



TCFD REPORT 2024

~Contribution to a sustainable society
from the perspective of SPEED~

The Shoko Chukin Bank, Ltd.

CONTENTS

2	Message from the President	15	Strategy	29	Risk Management
3	Overview	16	Overview	30	Top risk management
5	Main efforts	16	Risk	31	Basic approach to investments and loans (Environmental and social considerations policy)
6	Corporate Philosophy (PURPOSE · MISSION)	16	Risk identification	32	Metrics and Targets
8	Basic Approach to Climate Change	17	Carbon-related assets	33	Results and targets of CO ₂ emissions (Scope 1 and 2)
9	Basic approach	17	Conducting scenario analysis	33	Estimation of CO ₂ emissions (Scope 3)
9	Perspective of SPEED	20	Opportunity	34	Introduction of solar off-site PPA
10	Materiality	20	Sustainable management support (customer support policy)	35	Inquiries
12	Governance	21	ESG diagnosis		
13	Overview	21	Happiness design survey		
13	Supervision/execution framework	22	Decarbonization management support		
14	Main discussions	23	Awareness survey on carbon neutrality of SMEs		
		24	Sustainable finance		
		26	Cooperation with regional financial institutions		
		26	Impact deposits		
		28	Efforts to resolve environmental and social issues		
		28	Practice of sustainable management to improve corporate value		
		28	Learning beyond generations and efforts for the future		

Message from the President

I would like to express my sincere appreciation for your continued support of the Shoko Chukin Bank.

The Shoko Chukin Bank is taking steps toward the achievement of our PURPOSE, “Supporting the future of companies. Making Japan more resilient to change.” At the G7 Hiroshima Summit in May 2023, responses to the climate crisis were discussed as common and urgent global challenges. We also recognize it as an important management issue that will affect the future of our approximately 70,000 companies throughout Japan.

The Shoko Chukin Bank has positioned “Responses against climate change risks” as one of our material issues and has worked to resolve it through core business support and financial support. We will continue to take on challenges to realize a society that is resilient to changes, together with our customers.

1. Transition to a decarbonized society

Efforts to address issues of climate change are progressing rapidly around the world, and SMEs in Japan are also being required to take decarbonization initiatives through various supply chains.

In particular, for industries that we have identified as being significantly affected by climate change, we have conducted scenario-based analysis to identify risks as well as worked to address industry-specific issues. We established the “Industrial Strategy Division” in April 2024 to address issues surrounding industrial restructuring and environmental and social sustainability. We will continue to further enhance our support for SMEs facing a rapidly changing business environment.

Meanwhile, the business environment surrounding SMEs is expected to change dramatically with the transition to a decarbonized society. The basic approach of the Shoko Chukin Bank is to closely support our customers’ sustainable growth, including those whose business environment is rapidly changing, without being uniformly reluctant in our approach to transactions, and together with SMEs, we will work toward a decarbonized society.

2. To play a leading role

The Shoko Chukin Bank aims to play a leading role toward the achievement of a sustainable society by actively supporting the business activities of our customers that are considerate of the environment and society.

In June 2023, we started offering “Impact deposits” for the first time in Japan. By allocating the impact deposits entrusted to us by customers to positive impact financing for SMEs, we will work to create an impact toward a sustainable society.

In addition, as an effort to maximize positive impact on the local communities, we are promoting business alliances and cooperation with regional financial institutions in the implementation of sustainable finance operations. Through these efforts, we will leverage the synergies of our respective functions and characteristics to meet the financial needs of SMEs in the region, together with regional financial institutions, thereby contributing to the improvement of the value of SMEs.

3. Together with SMEs

The Shoko Chukin Bank started business as a cooperative financial institution in 1936, and has developed for more than 85 years since then as a specialized financial institution for SMEs.

For the Shoko Chukin Bank, a financial institution by SMEs for SMEs, customers’ growth is our growth. In order to respond to the rapidly changing times together, we will further strengthen our efforts that contribute to resolving environmental and social issues, and work with SMEs to achieve sustainable development.

We thank you for your continued patronage and look forward to your continuing support of the Shoko Chukin Bank in the future.

March 2024

The Shoko Chukin Bank, Ltd.

Masahiro Sekine, President

(Representative Director)

CHAPTER 1

Overview

Overview (Response to the TCFD recommendations)

In recent years, the damage caused by extreme weather has become increasingly severe, and more and more countries around the world are responding against climate change to achieve a sustainable society. Conserving and protecting the global environment is a common responsibility to be shared by all humankind. For the Shoko Chukin Bank, the achievement of a sustainable society through environmentally friendly business activities is an important management issue.

The Shoko Chukin Bank will contribute to the achievement of a sustainable society by supporting the efforts of SMEs as well as implementing our own initiatives.

The Shoko Chukin Bank has endorsed the TCFD (*1) recommendations. We recognize the importance of disclosing information on our efforts to address climate change, and will continue to work to enhance the information disclosure (governance, strategy, risk management, and metrics and targets) in a manner recommended by the TCFD.

*1 TCFD: Task Force on Climate-related Financial Disclosures

*2 From the perspective of SPEED: Shoko Chukin Bank's unique basic perspective on the sustainability efforts of our organization and staff

For details, please refer to page 9.

Governance

- Any matters that relate to the identification, evaluation, and management of climate-related opportunities and risks are regularly discussed at our Management Meeting, which is attended by the President and Executive Officer. We also submit reports on climate-related developments to the Board of Directors in order.
- We have formulated our Sustainability Basic Guidelines in order to play an active role in resolving material issues for society, including climate change, and to help realize a sustainable society, and they have been approved by the Board of Directors.
- We have identified material issues for society (materiality) to which we will make a focused and effective contribution through our business activities.

Strategy

- We analyze qualitative and quantitative scenarios regarding the opportunities and risks that climate change poses to management of the Shoko Chukin Bank. Specifically, we analyze the impact of physical risks in light of recent natural disasters as a result of climate change, and transition risks and opportunities caused by climate change policies and technological innovations associated with the transition to a low-carbon society.
- We will contribute to the realization of a sustainable society by engaging in dialogue with our customers to overcome climate change risks together and supporting the implementation of necessary measures, starting from a business prospects evaluation from the perspective of SPEED*2.

Risk Management

- We recognize addressing climate change risk as one of our top management risks.
- As a financial institution dedicated to facilitating the financing of SMEs, we will strive to engage in constructive dialogue and mutual understanding with our customers from the perspective of SPEED, and will continue to understand and provide information. Transactions with businesses that are likely to have a negative impact on the environment and society, as identified in the process, will be handled in accordance with the Environmental and Social Considerations Policy.
- We commit to appropriately recognizing risks (transition risks and physical risks) that arise as a result of climate change, and striving to build a risk management approach that incorporates these risks.

Metrics and Targets

- We aim to reduce CO₂ emissions at our offices in Japan by 50% by fiscal 2030 from the fiscal 2013 level, and achieve carbon neutrality by fiscal 2050 (Scope 1 and 2 to be covered)
- The Shoko Chukin Bank's CO₂ emissions in fiscal 2022 calculated based on the amount of gas, electricity and other utilities used at its offices in Japan totaled 9,736 tons, down 36% from the fiscal 2013 level.

Main Efforts

The Shoko Chukin Bank will contribute to the achievement of a sustainable society by supporting the efforts of SMEs as well as implementing our own initiatives. We will continue to aim to advance our efforts in each item and promote the enhancement of information disclosure.

Governance

Governance framework

- The Board of Directors is comprised of a majority of external directors
9 directors, of which 5 external directors (as of March 2024)
- Discussions at the Management Meetings and the Board of Directors
Sustainability-related issues:
more than 6 times a year
Issues regarding top risks:
approximately 6 times a year (including responses against climate change risks)

Strategy

Advancement of risk identification

- Carbon-related assets: **44.4%** (balance as of March 31, 2023)
* Reviewed carbon-related sectors
- **Transition risk analysis: added the marine transportation sector**
- **Physical risk analysis: added the impact of building collateral damage amount**

Advancement of customer support

- Provision of ESG diagnosis: **cumulative total of approximately 1,000 projects** (as of September 30, 2023)
- Introduction of happiness design survey: **cumulative total of 900 companies or more** (as of September 30, 2023)
- Decarbonization management support recipients: **cumulative total of 50 projects**
*support for visualization, consulting, etc. (as of January 31, 2024)
- Balance of sustainable finance: **cumulative total of ¥54.9 billion** (as of September 30, 2023)
- Establishment of impact deposits for the first time in Japan: **total amount of deposits of ¥10.0 billion** (for fiscal 2023)

Establishment of partnerships

- Launched business alliances and cooperation with regional financial institutions in sustainable finance: **8 partners** (as of February 2023 to January 31, 2024)

Metrics and Targets

Reduction and identification of GHG emissions

- CO₂ emissions (Scope 1 and 2)
Medium-term targets: 50% reduction in fiscal 2030
Long-term targets: achieve carbon neutrality by fiscal 2050
Fiscal 2022 results: 36% reduction (from fiscal 2013)
- Use of renewable energy
Approx. 3.1 million KWh/year
Plans after solar off-site PPA (page 34) starts operating
- GHG emissions in the supply chain
Investments and loans recipients (Cat15)
Estimated to reduce approx. 90%

Received the **Special Award** (selection committee chairperson's award) in the **Indirect Financing Category** of the 5th ESG Finance Awards Japan



CHAPTER 2

Corporate Philosophy

(PURPOSE · MISSION)

PURPOSE

***Supporting the future of companies.
Making Japan more resilient to change.***

MISSION

We will continue to think together, create together, and change together, as a partner in creating security and prosperity.

Statement

The Shoko Chukin Bank will continue to deepen and develop its DNA as a financial institution specializing in SMEs and support the future by resolving issues faced by many companies.

In an ever-changing world, we will create a society where people can take on challenges without hesitation and boldly change themselves. A society where people can calmly look at the current situation and take the right step forward, even when security and safety are undermined.

A society in which people in every region can demonstrate their unique strengths and feel affluent and fulfilled. At the Shoko Chukin Bank, we are your partners in taking on the challenges of change, aiming for the hope that lies ahead.

CHAPTER 3

Basic Approach to Climate Change

Basic approach

Current efforts will have a significant impact on future climate. The Shoko Chukin Bank feels that if the status quo continues, the climate will change dramatically, threatening the sustainability of our society.

In March 2022, the Shoko Chukin Bank established the Sustainability Basic Guidelines, our basic approach and policy on the environment and human rights. The guidelines aim to contribute to the achievement of a sustainable society through our duties with an awareness that various environmental and social issues are issues for each and every employee.

The guidelines set the perspective of SPEED as the basic viewpoint for the organization and officers and employees of the Shoko Chukin Bank, and define specific objectives and actions.






Perspective of SPEED (customer support policy)

Based on the perspective of SPEED, the Shoko Chukin Bank will strive to engage in constructive dialogue and mutual understanding with our stakeholders including SME customers.

In a rapidly changing social environment, such as the emergence of issues that challenge the sustainability of society itself, including the risk of climate change, we will be required to take various measures and sometimes great challenges for the future.

The Shoko Chukin Bank will place the utmost importance on “empathy” with our stakeholders including SME customers, and expand our circle of activities to “create empathy” from the perspective of SPEED.

The Shoko Chukin Bank will not be uniformly reluctant to support SMEs in a manner that is inconsistent with the facilitation of the financing of SMEs.

	Sustainability	Productivity	Empathy	Ecology	Digital
Perspective of SPEED	 Enrich the present without compromising the future	 Produce more with less	 Gain the empathy of stakeholders and build a fan base	 Do not harm others including non-stakeholders, or take measures to prevent harm	 Create added value by using more information
Objectives	Contribute to the revitalization of the local economy through employment stability	Sustainably increase the results of business activities within limited resources	Pursue social responsibility as a company that is a member of society	Contribute to the stability of the global environment, including weather, oceans, and forests, which are the foundation of all socio-economic activities	Provide services that meet the needs of consumers with diverse backgrounds without material constraints or consumption of environmental resources
Action	Continuously secure management resources necessary for business activities Improve business activities in response to changes in the external environment	Accumulate and utilize know-how related to business activities Reduce resources consumed by production facilities	Act in an ethically correct manner, including respect for human rights, such as the health and appropriate treatment of employees and fair dealings with business partners	Actively engage in environmentally friendly activities Implement risk management for natural disasters, etc.	Utilize digital technologies Create added value through data

Materiality

The Shoko Chukin Bank has identified material issues for society as materiality, to which we will make a focused and effective contribution through our business activities. We identify materiality based on two criteria: importance and degree of impact

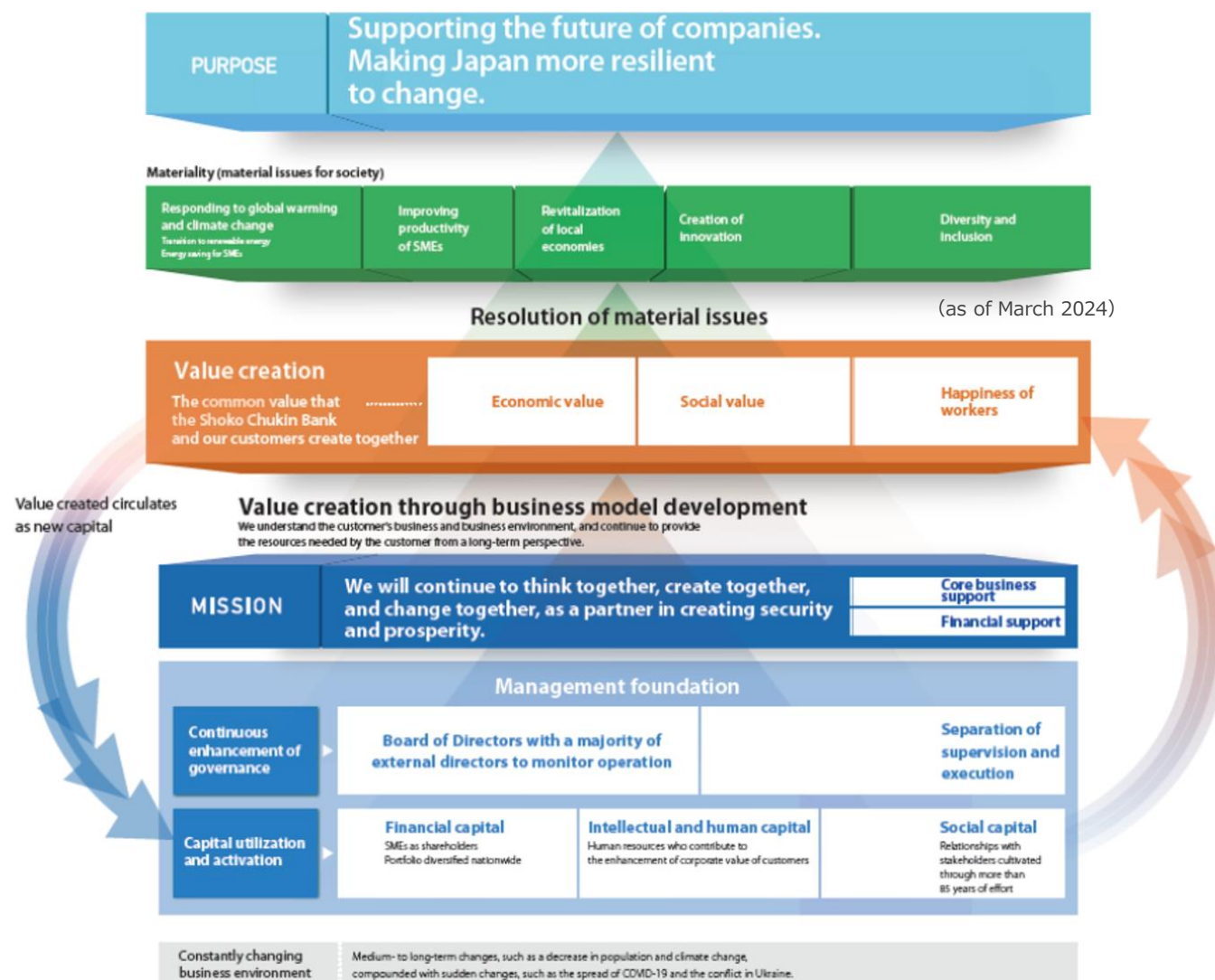
【Importance】 Important for sustainable growth of the business model, both for the Shoko Chukin Bank and our stakeholders

【Degree of impact】 Have a positive impact on the environment or society through the effective use of management resources of the Shoko Chukin Bank.

The Shoko Chukin Bank has identified efforts necessary to respond against climate change risks as materiality, including the transition to renewable energy.

We will review and revise the status of materiality identified on a regular basis.

Value Creation Model



Reference: Sustainability Basic Guidelines

1. Environmental Consideration

Actively work to reduce environmental impact including the climate, while taking into consideration the stability of the global environment, which is the foundation of all our activities

2. Respect for Human Rights

Respect human rights, which is the basis of a fair social order, and engage in fair and appropriate business with all stakeholders

3. Improving Governance for SMEs

Contribute to improving governance of SMEs through investments and loans, with business prospects evaluations as a starting point, and customer support including the dispatch of human resources

Environmental Policy

Policy on environmentally friendly activities in light of the recognition that conserving and protecting the global environment is a common responsibility to be shared by all humankind

① Compliance with laws and regulations

Comply with all laws and regulations related to the environment as well as other requirements to which the Shoko Chukin Bank agrees

② Environmental conservation through financial services

Actively support business and other activities of SME cooperatives and SMEs that engage in environmental conservation and protection through the provision of financial products and services, and other business activities while making the most of the Shoko Chukin Bank's nationwide network as well as coordinating with policies of the national government and measures of the local government, to work to reduce risks related to the environment of the entire society

③ Reduction of environmental impact in the Shoko Chukin Bank's own business activities

Recognize the environmental impact of the Shoko Chukin Bank's business activities in terms of resource consumption and waste emissions, and work to conserve the environment through resource circulation initiatives and effective use of energy and resources

④ Awareness-raising among officers and employees

Promote environmental awareness-raising so that each and every officer and employee can deepen their correct understanding and awareness of environmental issues

Human Rights Policy

Policy on engaging in socially-conscious activities, given that respect for human rights is an important management issue that should be actively addressed in fulfilling the Shoko Chukin Bank's social responsibilities

① Respect for international norms

Respect international norms, including the Universal Declaration of Human Rights and the United Nations Global Compact

② Elimination of discrimination

The Shoko Chukin Bank will not discriminate or violate human rights on the grounds of race, nationality, gender, sexual orientation, gender identity, origin, social status, creed, religion, disability, physical characteristics, etc. Furthermore, the Shoko Chukin Bank strives not to be complicit, even indirectly, in discrimination or human rights violations.

③ Fair and appropriate business with stakeholders

As a member of financial institutions, social public institutions that are required to be transparent, as well as a member of the local community, always be aware of the social responsibilities of the Shoko Chukin Bank, and strive to engage in fair and appropriate business with stakeholders

④ Consideration for employee health and working environment

Respect the human rights and diversity of all people, and strive to establish an open work environment that is free from harassment and discrimination

⑤ Conduct human rights due diligence and remedies

Conduct human rights due diligence to prevent and mitigate negative human rights impacts on an ongoing basis, and strive to remedy any human rights violations that become apparent

⑥ Awareness-raising among officers and employees

Promote human rights awareness training so that each and every officer and employee can deepen their correct understanding and awareness of human rights issues

CHAPTER 4

Governance

Overview

The Shoko Chukin Bank recognizes responses against climate change risks as one of its top management risks.

Specifically, it may affect the business of our customers, which in turn may affect the business strategies and credit portfolio of the Shoko Chukin Bank, thereby having a material impact on our financial position and business performance.

The Board of Directors has in-depth discussions on a regular basis, including the establishment of the Sustainability Basic Guidelines, and shows its basic response policy both internally and externally. In addition, the Management Meetings regularly engages in discussions and make decisions on specific efforts (such as customer support, risk management, and branch reform) and disclosures based on the basic response policy, and reports the results to the Board of Directors.

In June 2021, the Shoko Chukin Bank established a Climate Change Risks Working Group. In April 2022, the Sustainability Department was established in the Corporate Planning Division, headed by an officer in charge of the Corporate Planning Division, to promote various initiatives throughout the organization.

Supervision/execution framework

Board of Directors

The Board of Directors is comprised of a majority of external directors (five members). It deliberates on and decides important matters pertaining to the execution of the Bank's business activities, including responses against climate change risks, while at the same time supervising the duties of directors and executive officers. Through these means, every effort is made to ensure that the Bank's overall operations continue to function in an appropriate and effective manner.

Climate Change Risks Working Group (WG)

A cross-divisional organization with the Sustainability Department as a supervising office. It is comprised of three subcommittees (customer support, risk management, and branch reform), and conducts planning and development of initiatives in a multifaceted and complex manner, based on trend surveys in various fields.

The customer support subcommittee mainly shares issues with customers, and conducts research and planning on support methods to resolve management issues. The risk management subcommittee mainly works on the identification of risks caused by climate change and scenario analysis based on the climate change risks. The branch reform subcommittee mainly calculates CO₂ emissions and conducts planning and management related to their reduction.

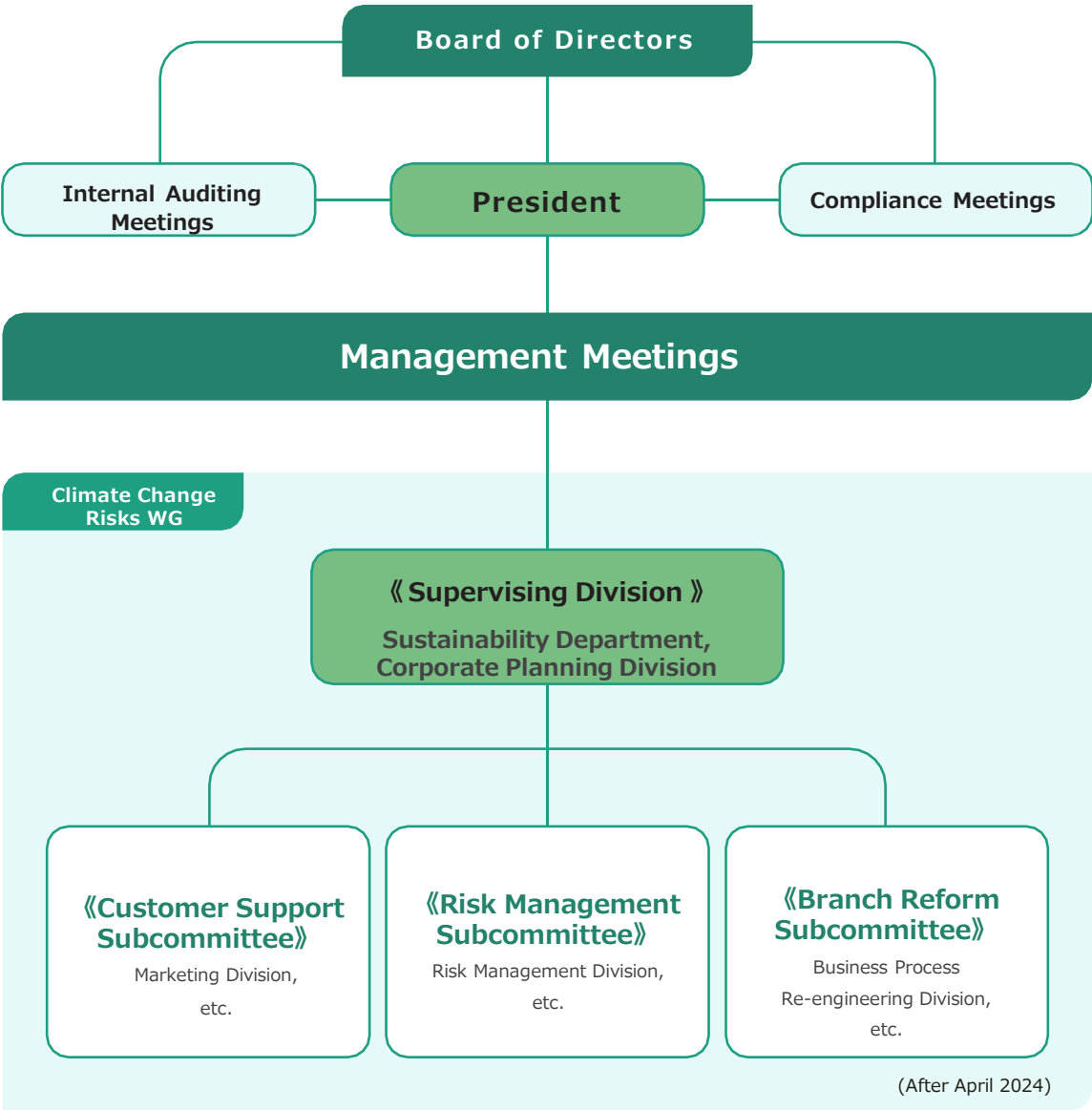
Management Meetings

The Management Meetings deliberates on matters to be submitted to the Board of Directors. The Meetings is comprised of President and Executive Officer, Deputy President and Executive Officer, and other officers, and serves as a consultative body for the President and Executive Officer to make decisions on certain matters.

Sustainability Department

Established in the Corporate Planning Division, the Sustainability Department is a dedicated department that supervises and promotes matters related to sustainable business activities (sustainability) with consideration for the environment and society. It cooperates with the Climate Change Risks Working Group to promote initiatives.

The Sustainability Department summarizes the progress of measures discussed by the Climate Change Risks Working Group together with the domestic and international situation in this field, and discusses and reports it at the Management Meetings, the Board of Directors, and other meetings.



Main discussions

A summary of the main topics discussed at the Board of Directors and Management Meetings in fiscal 2023 is as follows (as of March 31, 2024). Matters regarding climate change risks were discussed at least once a quarter at the Management Meetings and were reported to the Board of Directors in order.

Meeting body		Main topics discussed
Supervise	Board of Directors	<ul style="list-style-type: none">Status of efforts to address climate change risks (at least once a quarter, approximately four times a year)Regarding top risks in fiscal 2023 (approximately six times a year)Issuance of TCFD ReportRegarding the formulation of human rights policy and direction of our responses
	Management Meetings	<ul style="list-style-type: none">Status of efforts to address climate change risks (at least once a quarter, approximately four times a year)Regarding top risks in fiscal 2023 (approximately six times a year)Efforts to support decarbonization managementSustainability-related risk managementIssuance of TCFD ReportRegarding the formulation of human rights policy and direction of our responses

CHAPTER 5

Strategy

Overview

For the Shoko Chukin Bank, a financial institution by SMEs for SMEs, customers' growth is our growth.

This is the fundamental principle of the Shoko Chukin Bank's own business model and management strategy.

We recognize that climate change risks (transition risks and physical risks) will affect many of our customers, and as a result, there will be a risk of an increase in the Shoko Chukin Bank's credit costs.

Many SME owners have created a new "future" by having a desire for the "future" and realizing that desire, regardless of various changes in their business environment.

The Shoko Chukin Bank will, together with our customers, overcome climate change risks and contribute to the achievement of a sustainable society by realizing SME owners' desire and supporting the creation of a new future.

Risk

Risk identification

We identify risks based on our assumptions of future social and environmental changes brought about by climate change. The following is an overview of the climate change risks assumed by the Shoko Chukin Bank.

Transition risks		Physical risks
Risks that arise in the process of transitioning to a low-carbon society		Risks that arise from increasingly severe natural disasters and climate change
Strengthening of policies and regulations <ul style="list-style-type: none"> Introduction of carbon tax Strengthened regulations related to greenhouse gas emission targets 	Market and technology changes <ul style="list-style-type: none"> Development, selection, and spread of new technologies such as renewable energy and EVs Obsolescence of existing products, changes in supply and demand 	Acute risks <ul style="list-style-type: none"> Occurrence of typhoons, torrential rains, floods, or other wind or water disasters
Risk of increased credit costs for the Shoko Chukin Bank due to impact on customers' business models and business performance		Risk of customers' business performance being affected and credit costs increasing if a customer is affected by a disaster Risk that business continuity may be difficult, or costs for countermeasures and recovery increase if the Shoko Chukin Bank is affected by a disaster
Growing social demands <ul style="list-style-type: none"> Growing public interest in climate change issues Demands for corporate initiatives and disclosures 		Chronic risks <ul style="list-style-type: none"> Gradual increase in average temperature and sea level
Risk of reputational damage and difficulty in obtaining financing if the Shoko Chukin Bank's climate change initiatives and disclosures are deemed insufficient		Risk of increase in heat strokes and infectious diseases, ecological changes, etc., resulting in macroeconomic deterioration and an increase in the Shoko Chukin Bank's credit costs

In particular, we consider credit risk*1 and reputational risk*2 to be important risks with significant management impact. We will seek to reduce these risks by providing support through customer engagement and other means, and by strengthening risk management through measures such as scenario analysis.

*1 Risk of an increase in the Shoko Chukin Bank's credit costs due to the negative impact on customers' business models as the transition to a low-carbon society progresses

*2 Risk of damage to the Shoko Chukin Bank's reputation due to efforts and disclosures on climate change issues being deemed insufficient

Carbon-related assets

As an effort to identify climate change risks, the Shoko Chukin Bank has defined the following industries that were identified as being significantly impacted by climate change as carbon-related sectors (*), and monitored them. The Shoko Chukin Bank reviewed the scope of sectors based on the revision of the TCFD recommendations in October 2021.

The following four sectors were selected for transition risk analysis (page 18): automobiles and components, land transportation, metals and mining, and marine transportation, which was newly added, based on the climate change impact (transition risks) and the balance of the Shoko Chukin Bank's investments, loans and other factors of each segment.

*Based on the GICS codes, the applicable industries in the non-financial sector were identified. The classification method may be reviewed in the future.

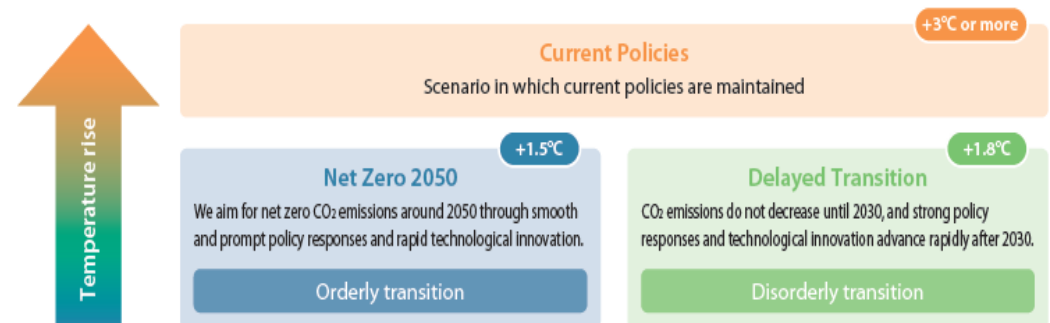
	Sector	Transition risk	Ratio to total loans (%)
Energy	Petroleum and gas	High	1.6
	Electricity	High	0.4
	(Subtotal)		2.0
Transportation	Land transportation	Medium	8.3
	Automobiles and components	High	3.1
	Marine transportation	Medium	1.9
	Air transportation	Medium	0.1
	(Subtotal)		13.4
Materials and building	Building materials and capital goods	Low	8.8
	Real estate management and development	Low	5.9
	Metals and mining	High	4.7
	Chemical	Medium	3.1
	(Subtotal)		22.5
Agriculture, Food, and forestry	Food and beverage	Medium	4.1
	Paper manufacturing and forestry	Low	2.1
	Agriculture	Low	0.3
	(Subtotal)		6.5
Total			44.4

Conducting scenario analysis

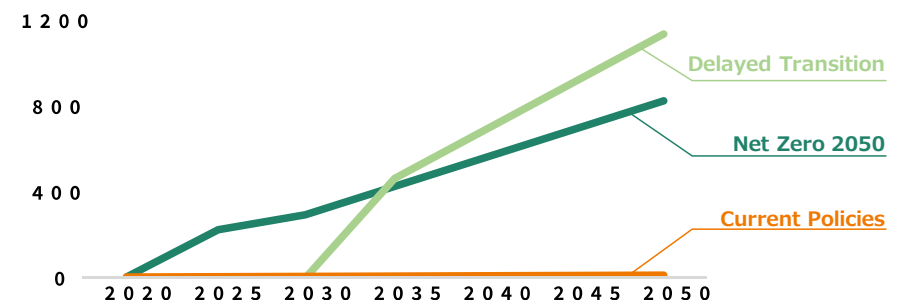
With a view to enhancing the organization's resilience to climate change, we use scenarios (hypotheses) to analyze how the business environment will change and how management will be affected if transition risks and physical risks materialize.

Scenarios used

Three scenarios (net zero 2050, delayed transition, and current policies) formulated by NGFS (Network for Greening the Financial System) are used in the scenario analyses of transition risks and physical risks. The worldview of each scenario is as shown in the figure.



[Reference] NGFS Carbon Price Scenario (USD/t)



Transition risks

The increase in credit-related expenses associated with transition risk is estimated by sectors selected in consideration of climate change impact and the size of exposure in the portfolio. The following four sectors were selected for transition risk analysis based on the climate change impact (transition risks) of each sector and the balance of investments, loans and other factors.

[Qualitative assessment of sectors in scope of analysis]

Sector	Main transition risks	
Automobiles and components	Carbon tax on CO ₂ emissions, etc. in the production and transportation processes	Downsizing of engine parts, etc. associated with conversion to electric vehicles
Metals and mining		The metals and mining sector also includes many automobile-related companies, such as casting and manufacture of stamped press metal products, and abovementioned impact is taken into consideration.
Land transportation		Modal shift toward low-carbon conversion, etc. Conversion to electric trucks (higher vehicle prices)
Marine transportation		Decrease in haulage due to a decrease in fossil fuels in main haulage Conversion to vessels compatible to stricter environmental regulations (higher ship prices)

[Results of transition risk analysis]

Based on the transition scenario for each sector, we estimate the financial condition of each loan recipient covered by the sector analyzed, and the increase in credit-related expenses is calculated based on changes in the borrower category. We take into consideration transition risks associated with the conversion of loan recipients' main products (internal combustion engines, drives, etc.) to electric vehicles (EVs) for automobiles and components and metals and mining.

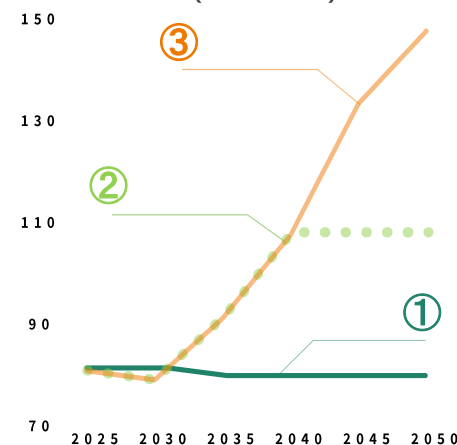
Scope of analysis	Loan recipients in the automobiles and components, metals and mining, land transportation, and marine transportation sectors, with the most recent borrower category
Scenarios used	Net zero 2050 of the NGFS scenarios
Period of analysis	By 2050
Analysis results	Credit-related expenses: cumulative amount of approximately ¥90.0 billion

Physical risks

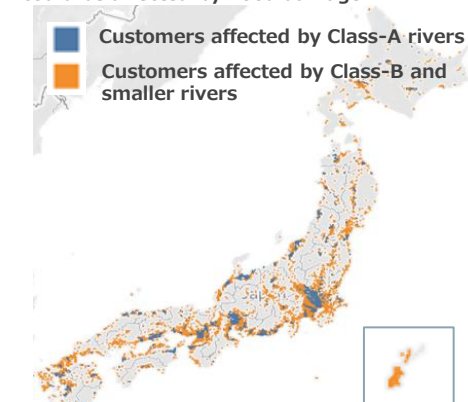
We identify potential inundation points due to water-related disasters caused by typhoons, etc., based on location information for all loan recipients. For each loan recipient that could be flooded, financial condition is estimated based on the probability of a water related disaster, and the increase in credit-related expenses is calculated based on changes in borrower category. From this analysis, the impact of building collateral damage amount was added.

Scope of analysis	Loan recipients among those who could be flooded and who have collateral pledged on buildings, with the most recent category
Scenarios used	Current policies of the NGFS scenarios
Period of analysis	By 2050
Analysis results	Credit-related expenses: cumulative amount of approximately ¥70.0 billion

【Reference】 Results of collateral damage amount estimation (¥100 million)



【Reference】 Distribution of loan recipients that could be affected by flood damage



① Net Zero 2050 ② Delayed Transition ③ Current Policies

Case studies of support for the automotive industry

Held a study session for top management in cooperation with a cooperative association to achieve carbon neutrality

In Ota-shi, Gunma Prefecture, where many of SUBARU CORPORATION's suppliers are located, we conducted a joint questionnaire survey with Ota Machinery and Metalworking Industry Cooperative Association among their member suppliers on EVs and initiatives for carbon neutrality.

A study session for top management was held with about 90 participants to provide feedback on the results of the questionnaire survey and explain the background and necessity of carbon neutrality.



Please click here to
watch the video



In April 2024, the Shoko Chukin Bank newly established the “Industrial Strategy Division” to address issues surrounding industrial restructuring and environmental and social sustainability. We will enhance our support for SMEs facing a rapidly changing business environment.

Opportunity

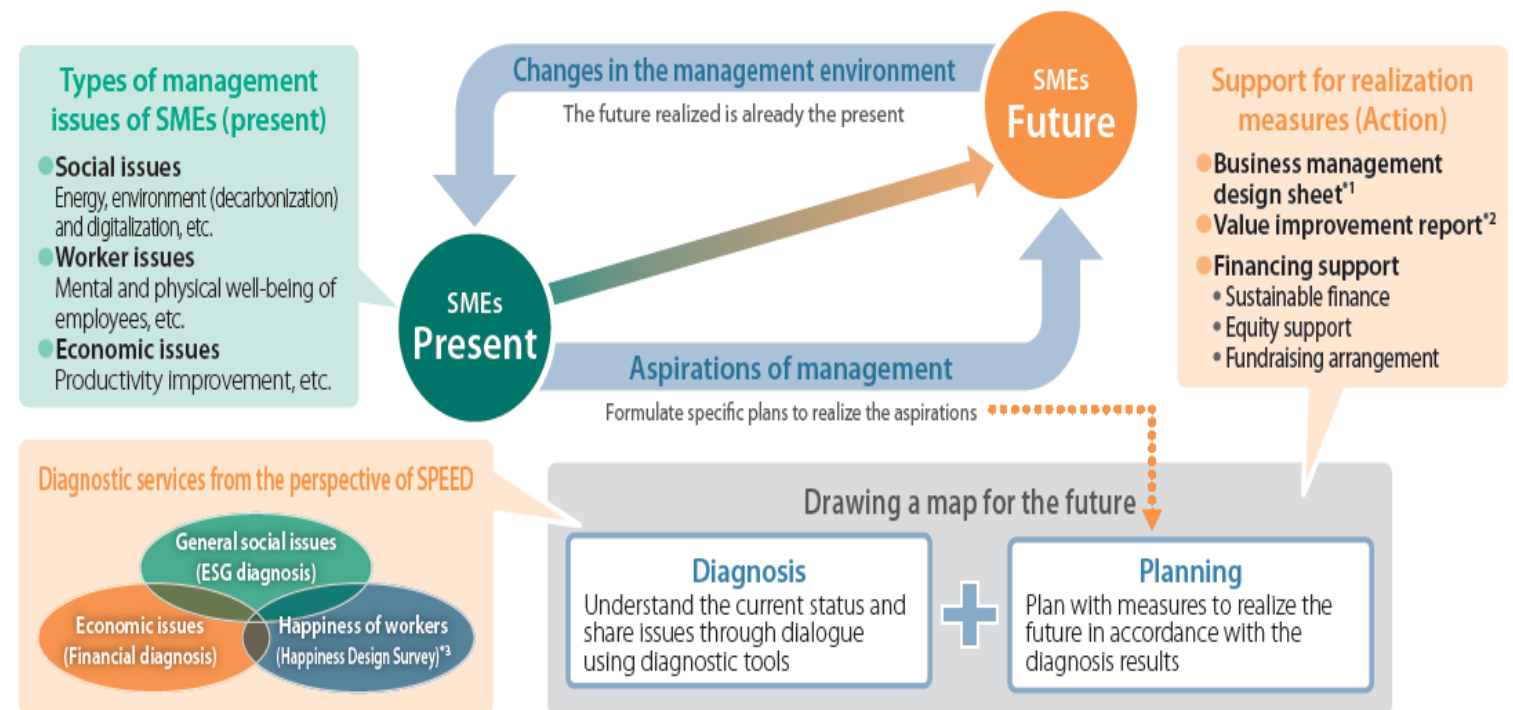
Sustainable management support (customer support policy)

The Shoko Chukin Bank was established as a financial institution for SMEs in 1936. Since then, the Shoko Chukin Bank has existed on the strong trust of our customers, with the goal of providing close, hands-on support to customers.

As such, we will empathize with the management's aspirations through dialogue with the management, draw up a map for the future together, and support the creation of a sustainable future (sustainable management support) based on this map.

Specifically, the Shoko Chukin Bank will provide diagnostic services from the perspective of SPEED, starting with business prospects evaluation.

Based on that, we will further deepen dialogue with the management, provide support for plan formulation ("drawing a map for the future"), and work together to achieve the plan through sustainable finance and other services, thereby creating a sustainable society.



^{*1} Business management design sheet: A thinking aid and communication tool released by the Cabinet Office for designing the value creation mechanism that will be the backbone of future management and for shifting to the desired state.

^{*2} Value improvement report : A report that evaluates businesses from macro and micro perspectives based on industry trends surveyed by the Shoko Chukin Bank, and summarizes future management strategies.

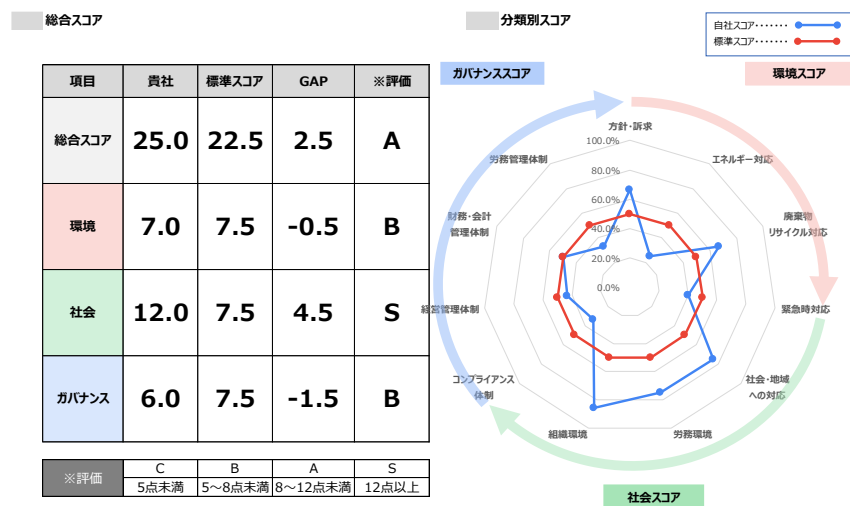
^{*3} Happiness design survey : the Shoko Chukin Bank's unique service to support sustainable corporate growth by visualizing organizational happiness through a questionnaire survey of client employees.

[ESG diagnosis]

The Shoko Chukin Bank, together with Funai Consulting Incorporated, developed ESG diagnosis for middle-market enterprises and SMEs, the main customers for both companies.

ESG diagnosis, which has been available since December 9, 2021, is a tool that enables customers to easily diagnose the status of their ESG efforts.

In ESG diagnosis, middle-market enterprises and SMEs fill out a questionnaire regarding environment, social, and governance, and a report is prepared that compares their scores to an average score that can be used to easily identify the details of their efforts that need to be strengthened.



Approximately 1,000 companies have used the service as of September 30, 2023. Through dialogue based on the results of the diagnosis, the Shoko Chukin Bank will enhance mutual understanding with customers, share management issues and needs from the perspective of ESG, offer solutions to resolve these issues, and contribute to the sustainable enhancement of customers' corporate value.

This service is only available to companies doing business with the Shoko Chukin Bank or Funai Consulting Incorporated.

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[Happiness design survey]

The happiness design survey is a service in which employees are asked to fill out a questionnaire to provide an easy-to-understand report on the relationship between the company and its employees under the theme of happiness. The concept of the survey is to provide various support for improvement to address issues that have been visualized, thereby aiming for happy management that enables employees to feel happier at work.

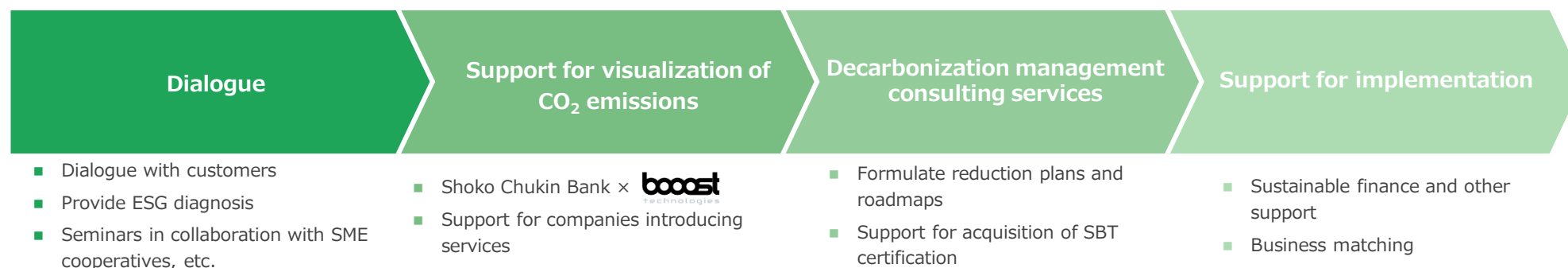
The Shoko Chukin Bank was one of the first financial institutions to focus on corporate happiness and launched this service in August 2020, with more than 900 companies having introduced the service as of September 30, 2023. We will continue to support the sustainable growth of SMEs by providing a more enhanced service based on the various data we have obtained and our improvement know-how.



【Decarbonization management support】

To enhance the medium- to long-term corporate value of our customers and achieve a sustainable society, the Shoko Chukin Bank actively supports the efforts of middle-market enterprises and SMEs to promote carbon neutrality.

In May 2023, we launched “Decarbonization management consulting services.” We will provide companies with support for the formulation of plans and other work for decarbonization as well as hands-on support for the implementation of decarbonization measures.



The Shoko Chukin Bank has a business alliance with **boost technologies, Inc.**, which develops the CO₂ emissions visualization system “**boost GX**.”



各業界のリーダーから選ばれる
カーボンマネジメントプラットフォーム

採択実績
175,000
拠点以上



1. Scope1～3の排出量算定の効率性と正確性の向上
2. 削減目標の計画、管理、オフセット実行機能
3. 235の国、地域別の排出量管理と25言語UI対応
4. SBTi、CDP、TCFD、温対法、省エネ法等のレポート機能
5. 会社単位や拠点単位で一覧化できる集計機能



Case studies of customer support

Kahei Co., Ltd. is engaged primarily in the manufacture of synthetic leather for vehicles, sportswear, furniture, and other products. To further promote decarbonization management, the company planned to develop a decarbonization plan for 2030 and obtain SBT certification (international certification for reduction of greenhouse gas emissions) for SMEs.

Through its decarbonization management consulting services, the Shoko Chukin Bank supported the company in visualizing its CO₂ emissions, preparing data, and formulating a plan to achieve its reduction targets, while conducting on-site surveys and interviews with management, thereby closely supporting the company’s acquisition of SBT certification.

Awareness survey on carbon neutrality of SMEs

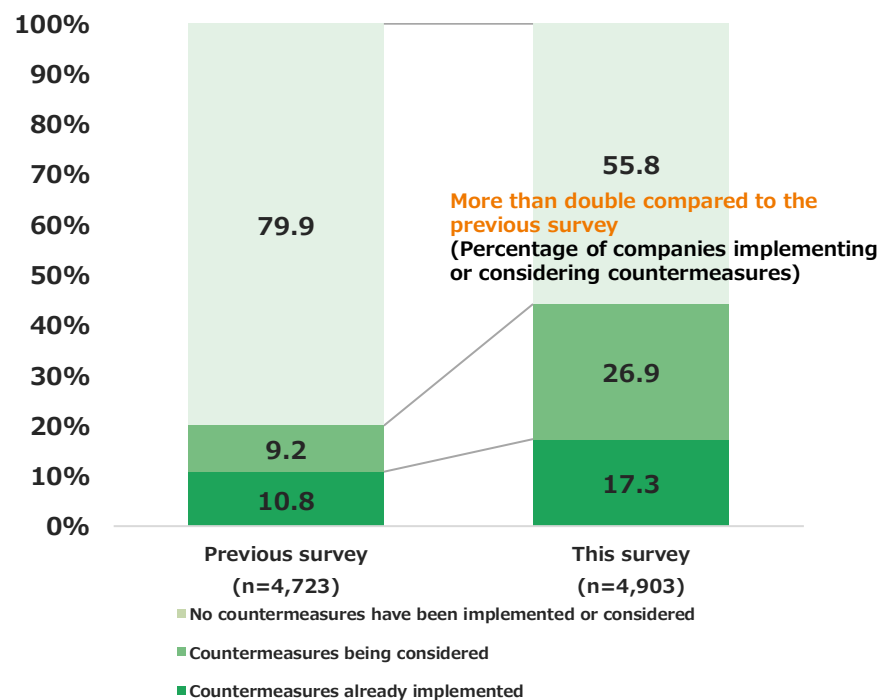
For details of the survey, please click [here](#)

The Shoko Chukin Bank announced the “Awareness Survey on Carbon Neutrality of SMEs” in July 2023 (previous survey was conducted in July 2021).

We conducted a questionnaire survey of our customer SMEs (approximately 5,000 companies) nationwide regarding the impact, specific countermeasures, and issues related to each event associated with carbon neutrality.

We will identify the impact toward carbon neutrality and continue to engage in dialogue with our customers.

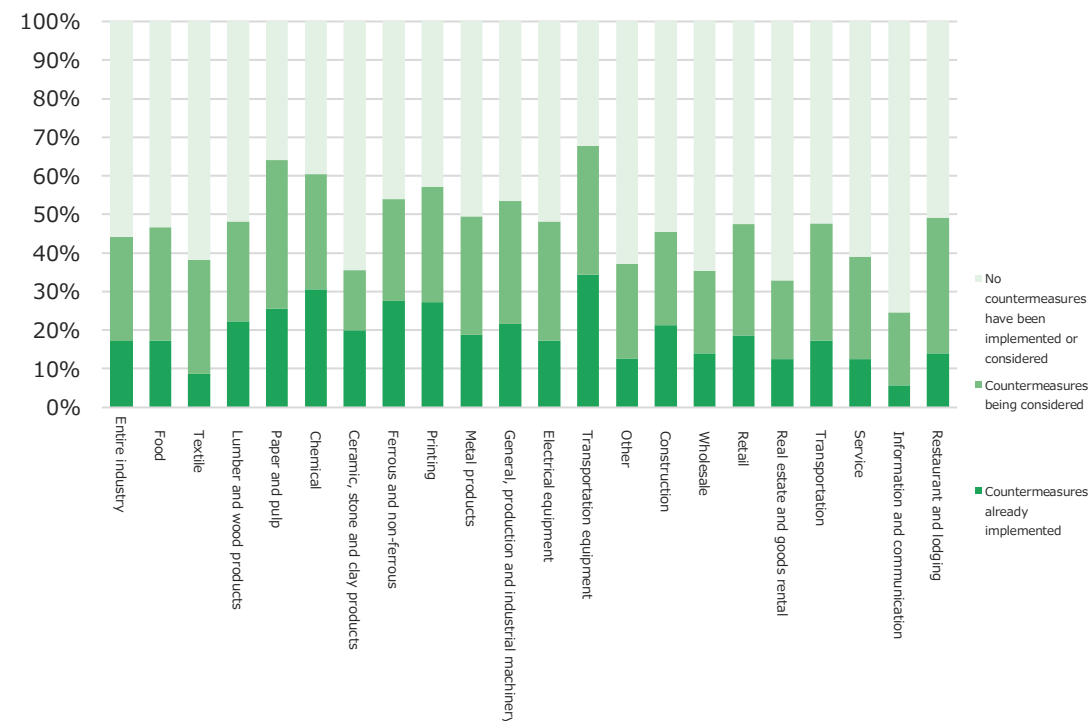
1. Status of implementation and consideration of countermeasures against the impact of carbon neutrality



Number of companies responded
4,903

More than 40% of all companies have implemented or are considering countermeasures against the impact of carbon neutrality

2. Status of implementation and consideration of countermeasures against the impact of carbon neutrality (by industry)



More than 60% of companies in the “transportation equipment” “paper and pulp” and “chemical” industries have implemented or are considering countermeasures. Compared to the previous survey, companies are making progress in their efforts.

Sustainable finance

To contribute to the sustainable enhancement of our customers' corporate value and the achievement of a sustainable society, the Shoko Chukin Bank has offered sustainable finance services since July 1, 2022.

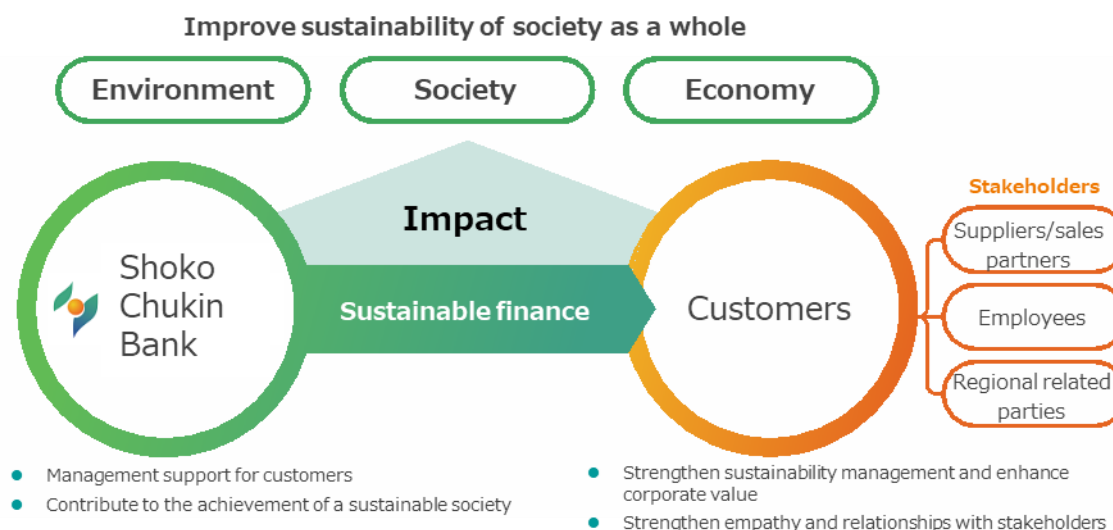
With addressing social issues such as climate change and population decline becoming an urgent issue, the importance of the role played by financial institutions as partners to provide finance and information services that contribute to resolving social issues is growing.

The Shoko Chukin Bank will play an active role to achieve a sustainable society. Through this effort, we will provide hands-on support from the perspective of sustainability, with business prospect evaluations as a starting point, and support our customers' sustainable efforts.

	Positive impact financing (*1)	Green loan/ Social loan/ Sustainability loan (*2)
Use of funds	Working capital or facility capital	Capital needed for businesses or projects expected to have effects on improving the environment or resolving social issues, as recognized by the Shoko Chukin Bank
Loan amount	In principle, ¥100 million or more	
Interest rate	Interest rate prescribed by the Shoko Chukin Bank	
Commission	Commission fees prescribed by the Shoko Chukin Bank (Fees for scheme structuring and monitoring)	
Other	An impact assessment prepared by the Shoko Chukin Bank and THE SHOKO CHUKIN BANK INSTITUTE of COMMERCE, INDUSTRY & ECONOMICS, LTD., and a third-party opinion report prepared by Japan Credit Rating Agency, Ltd. will be announced	A green loan assessment report/social loan assessment report/sustainability loan assessment report prepared by the Shoko Chukin Bank will be announced

	First half of fiscal 2023	Cumulative (from June 2022)
Sustainable finance balance	56 projects, ¥35.9 billion	107 projects, ¥54.9 billion

(Results as of September 30, 2023)



(*1) Positive impact financing

Positive impact financing is a hands-on support type of financing designed to enhance the “economic value,” “social value,” and the “happiness of workers” of companies in a comprehensive and sustainable manner, through comprehensive analysis and evaluation of the impact (positive and negative) of corporate activities on the environment, society, and the economy, sustainability goal setting and monitoring, and financing. This loan scheme complies with the Principles for Positive Impact Finance announced by the United Nations Environment Programme Finance Initiative (UNEP FI), and we have obtained a third-party opinion report prepared by Japan Credit Rating Agency, Ltd. for its suitability.

(*2) Green loan, social loan, and sustainability loan

Green loan, social loan, or sustainability loan is a loan that supports customers' green or social projects (businesses or capital investments that have a clear effect on improving the environment or resolving social issues). This is a loan scheme that conforms to the Green Loan Principles, Social Loan Principles (Loan Market Association, and other organizations), and Green Loan and Sustainability Linked Loan Guidelines (Ministry of the Environment), and its conformity is assessed by the Shoko Chukin Bank or an external assessment body to ensure transparency. The Shoko Chukin Bank has established a green finance/social finance/sustainability finance framework and obtained a third-party opinion report prepared by Japan Credit Rating Agency, Ltd. that the loans made in accordance with the framework are in conformance with each of the international principles, and other principles.

The Shoko Chukin Bank has obtained a third-party opinion report prepared by Japan Credit Rating Agency, Ltd., that the loans executed in accordance with respective loan frameworks are in conformance with each of the international principles and other principles. For details of the opinion report and assessment report, please refer to the Shoko Chukin Bank's website.

Case studies of sustainable finance support

Supporting Kuriyamabeika Co., Ltd. through positive impact financing

The Shoko Chukin Bank (Niigata Office) provided a ¥1.0 billion loan to Kuriyamabeika Co., Ltd. (head office: Niigata City, Niigata Prefecture; representative: Toshiaki Kuriyama) necessary for its sustainable management. Positive impact financing is applied to the loan.

The company produces senbei (rice crackers) and arare (cubic rice crackers) and sells its mainstay products such as “Bakauke” and “Hoshitabeyo,” and other products throughout Japan. The company is actively working to reduce food losses, and developed upcycled products (*) made from “okara (soy pulp)” and “sweet potato peels,” in addition to extending the expiration date of products through the improvement of packaging materials, etc.

(*) Adding value to things that should have been disposed of and making them something of higher value

This time, the company **has established KPIs on sustainability in order to achieve further growth through efforts including the stable supply of safe and secure rice snacks and the promotion of diversity.** Through environmental management, the company will enhance the sustainability of its management to achieve the improvement of not only its economic value but also its social value as well as the happiness of its workers.

The Shoko Chukin Bank conducted a business prospects evaluation through on-site visits and dialogue with management, and carried out an impact assessment in cooperation with THE SHOKO CHUKIN BANK INSTITUTE of COMMERCE, INDUSTRY & ECONOMICS, LTD. We obtained a third-party opinion report prepared by Japan Credit Rating Agency, Ltd. (JCR), and shared the company's strengths, challenges and goals (KPIs). We provided the funds necessary to improve the company's corporate value through positive impact financing, and will provide hands-on support for the company's efforts to achieve its goals.



Impact creation through PIF (Positive Impact Financing)

The Shoko Chukin Bank has supported **119 companies** (as of December 31, 2023) through PIF (Positive Impact Financing). The table below shows KPIs established through PIF for each of SDGs items, and we are working to create an impact on the environment and society through the achievement of these KPIs. By using the impact deposits (page 26) entrusted to us by customers nationwide as a source of PIF, we aim to create a virtuous circle in society as a whole.

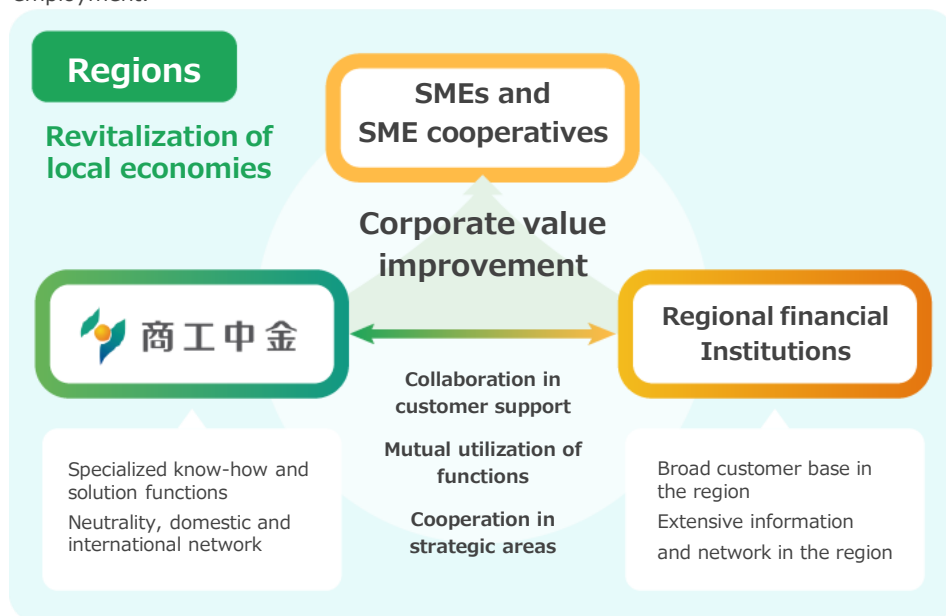
	Number of KPIs established	Examples of KPIs establishment		Number of KPIs established	Examples of KPIs establishment
2 飢餓をゼロに	23	Expand warehouse for food storage, increase sales at new sites for food transportation	10 人や国の不平等をなくそう	120	Increase the ratio of female employees, obtain public certification such as P (privacy) mark, hold study sessions on human rights DD (due diligence)
3 すべての人に健康と福祉を	71	Zero occupational accidents, acquire Certified KENKO Investment for Health Outstanding Organizations Recognition, increase the number of paid leaves taken, increase the number of group home sites	11 住み続けられるまちづくりを	65	Develop new products for housing equipment, increase orders for EV and automated driving-related parts
4 質の高い教育をみんなに	57	Make employees multi-skilled, expand qualification acquisition support system, increase the number of qualified employees	12 つくる責任 つかう責任	119	Reduce waste generation, increase sales of eco-friendly products, reuse food residues, increase the volume of waste accepted (recycling companies), etc.
5 ジェンダー平等を実現しよう	60	Increase the ratio of female managers, increase the ratio of female employees, increase employment of people with disabilities, accept foreign trainees	13 気候変動に具体的な対策を	84	Visualize and reduce CO ₂ emissions, formulate BCP (Business Continuity Plan), obtain ISO14001
6 安全な水とトイレを世界中に	17	Cleaning and management of fish tank (aquaculture), proper management of regulating reservoirs and implementation of water quality test	14 海の豊かさを守ろう	11	Change the floating materials (prevent marine pollution – aquaculture)
7 エネルギーをみんなにそしてクリーンに	85	Introduce solar power generation equipment, increase LED usage ratio, increase the ratio of battery forklift truck	15 陸の豊かさも守ろう	9	Increase sales of printed materials using FSC (Forest Stewardship Council) certified paper
8 働きがいも経済成長も	369	Happiness design survey, increase sales in new sites/new businesses, create local employment, reduce annual overtime work, etc.	17 パートナリシップで目標を達成しよう	11	Research and development of measures against marine plastic litter through public-private partnerships
9 産業と技術革新の基盤をつくろう	127	Improve yield rate, new entry into the semiconductor precision processing business and increase sales, entry into biogas power generation business			

(As of December 31, 2023)

Cooperation with regional financial institutions

Since February 2023, the Shoko Chukin Bank has promoted business alliances and cooperation with regional financial institutions in the implementation of sustainable finance operations in order to contribute to the revitalization of local economies and the creation of employment.

Through these efforts, we will leverage the synergies of our respective functions and characteristics to meet the financial needs of SMEs in the region, together with regional financial institutions, thereby contributing to the improvement of the value of SMEs.



—Financial institutions with which we collaborate and cooperate—

(Japanese alphabetical order, titles omitted, as of January 31, 2024)

KitaiseUeno Shinkin Bank, The Kuwanamie Shinkin Bank, THE BANK OF KOCHI LTD., The Saitamaken Shinkin Bank, THE SENDAI BANK, Ltd., THE TAIKO BANK LTD., North Pacific Bank, Ltd., The Yokohama Shinkin Bank

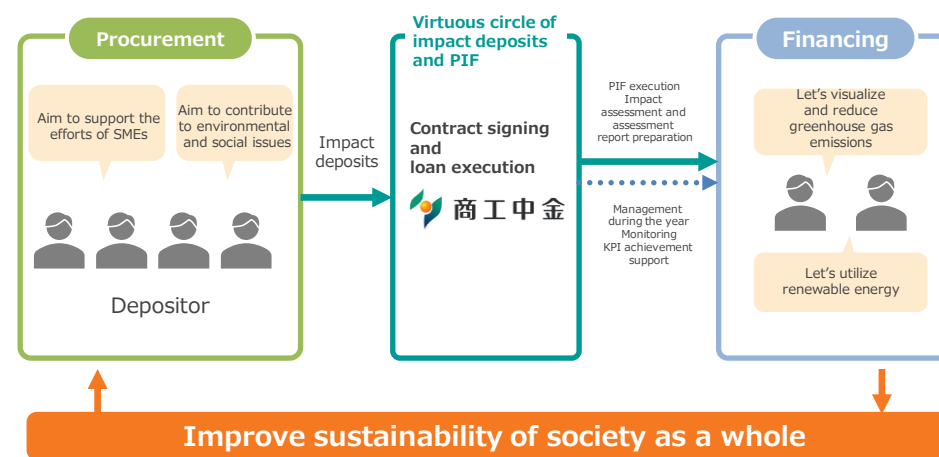
Impact deposits

In June 2023, the Shoko Chukin Bank started offering “impact deposits.” By allocating the impact deposits to PIF (positive impact financing) (page 24) we offer, we will provide the appropriate financing to business operators throughout Japan that engage in sustainable management, aiming to improve the sustainability of society as a whole.

Upon starting to handle the impact deposits, the Shoko Chukin Bank formulated an impact deposit framework, after obtaining an opinion report prepared by the Japan Credit Rating Agency, Ltd. (JCR) for the conformity with the items indicated in the “Basic Approach to Impact Financing,” of the Ministry of the Environment.

Our PIF framework tied to PIF and funded by impact deposits has been selected as a model project for the Ministry of the Environment’s Green Finance Model Creation Project for fiscal 2022.

For the future, for a connected society



For details of our efforts to create impact through PIF, please refer to page 25.

Customers who made impact deposits (offered for fiscal 2023)

In June 2023, the Shoko Chukin Bank started offering “impact deposits” for corporations as time deposits to serve as a source of PIF (Positive Impact Financing*).

Thanks to the support of our customers, a total of ¥10.0 billion (full amount for offering) has been deposited by 71 companies nationwide.

* PIF (Positive Impact Financing) is a hands-on support type of financing designed to help increase positive impacts and reduce negative impacts by comprehensively analyzing and evaluating the positive and negative impacts of corporate activities on the environment, society, and economy.

For details of our efforts to create impact through PIF, please refer to page 25.

Video provides an overview of impact deposits and examples of support provided.

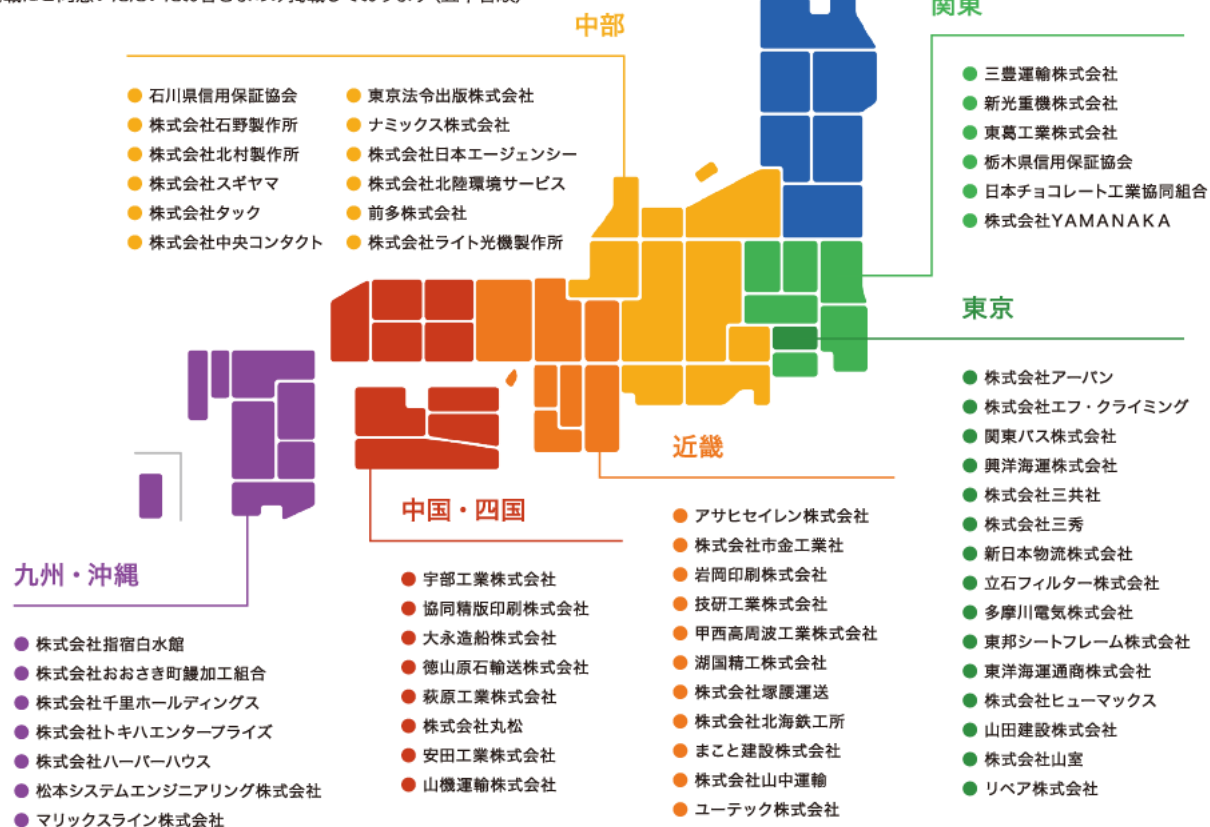
Please click here to watch the video



The Shoko Chukin Bank will use impact deposits as a source to further support the sustainability efforts of various companies. For the latest information on impact deposits, please click [here](#).

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※掲載にご同意いただいたお客さまのみ掲載しております（五十音順）



Efforts to resolve environmental and social issues

Practice of sustainable management to improve corporate value

In November 2023, the Shoko Chukin Bank held a seminar titled “What is the sustainable management that makes SMEs strong.” Mr. Mitsuhiro Minowa, Managing Director of Allbirds, Japan, and Mr. Tetsuo Ohkawa, Representative Director and President of Ohkawa Printing Co., Ltd. were invited to give a lecture on management practices to improve corporate value.

リアルタイムウェブセミナー
事前申込制 参加無料

商工中金
サステナブル経営セミナー 第2弾

2023年
11月24日 FRI
15:30開演 - 17:00

中小企業をつよくする
サステナブル経営とは

Presenter

Presentation 1
Allbirds 合同会社
マネージング・ディレクター 養輪光浩 氏

Presentation 2
株式会社 大川印刷
代表取締役社長 大川哲郎 氏

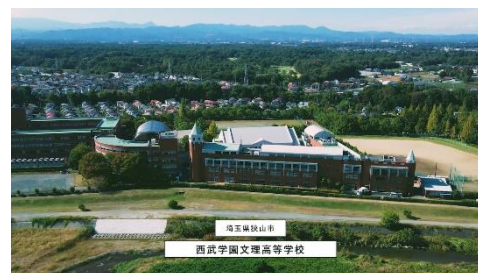
Presentation 3
商工中金サステナビリティ推進室
『商工中金のサステナブル経営支援』

主催 商工中金 商工中金経済研究所

Learning beyond generations and efforts for the future

As a project to connect local companies with the local communities, the Shoko Chukin Bank supports students who carry the future to learn how to achieve a “sustainable world.”

On November 7, 2023, we held a special class to learn the SDGs at Seibu Gakuen Bunri Senior High School, in Sayama City, Saitama Prefecture, with the cooperation of Moritasansho Co., Ltd., a steel processing manufacturer headquartered in Saitama Prefecture (head office: Gyoda City, Saitama Prefecture; representative director: Mr. Hiroyoshi Morita).



Seventeen students attended a class titled “SDGs Class Sponsored by the Shoko Chukin Bank-Sustainable Working Environment.” A group discussion was held with Mr. Morita, teachers in charge, and the staff of the Shoko Chukin Bank, and they discussed the achievement of the SDGs, with a focus on the themes related to working people.

Many of the students who attended the class commented that through the class, they could think about the SDGs as their own matters and realized the importance of taking action.

Please click here to watch the video



CHAPTER 6

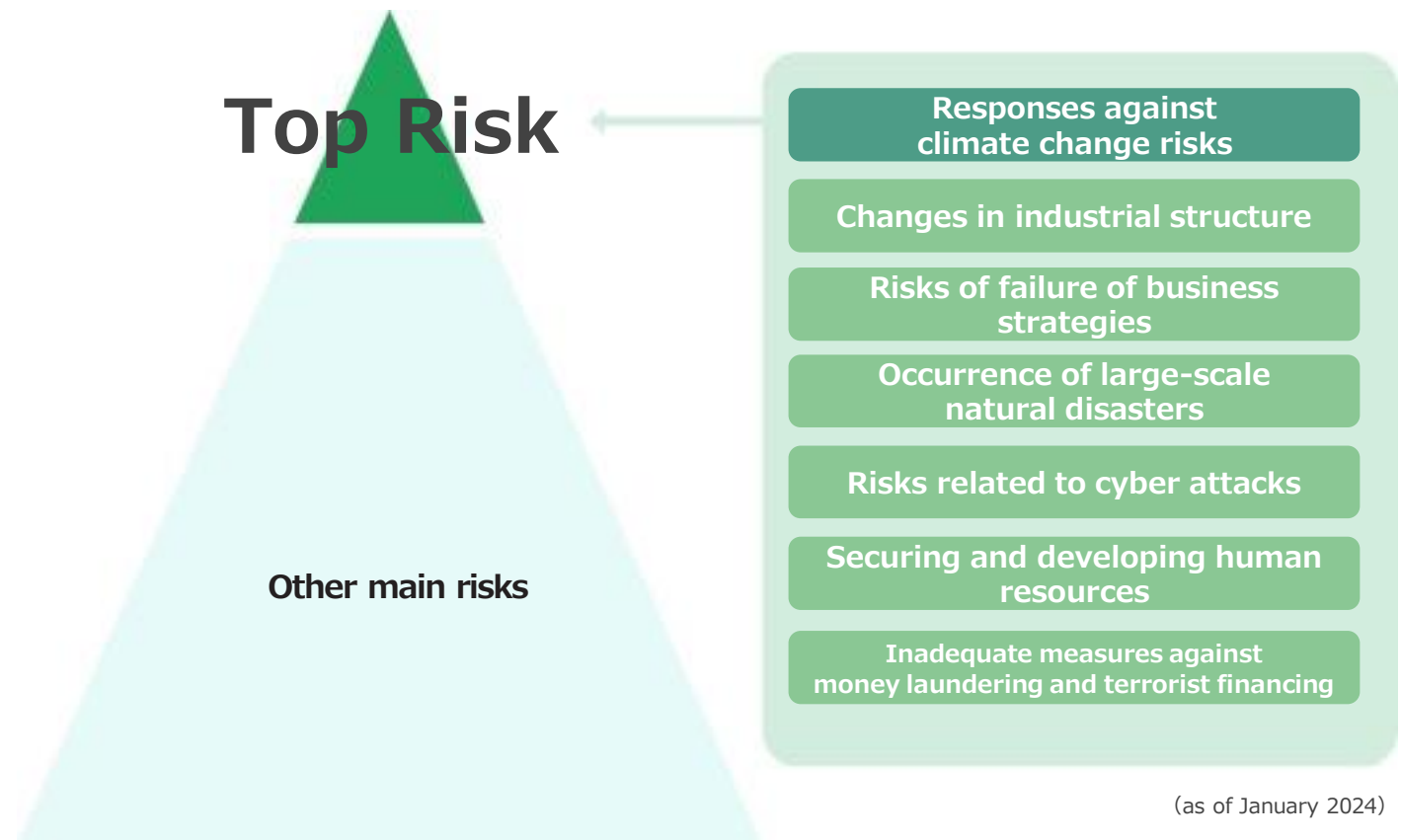
Risk Management

Top risk management

The Shoko Chukin Bank has adopted “Top risk management,” which, based on the discussions of senior management, recognizes risk events thought to have a particularly significant impact on management as top risks. In October 2023, considering the risk of not being able to adapt to or missing the medium- to long-term changes in industrial and social structures, which are advancing mainly in the field of green and digital, the Board of Directors decided to identify “risks of failure of business strategies,” which had been identified as one of the main risks other than top risks, as one of top risks.

The Shoko Chukin Bank has identified “responses against climate change risks” as one of top risks along with the other six risk events, and is working to address it.

The Shoko Chukin Bank will continue to take effective countermeasures, as well as work to further strengthen its risk management, based on changes in the business environment.



Basic approach to investments and loans

The Shoko Chukin Bank is a financial institution dedicated to facilitating the financing of SMEs.

To always be aware of this objective, and to conduct ethical business that is consistent with national laws and regulations and international norms, we verify changes in the environment surrounding our customers and their business activities, and work to resolve environmental and social issues.

Environmental and social considerations policy

The Shoko Chukin Bank has established a policy for transactions with businesses that are likely to have a negative impact on the environment and society as a result of our verification, and will take action in accordance with the policy.

Specifically, we will not engage in transactions with the three businesses listed on the right that are likely to have a material negative impact on the environment and society.

Regarding “coal-fired power generation business,” “deforestation business,” and “palm oil plantation development business” that have a negative impact on the environment and society, we will fully verify the details of the business, and engage in dialogue and approach, based on which we will consider our responses.

Businesses in which the Shoko Chukin Bank will not engage in investments and loans or other transactions

1. Businesses that produce inhumane weapons

Cluster munitions are recognized as inhumane weapons by the international community. In addition, we recognize that nuclear weapons, biological and chemical weapons, and antipersonnel landmines present as great a humanitarian problem as cluster munitions. Based on such recognition, we will not make any investments and loans or conduct other transactions in the manufacture of these inhumane weapons.

2. Businesses that engage in child labor, forced labor, or human trafficking

The Shoko Chukin Bank respects the Universal Declaration of Human Rights and other international norms. From the perspective of promoting responsible corporate activities and contributing to the protection of human rights throughout society including the international community, we recognize that we should not be complicit particularly in exploitative labor practices. Based on such recognition, we will not make any investments and loans or conduct other transactions in businesses that engage in child labor, forced labor, or human trafficking.

3. Businesses that are problematic from the perspective of maintaining ecosystem and protecting World Heritage, etc.

We are blessed with food, water, climate stability, and other benefits as a result of complex and diverse ecosystems supporting each other. The Shoko Chukin Bank recognizes that it is important to work to maintain and conserve the natural environment, etc. while taking into consideration the biodiversity that supports ecosystems. Based on such recognition, we will not make any investments and loans or conduct other transactions in businesses that fall under the following.

- Businesses that have a negative impact on Ramsar Convention-designated wetlands
- Businesses that have a negative impact on UNESCO-designated World Heritage (*1)
- Businesses that violate the Convention on International Trade in Endangered Species of Wild Fauna and Flora (or the Act on Conservation of Endangered Species of Wild Fauna and Flora of Japan) (*2)

(*1) Except where prior consent is obtained from the government of the country concerned and UNESCO.

(*2) Matters reserved for each country are taken into consideration.

CHAPTER 7

Metrics and Targets

Results and targets of CO₂ emissions (Scope 1 and 2)

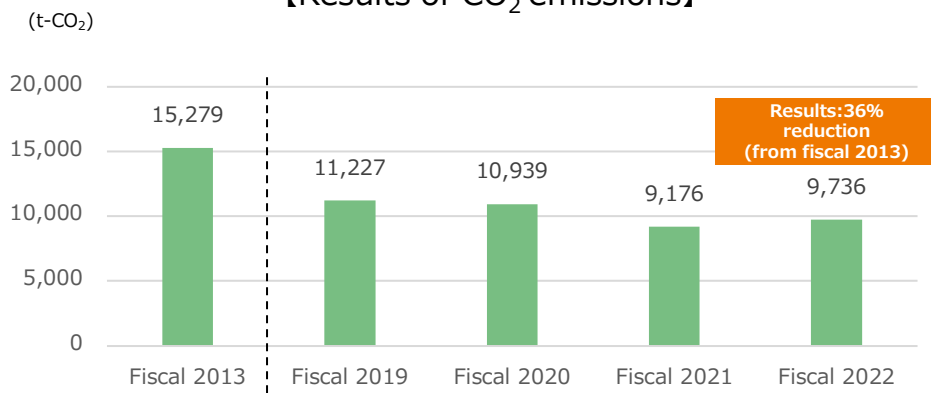
The Shoko Chukin Bank's CO₂ emissions in fiscal 2022 calculated based on the amount of gas, electricity and other utilities used at its offices in Japan totaled 9,736 tons, down 36% from the fiscal 2013 level (CO₂ emissions for the Shoko Chukin Bank's Scope 1 (direct) and Scope 2 (indirect) in the periodic report under the Act on Rationalization of Energy Use and Shift to Non-fossil Energy).

The Shoko Chukin Bank aims to reduce CO₂ emissions by 50% in fiscal 2030 and achieve carbon neutrality by fiscal 2050, as CO₂ emissions reduction target (for Scope 1 and 2).

In CO₂ emissions, electricity purchased at branches and offices is the biggest factor, and we have strived to reduce the amount of electricity purchased by optimizing the size of our offices through consolidation and relocation of sites, and by switching to LED lighting.

CO₂ emissions in fiscal 2022 temporarily increased due to factors such as the emission factor of electricity purchased. The Shoko Chukin Bank will continue to make ongoing efforts to reduce CO₂ emissions to achieve our target, including the use of renewable energy (page 34) and relocation to more environmentally friendly branches.

【Results of CO₂ emissions】



**Reduction target: 50% reduction in fiscal 2030
achieve carbon neutrality by fiscal 2050**

Estimation of CO₂ emissions (Scope 3)

The Shoko Chukin Bank will calculate and identify GHG supply chain emissions (Scope 3) in addition to our own CO₂ emissions. We will continue to work to expand and refine the scope of calculation, and use the results for the sophistication of our own efforts to reduce environmental impact and dialogue with and supporting of our customers. The results of the estimation are as follows.

This time, we calculated the overall estimation of Cat (Category) 15 (investments), and identified approximately 90% of the total investments and loans (balance ratio).

As the discussion over international standards progresses, the current calculation method may change in the future.

(1,000t-CO₂)

Cat 1	Purchased goods and services	Approx. 21
Cat 2	Capital goods	Approx. 7.5
Cat3	Fuel- and energy-related activities (not included in scope 1 or scope 2)	Approx. 1.5
Cat6	Business travel	Approx. 0.6
Cat 7	Employee commuting	Approx. 1.1
Cat15	Investments	Approx. 8,200

- For cat1, 2, 3, 6, and 7, we estimated CO₂ emissions based on the activity volume in fiscal 2022, in accordance with the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.4 (Ministry of the Environment and Ministry of Economy, Trade and Industry).
- For Cat15, calculation was made for business loans, in accordance with the Global GHG Accounting & Reporting Standard of PCAF (Partnership for Carbon Accounting Financials). The numerator of the equity ratio is the loan balance as of March 31, 2023 and the denominator is calculated using financial information, etc. held by the Shoko Chukin Bank.
- For the business loan recipients subject to the Ministry of Environment's publication system based on the Act on Promotion of Global Warming Countermeasures (approximately 11%*), estimation was made using data published under the system.
- For the business loan recipients other than the above (approximately 78%*), estimation was made by estimating emissions per sale by industry based on publicly available data and information held by the Shoko Chukin Bank, and setting emission intensity, and multiplying by the equity ratio of the Shoko Chukin Bank.

* Balance as a percentage of total investments and loans

Introduction of solar off-site PPA

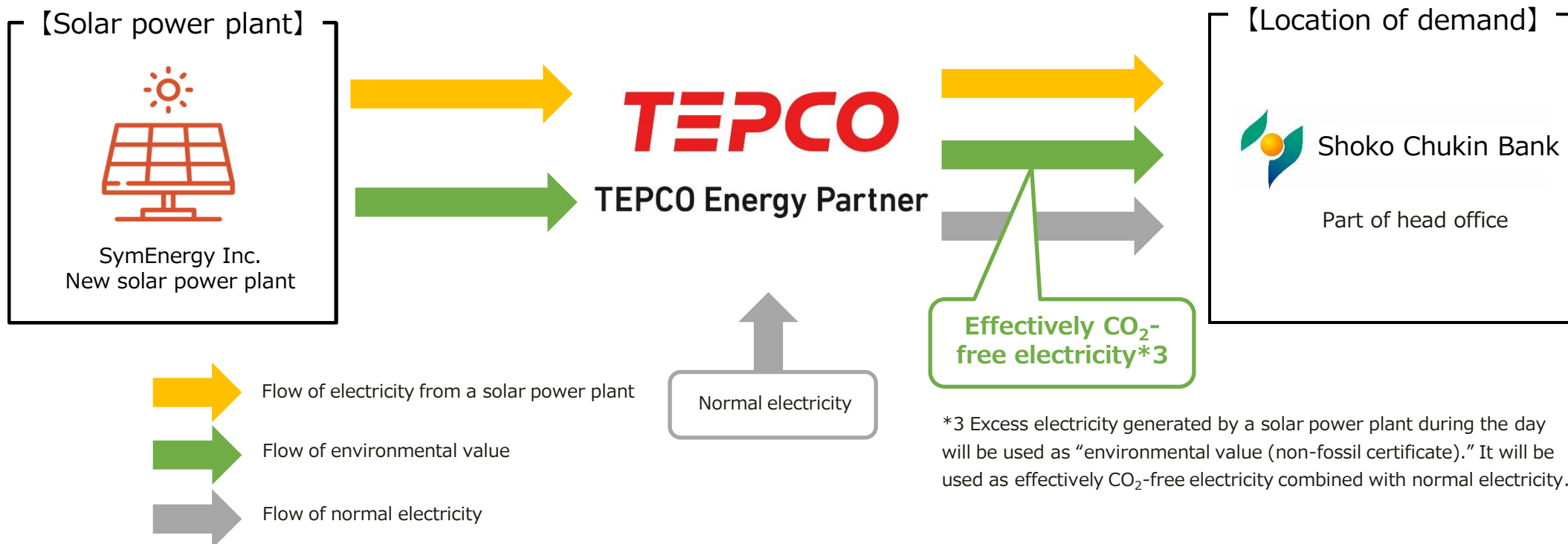
In June 2023, the Shoko Chukin Bank entered into a basic agreement regarding off-site corporate PPA services with SymEnergy Inc. (head office: Kobe City, Hyogo Prefecture; representative director: Mr. Masahiro Inui) and TEPCO Energy Partner, Incorporated (head office: Chuo-ku, Tokyo; representative director and president: Ms. Momoko Nagasaki). Under this agreement, we plan to switch some of the electricity to be used at our head office to electricity derived from renewable energy sources with additionality *¹ through off-site corporate PPA*².

Specifically, we plan to utilize electricity (approximately 3.1 million kWh per year) generated at a high-voltage solar power plant (total installed capacity AC of 2,050 kW) currently under development in Tochigi Prefecture.

*1 Corporate PPA (Power Purchase Agreement) is an agreement under which a company purchases renewable energy from a power producer at a fixed price over a long period of time.

Off-site PPA is a form of power procurement from a remote power generation facility through a general transmission and distribution grid.

*2 Additionality refers to direct involvement in increasing the total amount of renewable energy generation through the development of new renewable energy sources.



— Inquiries —

- This material has been prepared for information purposes only, and the opinions and forecasts contained herein are not designed to solicit offering, sales, or trading of stocks or bonds.
- This material contains forward-looking statements. The forward-looking statements present matters only as of the date they are made (or as of the date separately stated), and use premises, plans, expectations, judgments, and assumptions based on information available at that time. In addition, they are based on the content and interpretation of laws and regulations or guidelines at that time.
- These forward-looking statements are subject to various risks and uncertainties. Accordingly, the actual results may differ significantly from the forecasts. These statements are made solely for the purpose of this material, and the Shoko Chukin Bank does not have any obligation or policy to update them from time to time.
- The information contained herein is based on information that the Shoko Chukin Bank has determined to be reliable and accurate; however, as it is subject to uncertain factors including economic environment, and the Shoko Chukin Bank does not guarantee its accuracy or certainty. In addition, the information contained herein is subject to change without prior notice.
- This material was prepared in Japanese and translated into English. The Japanese version is the original and the English version is for reference only. If there is any discrepancy between the two versions, the Japanese version shall prevail.

***Supporting the future of companies.
Making Japan more resilient to change.***

**The Shoko Chukin Bank, Ltd.
Sustainability Department, Corporate Planning Division
Nakata, Niikura**

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