

Environmental Conservation and Climate Change Actions

Disclosure Based on TCFD Recommendations

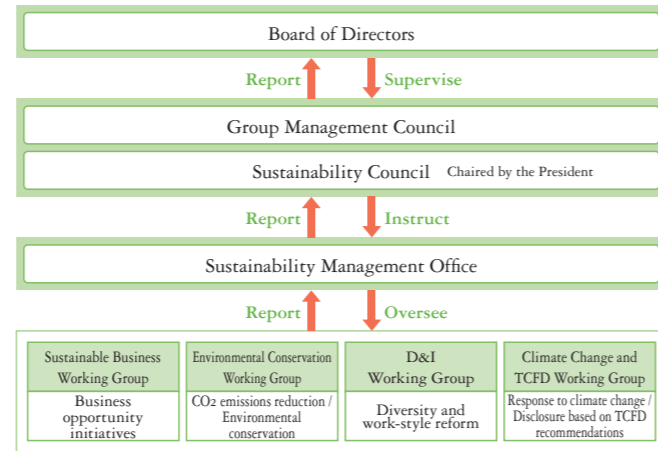
<Governance>

Sustainability management structure

As stated in the Sustainability Policy, the Juroku Financial Group recognizes sustainability initiatives (e.g. on climate change) as an important management challenge. “The Juroku Financial Group SDGs Declaration” lists “revitalization of the local economy,” “sustainable development of the local community,” “environmental conservation and climate change actions,” “empowerment of diverse human resources,” and “advanced governance” as key challenges.

In order to address these challenges appropriately, the Group has set up the Sustainability Council, which is chaired by the President and consists of Group Management Council members, Division General Managers and the head of the Sustainability Management Office. The Council generally meets at least once every 3 months to deliberate key challenges (e.g., drawing up a policy for implementing initiatives on climate change and other sustainability issues, setting targets and checking progress), and reflects the results to management strategies and risk management. There also is a system in place to have items deliberated at this Council to be reported periodically to the Board of Directors at least once a year for appropriate supervision.

In addition, four working groups have been established under the Sustainability Council with responsibilities for Sustainable Business, Environmental Conservation, D&I, and Climate Change and TCFD. The working groups are composed of cross-organizational members from each Group company, including the executive director in charge, and generally meet at least once a month to discuss challenges that line up with respective responsibilities and report details to the Sustainability Management Office.



<Strategy>

Opportunities and risks associated with 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	
Opportunity	Products and services	<ul style="list-style-type: none"> Increase in business opportunities (e.g. offering investments, loans and consultation services to help customers transition to a decarbonized society) Increases in public works projects for disaster management and the demand for customers' capital investment fund 	Short- to long-term	
	Resource efficiency	<ul style="list-style-type: none"> Reduction in business costs through resource-saving, energy-saving, and new technology utilization 	Mid- to long-term	
	Energy sources		Short- to long-term	
Risk	Resilience	<ul style="list-style-type: none"> Increase in collaborative system development efforts with local governments and other organizations on disaster preparedness/mitigation to strengthen local resilience Enhancement in corporate value by appropriately implementing and disclosing climate change initiatives 	Short- to long-term	
			Short- to long-term	
	Physical risks	Acute risks	<ul style="list-style-type: none"> Deterioration in customers' business performance associated with an increase and intensification in the severity of abnormal weather, and degradation in loan asset value resulting from damage to collateral value Work suspension occurring as a result of emergencies affecting the Group's sites or officers and employees 	Short- to long-term
		Chronic risks	<ul style="list-style-type: none"> Degradation in loan asset value resulting from damage to collateral value; deterioration in customers' business performance resulting from such factors as changes in precipitation and weather patterns, as well as higher average temperatures and sea levels 	Mid- to long-term
	Transitional risks	Policy / Law	<ul style="list-style-type: none"> Degradation in loan asset value resulting from deterioration in customers' business performance, associated with such factors as climate change policies and regulatory reinforcements 	Mid- to long-term
		Technologies	<ul style="list-style-type: none"> Degradation in loan asset value resulting from deterioration in customer's business performance, associated with failure to invest in and the transition costs for low-carbon technologies 	Mid- to long-term
		Market	<ul style="list-style-type: none"> Degradation in loan asset value resulting from deterioration in customer's business performance, associated with such factors as changes in consumer behavior and rising raw material costs 	Mid- to long-term
Reputation	<ul style="list-style-type: none"> Degradation in corporate value resulting from slow implementation and disclosure of appropriate climate-related initiatives 	Short- to long-term		

*Short-term = Around 5 years; Medium-term = Around 10 years; Long-term = Around 30 years

Responding to business opportunities associated with climate change

With the transition to a decarbonized society, customer demand for funds is expected to increase, and business restructuring and demand for new financial instruments and services are expected to grow, creating more business opportunities for the Group. The Juroku Financial Group will proactively work to provide various financing and solutions utilizing financial and non-financial functions to solve customers' problems.

Financing to solve environmental issues

We offer a full range of financing products to meet our customers' financing needs for carbon-neutral business management and green initiatives.

Green loan and green private placement bond

These financing products limit the use of funds to those that contribute to solving environmental issues, such as the introduction of renewable energy generation facilities or the switch to highly energy-efficient equipment. The scheme of obtaining a second opinion from an external organization allows the company to communicate its environmental initiatives to society and stakeholders.

Sustainability linked loan

This financing product sets sustainability performance targets (SPTs), which are business goals related to SDGs and ESG, and offers preferential interest rates and other loan terms based on the degree to which the SPTs are achieved. We support our customers' efforts for carbon-neutral business management by setting greenhouse gas emission reduction targets consistent with the levels required by the Paris Agreement.

Positive impact finance

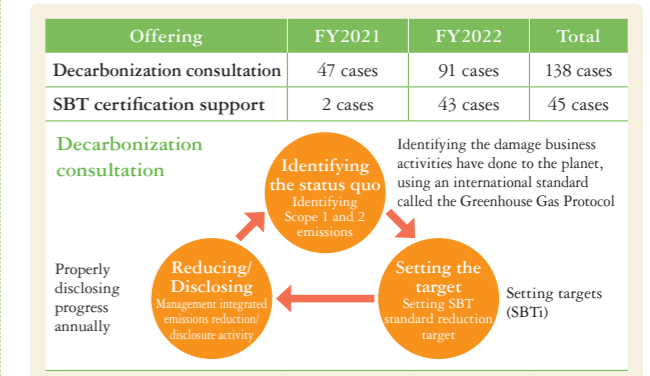
This financing product comprehensively analyzes and evaluates the impact of corporate activities on either environmental, social, or economic aspects, and establishes KPIs that contribute to creating positive impact and reducing negative impact. We continue to support our customers' efforts through monitoring of KPI achievement.

Supporting local companies to achieve carbon neutrality

We support carbon management by providing consultation services to help customers visualize their greenhouse gas emissions and set reduction targets.

Since the service was launched in August 2021, we have provided decarbonization consultation services to 138 companies.

We are also working to support our customers in obtaining SBT certification (for SMEs), and 45 companies have been certified with the support of the Juroku Financial Group.



Furthermore, in February 2023, we began supporting the preparation of a decarbonization management transition plan, establishing an ongoing support system to help customers achieve carbon-neutral business management.

*SBT stands for “Science Based Targets,” which are medium- to long-term greenhouse gas emission reduction targets for companies that are consistent with the levels required by the Paris Agreement and commit to a certain level of reduction compared to a base year set by each company.

Examples of risks associated with climate change

The Juroku Financial Group organizes climate change risk into four categories. For physical and transitional risks arising from climate change, the following examples are assumed.

Risk category	Definition	Examples of physical risks	Examples of transitional risks	
			Timeframe	Timeframe
Credit risk	Risk of incurring losses due to the decrease or loss of asset value including off-balance assets caused by deterioration of customers' financial condition	Deterioration in customers' business performance associated with an increase and intensification in the severity of abnormal weather, and degradation in loan asset value resulting from damage to collateral value	Short- to long-term	Mid- to long-term
Market risk	Risk of incurring losses from the fluctuation of the value of assets and liabilities (including off-balance assets and liabilities), as a result of changes in various market risk factors such as interest rates, foreign exchange rates, and stocks, as well as the risk of incurring losses due to fluctuations in the income generated from assets and liabilities	Deterioration in investee companies' business performance due to increased and more severe extreme weather events, causing a decline in prices of securities holdings	Short- to long-term	Short- to long-term
Liquidity risk	Risk of incurring losses due to difficulties in securing necessary funds or being forced to raise funds at significantly higher interest rates than usual because of a mismatch between investment and financing periods or unexpected outflow of funds as well as risk of incurring losses due to the inability to trade in the market or being forced to trade at a significantly unfavorable price than usual because of market disruption	Deposit outflows due to the occurrence of demand for funds from customers affected by extreme weather events	Short- to long-term	Short- to long-term
Operational risk	Risk of incurring losses due to inappropriate business processes, activities of officers and employees, or systems, or external events	Work suspension occurring as a result of emergencies affecting the Group's sites or officers and employees	Short- to long-term	Short- to long-term

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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 the Group's 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 and Aichi prefectures 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. 7.0 billion yen.

Transitional risks

Following a qualitative analysis of sectors with large credit exposure and the carbon-related sectors defined in the 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. 2.5 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/Aichi prefectures Collateral of real estate (buildings) in Gifu/Aichi prefectures (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 approx. ¥7.0 billion	Increase of credit costs: Cumulative total of approx. ¥2.5 billion

*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

For carbon-related assets for which the TCFD recommendations recommend disclosure, the following table shows the loan balance by sector and the percentage of total sector loans.

Ratio of carbon-related assets against the loan balance (as of the end of March 2023)

*Loan balance = Total of loans, foreign exchange, acceptance and guarantee, etc.

*Electric power & utilities sector excludes the water and renewable energy power sectors

Sector	Loan balance (Millions of Yen)	Ratio
Oil & gas	34,940	0.7%
Electric power & utilities	41,808	0.9%
Air transportation	18,243	0.4%
Marine transportation	2,771	0.1%
Land transportation	114,570	2.4%
Automotive	76,628	1.6%
Metals & mining	101,992	2.1%
Chemicals	24,345	0.5%
Construction materials & capital goods	224,654	4.7%
Real estate management & development	415,410	8.7%
Beverages & food	59,156	1.2%
Agriculture	2,614	0.1%
Paper & forestry	32,098	0.7%
Total	1,149,230	23.9%

<Risk Management>

Climate change risk identification and assessment process

The Juroku Financial Group considers risks that could have a significant impact on management to be top risks. From the perspective of probability and degree of impact, the Board of Directors selects the risk events that may have a significant impact on our financial position and business performance, such as disrupting our business strategy and reducing profitability approximately within the next year, as top risks. Eleven top risks were selected by the Board of Directors in March 2023, one of which is the risk related to climate change. The selection was made in light of the increase in extreme weather events and natural disasters and the growing international momentum to address climate change, and we have implemented proactive management and risk control measures based on the risk scenario of deteriorating business performance and business model obsolescence of the borrower due to delays in responding to climate change and decarbonization.

Climate change risk management process

An integrated risk management framework is in place at the Group, categorizing into and managing the Group's overall financial risks as "credit risk," "market risk," "liquidity risk" and "operational risk." Climate change risk is recognized as a driver of financial risk, and is managed with the framework for managing risks such as credit and operational risks.

We have also introduced a risk appetite framework (RAF) from the perspective of organically combining earnings, risk, and capital to enhance corporate value through integrated management. With respect to climate change risk, we are working to manage it appropriately, with our Risk Appetite Policy stating that we will deepen our efforts and promote engagement.

Formulating an investment and lending policy

The Group has the Investment and Lending Policy for the 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.

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<Metrics and targets>

CO2 emissions results

The Juroku Financial Group has been working on the calculation of CO2 emissions, and from FY2022, it also calculates its supply chain emissions (Scope 3) in addition to its own CO2 emissions (Scope 1 and 2).

CO2 emissions results (t-CO2)

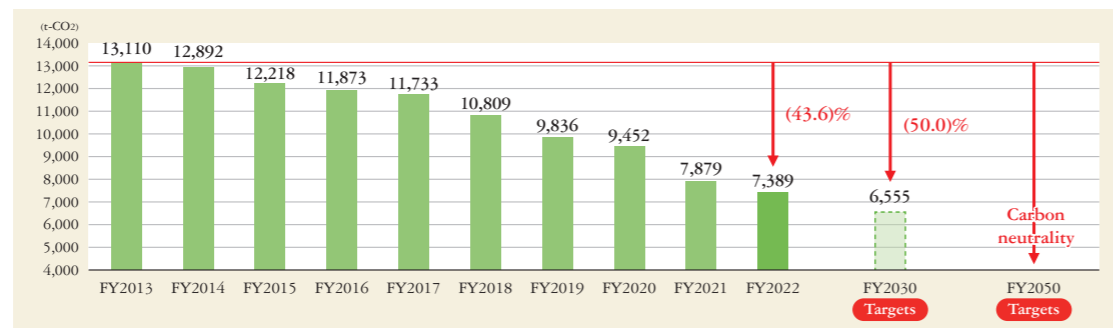
Calculation item		FY2021	FY2022	
Scope 1	Direct emissions	1,375	1,369	
Scope 2	Indirect emissions	6,504	6,020	
Total of Scope 1 and 2		7,879	7,389	
Scope 3	Category 1	Purchased goods and services	12,992	12,940
	Category 2	Capital goods	5,005	3,615
	Category 3	Fuel- and energy-related activities not included in Scope 1 and 2	1,548	1,507
	Category 4	Upstream transportation and distribution	1,695	1,672
	Category 5	Waste generated in operations	50	53
	Category 6	Business travel	146	174
	Category 7	Employee commuting	3,106	2,908
	Category 8	Upstream leased assets	—	—
	Category 9	Downstream transportation and distribution	—	—
	Category 10	Processing of sold products	—	—
	Category 11	Use of sold products	—	—
	Category 12	End-of-life treatment of sold products	—	—
	Category 13	Downstream leased assets	383	426
	Category 14	Franchises	—	—
	Category 15	Investments	—	Listed on p. 27
Total of categories 1 to 14		24,925	23,295	

The Juroku Bank Group's CO2 emissions reduction targets and results

The Group set the following reduction targets on CO2 emissions (Scope 1 and 2) generated by its energy use and is working to achieve a decarbonized society.

Targets Halve CO2 emissions by FY2023 from the FY2013 level and achieve carbon neutrality by FY2025

CO2 emissions (Scope 1 and 2)



CO2 emissions in FY2022 were reduced by 43.6% compared to FY2013 and by 490 t-CO2 year on year. This was due to the effects of the introduction of "Gifu Prefecture-generated CO2-free electricity" for use at Juroku Bank's head office building in November 2021, in addition to installing LED lighting in stores and replacing air-conditioning equipment with high-performance ones. We will continue our efforts to reduce CO2 emissions by expanding the introduction of renewable energy electricity, introducing environmentally friendly stores, and considering the conversion of company vehicles to hybrid vehicles (HVs) and electric vehicles (EVs).

The results for FY2021 have been verified by an independent third party after a review of the calculation method and refinement of the calculation results.

Calculation of the CO2 emissions of investees and borrowers (scope 3 category 15)

Since indirect emissions (Scope 3 Category 15) through investments and loans account for a large share of CO2 emissions of financial institutions, it is important to promote efforts to calculate, monitor, and reduce these emissions. The Group utilizes the PCAF standard calculation method to calculate CO2 emissions for loans to domestic corporate clients.

We will continue to work toward expanding the scope of CO2 emissions calculation and improving the data quality score.

The results of this calculation may change significantly in the future due to clarification of international standards, sophistication of estimation, and other factors.

CO2 emissions of investees and borrowers (Scope 3)

Sector	CO2 emissions (t-CO2)	Applicable assets
Oil & gas	107,352	Loans to domestic corporate clients (excluding loans to borrowers with insufficient financial data)
Electric power & utilities	94,137	CO2 emissions = Σ (Emissions of each borrower x Contribution of the Group's loans) *Factors such as company-disclosed data and CDP data are used for each borrower's emissions. When the data is unobtainable, estimations are made using regional and sectoral emission factors per unit of sales taken from the PCAF database. *Contribution level = The Group's balance of loans/The borrower's total funding
Air transportation	34,006	
Marine transportation	22,366	
Land transportation	254,592	
Automotive	28,225	
Metals & mining	5,093,569	
Chemicals	95,884	
Construction materials & capital goods	249,616	
Real estate management & development	3,665	
Beverages & food	2,166,565	
Agriculture	17,441	
Paper & forestry	131,547	
Other	685,312	
Total	8,984,277	
Data quality score		
Reference date		Loan balance As of March 31, 2023 Financial and emissions data of borrowers Latest financial period data held by the Group as of March 31, 2023
Coverage (Loan balance of calculated counterparty/total loan balance)		98.0%

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 achieving a decarbonized society.

	Target amount for FY2030 (cumulative for 9 years)	Amount provided in FY2022	Progress rate
Sustainable finances provided	¥2 trillion	¥234.8 billion	11.7%
of which, environment-related finances	¥800 billion	¥85.9 billion	10.7%

- Sustainable finances: investment and lending for SDGs / ESG initiatives that contribute to building a sustainable society
- Environment-related finances: investment and lending for initiatives to reduce environmental impact

Support for environmental initiatives



Acquired a "B" rating in the CDP's 2022 climate change questionnaire

The Company received a "B" rating, the third highest of eight levels, in the CDP's 2022 climate change questionnaire.

The CDP is a British non-governmental organization (NGO) founded in 2000 that operates a global disclosure system to help investors, companies, nations, regions, and cities manage their environmental impacts. By 2022, more than 18,700 companies, or half of the world's market capitalization, were disclosing data through the CDP, setting a global standard for environmental information disclosure.

Joined PCAF

The Company joined the Partnership for Carbon Accounting Financials (PCAF) in March 2023.

PCAF is an international initiative launched to standardize the measurement and disclosure of CO2 emissions of investees and borrowers, and in November 2020, it developed the first global standardized methodology, the Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF Standard).

PCAF has more than 400 member financial institutions worldwide.