



Environment



Complying with the TCFD Recommendations

Recognizing that responding to climate change and other factors that have a major impact on the environment, society and business activities, is an important issue for management, JAPAN POST BANK has incorporated various initiatives into our management strategy and is advancing the sophistication of our response.

The status of compliance with the TCFD Recommendations (statement of support released in April 2019) is as follows.

Governance

- The Bank has established a system in which the Board of Directors appropriately supervises reporting on the status of climate change response policy formulation and initiatives. The Board is responsible for supervising climate-related issues.
- In order to advance in a manner in which initiatives regarding sustainability, including climate-related issues, are integrated into the management strategy, the ESG·CSR Committee under the jurisdiction of the Executive Committee, and the Board of Directors held discussions prior to incorporating these initiatives into the Medium-term Management Plan (five-year plan), which began in FY2022/3.
- The Bank regularly reports on initiative progress to the Board of Directors, and will continue to move forward in a manner in which sustainability related initiatives, including climate-related efforts, are integrated into management plans.

Strategy

Risks and Opportunities We identified the risks and opportunities related to climate change as follows.

Physical Risks

Assumed as damage to the ATMs and other assets owned by the Bank due to natural disasters and an increase in the credit risk of investee companies, etc.

Transition Risks

Assumed as risks that the securities holdings of the companies in which the Bank is investing, companies that are greatly affected by

environmental regulations, will suffer a decline in value due to a tightening of regulations, etc.

Opportunities

It is assumed that there will be improvements in the capital markets and society's evaluations by appropriate measures and disclosures related to climate-related issues, and that financing opportunities for renewable energy businesses and green bond investment opportunities will increase.

Scenario Analyses

- To quantitatively ascertain the impact of climate change-related risks on the Bank's management portfolio, we conducted scenario analyses.
- As part of these analyses, we identified "utilities," "resources and energy," and "automobiles" as sectors of high importance based on the characteristics of the Bank's management portfolio, and applied these as the subjects of analysis.
- We investigated impacts based on 2°C and 4°C warming scenarios by using analyses such as the Sustainable Development Scenario (SDS) and the Stated Policies Scenario (STEPS) described in the IEA's (International Energy Agency) World Energy Outlook 2020 report.
- We quantitatively analyzed the ways in which the parameters that will have a significant impact on each sector will have a financial impact on each sector and the Bank's investments.

🔵 Events with the potential to increase the value of the Bank's investments 🔴 Events with the potential to degrade the value of the Bank's investments

	2°C	4°C
Utilities	<ul style="list-style-type: none"> 🔵 Higher renewable energy business revenue due to greater use of renewable energy 🔴 Higher costs due to introduction/expansion of carbon taxes and to stranded fossil fuel assets 	<ul style="list-style-type: none"> 🔵 Lower power generation costs due to continued reliance on fossil fuels 🔴 Higher costs of addressing more intense abnormal weather
Resources and energy	<ul style="list-style-type: none"> 🔵 Higher income due to expanded investment in renewable energy technologies coinciding with greater demand for renewable energy 🔴 Higher costs due to introduction/expansion of carbon taxes and lower fossil fuel business revenue due to the same 	<ul style="list-style-type: none"> 🔵 Higher fossil fuel revenues due to continued reliance on fossil fuels 🔴 Higher costs of addressing more intense abnormal weather
Automobiles	<ul style="list-style-type: none"> 🔵 Higher revenue coinciding with greater use of electric vehicles, etc. 🔴 Higher costs due to introduction/expansion of carbon taxes and lower sales of internal combustion engine vehicles due to the same 	<ul style="list-style-type: none"> 🔵 Higher sales of internal combustion engine vehicles due to continuation of existing regulations and market conditions 🔴 Higher repair costs due to more intense abnormal weather

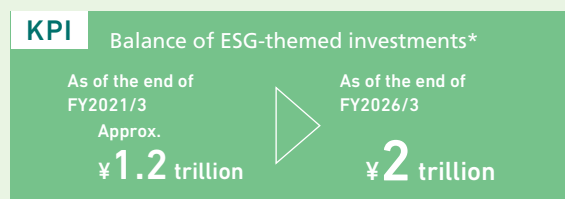
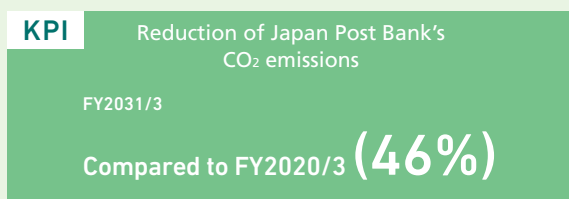
Based in part on the results of these analyses, we will investigate the quantitative impacts in consideration of the Bank's management portfolio characteristics on an ongoing basis.

Risk Management

- We have positioned climate change-related risk as one of the greatest risks for the Bank, and will take the necessary actions upon reflecting our response to this risk in management plans and upon a quantitative review of the control status conducted by the ESG Team established within the Corporate Planning Department.
- We are advancing diversified international investments based on our "ESG Investment Policy," which stipulates polices related to investments in consideration of sectors that may affect climate change (coal-fired power generation, etc.) and various international agreements. In the years to come, we will continue to consider further enhancing this policy from the perspective of fulfilling and contributing to climate change obligations as an institutional investor.

Metrics and Targets

- In order to contribute to the achievement of carbon neutrality by 2050 and a sustainable society, we established the following targets.



* ESG bonds (green bonds, social bonds (including pandemic bonds), sustainability bonds), loans to the renewable energy sector, and regional vitalization funds, etc.

Environmental Management

Environmental Consideration in Procurement

In our contract processes, we declare "Consideration for the environment: We shall conduct procurement activities with consideration for conservation of the global and regional environment and effective use of resources," and so conduct environmentally friendly procurement.

In December 2018, we reviewed the JAPAN POST

GROUP's approach to procurement activities (procurement policy). In addition to showing that the JAPAN POST GROUP supports the 10 principles in the four fields (human rights, labor, environment and anti-corruption) defined in the UN Global Compact, we ask our business partners for their cooperation.

Environmental Conservation Activities

• Yucho Volunteer Savings

Part of the interest received from customers is used as a donation for environmental conservation in developing countries. (Cumulative total from launch of transactions until March 31, 2021: ¥34.34 million)

• Yucho Eco-Communication

We are working to reduce the amount of paper used and donating some of the results to environmental conservation groups nationwide and thereby supporting activities that contribute to sustainable regional development. (Cumulative total from start of initiative to March 31, 2021: ¥19.50 million)

Environmentally-friendly Business

Yucho Direct+ (plus) Non-Passbook General Account

With no issuing of a passbook, this service enables customers to use their cash cards for cash deposit and withdrawal enquiries, while current balances are obtained via Yucho Direct. Instead of issuing passbooks, details of deposits and withdrawals can be confirmed for up to a



maximum period of 15 months. Since the paper used for both conventional passbooks and for the various notifications sent to customers is unnecessary, this leads to a reduction in paper usage.

Online Service for Viewing Transfer Receipt/Payment Notifications

This is a service that enables customers to check transfer receipt/payment notifications and payment handling slips from 9:00 a.m. the day after the account update on an office computer, home computer or smartphone. The feedback we have received from customers has included comments like "Being able to confirm transfer receipt/

payment notifications via the internet is convenient," "No longer needing to store hard copies of transfer receipt/payment notifications has made life easier." Since transactions are confirmed via an online screen instead of informing customers in writing, this is also leading to a reduction in paper usage.

ESG Investment Policy

Considering the growing demand from stakeholders for initiatives regarding climate change and other issues faced by society, as well as JAPAN POST BANK's endorsement of the TCFD Recommendations, JAPAN POST BANK formulated a policy to make investments that heed

international agreements when advancing diversified international investments. This policy was disclosed in May 2019. Moreover, in December 2020 we revised our ESG Investment Policy, which included making policies on investing in the coal-fired power generation sector more rigorous.