets	(1,913,817)	1,818,984
- contract liabilities	11,610,060	(97,242)
- notes and accounts payable	6,265,160	3,568,142
- payables to related parties	1,564,223	333,481
- provisions	103,273	46,388
- other operating liabilities	11,690,743	1,175,852
Cash generated from operations	106,291,970	28,353,998
Interest received	462,503	567,081
Dividends received	920,439	603,621
Interest paid	(2,143,663)	(2,829,307)
Income taxes paid	(810,013)	(948,435)
Net cash provided by operating activities	104,721,236	25,746,958

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
AU OPTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

	2021	2020
Cash flows from investing activities:		
Acquisitions of financial assets at fair value through profit or loss	-	(2,428,945)
Disposals of financial assets at fair value through profit or loss	551,841	3,360,324
Acquisitions of financial assets at fair value through other comprehensive income	(962,762)	(659,826)
Disposals of financial assets at fair value through other comprehensive income	-	24,119
Acquisitions of financial assets at amortized cost	(20,695,648)	-
Disposals of financial assets at amortized cost	10,000,000	-
Acquisitions of equity-accounted investees	(3,890,105)	(3,453,288)
Disposals of equity-accounted investees	66,117	937,411
Net cash inflow arising from disposal of subsidiaries	5,303	-
Acquisitions of property, plant and equipment	(17,037,742)	(15,600,564)
Disposals of property, plant and equipment	2,009,445	123,383
Disposals of right-of-use assets	12,752	-
Decrease (increase) in refundable deposits	(579,745)	230,007
Acquisitions of intangible assets	(38,000)	-
Decrease (increase) in other financial assets	(19,465)	6,189
Net cash inflow arising from acquisition of subsidiaries	227,701	-
Net cash outflow arising from acquisition of business	-	(246,956)
Net cash used in investing activities	(30,350,308)	(17,708,146)
Cash flows from financing activities:		
Proceeds from short-term borrowings	1,568,737	3,931,161
Repayments of short-term borrowings	(1,723,311)	(5,475,763)
Proceeds from long-term borrowings	12,987,993	18,139,350
Repayments of long-term borrowings	(75,917,873)	(13,348,277)
Payment of lease liabilities	(551,367)	(597,221)
Guarantee deposits received (refunded)	(20,409)	53,268
Cash dividends	(2,850,967)	-
Treasury shares sold to employees	572,472	-
Acquisition of interest in subsidiary	(17,317,787)	-
Net change of non-controlling interests	(218,415)	(1)
Others	449	1,073
Net cash provided by (used in) financing activities	(83,470,478)	2,703,590
Effect of exchange rate change on cash and cash equivalents	(1,230,451)	(917,487)
Net increase (decrease) in cash and cash equivalents	(10,330,001)	9,824,915
Cash and cash equivalents at January 1	90,274,687	80,449,772
Cash and cash equivalents at December 31	\$ 79,944,686	90,274,687

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
 (Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. Organization

AU Optronics Corp. (“AUO”) 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 10, 2022.

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, 2021. The adoption does not have a material impact on the Company’s 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 new amendments, effective for annual period beginning on January 1, 2022, would not have a material impact on its consolidated financial statements.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- Annual Improvements to IFRSs 2018–2020 Cycle
 - Amendments to IFRS 3, *Reference to the Conceptual Framework*
 - Amendments to IAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*
 - Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*
- (3) The IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

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, *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*

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”).

(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));

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- (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.

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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, 2021	December 31, 2020
AUO	AUO (L) Corp. (AUOLB, formerly AU Optronics (L) Corp. (AULB))	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)	Sales and leasing activities (Taiwan ROC)	100.00	100.00
AUO	AUO Envirotech Inc. (AETTW, formerly U-Fresh Technology Inc. (UTI))	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. (AUNL))	Sales and 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 ⁽¹⁾
AUO	Da Ping Green Energy Corporation (DPGE)	Renewable energy power generation (Taiwan ROC)	100.00	100.00 ⁽¹⁾
AUO	AUO Health Corporation (AHTW)	Manufacturing, development and sales company (Taiwan ROC)	100.00	100.00 ⁽¹⁾
AUO	AUO Digitech (CAYMAN) Limited (ADTCM)	Holding company (Cayman Islands)	100.00	100.00 ⁽¹⁾
AUO	AUO Care Inc. (ACTTW)	Intelligent health care services (Taiwan ROC)	100.00 ⁽¹⁾	-
AUO and Konly	Star River Energy Corp. (SREC)	Investment (Taiwan ROC)	33.51 ⁽²⁾	-
AUO and ADTCM	AUO Digitech Holding Limited (ADTHLD)	Holding company (Cayman Islands)	100.00	100.00 ⁽¹⁾
AUO, Konly and Ronly	Darwin Precisions Corporation (DPTW)	Manufacturing and sales company (Taiwan ROC)	41.05 ⁽³⁾	41.05 ⁽³⁾
Konly	AUO Education Service Corp. (AUES)	Leasing and service company (Taiwan ROC)	100.00	100.00 ⁽¹⁾
ADTHLD	AUO Digitech Pte. Ltd. (ADTSG)	Holding company (Singapore)	100.00	100.00 ⁽¹⁾
ADTSG	AUO Digitech (Suzhou) Co., Ltd. (ADTSZ)	Business management consulting (PRC)	100.00	100.00 ⁽¹⁾
ADTSG	AUO Digitech Taiwan Inc. (ADTTW)	Design, sales and consulting (Taiwan ROC)	100.00 ⁽¹⁾	-

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2021	December 31, 2020
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 (AUUS))	Sales and sales support activities (United States)	100.00	100.00
AUOLB	AUO Corporation Japan (AUOJP, formerly AU Optronics Corporation Japan (AUJP))	Sales support activities (Japan)	100.00	100.00
AUOLB	AU Optronics Korea Ltd. (AUKR)	Sales support activities (South Korea)	100.00	100.00
AUOLB	AUO Singapore Pte. Ltd. (AUOSG, formerly AU Optronics Singapore Pte. Ltd. (AUSG))	Holding company and sales support activities (Singapore)	100.00	100.00
AUOLB	AU Optronics (Czech) s.r.o. (AUCZ) ⁽⁴⁾	Assembly activities (Czech Republic)	-	100.00
AUOLB	AU Optronics (Shanghai) Co., Ltd. (AUSH)	Sales support activities (PRC)	100.00	100.00
AUOLB	AU Optronics (Xiamen) Corp. (AUXM)	Manufacturing and sales company (PRC)	100.00	100.00
AUOLB	AU Optronics (Suzhou) Corp., Ltd. (AUSZ)	Manufacturing and sales company (PRC)	100.00	100.00
AUOLB	AU Optronics Manufacturing (Shanghai) Corp. (AUSJ)	Manufacturing and leasing activities (PRC)	100.00	100.00
AUOLB	AU Optronics (Slovakia) s.r.o. (AUSK)	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. (AUOKS))	Manufacturing and sales company (PRC)	100.00 ⁽⁷⁾	51.00
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)	Holding company (Malaysia)	100.00	100.00
SREC	Sungen Power Corporation (SGPC)	Solar power generation (Taiwan ROC)	100.00 ⁽²⁾	-
SREC	Evergen Power Corporation (EGPC)	Solar power generation (Taiwan ROC)	100.00 ⁽²⁾	-

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2021	December 31, 2020
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 ⁽¹⁾	-
ADP and AUOSG	AUO Display Plus Netherlands B.V. (ADPNL, formerly AUO Green Energy Europe B.V. (AENL)) ⁽⁵⁾	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 ⁽¹⁾	-
ADPNL	AUO Display Plus America Corp. (ADPUS)	Sales and sales support activities (United States)	100.00	100.00 ⁽¹⁾
ADPNL	AUO Display Plus Japan Corp. (ADPJP)	Sales and sales support activities (Japan)	100.00	100.00 ⁽¹⁾
AUXM	BriView (Xiamen) Corp. (BVXM)	Manufacturing, sales and leasing activities (PRC)	100.00	100.00
AUSH	AUO Care Information Tech. (Suzhou) Co., Ltd. (ACTSZ)	Intelligent health care services (PRC)	100.00	100.00
AUSH	AUO Envirotech (Suzhou) Co., Ltd. (AETSZ, formerly U-Fresh Technology (Suzhou) Co., Ltd. (UFSZ))	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 ⁽¹⁾	-
ADTSZ and AUSH	Edgetech Data Technologies (Suzhou) Corp., Ltd. (ATISZ) ⁽⁶⁾	Integration service of software and hardware (PRC)	100.00	100.00
ADTSZ and AUSH	AUO MegaInsight (Suzhou) Co., Ltd. (AMISZ, formerly Mega Insight Smart Manufacturing (Suzhou) Corp., Ltd. (MIS)) ⁽⁶⁾	Development and licensing of software (PRC)	100.00	100.00
AETSZ	AUO Envirotech (Shandong) Co., Ltd. (AETSZ, formerly U-Fresh Environmental Technology (Shandong) Co., Ltd. (UFSZ))	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)	Sales support activities (United Kingdom)	100.00	100.00

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)	
			December 31, 2021	December 31, 2020
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)	Holding company (Samoa)	100.00	100.00
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	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	100.00
DPHK	Darwin Precisions (Suzhou) Corp. (DPSZ)	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)	Manufacturing and sales company (PRC)	100.00	100.00

Note 1: ADP was incorporated in May 2020. DPGE, ADTCM and ADTHLD were incorporated in August 2020. AHTW was incorporated in September 2020. ADTSG and ADPUS were incorporated in October 2020. ADPJP was incorporated in November 2020. AUES and ADTSZ were incorporated in December 2020. ACTTW and ADPSZ were incorporated in February 2021. ADTTW was incorporated in March 2021. Jector and AMIXM were incorporated in April 2021.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- 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, 2021, the liquidation of ACMK, DPSK and FTKS is still in process. AUCZ completed its liquidation in July 2021.
- Note 5: As part of a business restructuring, AUOSG sold all its shareholdings in ADPNL to ADP in January 2021.
- Note 6: As part of a business restructuring, AUSH sold all its shareholdings in ATISZ and AMISZ to ADTSZ in January 2021.
- Note 7: The Company purchased 49% equity interests of AUOKS from its joint venture partner in December 2021. Refer to Note 6(19)f. for the relevant information.

(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 the exchange rates at each 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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
- 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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.

(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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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.

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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 designates 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 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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.

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

(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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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.

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

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;

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- (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.

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 are classified as held for sale, they are no longer depreciated.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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.

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

(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:

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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) 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

(21) Share-based payment arrangements

The compensation cost of employee share-based payment arrangements for which subsidiaries grant to their employees is measured based on the fair value at the date on which they are granted. The compensation cost is recognized, 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 grant date fair value of the share-based payment 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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. 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.

(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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

(24) Earnings per share

Basic earnings 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 stock comprise the estimate of employee compensation.

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.

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:

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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.

(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, 2021	December 31, 2020
Cash on hand, demand deposits and checking accounts	\$ 48,949,652	43,921,304
Time deposits	30,995,034	46,353,383
	\$ 79,944,686	90,274,687

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, 2021 and 2020, no cash and cash equivalents were pledged with banks as collaterals.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Financial Assets and Liabilities at Fair Value through Profit or Loss (“FVTPL”)

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at FVTPL:		
Foreign currency forward contracts	\$ 159,270	112,319
Structured deposits	-	555,739
	\$ 159,270	668,058
Financial liabilities held for trading:		
Foreign currency forward contracts	\$ 132,797	170,956

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, 2021 and 2020, the Company’s outstanding foreign currency forward contracts were as follows:

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	JPY1,300,000 / 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
December 31, 2020		
Contract item	Maturity date	Contract amount
Sell USD / Buy NTD	Jan. 2021~Feb. 2021	USD 522,200 / NTD 14,751,599
Sell USD / Buy JPY	Jan. 2021~Mar. 2021	USD 122,935 / JPY 12,752,953
Sell USD / Buy EUR	Jan. 2021	USD 2,398 / EUR 2,000
Sell USD / Buy CNY	Jan. 2021~Aug. 2021	USD 131,500 / CNY 879,713
Sell USD / Buy SGD	Jan. 2021~Feb. 2021	USD 28,349 / SGD 38,020
Sell CNY / Buy USD	Feb. 2021~Mar. 2021	CNY 1,400,000 / USD 212,882
Sell EUR / Buy JPY	Jan. 2021~Feb. 2021	EUR 10,000 / JPY 1,253,050
Sell HKD / Buy USD	Jan. 2021	HKD 500 / USD 64

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(3) Financial Assets at Fair Value through Other Comprehensive Income (“FVTOCI”)

	December 31, 2021	December 31, 2020
Investments in equity instruments at FVTOCI:		
Equity securities – listed stocks	\$ 149,177	294,668
Equity securities – non-listed stocks	1,158,980	328,156
	\$ 1,308,157	622,824

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.

Upon the re-assessment, the Company considers that it has significant influence over Qisda Corporation (“Qisda”); consequently, at the end of December 2020 the equity investment in Qisda previously classified as financial assets at FVTOCI was reclassified as investments accounted for using the equity method. Refer to Note 6(7) for the relevant information.

If the value of these equity securities appreciates or depreciates by 10% at the reporting date, other comprehensive income would increase or decrease by \$130,816 thousand and \$62,282 thousand for the years ended December 31, 2021 and 2020, 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,	
	2021	2020
Investments held at the balance sheet date	\$ 8,090	2,350
Investments disposed during the reporting period	-	259,032
	\$ 8,090	261,382

(4) Financial Assets at Amortized Cost

	December 31, 2021
Domestic and foreign time deposits	\$ 10,706,340
Less: current	(10,000,000)
Noncurrent (recognized in other noncurrent assets)	\$ 706,340

The Company has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets at amortized cost.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

As at December 31, 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, 2021	December 31, 2020
Notes receivable	\$ 80,584	179,411
Accounts receivable	61,508,437	46,635,061
Less: loss allowance	(16,053)	(19,516)
	\$ 61,572,968	46,794,956
Notes and accounts receivable, net	\$ 59,093,573	44,718,800
Accounts receivable from related parties, net	\$ 2,479,395	2,076,156

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, 2021			
	Carrying amount of notes and accounts receivable	Weighted-avera ge 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%	-
	\$ 61,573,453		485
December 31, 2020			
	Carrying amount of notes and accounts receivable	Weighted-avera ge loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 45,814,603	0.00%	88
Past due less than 60 days	961,549	0.01%	112
Past due 61~180 days	17,189	0.00%	-
Past due over 180 days	4,176	56.54%	2,361
	\$ 46,797,517		2,561

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 \$15,568 thousand and \$16,955 thousand as of December 31, 2021 and 2020, respectively.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The movement of the loss allowance for notes and accounts receivable was as follows:

	For the years ended December 31,	
	2021	2020
Balance at beginning of the year	\$ 19,516	17,738
Provisions charged to expense	213	2,333
Write-offs	(3,628)	(663)
Effect of changes in foreign currency exchange rates	(48)	108
Balance at end of the year	<u>\$ 16,053</u>	<u>19,516</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).

(6) Inventories

	December 31, 2021	December 31, 2020
Finished goods	\$ 12,141,844	8,903,882
Work-in-progress	12,683,485	11,259,938
Raw materials	9,663,759	6,589,581
	<u>\$ 34,489,088</u>	<u>26,753,401</u>

For the years ended December 31, 2021 and 2020, the amounts recognized as cost of sales in relation to inventories were \$279,917,384 thousand and \$248,190,042 thousand, respectively. The net of provisions (reversals) for inventories written down (increased) to net realizable value, which were also included in cost of sales, amounted to \$782,060 thousand in provisions and \$1,952,186 thousand in reversals for the years ended December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, none of the Company's inventories was pledged as collateral.

(7) Investments in Equity-accounted Investees

	December 31, 2021	December 31, 2020
Associates	\$ 25,375,636	19,180,565
Joint ventures	71,497	283,513
	<u>\$ 25,447,133</u>	<u>19,464,078</u>

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

a. Associates

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Qisda	\$ 12,424,480	10,220,729
Ennostar Inc. (“Ennostar”)	5,358,394	-
ADLINK Technology Inc. (“ADLINK”)	2,593,701	2,336,445
Star Shining Energy Corporation. (“SSEC”)	2,353,520	1,689,192
Raydium Semiconductor Corporation (“Raydium”)	1,800,034	809,137
Daxin Materials Corp. (“Daxin”)	759,245	717,953
Lextar Electronics Corp. (“Lextar”)	-	2,853,386
SREC	-	447,171
Others	<u>86,262</u>	<u>106,552</u>
	<u>\$ 25,375,636</u>	<u>19,180,565</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.

	<u>For the years ended</u> <u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
The Company’s share of associates’:		
Profit	\$ 2,740,512	122,248
Other comprehensive income (loss)	<u>185,521</u>	<u>(46,097)</u>
Total comprehensive income (loss)	<u>\$ 2,926,033</u>	<u>76,151</u>

On February 5, 2020, AUO’s Board of Directors resolved to acquire common shares of ADLINK through tender offer. As of December 31, 2021, the Company holds a total of 49,429 thousand common shares of ADLINK for totaling of 23% equity interest in ADLINK.

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 consideration of the Company's operational strategy, the Company has increased its shareholdings in Qisda since November 2020. Upon the re-assessment, the Company considers that it has obtained the ability to exercise significant influence over Qisda; consequently, at the end of December 2020 the Company derecognized the investment in Qisda previously classified as financial assets at FVTOCI, and further recognized an investment accounted for using the equity method at fair value. The related cumulative gain of \$3,863,348 thousand that was previously recognized in other comprehensive income under items never be reclassified in profit or loss was reclassified to retained earnings.

In connection with the Company's operational strategy, the Company continually increased its shareholdings in Qisda, Ennostar, ADLINK and Raydium with total investments of \$3,890,105 thousand and \$3,453,288 thousand for the years ended December 31, 2021 and 2020, respectively.

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,	
	2021	2020
The Company's share of joint ventures':		
Loss	\$ (114,238)	(4,512)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	\$ (114,238)	(4,512)

As at December 31, 2021 and 2020, none of the Company's investments in equity-accounted investees was pledged as collateral.

(8) Acquisition of subsidiaries

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.

	Amount
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)	887,129
	\$ 1,334,300

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	Fair value
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	(1,223,343)
	\$ 1,334,300

(9) Acquisition of Business

In February 2020, the Company acquired the business of integration service of content management system and hardware from John Ryan International Inc., John Ryan Technology, Inc., Cutler holdings Inc. and their subsidiaries (hereinafter referred to as “John Ryan”). Through the acquisition of the business, the Company expects to extend the relevant business to the financial industry.

If the acquisition had taken place on January 1, 2020, management estimated that the Company’s consolidated revenue and consolidated net profit for the year ended December 31, 2020 would have been \$270,969,044 thousand and \$2,899,105 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, 2020. 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, 2020, nor is it intended to be a projection of future results.

Acquisition-related costs are at approximately \$4,628 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.

a. Consideration transferred (translated at the exchange rates on December 31, 2020)

	Amounts
Cash	\$ 204,416
Contingent consideration	42,540
	\$ 246,956

In accordance with the terms of the contingent consideration, in the event that the annual revenue and the annual recurring revenue rendered from the acquired business for the year ended December 31, 2020 are either greater than the agreed revenue targets or hit the agreed goals specified in the agreement, or in the event that John Ryan assists in acquiring specific business within the period specified in the agreement, the Company will pay additional consideration of USD 750 thousand and USD 1,492 thousand, respectively, to John Ryan. 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 USD 0 thousand and USD 2,242 thousand.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The fair value of the contingent consideration estimated using Monte Carlo simulation and expected value was \$42,540 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 5.2% and revenue volatility rate of 12.8%.

Notwithstanding that the annual revenue and the annual recurring revenue rendered from the acquired business for the year ended December 31, 2020 were neither greater than the agreed revenue targets nor hit the agreed goals specified in the agreement, John Ryan assisted in acquiring specific business within the period specified in the agreement. Therefore, based on the agreement, the Company has paid USD 1,492 thousand to John Ryan from a trust account as agreed. The remeasurement of the fair value of the aforementioned contingent consideration agreement is consistent with the amount estimated and recorded.

b. 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, 2020):

	Fair value
Accounts receivable and other current assets	\$ 23,600
Property, plant and equipment	2,126
Intangible assets	122,273
Accounts payable and other current liabilities	(37,015)
	\$ 110,984

c. Goodwill arising from the acquisition for which is attributable mainly to the synergies expected to be achieved from integrating the acquired business into the Company's existing business has been recognized as follows (translated at the exchange rates on December 31, 2020):

	Amounts
Consideration transferred	\$ 246,956
Less: Fair value of identifiable net assets	(110,984)
	\$ 135,972

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(10) Property, Plant and Equipment

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	-	4,147,285	(5,906,564)	774,285	37,174,884
	<u>1,001,980,966</u>	<u>2,107,168</u>	<u>5,563,397</u>	<u>(18,271,776)</u>	<u>4,915,956</u>	996,295,711
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>	831,074,531
Prepayments for purchase of land and equipment, and construction in progress	1,555,481	-	<u>12,104,276</u>	-	<u>(7,658,892)</u>	6,000,865
Net carrying amounts	<u>\$ 185,480,116</u>					<u>171,222,045</u>
For the year ended December 31, 2020						
	Balance, Beginning of Year		Additions (deductions)	Disposal or write off	Reclassification, effect of change in exchange rate and others	Balance, End of Year
Cost:						
Land	\$ 8,858,648		-	-	(481)	8,858,167
Buildings	119,697,249		(18,363)	(272)	428,586	120,107,200
Machinery and equipment	841,581,837		1,352,493	(16,215,872)	8,137,263	834,855,721
Other equipment	35,834,437		4,778,970	(3,519,978)	1,066,449	38,159,878
	<u>1,005,972,171</u>		<u>6,113,100</u>	<u>(19,736,122)</u>	<u>9,631,817</u>	1,001,980,966
Accumulated depreciation and impairment loss:						
Buildings	39,170,748		2,932,678	(272)	(75,198)	42,027,956
Machinery and equipment	737,292,828		25,696,536	(16,158,158)	(868,809)	745,962,397
Other equipment	27,646,410		6,123,266	(3,515,871)	(187,827)	30,065,978
	<u>804,109,986</u>		<u>34,752,480</u>	<u>(19,674,301)</u>	<u>(1,131,834)</u>	818,056,331
Prepayments for purchase of land and equipment, and construction in progress	4,872,358		<u>6,859,277</u>	<u>(3,004)</u>	<u>(10,173,150)</u>	1,555,481
Net carrying amounts	<u>\$ 206,734,543</u>					<u>185,480,116</u>

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of December 31, 2021 and 2020, 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 2021 and 2020, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its display segment and recognized impairment losses of \$73,195 thousand and \$396,308 thousand, respectively.

In 2021 and 2020, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its energy segment and recognized impairment losses of \$26,809 thousand and \$31 thousand, respectively.

Impairment losses as mentioned above were recognized under other gains and losses in the consolidated statements of comprehensive income.

AUO disposed 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. As of December 31, 2021, such consideration was fully received.

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. As of December 31, 2021, such consideration was fully received.

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,	
	2021	2020
Capitalized borrowing costs	\$ 35,662	38,171
The interest rates applied for the capitalization	0.75%~ 1.63%	0.80%~ 1.77%

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Certain property, plant and equipment were pledged as collateral, see Note 8.

(11) Lease Arrangements

a. Lessee

(i) Right-of-use assets

	December 31, 2021	December 31, 2020
Carrying amount of right-of-use assets		
Land	\$ 10,308,082	10,891,245
Buildings	314,517	364,442
Other equipment	15,774	21,666
	\$ 10,638,373	11,277,353
	For the years ended	
	December 31,	
	2021	2020
Additions to right-of-use assets	\$ 130,194	122,283
Depreciation charge for right-of-use assets		
Land	\$ 540,995	548,349
Buildings	147,052	187,255
Other equipment	5,335	38,603
	\$ 693,382	774,207

(ii) Lease liabilities

	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
	\$ 11,575,918	1,850,677	9,725,241
Lease liabilities — current			\$ 534,706
Lease liabilities — noncurrent			\$ 9,190,535

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	December 31, 2020		
	Future minimum lease payments	Interests	Present value of minimum lease payments
Less than one year	\$ 735,828	182,708	553,120
Between one and five years	2,738,621	633,115	2,105,506
More than five years	8,859,869	1,221,223	7,638,646
	\$ 12,334,318	2,037,046	10,297,272
Lease liabilities – current			\$ 553,120
Lease liabilities – noncurrent			\$ 9,744,152

(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 2021 and 2020, 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 \$10,131 thousand and \$147,371 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 2021 and 2020, income from sublease were \$4,846 thousand and \$6,136 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.

(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,	
	2021	2020
Expenses relating to short-term leases	\$ 36,641	9,551
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 430	533

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Variable lease payments not included in the measurement of the lease liability	<u>\$ 3,559</u>	<u>4,694</u>
COVID-19-related rent concessions (recognized as deduction of rent expense)	<u>\$ 738</u>	<u>35,167</u>

Total cash outflow for the Company's leases in which it acts as a lessee for the years ended December 31, 2021 and 2020 were \$774,850 thousand and \$794,918 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, 2021 and 2020 were \$895 thousand and \$1,739 thousand, respectively.

The maturity analysis of undiscounted operating lease receivable for the abovementioned assets are as follows:

	December 31, 2021	December 31, 2020
Year 1	\$ 99,506	120,354
Year 2	98,860	108,492
Year 3	98,800	108,211
Year 4	93,434	105,765
Year 5	93,354	105,765
Year 6 onwards	<u>1,635,387</u>	<u>1,973,885</u>
Total undiscounted operating lease receivable	<u>\$ 2,119,341</u>	<u>2,522,472</u>

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(12) Investment Property

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
	\$ 2,198,820	-	(45,337)	2,153,483
Accumulated depreciation:				
Buildings	\$ 672,875	42,902	(5,275)	710,502
Right-of-use assets	3,554	1,762	(27)	5,289
	\$ 676,429	44,664	(5,302)	715,791
Net carrying amounts	\$ 1,522,391			1,437,692
Fair Value	\$ 4,035,907			4,119,728
For the year ended December 31, 2020				
	Balance, Beginning of Year	Additions	Reclassification and effect of change in exchange rate	Balance, End of Year
Cost:				
Land	\$ 729,639	-	(476)	729,163
Buildings	1,418,652	-	21,992	1,440,644
Right-of-use assets	28,570	-	443	29,013
	\$ 2,176,861	-	21,959	2,198,820
Accumulated depreciation:				
Buildings	\$ 619,981	42,349	10,545	672,875
Right-of-use assets	1,750	1,739	65	3,554
	\$ 621,731	44,088	10,610	676,429
Net carrying amounts	\$ 1,555,130			1,522,391
Fair Value	\$ 4,057,848			4,035,907

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

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 significant inputs used in the fair value measurement were as follows:

	For the years ended December 31,	
	2021	2020
Overall capital interest rate	1.91%	2.53%
Rate of return	15.00%	15.00%
Capitalization rate	8.00%~12.00%	8.00%~12.00%

As at December 31, 2021 and 2020, there was no investment property that was pledged as collateral.

(13) Intangible Assets

	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	272,717	38,000	78,428	(3,403)	385,742
	24,733,735	38,000	78,428	(7,403)	24,842,760

(Continued)

AU OPTRONICS CORP. 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
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>
For the year ended December 31, 2020					
	Balance, Beginning of Year	Additions	Effect of change in consolidated entities	Effect of change in exchange rate	Balance, End of Year
Cost:					
Goodwill	\$ 12,056,500	-	135,972	102	12,192,574
Patent and technology fee	12,266,313	-	-	2,131	12,268,444
Others	<u>150,436</u>	<u>-</u>	<u>122,273</u>	<u>8</u>	<u>272,717</u>
	<u>24,473,249</u>	<u>-</u>	<u>258,245</u>	<u>2,241</u>	<u>24,733,735</u>
Accumulated amortization and impairment loss:					
Goodwill	175,581	-	-	-	175,581
Patent and technology fee	11,338,906	256,996	-	636	11,596,538
Others	<u>150,436</u>	<u>10,186</u>	<u>-</u>	<u>(364)</u>	<u>160,258</u>
	<u>11,664,923</u>	<u>267,182</u>	<u>-</u>	<u>272</u>	<u>11,932,377</u>
Net carrying amounts	\$ <u>12,808,326</u>				<u>12,801,358</u>

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 Note 6(8) for further details.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Company acquired goodwill and other intangible assets from the acquisition of business in February 2020. See Note 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, 2021	December 31, 2020
Display business	<u>\$ 11,067,794</u>	<u>12,016,993</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, 2021 and 2020 were 10.42% and 13.63%, 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 2021 and 2020. 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 assessment in 2021, as the recoverable amount of display CGU was lower than its carrying value, the Company recognized an impairment loss of NT\$946,689 thousand on goodwill of display segment.

Based on the impairment assessment in 2020, no impairment loss was recognized as the recoverable amount of display CGU was higher than its carrying value.

(14) Other Current Assets and Other Noncurrent Assets

	December 31, 2021	December 31, 2020
Prepayments for purchases	\$ 1,181,680	145,468
Refundable and overpaid tax	1,156,780	1,051,994
Refundable deposits	980,390	432,202
Noncurrent financial assets at amortized cost	706,340	-
Prepayments for equipment	474,636	458,707
Others	<u>3,600,082</u>	<u>2,866,733</u>
	8,099,908	4,955,104
Less: current	<u>(3,592,203)</u>	<u>(3,175,948)</u>
Noncurrent	<u>\$ 4,507,705</u>	<u>1,779,156</u>

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(15) Short-term Borrowings

	December 31, 2021	December 31, 2020
Unsecured borrowings	\$ 45,324	200,000
Unused credit facilities	\$ 27,648,756	29,045,922
Interest rate range	0.90%~ 1.35%	0.97%~ 1.40%

(16) Long-term Borrowings

Bank or agent bank	Durations	December 31, 2021	December 31, 2020
Syndicated loans:			
Bank of Taiwan and others	From Feb. 2019 to Feb. 2024	\$ 12,000,000	42,000,000
Bank of Taiwan and others	From Mar. 2019 to Apr. 2023	4,600,000	23,000,000
Bank of Taiwan and others	From Oct. 2021 to Oct. 2025	9,750,000	-
Bank of Taiwan and others	From May 2017 to Apr. 2021	-	6,000,000
Bank of China and others	From Nov. 2015 to Nov. 2023	8,055,653	15,988,750
Unsecured loans	From Apr. 2017 to Dec. 2026	3,604,614	11,004,462
Secured loans	From Apr. 2017 to Apr. 2032	17,059,917	18,915,341
		55,070,184	116,908,553
Less: transaction costs		<u>(415,320)</u>	<u>(313,584)</u>
		54,654,864	116,594,969
Less: current portion		<u>(16,833,597)</u>	<u>(16,771,441)</u>
		\$ 37,821,267	99,823,528
Unused credit facilities		\$ 90,379,635	54,131,575
Interest rate range		0.75%~ 5.15%	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, 2021.

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, 2021 and 2020, 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)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(17) Provisions

	Warranties⁽ⁱ⁾	Litigation, claims and others	Total
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
Balance at January 1, 2020	\$ 1,292,246	469,312	1,761,558
Additions (Reversals)	347,491	(2,553)	344,938
Usage	(264,558)	(33,992)	(298,550)
Effect of change in exchange rate	148	(22,338)	(22,190)
Balance at December 31, 2020	1,375,327	410,429	1,785,756
Less: current	(568,411)	(176,243)	(744,654)
Noncurrent	\$ 806,916	234,186	1,041,102

(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.

In 2020, AUO reached an agreement with part of its employees for terminating their defined benefit pension plans and to settle its defined benefit obligation by relevant regulations. A gain on the settlement amounting to \$458,854 thousand was thereby recognized in the statement of comprehensive income. The full settlement amount was withdrawn from the pension fund, of which \$1,193,962 thousand that has not been withdrawn as of December 31, 2020 was fully withdrawn in January 2021.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

- (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, 2021	December 31, 2020
Present value of defined benefit obligation	\$ (188,699)	(181,758)
Fair value of plan assets	301,790	256,878
Net defined benefit asset (recognized in other noncurrent assets)	\$ 113,091	75,120

- (ii) Movement in net defined benefit asset (liability)

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit asset (liability)	
	2021	2020	2021	2020	2021	2020
Balance at January 1	\$ (181,758)	(3,155,988)	256,878	2,542,831	75,120	(613,157)
Service cost	(6,104)	(3,898)	-	-	(6,104)	(3,898)
Interest cost	(581)	(27,477)	-	-	(581)	(27,477)
Gain on settlement	-	458,854	-	-	-	458,854
Expected return on plan assets	-	-	1,002	22,377	1,002	22,377
Included in profit or loss	(6,685)	427,479	1,002	22,377	(5,683)	449,856
Actuarial (loss) gain arising from:						
- demographic assumptions	(1,804)	-	-	-	(1,804)	-
- financial assumptions	(16,558)	(10,652)	-	-	(16,558)	(10,652)
- experience adjustment	(7,754)	68,531	-	-	(7,754)	68,531
Return on plan assets excluding interest income	-	-	47,376	82,339	47,376	82,339
Included in other comprehensive income	(26,116)	57,879	47,376	82,339	21,260	140,218
Contributions paid by the employer	-	-	18,304	96,996	18,304	96,996
Benefits paid	21,236	2,488,803	(21,770)	(2,487,665)	(534)	1,138
Others	4,624	69	-	-	4,624	69
	25,860	2,488,872	(3,466)	(2,390,669)	22,394	98,203
Balance at December 31	\$ (188,699)	(181,758)	301,790	256,878	113,091	75,120

(Continued)

AU OPTRONICS CORP. 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, 2021 and 2020, the Funds deposited in the Committee's name in the Bank of Taiwan amounted to \$301,790 thousand and \$1,450,840 thousand (including the un-withdrawn balance aforementioned). 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, 2021	December 31, 2020
Discount rate	0.50%~0.65%	0.39%~0.50%
Rate of increase in future salary	0.77%~4.49%	0.77%~4.49%

The Company anticipates contributing \$98 thousand to the defined benefit plans in the next year starting from January 1, 2022.

As at December 31, 2021, the weighted-average duration of the defined benefit obligation was between 5 years to 15 years.

(b) Sensitivity analysis

Reasonably possible changes at December 31, 2021 and 2020 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	December 31, 2021		December 31, 2020	
	Changes in assumptions		Changes in assumptions	
	+ 0.25%	-0.25%	+0.25%	-0.25%
Discount rate	\$ (6,059)	6,354	(6,031)	6,328
Rate of increase in future salary	\$ 6,109	(5,856)	6,128	(5,870)

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. 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, 2021 and 2020, these companies set aside, \$972,301 thousand and \$939,727 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 \$837,885 thousand and \$569,187 thousand for the years ended December 31, 2021 and 2020, 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, both amounted to \$100,000,000 thousand as at December 31, 2021 and 2020.

AUO’s issued common stock, with par value of \$10 per share, both amounted to \$96,242,451 thousand as at December 31, 2021 and 2020.

As of December 31, 2021, AUO has issued 24,815 thousand ADSs, which represented 248,147 thousand shares of its common stock.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

b. Capital surplus

The components of capital surplus were as follows:

	December 31, 2021	December 31, 2020
From common stock	\$ 52,756,091	52,756,091
From convertible bonds	6,049,862	6,049,862
From others	1,251,048	1,781,731
	\$ 60,057,001	60,587,684

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.

(Continued)

AU OPTRONICS CORP. 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 annual shareholders' meeting held on June 17, 2020 resolved to set aside a special reserve of \$1,157,614 thousand and not to distribute dividends for 2019.

The aforementioned appropriation of earnings for 2019 was consistent with the resolutions of the Board of Directors' meeting held on March 20, 2020.

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	2,850,967	0.30
	\$ 4,851,342	

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.

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, 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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the year ended December 31, 2020

<u>Reason for reacquisition</u>	<u>Number of shares, Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Number of shares, End of Year</u>
Transferring to employees	125,000	-	-	125,000

Refer to Note 6(20) for information on employee treasury shares plan for 2021. A total of 70,801 thousand shares were transferred with total costs for treasury shares of \$574,195 thousand and 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.

e. Other components of equity

	<u>Cumulative translation differences</u>	<u>Unrealized gains (losses) on financial assets at FVTOCI</u>	<u>Total</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)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	Cumulative translation differences	Unrealized gains (losses) on financial assets at FVTOCI	Total
Balance at January 1, 2020	\$ (3,129,982)	1,124,598	(2,005,384)
Foreign operations – foreign currency translation differences	(26,626)	-	(26,626)
Net change in fair value of financial assets at FVTOCI	-	2,673,994	2,673,994
Equity-accounted investees – share of other comprehensive income	(49,783)	2,788	(46,995)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(3,865,163)	(3,865,163)
Related tax	(129)	-	(129)
Balance at December 31, 2020	<u>\$ (3,206,520)</u>	<u>(63,783)</u>	<u>(3,270,303)</u>

f. Non-controlling interests, net of tax

	For the years ended December 31,	
	2021	2020
Balance at beginning of the year	\$ 10,985,674	11,304,909
Equity attributable to non-controlling interests:		
Profit (loss) for the year	2,128,470	(468,897)
Foreign currency translation differences, net of tax	(77,160)	146,951
Unrealized gain on financial assets at FVTOCI	-	2,712
Acquisition of subsidiaries	887,129	-
Acquisition of interest in subsidiary from non-controlling interests	(7,530,685)	-
Subsidiaries capital return and cash dividends	(251,415)	-
Subsidiaries capital increase and others	37,418	(1)
Balance at end of the year	<u>\$ 6,179,431</u>	<u>10,985,674</u>

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	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	<u>753,444</u>
Capital surplus and retained earnings – differences between consideration and carrying amount arising from acquisition of interest in subsidiary	<u>\$ (9,033,124)</u>

(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:

	Plan 1	Plan 2
Grant date	February 18, 2021	August 16, 2021~August 24, 2021
Total shares granted	3,978 thousand shares	66,823 thousand shares
Contract term	-	-
Grant object	Employees	Employees
Vesting conditions	Vest immediately	Vest immediately

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 year ended December 31, 2021, the related compensation costs recognized for the abovementioned plan amounted to \$826,705 thousand.

b. Employee restricted stock plan

As of December 31, 2021, 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:

Plan	Grant date	Granted units	Vesting conditions
Employee restricted stock plan	April 1, 2021	850,000	Note
Employee restricted stock plan	December 2, 2021	400,000	Note

Note: Employees are granted restricted stocks without consideration, and are eligible to vest 100% of 250,000 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

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 nine months ended December 31, 2021, the compensation costs recognized for the abovementioned plan amounted to \$4,546 thousand.

(21) Revenue from Contracts with Customers

a. Disaggregation of revenue

	For the years ended December 31,					
	2021			2020		
	Display segment	Energy segment	Total segments	Display segment	Energy segment	Total segments
Primary geographical markets:						
PRC (including Hong Kong)	\$ 111,848,026	1,268,984	113,117,010	89,796,921	347,005	90,143,926
Taiwan	114,629,475	7,824,949	122,454,424	84,666,944	5,174,783	89,841,727
Singapore	55,035,626	2,173	55,037,799	41,955,024	484	41,955,508
Japan	22,628,900	174,862	22,803,762	19,218,501	505,526	19,724,027
Others	54,272,074	3,000,072	57,272,146	26,166,171	3,124,022	29,290,193
	<u>\$ 358,414,101</u>	<u>12,271,040</u>	<u>370,685,141</u>	<u>261,803,561</u>	<u>9,151,820</u>	<u>270,955,381</u>
Major products:						
Products for Televisions	\$ 85,372,809	-	85,372,809	70,477,336	-	70,477,336
Products for Monitors	63,797,402	-	63,797,402	41,888,242	-	41,888,242
Products for Mobile PCs and Devices	110,617,765	-	110,617,765	77,422,244	-	77,422,244
Products for Automotive Solutions	29,389,600	-	29,389,600	22,784,935	-	22,784,935
Products for PID and General Display	47,375,823	-	47,375,823	35,350,178	-	35,350,178
Others ⁽ⁱ⁾	21,860,702	12,271,040	34,131,742	13,880,626	9,151,820	23,032,446
	<u>\$ 358,414,101</u>	<u>12,271,040</u>	<u>370,685,141</u>	<u>261,803,561</u>	<u>9,151,820</u>	<u>270,955,381</u>
Major customers:						
Customer A	\$ 38,556,227	-	38,556,227	33,213,909	-	33,213,909
Others (individually not greater than 10%)	319,857,874	12,271,040	332,128,914	228,589,652	9,151,820	237,741,472
	<u>\$ 358,414,101</u>	<u>12,271,040</u>	<u>370,685,141</u>	<u>261,803,561</u>	<u>9,151,820</u>	<u>270,955,381</u>

⁽ⁱ⁾ Including sales of solar-related products, raw materials and components and from products for other applications and service charges.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

b. Contract balances

	December 31, 2021	December 31, 2020
Contract assets – current (recorded in other current financial assets)	\$ 1,371,390	145,558
Contract liabilities – current (recorded in other current liabilities) \$	3,325,765	455,551
Contract liabilities – noncurrent	8,739,846	-
	\$ 12,065,611	455,551

The amounts of revenue recognized for the years ended December 31, 2021 and 2020 that previously included in the contract liability balance at the beginning of the year were \$264,480 thousand and \$505,968 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 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 years ended December 31, 2021 and 2020, AUO estimated the remuneration to employees amounting to \$6,339,435 thousand and \$253,493 thousand, respectively. 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.

Remuneration to employees and directors for 2020 in the amounts of \$253,493 thousand and \$8,275 thousand, respectively, in cash for payment had been approved in the meeting of Board of Directors held on March 16, 2021. The aforementioned approved amounts are the same as the amounts charged against earnings of 2020.

The information about AUO’s remuneration to employees and directors is available at the Market Observation Post System website.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(23) Additional Information of Expenses by Nature

	For the years ended December 31,					
	2021			2020		
	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	\$ 30,648,271	12,256,978	42,905,249	22,698,460	7,683,280	30,381,740
Labor and health insurances	1,432,506	558,491	1,990,997	1,274,706	448,987	1,723,693
Retirement benefits	1,384,747	431,122	1,815,869	829,019	230,039	1,059,058
Other employee benefits	3,801,411	1,493,555	5,294,966	3,234,404	556,033	3,790,437
Depreciation	29,022,101	4,434,980	33,457,081	30,371,202	4,759,146	35,130,348
Amortization	188,613	18,906	207,519	256,996	10,186	267,182

(24) Non-Operating Income and Expenses

a. Interest income

	For the years ended December 31,	
	2021	2020
Interest income on bank deposits	\$ 495,281	522,158
Interest income on government bonds with reverse repurchase agreements and others	51	10,894
	<u>\$ 495,332</u>	<u>533,052</u>

b. Other income

	For the years ended December 31,	
	2021	2020
Rental income, net	\$ 569,970	494,348
Dividend income	8,090	261,382
Grants	374,445	2,349,464
Others	437,175	653,662
	<u>\$ 1,389,680</u>	<u>3,758,856</u>

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

c. Other gains and losses

	For the years ended December 31,	
	2021	2020
Foreign exchange gains (losses), net	\$ 144,679	(584,821)
Gains (losses) on valuation of financial instruments at FVTPL, net	(376,949)	312,561
Gains on disposals of property, plant and equipment, net	1,841,771	58,558
Gains on disposals of investments and financial assets, net	890,046	159
Impairment losses on assets	(1,046,693)	(396,339)
Gains (losses) on litigation and others	(415,396)	(151,261)
	\$ 1,037,458	(761,143)

d. Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense on bank borrowings	\$ 1,889,834	2,597,055
Interest expense on lease liabilities	182,853	182,919
Other interest expense	62,757	86,813
Finance expense	82,121	77,085
	\$ 2,217,565	2,943,872

(25) Income Taxes

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 (benefit)

The components of income tax expense (benefit) for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Current income tax expense (benefit):		
Current year	\$ 2,052,141	712,966
Adjustment to prior years and others	62,676	96,592
	2,114,817	809,558
Deferred tax expense (benefit):		
Temporary differences	832,880	(929,314)
	\$ 2,947,697	(119,756)

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Income taxes expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Items that will never be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	\$ 4,577	28,043
Items that are or may be reclassified subsequently to profit or loss:		
Foreign operations – foreign currency translation differences	\$ (345,815)	16,855

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, 2021 and 2020, was as follows:

	For the years ended December 31,	
	2021	2020
Income tax expense at AUO’s statutory tax rate	\$ 13,281,359	557,534
Tax on undistributed earnings, net	62,580	-
Effect of different subsidiaries income tax rate	728,228	384,919
Share of profit of equity-accounted subsidiaries	3,365,832	736,608
Net of non taxable income from domestic investments and non-deductible expense	(2,979,703)	(636,962)
Change of unrecognized deductible temporary differences	(11,604,638)	(1,232,902)
Adjustments to prior year	62,676	96,592
Others	31,363	(25,545)
Income tax expense (benefit)	\$ 2,947,697	(119,756)

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, 2021	December 31, 2020
Deductible temporary differences	\$ 2,480,011	1,598,886
Unused investment tax credits	952,111	1,063,294
Unused tax losses carryforwards	19,541,669	31,289,400
	\$ 22,973,791	33,951,580

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

As of December 31, 2021, the unused investment tax credits include \$939,807 thousand from AUST with no expiration, and \$11,937 thousand and \$366 thousand from domestic subsidiaries, DPTW and AETTW, respectively.

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, 2021, the expiration period for abovementioned unrecognized deferred tax assets of unused tax losses carryforwards were as follows:

<u>Year of assessment</u>	<u>Unrecognized deferred tax assets</u>	<u>Expiration in year</u>
2012	\$ 349,610	2022 ⁽ⁱ⁾
2013	1,620,628	2022 ~ 2023
2014	2,185,347	2023 ~ 2024
2015	3,186,912	2024 ~ 2025
2016	3,475,366	2021 ~ 2026
2017	1,492,637	2021 ⁽ⁱ⁾
2018	1,249,260	2023 ⁽ⁱ⁾
2019	5,179,170	2023 ⁽ⁱ⁾
2020	592,927	2024 ~ 2030
2021	<u>209,812</u>	2025 ⁽ⁱ⁾
	<u>\$ 19,541,669</u>	

⁽ⁱ⁾ As of December 31, 2021, the unrecognized deferred tax assets of unused tax losses carryforwards include \$9,604 thousand with no expiration.

As of December 31, 2021 and 2020, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to nil and \$832,350 thousand, respectively.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The components of and changes in deferred tax assets and liabilities were as follows:

	Deferred tax assets		Deferred tax liabilities		Total	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Investment tax credits	\$ 299,861	228,056	-	-	299,861	228,056
Tax losses carryforwards	1,289,775	2,209,244	-	-	1,289,775	2,209,244
Unrealized loss and expenses	233,405	298,553	(74,637)	(64,590)	158,768	233,963
Inventories write-down	740,795	559,809	-	-	740,795	559,809
Foreign investment gains under the equity method	-	-	(2,007,545)	(869,124)	(2,007,545)	(869,124)
Accumulated amortization of goodwill in accordance with local tax laws	-	-	(2,024,091)	(2,213,429)	(2,024,091)	(2,213,429)
Remeasurement of defined benefit plans	124,596	129,173	-	-	124,596	129,173
Foreign operations –foreign currency translation differences	1,215,022	869,207	-	-	1,215,022	869,207
Others	2,563,134	1,711,304	(118,447)	(66,183)	2,444,687	1,645,121
	\$ 6,466,588	6,005,346	(4,224,720)	(3,213,326)	2,241,868	2,792,020

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Effect of change in consolidated entities, exchange rate and others	December 31, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Effect of change in consolidated entities, exchange rate and others	December 31, 2021
Deferred tax assets (liabilities):									
Investment tax credits	\$ 385,728	(141,931)	-	(15,741)	228,056	79,276	-	(7,471)	299,861
Tax losses carryforwards	2,223,440	(15,003)	-	807	2,209,244	(912,719)	-	(6,750)	1,289,775
Unrealized loss and expenses	161,072	72,823	-	68	233,963	(75,171)	-	(24)	158,768
Inventories write-down	879,267	(319,514)	-	56	559,809	181,006	-	(20)	740,795
Foreign investment losses (gains) under the equity method	(1,043,486)	174,362	-	-	(869,124)	(1,138,421)	-	-	(2,007,545)
Accumulated amortization of goodwill in accordance with local tax laws	(2,213,429)	-	-	-	(2,213,429)	189,338	-	-	(2,024,091)
Remeasurement of defined benefit plans	157,216	-	(28,043)	-	129,173	-	(4,577)	-	124,596
Foreign operations - foreign currency translation differences	886,062	-	(16,855)	-	869,207	-	345,815	-	1,215,022
Others	481,647	1,158,577	-	4,897	1,645,121	843,811	-	(44,245)	2,444,687
	<u>\$ 1,917,517</u>	<u>929,314</u>	<u>(44,898)</u>	<u>(9,913)</u>	<u>2,792,020</u>	<u>(832,880)</u>	<u>341,238</u>	<u>(58,510)</u>	<u>2,241,868</u>

c. Assessments by the tax authorities

As of December 31, 2021, the tax authorities have completed the examination of income tax returns of AUO through 2019.

(26) Earnings per Share

	For the years ended December 31,	
	<u>2021</u>	<u>2020</u>
Basic earnings per share		
Profit attributable to AUO's shareholders	<u>\$ 61,330,628</u>	<u>3,376,324</u>
Weighted-average number of common shares outstanding during the year	<u>9,522,200</u>	<u>9,499,245</u>
Basic earnings per share (NT\$)	<u>\$ 6.44</u>	<u>0.36</u>

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	For the Years ended	
	December 31,	
	2021	2020
Diluted earnings per share		
Profit attributable to AUO's shareholders	\$ 61,330,628	3,376,324
Weighted-average number of common shares outstanding during the year	9,522,200	9,499,245
Effect of employee remuneration in stock	279,624	18,107
	9,801,824	9,517,352
Diluted earnings per share (NT\$)	\$ 6.26	0.35

(27) Cash Flow Information

The reconciliation of liabilities to cash flows arising from financing activities was as follows:

	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	\$ 54,654,864	45,324	771,877	9,725,241	65,197,306
Balance at January 1, 2020	\$ 111,968,392	1,725,602	785,456	11,091,077	125,570,527
Cash flows	4,791,073	(1,544,602)	53,268	(597,221)	2,702,518
Non-cash changes:					
Additions	-	-	-	122,283	122,283
Changes in exchange rate and others	(164,496)	19,000	26,144	(318,867)	(438,219)
Balance at December 31, 2020	\$ 116,594,969	200,000	864,868	10,297,272	127,957,109

(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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated 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, 2021 and 2020 were as follows:

	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ 159,270	159,270	668,058	668,058
Financial assets at FVTOCI	1,308,157	1,308,157	622,824	622,824
Financial assets at amortized cost:				
Domestic and foreign time deposits	10,706,340	10,706,340	-	-
Refundable deposits	980,390	980,390	432,202	432,202
Financial liabilities:				
Financial liabilities at FVTPL:				
Financial liabilities held for trading	132,797	132,797	170,956	170,956
Financial liabilities at amortized cost:				
Long-term borrowings (including current installments)	54,654,864	54,654,864	116,594,969	116,594,969
Guarantee deposits	771,877	771,877	864,868	864,868
Long-term payables (including current installments)	1,404,990	1,404,990	309,900	309,900

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.

Fair value of structured investment product is measured based on the discounted future cash flows arising from principal consideration and probable gains estimate to be received.

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The refundable deposits and guarantee deposits are based on carrying amount as there is no fixed maturity.

The fair value of floating-rate long-term borrowings 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).

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, 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

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2020				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ -	668,058	-	668,058
Financial assets at FVTOCI	294,668	-	328,156	622,824
Financial liabilities at FVTPL:				
Financial liabilities held for trading	-	170,956	-	170,956
Financial liabilities at amortized cost:				
Long-term payables (including current installments)	-	309,900	-	309,900

There were no transfers between Level 1 and 2 for the years ended December 31, 2021 and 2020.

- d. Reconciliation for fair value measurements categorized within Level 3

	For the years ended	
	December 31	
	<u>2021</u>	<u>2020</u>
Financial assets at FVTOCI— equity instruments without active market		
Balance at beginning of the year	\$ 328,156	188,670
Net gains (losses) included in other comprehensive income	-	4,600
Purchases	780,026	173,036
Disposals	-	(18,568)
Reclassification	51,015	(20,000)
Effect of exchange rate change	(217)	418
Balance at end of the year	<u>\$ 1,158,980</u>	<u>328,156</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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at FVTOCI—equity instruments without active market	Market approach	<ul style="list-style-type: none"> ·Price-Book ratio (1.44~17.85 at Dec. 31, 2021 and 1.01~2.64 at Dec. 31, 2020) ·Price-Earnings ratio (8.82~26.12 at Dec. 31, 2021 and 12.95~24.99 at Dec. 31, 2020) ·Discount for lack of marketability (20% at Dec. 31, 2021 and 20%~30% at Dec. 31, 2020) 	<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.

(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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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, 2021 and 2020, the Company's five largest customers accounted for 43.0% and 40.8%, 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, 2021.

(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.

(Continued)

AU OPTRONICS CORP. 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.

	<u>Contractual cash flows</u>	<u>2022.1.1~ 2022.12.31</u>	<u>2023.1.1~ 2024.12.31</u>	<u>2025.1.1~ 2026.12.31</u>	<u>2027 and thereafter</u>
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	-	-	-
	<u>\$ 58,878,616</u>	<u>18,214,486</u>	<u>32,406,763</u>	<u>7,055,346</u>	<u>1,202,021</u>
	<u>Contractual cash flows</u>	<u>2021.1.1~ 2021.12.31</u>	<u>2022.1.1~ 2023.12.31</u>	<u>2024.1.1~ 2025.12.31</u>	<u>2026 and thereafter</u>
December 31, 2020					
Non-derivative financial liabilities					
Short-term borrowings	\$ 200,000	200,000	-	-	-
Long-term borrowings (including current installments)	121,514,089	18,953,264	75,716,835	25,473,429	1,370,561
Guarantee deposits	864,868	39,348	3,619	-	821,901
Long-term payables (including current installments)	309,900	154,950	154,950	-	-
Derivative financial instruments					
Foreign currency forward contracts – inflows	(19,440,746)	(19,440,746)	-	-	-
Foreign currency forward contracts – outflows	19,507,927	19,507,927	-	-	-
	<u>\$ 122,956,038</u>	<u>19,414,743</u>	<u>75,875,404</u>	<u>25,473,429</u>	<u>2,192,462</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, 2021, 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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
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, 2021			December 31, 2020		
	Foreign currency amounts	Exchange rate	NTD	Foreign currency amounts	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 3,001,028	27.6880	83,092,463	2,380,316	28.5070	67,855,668
JPY	4,543,754	0.2409	1,094,590	11,404,938	0.2763	3,151,184
EUR	34,718	31.4203	1,090,850	32,931	35.0494	1,154,212
<u>Non-monetary items</u>						
USD	34,579	27.6880	957,423	6,657	28.5070	189,771
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	1,944,481	27.6880	53,838,790	1,620,121	28.5070	46,184,789
JPY	20,754,389	0.2409	4,999,732	20,631,647	0.2763	5,700,524
EUR	28	31.4203	880	51	35.0494	1,788

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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, 2021 and 2020, while all other variables were remained constant, would have increased or decreased the net profit before tax for the years ended December 31, 2021 and 2020 as follows:

	For the years ended December 31,	
	2021	2020
1% of depreciation	\$ 264,385	202,740
1% of appreciation	(264,385)	(202,740)

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, 2021 and 2020 were \$144,679 thousand in gains and \$584,821 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, 2021 and 2020 by \$137,675 thousand and \$292,271 thousand, respectively.

(c) Equity price risk

See Note 6(3) for disclosure of equity price risk analysis.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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,	
	2021	2020
Short-term borrowings	\$ 45,324	200,000
Long-term borrowings (including current installments)	54,654,864	116,594,969
Total liabilities	186,844,575	213,479,930
Total equity	237,966,471	193,790,365
Debt-to-equity ratio	79%	110%
Net debt-to-equity ratio ⁽ⁱ⁾	(11)%	14%

⁽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
TRENDYLITE CORPORATION (“TRENDYLITE”)	Subsidiary of Ennostar
Lextar Electronics (Suzhou) Co., Ltd. (“LESZ”)	Subsidiary of Ennostar
Lextar Electronics (Xiamen) Co., Ltd. (“LEXM”)	Subsidiary of Ennostar
Lextar Electronics (Chuzhou) Corp. (“LEXCZ”)	Subsidiary of Ennostar
Wellybond Corporation (“WBC”)	Subsidiary of Ennostar
Epistar Corporation (“Epistar”)	Subsidiary of Ennostar
Yenrich Technology Corporation (“Yenrich”)	Subsidiary of Ennostar

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Raydium Semiconductor Corporation (“Raydium”)	Associate
Raydium Semiconductor (Kunshan) Co., Ltd. (“RKS”)	Subsidiary of Raydium
Star River Energy Corp. (“SREC”)	Associate ⁽ⁱ⁾
Sungen Power Corporation (“SGPC”)	Subsidiary of SREC ⁽ⁱ⁾
Evergen Power Corporation (“EGPC”)	Subsidiary of SREC ⁽ⁱ⁾
Star Shining Energy Corporation (“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 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. (“SSFI”)	Subsidiary of SSEC
Daxin Materials Corp. (“Daxin”)	Associate
Darwin Summit Corporation Ltd. (“DSC”)	Associate
Ubitech Inc. (“Ubitech”)	Associate ⁽ⁱⁱ⁾
ADLINK Technology Inc. (“ADLINK”)	Associate
ADLINK Technology GmbH (“ATG”)	Subsidiary of ADLINK
ADLINK Technology (China) Co., Ltd. (“ADLINKCN”)	Subsidiary of ADLINK
IRIS Optronics Co., Ltd. (“IOC”)	Associate
Evonik Forhouse Optical Polymers Corp. (“EFOP”)	Joint venture
WishMobile, Inc. (“WMI”)	Konly represented as a director of WMI ⁽ⁱⁱⁱ⁾
WiBASE Industrial Solutions Inc. (“WIS”)	DPTW represented as a director of WIS
ToYou Display (Suzhou) Co., Ltd. (“TYSZ”)	AUSZ represented as a director of TYSZ ^(iv)
Qisda Corporation (“Qisda”)	Associate ^(v)
Qisda Vietnam Co., Ltd (“QVH”)	Subsidiary of Qisda
BenQ Corporation (“BenQ”)	Subsidiary of Qisda

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
BenQ Materials Corp. (“BMC”)	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
Qisda Precision Industry (Suzhou) Co., Ltd. (“QCPS”)	Subsidiary of Qisda
BenQ Europe B.V. (“BQE”)	Subsidiary of Qisda
BenQ Asia Pacific Corp. (“BQP”)	Subsidiary of Qisda
BenQ America Corporation (“BQA”)	Subsidiary of Qisda
Mainteq Europe B.V. (“MQE”)	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
BenQ GURU Corp. (“GST”)	Subsidiary of Qisda
BenQ Material (Suzhou) Co., Ltd. (“BMS”)	Subsidiary of Qisda
BenQ Materials Medical Supplies (Suzhou) Co., Ltd. (“BMM”)	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. (“AEW”)	Subsidiary of Qisda
Sysage Technology Co., Ltd. (“Sysage”)	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
LILY MEDICAL CORPORATION (“LILY”)	Subsidiary of Qisda
BenQ Medical Technology Corp. (“TMC”)	Subsidiary of Qisda
HITRON TECHNOLOGIES INC. (“HHC”)	Subsidiary of Qisda
ADVANCEDTEK INTERNATIONAL CORP. (“ADVANCEDTEK”)	Subsidiary of Qisda
Daxon Biomedical (Suzhou) Co., Ltd. (“DTB”)	Subsidiary of Qisda
Qisda Optronics Corp. (“QTOS”)	Subsidiary of Qisda
AUO Foundation	Substantive related party

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
BenQ Foundation	Substantive related party ^(vi)
Jector Digital System Inc. (“JDSI”)	The party which co-invests with ADP in Jector
SINTRONES Technology Corp. (“SINTRONES”)	AUO represented as a director of SINTRONES
Play Nitride Inc. (“PlayNitride”)	Konly represented as a director of PlayNitride
PlayNitride Display Co., Ltd. (“PND”)	Subsidiary of PlayNitride

- (i) 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.
- (ii) 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.
- (iii) The Company has not had significant influence over WMI since October 2021; therefore, WMI was changed from associate to other related party.
- (iv) 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.
- (v) The Company has accounted for the investment in Qisda using the equity method since December 31, 2020. Qisda and its subsidiaries are changed as the Company’s associates from the same date while previously they are categorized as other related parties. See Note 6(7) for the relevant information.
- (vi) 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,	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 872,527	222,373
Post-employment benefits	1,402	2,032
Share-based payments	17,276	-
	<u><u>\$ 891,205</u></u>	<u><u>224,405</u></u>

Refer to Note 6(20) for information on share-based payments.

(Continued)

AU OPTRONICS CORP. 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,	
	2021	2020	2021	2020
Associates	\$ 12,904,965	845,339	2,478,006	2,076,045
Joint ventures	-	7,571	-	111
Others	2,101	11,048,561	1,389	-
	<u>\$ 12,907,066</u>	<u>11,901,471</u>	<u>2,479,395</u>	<u>2,076,156</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,	
	2021	2020	2021	2020
Associates	\$ 27,141,672	8,168,972	8,821,310	7,297,560
Joint ventures	797,785	900,612	-	5,232
Others	31,226	16,518,558	4,051	-
	<u>\$ 27,970,683</u>	<u>25,588,142</u>	<u>8,825,361</u>	<u>7,302,792</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,	
	2021	2020
Associates	\$ 37,972	8,814
Others	656	13,576
	<u>\$ 38,628</u>	<u>22,390</u>

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

d. Disposal of property, plant and equipment and others

	<u>Proceeds from disposal</u>		<u>Gains on disposal</u>	
	<u>For the years ended</u>		<u>For the years ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Others:				
QCES	\$ -	35,117	-	29,541
Others	-	4,083	-	3,197
	<u>\$ -</u>	<u>39,200</u>	<u>-</u>	<u>32,738</u>

e. Other related party transactions

<u>Transaction type</u>	<u>Type of related party</u>	<u>December 31,</u>	
		<u>2021</u>	<u>2020</u>
Other receivables due from related parties	Associates	\$ 20,682	7,053
	Joint ventures	-	4,502
	Others	17	10,374
		<u>\$ 20,699</u>	<u>21,929</u>
Other payables due to related parties, including payables for equipment	Associates	\$ 62,110	24,254
	Others	11,734	66
		<u>\$ 73,844</u>	<u>24,320</u>

<u>Transaction type</u>	<u>Type of related party</u>	<u>For the years ended</u>	
		<u>December 31,</u>	<u>December 31,</u>
		<u>2021</u>	<u>2020</u>
Rental income	Associates		
	BMC	\$ 95,345	-
	Others	33,953	47,476
	Joint ventures	5,509	11,180
	Others:		
	BMC	-	94,766
	Others	3,720	20,096
		<u>\$ 138,527</u>	<u>173,518</u>
Administration and other income	Associates	\$ 23,955	21,419
	Joint ventures	-	26
	Others	66	7,789
		<u>\$ 24,021</u>	<u>29,234</u>

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Transaction type	Type of related party	For the years ended December 31,	
		2021	2020
Rental and other expenses	Associates	\$ 101,001	72,078
	Joint ventures	23	-
	Others	66,150	70,226
		<u>\$ 167,174</u>	<u>142,304</u>

The Company leased portion of its facilities 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, including PlayNitride, SSEC and WMI for 2021 in the aggregate of \$1,231,730 thousand and WMI for 2020 by \$660,000 thousand. In addition, for the years ended December 31, 2021 and 2020, the Company entitled for cash dividends declared by related parties of \$914,322 thousand and \$603,621 thousand, respectively. As of December 31, 2021 and 2020, 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,	
		2021	2020
Restricted cash in banks ⁽ⁱ⁾	Customs duties and guarantee for warranties	\$ 93,124	28,345
Land and buildings	Long-term borrowings limit	49,863,581	48,286,874
Machinery and equipment	Long-term borrowings limit	31,810,247	45,407,718
Right-of-use assets	Long-term borrowings limit	79,030	-
		<u>\$ 81,845,982</u>	<u>93,722,937</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, 2021, 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, 2021, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Currency	December 31, 2021 (in thousands)
USD	15,480
JPY	13,087,366
EUR	92

(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, 2021, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled \$31,220,622 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, and at this stage, the final outcome of these matters is uncertain. AUO is reviewing the merits of this lawsuit on an on-going basis.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

As of February 10, 2022, 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 have proceeded to file an administrative action for invalidating the environmental assessment again. The matter is still under review by the court. Management does not believe that this event will have a material adverse effect on the Company's operation and 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, 2021.

- 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)

AU OPTRONICS CORP. AND SUBSIDIARIES
Notes to Consolidated 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).
 - 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, 2021, 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	663,598,620	6.89%

(Continued)

AU OPTRONICS CORP. 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, 2021 and 2020 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.

	<u>For the year ended December 31, 2021</u>		
	<u>Display segment</u>	<u>Energy segment</u>	<u>Total segments</u>
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>

	<u>For the year ended December 31, 2020</u>		
	<u>Display segment</u>	<u>Energy segment</u>	<u>Total segments</u>
Net revenue from external customers	<u>\$ 261,803,561</u>	<u>9,151,820</u>	<u>270,955,381</u>
Segment profit (loss)	<u>\$ 1,853,753</u>	<u>229,289</u>	2,083,042
Net non-operating income and expenses			704,629
Consolidated profit (loss) before income tax			<u>\$ 2,787,671</u>
Segment profit (loss) excluding depreciation and amortization	<u>\$ 36,677,320</u>	<u>803,252</u>	<u>37,480,572</u>
Segment assets			<u>\$ 407,270,295</u>

(Continued)

AU OPTRONICS CORP. 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⁾

Region	December 31, 2021	December 31, 2020
Taiwan	\$ 148,037,327	158,001,599
PRC (including Hong Kong)	47,035,469	50,113,912
Others	3,636,987	4,634,540
	\$ 198,709,783	212,750,051

⁽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).

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Financings Provided
For the year ended December 31, 2021
(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	S4M	Other receivables from related parties	Yes	30,000	30,000	10,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	23,178,704	92,714,816
0	AUO	ACTW	Other receivables from related parties	Yes	3,400,000	2,400,000	1,400,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	23,178,704	92,714,816
0	AUO	DPTW	Other receivables from related parties	Yes	1,000,000	1,000,000	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	23,178,704	92,714,816
0	AUO	AUOKS	Other receivables from related parties	Yes	8,738,000	8,695,600	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	23,178,704	92,714,816
0	AUO	AETTW	Other receivables from related parties	Yes	400,000	400,000	100,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	23,178,704	92,714,816
1	AUOLB	AUOKS	Other receivables from related parties	Yes	15,963,280	12,608,620	7,391,260	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	68,042,510	68,042,510
2	AUXM	AUOKS	Other receivables from related parties	Yes	5,210,400	4,782,580	2,391,290	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	15,322,527	15,322,527

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		
3	BVXM	AUOKS	Other receivables from related parties	Yes	440,780	434,780	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,323,985	1,323,985
4	AUSJ	ACTSZ	Other receivables from related parties	Yes	96,118	52,174	4,348	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,048,660	4,048,660
4	AUSJ	AMISZ	Other receivables from related parties	Yes	65,535	65,217	21,739	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,048,660	4,048,660
4	AUSJ	AUOKS	Other receivables from related parties	Yes	1,529,150	1,521,730	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,048,660	4,048,660
4	AUSJ	AETSD	Other receivables from related parties	Yes	220,390	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,048,660	4,048,660
4	AUSJ	AETSZ	Other receivables from related parties	Yes	174,212	86,956	56,521	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,048,660	4,048,660
4	AUSJ	ATISZ	Other receivables from related parties	Yes	43,690	43,478	21,739	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	4,048,660	4,048,660
5	AUSZ	AUOKS	Other receivables from related parties	Yes	6,553,500	5,434,750	3,043,460	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,821,288	17,821,288
6	BVHF	AUOKS	Other receivables from related parties	Yes	308,546	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	333,308	333,308
7	DPSZ	AUOKS	Other receivables from related parties	Yes	438,240	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	592,669	592,669

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		
7	DPSZ	FTWJ	Other receivables from related parties	Yes	218,450	217,390	217,390	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,481,672	1,481,672
8	DPTW	DPSK	Other receivables from related parties	Yes	52,574	-	-	Adjusted by short-term average lending rate	Needs for short-term financing	-	Operating capital	-	-	-	2,303,315	3,685,303
9	FPWJ	FTWJ	Other receivables from related parties	Yes	218,450	217,390	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	696,499	696,499
10	FTWJ	FHWJ	Other receivables from related parties	Yes	87,106	21,739	21,739	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,510,006	1,510,006

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, AUSZ, AUXM, AUSJ, BVXM and BVHF: 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. DPTW: The total amount available for lending purposes shall not exceed 40% of DPTW's net worth as stated in its latest financial statement. The total amount for lending to a company shall not exceed 25% of DPTW's net worth as stated in its latest financial statement.
- e. 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.
- f. 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.

AU OPTRONICS CORP. AND SUBSIDIARIES
Endorsements/Guarantees Provided
For the year ended December 31, 2021
(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	115,893,520	14,406,477	14,145,702	4,600,467	-	6.10%	231,787,040	Yes	No	Yes
1	AUXM	AUO	3	15,322,527	6,391,310	-	-	-	-	15,322,527	No	Yes	No
2	AUSZ	AUO	3	17,821,288	4,495,956	-	-	-	-	17,821,288	No	Yes	No
3	DPXM	DPTW	3	1,649,935	440,780	434,780	-	-	10.54%	1,649,935	No	No	No

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. AUSZ and AUXM: The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed the net worth of the endorser/guarantor as stated in its latest financial statement.
- c. DPXM: The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed 40% of DPXM's net worth as stated in its latest financial statement.

AU OPTRONICS CORP. AND SUBSIDIARIES
Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)
December 31, 2021

(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, 2021				Maximum Shareholding in the Interim	Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value		
AUO	BenQ ESCO Corp.'s stock	Related party	Financial assets at FVTPL—noncurrent	1,700	-	17.00%	-	17.00%	
AUO	SINTRONES Technology Corp.'s stock	Related party	Financial assets at FVTOCI—noncurrent	1,299	65,989	7.06%	65,989	7.06%	
AUOLB	Abakus Solar AG's stock	-	Financial assets at FVTPL—noncurrent	3	-	2.22%	-	2.22%	
AUSH	T-powertek Optronics Co.,Ltd.'s stock	-	Financial assets at FVTOCI—noncurrent	1,293	CNY 6,250	1.58%	CNY 6,250	1.66%	
AUSZ	ToYou Display (Suzhou) Co., Ltd.'s stock	Related party	Financial assets at FVTOCI—noncurrent	-	CNY 7,931	18.00%	CNY 7,931	18.00%	
Konly	Carota Corporation's stock	-	Financial assets at FVTOCI—noncurrent	813	55,710	2.63%	55,710	2.63%	
Konly	PlayNitride Inc.'s stock	Related party	Financial assets at FVTOCI—noncurrent	7,535	698,991	7.47%	698,991	7.47%	
Konly	SnapBizz CloudTech Pte. Ltd.'s stock	-	Financial assets at FVTOCI—noncurrent	13	-	4.61%	-	4.74%	
Konly	Azotek Co., Ltd.'s stock	-	Financial assets at FVTOCI—noncurrent	2,407	7,345	3.98%	7,345	4.00%	
Konly	WishMobile, Inc.'s stock	Related party	Financial assets at FVTOCI—noncurrent	8,625	16,531	14.38%	16,531	14.38%	
Konly	Chenfeng Optronics Corporation's stock	-	Financial assets at FVTPL—noncurrent	1,500	-	2.06%	-	2.35%	
Konly	GCS Holdings, Inc.'s stock	-	Financial assets at FVTOCI—noncurrent	1,119	54,943	1.23%	54,943	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	556	28,245	3.02%	28,245	3.02%	
DPTW	D8AI Holdings Corporation's stock	-	Financial assets at FVTOCI—noncurrent	7,000	8,649	4.59%	8,649	4.59%	
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	HUAI I Precision Technology Co., Ltd.'s stock	-	Financial assets at FVTOCI—noncurrent	2,914	34,968	10.00%	34,968	10.00%	
DPTW	WiBASE Industrial Solutions Inc.'s stock	Related party	Financial assets at FVTOCI—noncurrent	3,536	42,432	9.11%	42,432	9.11%	
Ronly	PlayNitride Inc.'s stock	Related party	Financial assets at FVTOCI—noncurrent	2,011	210,482	1.99%	210,482	1.99%	
Ronly	Exploit Technology Co., Ltd.'s stock	-	Financial assets at FVTPL—noncurrent	41	-	0.49%	-	0.49%	
Ronly	Profet AI Technology Co., Ltd.'s stock	-	Financial assets at FVTOCI—noncurrent	511	10,002	10.16%	10,002	10.16%	

AU OPTRONICS CORP. 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, 2021
(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	ADTHLD's stock	Investments in equity-accounted investees	-	-	-	-	11,300	317,063	-	-	-	-	11,300	228,840	Note 1
AUO	AUOLB's stock	Investments in equity-accounted investees	-	-	1,882,189	55,909,421	625,000	17,432,860	-	-	-	-	2,507,189	68,042,510	Note 1
AUO	Ennostar's stock	Investments in equity-accounted investees	-	-	-	-	4,654	390,820	-	-	-	-	26,319	2,248,301	Note 2
AUO	Konly's stock	Investments in equity-accounted investees	-	-	299,764	5,471,340	109,244	1,694,680	-	-	-	-	409,008	8,207,625	Note 1
AUO	SSEC's stock	Investments in equity-accounted investees	-	-	155,000	1,586,817	62,000	620,000	-	-	-	-	217,000	2,210,882	Note 2
AUO	DPGE's stock	Investments in equity-accounted investees	-	-	700	6,985	34,300	343,000	-	-	-	-	35,000	350,087	Note 2
AUO	Ronly's stock	Investments in equity-accounted investees	-	-	185,576	2,277,770	193,000	2,099,230	-	-	-	-	378,576	4,496,552	Note 2
ADTHLD	ADTSG's stock	Investments in equity-accounted investees	-	-	-	-	12,300	USD 12,300	-	-	-	-	12,300	USD 8,573	Note 2
AUOLB	AUOKS's stock	Investments in equity-accounted investees	-	-	-	USD 187,411	-	USD 625,462	-	-	-	-	-	USD 555,069	Note 4
FTKS	Structured deposit	Financial assets at FVTPL—current	-	-	-	CNY 72,585	-	-	-	CNY 72,697	CNY 72,697	-	-	-	

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	
Konly	PlayNitride Inc.'s stock	Financial assets at FVTOCI—noncurrent	-	-	967	113,640	6,568	585,351	-	-	-	-	7,535	698,991	
Konly	Qisda's stock	Investments in equity-accounted investees	-	-	17,817	515,805	32,328	925,606	-	-	-	-	50,145	1,616,675	Note 3
Konly	Ennostar's stock	Investments in equity-accounted investees	-	-	-	-	4,320	320,208	-	-	-	-	16,413	1,364,734	Note 2
Ronly	Ennostar's stock	Investments in equity-accounted investees	-	-	-	-	11,243	922,024	-	-	-	-	20,686	1,745,360	Note 2

Note 1: The acquisition amount refers to the participation in the investees' capital increase. The ending balance includes the recognition of investment gain (loss) and other related adjustments under the equity method.

Note 2: a. Acquisition was made on the open market.

b. The ending balance and number of shares include the recognition of investment gain (loss) and other related adjustments under the equity method, and include the converted amount and number of shares arising from the joint share exchange carried out by Lextar and Epistar for a newly incorporated company, Ennostar, on January 6, 2021 as well. See Note 6(7) for the relevant information.

Note 3: a. Acquisition was made on the open market.

b. The ending balance includes the recognition of investment gain (loss) and other related adjustments under the equity method.

Note 4: a. Acquired from the joint venture partner of AUOKS. Refer to Note 6(19) for the relevant information.

b. The ending balance includes the recognition of investment gain (loss) and other related adjustments under the equity method.

AU OPTRONICS CORP. 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, 2021
 (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
ACTW	Plant	March 2021	November 2011	134,801	482,000	482,000	347,199	Phoenix Silicon International Corporation	Non-related party	Activating assets	A report on the appraisal price of a real estate appraiser	None	
AUO	Plant	April 2021	October 2000, November 2001	20,189	694,376	299,138	674,187	Vanguard International Semiconductor Corporation	Non-related party	Activating assets	A report on the appraisal price of a real estate appraiser	None	
DPSZ	Land and buildings	June 2021	December 2006	CNY 76,316	CNY 218,317	CNY218,317	CNY142,001	Suzhou Xinsheng Real Estate Co.	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	

AU OPTRONICS CORP. 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, 2021

(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	28,431,612	14%	EOM 30 days	-		(5,354,029)	(9)%	
AUO	AUSK	Subsidiary of AUO	Purchases	128,616	-	EOM 45 days	-		(19,557)	-	
AUO	AUST	Subsidiary of AUO	Purchases	3,610,724	2%	EOM 45 days	-		(658,231)	(1)%	
AUO	AUSZ	Subsidiary of AUO	Purchases	33,633,988	17%	EOM 45 days	-		(11,340,066)	(19)%	
AUO	AUXM	Subsidiary of AUO	Purchases	30,170,407	15%	EOM 45 days	-		(10,829,640)	(18)%	
AUO	Qisda	Associate	Purchases	8,100,102	4%	EOM 45 days	-		(1,538,517)	(3)%	
AUO	BMC	Subsidiary of Qisda	Purchases	3,845,346	2%	EOM 90 days	-		(1,159,790)	(2)%	
AUO	Raydium	Associate	Purchases	1,665,123	1%	EOM 120 days	-		(704,778)	(1)%	
AUO	Daxin	Associate	Purchases	2,317,367	1%	EOM 120 days	-		(843,103)	(1)%	
AUO	DPTW	Subsidiary of AUO	Purchases	3,777,653	2%	EOM 60 days	-		(838,964)	(1)%	
AUO	AUOUS	Subsidiary of AUO	Sales	(226,478)	-	EOM 75 days	-		3,336	-	
AUO	AUSZ	Subsidiary of AUO	Sales	(11,170,769)	(3)%	EOM 45 days	-		-	-	
AUO	AUXM	Subsidiary of AUO	Sales	(3,413,931)	(1)%	EOM 45 days	-		-	-	
AUO	DICSZ	Subsidiary of Qisda	Sales	(360,713)	-	EOM 45 days	-		25,579	-	
AUO	QCSZ	Subsidiary of Qisda	Sales	(6,514,523)	(2)%	EOM 55 days	-		714,641	1%	
AUO	CGPC	Subsidiary of SSEC	Sales	(259,277)	-	EOM 25 days	-		-	-	
AUO	BenQ	Subsidiary of Qisda	Sales	(3,085,387)	(1)%	EOM 55 days	-		415,174	1%	
AUO	SLEC	Subsidiary of SSEC	Sales	(540,100)	-	EOM 25 days	-		67,441	-	
AUO	SFPC	Subsidiary of SSEC	Sales	(359,316)	-	EOM 25 days	-		-	-	

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	MXEC	Subsidiary of SSEC	Sales	(740,030)	-	EOM 25 days	-	-	406,038	1%	
AUO	ADP	Subsidiary of AUO	Sales	(18,352,179)	(6)%	EOM 45 days	-	-	5,181,534	9%	
ADPNL	ADP	Subsidiary of AUO	Purchases	USD 69,150	100%	EOM 45 days	-	USD	(8,103)	(100)%	
ATISZ	AUSZ	Subsidiary of AUO	Sales	CNY (23,899)	(58)%	EOM 30 days	-	CNY	8,264	40%	
AUOKS	AUO	Ultimate parent company	Purchases	CNY 30,117	1%	EOM 45 days	-	CNY	(4,526)	-	
AUOKS	AUSZ	Subsidiary of AUO	Purchases	CNY 345,389	10%	EOM 60 days	-	CNY	(113,800)	(8)%	
AUOKS	Qisda	Associate	Purchases	CNY 65,272	2%	EOM 120 days	-	CNY	(32,496)	(2)%	
AUOKS	Raydium	Associate	Purchases	CNY 66,071	2%	EOM 120 days	-	CNY	(32,657)	(2)%	
AUOKS	DPTW	Subsidiary of AUO	Purchases	CNY 39,440	1%	EOM 120 days	-	CNY	(18,541)	(1)%	
AUOKS	AUO	Ultimate parent company	Sales	CNY (6,597,676)	(96)%	EOM 30 days	-	CNY	1,237,241	93%	
AUOKS	AUXM	Subsidiary of AUO	Sales	CNY (263,710)	(4)%	EOM 30 days	-	CNY	94,666	7%	
AUOUS	AUO	Ultimate parent company	Purchases	USD 8,167	100%	EOM 75 days	-	USD	(119)	(100)%	
AUOUS	AUO	Ultimate parent company	Sales	USD (5,311)	(39)%	EOM 30 days	-	-	-	-	
AUSH	AUO	Ultimate parent company	Sales	CNY (33,631)	(99)%	End of quarter 25 days	-	-	-	-	
AUSK	AUO	Ultimate parent company	Sales	EUR (4,254)	(85)%	EOM 45 days	-	EUR	958	83%	
AUST	AUO	Ultimate parent company	Sales	USD (128,884)	(99)%	EOM 45 days	-	USD	23,773	97%	
AUSZ	AUO	Ultimate parent company	Purchases	CNY 2,657,405	23%	EOM 45 days	-	-	-	-	
AUSZ	Qisda	Associate	Purchases	CNY 448,028	4%	EOM 120 days	-	CNY	(162,991)	(5)%	
AUSZ	BMC	Subsidiary of Qisda	Purchases	CNY 281,265	2%	EOM 90 days	-	CNY	(100,969)	(3)%	
AUSZ	Raydium	Associate	Purchases	CNY 715,945	6%	EOM 120 days	-	CNY	(329,163)	(10)%	
AUSZ	DPTW	Subsidiary of AUO	Purchases	CNY 244,370	2%	EOM 120 days	-	CNY	(120,830)	(4)%	
AUSZ	AUO	Ultimate parent company	Sales	CNY (7,805,409)	(60)%	EOM 45 days	-	CNY	2,613,783	73%	
AUSZ	AUOKS	Subsidiary of AUO	Sales	CNY (345,389)	(3)%	EOM 60 days	-	CNY	113,800	3%	
AUSZ	ADP	Subsidiary of AUO	Sales	CNY (4,922,914)	(38)%	EOM 45 days	-	CNY	838,515	23%	
AUXM	AUO	Ultimate parent company	Purchases	CNY 874,006	12%	EOM 45 days	-	-	-	-	

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)	
AUXM	AUOKS	Subsidiary of AUO	Purchases	CNY 250,060	4%	EOM 30 days	-	CNY (94,666)	(4)%		
AUXM	DPXM	Subsidiary of AUO	Purchases	CNY 45,878	1%	EOM 120 days	-	CNY (21,929)	(1)%		
AUXM	BMC	Subsidiary of Qisda	Purchases	CNY 189,761	3%	EOM 90 days	-	CNY (58,488)	(3)%		
AUXM	Raydium	Associate	Purchases	CNY 602,749	9%	EOM 120 days	-	CNY (222,630)	(10)%		
AUXM	DPTW	Subsidiary of AUO	Purchases	CNY 278,486	4%	EOM 120 days	-	CNY (109,399)	(5)%		
AUXM	AUO	Ultimate parent company	Sales	CNY (7,006,983)	(84)%	EOM 45 days	-	CNY 2,497,204	91%		
AUXM	ADP	Subsidiary of AUO	Sales	CNY (464,255)	(6)%	EOM 45 days	-	CNY 118,183	4%		
DPSZ	DPTW	Subsidiary of AUO	Sales	CNY (99,884)	(76)%	EOM 90 days	-	CNY 22,400	77%		
DPXM	DPTW	Subsidiary of AUO	Purchases	CNY 79,441	3%	EOM 60 days	-	CNY (56,856)	(9)%		
DPXM	Lextar	Subsidiary of Ennostar	Purchases	CNY 26,512	1%	EOM 120 days	-	CNY (11,331)	(2)%		
DPXM	AUXM	Subsidiary of AUO	Sales	CNY (45,831)	(2)%	EOM 120 days	-	CNY 21,929	5%		
DPXM	DPTW	Subsidiary of AUO	Sales	CNY (492,482)	(18)%	EOM 90 days	-	CNY 235,912	52%		
FPWJ	DPTW	Subsidiary of AUO	Purchases	CNY 56,369	100%	EOM 60 days	-	CNY (8,635)	(100)%		
FTWJ	DPTW	Subsidiary of AUO	Purchases	CNY 43,503	6%	EOM 60 days	-	CNY (445,030)	(57)%		
FTWJ	Lextar	Subsidiary of Ennostar	Purchases	CNY 71,616	10%	EOM 120 days	-	CNY (31,060)	(4)%		
FTWJ	DPTW	Subsidiary of AUO	Sales	CNY (1,029,437)	(98)%	EOM 90 days	-	CNY 923,162	100%		
M.Setek	ACTW	Subsidiary of AUO	Sales	JPY (4,602,135)	(95)%	EOM 45 days	-	JPY 2,935,447	99%		
AETTW	AUO	Ultimate parent company	Sales	(215,808)	(41)%	EOM 60 days	-	76,958	65%		
ACTW	M.Setek	Subsidiary of AUO	Purchases	1,167,670	33%	EOM 45 days	-	(706,987)	(78)%		
ADP	AUO	Ultimate parent company	Purchases	18,331,896	44%	EOM 45 days	-	(5,150,198)	(55)%		
ADP	AUSZ	Subsidiary of AUO	Purchases	21,294,191	51%	EOM 45 days	-	(3,641,450)	(39)%		
ADP	AUXM	Subsidiary of AUO	Purchases	2,009,420	5%	EOM 45 days	-	(513,221)	(6)%		
ADP	ADPNL	Subsidiary of AUO	Sales	(1,922,264)	(4)%	EOM 45 days	-	224,361	3%		
ADP	QCOS	Subsidiary of Qisda	Sales	(414,967)	(1)%	EOM 55 days	-	84,479	1%		
DPTW	DPSZ	Subsidiary of AUO	Purchases	432,225	4%	EOM 90 days	-	(97,278)	(4)%		
DPTW	DPXM	Subsidiary of AUO	Purchases	2,121,540	21%	EOM 90 days	-	(764,544)	(28)%		

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)	
DPTW	FTWJ	Subsidiary of AUO	Purchases	4,458,571	45%	EOM 90 days	-	(1,633,262)	(59)%		
DPTW	RFOP	Joint Venture	Purchases	797,785	8%	Payment in advance	-	-	-		
DPTW	AUO	Ultimate parent company	Sales	(3,940,824)	(37)%	EOM 60 days	-	739,201	27%		
DPTW	AUOKS	Subsidiary of AUO	Sales	(163,877)	(2)%	EOM 120 days	-	80,934	3%		
DPTW	AUSZ	Subsidiary of AUO	Sales	(1,053,928)	(10)%	EOM 120 days	-	524,735	19%		
DPTW	AUXM	Subsidiary of AUO	Sales	(1,202,710)	(11)%	EOM 120 days	-	475,090	17%		
DPTW	DPXM	Subsidiary of AUO	Sales	(344,392)	(3)%	EOM 60 days	-	104,445	4%		
DPTW	FPWJ	Subsidiary of AUO	Sales	(244,200)	(2)%	EOM 60 days	-	37,500	1%		
DPTW	FTWJ	Subsidiary of AUO	Sales	(188,284)	(2)%	EOM 60 days	-	71,164	3%		
DPTW	QCES	Subsidiary of Qisda	Sales	(117,822)	(1)%	EOM 120 days	-	24,572	1%		

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.

AU OPTRONICS CORP. AND SUBSIDIARIES
Receivables from Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital
December 31, 2021
 (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	MZEC	Subsidiary of SSEC	656,690	0.03	-	-	-	-
AUO	QCSZ	Subsidiary of Qisda	714,641	7.17	-	-	-	-
AUO	AETTW	Subsidiary of AUO	102,523	(Note 2)	-	-	-	-
AUO	ACTW	Subsidiary of AUO	1,406,251	(Note 2)	-	-	-	-
AUO	BenQ	Subsidiary of Qisda	415,174	5.90	199	Will be collected in next period	-	-
AUO	MXEC	Subsidiary of SSEC	406,038	3.65	-	-	-	-
AUO	ADP	Subsidiary of AUO	5,710,245	(Note 2)	62,861	Will be collected in next period	-	-
AUOKS	AUO	Ultimate parent company	CNY 1,237,241	6.30	CNY 40,511	Collected in subsequent period	CNY 645,136	-
AUOKS	AUXM	Subsidiary of AUO	CNY 94,666	5.35	CNY 23,753	Collected in subsequent period	CNY 41,824	-
AUOLB	AUOKS	Subsidiary of AUO	USD 272,031	(Note 2)	-	-	-	-
AUST	AUO	Ultimate parent company	USD 23,773	5.43	-	-	-	-
AUSZ	AUO	Ultimate parent company	CNY 2,613,783	2.94	CNY 29,626	Collected in subsequent period	CNY 1,540,423	-
AUSZ	AUOKS	Subsidiary of AUO	CNY 827,416	(Note 2)	CNY 29,488	Collected in subsequent period	CNY 44,705	-
AUSZ	ADP	Subsidiary of AUO	CNY 838,515	11.74	CNY 29,794	Collected in subsequent period	CNY 497,529	-
AUXM	AUO	Ultimate parent company	CNY 2,497,204	3.05	CNY 12,410	Collected in subsequent period	CNY 1,204,908	-
AUXM	AUOKS	Subsidiary of AUO	CNY 563,715	(Note 2)	CNY 41	Will be collected in next period	-	-
AUXM	ADP	Subsidiary of AUO	CNY 118,183	7.86	CNY 2,442	Will be collected in next period	-	-
DPSZ	FTWJ	Subsidiary of AUO	CNY 53,736	(Note 2)	-	-	-	-
DPXM	DPTW	Subsidiary of AUO	CNY 235,912	1.88	-	-	CNY 58,747	-
FTWJ	DPTW	Subsidiary of AUO	CNY 923,162	1.33	-	-	CNY 203,785	-
M.Setek	ACTW	Subsidiary of AUO	JPY 2,935,447	2.23	JPY 568,603	Will be collected in next period	-	-

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		
ACTW	M.Setek	Subsidiary of AUO	752,720	(Note 2)	-	-	-	-
ADP	ADPNL	Subsidiary of AUO	224,361	17.14	-	-	-	-
DPTW	AUO	Ultimate parent company	740,343	(Note 2)	51,244	Will be collected in next period	-	-
DPTW	AUSZ	Subsidiary of AUO	524,735	2.63	-	-	-	-
DPTW	AUXM	Subsidiary of AUO	475,090	2.90	-	-	-	-
DPTW	DPXM	Subsidiary of AUO	257,013	(Note 2)	2,365	Collected in subsequent period	92,327	-
DPTW	FTWJ	Subsidiary of AUO	1,939,414	(Note 2)	1,346	Collected in subsequent period	648,543	-

Note 1: Until the mid of January 2022.

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.

AU OPTRONICS CORP. AND SUBSIDIARIES
Business Relationship and Significant Intercompany Transactions
For the year ended December 31, 2021
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 8

No.	Company Name	Counterparty	Nature of Relationship	Inter-company Transactions				
				Financial Statement Account	Amount	Trading Terms	Percentage of Consolidated Net Revenue or Total Assets	
0	AUO	AUSZ	Parent to subsidiary	Net revenue		11,170,769	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	3%
0	AUO	AUXM	Parent to subsidiary	Net revenue		3,413,931	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		18,352,179	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	5%
0	AUO	ADP	Parent to subsidiary	Receivables from related parties		5,710,245	-	1%
1	AUOKS	AUO	Subsidiary to parent	Net revenue	CNY	6,597,676	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	1,237,241	-	1%
2	AUOLB	AUOKS	Subsidiary to subsidiary	Receivables from related parties	USD	272,031	-	2%
3	AUST	AUO	Subsidiary to parent	Net revenue	USD	128,884	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	1%
4	AUSZ	AUO	Subsidiary to parent	Net revenue	CNY	7,805,409	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	9%
4	AUSZ	AUO	Subsidiary to parent	Receivables from related parties	CNY	2,613,783	-	3%
4	AUSZ	AUOKS	Subsidiary to subsidiary	Receivables from related parties	CNY	827,416	-	1%

No.	Company Name	Counterparty	Nature of Relationship	Inter-company Transactions				
				Financial Statement Account	Amount	Trading Terms	Percentage of Consolidated Net Revenue or Total Assets	
4	AUSZ	ADP	Subsidiary to subsidiary	Net revenue	CNY	4,922,914	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	6%
4	AUSZ	ADP	Subsidiary to subsidiary	Receivables from related parties	CNY	838,515		-
5	AUXM	AUO	Subsidiary to parent	Net revenue	CNY	7,006,983	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	8%
5	AUXM	AUO	Subsidiary to parent	Receivables from related parties	CNY	2,497,204		-
5	AUXM	AUOKS	Subsidiary to subsidiary	Receivables from related parties	CNY	563,715	-	1%
5	AUXM	ADP	Subsidiary to subsidiary	Net revenue	CNY	464,255	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	1%
6	DPXM	DPTW	Subsidiary to subsidiary	Net revenue	CNY	492,482	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 90 days.	1%
7	FTWJ	DPTW	Subsidiary to subsidiary	Net revenue	CNY	1,029,437	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 90 days.	1%
7	FTWJ	DPTW	Subsidiary to subsidiary	Receivables from related parties	CNY	923,162		-
8	ADP	ADPNL	Subsidiary to subsidiary	Net revenue		1,922,264	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days.	1%
9	DPTW	AUO	Subsidiary to parent	Net revenue		3,940,824	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.

AU OPTRONICS CORP. AND SUBSIDIARIES
Information on Investees (Excluding Information on Investment in Mainland China)
For the year ended December 31, 2021
(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, 2021			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, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	AUOLB	Malaysia	Holding company	76,491,558	59,058,698	2,507,189	100.00%	68,042,510	100.00%	5,354,435	5,354,435	Subsidiary
AUO	AUONL	Netherlands	Sales and sales support of TFT-LCD panels	24,275	24,275	50	100.00%	59,111	100.00%	(565)	(565)	Subsidiary
AUO	Konly	Taiwan ROC	Investment	5,921,750	4,227,070	409,008	100.00%	8,207,625	100.00%	1,199,670	1,199,670	Subsidiary
AUO	Ronly	Taiwan ROC	Investment	4,177,912	2,078,682	378,576	100.00%	4,496,552	100.00%	202,853	202,853	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%	2,631,659	28.56%	(649,231)	(185,445)	Subsidiary
AUO	ACTW	Taiwan ROC	Manufacturing and sale of ingots and solar wafers	15,687,921	15,687,921	418,583	100.00%	3,472,081	100.00%	1,051,352	1,051,352	Subsidiary
AUO	Lextar	Taiwan ROC	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	-	889,227	-	-	-	15.30%	-	-	(Note 5)
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%	10,807,806	17.04%	8,235,985	1,614,449	Associate
AUO	S4M	Taiwan ROC	Sales and leasing of content management system and hardware	30,000	30,000	3,000	100.00%	6,975	100.00%	(7,260)	(7,260)	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2021			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, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	AETTW	Taiwan ROC	Planning, design and development of construction project for environmental protection and related project management	300,000	200,000	30,000	100.00%	192,262	100.00%	(39,762)	(39,762)	Subsidiary
AUO	SSEC	Taiwan ROC	Investment	2,170,000	1,550,000	217,000	31.00%	2,210,882	31.00%	96,607	29,948	Associate
AUO	CQIL	Israel	Holding company	1,182,621	1,182,621	39,974	100.00%	889,163	100.00%	12,753	12,753	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%	2,219,249	19.45%	118,884	(51,223)	Associate
AUO	DPGE	Taiwan ROC	Renewable energy power generation	350,000	7,000	35,000	100.00%	350,087	100.00%	102	102	Subsidiary
AUO	ADTHLD	Cayman Islands	Holding company	317,063	-	11,300	80.71%	228,840	80.71%	(107,084)	(75,933)	Subsidiary
AUO	ADTCM	Cayman Islands	Holding company	76,437	-	2,700	100.00%	54,679	100.00%	(31,150)	(31,150)	Subsidiary
AUO	AHTW	Taiwan ROC	Manufacturing, development and sales of medical equipments	5,000	5,000	500	100.00%	3,832	100.00%	(1,153)	(1,153)	Subsidiary
AUO	ADP	Taiwan ROC	Research, development and sales of display	369,555	1,000	36,956	100.00%	3,703,442	100.00%	3,304,816	3,304,816	Subsidiary (Note 11)
AUO	SREC	Taiwan ROC	Investment	288,828	379,040	28,883	32.01%	341,654	32.01%	111,063	35,555	Subsidiary (Note 7)
AUO	Ennostar	Taiwan ROC	Holding company	1,280,047	-	26,319	3.86%	2,248,301	3.88%	2,178,349	26,892	Associate (Note 5)
AUO	ACTTW	Taiwan ROC	Design, development and sales of software and hardware for health care industry	30,000	-	3,000	100.00%	20,934	100.00%	(9,066)	(9,066)	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%	589,684	6.40%	(649,231)	(41,553)	Subsidiary
Konly	Raydium	Taiwan ROC	IC Design	175,857	175,857	11,454	17.11%	1,545,819	17.11%	4,290,981	734,279	Associate
Konly	Daxin	Taiwan ROC	Research, manufacturing and sales of display and semiconductor related chemicals	154,748	154,748	19,114	18.61%	570,759	18.61%	680,409	126,613	Associate
Konly	Lextar	Taiwan ROC	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	-	565,616	-	-	-	6.06%	-	-	(Note 5)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2021			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, 2021	December 31, 2020	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	437,875	50,145	2.55%	1,616,675	2.55%	8,235,985	241,522	Associate
Konly	Ubitech Inc.	Taiwan ROC	Development and sales of software for POS system	-	27,000	-	-	-	24.41%	(7,085)	(1,332)	(Note 9)
Konly	SSEC	Taiwan ROC	Investment	140,000	100,000	14,000	2.00%	142,638	2.00%	96,607	1,932	Associate
Konly	WishMobile, Inc.	Taiwan ROC	Developing and providing CRM APP/LINE software developer	-	15,000	-	-	-	14.38%	(6,750)	(925)	(Note 10)
Konly	SkyREC Ltd.	BVI	Data consulting service for retail	46,016	46,016	188	16.12%	-	16.12%	(19,545)	(2,163)	Associate
Konly	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	378,837	80,542	5,944	2.73%	300,682	2.73%	118,884	(18,045)	Associate
Konly	AUES	Taiwan ROC	Services related to educational activities and site rental	4,000	4,000	400	100.00%	5,547	100.00%	1,547	1,547	Subsidiary
Konly	IOC	Taiwan ROC	R&D and design of flexible electronics technology and processing equipment development	20,000	20,000	1,000	5.00%	13,846	5.00%	(61,792)	(5,637)	Associate
Konly	SREC	Taiwan ROC	Investment	13,533	17,760	1,353	1.50%	16,008	1.50%	111,063	1,666	Subsidiary (Note 7)
Konly	Ennostar	Taiwan ROC	Holding company	1,180,491	-	16,413	2.41%	1,364,734	2.41%	2,178,349	24,605	Associate (Note 5)
Konly	Naidun-tech Co., Ltd.	Taiwan ROC	Solution provider to improve the performance and reliability of semiconductor components	39,997	-	8,733	26.67%	14,315	26.67%	(7,711)	(25,682)	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%	560,765	6.09%	(649,231)	(39,515)	Subsidiary
Ronly	Raydium	Taiwan ROC	IC Design	240,647	-	669	1.00%	254,215	1.00%	4,290,981	6,720	Associate

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2021			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, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
Ronly	Daxin	Taiwan ROC	Research, manufacturing and sales of display and semiconductor related chemicals	70,021	70,021	6,312	6.15%	188,486	6.15%	680,409	41,812	Associate
Ronly	Lextar	Taiwan ROC	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	-	323,431	-	-	-	6.67%	-	-	(Note 5)
Ronly	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	77,508	-	1,175	0.54%	73,771	0.54%	118,884	(3,699)	Associate
Ronly	IOC	Taiwan ROC	R&D and design of flexible electronics technology and processing equipment development	68,400	68,400	3,420	17.10%	47,354	17.10%	(61,792)	(19,279)	Associate
Ronly	Ennostar	Taiwan ROC	Holding company	1,245,456	-	20,686	3.03%	1,745,360	3.03%	2,178,349	18,625	Associate (Note 5)
DPTW	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71%	247,950	29.71%	20,174	5,994	Subsidiary
DPTW	DPLB	Malaysia	Holding company	4,362,627	4,362,627	92,267	100.00%	5,599,040	100.00%	446,916	401,783	Subsidiary
DPTW	FHVI	BVI	Holding company	2,362,321	2,362,321	22,006	100.00%	3,561,424	100.00%	(262,743)	(253,658)	Subsidiary
DPTW	FFMI	Mauritius	Holding company	274,700	274,700	653	100.00%	103,606	100.00%	3,175	3,005	Subsidiary
DPTW	RFOP	Taiwan ROC	Manufacturing and sales of polymer plasticized raw materials	338,729	338,729	33,873	49.00%	71,497	49.00%	(233,140)	(114,239)	Joint Venture
DPTW	Darwin Summit Corporation Ltd.	Thailand	International trade	3,740	3,740	40	40.00%	10,746	40.00%	2,745	1,098	Associate
ACTW	ACMK	Malaysia	Manufacturing and sale of solar wafers	169,197	449,975	46,196	100.00%	69,774	100.00%	(32,726)	(32,726)	Subsidiary
ACTW	SDMC	Taiwan ROC	Holding company	1,988,488	1,988,488	128,971	100.0000%	1,868,508	100.00%	212,025	179,478	Subsidiary
SDMC	M.Setek	Japan	Manufacturing and sale of ingots	23,596,398	23,596,398	11,404,184	99.9991%	1,864,266	99.9991%	212,835	212,833	Subsidiary
ADP	ADPNL	Netherlands	Sales and sales support of display and holding company	96,733	-	-	100.00%	125,776	100.00%	33,481	33,481	Subsidiary (Note 6)
ADP	Jector	Taiwan ROC	Introduction of smart field construction and other related software and hardware solutions	120,000	-	12,000	78.43%	124,687	78.43%	5,976	4,687	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2021			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, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
SREC	SGPC	Taiwan ROC	Solar power generation	820,000	-	56,811	100.00%	733,938	100.00%	74,880	70,805	Subsidiary (Note 7)
SREC	EGPC	Taiwan ROC	Solar power generation	280,000	-	24,500	100.00%	330,831	100.00%	43,338	41,336	Subsidiary (Note 7)
AUOLB	AUOUS	United States	Sales and sales support of TFT-LCD panels	USD 1,000	USD 1,000	1,000	100.00%	USD 2,462	100.00%	USD (279)	USD (279)	Subsidiary
AUOLB	AUOJP	Japan	Sales support of TFT-LCD panels	USD 276	USD 276	1	100.00%	USD 1,778	100.00%	USD 35	USD 35	Subsidiary
AUOLB	AUKR	South Korea	Sales support of TFT-LCD panels	USD 155	USD 155	-	100.00%	USD 1,171	100.00%	USD 236	USD 236	Subsidiary
AUOLB	AUCZ	Czech Republic	Assembly of solar modules	-	USD 20,531	-	-	-	100.00%	USD 2	USD 2	(Note 8)
AUOLB	AUSK	Slovakia Republic	Repairing of TFT-LCD modules	USD 1,359	USD 1,359	-	100.00%	USD 4,540	100.00%	USD 389	USD 389	Subsidiary
AUOLB	AUST	Singapore	Manufacturing TFT-LCD panels based on low temperature polysilicon technology	USD 241,487	USD 241,487	907,114	100.00%	USD 96,037	100.00%	USD 6,813	USD 6,813	Subsidiary
AUOLB	AUVI	United States	Research and development and IP related business	USD 5,000	USD 5,000	5,000	100.00%	USD 6,214	100.00%	USD 213	USD 213	Subsidiary
AUOLB	BVLB	Malaysia	Holding company	USD 85,171	USD 85,171	85,171	70.29%	USD 21,187	70.29%	USD 720	USD 506	Subsidiary
AUOLB	AUOSG	Singapore	Holding company and sales support of TFT-LCD panels	USD 9,958	USD 9,958	266,268	100.00%	USD 6,792	100.00%	USD (78)	USD (78)	Subsidiary
AUOSG	AEUS	United States	Sales support of solar-related products	USD 1,194	USD 3,510	1,194	100.00%	USD 561	100.00%	USD (127)	USD (127)	Subsidiary
AUOSG	ADPNL	Netherlands	Sales and sales support of display and holding company	-	USD 3,245	-	-	-	100.00%	-	-	Subsidiary (Note 6)
DPLB	DPHK	Hong Kong	Holding company	USD 103,785	USD 103,785	10	100.00%	USD 206,572	100.00%	USD 16,344	USD 16,344	Subsidiary (Note 4)
DPLB	DPSK	Slovakia Republic	Manufacturing and sales of automotive parts	USD 4,216	USD 4,216	-	100.00%	USD 423	100.00%	USD (390)	USD (390)	Subsidiary
FHVI	FTMI	Mauritius	Holding company	USD 6,503	USD 6,503	6,503	100.00%	USD 62,863	100.00%	USD (10,678)	USD (10,678)	Subsidiary
FHVI	FWSA	Samoa	Holding company	USD 19,000	USD 19,000	19,000	100.00%	USD 16,830	100.00%	USD 474	USD 474	Subsidiary
FHVI	PMSA	Samoa	Holding company	USD 39,673	USD 39,673	31,993	100.00%	USD 50,841	100.00%	USD 825	USD 825	Subsidiary
ADTCM	ADTHLD	Cayman Islands	Holding company	USD 2,700	-	2,700	19.29%	USD 1,975	30.00%	USD (3,823)	USD (1,112)	Subsidiary
ADPNL	ADPUS	United States	Sales and sales support of display	USD 1,500	USD 1,500	1	100.00%	USD 1,566	100.00%	USD 66	USD 66	Subsidiary
ADPNL	ADPJP	Japan	Sales and sales support of display	USD 508	USD 508	1	100.00%	USD 450	100.00%	USD 16	USD 16	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2021			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, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
ADTHLD	ADTSG	Singapore	Holding company	USD 12,300	-	12,300	100.00%	USD 8,573	100.00%	USD (3,789)	USD (3,789)	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 1,080	-	3,000	100.00%	USD 878	100.00%	USD (223)	USD (223)	Subsidiary
M.Setek	Ichijo Seisakusyo Co., Ltd.	Japan	Manufacturing of semiconductor 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 29,118	635,730	100.00%	USD 30,457	100.00%	USD (22)	USD (22)	Subsidiary
CQHLD	CQUK	United Kingdom	Sales and sales support of content management system	GBP 1,874	GBP 1,874	-	100.00%	GBP 87	100.00%	GBP (21)	GBP (21)	Subsidiary
CQHLD	CQUS	United States	Sales of content management system and hardware	GBP 19,948	GBP 19,948	13	100.00%	GBP 11,135	100.00%	GBP 637	GBP 637	Subsidiary
CQHLD	CQCA	Canada	Research and development of content management system	GBP 798	GBP 798	-	100.00%	GBP 611	100.00%	GBP 92	GBP 92	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 1,707	100.00%	USD 107	USD 107	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 7,219	100.00%	USD (636)	USD (636)	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: On January 6, 2021, Lextar carried out a joint share exchange with Epistar for a newly incorporated company, Ennostar. See Note 6(7) 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: SREC and its subsidiaries were included in the Company's consolidated financial statements from January 2021. See Note 6(8) for the relevant information.

Note 8: The liquidation process was completed in July 2021.

Note 9: Being disposed in July 2021.

Note 10: Ceased applying the equity method in October 2021.

Note 11: AUO split net assets of NT\$368,555 thousand in exchange for 36,856 thousand shares, with par value of NT\$10 per share, of common shares of ADP.

AU OPTRONICS CORP. AND SUBSIDIARIES

Information on Investment in Mainland China

For the year ended December 31, 2021

(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, 2021 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (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, 2021 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflow	Inflow								
ACTSZ	Design, development and sales of software and hardware for health care industry	108,695	(Note 1)	-	-	-	-	(35,361)	100%	100%	(35,361)	27,144	-	
ADTSZ	Business management consulting and services of technology promotion and application	249,192	(Note 1)	-	249,192	-	249,192	(99,930)	100%	100%	(99,930)	151,584	-	
AETSD	Planning, design and development of construction project for environmental protection and related project management	8,696	(Note 1)	-	-	-	-	(2)	100%	100%	(2)	2,399	-	
AETSZ	Planning, design and development of construction project for environmental protection and related project management	52,174	(Note 1)	-	-	-	-	(11,259)	100%	100%	(11,259)	20,325	-	
AMISZ	Development and licensing of software relating to intelligent manufacturing, and related consulting services	130,434	(Note 1)	-	-	-	-	(53,656)	100%	100%	(53,656)	24,195	-	

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, 2021 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (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, 2021 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflow	Inflow								
AMIXM	Sales of software and hardware relating to intelligent manufacturing, and related consulting services	21,739	(Note 1)	-	-	-	-	(13,150)	100%	100%	(13,150)	8,785	-	
ATISZ	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing	43,478	(Note 1)	-	-	-	-	(15,942)	100%	100%	(15,942)	14,825	-	
AUOKS	Manufacturing and sales of TFT-LCD panels	26,608,168	(Note 1)	13,570,166	17,305,000	-	30,875,166	4,971,540	100%	100%	2,535,485	15,368,744	-	
AUSH	Sales support of TFT-LCD panels	415,320	(Note 1)	27,688	-	-	27,688	(32,403)	100%	100%	(32,403)	310,607	-	
AUSJ	Manufacturing and assembly of TFT-LCD modules; leasing	2,990,304	(Note 1)	2,215,040	-	-	2,215,040	111,995	100%	100%	111,995	4,048,660	-	
AUSZ	Manufacturing, assembly and sales of TFT-LCD modules	12,902,608	(Note 1)	5,537,600	-	-	5,537,600	1,581,234	100%	100%	1,581,234	17,821,288	-	
AUXM	Manufacturing, assembly and sales of TFT-LCD modules	12,570,352	(Note 1)	6,922,000	-	-	6,922,000	942,586	100%	100%	942,586	15,322,527	-	
BVHF	Manufacturing and sale of liquid crystal products and related parts	2,033,684	(Note 1)	-	-	-	-	20,359	100%	100%	20,359	833,270	-	
BVXM	Manufacturing and sales of liquid crystal products and related parts; leasing	2,608,680	(Note 1)	-	-	-	-	24,710	100%	100%	24,710	1,323,985	-	

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2021 (Note 2)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 2)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
45,826,686 (USD1,655,110)	76,632,668 (USD1,728,003 and HKD60,000 and CNY6,572,210)	142,779,883

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.

Note 5: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2021.

Note 6: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW.

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, 2021 (Note 4)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (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, 2021 (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflow	Inflow								
ADPSZ	Sales and sales support of display	20,766	(Note 1)	-	20,766	-	20,766	2,367	100%	100%	2,367	23,728	-	
BVHF	Manufacturing and sale of liquid crystal products and related parts	2,033,684	(Note 1)	443,008	-	-	443,008	20,359	29.71%	29.71%	20,359	833,270	-	(Note 5)
DPSZ	Manufacturing and sale of backlight modules and related parts	692,200	(Note 1)	415,320	-	-	415,320	295,637	100%	100%	295,637	1,481,672	1,271,820	(Note 9)
DPXM	Manufacturing and sale of backlight modules and related parts	1,938,160	(Note 1)	1,938,160	-	-	1,938,160	158,346	100%	100%	158,346	4,124,838	1,741,413	
FHWJ	Manufacturing and sale of backlight modules and related parts	179,972	(Note 1)	227,042	-	-	227,042	3,175	100%	100%	3,175	53,731	-	
FPWJ	Manufacturing, sales and trading of precision plastic parts	802,952	(Note 1)	526,072	-	-	526,072	20,244	100%	100%	20,244	696,500	-	(Note 8)
FTKS	Manufacturing and sale of backlight modules and related parts	996,768	(Note 1)	996,768	-	-	996,768	23,108	100%	100%	23,108	1,407,686	-	
FTWJ	Manufacturing and sale of backlight modules and related parts	969,080	(Note 1)	179,972	-	-	179,972	(306,096)	100%	100%	(306,096)	1,510,006	389,696	(Note 7)

(2) Upper limit on investment in Mainland China

Entity	Accumulated Investment in Mainland China as of December 31, 2021 (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	4,726,342 (USD170,700)	4,555,819 (USD164,541)	5,527,955
ADP	20,766 (USD750)	138,440 (USD5,000)	2,242,639

Note 1: 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, 2021 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 2021.

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.

Appendix 2 Parent Company Only Financial Statements with Independent Auditors' Report for the most recent years

Stock Code:2409

AU OPTRONICS CORP.

Parent Company Only Financial Statements

With Independent Auditors' Report For the Years Ended December 31, 2021 and 2020

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 shall prevail.

Independent Auditors' Report

To the Board of Directors of AU Optronics Corp.:

Opinion

We have audited the parent company only financial statements of AU Optronics Corp. (“the Company”), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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 audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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(16) “Impairment – non-financial assets”, Note 5(1) and Note 5(2) “Critical accounting judgments and key sources of estimation and assumption 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(19) "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 auditors' 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained 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 10, 2022

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)
AU OPTRONICS CORP.

Balance Sheets

December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets											
Current assets:											
1100	Cash and cash equivalents (Note 6(1))	\$ 35,620,938	9	54,969,325	15						
1110	Financial assets at fair value through profit or loss— current (Note 6(2))	130,434	-	21,361	-						
1136	Financial assets at amortized cost— current (Note 6(4))	10,000,000	3	-	-						
1170	Accounts receivable, net (Note 6(5))	48,983,659	13	41,585,707	11						
1180	Accounts receivable from related parties, net (Notes 6(5)&7)	7,475,344	2	2,258,704	1						
1210	Other receivables from related parties (Note 7)	2,071,262	1	1,021,418	-						
1220	Current tax assets	28,430	-	43,395	-						
130X	Inventories (Note 6(6))	21,691,552	6	18,984,776	5						
1476	Other current financial assets (Notes 6(8)&(18))	1,771,363	-	221,461	-						
1479	Other current assets (Note 6(12))	1,881,797	-	1,938,708	1						
		<u>129,654,779</u>	<u>34</u>	<u>121,044,855</u>	<u>33</u>						
Noncurrent assets:											
1517	Financial assets at fair value through other comprehensive income— noncurrent (Note 6(3))	65,989	-	-	-						
1550	Investments in equity-accounted investees (Notes 6(7)&7)	110,187,644	29	85,868,028	24						
1600	Property, plant and equipment (Notes 6(8),7&8)	117,565,260	30	129,554,205	36						
1755	Right-of-use assets (Note 6(9))	8,325,689	2	8,790,075	2						
1760	Investment property (Note 6(10))	465,868	-	465,868	-						
1780	Intangible assets (Note 6(11))	10,688,986	3	11,806,450	3						
1840	Deferred tax assets (Note 6(22))	5,528,979	1	5,250,159	2						
1900	Other noncurrent assets (Notes 6(12),(15)&8)	3,120,341	1	1,220,936	-						
		<u>255,948,756</u>	<u>66</u>	<u>242,955,721</u>	<u>67</u>						
Total Assets		\$ 385,603,535	100	364,000,576	100						
Liabilities and Equity											
Current liabilities:											
2120	Financial liabilities at fair value through profit or loss— current (Note 6(2))	39,294	-	135,420	-						
2170	Accounts payable	25,563,063	7	24,457,428	7						
2180	Accounts payable to related parties (Note 7)	33,402,582	9	29,923,778	8						
2213	Equipment and construction payable (Note 7)	2,037,379	1	2,201,328	1						
2220	Other payables to related parties (Note 7)	285,903	-	645,371	-						
2230	Current tax liabilities	62,580	-	-	-						
2250	Provisions— current (Note 6(14))	777,282	-	662,250	-						
2280	Lease liabilities— current (Note 6(9))	378,273	-	390,595	-						
2399	Other current liabilities (Notes 6(18)&(19))	28,097,647	7	14,523,627	4						
2322	Current installments of long-term borrowings (Notes 6(13)&8)	12,267,653	3	11,184,508	3						
		<u>102,911,656</u>	<u>27</u>	<u>84,124,305</u>	<u>23</u>						
Noncurrent liabilities:											
2527	Contract liabilities— noncurrent (Note 6(18))	8,739,846	2	-	-						
2540	Long-term borrowings, excluding current installments (Notes 6(13)&8)	28,379,592	8	84,455,010	23						
2550	Provisions— noncurrent (Note 6(14))	679,907	-	779,500	-						
2570	Deferred tax liabilities (Note 6(22))	3,331,803	1	2,334,898	1						
2580	Lease liabilities— noncurrent (Note 6(9))	8,153,713	2	8,542,357	3						
2600	Other noncurrent liabilities	1,619,978	-	959,815	-						
		<u>50,904,839</u>	<u>13</u>	<u>97,071,580</u>	<u>27</u>						
	Total liabilities	153,816,495	40	181,195,885	50						
Equity (Note 6(16)):											
3100	Common stock	96,242,451	25	96,242,451	26						
3200	Capital surplus	60,057,001	15	60,587,684	17						
3300	Retained earnings	80,669,998	21	30,258,282	8						
3400	Other components of equity	(4,743,182)	(1)	(3,270,303)	(1)						
3500	Treasury shares	(439,228)	-	(1,013,423)	-						
	Total equity	231,787,040	60	182,804,691	50						
	Total Liabilities and Equity	\$ 385,603,535	100	364,000,576	100						

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AU OPTRONICS CORP.

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars, except for Earnings per share)

		2021		2020	
		Amount	%	Amount	%
4110	Revenue	\$ 333,453,625	101	256,851,362	100
4190	Less: sales return and discount	2,223,070	1	762,017	-
	Net revenue (Notes 6(18)&7)	331,230,555	100	256,089,345	100
5000	Cost of sales (Notes 6(6),(9),(15),(19),(20)&7)	260,307,149	79	240,070,378	94
	Gross profit	70,923,406	21	16,018,967	6
	Operating expenses (Notes 6(9),(15),(17),(19),(20)&7):				
6100	Selling and distribution expenses	3,540,549	1	2,702,022	1
6200	General and administrative expenses	6,357,095	2	4,139,655	2
6300	Research and development expenses	10,093,084	3	8,054,215	3
	Total operating expenses	19,990,728	6	14,895,892	6
	Profit from operations	50,932,678	15	1,123,075	-
	Non-operating income and expenses:				
7100	Interest income (Note 6(21))	159,594	-	158,965	-
7010	Other income (Notes 6(3),(21)&7)	565,952	-	895,740	-
7020	Other gains and losses (Notes 6(7),(8),(9),(21)&7)	(206,835)	-	(182,115)	-
7050	Finance costs (Notes 6(8),(9)&(21))	(1,447,159)	-	(1,771,273)	-
7060	Share of profit of equity-accounted investees (Note 6(7))	12,431,269	4	2,272,193	1
	Total non-operating income and expenses	11,502,821	4	1,373,510	1
7900	Profit before income tax	62,435,499	19	2,496,585	1
7950	Less: income tax expense (benefit) (Note 6(22))	1,104,871	-	(879,739)	-
8200	Profit for the year	61,330,628	19	3,376,324	1
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	21,693	-	140,218	-
8316	Unrealized gain on equity investments at fair value through other comprehensive income (loss)	(25,518)	-	2,564,513	1
8330	Equity-accounted investees – share of other comprehensive income	236,236	-	113,167	-
8349	Related tax	(4,664)	-	(28,043)	-
		227,747	-	2,789,855	1
8360	Items that are or may be reclassified subsequently to profit or loss				
8361	Foreign operations – foreign currency translation differences	(1,765,440)	(1)	(3,049,722)	(1)
8380	Equity-accounted investees – share of other comprehensive income	523,293	-	2,961,666	1
8399	Related tax	328,538	-	11,518	-
		(913,609)	(1)	(76,538)	-
8300	Other comprehensive income (loss), net of tax	(685,862)	(1)	2,713,317	1
8500	Total comprehensive income for the year	<u>\$ 60,644,766</u>	<u>18</u>	<u>6,089,641</u>	<u>2</u>
	Earnings per share (NT\$, Note 6(23))				
9750	Basic earnings per share	<u>\$ 6.44</u>		<u>0.36</u>	
9850	Diluted earnings per share	<u>\$ 6.26</u>		<u>0.35</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AU OPTRONICS CORP.

Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan dollars)

	Capital Stock		Retained Earnings				Cumulative Translation Differences	Other Components of Equity		Treasury Shares	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Subtotal		Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Subtotal		
Balance at January 1, 2020	\$ 96,242,451	60,544,474	7,691,688	847,770	14,364,264	22,903,722	(3,129,982)	1,124,598	(2,005,384)	(1,013,423)	176,671,840
Appropriation of earnings:											
Special reserve	-	-	-	1,157,614	(1,157,614)	-	-	-	-	-	-
Profit for the year	-	-	-	-	3,376,324	3,376,324	-	-	-	-	3,376,324
Other comprehensive income (loss), net of tax	-	-	-	-	113,073	113,073	(76,538)	2,676,782	2,600,244	-	2,713,317
Total comprehensive income (loss) for the year	-	-	-	-	3,489,397	3,489,397	(76,538)	2,676,782	2,600,244	-	6,089,641
Changes in deemed contributions from shareholders	-	1,073	-	-	-	-	-	-	-	-	1,073
Adjustments for changes in investees' equity	-	42,137	-	-	-	-	-	-	-	-	42,137
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	3,865,163	3,865,163	-	(3,865,163)	(3,865,163)	-	-
Balance at December 31, 2020	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
Changes in deemed contributions 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)	(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

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AU OPTRONICS CORP.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

	2021	2020
Cash flows from operating activities:		
Profit before income tax	\$ 62,435,499	2,496,585
Adjustments for:		
- depreciation	22,394,148	23,787,296
- amortization	170,775	245,311
- losses (gains) on financial instruments at fair value through profit or loss	(205,199)	125,758
- interest expense	1,371,931	1,699,576
- interest income	(159,594)	(158,965)
- dividend income	(2,598)	(251,423)
- compensation costs of share-based payments	793,463	-
- share of profit of equity-accounted investees	(12,431,269)	(2,272,193)
- gains on disposals of property, plant and equipment, net	(782,257)	(21,322)
- gains on disposals of investments, net	(496,461)	-
- impairment losses on assets	1,017,725	36,788
- unrealized foreign currency exchange losses (gains)	(7,139)	119,736
- others	75,227	39,307
Changes in operating assets and liabilities:		
- accounts receivable	(11,734,364)	(14,422,629)
- receivables from related parties	(399,806)	(329,567)
- inventories	(2,973,563)	(1,728,515)
- net defined benefit assets	(12,299)	(549,716)
- other operating assets	(2,308,415)	1,265,569
- contract liabilities	11,503,416	187,100
- accounts payable	1,041,259	(94,420)
- payables to related parties	3,119,336	4,838,219
- provisions	72,305	(21,862)
- other operating liabilities	11,802,579	468,077
Cash generated from operations	84,284,699	15,458,710
Interest received	159,574	158,679
Dividends received	813,819	371,371
Interest paid	(1,416,424)	(1,702,459)
Income taxes refunded (paid)	14,958	(15,087)
Net cash provided by operating activities	83,856,626	14,271,214

(Continued)

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AU OPTRONICS CORP.

Statements of Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

	2021	2020
Cash flows from investing activities:		
Acquisitions of financial assets at amortized cost	(20,000,000)	-
Disposals of financial assets at amortized cost	10,000,000	-
Acquisitions of financial assets at fair value through other comprehensive income	(91,507)	-
Acquisitions of equity-accounted investees	(23,104,090)	(3,758,797)
Proceeds from return of capital deduction	90,212	-
Acquisitions of property, plant and equipment	(10,221,675)	(11,137,182)
Disposals of property, plant and equipment	311,229	25,695
Decrease (increase) in refundable deposits	(572,337)	160,169
Decrease (increase) in other receivables from related parties	(510,000)	200,000
Net cash outflow arising from spin-off	(1,316,465)	-
Net cash used in investing activities	(45,414,633)	(14,510,115)
Cash flows from financing activities:		
Proceeds from long-term borrowings	10,770,000	14,519,350
Repayments of long-term borrowings	(65,837,500)	(4,912,500)
Payment of lease liabilities	(390,835)	(390,812)
Guarantee deposits received (refunded)	(51,290)	51,000
Cash dividends	(2,850,967)	-
Treasury shares sold to employees	572,472	-
Others	449	1,073
Net cash provided by (used in) financing activities	(57,787,671)	9,268,111
Effect of exchange rate change on cash and cash equivalents	(2,709)	12,045
Net increase (decrease) in cash and cash equivalents	(19,348,387)	9,041,255
Cash and cash equivalents at January 1	54,969,325	45,928,070
Cash and cash equivalents at December 31	\$ 35,620,938	54,969,325

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. Organization

AU Optronics Corp. (“AUO” or “the Company”) 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)
	\$ 368,555

(Continued)

AU OPTRONICS CORP.
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 10, 2022.

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, 2021. 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 new amendments, effective for annual period beginning on January 1, 2022, would not have a material impact on its parent company only financial statements.

- Annual Improvements to IFRSs 2018–2020 Cycle
- Amendments to IFRS 3, *Reference to the Conceptual Framework*
- Amendments to IAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*

- (3) The IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

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, *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*

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)

AU OPTRONICS CORP.
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.

(Continued)

AU OPTRONICS CORP.

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 the exchange rates at each 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)

AU OPTRONICS CORP.

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.

(Continued)

AU OPTRONICS CORP.

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)

AU OPTRONICS CORP.

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 designates 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.

(Continued)

AU OPTRONICS CORP.

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)

AU OPTRONICS CORP.**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 AUO 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.

(Continued)

AU OPTRONICS CORP.

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)

AU OPTRONICS CORP.

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.

(Continued)

AU OPTRONICS CORP.

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.

(Continued)

AU OPTRONICS CORP.

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.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only 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.

(15) 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 are classified as held for sale, they are no longer depreciated

(16) 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.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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.

(17) 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.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only 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.

(18) 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.

(19) 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.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only 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(17) 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(17) 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.

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

(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.

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 compensation cost of employee share based payment arrangements for which subsidiaries grant to their employees is measured based on the fair value at the date on which they are granted. The compensation cost is recognized, together with a corresponding increase in equity, over the periods in which the employees become unconditionally entitled to the awards in the consolidated financial statements.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

The compensation is recognized as a liability in the parent company only financial statements when the Company has the obligation to settle the aforementioned share-based payment transactions. Subsequent to initial recognition, the liability is measured at fair value of the underlying shares on each reporting date and settlement date, and changes therein are recognized in profit or loss. 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.

(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. 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.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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) Earnings per share

Basic earnings 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 stock comprise the estimate of employee compensation.

The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings or capital surplus to common stock.

(24) 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.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

(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.

(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, 2021	December 31, 2020
Cash on hand, demand deposits and checking accounts	\$ 28,465,702	32,484,255
Time deposits	7,155,236	22,485,070
	\$ 35,620,938	54,969,325

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, 2021 and 2020, 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, 2021	December 31, 2020
Financial assets mandatorily measured at FVTPL:		
Foreign currency forward contracts	\$ 130,434	21,361
Financial liabilities held for trading:		
Foreign currency forward contracts	\$ 39,294	135,420

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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.

As at December 31, 2021 and 2020, the Company’s outstanding foreign currency forward contracts were as follows:

December 31, 2021		
<u>Contract item</u>	<u>Maturity date</u>	<u>Contract amount</u>
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

December 31, 2020		
<u>Contract item</u>	<u>Maturity date</u>	<u>Contract amount</u>
Sell USD / Buy NTD	Jan. 2021~Feb. 2021	USD 514,000 / NTD 14,520,265
Sell USD / Buy JPY	Jan. 2021~Feb. 2021	USD 108,000 / JPY 11,209,743
Sell EUR / Buy JPY	Jan. 2021~Feb. 2021	EUR 10,000 / JPY 1,253,050
Sell HKD / Buy USD	Jan. 2021	HKD 500 / USD 64
Sell USD / Buy EUR	Jan. 2021	USD 2,398 / EUR 2,000

(3) Financial Assets at Fair Value through Other Comprehensive Income (“FVTOCI”)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investments in equity instruments at FVTOCI:		
Equity securities – listed stocks	<u>\$ 65,989</u>	<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.

Upon the re assessment, the Company considers that it has significant influence over Qisda Corporation (“Qisda”); consequently, at the end of December 2020 the equity investment in Qisda previously classified as financial assets at FVTOCI was reclassified as investments accounted for using the equity method. Refer to Note 6(7) for the relevant information.

If the value of these equity securities appreciates or depreciates by 10% at the reporting date, other comprehensive income would increase or decrease by \$6,599 thousand for the year ended December 31, 2021.

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

Dividends recognized from the investments in equity instruments at FVTOCI held by the Company were disclosed as follows:

	For the years ended December 31,	
	2021	2020
Investments held at the balance sheet date	\$ 2,598	-
Investments disposed during the reporting period	-	251,423
	<u>\$ 2,598</u>	<u>251,423</u>

As at December 31, 2021, and 2020 none of the Company's aforementioned financial assets was pledged as collateral.

(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 payments 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, 2021	December 31, 2020
Accounts receivable	\$ 56,459,488	43,844,611
Less: loss allowance	(485)	(200)
	<u>\$ 56,459,003</u>	<u>43,844,411</u>
Accounts receivable, net	<u>\$ 48,983,659</u>	<u>41,585,707</u>
Accounts receivable from related parties, net	<u>\$ 7,475,344</u>	<u>2,258,704</u>

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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, 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
	\$ 56,459,488		485
	December 31, 2020		
	Carrying amount of accounts receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 42,955,666	0.00%	88
Past due less than 60 days	887,804	0.01%	112
Past due 61~180 days	1,141	0.00%	-
	\$ 43,844,611		200

The movement of the loss allowance for accounts receivable was as follows:

	For the years ended December 31,	
	2021	2020
Balance at beginning of the year	\$ 200	150
Provisions charged to expense	285	50
Balance at end of the year	\$ 485	200

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).

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

(6) Inventories

	December 31, 2021	December 31, 2020
Finished goods	\$ 8,613,195	6,811,795
Work-in-progress	10,293,672	9,842,574
Raw materials	2,784,685	2,330,407
	\$ 21,691,552	18,984,776

For the years ended December 31, 2021 and 2020, the amounts recognized as cost of sales in relation to inventories were \$260,307,149 thousand and \$240,070,378 thousand, respectively. The net of provisions (reversals) for inventories written down (increased) to net realizable value, which were also included in cost of sales, amounted to \$865,868 thousand in provisions and \$1,693,966 thousand in reversals for the years ended December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, none of the Company's inventories was pledged as collateral.

(7) Investments in Equity-accounted Investees

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 92,701,406	70,287,701
Associates	17,486,238	15,580,327
	\$ 110,187,644	85,868,028

a. Subsidiaries

Refer to consolidated financial statements for the years ended December 31, 2021 and 2020 for the details.

b. Associates

	December 31, 2021	December 31, 2020
Qisda	\$ 10,807,806	9,704,923
Ennostar Inc. ("Ennostar")	2,248,301	-
ADLINK Technology Inc. ("ADLINK")	2,219,249	2,311,727
Star Shining Energy Corporation. ("SSEC")	2,210,882	1,586,817
Lextar Electronics Corp. ("Lextar")	-	1,549,703
Star River Energy Corp. (SREC)	-	427,157
	\$ 17,486,238	15,580,327

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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,	
	2021	2020
The Company's share of associates':		
Profit (loss)	\$ 1,620,067	(49,033)
Other comprehensive income (loss)	50,315	(28,053)
Total comprehensive income (loss)	\$ 1,670,382	(77,086)

On February 5, 2020, the Company's Board of Directors resolved to acquire common shares of ADLINK through tender offer. As of December 31, 2021, the Company holds a total of 42,310 thousand common shares of ADLINK for totaling of 19.45% equity interest in ADLINK.

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.

The Company is the sole largest shareholder of 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 consideration of the Company's operational strategy, the Company and its subsidiary have continued to increase its shareholdings in Qisda through its subsidiary, Konly Venture Corp. ("Konly") since November 2020. Upon the re-assessment, the Company considers that it has obtained the ability to exercise significant influence over Qisda; consequently, at the end of December 2020, the Company derecognized the investment in Qisda previously classified as financial assets at FVTOCI, and further recognized an investment accounted for using the equity method at fair value. The related cumulative gain of \$3,863,348 thousand that was previously recognized in other comprehensive income under items never be reclassified in profit or loss was reclassified to retained earnings.

As at December 31, 2021 and 2020, none of the Company's investments in equity-accounted investees was pledged as collateral.

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

(8) Property, Plant and Equipment

	For the year ended December 31, 2021					
	Balance, Beginning of Year	Additions (deductions)	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	27,040,662	2,790,733	(3,452,487)	(16,481)	483,082	26,845,509
	822,238,338	3,650,034	(11,031,811)	(16,648)	4,031,770	818,871,683
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	21,342,963	3,897,158	(3,449,313)	(5,099)	-	21,785,709
	693,678,063	22,010,929	(10,993,315)	(5,266)	-	704,690,411
Prepayments for purchase of land and equipment, and construction in progress	993,930	6,421,828	-	-	(4,031,770)	3,383,988
Net carrying amounts	\$ 129,554,205					117,565,260

	For the year ended December 31, 2020					
	Balance, Beginning of Year	Additions (deductions)	Disposal or write off	Reclassification	Balance, End of Year	
Cost:						
Land	\$ 6,344,658	-	-	-	6,344,658	
Buildings	87,793,792	(10,291)	-	281,613	88,065,114	
Machinery and equipment	706,595,480	932,776	(12,917,768)	6,177,416	700,787,904	
Other equipment	25,764,841	3,283,671	(2,538,689)	530,839	27,040,662	
	826,498,771	4,206,156	(15,456,457)	6,989,868	822,238,338	
Accumulated depreciation and impairment loss:						
Buildings	24,767,492	1,798,359	-	-	26,565,851	
Machinery and equipment	641,166,292	17,237,806	(12,915,830)	280,981	645,769,249	
Other equipment	19,859,655	4,300,543	(2,536,254)	(280,981)	21,342,963	
	685,793,439	23,336,708	(15,452,084)	-	693,678,063	
Prepayments for purchase of land and equipment, and construction in progress	3,437,406	4,546,392	-	(6,989,868)	993,930	
Net carrying amounts	\$ 144,142,738				129,554,205	

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

As of December 31, 2021 and 2020, 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 2021 and 2020, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its display segment and recognized impairment losses of \$44,227 thousand and \$36,757 thousand, respectively.

In 2021 and 2020, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its energy segment and recognized impairment losses of \$26,809 thousand and \$31 thousand, respectively.

Impairment losses as mentioned above were recognized under other gains and losses in the parent company only statements of comprehensive income.

The Company disposed 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.

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,	
	<u>2021</u>	<u>2020</u>
Capitalized borrowing costs	<u>\$ 35,568</u>	<u>37,917</u>
The interest rates applied for the capitalization	1.50%~ 1.63%	1.63%~ 1.77%

Certain property, plant and equipment were pledged as collateral, see Note 8.

(9) Lease Arrangements

a. Lessee

(i) Right-of-use assets

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Carrying amount of right-of-use assets		
Land	\$ 8,260,763	8,685,550
Buildings	64,926	104,525
	<u>\$ 8,325,689</u>	<u>8,790,075</u>

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

	For the years ended December 31,	
	2021	2020
Additions to right-of-use assets	\$ -	78,331
Depreciation charge for right-of-use assets		
Land	\$ 414,656	418,269
Buildings	39,599	36,590
Other equipment	-	32,517
	<u>\$ 454,255</u>	<u>487,376</u>

(ii) Lease liabilities

	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
	<u>\$ 10,286,962</u>	<u>1,754,976</u>	<u>8,531,986</u>
Lease liabilities — current			\$ 378,273
Lease liabilities — noncurrent			8,153,713
			<u>\$ 8,531,986</u>

	December 31, 2020		
	Future minimum lease payments	Interests	Present value of minimum lease payments
Less than one year	\$ 549,953	159,358	390,595
Between one and five years	2,101,865	567,418	1,534,447
More than five years	8,197,137	1,189,227	7,007,910
	<u>\$ 10,848,955</u>	<u>1,916,003</u>	<u>8,932,952</u>
Lease liabilities — current			\$ 390,595
Lease liabilities — noncurrent			8,542,357
			<u>\$ 8,932,952</u>

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

(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 2021 and 2020, 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 \$10,131 thousand and \$147,371 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) 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,	
	2021	2020
Expenses relating to short-term leases	\$ -	1,539
COVID-19-related rent concessions (recognized as deduction of rent expense)	\$ -	32,385

Total cash outflow for the Company's leases in which it acts as a lessee for the years ended December 31, 2021 and 2020 were \$549,472 thousand and \$579,531 thousand, respectively.

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, 2021 and 2020 were \$541 thousand and \$563 thousand, respectively.

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

The maturity analysis of undiscounted operating lease receivable for the abovementioned assets are as follows:

	December 31, 2021	December 31, 2020
Year 1	\$ 8,052	8,052
Year 2	8,052	8,052
Year 3	8,052	8,052
Year 4	8,052	8,052
Year 5	8,052	8,052
Year 6 onwards	46,970	55,022
Total undiscounted operating lease receivable	\$ 87,230	95,282

(10) Investment Property

For the year ended December 31, 2021				
	Balance, Beginning of Year	Additions	Reclassification	Balance, End of Year
Cost:				
Land	\$ 465,868	-	-	465,868
Fair Value	\$ 1,578,838			1,705,905
For the year ended December 31, 2020				
	Balance, Beginning of Year	Additions	Reclassification	Balance, End of Year
Cost:				
Land	\$ 465,868	-	-	465,868
Fair Value	\$ 1,578,838	-	-	1,578,838

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.

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

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 significant inputs used in the fair value measurement were as follows:

	For the years ended December 31,	
	2021	2020
Overall capital interest rate	1.91%	2.53%
Rate of return	15.00%	15.00%

As at December 31, 2021 and 2020, there was no investment property that was pledged as collateral.

(11) Intangible Assets

	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	<u>12,078,767</u>	-	-	<u>12,078,767</u>
	<u>23,359,362</u>	-	-	<u>23,359,362</u>
Accumulated amortization and impairment loss:				
Goodwill	-	946,689	-	946,689
Patent and technology fee	<u>11,552,912</u>	<u>170,775</u>	-	<u>11,723,687</u>
	<u>11,552,912</u>	<u>1,117,464</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>

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

	For the year ended December 31, 2020			
	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:				
Patent and technology fee	11,307,601	245,311	-	11,552,912
Net carrying amounts	<u>\$ 12,051,761</u>	<u>(245,311)</u>	<u>-</u>	<u>11,806,450</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, 2021	December 31, 2020
Display business	<u>\$ 10,333,906</u>	<u>11,280,595</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, 2021 and 2020 were 10.42% and 13.63%, 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 2021 and 2020. 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 assessment in 2021, as the recoverable amount of display CGU was lower than its carrying value, the Company recognized an impairment loss of NT\$946,689 thousand on goodwill of display segment.

Based on the impairment assessment in 2020, no impairment loss was recognized as the recoverable amount of display CGU was higher than its carrying value.

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

(12) Other Current Assets and Other Noncurrent Assets

	December 31, 2021	December 31, 2020
Prepayments for purchases	\$ 960,171	101,534
Refundable deposits	922,576	381,528
Refundable and overpaid tax	235,373	360,688
Others	2,884,018	2,315,894
	5,002,138	3,159,644
Less: current	(1,881,797)	(1,938,708)
Noncurrent	\$ 3,120,341	1,220,936

(13) Long-term Borrowings

Bank or agent bank	Durations	December 31, 2021	December 31, 2020
Syndicated loans:			
Bank of Taiwan and others	From Feb. 2019 to Feb. 2024	\$ 12,000,000	42,000,000
Bank of Taiwan and others	From Mar. 2019 to Apr. 2023	4,600,000	23,000,000
Bank of Taiwan and others	From Oct. 2021 to Oct. 2025	9,750,000	-
Bank of Taiwan and others	From May. 2017 to Apr. 2021	-	6,000,000
Unsecured loans	From Aug. 2018 to May 2024	1,200,000	8,200,000
Secured loans	From Nov. 2019 to Dec. 2026	13,500,000	16,737,500
		41,050,000	95,937,500
Less: transaction costs		(402,755)	(297,982)
		40,647,245	95,639,518
Less: current portion		(12,267,653)	(11,184,508)
		\$ 28,379,592	84,455,010
Unused credit facilities		\$ 87,100,000	51,050,000
Interest rate range		0.7500%~ 1.7895%	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, 2021.

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, 2021 and 2020, the Company complied with all financial covenants required under each of the loan agreements.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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, 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	<u>(323,462)</u>	<u>(453,820)</u>	<u>(777,282)</u>
Noncurrent	<u>\$ 679,907</u>	<u>-</u>	<u>679,907</u>
Balance at January 1, 2020	\$ 1,266,081	206,544	1,472,625
Additions	218,207	-	218,207
Usage	(208,004)	(32,065)	(240,069)
Effect of change in exchange rate	-	(9,013)	(9,013)
Balance at December 31, 2020	1,276,284	165,466	1,441,750
Less: current	<u>(496,784)</u>	<u>(165,466)</u>	<u>(662,250)</u>
Noncurrent	<u>\$ 779,500</u>	<u>-</u>	<u>779,500</u>

(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.

In 2020, the Company reached an agreement with part of its employees for terminating their defined benefit pension plans and to settle its defined benefit obligation by relevant regulations. A gain on the settlement amounting to \$458,854 thousand was thereby recognized in the statement of comprehensive income. The full settlement was withdrawn from the pension fund, of which \$1,193,962 thousand that has not been withdrawn as of December 31, 2020 was fully withdrawn in January 2021.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

- (i) Reconciliation of the present value of defined benefit obligation and the fair value of plan assets for the Company.

	December 31, 2021	December 31, 2020
Present value of defined benefit obligation	\$ (152,728)	(146,554)
Fair value of plan assets	299,374	256,878
Net defined benefit asset (recognized in other noncurrent assets)	\$ 146,646	110,324

- (ii) Movement in net defined benefit asset (liability)

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit asset (liability)	
	2021	2020	2021	2020	2021	2020
Balance at January 1	\$ (146,554)	(3,122,442)	256,878	2,542,832	110,324	(579,610)
Spin-off	2,330	-	-	-	2,330	-
Service cost	(4,032)	(1,033)	-	-	(4,032)	(1,033)
Interest cost	(572)	(27,478)	-	-	(572)	(27,478)
Gain on settlement	-	458,854	-	-	-	458,854
Expected return on plan assets	-	-	1,002	22,377	1,002	22,377
Included in profit or loss	(4,604)	430,343	1,002	22,377	(3,602)	452,720
Actuarial (loss) gain arising from:						
- demographic assumptions	(1,759)	-	-	-	(1,759)	-
- financial assumptions	(16,648)	(10,652)	-	-	(16,648)	(10,652)
- experience adjustment	(7,263)	68,531	-	-	(7,263)	68,531
Return on plan assets excluding interest income	-	-	47,363	82,339	47,363	82,339
Included in other comprehensive income	(25,670)	57,879	47,363	82,339	21,693	140,218
Contributions paid by the employer	-	-	15,901	96,996	15,901	96,996
Benefits paid	21,770	2,487,666	(21,770)	(2,487,666)	-	-
	21,770	2,487,666	(5,869)	(2,390,670)	15,901	96,996
Balance at December 31	\$ (152,728)	(146,554)	299,374	256,878	146,646	110,324

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

(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, 2021 and 2020, the Fund deposited in the Committee's name in the Bank of Taiwan amounted to \$299,374 thousand and \$1,450,840 thousand (including the un withdrawn balance aforementioned). 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, 2021	December 31, 2020
Discount rate	0.65%	0.39%
Rate of increase in future salary	4.00%	2.90%

The Company anticipates to make no contribution to the defined benefit plans in the next year starting from January 1, 2022.

As at December 31, 2021, the weighted-average duration of the defined benefit obligation was 15 years.

(b) Sensitivity analysis

Reasonably possible changes at December 31, 2021 and 2020 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, 2021		December 31, 2020	
	Changes in assumptions		Changes in assumptions	
	+ 0.25%	-0.25%	+0.25%	-0.25%
Discount rate	\$ (5,495)	5,777	(5,565)	5,854
Rate of increase in future salary	\$ 5,573	(5,335)	5,693	(5,445)

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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.

The Company has set up defined contribution plan in accordance with the Act. For the years ended December 31, 2021 and 2020, \$888,251 thousand and \$866,143 thousand, respectively, of the pension costs under the pension plan to the ROC Bureau of the 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, both amounted to \$100,000,000 thousand as at December 31, 2021 and 2020.

The Company’s issued common stock, with par value of \$10 per share, both amounted to \$96,242,451 thousand as at December 31, 2021 and 2020.

As of December 31, 2021, the Company has issued 24,815 thousand ADSs, which represented 248,147 thousand shares of its common stock.

b. Capital surplus

The components of capital surplus were as follows:

	December 31, 2021	December 31, 2020
From common stock	\$ 52,756,091	52,756,091
From convertible bonds	6,049,862	6,049,862
From others	1,251,048	1,781,731
	\$ 60,057,001	60,587,684

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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.

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 annual shareholders' meeting held on June 17, 2020 resolved to set aside a special reserve of \$1,157,614 thousand and not to distribute dividends for 2019.

The aforementioned appropriation of earnings for 2019 was consistent with the resolutions of the Board of Directors' meeting held on March 20, 2020.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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:

	<u>Appropriation of earnings</u>	<u>Dividends per share (NT\$)</u>
Legal reserve	\$ 735,456	
Special reserve	1,264,919	
Cash dividends to shareholders	<u>2,850,967</u>	0.30
	<u><u>\$ 4,851,342</u></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.

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, 2021				
<u>Reason for reacquisition</u>	<u>Number of shares, Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Number of shares, End of Year</u>
Transferring to employees	125,000	-	(70,801)	54,199

For the year ended December 31, 2020				
<u>Reason for reacquisition</u>	<u>Number of shares, Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Number of shares, End of Year</u>
Transferring to employees	125,000	-	-	125,000

Refer to Note 6(17) for information on employee treasury shares plan for 2021. A total of 70,801 thousand shares were transferred with total costs for treasury shares of \$574,195 thousand and 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.

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

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.

e. Other components of equity

	Cumulative translation differences	Unrealized gains (losses) on financial assets at FVTOCI	Total
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>\$ (4,873,573)</u>	<u>130,391</u>	<u>(4,743,182)</u>
Balance at January 1, 2020	\$ (3,129,982)	1,124,598	(2,005,384)
Foreign operations – foreign currency translation differences	(3,049,722)	-	(3,049,722)
Net change in fair value of financial assets at FVTOCI	-	2,564,513	2,564,513
Equity-accounted investees – share of other comprehensive income	2,961,666	112,269	3,073,935
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(3,865,163)	(3,865,163)
Related tax	11,518	-	11,518
Balance at December 31, 2020	<u>\$ (3,206,520)</u>	<u>(63,783)</u>	<u>(3,270,303)</u>

(Continued)

AU OPTRONICS CORP.
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:

	<u>Plan 1</u>	<u>Plan 2</u>
Grant date	February 18, 2021	August 16, 2021~August 24, 2021
Total shares granted	3,978 thousand shares	66,823 thousand shares
Contract term	-	-
Grant object	Employees of the Company and its subsidiaries	Employees of the Company and its subsidiaries
Vesting conditions	Vest immediately	Vest immediately

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 year ended December 31, 2021, the related compensation costs recognized for the abovementioned plan amounted \$793,312 thousand.

b. Employee restricted stock plan

As of December 31, 2021, 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 1,250,000 units. Employees are granted restricted stocks without consideration, and are eligible to vest 100% of 250,000 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.

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, 2021, the carrying amount recognized for abovementioned employee restricted stock plan liabilities amounted to \$4,418 thousand.

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

(18) Revenue from Contracts with Customers

a. Disaggregation of revenue

	For the years ended December 31,					
	2021			2020		
	Display segment	Energy segment	Total segments	Display segment	Energy segment	Total segments
Primary geographical markets:						
PRC (including Hong Kong)	\$ 96,574,654	6,743	96,581,397	86,452,733	5,925	86,458,658
Taiwan	89,656,802	6,996,018	96,652,820	82,687,514	4,936,487	87,624,001
Singapore	54,476,932	1,845	54,478,777	41,957,591	484	41,958,075
Japan	15,123,688	15,877	15,139,565	18,582,706	70,223	18,652,929
Others	68,360,127	17,869	68,377,996	21,318,155	77,527	21,395,682
	<u>\$ 324,192,203</u>	<u>7,038,352</u>	<u>331,230,555</u>	<u>250,998,699</u>	<u>5,090,646</u>	<u>256,089,345</u>
Major products:						
Products for Televisions	\$ 85,242,039	-	85,242,039	69,879,294	-	69,879,294
Products for Monitors	63,811,427	-	63,811,427	41,888,242	-	41,888,242
Products for Mobile PCs and Devices	110,622,052	-	110,622,052	77,464,323	-	77,464,323
Products for Automotive Solutions	28,048,600	-	28,048,600	21,302,128	-	21,302,128
Products for PID and General Display	28,837,318	-	28,837,318	35,545,592	-	35,545,592
Others ⁽ⁱ⁾	7,630,767	7,038,352	14,669,119	4,919,120	5,090,646	10,009,766
	<u>\$ 324,192,203</u>	<u>7,038,352</u>	<u>331,230,555</u>	<u>250,998,699</u>	<u>5,090,646</u>	<u>256,089,345</u>
Major customers:						
Customer A	\$ 34,674,572	-	34,674,572	32,117,615	-	32,117,615
Customer B	33,310,649	-	33,310,649	19,742,464	-	19,742,464
Others (individually not greater than 10%)	256,206,982	7,038,352	263,245,334	199,138,620	5,090,646	204,229,266
	<u>\$ 324,192,203</u>	<u>7,038,352</u>	<u>331,230,555</u>	<u>250,998,699</u>	<u>5,090,646</u>	<u>256,089,345</u>

⁽ⁱ⁾ Including sales of solar-related products, raw materials and components and from products for other applications and service charges.

b. Contract balances

	December 31, 2021	December 31, 2020
Contract assets — current (recorded in other current financial assets)	<u>\$ 1,163,174</u>	<u>51,007</u>

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

	December 31, 2021	December 31, 2020
Contract liabilities – current (recorded in other current liabilities)	\$ 3,051,364	287,794
Contract liabilities – noncurrent	8,739,846	-
	\$ 11,791,210	287,794

The amounts of revenue recognized for the years ended December 31, 2021 and 2020 that previously included in the contract liability balance at the beginning of the year were \$227,110 thousand and \$465,933 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 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 years ended December 31, 2021 and 2020, the Company estimated the remuneration to employees amounting to \$6,339,435 thousand and \$253,493 thousand, respectively. 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 2020 in the amounts of \$253,493 thousand and \$8,275 thousand, respectively, in cash for payment had been approved in the meeting of Board of Directors held on March 16, 2021. The aforementioned approved amounts are the same as the amounts charged against earnings of 2020.

The information about the Company’s remuneration to employees and directors is available at the Market Observation Post System website.

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

(20) Additional Information of Expenses by Nature

	For the years ended December 31,					
	2021			2020		
	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	\$ 20,540,303	8,728,512	29,268,815	14,077,575	5,490,687	19,568,262
Labor and health insurances	1,330,944	449,800	1,780,744	1,170,678	367,424	1,538,102
Retirement benefits	632,935	258,918	891,853	296,886	116,537	413,423
Compensation to directors	-	244,565	244,565	-	42,812	42,812
Other employee benefits	1,171,054	1,033,770	2,204,824	1,153,079	234,066	1,387,145
Depreciation	19,540,231	2,853,917	22,394,148	20,674,699	3,112,597	23,787,296
Amortization	170,775	-	170,775	245,311	-	245,311

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, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Number of employees	<u>20,322</u>	<u>20,616</u>
Number of non-employee directors	<u>6</u>	<u>7</u>
Average employee benefit expenses	<u>\$ 1,681</u>	<u>1,112</u>
Average salaries expenses	<u>\$ 1,441</u>	<u>950</u>
Average salary expense adjustment	<u>52%</u>	<u>3%</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 Association, 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. When earnings are present, the Board of Directors will resolve on the amount of Directors' remunerations based on the Company's Articles of Association.

(Continued)

AU OPTRONICS CORP.

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 established to sustain shareholders' long-term value and build up a management team with 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,	
	2021	2020
Interest income on bank deposits	\$ 142,182	141,156
Others	17,412	17,809
	<u>\$ 159,594</u>	<u>158,965</u>

b. Other income

	For the years ended	
	December 31,	
	2021	2020
Rental income, net	\$ 307,584	317,694
Dividend income	2,598	251,423
Grants and others	255,770	326,623
	<u>\$ 565,952</u>	<u>895,740</u>

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

c. Other gains and losses

	For the years ended December 31,	
	2021	2020
Foreign exchange losses, net	\$ (52,341)	(632,825)
Gains (losses) on valuation of financial instruments at FVTPL, net	(121,873)	530,999
Gains on disposals of investments and financial assets, net	496,461	-
Gains on disposals of property, plant and equipment, net	782,257	21,322
Impairment losses on assets	(1,017,725)	(36,788)
Gains (losses) on litigation and others	(293,614)	(64,823)
	\$ (206,835)	(182,115)

d. Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense on bank borrowings	\$ 1,210,094	1,536,020
Interest expense on lease liabilities	158,637	154,795
Other interest expense	3,200	8,761
Finance expense	75,228	71,697
	\$ 1,447,159	1,771,273

(22) Income Taxes

a. Income tax expense (benefit)

The components of income tax expense (benefit) for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Current income tax expense (benefit):		
Current year	\$ 62,580	-
Adjustment to prior years	7	(4)
	62,587	(4)
Deferred tax expense (benefit):		
Temporary differences	1,042,284	(879,735)
	\$ 1,104,871	(879,739)

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

Income taxes expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Items that will never be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	\$ 4,664	28,043
Items that are or may be reclassified subsequently to profit or loss:		
Foreign operations – foreign currency translation differences	\$ (353,088)	(609,944)
Equity-accounted investees – share of other comprehensive income	24,550	598,426
	\$ (328,538)	(11,518)

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 statements of comprehensive income for the years ended December 31, 2021 and 2020, was as follows:

	For the years ended December 31,	
	2021	2020
Income tax expense at statutory tax rate	\$ 12,487,100	499,317
Tax on undistributed earnings, net	62,580	-
Net of non-taxable income from domestic investments and non-deductible expense	(1,515,292)	49,957
Change of unrecognized deductible temporary differences	(9,929,524)	(1,429,009)
Adjustments to prior year	7	(4)
Income tax expense (benefit)	\$ 1,104,871	(879,739)

b. Deferred tax assets and liabilities

Deferred tax assets have not been recognized in respect of the following items.

	December 31, 2021	December 31, 2020
Deductible temporary differences	\$ 289,192	274,984
Unused tax losses carryforwards	5,154,251	14,167,214
	\$ 5,443,443	14,442,198

(Continued)

AU OPTRONICS CORP.

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, 2021, 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
2015 (assessed)	\$ 1,389,860	2025
2016 (assessed)	20,551	2026
2019 (assessed)	3,594,747	2029
2020 (filed)	149,093	2030
	\$ 5,154,251	

As of December 31, 2021 and 2020, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to nil and \$832,350 thousand, respectively.

The components of and changes in deferred tax assets and liabilities were as follows:

	Deferred tax assets		Deferred tax liabilities		Total	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Tax losses						
carryforwards	\$ 1,210,727	2,120,783	-	-	1,210,727	2,120,783
Unrealized loss and						
expenses	189,749	255,257	-	-	189,749	255,257
Inventories						
write-down	696,184	523,594	-	-	696,184	523,594
Accumulated						
amortization of						
goodwill in						
accordance with						
local tax laws	-	-	(2,024,091)	(2,213,429)	(2,024,091)	(2,213,429)
Remeasurement of						
defined benefit						
plans	124,509	129,173	-	-	124,509	129,173
Foreign investment						
losses(gains)	-	-	(1,168,811)	-	(1,168,811)	-
Others	3,307,810	2,221,352	(138,901)	(121,469)	3,168,909	2,099,883
	\$ 5,528,979	5,250,159	(3,331,803)	(2,334,898)	2,197,176	2,915,261

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020	Spin-off	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021
Deferred tax assets (liabilities):								
Tax losses carryforwards	\$ 2,120,783	-	-	2,120,783	-	(910,056)	-	1,210,727
Unrealized loss and expenses	161,146	94,111	-	255,257	(10,925)	(54,583)	-	189,749
Inventories write-down	857,255	(333,661)	-	523,594	(292)	172,882	-	696,184
Accumulated amortization of goodwill in accordance with local tax laws	(2,213,429)	-	-	(2,213,429)	-	189,338	-	(2,024,091)
Remeasurement of defined benefit plans	157,216	-	(28,043)	129,173	-	-	(4,664)	124,509
Foreign investment losses (gains)	-	-	-	-	-	(1,168,811)	-	(1,168,811)
Others	969,080	1,119,285	11,518	2,099,883	11,542	728,946	328,538	3,168,909
	<u>\$ 2,052,051</u>	<u>879,735</u>	<u>(16,525)</u>	<u>2,915,261</u>	<u>325</u>	<u>(1,042,284)</u>	<u>323,874</u>	<u>2,197,176</u>

c. Assessments by the tax authorities

As of December 31, 2021, the tax authorities have completed the examination of income tax returns of the Company through 2019.

(23) Earnings per Share

	For the years ended December 31,	
	2021	2020
Basic earnings per share		
Profit attributable to shareholders	<u>\$ 61,330,628</u>	<u>3,376,324</u>
Weighted-average number of common shares outstanding during the year	<u>9,522,200</u>	<u>9,499,245</u>
Basic earnings per share (NT\$)	<u>\$ 6.44</u>	<u>0.36</u>
Diluted earnings per share		
Profit attributable to shareholders	<u>\$ 61,330,628</u>	<u>3,376,324</u>
Weighted-average number of common shares outstanding during the year	9,522,200	9,499,245
Effect of employee remuneration in stock	<u>279,624</u>	<u>18,107</u>
	<u>9,801,824</u>	<u>9,517,352</u>
Diluted earnings per share (NT\$)	<u>\$ 6.26</u>	<u>0.35</u>

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

(24) Cash Flow Information

The reconciliation of liabilities to cash flows arising from financing activities was as follows:

	Long-term borrowings (including current installments)	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
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>
Balance at January 1, 2020	\$ 85,966,110	728,087	9,425,575	96,119,772
Cash flows	9,606,850	51,000	(390,812)	9,267,038
Non-cash changes:				
Deductions	-	-	(69,426)	(69,426)
Changes in exchange rate and others	66,558	26,144	(32,385)	60,317
Balance at December 31, 2020	<u>\$ 95,639,518</u>	<u>805,231</u>	<u>8,932,952</u>	<u>105,377,701</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.

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, 2021 and 2020 were as follows:

	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	\$ 130,434	130,434	21,361	21,361
Financial assets at FVTOCI	65,989	65,989	-	-
Financial assets at amortized cost:				
Domestic time deposits	10,000,000	10,000,000	-	-
Refundable deposits	922,576	922,576	381,528	381,528

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Financial liabilities at FVTPL:				
Financial liabilities held for trading	39,294	39,294	135,420	135,420
Financial liabilities at amortized cost:				
Long-term borrowings (including current installments)	40,647,245	40,647,245	95,639,518	95,639,518
Guarantee deposits	681,359	681,359	805,231	805,231
Long-term payables (including current installments)	1,404,990	1,404,990	309,900	309,900

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.

The fair value of floating-rate long-term borrowings approximates to their carrying value.

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).

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

(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, 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
December 31, 2020				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	-	21,361	-	21,361
Financial liabilities at FVTPL:				
Financial liabilities held for trading	-	135,420	-	135,420
Financial liabilities at amortized cost:				
Long-term payables (including current installments)	-	309,900	-	309,900

There were no transfers between Level 1 and 2 for the years ended December 31, 2021 and 2020.

(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.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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.

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 receipt, 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, 2021 and 2020, the Company's five largest customers accounted for 41.3% and 41.8%, 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.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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, 2021.

(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.

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.

	<u>Contractual cash flows</u>	<u>2022.1.1~ 2022.12.31</u>	<u>2023.1.1~ 2024.12.31</u>	<u>2025.1.1~ 2026.12.31</u>	<u>2027 and thereafter</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	25,691,340	25,691,340	-	-	-
	<u>\$ 44,095,643</u>	<u>13,138,657</u>	<u>23,752,524</u>	<u>6,523,103</u>	<u>681,359</u>

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

	<u>Contractual cash flows</u>	<u>2021.1.1~ 2021.12.31</u>	<u>2022.1.1~ 2023.12.31</u>	<u>2024.1.1~ 2025.12.31</u>	<u>2026 and thereafter</u>
December 31, 2020					
Non-derivative financial liabilities					
Long-term borrowings (including current installments)	\$ 99,192,346	12,648,823	60,145,458	25,235,659	1,162,406
Long-term payables (including current installments)	309,900	154,950	154,950	-	-
Guarantee deposits	805,231	-	-	-	805,231
Derivative financial instruments					
Foreign currency forward contracts – inflows	(18,035,672)	(18,035,672)	-	-	-
Foreign currency forward contracts – outflows	<u>18,152,046</u>	<u>18,152,046</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 100,423,851</u>	<u>12,920,147</u>	<u>60,300,408</u>	<u>25,235,659</u>	<u>1,967,637</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, 2021, 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.

(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.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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, 2021			December 31, 2020		
	Foreign currency amounts	Exchange rate	NTD	Foreign currency amounts	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 2,360,707	27.6880	65,363,255	1,891,983	28.5070	53,934,759
JPY	2,330,699	0.2409	561,465	9,691,657	0.2763	2,677,805
EUR	34,030	31.4203	1,069,233	31,465	35.0494	1,102,829
<u>Non-monetary items</u>						
USD	2,478,144	27.6880	68,614,851	1,971,109	28.5070	56,190,404
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	1,715,893	27.6880	47,509,645	1,390,500	28.5070	39,638,984
JPY	19,876,946	0.2409	4,788,356	20,124,348	0.2763	5,560,357
EUR	2,033	31.4203	63,877	3,472	35.0494	121,692

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, 2021 and 2020, while all other variables were remained constant, would have increased or decreased the net profit before tax for the years ended December 31, 2021 and 2020 as follows:

	For the years ended December 31,	
	2021	2020
1% of depreciation	\$ 146,321	123,944
1% of appreciation	(146,321)	(123,944)

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

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 losses for the years ended December 31, 2021 and 2020 were \$52,341 thousand and \$632,825 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, 2021 and 2020 by \$102,625 thousand and \$239,844 thousand, respectively.

(c) Equity price risk

See Note 6(3) for disclosure of equity price risk analysis.

(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	
	2021	2020
Long-term borrowings (including current installments)	\$ 40,647,245	95,639,518
Total liabilities	153,816,495	181,195,885
Total equity	231,787,040	182,804,691
Debt-to-equity ratio	66%	99%
Net debt-to-equity ratio ⁽ⁱ⁾	2%	22%

⁽ⁱ⁾ Net debt-to-equity ratio is defined as long-term borrowings less cash and cash equivalents and divided by total equity.

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

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.

<u>Name of related party</u>	<u>Relationship with the Company</u>
AUO (L) Corp. (“AUOLB”, formerly AU Optronics (L) Corp. (“AULB”))	Subsidiary
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. (“UTP”))	Subsidiary
SREC	Subsidiary
Evergen Power Corporation (“EGPC”)	Subsidiary
Sungen Power Corporation (“SGPC”)	Subsidiary
AUO Corporation America (“AUOUS”, formerly AU Optronics Corporation America (“AUUS”))	Subsidiary
AUO Corporation Japan (“AUOJP”, formerly AU Optronics Corporation Japan (“AUJP”))	Subsidiary
AUO Europe B.V. (“AUONL”, formerly AU Optronics Europe B.V. (“AUNL”))	Subsidiary
AU Optronics Korea Ltd. (“AUKR”)	Subsidiary
AUO Singapore Pte. Ltd. (“AUOSG”, formerly AU Optronics Singapore Pte. Ltd. (“AUSG”))	Subsidiary
AU Optronics (Czech) s.r.o. (“AUCZ”)	Subsidiary
AU Optronics (Shanghai) Co., Ltd. (“AUSH”)	Subsidiary
AU Optronics (Xiamen) Corp. (“AUXM”)	Subsidiary
AU Optronics (Suzhou) Corp., Ltd. (“AUSZ”)	Subsidiary
AU Optronics (Slovakia) s.r.o. (“AUSK”)	Subsidiary

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

Name of related party	Relationship with the Company
AFPD Pte., Ltd. (“AUST”)	Subsidiary
AUO (Kunshan) Co., Ltd. (“AUOKS”, formerly AU Optronics (Kunshan) Co., Ltd. (“AUOKS”))	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
AUO Display Plus Netherlands B.V. (“ADPNL”)	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
Wellybond Corporation (“WBC”)	Subsidiary of Ennostar
TRENDYLITE CORPORATION (“TRENDYLITE”)	Subsidiary of Ennostar
Raydium Semiconductor Corporation (“Raydium”)	Associate
Star Shining Energy Corporation (“SSEC”)	Associate
TronGen Power Corporation (“TGPC”)	Subsidiary of SSEC
Fargen Power Corporation (“FGPC”)	Subsidiary of SSEC
Sheng Li Energy Corporation (“SLEC”)	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
ChampionGen Power Corporation (“CGPC”)	Subsidiary of SSEC
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

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
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
Sysage Technology Co., Ltd. (“Sysage”)	Subsidiary of Qisda
ACE Pillar Co., Ltd. (“ACE”)	Subsidiary of Qisda
Qisda Vietnam Co., Ltd (“QVH”)	Subsidiary of Qisda
Golden Spirit Co., Ltd. (“GSC”)	Subsidiary of Qisda
ADVANCEDTEK INTERNATIONAL CORP. (“ADVANCEDTEK”)	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
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, 2021 and 2020.
- (ii) The Company has accounted for the investment in Qisda using the equity method since December 31, 2020. Qisda and its subsidiaries are changed as the Company’s associates from the same date while previously they are categorized as other related parties. See Note 6(7) for the relevant information.
- (iii) 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,	
	2021	2020
Short-term employee benefits	\$ 869,292	218,723
Post-employment benefits	1,402	2,032
Share-based payments	17,276	-
	\$ 887,970	220,755

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

Refer to Note 6(17) for information on share-based payments.

- (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,	
	2021	2020	2021	2020
Subsidiaries	\$ 33,263,332	4,248,540	5,210,500	291,943
Associates	12,100,078	765,017	2,263,856	1,966,761
Others	-	10,775,744	988	-
	<u>\$ 45,363,410</u>	<u>15,789,301</u>	<u>7,475,344</u>	<u>2,258,704</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,	
	2021	2020	2021	2020
Subsidiaries	\$ 99,800,127	87,988,257	29,053,948	26,039,202
Associates	16,082,012	3,237,827	4,348,634	3,884,576
Others	-	12,385,625	-	-
	<u>\$ 115,882,139</u>	<u>103,611,709</u>	<u>33,402,582</u>	<u>29,923,778</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,	
	2021	2020
Subsidiaries	\$ 267,127	275,226
Associates	37,880	8,815
Others	-	9,560
	<u>\$ 305,007</u>	<u>293,601</u>

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

d. Disposal of property, plant and equipment and others

	Proceeds from disposal		Gains on disposal	
	For the years ended		For the years ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Subsidiaries	<u>\$ 5,278</u>	<u>4</u>	<u>95</u>	<u>4</u>

e. Other related party transactions

Transaction type	Type of related party	December 31, 2021	December 31, 2021
Other receivables due from related parties	Subsidiaries	\$ 2,051,484	1,004,613
	Associates	<u>19,778</u>	<u>16,805</u>
		<u>\$ 2,071,262</u>	<u>1,021,418</u>
Other payables due to related parties, including payables for equipment	Subsidiaries	\$ 305,561	642,666
	Associates	52,825	15,154
	Others	<u>11,455</u>	<u>-</u>
		<u>\$ 369,841</u>	<u>657,820</u>

Transaction type	Type of related party	For the years ended	
		December 31, 2021	December 31, 2020
Rental income	Subsidiaries	\$ 30,110	5,901
	Associates	127,341	44,408
	Others	<u>-</u>	<u>114,383</u>
		<u>\$ 157,451</u>	<u>164,692</u>

Transaction type	Type of related party	For the years ended	
		December 31, 2021	December 31, 2020
Administration and other income	Subsidiaries	\$ 57,883	30,151
	Associates	9,312	11,986
	Others	<u>-</u>	<u>6,155</u>
		<u>\$ 67,195</u>	<u>48,292</u>
Other expenses	Subsidiaries	\$ 678,931	671,967
	Associates	76,431	69,744
	Others	<u>65,536</u>	<u>52,613</u>
		<u>\$ 820,898</u>	<u>794,324</u>

The Company leased portion of its facilities and plants to related parties. The collection term was receipts in advance, and the pricing was not materially different from that with third parties.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

The Company participated in capital increase of related parties in the aggregate of \$22,713,270 thousand and \$1,338,953 thousand, respectively, for 2021 and 2020. In addition, for the years ended December 31, 2021 and 2020, the Company entitled for cash dividends declared by related parties of \$813,819 thousand and \$371,371 thousand, respectively. As of December 31, 2021 and 2020, 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, 2021	December 31, 2020
Restricted cash in banks(i)	Guarantee for warranties	\$ 8,657	8,657
Land and buildings	Long-term borrowings limit	47,454,920	46,628,977
Machinery and equipment	Long-term borrowings limit	31,810,247	45,407,718
		<u>\$ 79,273,824</u>	<u>92,045,352</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, 2021, 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, 2021, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

Currency	December 31, 2021 (in thousands)
USD	5,479
JPY	1,767,366
EUR	92

(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.

(Continued)

AU OPTRONICS CORP.

Notes to the Parent Company Only Financial Statements

(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, 2021, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled \$15,620,186 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, and at this stage, the final outcome of these matters is uncertain. AUO is reviewing the merits of this lawsuit on an on-going basis.

As of February 10, 2022, 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.

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

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 have proceeded to file an administrative action for invalidating the environmental assessment again. The matter is still under review by the court. Management does not believe that this event will have a material adverse effect on the Company's operation and 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, 2021.

- 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.
- 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).

(Continued)

AU OPTRONICS CORP.
Notes to the Parent Company Only Financial Statements

- (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, 2021, are disclosed in Note 13(1) “Information on significant transactions”.

- (4) Major shareholders:

Major Shareholder	Shares	
	Total Shares Owned	Ownership Percentage
Qisda	663,598,620	6.89%

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.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Financings Provided
For the year ended December 31, 2020
(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	ACTW	Other receivables from related parties	Yes	3,500,000	2,000,000	1,000,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,280,469	73,121,876
0	AUO	AUKS	Other receivables from related parties	Yes	1,300,920	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,280,469	73,121,876
0	AUO	SMI	Other receivables from related parties	Yes	30,000	30,000	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,280,469	73,121,876
0	AUO	UTI	Other receivables from related parties	Yes	200,000	200,000	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	18,280,469	73,121,876
1	AULB	AUKS	Other receivables from related parties	Yes	13,792,960	13,585,440	6,135,360	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	22,363,769	22,363,769
2	AUXM	AUKS	Other receivables from related parties	Yes	5,254,560	4,382,400	1,972,080	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,797,418	5,797,418
3	BVXM	AUKS	Other receivables from related parties	Yes	438,240	438,240	438,240	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	523,838	523,838

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		
4	AUSJ	AUKS	Other receivables from related parties	Yes	1,446,192	1,446,192	788,832	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,587,158	1,587,158
4	AUSJ	UFSD	Other receivables from related parties	Yes	219,120	219,120	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,967,894	3,967,894
4	AUSJ	UFSZ	Other receivables from related parties	Yes	173,104	87,648	35,497	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,967,894	3,967,894
4	AUSJ	A-Care	Other receivables from related parties	Yes	86,552	43,824	4,382	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,967,894	3,967,894
5	AUSZ	AUKS	Other receivables from related parties	Yes	6,135,360	6,135,360	3,067,680	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	6,547,160	6,547,160
6	BVHF	AUKS	Other receivables from related parties	Yes	306,768	306,768	306,768	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	327,745	327,745
7	DPSZ	AUKS	Other receivables from related parties	Yes	438,240	438,240	438,240	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	523,662	523,662
8	DPTW	DPSK	Other receivables from related parties	Yes	52,863	52,574	29,441	Adjusted by short-term average lending rate	Needs for short-term financing	-	Operating capital	-	-	-	2,482,061	3,971,298
9	FTKS	AUKS	Other receivables from related parties	Yes	433,640	-	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	558,230	558,230
10	FTWJ	FHWJ	Other receivables from related parties	Yes	65,046	43,824	43,824	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,830,825	1,830,825

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 Dollar 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. AULB, AUSZ, AUXM, AUSJ, BVXM and BVHF: 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 shall not exceed the net worth of the lending company as stated in its latest financial statement.
- d. DPTW: The total amount available for lending purposes shall not exceed 40% of DPTW's net worth as stated in its latest financial statement. The total amount for lending to a company shall not exceed 25% of DPTW's net worth as stated in its latest financial statement.
- e. DPSZ, FTWJ and FTKS: 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.
- f. 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.

AU OPTRONICS CORP. AND SUBSIDIARIES
Endorsements/Guarantees Provided
For the year ended December 31, 2020
(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	AUKS	2	91,402,346	15,391,064	14,373,073	8,654,361	-	7.86%	182,804,691	Yes	No	Yes
1	AUXM	AUO	3	14,493,546	6,354,480	6,354,480	-	-	43.84%	14,493,546	No	Yes	No
2	AUSZ	AUO	3	16,367,899	4,470,048	4,470,048	-	-	27.31%	16,367,899	No	Yes	No
3	DPXM	DPTW	3	1,739,404	438,240	438,240	-	-	10.08%	1,739,404	No	No	No

Note 1: The relationship between the endorser/guarantor and the guaranteed party:

8. A company with which it does business.
9. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
10. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
11. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
12. 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.
13. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
14. 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 Dollar 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:

- d. 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.
- e. AUSZ and AUXM: The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed the net worth of the endorser/guarantor as stated in its latest financial statement.
- f. DPXM: The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed 40% of DPXM's net worth as stated in its latest financial statement.

AU OPTRONICS CORP. AND SUBSIDIARIES
Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)
December 31, 2020
(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, 2020				Maximum Shareholding in the Interim	Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value		
AUO	BenQ ESCO Corp.'s stock	Related party	Financial assets at FVTPL – noncurrent	1,700	-	17.00%	-	17.00%	
AULB	Abakus Solar AG's stock	-	Financial assets at FVTPL – noncurrent	3	-	2.22%	-	2.22%	
AUSH	T-powertek Optronics Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	1,293	CNY 6,250	1.66%	CNY 6,250	2.16%	
FPWJ	Structured deposit	-	Financial assets at FVTPL – current	-	CNY 54,227	-	CNY 54,227	-	
FTKS	Structured deposit	-	Financial assets at FVTPL – current	-	CNY 72,585	-	CNY 72,585	-	
Konly	PlayNitride Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	967	113,640	2.26%	113,640	2.34%	
Konly	SnapBizz CloudTech Pte. Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	13	-	4.74%	-	5.33%	
Konly	Azotek Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	2,407	7,345	4.00%	7,345	4.01%	
Konly	ChenFeng Optronics Corporation's stock	-	Financial assets at FVTPL – noncurrent	1,500	-	2.35%	-	2.63%	
Konly	Epistar Corporation's stock	-	Financial assets at FVTOCI – noncurrent	7,037	294,668	0.65%	294,668	0.65%	
Konly	a2peak power Co., Ltd.'s stock	-	Financial assets at FVTPL – noncurrent	4,000	-	10.87%	-	10.87%	
DPTW	D8AI Holdings Corporation's stock	-	Financial assets at FVTOCI – noncurrent	7,000	8,649	4.59%	8,649	4.59%	
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	HUAI I Precision Technology Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	2,914	34,968	10.00%	34,968	10.00%	
DPTW	WiBASE Industrial Solutions Inc.'s stock	Related party	Financial assets at FVTOCI – noncurrent	3,536	42,432	9.11%	42,432	12.11%	
Ronly	PlayNitride Inc.'s stock	-	Financial assets at FVTOCI – noncurrent	359	71,517	0.84%	71,517	0.87%	
Ronly	Exploit Technology Co., Ltd.'s stock	-	Financial assets at FVTPL – noncurrent	41	-	0.49%	-	0.49%	
Ronly	Profet AI Technology Co., Ltd.'s stock	-	Financial assets at FVTOCI – noncurrent	511	10,002	10.16%	10,002	10.16%	

AU OPTRONICS CORP. 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, 2020
(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	CQIL's stock	Investments in equity-accounted investees	-	-	39,974	576,111	-	305,963	-	-	-	-	39,974	881,300	2
AUO	ADLINK's stock	Investments in equity-accounted investees	-	-	-	-	42,310	2,411,693	-	-	-	-	42,310	2,311,727	1
AUO	SSEC's stock	Investments in equity-accounted investees	-	-	93,000	953,966	62,000	620,000	-	-	-	-	155,000	1,586,817	2
CQHLD	CQUS's stock	Investments in equity-accounted investees	-	-	11	USD 3,863	2	USD 10,250	-	-	-	-	13	USD 14,126	2
CQIL	CQHLD's stock	Investments in equity-accounted investees	-	-	635,709	USD 18,491	21	USD 10,250	-	-	-	-	635,730	USD 29,097	2
DPSZ	Structured deposit	Financial assets at FVTPL – current	-	-	-	CNY 70,488	-	-	-	CNY 71,372	CNY 71,372	-	-	-	
FPWJ	Structured deposit	Financial assets at FVTPL – current	-	-	-	CNY 100,642	-	CNY 105,750	-	CNY 154,403	CNY 154,403	-	-	CNY 54,227	3
FTKS	Structured deposit	Financial assets at FVTPL – current	-	-	-	CNY 171,493	-	CNY 448,500	-	CNY 553,777	CNY 553,777	-	-	CNY 72,585	3

Note 1: a. The acquisition amount refers to the tender offer consideration for acquiring part of ADLINK's shares. See Note 6(6) for the relevant information.

b. The ending balance includes the recognition of investment gain (loss) and foreign currency translation differences under the equity method.

Note 2: The acquisition amount refers to the participation in the investees' capital increase. The ending balance includes the recognition of investment gain (loss) and foreign currency translation differences under the equity method.

Note 3: The ending balance includes the gain/loss on valuation of the financial asset.

AU OPTRONICS CORP. 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, 2020

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 5

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	AUKS	Subsidiary of AUO	Purchases	20,126,829	11%	EOM 30 days	-		(3,728,045)	(7)%	
AUO	AUSK	Subsidiary of AUO	Purchases	116,806	-	EOM 45 days	-		(16,849)	-	
AUO	AUST	Subsidiary of AUO	Purchases	4,574,857	2%	EOM 45 days	-		(676,280)	(1)%	
AUO	AUSZ	Subsidiary of AUO	Purchases	35,317,575	19%	EOM 45 days	-		(11,760,985)	(22)%	
AUO	AUXM	Subsidiary of AUO	Purchases	24,270,146	13%	EOM 45 days	-		(9,153,218)	(17)%	
AUO	Qisda	Associate	Purchases	8,412,978	5%	EOM 45 days	-		(1,622,435)	(3)%	
AUO	BMC	Subsidiary of Qisda	Purchases	3,951,995	2%	EOM 90 days	-		(1,119,694)	(2)%	
AUO	Raydium	Associate	Purchases	874,933	-	EOM 120 days	-		(326,321)	(1)%	
AUO	Daxin	Associate	Purchases	2,310,181	1%	EOM 120 days	-		(787,616)	(1)%	
AUO	DPTW	Subsidiary of AUO	Purchases	3,527,426	2%	EOM 60 days	-		(698,675)	(1)%	
AUO	AUNL	Subsidiary of AUO	Sales	(1,354,682)	(1)%	EOM 45 days	-		184,233	-	
AUO	AUSZ	Subsidiary of AUO	Sales	(1,399,835)	(1)%	EOM 45 days	-		-	-	
AUO	AUUS	Subsidiary of AUO	Sales	(269,837)	-	EOM 75 days	-		63,767	-	
AUO	AUXM	Subsidiary of AUO	Sales	(948,058)	-	EOM 45 days	-		-	-	
AUO	DICSZ	Subsidiary of Qisda	Sales	(216,863)	-	EOM 45 days	-		38,126	-	
AUO	QCOS	Subsidiary of Qisda	Sales	(333,463)	-	EOM 55 days	-		59,166	-	
AUO	QCSZ	Subsidiary of Qisda	Sales	(7,192,754)	(3)%	EOM 55 days	-		1,103,551	3%	
AUO	RJPC	Subsidiary of SSEC	Sales	(254,572)	-	EOM 25 days	-		96,436	-	

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	(2,962,512)	(1)%	EOM 55 days	-	630,668	1%		
AUO	SLEC	Subsidiary of SSEC	Sales	(221,114)	-	Payment in advance	-	-	-		
AUO	DPTW	Subsidiary of AUO	Sales	(186,407)	-	EOM 45 days	-	15,384	-		
AUO	FGPC	Subsidiary of SSEC	Sales	(121,267)	-	EOM 25 days	-	22,130	-		
ACMK	ACTW	Subsidiary of AUO	Purchases	USD 20,085	95%	OA 45 days	-	USD (944)	(98)%		
AUKS	AUO	Ultimate parent company	Purchases	CNY 47,732	2%	EOM 45 days	-	CNY (3,557)	-		
AUKS	AUSZ	Subsidiary of AUO	Purchases	CNY 181,415	7%	EOM 60 days	-	CNY (57,359)	(7)%		
AUKS	Qisda	Associate	Purchases	CNY 26,786	1%	EOM 120 days	-	CNY (14,258)	(2)%		
AUKS	AUO	Ultimate parent company	Sales	CNY (4,777,267)	(100)%	EOM 30 days	-	CNY 857,238	100%		
AUNL	AUO	Ultimate parent company	Purchases	EUR 42,597	100%	EOM 45 days	-	EUR (5,245)	(100)%		
AUSH	AUO	Ultimate parent company	Sales	CNY (36,314)	(99)%	End of quarter 25 days	-	-	-		
AUSK	AUO	Ultimate parent company	Sales	EUR (3,850)	(83)%	EOM 45 days	-	EUR 888	83%		
AUST	AUO	Ultimate parent company	Sales	USD (154,779)	(100)%	EOM 45 days	-	USD 23,723	100%		
AUSZ	AUO	Ultimate parent company	Purchases	CNY 395,440	5%	EOM 45 days	-	-	-		
AUSZ	Qisda	Associate	Purchases	CNY 513,274	7%	EOM 120 days	-	CNY (181,382)	(7)%		
AUSZ	BMC	Subsidiary of Qisda	Purchases	CNY 253,846	3%	EOM 90 days	-	CNY (69,087)	(3)%		
AUSZ	Raydium	Associate	Purchases	CNY 591,588	8%	EOM 120 days	-	CNY (212,094)	(8)%		
AUSZ	DPTW	Subsidiary of AUO	Purchases	CNY 204,540	3%	EOM 120 days	-	CNY (63,420)	(2)%		
AUSZ	AUO	Ultimate parent company	Sales	CNY (8,393,763)	(94)%	EOM 45 days	-	CNY 2,693,520	97%		
AUSZ	AUKS	Subsidiary of AUO	Sales	CNY (181,390)	(2)%	EOM 60 days	-	CNY 57,359	2%		
AUUS	AUO	Ultimate parent company	Purchases	USD 8,104	100%	EOM 75 days	-	USD (2,235)	(100)%		
AUUS	AUO	Ultimate parent company	Sales	USD (5,649)	(38)%	EOM 30 days	-	-	-		
AUXM	AUO	Ultimate parent company	Purchases	CNY 200,895	4%	EOM 45 days	-	-	-		
AUXM	DPXM	Subsidiary of AUO	Purchases	CNY 24,024	-	EOM 120 days	-	CNY (10,098)	(1)%		

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)	
AUXM	BMC	Subsidiary of Qisda	Purchases	CNY 165,621	3%	EOM 90 days	-	CNY (50,157)	(3)%		
AUXM	Raydium	Associate	Purchases	CNY 416,679	8%	EOM 120 days	-	CNY (183,374)	(9)%		
AUXM	DPTW	Subsidiary of AUO	Purchases	CNY 198,904	4%	EOM 120 days	-	CNY (80,964)	(4)%		
AUXM	AUO	Ultimate parent company	Sales	CNY (5,750,142)	(91)%	EOM 45 days	-	CNY 2,098,691	95%		
AUXM	BVXM	Subsidiary of AUO	Sales	CNY (74,146)	(1)%	EOM 45 days	-	-	-		
BVXM	AUXM	Subsidiary of AUO	Purchases	CNY 74,146	100%	EOM 45 days	-	-	-		
DPSZ	DPTW	Subsidiary of AUO	Sales	CNY (121,527)	(72)%	EOM 90 days	-	CNY 45,615	78%		
DPXM	DPTW	Subsidiary of AUO	Purchases	CNY 37,633	3%	EOM 60 days	-	CNY (28,412)	(6)%		
DPXM	Lextar	Associate	Purchases	CNY 37,521	3%	EOM 120 days	-	CNY (14,937)	(3)%		
DPXM	AUXM	Subsidiary of AUO	Sales	CNY (24,006)	(1)%	EOM 120 days	-	CNY 10,098	2%		
DPXM	DPSZ	Subsidiary of AUO	Sales	CNY (24,190)	(1)%	EOM 120 days	-	CNY 15,743	3%		
DPXM	DPTW	Subsidiary of AUO	Sales	CNY (618,831)	(38)%	EOM 90 days	-	CNY 287,335	58%		
FPWJ	DPTW	Subsidiary of AUO	Purchases	CNY 92,417	93%	EOM 60 days	-	CNY (30,239)	(100)%		
FTWJ	DPTW	Subsidiary of AUO	Purchases	CNY 51,684	9%	EOM 60 days	-	CNY (243,989)	(52)%		
FTWJ	Lextar	Associate	Purchases	CNY 63,749	11%	EOM 120 days	-	CNY (23,544)	(5)%		
FTWJ	DPTW	Subsidiary of AUO	Sales	CNY (847,131)	(96)%	EOM 90 days	-	CNY 623,056	100%		
M.Setek	ACTW	Subsidiary of AUO	Sales	JPY (3,856,705)	(99)%	EOM 45 days	-	JPY 1,198,928	99%		
ACTW	M.Setek	Subsidiary of AUO	Purchases	1,068,693	46%	EOM 45 days	-	(331,171)	(67)%		
ACTW	ACMK	Subsidiary of AUO	Sales	(625,854)	(16)%	OA 45 days	-	26,908	5%		
DPTW	AUO	Ultimate parent company	Purchases	185,387	2%	EOM 45 days	-	(15,215)	(1)%		
DPTW	DPSZ	Subsidiary of AUO	Purchases	516,782	5%	EOM 90 days	-	(199,291)	(7)%		
DPTW	DPXM	Subsidiary of AUO	Purchases	2,636,646	27%	EOM 90 days	-	(1,007,440)	(37)%		
DPTW	FTWJ	Subsidiary of AUO	Purchases	3,613,971	37%	EOM 90 days	-	(1,152,320)	(42)%		
DPTW	EFOP	Joint Venture	Purchases	900,611	9%	Payment in advance	-	-	-		

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)	
DPTW	AUO	Ultimate parent company	Sales	(3,668,313)	(36)%	EOM 60 days	-		657,251	28%	
DPTW	AUSZ	Subsidiary of AUO	Sales	(867,826)	(9)%	EOM 120 days	-		277,080	12%	
DPTW	AUXM	Subsidiary of AUO	Sales	(849,740)	(8)%	EOM 120 days	-		353,730	15%	
DPTW	DPXM	Subsidiary of AUO	Sales	(161,790)	(2)%	EOM 60 days	-		61,385	3%	
DPTW	FPWJ	Subsidiary of AUO	Sales	(391,979)	(4)%	EOM 60 days	-		132,114	6%	
DPTW	FTWJ	Subsidiary of AUO	Sales	(220,845)	(2)%	EOM 60 days	-		30,096	1%	
DPTW	QCES	Subsidiary of Qisda	Sales	(179,294)	(2)%	EOM 120 days	-		63,267	3%	

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.

AU OPTRONICS CORP. AND SUBSIDIARIES
Receivables from Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital
December 31, 2020
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 6

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	AUNL	Subsidiary of AUO	184,233	8.46	62	Collected in subsequent period	115,652	-
AUO	QCSZ	Subsidiary of Qisda	1,103,551	7.07	339	Will be collected in next period	-	-
AUO	ACTW	Subsidiary of AUO	1,001,440	(Note 2)	-	-	-	-
AUO	BenQ	Subsidiary of Qisda	630,668	5.75	30	Will be collected in next period	-	-
AUKS	AUO	Ultimate parent company	CNY 857,238	7.03	CNY 17,285	Collected in subsequent period	CNY 470,258	-
AULB	AUKS	Subsidiary of AUO	USD 220,489	(Note 2)	-	-	-	-
AUSJ	AUKS	Subsidiary of AUO	CNY 183,146	(Note 2)	-	-	-	-
AUST	AUO	Ultimate parent company	USD 33,525	(Note 2)	USD 20	Will be collected in next period	-	-
AUSZ	AUO	Ultimate parent company	CNY 2,693,520	3.43	CNY 39,752	Collected in subsequent period	CNY 1,541,995	-
AUSZ	AUKS	Subsidiary of AUO	CNY 769,017	(Note 2)	CNY 13,861	Collected in subsequent period	CNY 17,381	-
AUXM	AUO	Ultimate parent company	CNY 2,098,693	(Note 2)	CNY 47,660	Collected in subsequent period	CNY 1,469,960	-
AUXM	AUKS	Subsidiary of AUO	CNY 459,274	(Note 2)	-	-	-	-
BVHF	AUKS	Subsidiary of AUO	CNY 70,591	(Note 2)	-	-	-	-
BVXM	AUKS	Subsidiary of AUO	CNY 102,936	(Note 2)	-	-	-	-
DPSZ	AUKS	Subsidiary of AUO	CNY 104,956	(Note 2)	-	-	-	-
DPSZ	DPTW	Subsidiary of AUO	CNY 45,615	2.97	CNY 6,072	Will be collected in next period	-	-
DPXM	DPTW	Subsidiary of AUO	CNY 287,342	(Note 2)	-	-	-	-
FTWJ	DPTW	Subsidiary of AUO	CNY 623,056	1.44	-	-	CNY 123,973	-
M.Setek	ACTW	Subsidiary of AUO	JPY 1,198,975	(Note 2)	JPY 246,932	Will be collected in next period	-	-

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		
ACTW	M.Setek	Subsidiary of AUO	239,156	(Note 2)	-	-	-	-
DPTW	AUO	Ultimate parent company	659,144	(Note 2)	14,382	Will be collected in next period	-	-
DPTW	AUSZ	Subsidiary of AUO	277,080	3.06	-	-	-	-
DPTW	AUXM	Subsidiary of AUO	353,730	1.99	-	-	-	-
DPTW	DPXM	Subsidiary of AUO	124,129	(Note 2)	533	Will be collected in next period	-	-
DPTW	FPWJ	Subsidiary of AUO	132,114	5.93	58,861	Will be collected in next period	-	-
DPTW	FTWJ	Subsidiary of AUO	1,073,393	(Note 2)	-	-	413,975	-

Note 1: Until the end of January 2021.

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.

AU OPTRONICS CORP. AND SUBSIDIARIES
Business Relationship and Significant Intercompany Transactions
For the year ended December 31, 2020
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 7

No.	Company Name	Counterparty	Nature of Relationship	Inter-company Transactions			
				Financial Statement Account	Amount	Trading Terms	Percentage of Consolidated Net Revenue or Total Assets
0	AUKS	AUO	Subsidiary to parent	Net revenue	CNY 4,777,267	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 30 days	8%
0	AUKS	AUO	Subsidiary to parent	Receivables from related parties	CNY 857,238		-
1	AULB	AUKS	Subsidiary to subsidiary	Receivables from related parties	USD 220,489	-	2%
2	AUST	AUO	Subsidiary to parent	Net revenue	USD 154,779	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days	2%
3	AUSZ	AUO	Subsidiary to parent	Net revenue	CNY 8,393,763	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days	13%
3	AUSZ	AUO	Subsidiary to parent	Receivables from related parties	CNY 2,693,520		-
3	AUSZ	AUKS	Subsidiary to subsidiary	Receivables from related parties	CNY 769,017	-	1%
4	AUXM	AUO	Subsidiary to parent	Net revenue	CNY 5,750,142	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days	9%
4	AUXM	AUO	Subsidiary to parent	Receivables from related parties	CNY 2,098,693		-
5	DPXM	DPTW	Subsidiary to subsidiary	Net revenue	CNY 618,831	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 90 days	1%
6	FTWJ	DPTW	Subsidiary to subsidiary	Net revenue	CNY 847,131	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 90 days	1%

No.	Company Name	Counterparty	Nature of Relationship	Inter-company Transactions			
				Financial Statement Account	Amount	Trading Terms	Percentage of Consolidated Net Revenue or Total Assets
6	FTWJ	DPTW	Subsidiary to subsidiary	Receivables from related parties	CNY 623,056	-	1%
7	AUO	AUSZ	Parent to subsidiary	Net revenue	1,399,835	The prices of inter-company sales are not comparable with those of third parties. The credit term is EOM 45 days	1%
8	DPTW	AUO	Subsidiary to parent	Net revenue	3,668,313	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.

AU OPTRONICS CORP. AND SUBSIDIARIES
Information on Investees (Excluding Information on Investment in Mainland China)
For the year ended December 31, 2020
(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, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	AULB	Malaysia	Holding company	59,058,698	59,058,698	1,882,189	100.00%	55,909,421	100.00%	2,789,496	2,789,496	Subsidiary
AUO	AUNL	Netherlands	Sales and sales support of TFT-LCD panels	24,275	24,275	50	100.00%	66,537	100.00%	26,306	26,306	Subsidiary
AUO	Konly	Taiwan ROC	Investment	4,227,070	4,227,070	299,764	100.00%	5,471,340	100.00%	132,133	132,133	Subsidiary
AUO	Ronly	Taiwan ROC	Investment	2,078,682	1,778,692	185,576	100.00%	2,277,770	100.00%	(76,865)	(76,865)	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%	2,835,886	28.56%	(1,240,799)	(354,420)	Subsidiary
AUO	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	15,687,921	15,687,921	418,583	100.00%	2,686,843	100.00%	(91,475)	(91,475)	Subsidiary
AUO	SREC	Taiwan ROC	Investment	379,040	379,040	37,904	32.01%	427,157	32.01%	107,060	34,274	Associate
AUO	Lextar	Taiwan ROC	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	889,227	881,076	78,781	15.30%	1,549,703	15.30%	(629,358)	(95,746)	Associate
AUO	Qisda	Taiwan ROC	Manufacturing and sales of LCD products and projectors; providing medical services	9,505,477	-	335,231	17.04%	9,704,923	17.04%	-	-	Associate (Note 7)
AUO	SMI	Taiwan ROC	Sales and leasing of content management system and hardware	30,000	30,000	3,000	100.00%	14,235	100.00%	(4,012)	(4,012)	Subsidiary
AUO	UTI	Taiwan ROC	Planning, design and development of construction for environmental protection and related project management	200,000	100,000	20,000	100.00%	132,024	100.00%	(56,882)	(56,882)	Subsidiary
AUO	SSEC	Taiwan ROC	Investment	1,550,000	930,000	155,000	31.00%	1,586,817	31.00%	107,523	33,332	Associate
AUO	CQIL	Israel	Holding company	1,182,621	876,659	39,974	100.00%	881,300	100.00%	(42,400)	(42,400)	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	2,411,693	-	42,310	19.45%	2,311,727	19.45%	243,665	(20,893)	Associate
AUO	DPGE	Taiwan ROC	Renewable energy power generation	7,000	-	700	100.00%	6,985	100.00%	(15)	(15)	Subsidiary
AUO	ADHLD	Cayman	Holding company	-	-	-	70.00%	-	70.005%	-	-	Subsidiary (Note 5)
AUO	ADCM	Cayman	Holding company	-	-	-	100.00%	-	100.00%	-	-	Subsidiary (Note 5)
AUO	AHTW	Taiwan ROC	Manufacturing, development and sales of medical equipment	5,000	-	500	100.00%	4,985	100.00%	(15)	(15)	Subsidiary
AUO	ADP	Taiwan ROC	Research, development and sales of TFT-LCD panels	1,000	-	100	100.00%	375	100.00%	(625)	(625)	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%	635,446	6.40%	(1,240,799)	(79,416)	Subsidiary
Konly	SREC	Taiwan ROC	Investment	17,760	17,760	1,776	1.50%	20,015	1.50%	107,060	1,606	Associate
Konly	Raydium	Taiwan ROC	IC Design	175,857	175,857	11,454	17.11%	809,137	17.11%	854,600	146,206	Associate
Konly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	154,748	154,748	19,114	18.61%	539,718	18.61%	631,304	117,475	Associate
Konly	Lextar	Taiwan ROC	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	565,616	450,674	31,182	6.06%	628,659	6.06%	(629,358)	(32,417)	Associate
Konly	Qisda	Taiwan ROC	Manufacturing and sales of LCD products and projectors; providing medical services	437,875	-	17,817	0.91%	515,805	0.91%	-	-	Associate (Note 7)
Konly	Ubitech Inc.	Taiwan ROC	Development and sales of software for POS system	27,000	27,000	357	24.41%	1,308	26.31%	(7,435)	(1,904)	Associate
Konly	SSEC	Taiwan ROC	Investment	100,000	60,000	10,000	2.00%	102,375	2.00%	107,523	2,150	Associate
Konly	WishMobile, Inc.	Taiwan ROC	Developing and providing CRM APP	15,000	15,000	5,625	12.50%	5,844	12.50%	1,991	249	Associate
Konly	SkyREC Ltd.	BVI	Data consulting service for retail	46,016	46,016	188	16.12%	2,097	16.12%	(14,423)	(2,326)	Associate

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
Konly	ADLINK	Taiwan ROC	Manufacturing and sales of hardware, software and peripheral devices of industrial computers	80,542	-	1,191	0.55%	24,718	0.55%	243,665	(55,704)	Associate
Konly	AUES	Taiwan ROC	Services related to educational activities and site rental	4,000	-	400	100.00%	4,000	100.00%	-	-	Subsidiary
Konly	IOC	Taiwan ROC	R&D and design of flexible electronics technology and processing equipment development	20,000	-	1,000	5.00%	19,483	5.00%	(37,211)	(517)	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%	604,283	6.09%	(1,240,799)	(75,521)	Subsidiary
Ronly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	70,021	70,021	6,312	6.15%	178,235	6.15%	631,304	38,795	Associate
Ronly	Lextar	Taiwan ROC	Design, manufacturing, and sales of InGaN epi wafers and chips, and light emitting diode packages and modules	323,431	323,431	34,338	6.67%	675,025	6.67%	(629,358)	(41,909)	Associate
Ronly	IOC	Taiwan ROC	R&D and design of flexible electronics technology and processing equipment development	68,400	-	3,420	17.10%	66,634	17.10%	(37,211)	(1,766)	Associate
DPTW	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71%	243,885	29.71%	(9,160)	(2,721)	Subsidiary
DPTW	DPLB	Malaysia	Holding company	4,362,627	4,362,627	92,267	100.00%	5,595,202	100.00%	(256,864)	(237,730)	Subsidiary
DPTW	FHVI	BVI	Holding company	2,362,321	2,362,321	22,006	100.00%	3,846,168	100.00%	(216,776)	(220,204)	Subsidiary
DPTW	FFMI	Mauritius	Holding company	274,700	274,700	653	100.00%	101,001	100.00%	6,826	6,656	Subsidiary
DPTW	EFOP	Taiwan ROC	Manufacturing and sales of polymer plasticized raw materials	338,729	338,729	33,873	49.00%	185,735	49.00%	14,318	7,016	Joint Venture
DPTW	Darwin Summit Corporation Ltd.	Thailand	International trade	3,740	3,740	40	40.00%	11,185	40.00%	3,357	1,343	Associate
ACTW	ACMK	Malaysia	Manufacturing and sales of solar wafers	449,975	449,975	46,196	100.00%	393,218	100.00%	(75,081)	(75,081)	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
ACTW	SDMC	Taiwan ROC	Holding company	1,988,488	1,988,488	116,836	100.0000%	1,945,204	100.0000%	134,827	166,521	Subsidiary
SDMC	M.Setek	Japan	Manufacturing and sales of ingots	23,596,398	23,596,398	11,404,184	99.9991%	1,907,607	99.9991%	154,333	154,332	Subsidiary
ADCM	ADHLD	Cayman	Holding company	-	-	-	30.00%	-	30.00%	-	-	Subsidiary (Note 5)
ADHLD	ADSG	Singapore	Holding company	-	-	-	100.00%	-	100.00%	-	-	Subsidiary (Note 6)
AULB	AUUS	United States	Sales and sales support of TFT-LCD panels	USD 1,000	USD 1,000	1,000	100.00%	USD 2,741	100.00%	USD 678	USD 678	Subsidiary
AULB	AUJP	Japan	Sales support of TFT-LCD panels	USD 276	USD 276	1	100.00%	USD 1,943	100.00%	USD 78	USD 78	Subsidiary
AULB	AUKR	South Korea	Sales support of TFT-LCD panels	USD 155	USD 155	-	100.00%	USD 1,026	100.00%	USD (50)	USD (50)	Subsidiary
AULB	AUCZ	Czech Republic	Assembly of solar modules	USD 20,531	USD 20,531	-	100.00%	USD 11,275	100.00%	USD 60	USD 60	Subsidiary
AULB	AUSK	Slovakia Republic	Repairing of TFT-LCD modules	USD 1,359	USD 1,359	-	100.00%	USD 25,415	100.00%	USD 272	USD 272	Subsidiary
AULB	AUST	Singapore	Manufacturing TFT-LCD panels based on low temperature polysilicon technology	USD 241,487	USD 276,543	907,114	100.00%	USD 89,224	100.00%	USD 4,917	USD 4,917	Subsidiary
AULB	AUVI	United States	Research and development and IP related business	USD 5,000	USD 5,000	5,000	100.00%	USD 6,001	100.00%	USD 127	USD 127	Subsidiary
AULB	BVLB	Malaysia	Holding company	USD 85,171	USD 85,171	85,171	70.29%	USD 20,241	70.29%	USD (310)	USD (218)	Subsidiary
AULB	AUSG	Singapore	Holding company and sales support of TFT-LCD panels	USD 9,958	USD 48,321	266,268	100.00%	USD 6,870	100.00%	USD 2,322	USD 2,322	Subsidiary
AUSG	AEUS	United States	Sales support of solar-related products	USD 3,510	USD 3,510	9,510	100.00%	USD 3,088	100.00%	USD 2,274	USD 2,274	Subsidiary
AUSG	ADPNL	Netherlands	Sales support of solar-related products; sales and sales support of TFT-LCD panels; holding company	USD 3,245	USD 45	-	100.00%	USD 3,398	100.00%	USD (76)	USD (76)	Subsidiary
DPLB	DPHK	Hong Kong	Holding company	USD 103,785	USD 103,785	10	100.00%	USD 198,466	100.00%	USD (6,892)	USD (6,892)	Subsidiary (Note 4)
DPLB	DPSK	Slovakia Republic	Manufacturing and sales of automotive parts	USD 4,216	USD 4,216	-	100.00%	USD 864	100.00%	USD (1,795)	USD (1,795)	Subsidiary
FHVI	FTMI	Mauritius	Holding company	USD 6,503	USD 6,503	6,503	100.00%	USD 72,121	100.00%	USD (8,706)	USD (8,706)	Subsidiary
FHVI	FWSA	Samoa	Holding company	USD 19,000	USD 19,000	19,000	100.00%	USD 16,015	100.00%	USD 586	USD 586	Subsidiary

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2020			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, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
FHVI	PMSA	Samoa	Holding company	USD 39,673	USD 39,673	31,993	100.00%	USD 48,956	100.00%	USD 789	USD 789	Subsidiary
M.Setek	Ichijo Seisakusyo Co., Ltd.	Japan	Manufacturing of semiconductor equipment and related parts	JPY 5,000	JPY 5,000	-	38.46%	-	38.46%	-	-	Associate (Note 3)
ADPNL	ADPUS	United States	Sales and sales support of TFT-LCD panels	EUR 1,241	-	1	100.00%	EUR 1,220	100.00%	-	-	Subsidiary
ADPNL	ADPJP	Japan	Sales support of TFT-LCD panels	EUR 414	-	1	100.00%	EUR 394	100.00%	-	-	Subsidiary
CQIL	CQHLD	United Kingdom	Holding company	USD 29,118	USD 18,868	635,730	100.00%	USD 29,097	100.00%	USD (26)	USD (26)	Subsidiary
CQHLD	CQUK	United Kingdom	Sales and sales support of content management system	GBP 1,874	GBP 1,874	-	100.00%	USD 139	100.00%	USD 4	USD 4	Subsidiary
CQHLD	CQUS	United States	Sales of content management system and hardware	USD 25,857	USD 15,607	13	100.00%	USD 14,126	100.00%	USD (1,474)	USD (1,474)	Subsidiary
CQHLD	CQCA	Canada	Research and development of content management system	CAD 1,310	CAD 1,310	-	100.00%	USD 660	100.00%	USD 123	USD 123	Subsidiary
CQUS	JRUK	United Kingdom	Development and sales of content management system and sales of related hardware	USD 1,500	-	1	100.00%	USD 1,526	100.00%	USD 57	USD 57	Subsidiary
CQUS	JRUS	United States	Development and sales of content management system and sales of related hardware	USD 8,000	-	18	100.00%	USD 7,856	100.00%	USD (145)	USD (145)	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: ADCM and ADHLD are new subsidiaries incorporated in August 2020. As of the end of December 2020, no capital injection has been made for these companies.

Note 6: ADSG is a new subsidiary incorporated in October 2020. As of the end of December 2020, no capital injection has been made for this company.

Note 7: On and from December 31, 2020, the investment in Qisda has been accounted for using the equity method. See Note 6(6) for the relevant information.

AU OPTRONICS CORP. AND SUBSIDIARIES

Information on Investment in Mainland China

For the year ended December 31, 2020

(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, 2020 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (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, 2020 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow								
A-Care	Design, development and sales of software and hardware for health care industry	65,736	(Note 1)	-	-	-	-	(20,503)	100%	100%	(20,503)	19,209	-	
AUKS	Manufacturing and sales of TFT-LCD panels	27,395,227	(Note 1)	13,971,566	-	-	13,971,566	535,802	51%	51%	273,259	5,342,537	-	
AUSH	Sales support of TFT-LCD panels	85,521	(Note 1)	28,507	-	-	28,507	(79,696)	100%	100%	(79,696)	342,049	-	
AUSJ	Manufacturing and assembly of TFTLCD modules; leasing	3,078,756	(Note 1)	2,280,560	-	-	2,280,560	122,802	100%	100%	122,802	3,967,894	-	
AUSZ	Manufacturing, assembly and sales of TFT-LCD modules	7,924,946	(Note 1)	5,701,400	-	-	5,701,400	1,392,835	100%	100%	1,392,835	16,367,899	-	
AUXM	Manufacturing, assembly and sales of TFT-LCD modules	7,126,750	(Note 1)	7,126,750	-	-	7,126,750	867,929	100%	100%	867,929	14,493,546	-	
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,093,839	(Note 1)	-	-	-	-	(8,870)	100%	100%	(8,870)	819,362	-	Note 6
BVXM	Manufacturing and sales of liquid crystal products and related parts	2,629,440	(Note 1)	-	-	-	-	16,506	100%	100%	16,506	1,309,594	-	
EDT	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing	21,912	(Note 1)	-	-	-	-	(8,955)	100%	100%	(8,955)	7,971	-	
MIS	Development and licensing of software relating to intelligent manufacturing, and related consulting services	87,648	(Note 1)	-	-	-	-	(40,387)	100%	100%	(40,387)	33,252	-	

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, 2020 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (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, 2020 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow								
TYSZ	Design, manufacturing and sales of large-size touch LCD modules	219,120	(Note 1)	-	-	-	-	(23,057)	50%	50%	(11,528)	97,778	-	
UFSD	Planning, design and development of construction for environmental protection and related project management	8,765	(Note 1)	-	-	-	-	(3,396)	100%	100%	(3,396)	2,420	-	
UFSZ	Planning, design and development of construction for environmental protection and related project management	52,589	(Note 1)	-	-	-	-	(12,956)	100%	100%	(12,956)	31,846	-	
ADSZ	Management consulting	-	(Note 1)	-	-	-	-	-	100%	100%	-	-	-	Note 7

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2020 (Note 2)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 2)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
29,108,783 (USD 1,021,110)	38,534,120 (USD 1,344,003 and HKD 60,000)	116,274,219

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 except for TYSZ.

Note 5: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2020.

Note 6: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW.

Note 7: ADSZ is a new subsidiary incorporated in December 2020. As of the end of December 2020, no capital injection has been made for this company.

2. DPTW:

(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, 2020 (Note 4)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (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, 2020 (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2020 (Note 4)	Note
					Outflow (Note 4)	Inflow (Note 4)								
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,093,839	(Note 1)	456,112	-	-	456,112	(8,870)	29.71%	29.71%	(8,870)	819,362	-	Note 5
DPSZ	Manufacturing and sales of backlight modules and related parts	712,675	(Note 1)	427,605	-	-	427,605	(58,256)	100%	100%	(58,256)	1,309,155	1,309,439	Note 9
DPXM	Manufacturing and sales of backlight modules and related parts	1,995,490	(Note 1)	1,995,490	-	-	1,995,490	(139,536)	100%	100%	(139,536)	4,348,510	1,475,238	
FHWJ	Manufacturing and sales of backlight modules and related parts	185,296	(Note 1)	233,757	-	-	233,757	6,826	100%	100%	6,826	50,955	-	
FPWJ	Manufacturing, sales and trading of precision plastic parts	826,703	(Note 1)	541,633	-	-	541,633	26,431	100%	100%	26,431	681,619	-	Note 8
FTKS	Manufacturing and sales of backlight modules and related parts	1,026,252	(Note 1)	1,026,252	-	-	1,026,252	23,320	100%	100%	23,320	1,395,576	-	
FTWJ	Manufacturing and sales of backlight modules and related parts	997,745	(Note 1)	185,296	-	-	185,296	(266,528)	100%	100%	(266,528)	1,830,825	401,223	Note 7

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2020 (Note 4)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
4,866,145 (USD 170,700)	5,008,252 (USD 175,685)	5,956,947

Note 1: 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 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, 2020 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 2020.
- 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.

AU OPTRONICS CORP.
Statement of Cash and Cash Equivalents
December 31, 2021
(Expressed in thousands of New Taiwan Dollars,
unless otherwise indicated)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 8
Cash in banks	Checking accounts	37,262
	Demand deposits	14,517,860
	Foreign currency deposits (note)	13,910,572
	USD: 460,883 thousand	
	JPY: 1,946,930 thousand	
	EUR: 21,398 thousand	
	CNY: 18 thousand	
	HKD: 2,311 thousand	
	Time deposits	6,200,000
	Foreign currency time deposits (note)	
	USD: 34,500 thousand	<u>955,236</u>
		<u>\$ 35,620,938</u>

Note: Exchange rate at balance sheet date was as follows:

USD: 27.688

JPY: 0.2409

EUR: 31.4203

CNY: 4.3478

HKD: 3.5513

AU OPTRONICS CORP.

Statement of Financial Assets at FVTPL—Current

December 31, 2021

Please refer to Note 6(2) to this parent company only financial statements for the details.

**Statement of Financial Assets at Amortized Cost—
Current**

Please refer to Note 6(4) to this parent company only financial statements for the details.

AU OPTRONICS CORP.

Statement of Accounts Receivable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Customer Name</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Customer A	From operating activities	\$ 10,444,734	
Customer B	From operating activities	10,299,516	
Customer C	From operating activities	7,233,881	
Customer D	From operating activities	7,171,975	
Customer E	From operating activities	3,505,202	
Others (less than 5% for each customer)	From operating activities	10,328,836	
Less: loss allowance		<u>(485)</u>	
		<u>\$ 48,983,659</u>	

Statement of Inventories

<u>Item</u>	<u>Amount</u>		<u>Remark</u>
	<u>Book value (note)</u>	<u>Net realizable value</u>	
Finished goods	\$ 8,613,195	12,870,467	For the determination of net realizable value, please refer to Note 4(7) to this parent company only financial statements.
Work-in-progress	10,293,672	13,649,151	
Raw materials	<u>2,784,685</u>	<u>2,828,824</u>	
	<u>\$ 21,691,552</u>	<u>29,348,442</u>	

Note : Provision of inventory obsolescence has been deducted.

AU OPTRONICS CORP.

Statement of Changes in Financial Assets at FVOCI — Noncurrent

December 31, 2021

**(Expressed in thousands of New Taiwan Dollars and
share in thousands)**

Name of financial instrument	Beginning balance		Additions (Deductions)		Gains (losses) on valuation	Ending balance	
	Shares	Fair value	Shares	Amount	Amount	Shares	Fair value
SINTRONES	-	<u>\$ -</u>	1,299	<u>91,507</u>	<u>(25,518)</u>	1,299	<u>65,989</u>

Statement of Other Noncurrent Assets

Please refer to Note 6(12) to this parent company only financial statements for the details.



AU OPTRONICS CORP.

Statement of Changes in Investments in Equity-accounted Investees

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars unless otherwise indicated,
and share in thousands)

Investee Name	Beginning balance (Note (a))		Additions (Deductions) (Note (b))		Reclassification (Note (c))		Share of profit (loss)	Cash dividend	Capital surplus	Cumulative translation differences	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Other adjustments (Note (d))	Ending balance (Note (a))		Market value or net asset value		Guarantee or pledged	
	Shares	Amount	Shares	Amount	Shares	Amount							Shares	Amount	Shares	Amount		% of Ownership
Subsidiaries:																		
AUOLB	1,882,189	\$ 55,909,421	625,000	17,432,860	-	-	5,354,435	-	(2,080,669)	(873,526)	-	(7,700,011)	2,507,189	68,042,510	100.00	-	68,042,510	None
Konly	299,764	5,471,340	109,244	1,694,680	-	-	1,199,670	(205,220)	33,036	(32,141)	51,820	(5,560)	409,008	8,207,625	100.00	-	8,207,625	None
ADP	100	375	-	-	36,856	368,555	3,304,816	-	(2,681)	(669)	-	33,046	36,956	3,703,442	100.00	-	3,703,442	None
DPTW	190,108	2,835,886	-	-	-	-	(185,445)	-	-	(18,782)	-	-	190,108	2,631,659	28.56	16.00	3,041,727	None
ACTW	418,583	2,686,843	-	-	-	-	1,051,352	-	-	(266,114)	-	-	418,583	3,472,081	100.00	-	3,472,081	None
Ronly	185,576	2,277,770	193,000	2,099,230	-	-	202,853	-	(94,227)	8,071	6,734	(3,879)	378,576	4,496,552	100.00	-	4,469,552	None
ComQi Ltd.	39,974	881,300	-	-	-	-	12,753	-	-	(4,890)	-	-	39,974	889,163	100.00	-	288,838	None
ADTHLD	-	-	11,300	317,063	-	-	(75,933)	-	(12,866)	(2,870)	-	3,446	11,300	228,840	80.71	-	228,840	None
AETTW	20,000	132,024	10,000	100,000	-	-	(39,762)	-	-	-	-	-	30,000	192,262	100.00	-	192,262	None
AUONL	50	66,537	-	-	-	-	(565)	-	-	(6,861)	-	-	50	59,111	100.00	-	59,111	None
ACTTW	-	-	3,000	30,000	-	-	(9,066)	-	-	-	-	-	3,000	20,934	100.00	-	20,934	None
ADTCM	-	-	2,700	76,437	-	-	(31,150)	-	9,670	(1,101)	-	823	2,700	54,679	100.00	-	54,679	None
S4M	3,000	14,235	-	-	-	-	(7,260)	-	-	-	-	-	3,000	6,975	100.00	-	6,975	None
DPGE	700	6,985	34,300	343,000	-	-	102	-	-	-	-	-	35,000	350,087	100.00	-	350,087	None
AHTW	500	4,985	-	-	-	-	(1,153)	-	-	-	-	-	500	3,832	100.00	-	3,832	None
SREC	-	-	(9,021)	(90,212)	37,904	427,157	35,555	(30,846)	-	-	-	-	28,883	341,654	32.01	-	341,654	None
		<u>70,287,701</u>		<u>22,003,058</u>		<u>795,712</u>	<u>10,811,202</u>	<u>(236,066)</u>	<u>(2,147,737)</u>	<u>(1,198,883)</u>	<u>58,554</u>	<u>(7,672,135)</u>		<u>92,701,406</u>			<u>92,484,149</u>	
Associates:																		
Qisda	335,231	9,704,923	-	-	-	-	1,614,449	(502,846)	(106,390)	(89,955)	152,222	35,403	335,231	10,807,806	17.04	30.45	10,207,769	None
Ennostar	-	-	4,654	390,820	21,665	1,793,854	26,893	-	49,901	(15,686)	2,863	(344)	26,319	2,248,301	3.86	76.70	2,018,659	None
ADLINK	42,310	2,311,727	-	-	-	-	(51,223)	(42,310)	-	3,731	(2,043)	(633)	42,310	2,219,249	19.45	64.80	2,741,714	None
SSEC	155,000	1,586,817	62,000	620,000	-	-	29,948	(29,999)	4,116	-	-	-	217,000	2,210,882	31.00	-	2,210,882	None
Lextar	78,781	1,549,703	-	-	(78,781)	(1,549,703)	-	-	-	-	-	-	-	-	-	-	-	None
SREC	37,904	427,157	-	-	(37,904)	(427,157)	-	-	-	-	-	-	-	-	-	-	-	None
		<u>15,580,327</u>		<u>1,010,820</u>		<u>(183,006)</u>	<u>1,620,067</u>	<u>(575,155)</u>	<u>(52,373)</u>	<u>(101,910)</u>	<u>153,042</u>	<u>34,426</u>		<u>17,486,238</u>			<u>17,179,024</u>	
		<u>\$ 85,868,028</u>		<u>23,013,878</u>		<u>612,706</u>	<u>12,431,269</u>	<u>(811,221)</u>	<u>(2,200,110)</u>	<u>(1,300,793)</u>	<u>211,596</u>	<u>(7,637,709)</u>		<u>110,187,644</u>				

Note (a): The amount is net of accumulated impairment.

Note (b): Additions (deductions) includes: (1) The Company participated in the capital increase of AUOLB, Konly, Ronly, AETTW, DPGE, ADTHLD, ADTCM and SSEC; (2) ACTTW, 100% owned by the Company, was incorporated in February 2021; (3) SREC returned the proceeds due to capital deduction; (4) The Company acquired total of 0.68% equity interest in Ennostar.

Note (c): (1) 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; (2) SREC was treated as the subsidiary of the Company from January 2021. Please refer to the consolidated financial statements for the years ended December 31, 2021 and 2020 for the details; (3) Lextar carried out a joint share exchange with Epistar for a newly incorporated company, Ennostar in January 2021. Please refer to Note 6(7) for the details.

Note (d): Including share of remeasurement of defined benefit obligation and share-based payments of subsidiaries and associates.

AU OPTRONICS CORP.

Statement of Changes in Property, Plant and Equipment

Please refer to Note 6(8) to this parent company only financial statements for the details.

Statement of Changes in Right-of-use Assets

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending balance</u>
Cost:				
Land	\$ 9,534,832	-	(10,131)	9,524,701
Buildings	166,667	-	-	166,667
	<u>9,701,499</u>	<u>-</u>	<u>(10,131)</u>	<u>9,691,368</u>
Accumulated Depreciation:				
Land	849,282	414,656	-	1,263,938
Buildings	62,142	39,599	-	101,741
	<u>911,424</u>	<u>454,255</u>	<u>-</u>	<u>1,365,679</u>
Net carrying amounts	<u>\$ 8,790,075</u>	<u>(454,255)</u>	<u>(10,131)</u>	<u>8,325,689</u>

AU OPTRONICS CORP.
Statement of Changes in Intangible Assets

Please refer to Note 6(11) to this parent company only financial statements for the details.

Statement of Accounts Payable
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Company I	From Operating activities	\$ 2,621,725	
Company J	From Operating activities	2,512,579	
Company K	From Operating activities	1,438,865	
Company L	From Operating activities	1,418,213	
Others (less than 5% for each vendor)	From Operating activities	<u>17,571,681</u>	
		<u>\$ 25,563,063</u>	

AU OPTRONICS CORP.
Statement of Other Current Liabilities
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Remuneration to employees payable		\$ 6,339,435	
Accrued payroll and bonus		5,619,598	
Refund liabilities		3,637,460	
Contract liabilities		3,051,364	
Accrued royalty and others		<u>9,449,790</u>	
		<u>\$ 28,097,647</u>	

Statement of Equipment and Construction Payable

<u>Vendor name</u>	<u>Amount</u>
Company W	\$ 183,640
Company X	153,939
Company Y	130,067
Others (less than 5% for each vendor)	<u>1,569,733</u>
	<u>\$ 2,037,379</u>

AU OPTRONICS CORP.
Statement of Long-term Borrowings
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Financial institution</u>	<u>Limit of credit facility</u>	<u>Amount</u>	<u>Duration and repayment terms</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank of Taiwan (agent bank of Syndicated loan)	42,000,000	\$ 12,000,000	From Feb. 2019 to Feb. 2024		Note 8
Bank of Taiwan (agent bank of Syndicated loan)	23,000,000	4,600,000	From Mar. 2019 to Apr. 2023		Note 8
Bank of Taiwan (agent bank of Syndicated loan)	32,500,000	9,750,000	From Oct. 2021 to Oct 2025		Note 8
Taipei Fubon Bank	6,000,000	4,000,000	From Dec. 2019 to Dec. 2024		Note 8
Land Bank	4,500,000	2,950,000	From Nov. 2019 to Nov. 2026		Note 8
First Bank	4,600,000	2,600,000	From Dec. 2019 to Dec. 2026		Note 8
Chang Hwa Bank	4,000,000	1,000,000	From Jan. 2020 to Dec. 2024		Note 8
KGI Bank	1,200,000	1,200,000	From Jun. 2021 to May. 2024		Unsecured loans
Taiwan Cooperative Bank	3,500,000	1,500,000	From Mar. 2020 to Mar. 2025		Note 8
Hua Nan Bank	1,000,000	1,000,000	From Jun. 2020 to Jun. 2025		Note 8
Taiwan Business Bank	1,250,000	<u>450,000</u>	From Jun. 2020 to Jun. 2025		Note 8
Subtotal		41,050,000		0.7500%~ 1.7895%	
Less: transaction costs		(402,755)			
Less: current installments of long-term borrowings		<u>(12,267,653)</u>			
		<u>\$ 28,379,592</u>			

AU OPTRONICS CORP.
Statement of Lease Liabilities
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Durations</u>	<u>Discount Rate</u>	<u>Amount</u>
Land	From Sep. 2001 to Dec. 2045	1.8203~1.8853%	\$ 8,464,547
Buildings	From Dec. 2018 to May 2025	1.7381%~1.8853%	<u>67,439</u>
			<u>\$ 8,531,986</u>

Statement of Net Revenue
For the year ended December 31, 2021

<u>Item</u>	<u>Quantity (Panels in thousands)</u>	<u>Amount</u>	<u>Remark</u>
TFT-LCD Panels ten inches and above in diagonal length	136,130	\$ 290,071,405	
TFT-LCD Panels under ten inches in diagonal length	92,365	27,147,783	
Sales of raw material and others	396,021	<u>14,011,367</u>	
Total		<u>\$ 331,230,555</u>	

AU OPTRONICS CORP.

Statement of Cost of Sales

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Raw materials used	
Raw materials, beginning of year (Note)	\$ 3,436,822
Add: Purchases	81,608,513
Less: Raw materials, end of year (Note)	(4,226,353)
Sale of raw materials	(3,370,723)
Transferred to other expenses and others	<u>(28,460,131)</u>
Raw materials used	48,988,128
Direct labor	13,743,763
Manufacturing expenses	<u>100,501,529</u>
Manufacturing cost	163,233,420
Work in process, beginning of year (Note)	10,280,519
Add: Purchases	92,119,497
Less: Work in process, end of year (Note)	(11,283,746)
Transferred to other expenses and others	<u>(4,249,493)</u>
Cost of finished goods	250,100,197
Finished goods, beginning of year (Note)	7,885,407
Add: Purchases	958,631
Less: Finished goods, end of year (Note)	(9,663,834)
Transferred to other expenses and others	<u>(1,721,120)</u>
Cost of goods sold	247,559,281
Add: Cost of raw materials sold	3,370,723
Other operating cost	7,905,633
Cost of idle capacity	605,644
Inventories write-down	<u>865,868</u>
Cost of Sales	<u>\$ 260,307,149</u>

Note: The amounts were stated at cost.

AU OPTRONICS CORP.

Statement of Selling and Distribution Expenses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Salary expenses		\$ 1,394,170	
Freight expenses		1,283,409	
Warranty expenses		530,614	
Others (less than 5% for each item)		<u>332,356</u>	
		<u>\$ 3,540,549</u>	

Statement of General and Administrative Expenses

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Salary expenses		\$ 2,352,601	
Compensation costs		793,463	
Professional service fees		544,877	
Depreciation expenses		335,271	
Others (less than 5% for each item)		<u>2,330,883</u>	
		<u>\$ 6,357,095</u>	

AU OPTRONICS CORP.
Statement of Research and Development Expenses
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Salary expenses		\$ 4,981,741	
Depreciation expenses		2,499,618	
Indirect material expenses		1,194,911	
Others (less than 5% for each item)		<u>1,416,814</u>	
		<u>\$ 10,093,084</u>	



AU Optronics Corporation

Representative: Shuang-Lang (Paul) Peng



