

Independent Auditor's Report



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Independent Auditor's Report

To the Board of Directors
 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, 2023, 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, 2023, 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>Mitsubishi Gas Chemical Engineering-Plastics (Shanghai) Co., Ltd ("MGCEPS") is one of the consolidated subsidiaries that operates in China (Shanghai) and is engaged in manufacturing polycarbonates.</p> <p>At the end of the current fiscal year, the ending balance of their property, plant and equipment is JPY 941 million, and the ending balance of their intangible assets is JPY 1,517 million.</p> <p>As described in Note1(r) to the consolidated financial statements, MGCEPS's business plan was reviewed considering sluggish demand in China and its sales results in the face of downturns in polycarbonates market prices especially in this fiscal year, in addition to the spread between prices of polycarbonates and</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"> •Evaluating the design and operating effectiveness of internal controls regarding the impairment loss on fixed assets. •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

<p>its raw material, bisphenol A, has been low for a few years. As a result, the recoverable amount of their property, plant and equipment and their intangible assets were less than the carrying amount. Therefore, an impairment loss of JPY 699 million is recorded in the current fiscal year. MGCEPS has adopted IFRS. The recoverable amount of a fixed asset is measured by its value in use, and the value in use is determined by the total amount of discounted future cash flows based on the business plan. 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>	<p>assumptions of future business plan, which is the basis of future discounted cash flow.</p> <ul style="list-style-type: none"> •Assessing 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. <p>We also performed mainly the following audit procedures in addition to above.</p> <ul style="list-style-type: none"> •Discussing Mitsubishi Gas Chemical Company, Inc. ("MGC") management plan which is the basis of future discounted cash flow with the Group management. •Obtaining supporting documentations including sales results of similar products in MGC and verifying the rationality regarding product profits and losses related to the business plan.
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Other Information

The other information comprises the information included in the Corporate Report 2023 Financial Section, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Board and its Members are responsible for overseeing the execution of duties of Directors relating to the design and operation of the Group's reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express our opinion on the other information.

Our responsibilities for the audit of the consolidated financial statements are to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit & 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 & 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.
- 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 & 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 & 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.

From the matters communicated with the Audit & Supervisory Board and its Members, we determine 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 auditor's 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.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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.

小林 弥

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Designated Engagement Partner
Certified Public Accountant

井澤 浩昭

Hiroaki Izawa
Designated Engagement Partner
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川久保 孝之

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Crowe Toyo & Co.
Tokyo, Japan
27 June 2023