

Information Disclosure Based on TCFD Recommendations

The Group recognizes initiatives for climate change as an important management issue, and strives to grasp the opportunities and risks brought by climate change.

We have also expressed our endorsement for TCFD (Task Force on Climate-related Financial Disclosures) recommendations, and are proceeding with appropriate information disclosure based on the disclosure framework advocated for by TCFD.

Governance

Sustainability Management Structure

As stated in the Sustainability Policy, the Juroku Financial Group recognizes sustainability initiatives such as climate change as an important management issue. “The Juroku Financial Group SDGs Declaration” lists “environmental conservation and climate change actions” as one of the key challenges.

In order to address this challenge appropriately, the Group has set up the Sustainability Meeting, which is chaired by the President and consists of Group Management Meeting members, Division General Managers and the head of the Sustainability Management Office.

The Meeting meets at least once every 3 months in principle to deliberate on important matters such as drawing up a policy for implementing initiatives for climate change and other sustainability issues, setting targets and checking progress, and reflecting results to management strategies and risk management. Items deliberated on at this Meeting are reported periodically to the Board of Directors at least once a year for appropriate supervision.

Strategy

Opportunities and risks brought by climate change

The Juroku Financial Group analyses risks and opportunities associated with climate change in the timeframes of “short term,” “mid term” and “long term.” The results of analyzing scenarios are used to organize active dialogue (Engagement) for supporting customers who are working toward a decarbonized society, and reinforce financial support in the forms of sustainable financing and transition financing to create business opportunities and reduce risks.

Assessment item		Main opportunities and risks	Timeframe	
Opportunities	Resource efficiency	● Increasing business opportunities such as offering investments, loans and consultation services to help customers' transition to a decarbonized society	Short- to long-term	
	Energy sources	● Reducing business costs through resource saving and energy saving	Short- to long-term	
	Products and services	● Boosting corporate value by implementing appropriate initiatives on climate change and disclosing information about them	Short- to long-term	
	Robustness	● Increasing public works projects for disaster management and demand for customers' capital investment fund	Mid- to long-term	
Risk	Physical risks	Acute risks	● Deterioration in customers' business performance and damage to collateral value due to the increase in frequency and severity of abnormal climate patterns, causing a decline in loan asset value ● Business disruption at Group sites affected by a disaster	Short- to long-term
		Chronic risks	● Deterioration in customers' business performance and damage to collateral value due to higher average temperature and higher sea level, causing a decline in loan asset value	Mid- to long-term
	Transitional risks	Policies / laws	● Deterioration in customers' business performance due to climate-related regulation tightening, failed investment in low-carbon technology and changes in consumer behaviors, causing a decline in loan asset value	Mid- to long-term
		Technologies	● Slower implementation of appropriate climate-related initiatives and disclosure of information about them than competitors, lowering corporate value	Short- to long-term
		Market		
Reputation				

*Short term = Around 5 years; Mid term = Around 10 years; Long term = Around 30 years

Scenario analysis

The Juroku Financial Group conducts scenario analysis on physical risks and transitional risks in order to identify how climate-related risks would affect the Group.

Physical risks

Rain-prone Japan experiences heavy precipitations each year, causing rivers to swell and triggering flooding. In recent years, the number of heavy localized rainstorms has become more common, causing significant damage to many areas including our sales territories.

In terms of physical risks, we have anticipated an increase in the frequency of large-scale flooding due to climate change, and calculated the impact of climate-attributable large flooding in Gifu Prefecture on the Group's credit-related costs on the premise of the RCP8.5 scenario (4 °C scenario). The result points to a cost increase of approx. 3.1 billion yen.

Transitional risks

Following a qualitative analysis of sectors with large credit exposure and sectors referred to in TCFD recommendations, we have identified the “electric power sector” and “automotive sector” as sectors of significant transitional risks for the Group.

In terms of transitional risks, on the premise of the RCP2.6 scenario (2 °C scenario) and NZE scenario (1.5 °C scenario), we calculated the impact on the Group's credit-related costs in view of the increased cost of transition into a decarbonized society such as the introduction of the carbon tax, a decline of net sales and future market trends. The result points to a cost increase of approx. 2.2 billion yen.

	Physical risks	Transitional risks
Scenario	IPCC / RCP8.5 scenario (4 °C scenario)	IPCC / RCP2.6 scenario (2 °C scenario) IEA / NZE scenario (1.5 °C scenario)
Risk event	Large-scale flooding	Transition to a decarbonized society
Analysis target	Borrowers in Gifu Prefecture Collateral of real estate (buildings) in Gifu Prefecture (excluding secured home loans)	Electric power sector Automotive sector
Analysis content	Deterioration of business performance due to customers' business suspension / stagnation Damage to the Group's real estate (buildings) collateral	Deterioration of customers' business performance due to cost increase and sales decline
Analysis period	Up to 2050	Up to 2050
Analysis results	Increase of credit-related costs: Up to 3.1 billion yen	Increase of credit-related costs: Cumulative total of approx. 2.2 billion yen

*IPCC (Intergovernmental Panel on Climate Change)

*IEA (International Energy Agency)

Analysis results are calculated under specific preconditions.

The impact on the Group's finances has been found to be limited within the scope of this analysis, but we will continue to enhance the scenario analysis.

Carbon-related assets

Of carbon-related assets defined in the TCFD recommendations, loan balance to the energy and utilities sectors accounts for 1.4% of the total loan balance. We will examine target sectors for other carbon-related assets for future information disclosure.

Ratio of carbon-related assets against Juroku Bank's loan balance (as of the end of March 2022) (Millions of Yen)

	Loan balance	Ratio
Utilities	45,936	1.0%
Energy	19,110	0.4%
Total	65,047	1.4%

*Loan balance = Total of loans, foreign exchange, acceptance and guarantee, etc.
*Utilities include electric power and gas supply sectors and exclude water and renewable energy power sectors

Risk management

Approach to risk management

The Group has an integrated risk management framework in place, managing its overall financial risks in the categories of "credit risk," "market risk," "liquidity risk" and "operational risk."

Climate change risk is recognized as one of the top risks and a driver of financial risk, and is controlled with the risk management framework for credit risk and operational risk.

Formulating an investment and lending policy

The Group has the Investment and Lending Policy for Creation of a Sustainable Society.

Basic policy

The Juroku Bank Group strives to contribute to medium- to long-term enhancement of corporate value and sustainable growth of customers by vigorously supporting initiatives to resolve environmental and social issues through investment and lending. Moreover, the Group strives to mitigate or avert the impact of investment and lending that may pose a significant risk or have a negative impact on the environment and society by subjecting any such investment and lending to meticulous consideration.

Sector-specific policies

Coal-fired thermal power generation	The Group will not invest in or extend loans to projects that involve building new coal-fired thermal power stations or expanding existing power generation facilities, while taking a prudent approach in considering exceptional cases in response to emergencies or in projects in line with the Japanese government's energy policy.
Weapons	The Group will not invest in or extend loans to companies that manufacture weapons, regardless of fund usage, in view of the inhumane nature of cluster bombs, anti-personnel landmines and biological / chemical weapons.
Deforestation	The Group will not invest in or extend loans to projects that involve illegal logging or forest incineration. Investment in / loan to projects whereby the fund is used for operations that involve deforestation will be considered carefully in view of their impact on the local economy and the environment.

Indicators and targets

CO₂ emissions reduction targets

The following reduction targets are set on CO₂ emissions generated by the Group's energy use in our efforts to establish a decarbonized society.

Target

Halve CO₂ emissions by FY2030 (SCOPE 1, 2) from the FY2013 level and achieve carbon neutrality by FY2050

CO₂ emissions (SCOPE1, 2)



In FY2021, the Group reduced CO₂ emissions by 852 tons from the previous year, due partly to the introduction of CO₂-free electricity generated in Gifu Prefecture for use at Juroku Bank's head office building, which began in November. This has reduced our CO₂ emissions by 34.4% in FY2021 compared to the FY2013 level.

CO₂ emissions (SCOPE 3)

(t-CO₂)

Calculation methods for other categories will be explored for future information disclosures.

	FY2021
{Category 6} Business trips	49
{Category 7} Employee commuting	3,135

Sustainable finance targets

The following targets are set on sustainable finances in order to support, through our core business, customers' initiatives for solving environmental issues and to contribute to establishing a decarbonized society.

Targets

Target amount	¥2 trillion (including ¥800 billion yen in the environmental field)
Period	9 years (FY2022 – FY2030)
Target investment and lending, etc.	<ul style="list-style-type: none"> Sustainable finances Investment and lending for SDGs / ESG initiatives that contribute to building a sustainable society Environmental field Investment and lending for initiatives to reduce environmental impact