

TCFD Report 2022

Table of Contents

Japan Post Bank TCFD Report 2022

1. Introduction: Message from President Ikeda	3
1. Japan Post Bank's Progress on TCFD So Far	5
2. The Japan Post Bank Net Zero GHG Emissions Declaration	6
2. Overall Picture of Japan Post Bank's TCFD Response	8
3. Governance	10
1. Sustainability Promotion System	11
2. Basic Sustainability Policy	14
3. Japan Post Bank Environmental Policy.....	16
4. Setting Materialities	17
5. External Evaluation (ESG Index).....	19
6. Status of Initiative Participation	20
7. Officer Compensation	23
8. Enhancing Employee Understanding of Sustainability.....	25
4. Strategy	26
1. Identifying Risks and Opportunities	26
2. Management of Carbon-related Assets	27
3. Scenario Analysis	28
4. Japan Post Bank Sustainable Investments	39
5. Examples of Investments and Loans That Captured Climate Change Opportunities (ESG Investments and Loans)	42
5. Risk Management	46
1. Management of Top Risks in the RAF (Risk Appetite Framework)	46
2. Impact of Climate Change Risks on Existing Financial Risks	48
3. ESG Investment and Financing Policy	50
4. Engagement Implementation Status	53
6. Indices and Targets	54
1. GHG Emissions Performance (Scopes 1, 2, and 3).....	54
2. Measures for Mitigating and Adapting to Climate Change	60
3. GHG Emissions Reduction Targets.....	62
4. ESG-Themed Investments and Loans: Performance and Targets.....	65

1. Introduction: Message from President Ikeda



The concept of sustainability overlaps with Japan Post Bank's history and business model.

Japan Post Bank has decided to issue a TCFD¹ Report.

Since endorsing the TCFD proposal in April 2019, Japan Post Bank has been constantly working to catch up on, and accelerate its efforts with respect to, topics related to worldwide climate change.

Through our TCFD Report, we look back on the efforts we have made so far in the field of climate change, where requirements change day by day, and disseminate information towards a sustainable future, which we hope will impart an opportunity for a more structured understanding of these efforts and this information.

When I was young, there were many hot days in the summer, but I have no memory of not being able to sleep without an air conditioner, and I feel that the number of extremely hot days and the degree of heat are increasing at present. I have a growing sense of crisis that the problem of climate change is approaching a tipping point. As you are all aware, various reports,

¹Abbreviation of Task Force on Climate-related Financial Disclosures. An organization established at the proposal of the Financial Stability Board for the purpose of thoroughly realizing corporate information disclosure pertaining to climate change, in which the representatives of the central banks and financial supervisory authorities etc. of key nations participate.

including the IPCC² report, tell us that rising temperatures cause more severe weather disasters around the world, such as increasing the size of typhoons. Given the impact this will have on future generations, it is clear that any further temperature rise is undesirable.

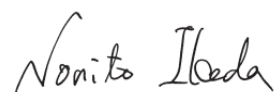
From the start of our business in the Meiji Era right up to the present Reiwa Era, we have consistently played a role in providing financial services that support the lives of each and every one of our customers. Today, we provide various financial services to a wide range of customers, from small children to the elderly, through our nationwide network of approximately 24,000 branches and 32,000 ATMs, and a simple and convenient digital network. The SDGs philosophy of "no one left behind" and the concept of sustainability, overlap with our history and business model, and we have, since long before such words were uttered, and as part of Japan Post Bank responsibilities, placed great importance on supporting the environment, which is the foundation of people's lives, and on contributing to society and local communities.

In recognition of this, we revisited our raison d'etre of "Aiming for the happiness of our customers and employees, and contributing to the development of society and the community," and have identified Priority Issues, the four so-called materialities, Japan Post Bank needs to prioritize, based on our awareness of environmental and social issues, our strengths and business characteristics, our management philosophy, and our business activities. We make daily efforts through Japan Post Bank business activities to contribute to "reducing environmental impact," which is one of the materialities, to solve the problem of climate change.

In March 2022, we announced the "Japan Post Bank Net Zero GHG Emissions Declaration," which is our target for 2050. Going forward, we will be looking at setting a medium-term target to more clearly indicate our pathway to 2050.

To achieve net zero emissions by 2050, it is essential that, in addition to our efforts, customers, society, and the world as a whole move toward the same goal. In every aspect, our activities must strive to achieve a balance between human economic activities and solving social issues such as climate change.

For Japan Post Bank, which has offices all over Japan and many customers ranging from small children to the elderly, climate change is an important issue that shakes it to the foundation. How can we reduce our own and the world's GHG emissions to mitigate the impacts of climate change, and what can we do through our business activities to adapt to climate change? All Japan Post Bank officers and employees will join with customers and society in thinking about various sustainability issues from their respective positions and work tenaciously to achieve a sustainable society.



Director, President and Representative Executive Officer
JAPAN POST BANK Co., Ltd.

²Abbreviation of Intergovernmental Panel on Climate Change. An intergovernmental panel on climate change. An intergovernmental organization composed of international experts that collects and organizes scientific research on global warming. The Sixth Assessment Report released by the IPCC in August 2021 was the first report to categorically attribute global warming to human activity.

1. Japan Post Bank's Progress on TCFD So Far

Japan Post Bank recognizes that responding to climate change, which has a major impact on the environment, society, and our corporate activities, is an important management issue, and so, in April 2019, together with Japan Post Holdings Co., Ltd. and Japan Post Insurance Co., Ltd., we endorsed the TCFD proposal.

After endorsing the 2019 TCFD proposal, in response to environmental issues such as climate change, we revised the Japan Post Bank Environmental Policy and established a new ESG Investment Policy to promote actions and investment activities that take the environment into consideration.

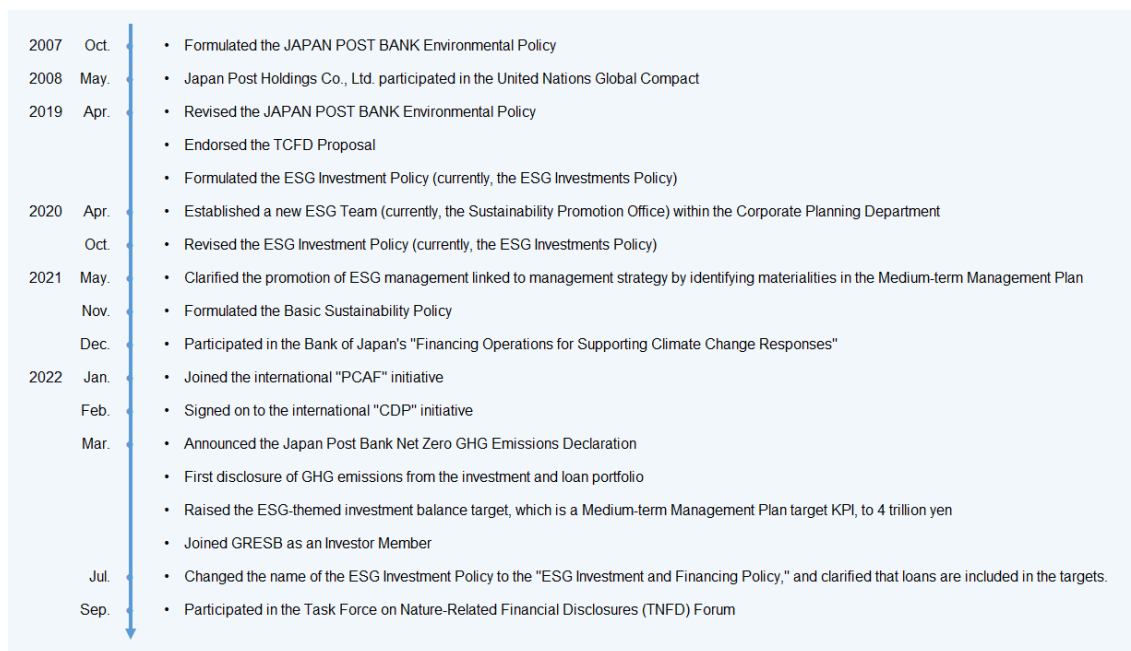
In 2020, we established a new ESG Team, a department that specializes in promoting, planning for, and making adjustments with respect to sustainability issues, in our Corporate Planning Department as a measure to strengthen systems to help the entire company work as one to solve problems. We also tightened our ESG Investment Policy to address societal situations where supply chain sustainability issues are becoming more important.

We announced our five-year Medium-term Management Plan in 2021, in which we disclose concepts and materialities of ESG management that contribute to enhancing corporate value through business activities and to realizing a sustainable society. All of our TCFD-related efforts are based on our approach to ESG management.

In 2022, we joined and signed multiple international initiatives to strengthen collaboration and encouragement for resolving issues, and expressed our commitment to carbon neutrality by 2050, and our stance, as a financial institution, on providing strong support for realizing a future carbon-free society. Additionally, with respect to the TNFD³, which is recognized as a new issue, we, as a financial institution, helped build the TNFD framework and participate in the TNFD Forum to raise awareness of natural capital and biodiversity.

³Abbreviation of the Task force on Nature-related Financial Disclosure. An international initiative launched in June 2021 with goal of developing and providing a framework for disclosing nature-related financial information.

■Figure 1 Japan Post Bank's Progress So Far



2. The Japan Post Bank Net Zero GHG Emissions Declaration

Japan Post Bank announced the "Japan Post Bank Net Zero GHG Emissions Declaration"⁴ in March 2022.

In recognition of the fact that climate change is a serious issue that will have a serious impact on society and the economy, we endorse the spirit of the Paris Agreement, and will implement and support initiatives that contribute to mitigating and adapting to climate change.

We also aim to achieve net zero GHG emissions (Scope 1 to 3) for our company and for our Finance Portfolio by 2050.

We believe that understanding current performance figures is the most important thing when it comes to setting targets. Japan Post Bank has striven, since FY2021, to measure not only Scopes 1 and 2, which we had been measuring from before, but also Category 15 of Scope 3, which are the GHG emissions stated in our Finance Portfolio, and we disclosed our emissions-related investments for the first time in the above press release.

We will continue measuring and disclosing our GHG emissions including for Category 15 of Scope 3 on a regular basis, and will strive to contribute to achieving a carbon-free society by supporting efforts to reduce GHG emissions throughout society.

Japan Post Bank's current and targeted⁵ GHG emissions are as shown below.

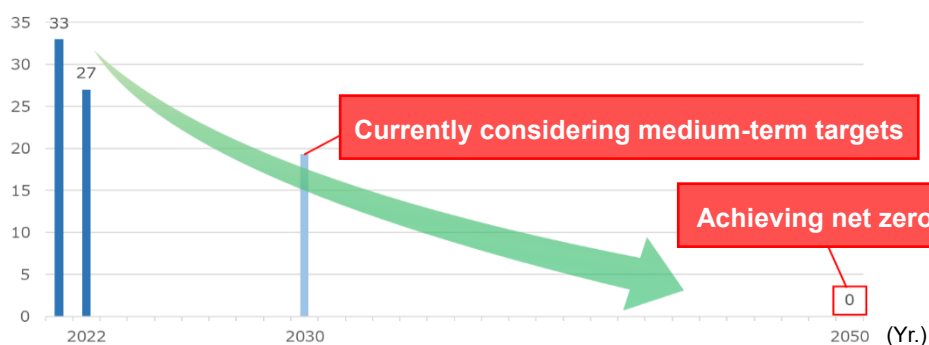
⁴ Press release on the "Commitment to Achieve Net Zero GHG Emissions." : https://www.jp-bank.japanpost.jp/aboutus/press/2021/abt_prs_id001674.html

⁵As of March 2022.

Categories ⁶	Emissions ⁷	FY2030 Targets	2050 Targets
Japan Post Bank (Scopes 1 and 2)	Approx. 40,000 tons of CO ₂	▲46% (Compared to FY2019)	Net zero
Finance Portfolio (Category 15 of Scope 3)	Approx. 27 million (tons of CO ₂)	Under investigation	Net zero

■ Figure 2 Image of Reductions in Finance Portfolio (Category 15 of Scope 3)

(Million tons of CO₂)



⁶Categories under the GHG Protocol. Japan Post Bank targets and manages carbon dioxide.

Scope 1: Direct GHG emissions from owned or controlled sources

Scope 2: Indirect emissions associated with the use of electricity, steam, heating or cooling supplied by other companies

Scope 3: Emissions of other companies related to business activities (Category 15 is investment)

⁷Our performance for FY2021. Our Finance Portfolio was calculated based on our investment balance as of the end of March 2022, based on the PCAF (Partnership for Carbon Accounting Financials) methodology. We used GHG emissions and financial data, etc. provided by S&P Global Trucost in our calculations (GHG emissions data includes values estimated by S&P Global Trucost). These calculations targeted domestic and foreign stocks and corporate bonds, etc. (Scopes 1 and 2), but these were excluded in cases where calculation methods were not established according to the PCAF methodology, or when data required for calculation was not available. We will continue to collect data and expand the scope of our calculations.

⁸ESG bonds (green bonds, social bonds, sustainability bonds, etc.), loans to the renewable energy sector, and regional vitalization funds, etc.

2. Overall Picture of Japan Post Bank's TCFD Response

Japan Post Bank recognizes that responding to climate change, which has a major impact on the environment, society, and our corporate activities, is an important management issue, and so we endorsed the TCFD proposal in April 2019. Since then, we have incorporated various initiatives into our management strategies, and are working to upgrade our response so that they are consistent with the 1.5°C and 2°C targets in the Paris Agreement. Our responses to items in the TCFD proposal are as follows.

◆ Table 1 Overall Picture of Japan Post Bank's TCFD Response

Item	Recommendations	Overview of Japan Post Bank's Efforts	Page No.
Governance	Disclose organizational governance relating to climate-related risks and opportunities	<ul style="list-style-type: none"> The Board of Directors will formulate policies for supporting sustainability, such as on climate change, etc., and supervise effort status After discussions in the Sustainability Committee, Management Committee, and Board of Directors, incorporate climate change issues into Medium-term and Annual Management Plans Promote efforts related to climate change integrated with management strategy at the Corporate Planning Department Sustainability Management Office Stipulate policies related to the environment, including climate change, in the Japan Post Bank Environmental Policy Determine officer compensation that incorporates "status of promoting ESG management" including climate change response into evaluation indicators of business performance compensation (applies to all executive officers including the President and Representative Executive Officer) 	P.10 to 25

Strategy	Disclose actual and potential impacts of climate-related risks and opportunities on the organization's business, strategic, and financial planning	<ul style="list-style-type: none"> Identify impacts (risks and opportunities) of climate change on Japan Post Bank Perform scenario analysis for grasping the impact of climate change-related risks on the Japan Post Bank Finance Portfolio Monitor the ratio of carbon-related assets to loans 	P.26 to 45
Risk management	Disclose how the organization identifies, evaluates, and manages climate-related risks	<ul style="list-style-type: none"> Position climate change-related risks as one of the top risks, reflect responses to risks in management plans, and confirm and respond to risks quarterly Establish an ESG Investment and Financing Policy for reducing environmental and social risks that include climate change, and make investments based on this policy Conduct ESG engagements with investees Analyze the impact of climate change risks on existing financial risks 	P.46 to 53
Metrics and targets	Disclose indices and targets to be used when evaluating and managing climate-related risks and opportunities	<ul style="list-style-type: none"> Announce the "Japan Post Bank Net Zero GHG (Greenhouse Gas) Emissions Declaration," and commit to net zero emissions for Japan Post Bank (Scopes 1 and 2) and the Finance Portfolio (Scope 3) by 2050 Set the FY2030 Japan Post Bank GHG emissions (Scopes 1 and 2) reduction target at ▲46% compared to FY2019 Calculation of investee GHG emissions (Scope 3) Raised the ESG-themed investment balance targeted for the end of FY2025 to 4 trillion yen in March 2022 	P.54 to 65

3. Governance

To promote efforts through business activities for addressing environmental issues, including climate change, we revised the Japan Post Bank Environmental Policy in April 2019 based on the content of the TCFD proposal, and are working to further enhance our activities.

In April 2020, to promote our sustainability efforts, including responses to climate change, in a manner integrated with our management strategy, we established a new ESG Team (currently, the Sustainability Management Office) in the Corporate Planning Department, and reorganized the old CSR Committee, which is an Executive Committee Advisory Board, into an ESG/CSR Committee (currently, the Sustainability Committee) with the Corporate Planning Department serving as secretariat.

At Japan Post Bank, the Board of Directors is responsible for overseeing the problems of climate change, and thus matters such as the formulation of policies for responding to climate change, progress of related initiatives, and decisions on the execution of important business related to management thereof, etc., are regularly reported to and discussed with the Board of Directors.

Under this system, after discussions in the Sustainability Committee, Executive Committee, and Board of Directors, we incorporated policies on efforts toward sustainability, including climate-related issues, into the Medium-term Management Plan⁹ (FY2021 to FY2025), and set Priority Issues (materialities) and target KPIs relating to climate change.

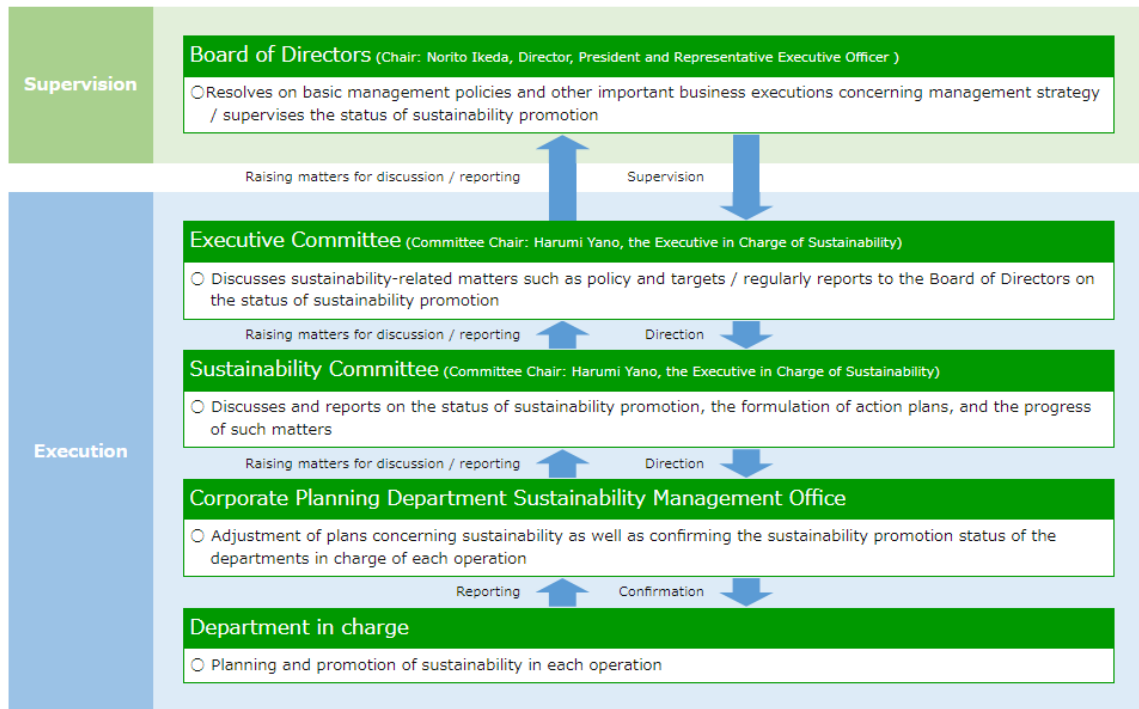
Furthermore, given the increasing importance for all companies to respond to risks and opportunities related to sustainability in order to improve the medium- to long-term corporate value of listed companies, we established a new Basic Sustainability Policy in November 2021 after discussions by the Board of Directors.

⁹Medium-term Management Plan (FY2022/3 through FY2026/3) : https://www.jp-bank.japanpost.jp/en/aboutus/company/en_abt_cmp_strategy.html

1. Sustainability Promotion System

The Japan Post Bank sustainability promotion system, which is a system under which both the supervisory side and the execution side make efforts toward, and consider ways of, solving sustainability-related issues, is as described below.

■ Figure 3 Sustainability Promotion System



The President and Representative Executive Officer, who serves as Executive Committee Chairman and Board of Directors Chairman, acts as the person representing Japan Post Bank and supervising its operations, and, in addition to being responsible for promoting sustainability, including responding to climate change, serves as the sustainability officer who chairs the Sustainability Committee, and attends Executive Committee and Board of Directors meetings to discuss and report on the status of promotion.

◆ Table 2 List of Meetings Attended by Managers Responsible for Sustainability

Manager	Meetings Attended		
	Sustainability Committee Meetings	Executive Committee Meetings	Board of Directors Meetings
Director, President and Representative Executive Officer (Norito Ikeda)	-	◎	◎
Sustainability Officer (Harumi Yano)	◎	✓	✓*

◎: Chairman, Chairperson

*Although not a member of the Board of Directors, regularly reports to the Board of Directors on Japan Post Bank sustainability promotion status.

◆ Table 3 Composition of the Sustainability Committee

Chairperson	Executive officer in Charge of the Corporate Planning Department
Members	Persons appointed by Members or Chairperson of the Audit Committee (Executive officers of all divisions (Compliance Division, Corporate Administration Division, Risk Management Division, Administration Division, System Division, Regional Relations Division, Investment Division, Marketing Division) and related General Managers)

➤ Major Sustainability Matters Reported at Board of Directors Meetings (FY2020 Onward)

- Priority Issues (materialities) selection
- GHG emissions reduction target setting
- ESG-themed investment balance target setting
- Responses to the TCFD proposal (status of policies and efforts)
- Basic Sustainability Policy formulation
- ESG-themed investment balance target raising
- Selection of climate change risks and other sustainability-related risks as top risks

➤ Major Proposals from Outside Directors

- Promoting sustainability is inseparable from customer-oriented business operations and sophisticated governance, and it is necessary to clearly state these contents in the Basic Sustainability Policy and work together.

- With respect to ESG investments, there is a risk that the green bond market will not expand as expected due to impacts of the situation in Ukraine, etc., so please pay attention to market trends.

◆ Table 4 Director Skill Matrix

Name ¹⁰	Experience and Expertise								
	Management (Corporate Management)	Legal Affairs/ Compliance	Finance/ Accounting	Finance	Market Operations/ Risk Management	Sales/ Digital Marketing	Human Resource Development	ESG	Administration
Ryoji Chubachi	✓	●						●	
Keisuke Takeuchi	✓	●						●	
Makoto Kaiwa	✓	●	●					●	
Risa Aihara	✓	●				●			
Hiroshi Kawamura	✓	●							
Kenzo Yamamoto	✓			●	●				
Shihoko Urushi	✓	●					●		
Keiji Nakazawa	✓	●	●						
Atsuko Sato	✓			●	●		●		
Hiroya Masuda		●		●				●	●
Toshiyuki Yazaki				●					●
Norito Ikeda		●		●		●		●	
Susumu Tanaka			●	●					●

¹⁰A ✓ mark in the Name column indicates an Independent Outside Director.

2. Basic Sustainability Policy¹¹

Given the increasing importance for all companies to respond to risks and opportunities related to sustainability in order to improve the medium- to long-term corporate value of listed companies, we established a Basic Sustainability Policy in November 2021 after discussions by the Board of Directors.

Since this policy is based on a resolution of the Board of Directors, it was established as a policy for organizing our basic approach to promoting sustainability on the supervisory side.

Basic Sustainability Policy

Article 1 (Purpose)

This Basic Policy outlines the basic policy for promoting sustainability by the Bank.

Article 2 (Definition, etc.)

1. “Sustainability” at the Bank refers to both the creation of sustainable social value and enhancement of corporate value over the medium to long term.
2. The Bank will promote sustainability and contribute to the solution of social issues such as SDGs.

Article 3 (Collaboration with Stakeholders)

In promoting sustainability, the Bank will work to engage in customer-oriented business operations. In addition, the Bank will endeavor to deepen the trust of its customers and other stakeholders and collaborate with them in an appropriate manner.

Article 4 (Stance on the Promotion of Sustainability)

1. The Bank will identify sustainability issues that are of high importance to stakeholders and that should be specifically addressed based on the Bank’s management philosophy, mission, strengths, and business characteristics (hereinafter referred to as “materiality”).
2. The Bank will promote sustainability by addressing the identified materiality in its business activities.

Article 5 (Initiatives to Promote Sustainability)

The Bank positions the promotion of sustainability as a top management priority and aims to achieve both the creation of sustainable social value and enhancement of corporate value over the medium to long term by addressing materiality in its business activities as follows:

- (1) The Bank will work to develop and provide “safe and secure” financial services that can be used by anyone and everyone throughout Japan.
- (2) As a community-based financial institution, the Bank will contribute to the development of the regional economies and society.
- (3) To protect nature and the environment and pass them on to future generations, the Bank will engage in environmentally friendly activities and work to resolve environmental issues.

¹¹Basic Sustainability Policy : <https://www.jp-bank.japanpost.jp/en/sustainability/esg-index/list/pdf/sustainability.pdf>

- (4) The Bank will conduct its business activities in a manner that respects human rights and will ensure a work environment where employees can work in a healthy and safe manner and where diverse personalities and work styles are respected. In addition, the Bank will strive to develop human resources who can think and act on their own, and to improve their work-life balance and job satisfaction.

Article 6 (Sustainability Promotion Framework, etc.)

In accordance with the “Basic Policy on Corporate Governance,” the Bank will continue to improve its governance and promote sustainability through the following measures:

- (1) Matters related to the promotion of sustainability are discussed by the Sustainability Committee, and discussed or reported to the Executive Committee and the Board of Directors in a timely and appropriate manner.
- (2) The Executive Officer in charge of the Corporate Planning Department of the Corporate Administration Division shall establish the Sustainability Promotion Procedures to set forth the necessary matters concerning efforts to promote sustainability in addition to those prescribed in the Basic Policy.
- (3) The Bank will disclose the status of its efforts to promote sustainability in a timely and appropriate manner.

Article 7 (Revision or Abolition)

This basic policy shall be revised or abolished by resolution of the Board of Directors.

3. Japan Post Bank Environmental Policy¹²

The "Japan Post Bank Environmental Policy" stipulates the following from the perspective of promoting initiatives on environmental issues, including climate change, through business activities based on growing social interest in contributing to a sustainable society and addressing environmental issues such as climate change. All employees shall strive to act in consideration of the environment in their business activities, and work to solve environmental issues in line with the Japan Post Bank Environmental Policy.

JAPAN POST BANK Environmental Policy

I Basic Philosophy

As "the most accessible and trustworthy bank in Japan," JAPAN POST BANK will engage in environmentally friendly activities, and work to resolve environmental issues, to protect nature and the environment of regional communities, and preserve the irreplaceable global environment for the next generation.

II Basic Policies

1. We will comply with laws, regulations and ordinances concerning the environment, as well as sign various agreements, and make further efforts to reduce the burden on the global environment and prevent environmental pollution.
2. We will set and systematically implement environmental objectives and environmental goals, and construct a framework to regularly review them, aiming for continuous improvement of our environmental management system.
3. We will work actively to save resources and energy, recycle resources, use environmentally friendly goods, and manage industrial waste, as well as decrease the impact on the global environment of our business while taking into consideration the influence of our business on environment.

We will also contribute to the realization of a recycling society and preserve the global environment by promoting environmental awareness in society and effectively addressing the issue of climate change in our business activities.

4. We will strive to improve awareness of environmental problems by actively disclosing information concerning the environment both inside and outside the Bank, as well as promote environmental education and awareness raising activities.
5. We will continue to improve environmental activities through effective communication with local communities.
6. We will broadly announce the policy to the public.

¹²JAPAN POST BANK Environmental Policy : <https://www.jp-bank.japanpost.jp/en/sustainability/environment/management/policy/index.html>

4. Setting Materialities

Japan Post Bank will promote efforts to improve corporate value and solve social issues. At its core, this approach circulates value creation, which means that Japan Post Bank efforts to solve social issues and provide value to various stakeholders through its business activities will, in turn, enhance its corporate value.

We have identified Priority Issues (materialities) to be prioritized as an embodiment of our Medium-term Management Plan, which is based on this concept. These materialities were identified through the extraction and identification of issues that deserve special emphasis in the process of providing value to all stakeholders, including customers, regional communities, the environment, and employees, as Japan Post Bank "continues to grow with society" as the "bank of choice." By returning to business basics and identifying materialities, all of our employees will learn to recognize the importance of, and then strive to achieve, the ability to coexist and grow with society.

When selecting materialities, as described in the sustainability promotion system (P.11), the Sustainability Committee, Executive Committee, and Board of Directors discuss and decide on the selections, and then also provide regular reports during the year on how their progress is being managed.

Process for Selecting Materialities

STEP 1 Identify Social Issues That Should Be Considered



- International Situation Analysis (various international frameworks such as SDGs, international standards, external evaluations)
- Japan Situation Analysis (Administration organizations, financial industry)
- Support of International Initiatives (SDGs, TCFD, CDP¹³, UN GLOBAL COMPACT¹⁴, GRI¹⁵)



STEP 2 Narrow Down Social Issues to Be Targeted



- Compatibility with Japan Post Bank business activities
Narrow down society issues that are highly relevant to Japan Post Bank business activities based on Japan Post Bank management philosophy, policies, services, and business content.

¹³International initiatives that collaborate with major global institutional investors and engage in activities that promote disclosures relating to corporate climate change responses and GHG emissions. The world's largest platform for disclosing environmental information.

¹⁴Abbreviation of United Nations Global Compact. An international initiative that requires companies to comply with and practice ten principles relating to human rights, labor rights, the environment, and anti-corruption.

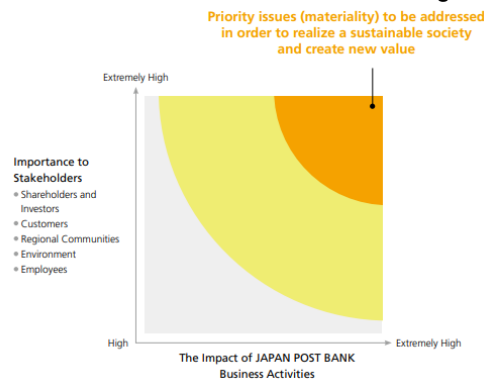
¹⁵Abbreviation of Global Reporting Initiative. An international initiative aimed at developing international standards and a framework for disclosing information on sustainability. Japan Post Holdings Co., Ltd., the holding company, endorses these initiatives.



- Dialogs with stakeholders
Confirm that selections are based on community requests to Japan Post Bank, based on evaluations of results from external research agencies and the opinions of outside experts, etc.

STEP 3 Determine Priority Issues (Materialities)

The Corporate Planning Department will be the lead in extracting and organizing important issues based on the two axes of "importance to stakeholders" and "relevance to Japan Post Bank business," and creating a materialities map.



STEP 4 Identify Materialities

The Sustainability Committee, Executive Committee, and Board of Directors will examine the appropriateness of, and then identify, materialities. Efforts will be promoted in connection with management strategy and specific initiatives, and progress will be reported regularly to the Sustainability Committee, Executive Committee, and Board of Directors.

■ Figure 4 Four Identified Materialities

SDGs relevant to materiality	Key initiatives taken to solve issues	Target KPIs (FY2026/3)
Providing "safe and secure" financial services to anyone and everyone throughout Japan 	<ul style="list-style-type: none"> • Utilizing post offices networks across the country • While putting safety and security foremost, we will expand digital services that all customers can readily use • Developing an open, "Co-creation Platform" • Consulting that closely centers on clients 	<ul style="list-style-type: none"> • Number of accounts registered in the Bankbook app: 10 million accounts (4.81 million accounts as of March 31, 2022) • Number of Cumulate-type NISA Operation Accounts: 400 thousand accounts (170 thousand accounts as of March 31, 2022)
Contributing to regional economic expansions 	<ul style="list-style-type: none"> • Flow of funds to regional communities via various frameworks • We will address financial needs suited to the real conditions of each regional community as a "regional financial platform" • Enhancing relationship functions of regional communities 	<ul style="list-style-type: none"> • Regional vitalization fund participation cases: cumulatively 50 cases (Cumulatively 39 cases as of March 31, 2022) • Number of financial institutions that have aggregated operational processes: roughly 20 financial institutions (Cumulatively 5 financial institutions as of March 31, 2022)
Reducing environmental impact 	<ul style="list-style-type: none"> • Strengthen initiatives in accordance with the TFCDC recommendations • Encourage the elimination of paper and reduce CO₂ emissions • Advancement of ESG investing 	<ul style="list-style-type: none"> • 46% reduction in CO₂ emissions compared to FY2020/3 by FY2031/3 (9.9% reduction in FY2022/3) • Balance of ESG-themed investing of ¥4 trillion (Approx. ¥2.1 trillion as of March 31, 2022)
Advancement of work style reform and the sophistication of governance 	<ul style="list-style-type: none"> • Make work more worthwhile for employees • Advancement of diversity management • Expand flexible work styles, eliminate harassment • Board of directors that balances independence, diversity, and expertise 	<ul style="list-style-type: none"> • Ratio of women in managerial positions: 20% (by April 2026) (16.6% as of April 2022) • Ratio of employees taking childcare leave: 100% (regardless of gender) (100% in FY2022/3) • Ratio of employees with disabilities: 2.7% or more (2.71% as of June 2021)

5. External Evaluation (ESG Index)

Our past ESG efforts were evaluated, and we were selected as an ESG Index Brand.

MSCI Japan Empowering Women Index (WIN)

MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

An index composed of companies that are leading in promoting and maintaining gender diversity, created by MSCI

[MSCI Japan Empowering Women Index \(WIN\)](#)

<https://www.msci.com/our-solutions/indices/japan-empowering-women-index>

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➤ Euronext Vigeo World 120 Index



An index developed by Euronext (Netherlands) and Vigeo Eiris (France). Consists of the top 120 companies around the world that excel in terms of ESG.

[EURONEXT Vigeo World 120 Index](#)

<https://live.euronext.com/en/product/indices/QS0011250840-XAMS>

➤ FTSE Blossom Japan Sector Relative Index



An index developed by FTSE Russell, Inc. that reflects the performance of Japanese companies in each sector that are relatively good at responding to environmental, social, and governance (ESG) issues.

It is designed to be sector-neutral, and, to facilitate the transition to a low-carbon economy, only includes companies, especially companies with high greenhouse gas emissions, that are evaluated for their improvement efforts by their TPI (Transition Pathway Initiative) Management Quality Scores¹⁶.

[FTSE Blossom Japan Sector Relative Index](#)

<https://www.ftserussell.com/products/indices/blossom-japan>

➤ S&P/JPX Carbon Efficient Index



Applied as a component stock "S&P/JPX Carbon Efficient Index" stock index selected by S&P. It focuses on the disclosure of environmental information and the level of carbon efficiency (carbon emissions per unit of sales).

[S&P Carbon Efficient Index](#)

<https://www.jpx.co.jp/english/markets/indices/carbon-efficient/>

¹⁶An evaluation of a company's greenhouse gas emissions and the quality of its management of the risks and opportunities associated with the transition to low carbon.

6. Status of Initiative Participation

To contribute to a sustainable society and achieve net zero, we participate in various international initiatives and focus on strengthening our collaboration with stakeholders.

➤ Endorsement of COOL CHOICE



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いっしょに選ぼう。

Japan Post Bank endorses "COOL CHOICE." "COOL CHOICE" is a national movement promoted by the government (Ministry of the Environment) for reducing the emission of greenhouse gases such as CO₂. It is an initiative for making all kinds of "smart choices" that contribute to global warming countermeasures, such as "product replacement," "use of services," and "lifestyle choices" that contribute to the creation of a carbon-free society.

[COOL CHOICE \(https://ondankataisaku.env.go.jp/coolchoice/\)](https://ondankataisaku.env.go.jp/coolchoice/)

➤ Endorsement of the TCFD proposal and participation in the TCFD consortium



Japan Post Bank recognizes that responding to climate change, which has a major impact on the environment, society, and our corporate activities, is an important management issue, and endorsed the TCFD proposal in April 2019.

[TCFD \(https://www.fsb-tcf.org/\)](https://www.fsb-tcf.org/)

➤ Cooperation with Capital as a Force For Good



Japan Post Holdings Co., Ltd. and Japan Post Bank Co., Ltd. cooperate with the United Nations "Capital as a Force For Good" project.

[Capital as a Force For Good \(https://www.forcegood.org/\)](https://www.forcegood.org/)

➤ Joining with PCAF



In January 2022, Japan Post Bank joined the international "Partnership for Carbon Accounting Financials (PCAF)" initiative, which was launched in 2015 with the aim of standardizing GHG emissions measurements and disclosures of investment and loan recipients.

[PCAF \(https://carbonaccountingfinancials.com/about\)](https://carbonaccountingfinancials.com/about)

➤ Signing on to the CDP



In February 2022, Japan Post Bank signed on to the international "CDP" initiative that collaborates with major global institutional investors and engages in activities that promote disclosures relating to corporate climate change responses and GHG emissions.

[CDP \(https://www.cdp.net/ja\)](https://www.cdp.net/ja)

➤ Joining GRESB as an Investor Member



In 2022, Japan Post Bank joined GRESB, an organization that provides annual benchmark evaluations for measuring the ESG efforts of real estate companies and funds, as an investor member.

[GRESB \(https://www.gresb.com/nl-en/\)](https://www.gresb.com/nl-en/)

➤ Participation in the TNFD Forum



In September 2022, Japan Post Bank participated in the Taskforce on Nature-related Financial Disclosures (TNFD) Forum.

[TNFD \(https://tnfd.global/\)](https://tnfd.global/)

Status of Consolidated Subsidiaries

[Japan Post Investment Corporation]

➤ Signing on to the PRI

Signatory of:



In February 2022, the Japan Post Investment Corporation signed on to the UN-backed Principles for Responsible Investment (PRI).

[PRI \(https://www.unpri.org/\)](https://www.unpri.org/)

➤ Signing on to the Impact-driven Finance Initiative



In October 2022, the Japan Post Investment Corporation signed on to the "Impact-driven Finance Initiative," an initiative in which multiple financial institutions collaborate to promote the practice of impact-oriented investment and financing based on the idea that "the purpose of the existence of financial institutions is to comprehensively understand the impacts of, and lead to solutions for, environmental and social issues."

[Impact-driven Finance Initiative \(https://www.impact-driven-finance-initiative.com/\)](https://www.impact-driven-finance-initiative.com/)

[Column] Initiatives for Natural Capital and Biodiversity

What Is Natural Capital?

"Natural capital" refers to environmental resources such as air, water, land, minerals, forests, biodiversity, ecosystem health, etc. formed by nature.

All life on earth is connected and coexisting, and humans receive ecosystem services (food supplies, climate regulation, disaster control, etc.) from natural capital. However, in recent years, environmental deterioration and destruction of the natural environment, etc. in exchange for economic development has led to the loss of biodiversity and impacts on these ecosystem services.

(Climate change also affects natural capital, which can lead to a loss of biodiversity and a decline in ecosystem services.)

Past Initiatives

Japan Post Bank has implemented a policy of making donations to environmental conservation groups under the name "Yucho Eco-Communication." This initiative renders the effects of measures that contribute to the reduction of various environmental loads created by Japan Post Bank, including the handling of the non-passbook general "Japan Post Bank Direct + (Plus)" accounts, and donates to and support activities of organizations nationwide that work with local residents on activities that contribute to biodiversity and the conservation of undeveloped woodlands near populated areas, and that include environmental conservation activities and make social contributions.

In addition, our ESG Investment and Financing Policy prohibits investments and lending in our market management business for the purpose of raising funds for "business that negatively impacts wetlands designated by the Ramsar Convention" and "business that violates the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention)."

New Initiatives

Initiatives aimed at conserving natural capital and biodiversity are accelerating internationally, and the "TNFD (Taskforce on Nature-related Financial Disclosures)" framework is scheduled to be finalized and start operation in September 2023.

In September 2022, Japan Post Bank participated in the "TNFD Forum," which provides support for sharing information related to, and forming the framework for, TNFDs. By participating in the TNFD Forum, etc., we will be involved, as a financial institution, in creating the TNFD framework, and thus deepen our understanding of natural capital and biodiversity.

7. Officer Compensation

We have adopted a mechanism for continuously implementing climate change responses, etc. by reflecting the resolution of issues related to ESG management, such as climate change responses, in officer compensation. As is shown specifically below, medium- to long-term efforts are evaluated in a comprehensive manner, including the degree to which management plans and sustainability have been achieved.

1. Compensation system

- (1) Those serving concurrently as Directors and executive officers are compensated as executive officers.
- (2) Japan Post Bank Directors are compensated fixed amounts according to their job responsibilities, based on the scope and magnitude of their responsibilities for management, etc.
- (3) Japan Post Bank executive officers are compensated basic fixed amounts and provided performance-based stock compensation according to their job responsibilities, which are intended to function as a sound incentives for sustainable growth.

2. Director compensation

Directors are compensated a certain fixed amount according to their job responsibilities based on their main role of supervising management compensation. The level of this compensation is set appropriately in consideration of the magnitude of Director responsibilities and Japan Post Bank's current circumstances.

3. Executive officer compensation

Executive officers are compensated depending on their positions based on differences in their responsibilities, etc., at a certain level of basic compensation (fixed amount of compensation) according to their job responsibilities, and provided performance-linked stock compensation that reflects the degree to which the management plan has been achieved.

The level of basic compensation will be an appropriate level considering the magnitude of executive officer duties and Japan Post Bank's current circumstances.

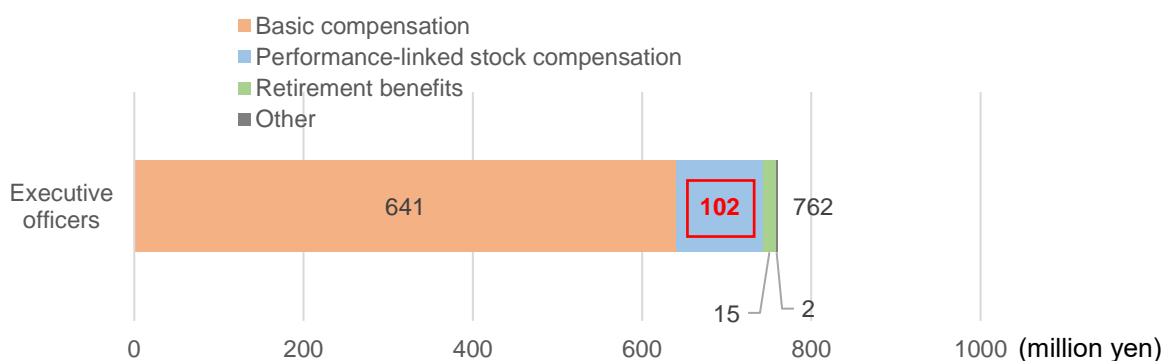
With respect to stock compensation, from the perspective of healthy incentives for sustainable growth, points calculated by multiplying evaluation points by a coefficient that fluctuates according to the degree to which management plans have been achieved, etc. are awarded every year based on basic points and individual evaluations according to separately defined job responsibilities, and stocks corresponding to accumulated points will be granted at the time of retirement. However, money obtained by converting stock into cash will be paid for a certain proportion thereof.

Note that executive officers in charge of fields requiring special business knowledge and skills and whose compensation according to their duties is significantly lower than the level of compensation generally received by officers in charge of such fields at other companies may be compensated based on compensation standards of other companies instead of on compensation according to their job responsibilities.

◆ Table 5 Executive Officer Compensation System

Compensation Type	Payment Standard	Payment Method
Basic compensation (fixed)	Appropriate level considering job responsibilities and Japan Post Bank current circumstances	Monthly (cash)
Stock compensation (performance-linked)	Points calculated by the following formula are given every year, and stocks are granted according to the accumulated points. ① Basic points (awarded according to duties) ② Evaluation points (awarded based on individual evaluation) ③ Coefficient (fluctuates according to the degree to which management plans are achieved) ¹⁷ (①+②) × ③	Upon retirement (stock, but cash for a certain percentage)

■ Figure 5 Status of¹⁸ Executive Officer Compensation¹⁹ (FY2021)



¹⁷ In FY2021, evaluations were determined comprehensively based mainly on the following indicators.

Net income, fees and commissions, reduction of operating expenses, deepening of market operations and risk management, promotion status of ESG management, customer-oriented efforts, etc.

¹⁸This is the total for 29 recipients.

¹⁹The stated amounts are rounded down to the nearest unit.

Amounts recorded as expenses in FY2021 are noted under performance-linked stock compensation.

The officer retirement bonus system was abolished in June 2013, but officers who continue to serve will be paid the officer retirement bonuses for their periods of service up to abolishment of the system upon their retirement.

8. Enhancing Employee Understanding of Sustainability

We are implementing various training measures with the aim of ensuring that each and every employee understands our sustainability promotion initiatives, applies them to their own work, and puts them into practice on their own initiative.

Since training methods vary by target audience (e.g., management executives, all employees, and employees of a specific organizations) and training theme, we are working to improve understanding using various tools such as lectures by external instructors, study group-style training using the company Intranet, and distribution of videos by officers in charge.

➤ Training Results and Main Training Themes from FY2021 Onward

- ✓ Training for management executives (Theme for July 2021: Global trends in ESG and SDGs, and the situation in Japan)
- ✓ Information paper for all employees (Theme for October 2021 to February 2022: Priority Issues (materialities) in the Medium-term Management Plan, etc.)
- ✓ E-learning for HQ employees (Theme for December 2021: Climate change, biodiversity, human rights, and other sustainability trends, etc.)
- ✓ Sustainability Officer videos (Theme for January 2022: ESG management)
- ✓ Training for management executives (Theme for April 2022: "Human rights" from a management perspective)



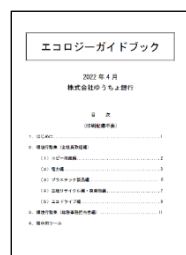
Scene from Sustainability Officer Video
(Officer in charge: Senior Managing Executive Officer, Harumi Yano)



Scene of Management Executive Training

Use of the "Ecology Guidebook"

We have created an "Ecology Guidebook" to raise employee awareness and are using it to encourage employees to drive ecological efforts and conserve energy. We are also promoting efforts to reduce our business environmental load by, for example, providing feedback to HQ employees on the amount of copy paper they use.



4. Strategy

Based on the content of the TCFD Proposal, Japan Post Bank has identified climate change-related risks and opportunities and conducted scenario analysis to understand the impact of climate change-related risks on management strategies, Finance Portfolios, etc., and to monitor loan exposures to carbon-related assets, and is analyzing actual and potential impacts of climate change-related risks and opportunities on our business.

1. Identifying Risks and Opportunities

Japan Post Bank identifies climate change-related risks and opportunities as described below.

◆ Table 6 Identifying Risks and Opportunities

Items	Details	Period ²⁰	Financial Impact ²¹
Physical risks	<ul style="list-style-type: none">Damage to Japan Post Bank assets such as ATMs and increased investee company credit risk due to natural disasters, etc.	Short-term	Small
Transition risks	<ul style="list-style-type: none">Decline in value of securities held by Japan Post Bank related to investee companies that are greatly affected by environmental regulations have due to tightened regulations	Medium- to long-term	Medium
Opportunities	<ul style="list-style-type: none">Enhancement of evaluations of Japan Post Bank in capital markets and society through appropriate initiatives and disclosures on climate-related issuesMore opportunities to invest in renewable energy projects and green bonds, etc.	Short- to long-term	Medium

²⁰The period until the relevant risks and opportunities occur or manifest. Short-term: Less than 1 year, Medium-term: 1 year to less than 3 years, Long-term: 3 years or more

²¹Financial Impact on B/S and P/L: Small: Less than 1 billion yen per year, Medium: 1 billion yen to less than 10 billion yen, Large: 10 billion yen or more per year

2. Management of Carbon-related Assets

In order to quantitatively understand the climate change risk of loans belonging to sectors that are highly impacted by climate change, we aggregate, manage, and monitor carbon-related assets quarterly based on TCFD Proposals.

As of the end of March 2022, the ratio of carbon-related assets (based on four non-financial groups²² based on the revised October 2021 TCFD Proposal) to Japan Post Bank loans was 8.2% (approximately 364 billion yen).

In our ESG Investment and Financing Policy (P.50), we have stipulated, with respect to investments in, and financing of, coal-fired power generation projects, which are said to have a large impact on the environment, that we will not make investments in, or loans for, construction of new, or expansion of existing, coal-fired power plant facilities. Furthermore, as of the end of March 2022, we had no balances for financing projects that involve the construction of coal-fired power plants.

Due to the Postal Service Privatization Act, Japan Post Bank is currently limited to syndicated loans (participatory), etc. for corporate lending.

◆ Table 7 Status of Carbon-related Assets (as of the end of March 2022)

Carbon-related Sector	Balance	Ratio to Loans
Energy	42.1 billion yen	0.9%
Transportation	127.3 billion yen	2.9%
Materials and buildings	165.5 billion yen	3.7%
Agriculture, food, and forestry products	29.1 billion yen	0.7%
Total	364.0 billion yen	8.2%

²²Carbon-related sectors as clarified by the TCFD Proposal. The four sectors: Energy; transportation; materials and buildings; and agriculture, food, and forestry products.

3. Scenario Analysis

Japan Post Bank conducted a scenario analysis to understand the impact of climate change-related risks on its portfolio.

Because it is assumed, as identified above in “Identifying Risks and Opportunities” (P.26), that the impacts of transition risk due to climate change will be manifested in securities that are at the core of operating assets in the Japan Post Bank portfolio, we recognize that conducting scenario analysis with securities as the target of analysis is extremely important when measuring the impact of climate change at Japan Post Bank.

Furthermore, while it is necessary to analyze sectors with significant impact and high importance given that the impact of climate change that manifests in the securities held by Japan Post Bank varies greatly by sector, since a cross-sectoral analysis is also required in order to optimize the entire portfolio flexibly, Japan Post Bank intends to conduct scenario analysis using both a sector-specific qualitative top-down approach and a cross-sectoral quantitative bottom-up approach in order to grasp the impact of climate change in more detail.

Additionally, with respect to physical risk, because the analysis of the impact of flood damage on loan-related costs, which is generally performed by commercial banks, does not fit into the Japan Post Bank business model, the impact amount on banking facilities owned by Japan Post Bank was calculated²³.

Since it cannot be said that there are established methods for scenario analysis, and since companies and regulatory authorities are still at the stage of making such efforts through trial and error, we recognize the need to analyze from all angles. We will continue to improve our analysis based on international trends.

◆ Table 8 Overview of Transition Risk Scenario Analysis

Transition Risks	Scenarios	NGFS Scenarios ²⁴ published in 2021 (Scenario model: REMIND-MAgPIE2.1-4.2)
	Target	Securities (both fixed income and equities) that make up the majority of the Japan Post Bank Finance Portfolio ²⁵
	Method of Analysis	Analysis of the impact that increased investee company carbon costs ²⁶ due to legal regulations, etc. have on investee company profits (Note) Effects of initiatives investee companies may implement for improving profits in the future are not taken into consideration.

²³Due to the fact that the Postal Service Privatization Act currently limits the Japan Post Bank corporate lending business to syndicated loans (participatory type), etc., and to the fact that the core of Japan Post Bank operations is its security operations, we cannot guarantee the accuracy of obtaining information from debtors, so we analyzed the equipment assets we own.

²⁴Climate scenarios published in June 2021 by NGFS (Network for Greening the Financial System).

²⁵Not subject to calculation when data required for calculation (e.g., GHG emissions and financial data) is unavailable.

²⁶Costs incurred by investees as carbon prices increase in the scenario.

	Target Period	Bonds: Until all bonds mature	Stocks: Until 2100
	Analysis Results	Approx. ▲600 billion yen (maximum drop in market value evaluation)	
	Financial Impact	<p>- While transition risk scenario analysis, which is generally conducted by commercial banks, calculates the amount of increase in loan management costs that accompanies nonperforming loans, this analysis calculates the amount of depreciation in the value of securities in line with the Japan Post Bank business model.</p> <p>- This analysis incorporates the impact of deterioration in earnings of investee companies due to increases in carbon costs into the calculation of the market value evaluation amounts. However, real impact on financial strategy will be limited because, among other things, deterioration of investee company earnings and decline in market value evaluation will gradually become apparent, investee companies are expected to implement profit improvement measures, the securities subject to analysis are traded in the market and can be sold along the way, and bonds are redeemable.</p>	

◆ Table 9 Overview of Physical Risk Scenario Analysis

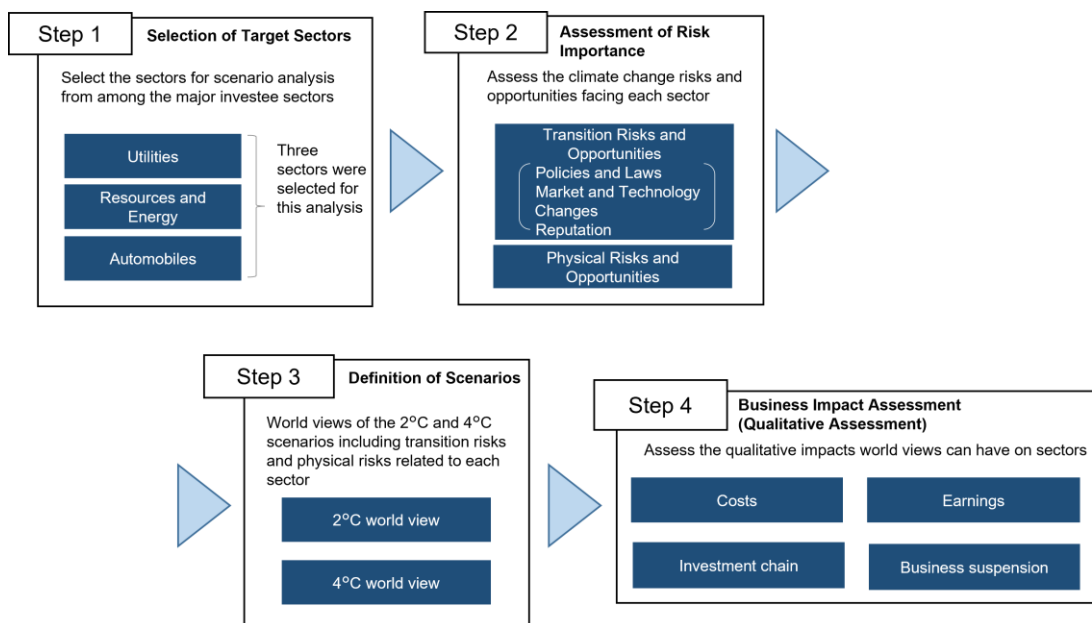
Physical Risks	Scenarios²⁷	IPCC RCP2.6 (2°C Scenario)	IPCC RCP8.5 (4°C Scenario)
	Target	Facilities such as ATMs and counter terminals installed and owned nationwide	
	Method of Analysis	Use river flood hazard maps to calculate damage amounts assuming inundation depths under certain assumptions	
	Target Period	The next 100 years	
	Analysis Results	Approx. ▲50 billion yen	Approx. ▲100 billion yen
	Financial Impact	Since facilities are distributed throughout the country, the risk of them being damaged at the same time is small, so the impact on financial strategy is limited.	

²⁷Scenarios for global average temperature increases over the next 100 years published by IPCC (Intergovernmental Panel on Climate Change).

Qualitative Analysis (Transition Risks)

An image of the flow of qualitative analysis using the top-down approach is shown below.

➤ Image of Analysis Flow



Sectors deemed to be of high importance (e.g., those with generally high levels of GHG emissions) with respect to a carbon-free society (i.e., the utilities, resources/energy, and automotive sectors) were selected from among the Japan Post Bank main investee sectors as targets for analysis. Evaluation items related to "transition risks and opportunities" and "physical risks" facing target sectors were identified from the content of responses and external views on such things as specialized initiatives from companies whose business impacts (potential risks and opportunities) on the target sector are disclosed by CDP²⁸, and their importance was evaluated. As a result, we identified the following highly important items and parameters in each sector.

²⁸An international NGO working on initiatives, like climate change initiatives, in the environmental sector.

◆ Table 10 Parameter List based on Evaluations of the Importance of Risks and Opportunities

Types of Risks and Opportunities		Item	Parameter List		
			Utilities	Resources and Energy	Automobiles
Transition Risks and Opportunities	Policies/regulations	Carbon tax/carbon price	Carbon tax	Carbon tax	Carbon tax
	Industry/market	Energy mix, etc.	Power source configuration	Degree of dependence on fossil fuel business	-
		Changes in customer behavior	Amount of fossil fuel energy consumed in homes	Amount of fossil fuel energy consumed in homes	Number of engine-equipped vehicles sold
	Technology	Spread of low-carbon technologies	-	Spread of CCS ²⁹ , etc.	Adoption rate of electric cars
Physical Risk	Acute	Intensification of extreme weather	Flood frequency	Flood frequency	Flood frequency

After that, assuming two scenarios, we qualitatively analyzed how the parameters that have a major impact on each sector will have a financial impact on each sector and on Japan Post Bank's operating assets, and then, after comprehensive consideration, evaluated the impacts on each sector. Note that we analyzed scenarios from the world views of the 2°C and 4°C scenarios using the Sustainable Development Scenario³⁰ (corresponding to the SDS/2°C scenario) and the Stated Policies Scenario³¹ (corresponding to the STEPS/4°C scenario) published in the World Energy Outlook 2020 report of the IEA (International Energy Organization).

²⁹Carbon dioxide Capture and Storage: A capture/storage technology that sequesters and traps emitted CO₂ in other locations, such as underground or in a reservoir, rather than releasing it into the atmosphere.

³⁰A scenario based on the premise that global warming countermeasures, etc. will be continuously implemented to achieve the Paris Agreement.

³¹A scenario based on the extension of the current administration measures that have already been formulated.

◆ Table 11 Evaluation of Business Impacts by Scenario

	2°C Scenarios	4°C Scenarios
Utilities	<ul style="list-style-type: none"> ↗ Increase in renewable energy business sales due to the spread of renewable energy ↘ Cost increase due to introduction/expansion of carbon taxes and stranding of fossil fuel assets 	<ul style="list-style-type: none"> ↗ Decrease in power generation costs due to continued dependence on fossil fuels ↘ Increased costs of responding to intensifying extreme weather events
Resources and Energy	<ul style="list-style-type: none"> ↗ Increased earnings from increased investments in renewable energy technologies driven increased demand for renewable energy ↘ Increased costs and decreased fossil fuel business sales due to introduction/expansion of carbon taxes 	<ul style="list-style-type: none"> ↗ Increase in fossil fuel sales due to continued dependence on fossil fuels ↘ Increased costs of responding to intensifying extreme weather events
Automobiles	<ul style="list-style-type: none"> ↗ Increased sales due to the spread of electric vehicles, etc. ↘ Increase in costs and decrease in sales of engine-equipped vehicles due to introduction/expansion of carbon taxes 	<ul style="list-style-type: none"> ↗ Increased sales of engine-equipped vehicles due to continuation of current regulations/market environment ↘ Increase in repair costs due to intensifying extreme weather

Legend: ↗ Events that could increase the value of Japan Post Bank operating assets

↘ Events that could reduce the value of Japan Post Bank operating assets

Based on the results of the above scenario analysis, we will reaffirm the importance of confirming the use of funds for securities and loans in highly important sectors, and will utilize this analysis in future investment strategies.

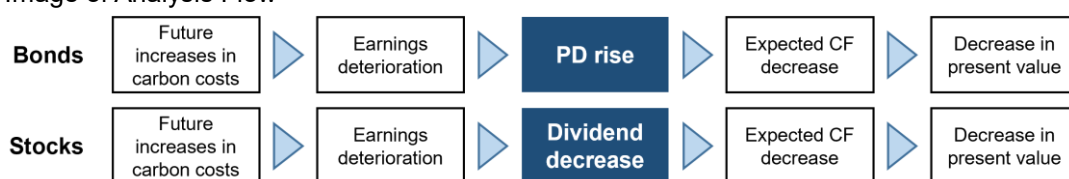
Quantitative Analysis (Transition Risk)

In order to quantitatively understand impacts on the overall Japan Post Bank portfolio, we also conducted an impact analysis targeting all sectors without setting specific target sectors.

In doing our analysis, we analyzed the securities (bonds and stocks)³² that account for the majority of the portfolio using a bottom-up approach, narrowing down (giving no consideration of any kind to initiatives, etc. implemented by the company to reduce climate change risks or acquire climate change opportunities) the parameters to just increases in carbon costs, which are the main risk drivers implemented by institutional investors, etc.

The flow for analyzing both bonds and stocks is to first calculate future carbon costs based on NGFS (Network for Greening the Financial System) scenarios, and then, after factoring these costs into each company's future finances, reflect the impact thereof in the PD (probability of default) and future dividends. Since, for the purposes of calculating the prices of each security, this impact implies a reduction in future cash flows received, it is possible that the present value will decline, and thus the maximum decline in market value is calculated by adding up the impact of each security.

> Image of Analysis Flow



We used three published scenarios of the NGFS (Network for Greening the Financial System) for future carbon cost scenarios. We targeted the Current Policies Scenario (3°C scenario), which assumes the continuation of current policies, in addition to the Net Zero 2050 Scenario, which assumes carbon neutrality by 2050, and the Delayed Transition Scenario, which assumes policy implementation will be delayed.

³²Not subject to calculation when data required for calculation (e.g., GHG emissions and financial data) is unavailable.

◆ Table 12 List of Used Scenarios

Model	Scenarios	Temperature Targets	Details
NGFS Scenarios published in 2021 (Scenario model: REMIND-MAgPIE2.1-4.2)	① Disorderly: Delayed transition	1.8°C	Higher transition risk due to policy delays or policy differences across countries and sectors. For example, carbon prices suddenly rise after a certain lag period.
	② Orderly: Net Zero 2050	1.5°C	Assumes climate policies are introduced early and become progressively stricter. Both physical and transition risks are relatively low.
	③ HHW: Current Policies	3.0°C	Assumes that some countries/regions have implemented some climate policies, but that global efforts to stop global warming are insufficient. These scenarios pose serious physical risks, including irreversible effects such as sea level rise.

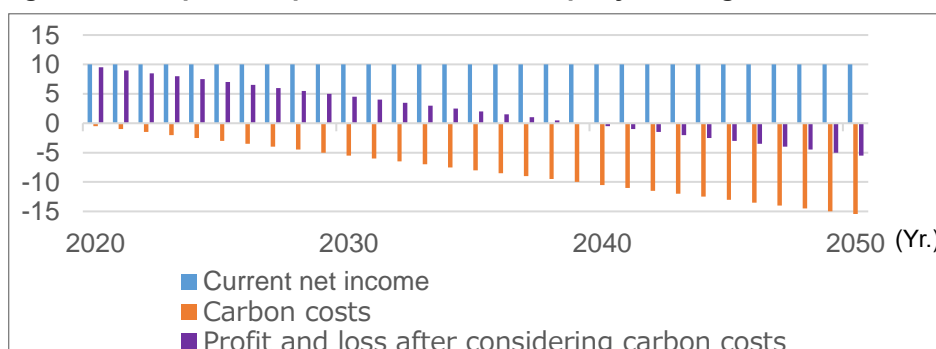
Details of the price estimation approach for analyzing how increasing carbon costs will affect each asset's financial impact are provided below.

◆ Table 13 Price Estimation Approach

Assets	Method of Analysis	Method of Approach	Target Period	Risk Assessment Method
Bonds	Analysis of the impact increased investee company carbon costs due to legal regulations, etc. have on investee company profits.	Estimate financial impact on the company from carbon cost effects, perform PD estimation using the Merton model, calculate the expected CF, and then calculate the price.	Until all bonds mature	Reflect carbon costs expected to occur from the base date to the maturity date onto current corporate finances, estimate corporate performance and default rate, and then evaluate creditworthiness and profitability based on the current point in time.
Stocks	(Note) Effects of initiatives for improving profits investee companies may implement in the future are not taken into consideration.	Estimate the financial impact on the company from carbon cost effects, calculate the dividend CF, and then calculate the price using the dividend discount model.	Until 2100	Fix corporate finances at the current moment in time, estimate the financial impact on the company from carbon cost effects, calculate the dividend CF, and then evaluate growth potential and earning power based on the current point in time using the dividend discount model.

An example of the impact of increased carbon costs on an investee company earnings is described below. Carbon costs have increased year by year, putting pressure on corporate finances, and depending on the company, it is conceivable that this could lead to negative growth (profit and loss will be in the red after considering the carbon cost calculated by net income + carbon cost).

■ Figure 6 Example of Impact on Investee Company Earnings



In other words, as mentioned above, investee company earnings will decrease year by year since carbon costs are the only variable parameter. Since carbon costs are calculated by multiplying the emissions that companies will emit in the future by the unit price in the scenario, it is thought that the above trend will be more pronounced in companies that originally produce a lot of emissions.

Based on the above, the bond and equity impact analysis results are as follows.

◆ Table 14 Quantitative Analysis Results (As of the End of March 2022)

Assets	Maximum Decline in Market Value
Bonds	Approx. ▲390 billion yen
Stocks	Approx. ▲210 billion yen
Total	Approx. ▲600 billion yen

While transition risks scenario analysis, which is generally conducted by commercial banks, calculates the amount of increase in loan management costs associated with bad loans, this analysis calculates the amount of decline in securities value in accordance with the Japan Post Bank business model. This analysis also incorporated the impact of deterioration in earnings of investee companies due to increases in carbon costs into the calculation of the market value evaluation amounts. However, real impact on financial strategy will likely be limited because, among other things, deterioration of investee company earnings and decline in market value evaluation will gradually become apparent, investee companies are expected to implement profit improvement measures, the securities subject to analysis are traded in the market and can be sold along the way, and bonds are redeemable.

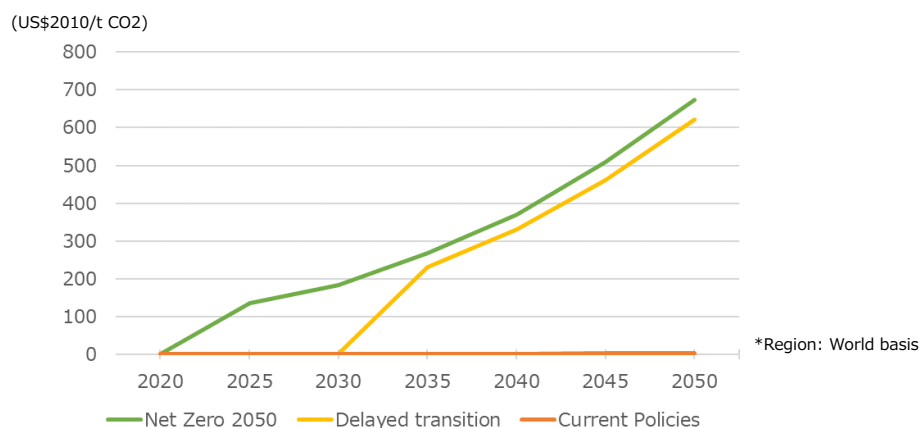
Going forward, we will continue to conduct analyses that take into account the impact of long-term climate change from this analysis, and will continue to monitor the impact of climate change and support the initiatives of our investment and lending partners through engagement.

Note that we also conducted a detailed analysis of changes in valuation amounts by sector using a bottom-up approach. From the results by sector, we were able to confirm the analysis results that complement the results of the qualitative analysis (supporting the high importance of the sectors), focusing on the utility, energy, and automotive sectors that were selected as highly important sectors in the qualitative analysis.

➤ Reference (about NGFS scenarios)

In calculating carbon prices, we used three scenarios published by the NGFS for future carbon cost scenarios. Future trends for each scenario are as follows.

■ Figure 7 Changes in Carbon Price by NGFS Scenario



With Net Zero 2050, carbon price hikes will occur early due to early action on global warming. With Delayed Transition, global warming countermeasures are delayed, so carbon prices will rise sharply from around 2030. On the other hand, with Current Policies, global warming countermeasures remain unchanged, so there will be almost no increase in carbon prices.

Due to these differences, the timing and impact of earnings deterioration on companies will vary, and we were able to confirm that there was also a change (range) in the calculation of the maximum decline in market value, which was the purpose of this transition risk quantitative analysis.

Specifically, while with Net Zero 2050, there will be some impact even on short-maturity bonds due to the early and continuing rise in carbon prices, with Delayed Transition, the carbon price will rise from around 2030, so we were able to confirm the results specific to each scenario, such as not having a significant impact on bonds that will be redeemed by then.

Note that, with respect to the result with the maximum amount of decline in the disclosed market price evaluation amount, the purpose of this analysis was to first determine the degree of potential financial impact that can be considered as a possibility and then to incorporate that into financial strategies, etc. when necessary, and thus, based on the idea that it is desirable to calculate figures conservatively, we disclosed the analysis results of the scenario with the largest drop out of the three scenarios.

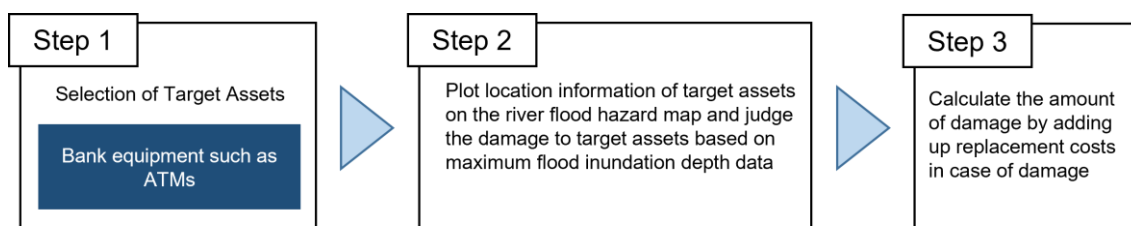
Quantitative Analysis (Physical Risk)

Normally, a bank's physical risk measurement method measures the credit risk of borrowers brought about by climate change, and measures the impact that it has on business activity (e.g., increase in loan management costs due to loans becoming nonperforming), however, since this does not fit with the Japan Post Bank business model, which centers on bond management, we adopted a method that estimates the amount of damage to our own facilities.

Specifically, assuming the largest flood that might occur once in 100 years and that the bank is likely to suffer direct flood damage therefrom, we conducted a quantitative analysis of the resulting impact on bank facilities such as ATMs installed/owned by Japan Post Bank nationwide (excluding buildings because they are mostly not owned by Japan Post Bank due to lease contracts).

For scenarios, we adopted IPCC RCP2.6 (2°C scenario) and IPCC RCP8.5 (4°C scenario). An image of the analysis flow is provided below.

> Image of Analysis Flow



Using a hazard map to calculate the amount of damage to Japan Post Bank facilities based on flood depths currently assumed when floods occur, we estimated that the total amount of damage will be approximately 25 billion yen over the next 100 years. Due to climate change, it is assumed that the frequency of floods will approximately double under the 2°C scenario and approximately quadruple under the 4°C scenario, that and the damage amount will likewise double (to approximately 50 billion yen) and quadruple (to approximately 100 billion yen) over 100 years. However, even if we take these changes in frequency and damage amount into account, since Japan Post Bank facilities are distributed throughout the country and the risk of them being damaged at the same time is thus small, we believe that the impact on our financial strategy will be limited.

4. Japan Post Bank Sustainable Investments

Japan Post Bank provides financing (securities management and financing) using investment methods that take sustainability into consideration, and we continue to work while referencing the sustainable investment methods defined by PRI³³ and GSIA³⁴ to ensure that Japan Post Bank business activities are sustainable.

➤ ESG Integration

For some of our in-house managed assets, we check the ESG scores of securities issuers when making investment decisions. Regarding outsourced management, in the case of private equity investment, it is essential to be a signatory to the Principles for Responsible Investment (PRI), which is supported by the United Nations, so when making investment decisions (selection of investment trustees), we require investment contractors to confirm compliance with the Japan Post Bank ESG Policy (that asks whether companies prohibit investment in businesses that violate international treaties (Washington Convention, Ramsar Convention, etc.) or businesses that use child labor or forced labor) in private equity fund due diligence. In addition, when investing in SDGs bond investment trusts (ESG funds) (P.45), we confirm the analysis/monitoring systems, and track records, etc. with respect ESG of issuers and stocks in which the asset management company invests.

➤ Engagement and Exercising Voting Rights

Japan Post Bank is accelerating its efforts to support the reduction of GHG emissions throughout society and to achieve net zero by 2050 through engagement with investment and loan recipient companies that have a large impact on climate change (P.53). We have also established a "policy for exercising voting rights" for managing our own stock, however, when actually exercising voting rights, we do not make formal judgments, but consider non-financial information including ESG factors and the state of dialogue.

➤ Screening and Negative Screening based on International Norms

Japan Post Bank promotes global asset allocation based on its ESG Investment and Financing Policy, which takes into consideration sectors that have a large impact on climate change and various international agreements (P.50).

³³Abbreviation of Principles for Responsible Investment. Responsible investment principles. The principles state that when financial institutions and others make investment decisions, they should consider and reflect the environmental, social issues, and corporate governance (ESG issues) initiatives of companies in which they invest. Advocated by UN Secretary-General Kofi Annan in 2006.

³⁴Abbreviation of Global Sustainable Investment Alliance. An international organization that promotes sustainable investment that considers environmental protection and social issues. It categorizes sustainable investment methods in seven ways.

➤ Positive/Best-in-class Screening

To expand new opportunities created by climate change, we are increasing our investments in renewable energy projects and green bonds (P.42).

➤ Sustainability-themed Investments

We have set an ESG-themed investment balance of 4 trillion yen by the end of fiscal 2025 (doubling from the initial 2 trillion yen) as a target KPI in our Medium-term Management Plan announced in May 2021 (P.65). Initially, we set the investment balance at 2 trillion yen, but since Japan Post Bank made steady progress in line with the expansion of the market, we raised the target KPI to 4 trillion yen in March 2022.

➤ Community Investments/Impact Investments

- Investments in Regional Vitalization Funds (community investments)

For the social purpose of "contributing to the development of communities and regions," Japan Post Bank listed the key strategy of "enhancing funds flow to regional communities and the regional relationship functions through various frameworks," using Regional Vitalization Funds, etc. in its Medium-term Management Plan announced in May 2021, and provides risk money (equity capital) to small and medium-sized enterprises, etc., which are important players in regional revitalization. We also stipulate that these investments be "proactive investments and loans" in our ESG Investment and Financing Policy, and promote them accordingly.

In terms of specific investees (investment sectors), in addition to funds that aim to support growth, business succession, entrepreneurship, etc., we provide funds to various sectors that contribute to regional revitalization across a wide range of funds, including funds that support small and medium-sized enterprises that have been affected by earthquakes, typhoons, etc. and are working on reconstruction, and small and medium-sized enterprises whose business environments have deteriorated due to the impact of COVID-19.

To date, we have participated in a total of 39 funds (as of the end of FY2021), in which we have made total investments of approximately 13 billion yen.

The Regional Vitalization Funds in which Japan Post Bank participates include 29 prefectures as investment areas, in addition to multiple funds that invest nationwide, providing funds to small and medium-sized enterprises, etc. almost nationwide. Additionally, the Regional Vitalization Funds in which Japan Post Bank participates have so far provided support through investments in more than 300 small and medium-sized enterprises, etc.

Through these efforts, we are contributing to the revitalization of regions by circulating the precious funds entrusted to us by our customers.

Vitalization of Regional Economies (<https://www.jp-bank.japanpost.jp/en/sustainability/social/community/activation/>)

- Investments in impact funds (impact investments)

Japan Post Bank has invested in the "Japan Post Investment Regional Development and Impact Fund I, ILP" (hereinafter, "the Fund") established in April 2022 by its consolidated subsidiary Japan Post Investment Corporation. The Fund invests in companies and projects that contribute to the revitalization of regional economies and the creation of social impacts to achieve SDGs goals and aims to establish a sustainable society, and will contribute to the achievement of SDGs goals by revitalizing regional economies and creating positive impacts on society through funds that flow to regional communities by, in specific terms, investing in small and medium-sized enterprises, venture companies, regional development projects, etc. that have needs for growth funds and business succession in Japan. It aims to create positive impacts by pursuing social returns, in addition to economic returns, as "impact investments" for investments in companies and businesses that, among the investment targets, have a particular social impact.

For investments in the "Japan Post Investment Regional Development and Impact Fund I, ILP," go to https://www.jp-bank.japanpost.jp/aboutus/press/2022/abt_prs_id001678.html

5. Examples of Investments and Loans That Captured Climate Change Opportunities (ESG Investments and Loans)

In our climate-related efforts, we not only manage risks appropriately, we also expand our efforts to new opportunities created by climate change. By increasing loans to renewable energy businesses and investments in green bonds, etc., we are both contributing to the creation of sustainable social value over the medium to long term, which is one of the important Japan Post Bank roles, and enhancing our corporate value.

Investments in Green Bonds issued by the Japan Housing Finance Agency

[Overview of the Bonds]

Name of the Bonds	Government-guaranteed Japan Housing Finance Agency Bonds (Green Bonds)
Term	12 years
Amount issued	30 billion yen
Date of Issue	December 23, 2021
Overview	The Japan Housing Finance Agency offers Flat 35 S, which lowers borrowing interest rates for a certain period of time when high-quality housing, such as energy-saving and earthquake-resistant properties, is acquired. Japan Housing Finance Agency green bonds target newly built homes that meet the Flat 35 S "Technical Standards for Energy Conservation," and use the purchase prices of these housing loan receivables as funds. It has been confirmed that Japan Housing Finance Agency green bonds have been selected as Ministry of the Environment "Model Issuance Cases related to FY2018 Green Bond Issuance Model Creation Projects," and that they comply with the "2017 Green Bond Guidelines." They were also issued under the same framework in FY2021.

Investments in Green Bonds issued by the Japan Housing Finance Agency

- Supporting Efforts to Reduce Greenhouse Gas Emissions -

https://www.jp-bank.japanpost.jp/news/2021/news_id001743.html

Investments in Social Bonds Issued by the Japan Expressway Holding and Debt

Repayment Agency

[Overview of the Bonds]

Name of the Bonds	425th Government-backed Japan Expressway Holding and Debt Repayment Agency Bonds (Social Bonds)
Term	20 years
Amount issued	10 billion yen
Date of Issue	April 26, 2022

Overview

The Japan Expressway Holding and Debt Repayment Agency formulated the "Social Finance Framework," and we have obtained a second opinion from Rating and Investment Information, Inc. (R&I) that this framework conforms to the "Social Bond Principles" established by the International Capital Market Association (ICMA) and the Financial Services Agency's "Social Bond Guidelines."

Proceeds from funds procured by issuing Japan Expressway Holding and Debt Repayment Agency social bonds are used to refinance debts on expressway projects that the agency is responsible for, and to solve social issues such as "forming sustainable and resilient national lands" and "regional revitalization."

Work targeted by the social bonds issued by this agency is also related to SDGs Goal 13 "Climate Action" (strengthen resilience and adaptive capacity to climate-related disasters and natural disasters), and Japan Post Bank supports initiatives that contribute to climate change adaptation through investments and loans.



From Japan Expressway Holding and Debt Repayment Agency investor briefing materials

For investments in the Japan Expressway Holding and Debt Repayment Agency, go to - Supporting efforts to resolve social issues such as "forming sustainable and resilient national lands" and "regional revitalization" - (https://www.jp-bank.japanpost.jp/news/2022/news_id001787.html)

Participation in Projects Financed Through the "SDGs Green Loans" Organized by Sumitomo Mitsui Banking Corporation

Japan Post Bank participated in a co-financed PFI project (redevelopment and operation of a hydroelectric power station owned by Tottori Prefecture) through a concession scheme with Sumitomo Mitsui Banking Corporation (hereinafter "Sumitomo Mitsui Banking Corporation") serving as the arranger (lead manager).

"SDGs Green Loans" are products provided by Sumitomo Mitsui Banking Corporation that limit the use of funds to environmentally friendly projects once the bank has confirmed prescribed financing requirements. In addition, they are loans for which the relevance of target projects to SDGs is confirmed based on "Green Bonds and Social Bonds: High-level Mapping in Light of the Sustainable Development Goals (SDGs)" and are evaluated by external evaluation agencies.

These "SDGs Green Loans" arranged by Sumitomo Mitsui Banking Corporation have been rated by Rating and Investment Information, Inc., an external evaluation agency, GA1, the highest rating provided in the company's "R&I Green Bond Assessment" loan evaluation scheme.



Hinogawa Daiichi Power Station (Photo taken from the official Tottori Prefecture web site)



Nakatsu Dam (Photo taken from the official Tottori Prefecture web site)

For our participation in projects financed through the "SDGs Green Loans" organized by Sumitomo Mitsui Banking Corporation, go to

- Tottori Prefectural Hydroelectric Power Plant Redevelopment and Operation Project -

(https://www.jp-bank.japanpost.jp/aboutus/press/2020/abt_prs_id001524.html)

Investments in a Company Aiming to Create Renewable Energy Funds (Z Energy Co., Ltd.)

In September 2021, we agreed, for the purpose of establishing a fund related to the creation of renewable energy, to contribute to the spread and expansion of renewable energy and the development of related technological innovations by conducting all processes from "generating" to "using" renewable energy power, and, in so doing, invested in a partner company called "Z Energy Co., Ltd.," which has also agreed to so contribute.

In December 2021, we also invested in the "Carbon Neutral Fund 1 Investment Limited Partnership," which is operated by Z Energy Co., Ltd.



From press release materials on the Z Energy Co., Ltd. web site

For our investments in new companies aiming to create renewable energy funds, go to

(https://www.jp-bank.japanpost.jp/aboutus/press/2021/abt_prs_id001627.html)

For our investments in the "Carbon Neutral Fund 1 Investment Limited Partnership," go to

https://www.jp-bank.japanpost.jp/aboutus/press/2021/abt_prs_id001655.html

Investments in the "Japan Green Investment Corp. for Carbon Neutrality" Established by the Ministry of the Environment

To realize a decarbonized society by 2050 and achieve its FY2030 greenhouse gas reduction target based on the revised Act on Promotion of Global Warming Countermeasures, the Ministry of the Environment established the "Japan Green Investment Corp. for Carbon Neutrality" as an all-Japan effort to encourage investment by private companies and private financial institutions in decarbonization businesses that are viable but difficult for private companies to invest in.

In support of this, Japan Post Bank has invested in the Japan Green Investment Corp. for Carbon Neutrality.

Ministry of the Environment web site (an external site)

https://www.env.go.jp/policy/roadmapcontents/post_167.html

Joining the "Japan Hydrogen Association"

Japan Post Bank joined the "Japan Hydrogen Association" in 2022.

The "Japan Hydrogen Association" is a cross-industry, open organization that overlooks the entire supply chain with the aim of building a hydrogen society at an early stage through the realization of social implementation projects.

As a member of the Japan Hydrogen Association, we will use knowledge gained through information exchanges and collaborations with other member companies to promote initiatives for realizing a hydrogen society.

Japan Hydrogen Association

<https://www.japanh2association.jp/>

Investments in SDGs Bond Investment Trusts (ESG Funds)

We have started investing in investment trusts whose main investment targets are bonds such as green bonds, social bonds, and sustainability bonds, the proceeds of which are used for businesses that contribute to the SDGs ("SDGs Bonds"). By investing in SDGs Bonds through investment trusts, we expect to actively contribute to solving social issues and secure stable returns (enhance corporate value) over the medium- to long-term.

Note that, when we select investment trusts, we confirm the analysis/monitoring systems, and track records, etc. with respect ESG for issuers and stocks in which the asset management company invests.

5. Risk Management

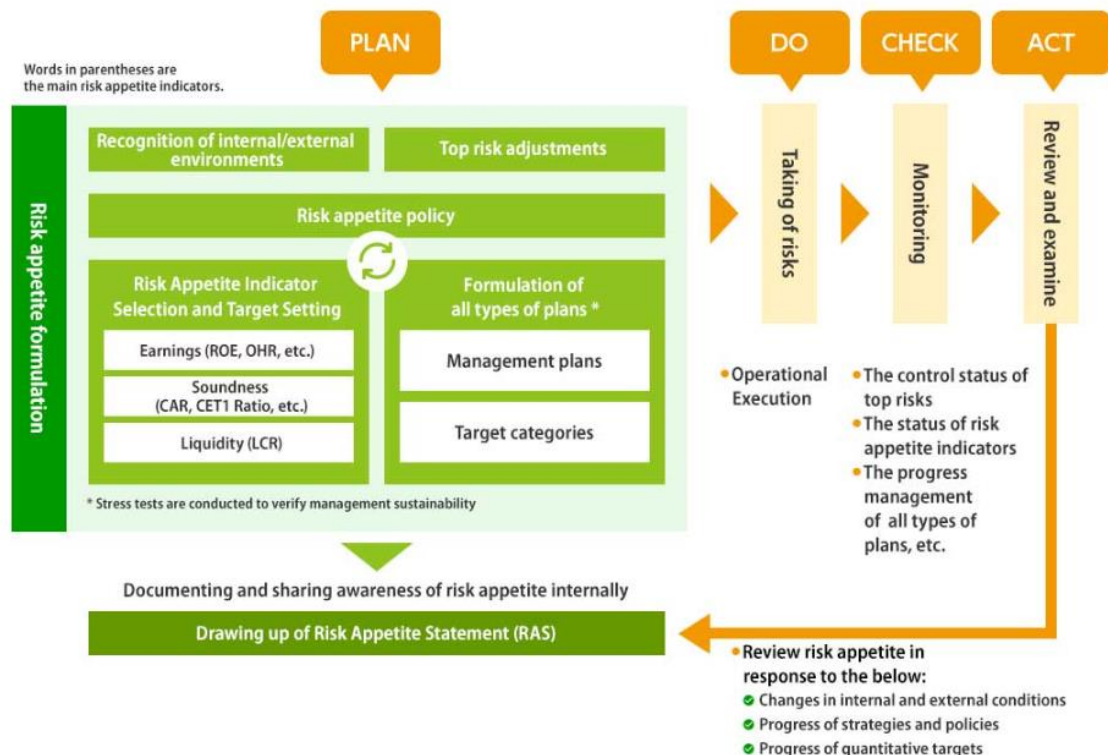
Japan Post Bank positions risks related to climate change, etc. as one of its top risks. Responses to these risks are reflected in management plans, and the Sustainability Management Office established in the Corporate Planning Department regularly checks the control status and takes necessary measures.

We promote global asset allocation based on our ESG Investment and Financing Policy, which takes into consideration sectors with high climate change importance and various international agreements. We will continue to consider further enhancements to this policy in order to fulfill our social responsibility as an institutional investor in climate change.

1. Management of Top Risks in the RAF (Risk Appetite Framework)

Japan Post Bank has introduced a Risk Appetite Framework (RAF)³⁵ to ensure medium- to long-term profitability and financial soundness. Based on this framework, we discuss and set risk appetite policies, indicators, and top risks in a manner that ensures they are integrated with the formulation of management plans.

■ Figure 8 Risk Appetite Framework Management Process



³⁵A business management framework used as common language between banks pertaining to all aspects of risk-taking policies, including the capital distribution and profit maximization of risk appetites (the type and total quantity of risks a company should willingly take on to fulfill its business plans after taking into account the unique aspects of the company's own business model).

Selection of Top Risks

We select the top risks that we recognize as potentially having a particularly significant impact on Japan Post Bank's business, performance, and financial position. These risks are selected following deliberation by the Board of Directors and Executive Committee within the risk appetite framework and in consideration of their degree of impact and probability.

◆ Table 15 List of Top Risks

Top Risks	Main Countermeasures
Stricter financial regulation of market, credit, and liquidity risks, etc.	Developing a stress-resistant portfolio Increasing sophistication of stress tests Strengthening specialized human resources in investing and risk management Strengthening internal control system from the standpoint of being a bank with international operations
Cyber attacks	Implementation and establishment of cyber-security action plans, and continuation of measures against phishing fraud, etc.
System disruptions	Internal verifications of examples from other companies Implementation of contingency plan training Steady promotion of measures for updating core systems
Large-scale disasters and pandemics	Development of emergency response plans Establishment of remote environments
Delayed support of DX, etc.	Steady advancement of DX as set forth in the Medium-term Management Plan
Occurrence of legal violations	Ensuring thorough measures to prevent recurrence of scandals and to prevent leaks and losses of personal information, based on past incidents
Insufficient customer-oriented business operations	Quality controls for customer-oriented business operations Strengthening second line ³⁶ functions, deepening the discussions in Special Committees, multiple lines of information transmission, etc.
Money laundering/terrorism financing	Systematic advancement of various responsive measures that are in accordance with guidelines put out by relevant authorities
Hindrance of strategy implementation due to personnel shortages	Continuous hiring of professional personnel, etc. Training of personnel based on training programs
Climate change risks, etc.	Advanced measures corresponding to changes in the outside environment, implemented monitoring, and provided disclosures as appropriate based on the basic sustainability policy

³⁶Management divisions such as the Risk Management and Compliance Division

2. Impact of Climate Change Risks on Existing Financial Risks

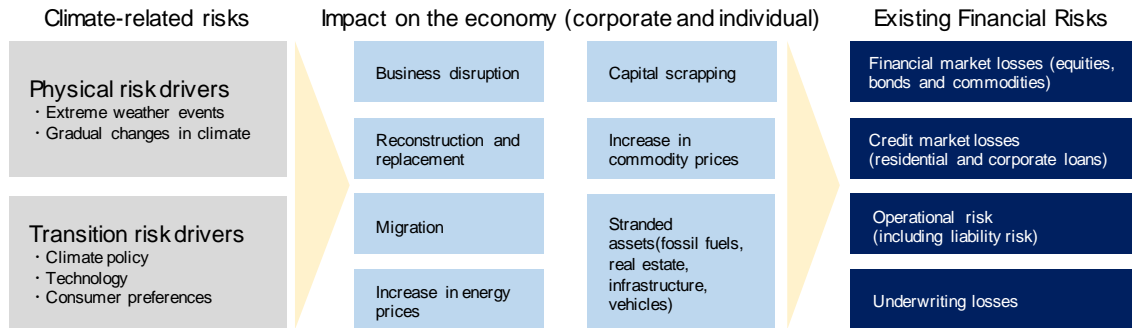
We have prepared impact cases for each existing risk category with respect to transition risks and physical risks associated with climate change.

◆ Table 16 Examples of Impacts by Risk Category Associated with Climate Change

Risk Category	Transition Risk	Physical Risk	Time Axis ³⁷
Credit and Market Risk	○ Prices of securities held fall as investee performance deteriorates due to the inability to respond to industrial transformation toward decarbonization	○ Prices of securities held fall as investee performance deteriorates due to abnormal weather	Short-term to long-term
Liquidity Risk	○ Japan Post Bank reputation deteriorates and funding costs rise due to subordinated response to climate change, etc.	○ Fund outflow increases due to increased demand for funds from customers affected by abnormal weather	Short-term to long-term
Operational Risk	○ Losses arising from inadequate implementation of GHG emission reduction measures in response to regulatory changes and changes in renewable energy supply and demand, etc. related to climate change	○ Headquarters, sales branches, data centers, etc. damaged by abnormal weather, resulting in damage to owned assets and restoration costs	Short-term to long-term
Reputational Risk	○ Reputation deteriorates due to assessments by external stakeholders that efforts and disclosures related to climate change response and mitigation were inadequate		Short-term to long-term

³⁷Short-term: Within 1 year, Medium-term: 1 year to less than 3 years, Long-term: 3 years or more.

Reference: ■ Figure 9 Examples of Climate Change Risk Transmission Paths Shown by the NGFS³⁸



³⁸Source: Independently created by Japan Post Bank based on "A call for action: Climate change as a source of financial risk" (April 2019) published by the NGFS (Network for Greening the Financial System).

3. ESG Investment and Financing Policy

Japan Post Bank promotes global asset allocation based on its ESG Investment and Financing Policy, which takes into consideration sectors that have a large impact on climate change and various international agreements. We will continue to consider further enhancements to this policy in order to fulfill our social responsibility as an institutional investor to address environmental and social issues.

ESG Investment and Financing Policy

■ Goal

JAPAN POST BANK has established ESG Investment and Financing Policy(hereafter “this Policy”) to appropriately address environmental issues such as climate change and biodiversity, social issues such as the violation of human rights, and to secure stable returns over the medium- to long-term and reduce risk.

This Policy applies to all of the investment and financing directly carried out by JAPAN POST BANK.

■ JAPAN POST BANK Investment and Financing Activities

While promoting internationally diversified investment, given the importance of its social mission, JAPAN POST BANK adheres to international agreements and does not invest in or finance activities that are contrary to the public or social good. The Bank invests or finances only after sufficient care is given in assessing how the funding from its investment or financing for securities or other financial instruments will be used.

■ Proactive Investment and Financing

JAPAN POST BANK engages in the following investment and financing.

a) With an eye toward contributing to the development of regional communities, the Bank is actively working to provide risk money to local communities in Japan through initiatives such as investing in regional revitalization funds.

b) The Bank actively invests in financial instruments such as green bonds and provide finance to support initiatives that contribute to mitigating and adapting to climate change. The Bank also actively carries out investment and financing activities that contribute to solving social issues other than those related to climate change.

■ Investment and Financing Prohibited Across Sectors

Based on its adherence to international agreements and policy of not investing in or financing activities that are contrary to the public or social good, JAPAN POST BANK does not invest in or finance businesses where funding is allocated to any of the following areas.

- a) Illegal transactions and transactions for illegal purposes
- b) Transactions which violate public order and good morals
- c) Transactions that negatively impact wetlands designated under the Ramsar Convention
- d) Transactions that negatively impact UNESCO-designated World Heritage Sites

e) Transactions violating the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention)*

f) Transactions involving the use of child labor or forced labor

*Taking into account country-specific considerations

■ Policy for Specific Sectors

a) Manufacturers of weapons

JAPAN POST BANK does not invest in or finance companies that manufacture cluster bombs. In addition, from a humanitarian perspective, the Bank does not invest in or finance businesses where the funding will be used in the manufacture of weapons such as anti-personnel mines and biological and chemical weapons.

b) Coal-fired power generation

JAPAN POST BANK does not invest in or finance businesses where funding will be used in the construction of new coal-fired power plants or the expansion of existing facilities. However, if necessary for achieving the goals of the Paris Agreement, we may consider investment and financing that contributes to the transition to a carbon-free society, where funds will be used for technologies such as co-combustion and carbon capture, utilization and storage (CCUS).

c) Coal mining

JAPAN POST BANK does not invest in or finance businesses where funding will be used in new operations for the mining of thermal coal. We carefully consider investment and financing for other forms of coal mining after verifying the environmental and social considerations implemented by the applicable business.

d) Oil and gas

Where funding will be used in the mining of oil and gas (in particular, oil sands, Arctic development, and shale oil and gas) and pipeline production, JAPAN POST BANK carefully considers investment or financing after verifying the environmental and social considerations implemented by the applicable business.

e) Developing palm oil plantations

Where funding will be used in developing palm oil plantations, JAPAN POST BANK carefully considers investment or financing after verifying the environmental and social considerations implemented by the applicable business.

f) Deforestation

Where funding will be used in business involving deforestation (large-scale agricultural land development, etc.), JAPAN POST BANK carefully considers investment or financing after verifying the environmental and social considerations implemented by the applicable business.

g) Large-scale hydroelectric power generation

Where funding will be used in the construction of large-scale hydroelectric power plants, JAPAN POST BANK carefully considers investment or financing after verifying the environmental and social considerations implemented by the applicable business.

■ Engagement with Investees and Borrowers

Through constructive dialog (engagement) and the exercise of voting rights, JAPAN POST BANK supports initiatives that help to solve social issues and drive the sustainable growth of the companies we invest in and finance.

Through these initiatives, we require that the companies we invest in and finance thoroughly disclose non-financial information.

■ Employee Training

JAPAN POST BANK conducts regular employee training to deepen understanding of environmental issues such as climate change and biodiversity as well as social issues such as the violation of human rights and ensure that duties are out appropriately in accordance with this Policy.

■ Stakeholder Engagement

JAPAN POST BANK as a matter of basic policy aims to improve constructive communication through dialog and closer ties with all its stakeholders.

■ Governance

The JAPAN POST BANK policy on governance was determined and revised based on discussions by various committees, including the Sustainability Committee and Management Committee.

In light of the external environment, we intend to regularly review the application and adequacy of this Policy at meetings of the Sustainability Committee and Management Committee, improving it as necessary.

Note that, during the investment decision flow, in addition to negative screening, which is mainly stated in the ESG Investment and Financing Policy, we introduce ESG integration to some assets, which incorporates ESG factors into investment and loan decisions, and refer to non-financial information such as ESG scores from external evaluation organizations and corporate GHG emissions.

4. Engagement Implementation Status

Japan Post Bank is accelerating its efforts to support the reduction of GHG emissions throughout society and to achieve net zero by 2050 through engagements with investment and loan recipient companies that have a large impact on climate change response. Examples of these engagements are described below.

>Power Sector Company A

Main dialogue content	GHG emission reduction targets have been set and efforts are underway to achieve them. Some of these efforts include initiatives to develop mixed firing technologies, etc. with the aim of restarting nuclear power plants while gaining empathy from residents for these initiatives.
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◆ Table 17 Engagement Implementation Status and the Number of Themes Implemented (As of the End of October 2022)

Number of companies with which engagements have been implemented	Percentage of total Japan Post Bank Scope 3 emissions that come from engagement destinations	
13	23%	

Environment (climate change)	Social (respect for human rights)	Governance (Percentage of female managers)
13	8	2

To fulfill its social responsibility to address environmental and social issues as an institutional investor going forward as well, Japan Post Bank will continue dialogue to support corporate efforts to decarbonize through engagements for continuously checking on the progress and disclosure status of corporate transition plans and strategies. We will also continue looking for ways to enhance the content of our engagements and reflect the results thereof in our policies, etc., with the goal of helping to reduce GHG emissions across communities even more.

6. Indices and Targets

Japan Post Bank has published the "Japan Post Bank Net Zero GHG Emissions Declaration," which aims to achieve net zero GHG emissions for us and for our Finance Portfolio by 2050, which is intended, in turn, to help achieve a carbon neutral Japan by 2050. We will continue measuring our GHG emissions, including for Scope 3 emissions, on a regular basis, and will strive to contribute to achieving a carbon-free society by supporting efforts to reduce GHG emissions throughout society.

1. GHG Emissions Performance (Scopes 1, 2, and 3)

We believe that understanding current performance figures is the most important thing when it comes to setting targets. Japan Post Bank has striven, since FY2021, to calculate not only Scopes 1, 2, and 3 (some of the Scope 3 categories) emissions which we had been measuring from before, but also to calculate Scope 3 emissions, which are the emissions stated in our Finance Portfolio, and we continuously monitor Japan Post Bank GHG emissions.

Scopes 1 and 2

When calculating CO2 emissions, we multiply the amount of each type of energy usage by the emission factor determined for that type, and then total the emissions from all types.

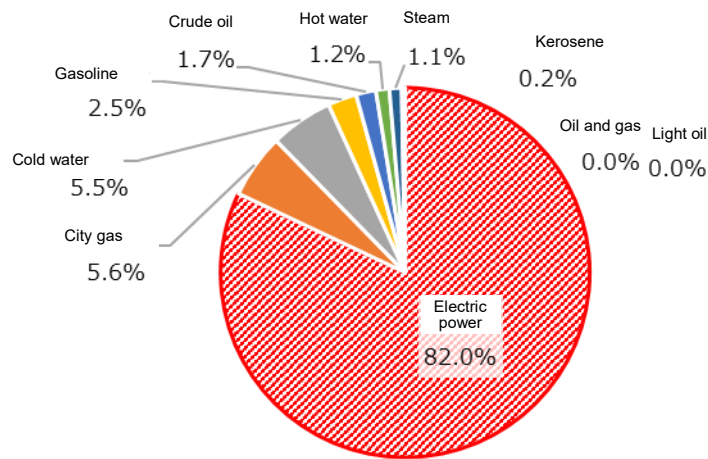
◆ Table 18 Emissions Performance (Unit: tons of CO2)

Item		FY2017	FY2018	FY2019	FY2020	FY2021	
Scope 1	Facilities	Kerosene	134	103	81	119	105
		Light oil	0	2	0	0	1
		Crude oil	1,030	929	830	846	751
		Oil and gas	9	24	14	23	21
		City gas	2,456	2,514	2,475	2,592	2,437
	Vehicles	Gasoline	2,242	2,290	2,179	1,295	1,095
		Light oil	-	5	6	3	2
Total		5,871	5,867	5,584	4,877	4,412	
Scope 2	Steam	329	356	390	441	463	
	Hot water	347	490	580	578	509	

	Cold water	2,688	3,385	3,563	2,706	2,378
	Electric power ³⁹	44,033	43,635	37,814	35,399	35,433
	Total	47,397	47,866	42,347	39,124	38,783
Scopes 1 and 2	Total	53,268	53,733	47,931	44,002	43,195
Intensity relating to CO2 emissions	(tCO2/m ²) ⁴⁰	0.09990	0.09879	0.08721	0.07709	0.07935
	(tCO2/million yen) ⁴¹	0.02605	0.02912	0.02664	0.02261	0.02185

Reference: ■ Figure 10 CO2 Emissions Energy Type Ratios

(FY2021 performance: Breakdown of 43,195 tons of CO2)



³⁹We have used an adjusted emission factor as the electric power emission factor since FY2019.

Adjusted emission factor: An emission factor derived by adjusting an amount adjusted for carbon dioxide emissions related to a feed-in tariff system for renewable energy and CO2 emissions offset by GHG reduction credits, etc. (tCO2) to base emissions calculated using a base emission factor.

⁴⁰The scope is facilities. CO2 emissions divided by total floor space used by Japan Post Bank.

⁴¹The scope is facilities and vehicles. CO2 emissions divided by Japan Post Bank ordinary income (unit: million yen)

Scope 3 (Other Than Category 15)

For the emission intensity to use in our calculations, we referenced the "Emission Intensity Database for Calculating Greenhouse Gas Emissions of an Organization Through its Supply Chain (Ver. 3.2)" and the "IDEA DB Ver. 2.4" published by the Ministry of Economy, Trade and Industry and the Ministry of the Environment. Our calculation method has been verified by a third party in accordance with the ISO 14064-3 certification standard.

◆ Table 19 Emissions Performance (Unit: Tons of CO2)

Item		FY2018	FY2019	FY2020	FY2021
Category 1 (Purchased goods and services)	Products, etc. purchased in order to provide main services Emissions associated with the production of uniforms, copy paper, passbooks, cards, and forms	39,095	42,174	41,704	45,947
Category 2 (Capital goods)	Emissions associated with the manufacture of vehicles and ATMs required to provide main services	12,471	1,912	11,861	10,469
Category 3 (Fuel- and energy-related activities not included in Scopes 1 and 2)	Emissions associated with the generation of electricity and heat used in business	3,371	6,334	6,366	6,000
Category 6 (Business travel)	Emissions associated with fuel and electricity consumed by transportation facilities used by employees during business travel	1,664	1,622	658	1,379

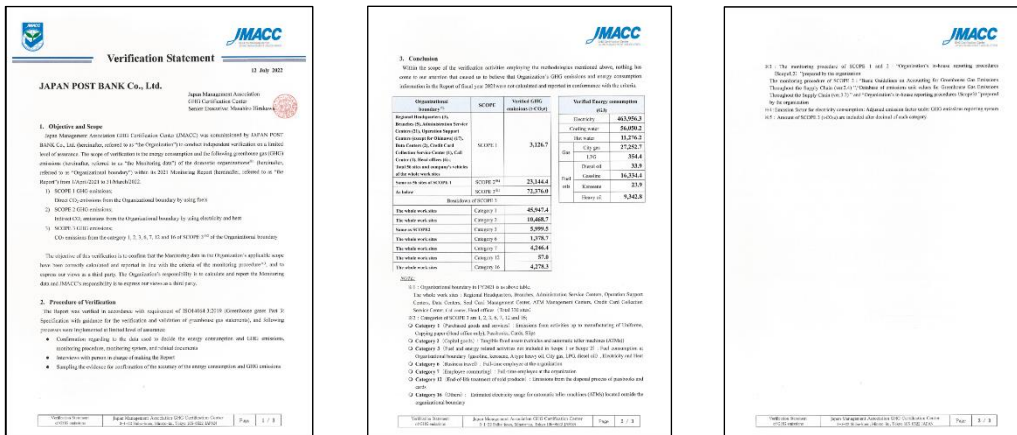
Category 7 (Employee commuting)	Emissions associated with fuel and electricity consumed by transportation facilities used by employees when commuting to work	4,869	4,746	4,520	4,246
Category 12 (End-of-life treatment of sold products)	Emissions associated with the disposal of passbooks and cards used to provide main services	81	60	64	57
Category 16 (Other) ⁴²	Emissions associated with electricity consumed by ATMs outside branches	7,089	5,360	4,633	4,278
Total		68,639	62,208	69,806	72,376

⁴²Category 16 (Other), being emissions associated with electricity consumed by ATMs outside branches, is a re-posting of items included in Scope 2.

Acquisition of Third Party Certification

Japan Post Bank has received independent verification from a third party with respect to greenhouse gas emissions (Scopes 1, 2, and 3, excluding Scope 3 Category 15) in accordance with the ISO 14064-3 certification standard.

Note that verification was conducted across the entire Japan Post Group, and some facilities, such as Japan Post Bank directly operated branches, located in facilities owned by other group companies were verified by the group owner company.



Scope 3 (Category 15)

Calculated based on the investment and loan balance as of the end of March 2022 based on the PCAF (Partnership for Carbon Accounting Financials) methodology. We used GHG emissions and financial data, etc. provided by S&P Global Trucost in our calculations (GHG emissions data includes values estimated by S&P Global Trucost). These calculations targeted domestic and foreign stocks and corporate bonds, etc. (Scopes 1 and 2), but these were excluded in cases where calculation methods were not established according to the PCAF methodology, or when data required for calculation was not available.

Furthermore, while we understand it is desirable to match, to the degree possible, the GHG emissions data, financial data, and Japan Post Bank balance data time points used for calculations, given that updates to GHG emissions data lag updates to financial data and Japan Post Bank balance data, that Japan Post Bank balance changes to a certain extent every year, and that, for the purpose of grasping current emissions, we believe that it is more desirable to use the latest data for management purposes, not all data time points are matched. We will continue to consider this matter in light of the external situation.

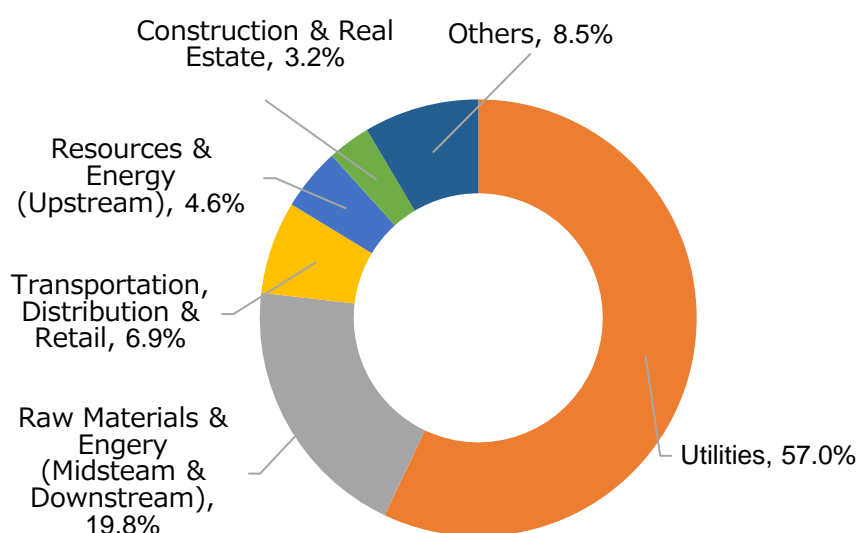
◆ Table 20 Emissions Performance (As of the End of March 2022)

Category	Emissions
Finance Portfolio (Scope 3 Category 15)	Approx. 27 million tons of CO2

◆ Table 21 Weighted Average Carbon Intensity (WACI⁴³) by Industry (As of the End of March 2022)

Category	WACI
Overall	2.24
Domestic bonds	2.32
Foreign bonds	2.30
Domestic stocks	0.86

■ Figure 11 Emissions Composition by Sector



⁴³Weighted Average Carbon Intensity (WACI) is a weighted average indicator of GHG emissions (carbon intensity) per a company's sales according to the holding ratio in its portfolio.

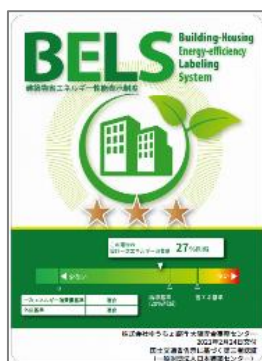
2. Measures for Mitigating and Adapting to Climate Change

To reduce the impact of climate change, we engage in the following mitigation and adaptation measures, and support climate change mitigation and adaptation measures and efforts in the supply chain and pursued by investment and loan recipients.

◆ Table 22 Climate Change Mitigation and Adaptation Measures

Climate Change Countermeasures	Our Own Efforts	Efforts to Support the Supply Chain and Investment and Loan Recipients
Mitigation measures (Measures to prevent global warming by controlling GHG emissions and conserving and enhancing their absorption by forests, etc.)	<p>(Scopes 1 and 2)</p> <ul style="list-style-type: none"> - Make facilities more energy efficient - Switch to electric power, which has a low CO2 emission factor - Use solar power systems in data centers - Make thorough efforts to promote eco-driving - Introduce "Madotab" self-service branch terminals <p>(Scope 3)</p> <ul style="list-style-type: none"> - Promote going paperless - Use remote meeting systems to reduce business travel - Promote at-home work to reduce commuting - Promote efforts to reduce water consumption - Promote efforts to reduce waste - Expand ESG investments and loans 	<ul style="list-style-type: none"> - Implement environmentally friendly procurement activities - Recommend green purchasing - Support investment and loan recipients' mitigation efforts through investments and loans to green bonds, etc. - Engage with investment and loan recipients
Adaptation measures (Measures for addressing present and future climate change impacts brought on by global warming)	<ul style="list-style-type: none"> - Cool Biz initiatives - Establish, and provided training for, BCP (contingency planning) that assumes flood damage from typhoons, etc. - Do scenario analysis with respect to the financial impacts wrought on Japan Post Bank by climate change (respond to the TCFD Proposal) 	<ul style="list-style-type: none"> - Support investment and loan recipient adaptation efforts through investments and loans to green bonds, etc.

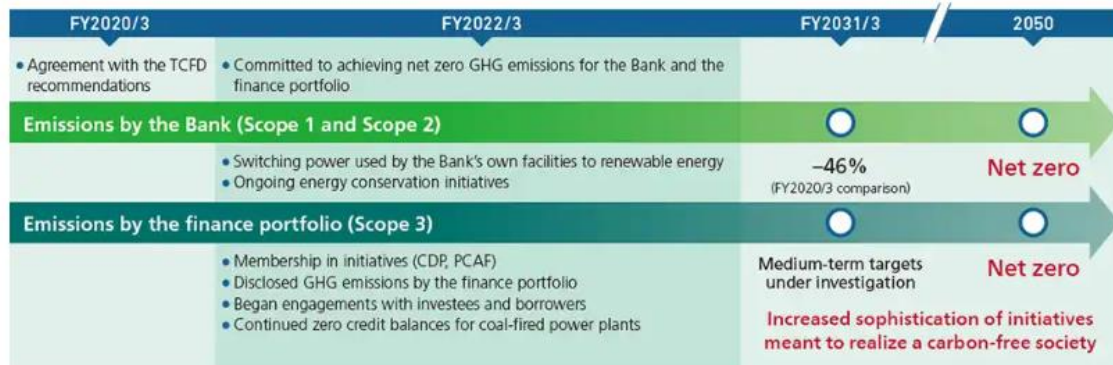
Some Japan Post Bank facilities have acquired a three-star certification rating from the Building Energy Efficiency Labeling System (BELS).



3. GHG Emissions Reduction Targets

We are aiming to achieve the 2050 net zero target and the Scope 1 and 2 FY2030 ▲46% (compared to FY 2019), which is a target KPI in our Medium-term Management Plan. In principle, reduction status is reported quarterly to, and progress is managed by, the Board of Directors and the Executive Committee, etc.

■ Figure 12 The Japan Post Bank Net Zero GHG Emissions Declaration

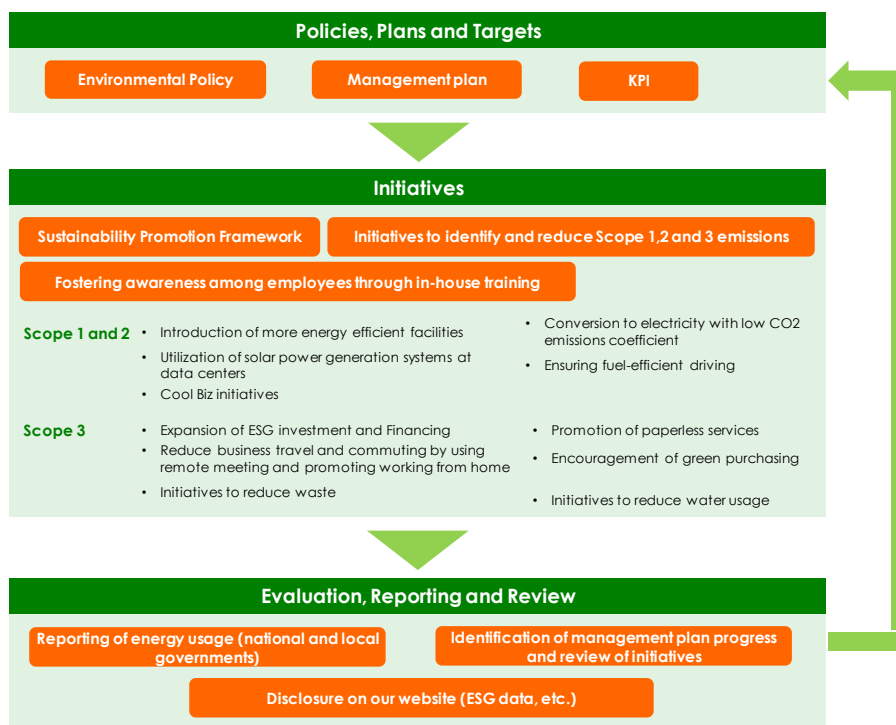


Environmental Management System (PDCA)

Japan Post Bank has created a sustainability promotion system to address global environmental issues, including climate change.

The Corporate Planning Department's Sustainability Management Office compiles reports on environment-related initiatives from departments in charge of each business, which it then presents to the Sustainability Committee, the Executive Committee and the Board of Directors.

■ Figure 13 Environmental Management Promotion System



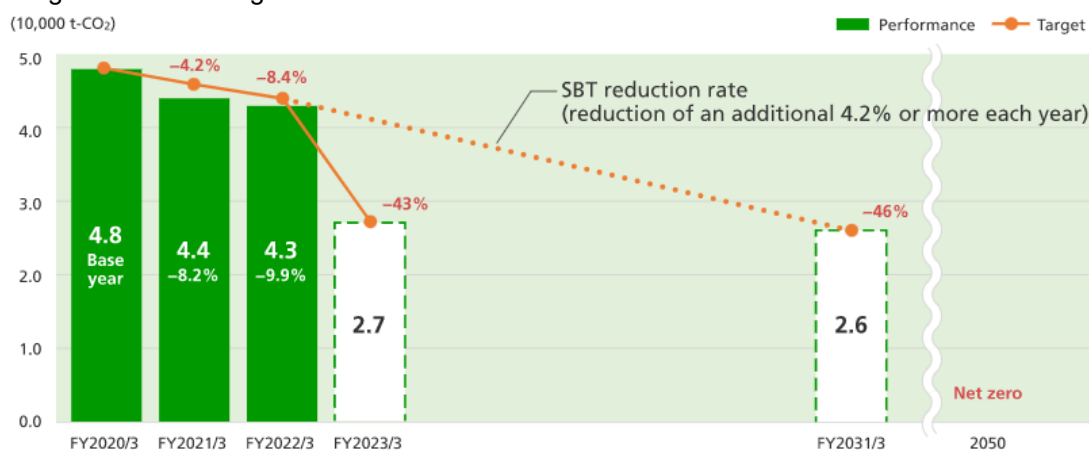
Scope 1 and 2 Reduction Goals

In its Medium-term Management Plan, which it published in May 2021, Japan Post Bank set a target KPI⁴⁴ of reducing GHG (CO₂) emissions 46% (compared to FY2019) by FY2030. The reduction status is reported to the Executive Committee and the Board of Directors on a quarterly basis.

We have also set a fiscal year target (compared to FY2019) of an additional 4.2% per-year reduction toward fiscal 2030. In fiscal 2021, we achieved a reduction of 9.9% against a target reduction of 8.4%. For FY2022, we have set a short-term target of a 43% reduction (compared to FY2019), taking into account the fact that we expect to complete the switch to renewable energy at our facilities.

FY2030	▲46% (compared to FY2019)
2050	Net zero

■ Figure 14 2030 Targets



Note 1: A level that is in line with Japan's target (goal of carbon neutrality by 2050, a 46% reduction in emissions compared to FY2014/3 by FY2031/3), which is also consistent with the Paris Agreement.

Note 2: The targets cover 100% of the Scopes 1 and 2 emissions of JAPAN POST BANK (non-consolidated).

Status of Reduction Efforts

We are advancing specific efforts to ascertain, and analyze data on, our CO₂ emissions, and are considering the following reduction measures.

Furthermore, since about 80% of Japan Post Bank CO₂ emissions are derived from the use of electric power, we first switched the contract electric power we were using for our own facilities to renewable energy to reduce CO₂ emissions related to our electric power use.

⁴⁴Targeting a level that will allow achievement of Japan's target (46% reduction compared to FY2013 by FY2030, aiming for carbon neutrality by 2050), and a target set to be consistent with the Paris Agreement. Furthermore, this target was set to target 100% of Japan Post Bank (non-consolidated) Scope 1 and 2 emissions.

Since we have offices, etc. located as tenants in facilities owned by other companies, we will not only continue to work on our energy conservation efforts, as a group as a whole, we are making adjustments for renewable energy for facilities owned by group companies in particular.

Note that reduction status is reported to, and managed by, the Board of Directors on fiscal year basis.

◆ Table 23 Reduction Initiatives

Initiative	
Overall	<ul style="list-style-type: none"> We continuously promote energy-saving activities company-wide. <ol style="list-style-type: none"> Policy formulation and internal awareness Establish and regularly revise a "Japan Post Bank Environmental Policy," and an "Ecology Guidebook", etc. to raise awareness within the company. Promote thorough awareness among all employees Support Cool Biz, make thorough efforts to promote eco-driving, and install LED lighting, among other efforts.
Facilities	Switch contracted electric power to renewable energy <ul style="list-style-type: none"> We have been promoting the switch to renewable energy since FY2021. We plan to finish the switchover to renewable energy for the electric power used at our facilities by December 2022.
	Generate solar power <ul style="list-style-type: none"> We use photovoltaic power generation systems to generate our own electricity at our data centers.
	Reach out to other companies <ul style="list-style-type: none"> We are working on coordinating a switch from the contracted electric power used in facilities owned by other companies (facilities owned by group companies), in which Japan Post Bank facilities are located, to renewable energy. We are working as a group to realize the Japan Post Group goal of "Reaching Carbon Neutrality by 2050."
Vehicles	(4-wheel) Switch to fuel-efficient vehicles and EVs <ul style="list-style-type: none"> The new vehicles we buy are fuel-efficient ones. In the future, we plan to gradually switch to EVs (including hybrid vehicles) based on the external environment such as the ubiquity of EV charging stations and how target EV models are selling.
	(2-wheel) Deploy electric scooters <ul style="list-style-type: none"> We are replacing some motorized bicycles and other two-wheeled vehicles with electric scooters. We will continue to expand our replacement efforts.

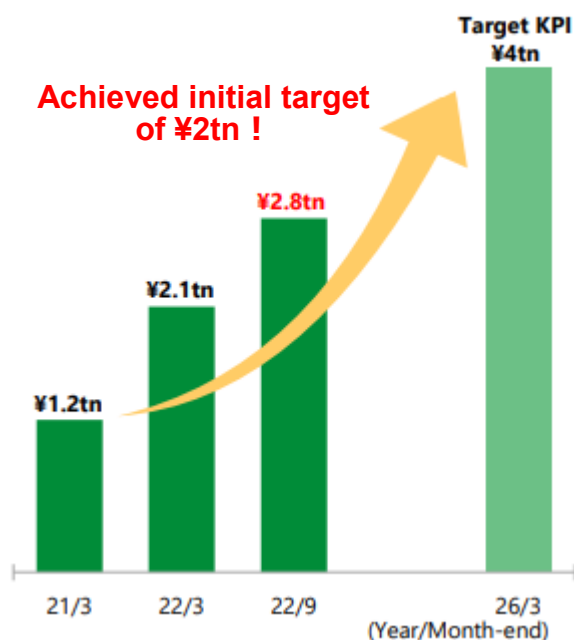
4. ESG-Themed Investments and Loans: Performance and Targets

Japan Post Bank promotes initiatives for increasing loans to renewable energy businesses, etc. and investments in green bonds, etc. out of a recognition that these things are climate change-related opportunities (P.26), and promoting such ESG investments and loans not only contributes to initiatives that reduce GHG emissions across society as a whole, it is one way of making the Japan Post Bank profit structure more resilient.

We have set an ESG-themed investment balance⁴⁵ of 4 trillion yen by the end of fiscal 2025 (doubling from the initial 2 trillion yen) as a target KPI in our Medium-term Management Plan announced in May 2021. Initially, we set the investment balance at 2 trillion yen, but since Japan Post Bank made steady progress in line with the expansion of the market, we raised the target KPI to 4 trillion yen in March 2022.

We will continue our efforts to further enhance the ESG Investment and Financing Policy and our ESG investments in order that they may help us fulfill our social responsibilities with respect to climate change as an institutional investor.

■ Figure 15 ESG-themed Investment and Loan Balance



⁴⁵ESG bonds (green bonds, social bonds, sustainability bonds, etc.), loans to the renewable energy sector, and regional vitalization funds, etc.

Matters to be Noted

We prepared this report based on information and data deemed reliable by Japan Post Bank, but do not guarantee its accuracy or completeness. Furthermore, future forecasts described in this report are based on certain assumptions and do not suggest or guarantee future results.

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