

July 10, 2024

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(Code number: 6875, Tokyo Stock Exchange)

## 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.

MegaChips recognizes the issues derived from the climate change as one of its most important management challenges and strives to achieve the coexistence of environmental sustainability 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, risk management, and strategies 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 and risk management**

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/sustainability/eco/>

In addition, we conduct risk management under the corporate management system by recognizing risk information that might impact management, evaluating these risks, considering measures for major risks, and reporting to the board of directors.

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## 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 scenarios in FY2030, 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 Recognition and Response

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

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

In addition, we aim to strengthen our equity capital in preparation for the increase in R&D expenses for product development in response to the low-carbon economy, thereby establishing a strong financial base to meet our financial needs. We will continue to collect and manage data on energy consumption in offices and other facilities, and carry out business activities with consideration for energy conservation and resource saving.

Energy consumptions at our domestic business sites are as follows.

Fiscal year ended	March 2020	March 2021	March 2022	March 2023	March 2024
Electricity consumption (kW/h)	1,301,397	1,175,139	1,011,365	947,034	810,649
Gas consumption (m <sup>3</sup> )	63,824	58,133	52,019	69,685	73,603
CO2 emissions (t-CO2)	672	607	521	600	487

### 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.

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### **Response to risk items with financial impact**

- Identify and reduce greenhouse gases (GHG) 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 business continuity plan (BCP) system by strengthening cooperation with contract manufacturers
- Expand the scope of contract manufacturing companies and promote multiple locations

## **4. 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 promote proposal-based sales that meet customer needs.

In addition, we will invest in the development of advanced products using new raw materials 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 alliances with start-ups that have cutting-edge technologies in the United States and aim to launch new businesses.