

# Independent Auditor's Report



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## Independent Auditor's Report

To the Board of Directors of  
Mitsubishi Gas Chemical Company, Inc.

### Opinion

We have audited the consolidated financial statements of Mitsubishi Gas Chemical Company, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, 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 Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. 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 Group in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Impairment loss on fixed assets recognized and measured by Mitsubishi Gas Chemical Engineering-Plastics</p> <p>The Group's core business belongs to the manufacturing industry, and large number of manufacturing sites are located domestically and internationally.</p> <p>On the consolidated balance sheet as at the end of the current fiscal year, the ending balance of net property, plant and equipment is JPY 249,931 million, and the ending balance of net intangible assets is JPY 10,499 million. Total amount of tangible and intangible assets is significant, which accounts for 31.1% of the total assets. As described on Note1(s) to the consolidated financial statements, there are indications of impairment on the net property, plant and equipment of JPY 5,745 million and the intangible assets of JPY 1,451 million of its consolidated subsidiary, Mitsubishi Gas</p>	<p>In regard to examining impairment loss on fixed assets recognized and measured by MGCEPS, we instructed its external auditor to perform audit. We received the results for the following audit procedures and determined if sufficient appropriate audit evidence was obtained.</p> <ul style="list-style-type: none"><li>• Familiarizing the asset usages and having discussions with the management to consider the appropriateness regarding asset grouping and major assets.</li><li>• Assessing the reasonableness by analyzing trends from previous years, comparing with external information including polycarbonate prices and market data of bisphenol A, and discussing with MGCEPS management regarding sales volume, selling price, and marginal profit ratio which are the main assumptions of future business plan, which is the basis of future discounted cash flow.</li></ul>

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<p>Chemical Engineering-Plastics (Shanghai) Co., Ltd ("MGCEPS").</p> <p>MGCEPS operates in China (Shanghai) and is engaged in manufacturing polycarbonates. In recent years, as the price variance (spread) between polycarbonate and its ingredient bisphenol A gets smaller, MGCEPS's operating results have deteriorated, and its fixed assets are classified as an asset group where indications of impairment exist.</p> <p>As MGCEPS has adopted IFRS, impairment loss on fixed assets is recognized and measured by comparing the total amount of discounted future cash flows based on the business plan, or the fair value, whichever is higher, with the carrying amount of fixed assets. The business plan used for future cash flow projection includes management's estimate and judgement and has possibilities to be subject to future market trends of products and raw materials. As the estimates and assumptions in the business plan include high uncertainty, we determined impairment loss on fixed assets recognized and measured by MGCEPS to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Involving internal valuation specialists to assess the discount rate applied to compute future discounted cash flow by benchmarking against external data including cost of capital of other companies in the same business.</li> </ul> <p>We also performed mainly the following audit procedures in addition to above.</p> <ul style="list-style-type: none"> <li>• Discussing Mitsubishi Gas Chemical Company, Inc. ("MGC") management plan which is the basis of future discounted cash flow with the Group management and assessing the consistency of business profit and loss with the business plan and capital investment plan approved by the executive board.</li> <li>• Obtaining supporting documentations including sales results of similar products in MGC and verifying the rationality regarding product profits and losses related to the capital investment plan.</li> </ul>
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**Responsibilities of Management, the Audit and Supervisory Board and its Members**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, 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 Group's ability to continue as a going concern using the going concern basis of accounting, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Board and its Members are responsible for overseeing the execution of the duties of Directors related to designing and operating the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess 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. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for our opinion.





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- Obtain 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosure of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group 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 communicate with the Audit and Supervisory Board and its Members 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 identify during our audit.

We also provide the Audit and Supervisory Board and its Members with a statement that we have complied with relevant ethical requirements regarding independence in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

***Convenience Translation***

Our audit also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

*Crowe Toyo & Co.*

Crowe Toyo & Co.  
Tokyo, Japan  
June 25, 2021