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Company Name MegaChips Corporation
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MegaChips' Response to Climate Change Issue

[Response to Climate Change]

Climate change is an important issue that must be addressed by society as a whole, not only because it affects all aspects of human life, but also because it poses a major threat to security, the geopolitical environment, and natural resources. Climate change is attributable to both natural and man-made causes, whose diverse effects range from natural disasters and epidemics to infrastructure degradation and water resource shortages, resulting in the need for companies to maintain heightened environmentally friendly business operations.

MegaChips recognizes the climate change issue as one of its most important management challenges and will continuously strive to achieve the coexistence of the environment and business management in order to contribute to the building of a sustainable society.

[The TCFD Initiative]



TCFD refers to the Task Force on Climate-related Financial Disclosures created by the Financial Stability Board (FSB), which recommends disclosing the following items related to climate-related risks and opportunities. Based on the TCFD's recommendations, we disclose our governance, strategies, and risk management relating to climate-related risks and opportunities. We will view future climate change-related phenomena as risks to be addressed, while, at the same time, making the most of our management strategies to identify new opportunities.

1. Governance

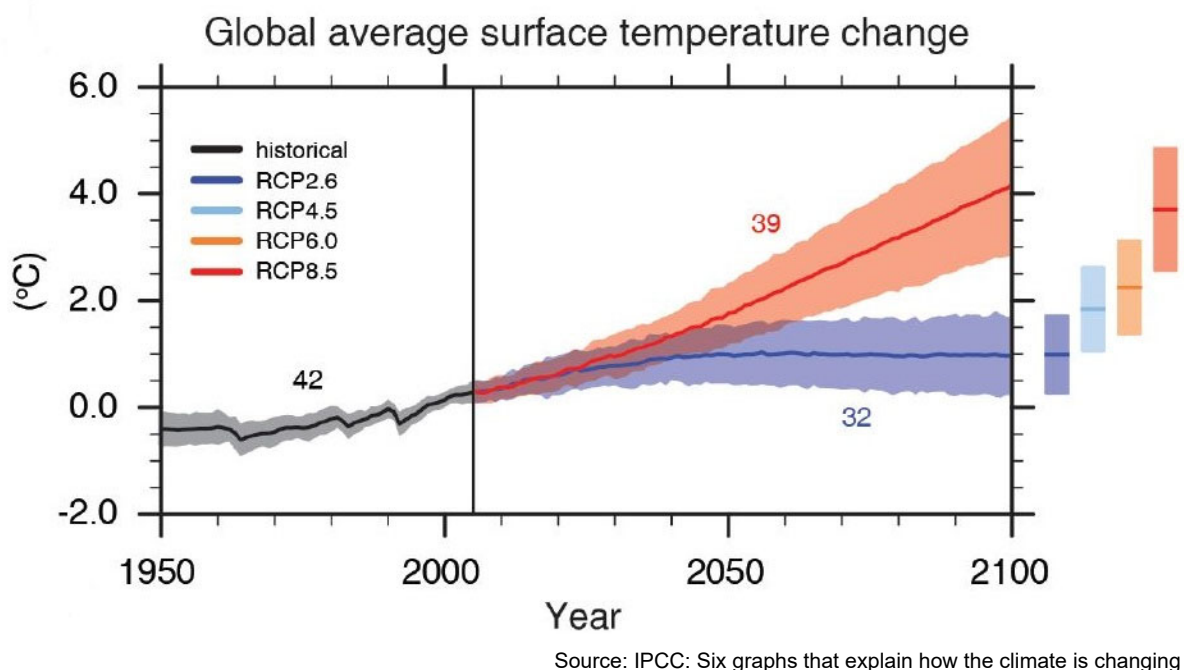
MegaChips' corporate governance system involves the review and analysis of the financial impact of climate change on the Company and related responses through a cross-functional collaboration mainly by a team formed with representatives from the relevant divisions. Please refer to the following for details of our corporate governance system.

<https://www.megachips.co.jp/english/irinfo/sustainability/eco/>

The team analyzes and understands the impact of climate change in terms of both risks and opportunities, as well as encouraging the review of responses to identified risks and opportunities and striving for enhanced disclosure of information related to climate change in accordance with the TCFD recommendations.

2. Strategies (Scenario Analysis)

Based on the impact of climate change, and in order to achieve a society in which the increase in global average temperature is limited to 2°C, MegaChips has identified risks and opportunities under two scenarios in FY2030, one involving a 2°C temperature increase and the other involving a 4°C temperature increase, and has analyzed their respective impacts on our business and considered countermeasures in order to achieve a society in which the increase in global average temperature is limited to 2°C. We will continue to improve the accuracy of our scenario analysis and use it to set targets and promote each initiative to achieve those targets.



3. Risk and Opportunity

(1) Risk Recognition and Response

Risk of transitioning to a low-carbon economy and financial impact in response to climate change

As a fabless manufacturer that specializes in product design & development, and outsources its production, MegaChips does not own any manufacturing facilities. Therefore, the impact of climate change on long-term assets such as buildings and equipment is negligible.

In addition, we have established a strong financial base that is sufficient to for R&D expenses for product development in response to the financial needs to flexibly address the change in business environment including the low-carbon economy.

Energy consumptions at our domestic business sites are as follows.

Domestic Business Sites	FY2018	FY2019	FY2020	FY2021	FY2022
Electricity consumption (kW/h)	1,534,428	1,301,397	1,175,139	1,011,365	947,034
Gas consumption (m ³)	73,407	63,824	58,133	52,019	69,685
CO2 emissions (t-CO2)	788	672	607	521	600

The CO2 emissions have increased in the fiscal year 2022 due to the ease in restrictions on coming in to work as part of Covid-19 prevention measures. MegaChips will continue to collect and manage energy consumption data and conduct our business operations in an energy- and resource-efficient manner.

The following are risks with financial impact based on an anticipated transition to a low-carbon economy.

- Increased labor costs due to tighter environmental laws and regulations
- Increased development costs of LSI products for customers' products for a low-carbon economy
- Decreased demand for customers' products due to changes in consumer behavior
- Increased costs for energy and raw material costs at outsourced production sites
- Increased transportation costs for LSI products

Physical risks and financial impact from extreme weather conditions

Items with financial impact on physical risks due to extreme weather conditions are a decrease in manufacturing capacity at outsourced manufacturer's production sites and an increase in energy costs for managed use of air conditioning are expected due to higher temperatures.

Response to risk items with financial impact

MegaChips will evaluate and implement the following measures in response to the risk items mentioned above.

- Identify and reduce GHG (greenhouse gases) emissions in collaboration with outsourced manufacturing partners
- Reduce development costs by revising the conventional development processes
- Develop low-power-consumption LSI products for a low-carbon economy
- Strengthen the growth of new business fields
- Reinforce the supply chain's backup system
- Reinforce the information collection system and restructure the BCP (business continuity plan) system by strengthening cooperation with contract manufacturers
- Expand the scope of contract manufacturing companies and promote multiple locations

(2) Opportunity Recognition and Initiative

Opportunities related to climate change

With respect to the opportunities that will be brought about as the mitigation of climate change and climate change initiatives progress, we expect to secure profit-earning opportunities through increased demand for LSI products, social contributions and recognition through energy-saving products, and aggressive investment in new product development through flexible raw material procurement.

Specifically, in terms of product sales opportunities, there will be an increase in the supply to the market of low-power consumption LSI products and LSI products that respond to the energy-saving and miniaturization of customer products, and in terms of product development, there will be an increased need for aggressive development investments that promote advanced technology development and research to meet customer needs. In addition, if the conditions for raw material procurement are relaxed, it will be possible to develop LSI products with new materials and reduce costs by stabilizing and streamlining the production of existing products.

Addressing opportunities

In order to connect opportunities related to climate change to business, we will supply the market with low-power LSI products that respond to a low-carbon society and LSI products that contribute to the energy saving and miniaturization of customer products, and actively promote proposal-based sales that meet customer needs.

In addition, we will invest in the development of advanced products and concentrate our management resources on business fields where market expansion is anticipated, in order to expand our business. At the same time, we will promote partnerships with companies and universities in Japan and overseas, and form strategic alliances with start-ups that have cutting-edge technologies mainly in the United States and aim to create unique businesses.

4. Risk Management

MegaChips conducts risk management under a system that the risks brought by the climate change and their impacts are analyzed, evaluated and responded to critical risks through a cross-functional collaboration mainly by a team formed with representatives from the relevant divisions, and reported to the Board of Directors.