

Addressing Climate Change

■ Enhancement of information disclosure in accordance with the TCFD recommendations

Governance

The Group has formulated a “Basic Sustainability Policy” as a foundation for addressing sustainability issues, and the Board of Directors is discussing matters to be prioritized contained in the Policy. The Board has identified “addressing the escalating problem of climate change” as one of the Group’s top materialities (priority issues).

The Board of Directors examines the conclusions reached at the semi-annual meetings of the Executive Committee to determine their appropriateness in light of the Group’s Management Strategy.

Strategy

The Nanto Bank Group is working as one to address climate change, providing value to stakeholders by fulfilling our mission of “regional development,” “vibrant talent creation,” and “profitability improvement.”

As a member of the local community, we not only pursue our own decarbonization efforts, for example, but we also actively support those of our customers and other members of the local community.

Under our decarbonization policy, we have set CO₂-reduction and net-zero targets and are introducing renewable energy, converting in-branch and off-premises ATM lighting to LEDs, and adopting eco-friendly vehicles. When constructing or rebuilding branches, we plan to install rooftop solar panels and continue to install environmentally friendly equipment. To curb paper use, we run ongoing awareness initiatives to limit printing, promote paperless meetings, and digitize documents.

To support customers’ decarbonization and broader sustainability initiatives, we established a Sustainable Finance Team in fiscal 2025 to support customers’ efforts toward sustainability management, including decarbonization. Through sustainable finance and related initiatives, we help resolve customers’ management challenges.

As part of our efforts to decarbonize the region, we have begun offering “Nanto J-Credit donation private placement bonds.” Under this program, we purchase forest-derived J-Credits from Nara Prefecture worth up to 0.1% of the customer’s issued amount of private placement bonds and donate them to Nara or Osaka Prefecture. The program fosters momentum for decarbonization among local customers while helping address climate change and customer management challenges.

In our commitment to working together as a community to support customers’ decarbonization and energy conservation efforts, we have joined the Energy Conservation Regional Partnership* providing energy-conservation information and support for subsidies and loans to install energy-saving equipment.

* The Partnership is a new framework established by the Agency for Natural Resources and Energy to strengthen cooperation between financial institutions and energy-saving organizations (organizations that conduct energy-saving diagnoses, etc.) and to build a regional system to support the energy-saving efforts of small and medium-sized enterprises. Participating members include more than 200 financial institutions and energy-saving support organizations.

Risks and opportunities

We assessed the risks and opportunities associated with climate change based on several public scenarios,* including the 1.5°C and 4°C scenarios. The timeline is analyzed for the short term (5 years), medium term (10 years), and long term (30 years).

		Contents	Temporal perspective
Risk	Transition risk	Increase in credit costs (credit risk) resulting from negative effects of tighter climate change regulations and changes in the tax system on customers’ business and financial conditions, as well as damage to the value of real estate collateral due to non-compliance with environmental regulations.	Short- to long-term
		Decrease in the Bank’s corporate value due to insufficient responses to climate change (operational risk related to damaging rumors)	Short- to long-term
	Physical risk	Increase in credit costs (credit risk) due to damage to real estate collateral resulting from large-scale windstorms, floods, or other natural disasters, as well as suspension of business and/or adverse effects on business stemming from damage to customers’ operating bases, etc.	Medium- to long-term
		Increase in restoration costs (operational risk related to tangible assets) stemming from damage to the Bank’s bases by large-scale windstorms, flood disasters, or other natural disasters.	Medium- to long-term
Opportunity		Increase in customer demand for capital investment in decarbonization projects	Short- to long-term
		Increase in demand for funds for infrastructure investment in disaster-prevention measures	Short- to long-term
		Increase in opportunities to offer disaster preparedness insurance products and financial products and services related to environmental protection stemming from growing numbers of windstorms and flood disasters that lead to increasingly environmentally conscious customer behavior	Short- to long-term
		Increase in business opportunities for services such as solution provision to support customers’ decarbonization efforts	Short- to long-term

* Referenced public scenarios

1.5°C scenario with progressive decarbonization: IEA NZE2050, IEA APS, NGFS Net Zero2050, IPCC SSP1-1.9, SSP1-2.6

4°C scenario with warming exceeding 4°C: IEA STEPS, current NGFS policies, IPCC SSP5-8.5

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Indicators and Targets

CO₂ emissions of the Nanto Bank Group (Scopes 1 and 2)

Our CO₂ emissions for fiscal 2024 were 5,818 t-CO₂, a 41% reduction from fiscal 2013.

Although energy consumption was flat year on year, CO₂ emissions rose due to a higher electricity emissions factor.

We will continue to accelerate progress toward a decarbonized society by installing solar panels in newly built branches, including our Head Office building, which has obtained ZEB certification.

Group CO₂ emission reduction targets

Reduction of 75%

by FY2030 compared to FY2013

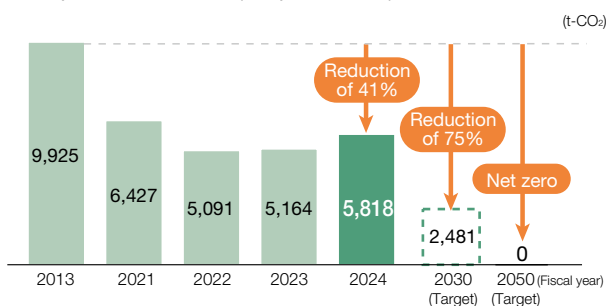
By FY2050

Net zero

FY2024 actual result

5,818 tons of CO₂
(41% reduction compared to fiscal 2013)

Group's CO₂ emissions (Scopes 1 and 2)



Calculation items		FY2013	FY2021	FY2022	FY2023	FY2024
Scope 1 Direct emissions	City gas, LP gas, gasoline, heavy oil	1,584	1,509	1,517	1,410	1,389
Scope 2 Indirect emissions	Electricity	8,341	4,918	3,574	3,755	4,429
Total		9,925	6,427	5,091	5,164	5,818

Group's CO₂ emissions (Scope 3)

The Nanto Bank Group began calculating Scope 3 emissions in fiscal 2022 and extended coverage to all categories in fiscal 2024, as described below.

Scope 3 emissions increased primarily in connection with an increase in Category 15 (financed emissions).

Scope 3

Calculation items	FY2022	FY2023	FY2024
Category 1: Purchased products and services	16,429	15,463	17,994
Category 2: Capital goods	51,456	56,748	63,094
Category 3: Fuel and energy activities not included in scope 1 or 2	1,109	1,028	1,041
Category 4: Transportation and distribution (upstream)	0	0	0
Category 5: Waste generated in operations	179	332	312
Category 6: Business travel	90	*1 110 (87)	131
Category 7: Commuting	2,222	*1 1,953 (1,965)	1,772
Category 8: Leased assets (upstream)	0	0	0

Calculation items	FY2022	FY2023	FY2024
Category 9: Transportation and distribution (downstream)	218	153	117
Category 10: Processing of sold products	0	0	0
Category 11: Use of sold products	11,553	9,998	8,431
Category 12: End-of-life disposal of sold products	30	18	11
Category 13: Leased assets (downstream)	15,788	15,790	13,438
Category 14: Franchises	0	0	0
Category 15: Investments and loans*2	Not yet calculated	8,895,074	8,991,183
Total	99,074	8,996,667	9,097,524

*1 As concerns Scope 3 emissions for fiscal 2023, we revised the emissions intensity for Categories 6 and 7, which resulted in revision of the figures disclosed in the previous fiscal year. Figures in parentheses indicate the figures disclosed in the previous fiscal year.

*2 Category 15 applies to the Bank on a non-consolidated basis.

Scope 3 Category 15 calculation

Indirect emissions from investment and lending account for a large share of financial institutions' Scope 3 emissions; we view this as a key indicator in our climate-related efforts. In fiscal 2024, we again calculated Category 15 (investments and loans) emissions based on the PCAF Standard,* as we had the year before. Emissions increased slightly with higher loan balances, while emissions intensity (emissions per unit of loans) declined.

We use these results to inform engagement with our business partners and support their emissions reductions as a further contribution toward realization of a decarbonized society. We will continue to expand the scope and refine our methodologies (emissions calculation results may change in the future due to revisions of the calculation methods and business partner disclosure status, etc.).

Subject of calculation

Loans to domestic corporations (excluding project finance) as of September 30, 2029

Loans for which the financial data required for the calculation is insufficient are excluded, and loans subject to calculation account for 97% of loans to domestic corporations.

Calculation methodology

Calculated in accordance with the PCAF standard. The following calculation formulae are used for every company to which we provide loans or investment funds.

$$\text{Carbon intensity} = \text{Volume of emissions} \times \frac{\text{Loan amount}}{\text{Total amount of financing}}$$

Carbon intensity is calculated by dividing the volume of emissions by the amount of financing.

Understanding emissions

The emissions of each company to which we have provided loans or financing were calculated using a combination of the bottom-up and top-down methods.

- Bottom-up method: A method employing emission data disclosed by the individual company
- Top-down method: Estimate by multiplying each company's sales by an average emission factor (using the Ministry of the Environment's emissions intensity database).

The data quality score as defined by PCAF is 2.9, and we will continue our efforts to improve its accuracy going forward.

* PCAF (Partnership for Carbon Accounting Financials) is an international initiative that provides standards for measuring and disclosing GHG emissions from financial institutions' investment and loan portfolios.

Main category	Sub-categories	Loan amount (million yen)	Carbon intensity (tCO ₂ /loan amount)	Emissions (tCO ₂)
Energy	Oil and gas	41,758	6.2	259,441
	Coal	0	—	0
	Power utilities	36,694	9.2	337,636
Transportation	Air cargo	490	4.4	2,131
	Passenger air freight	2,711	4.2	11,321
	Ocean transportation	29,918	4.1	123,665
	Rail transportation	74,262	0.4	26,881
	Trucking services	39,441	8.7	342,888
	Automotive & parts	45,509	1.4	62,611
Materials & buildings	Metals & mining	91,069	14.5	1,319,103
	Chemicals	129,311	5.9	759,000
	Construction materials	15,777	19.4	306,450
	Capital goods	330,406	6.4	2,104,782
	Real estate management & development	268,290	0.3	84,245
Agriculture, food, forest products	Beverages	25,271	1.5	36,939
	Agriculture	434	8.8	3,816
	Processed foods & meat	47,304	9.1	432,082
	Paper and forest products	47,065	6.6	308,646
Others	Others	898,710	2.7	2,469,546
Total		2,124,420	4.2	8,991,183
Previous fiscal year (increase/decrease)		1,964,637 159,783	4.5 -0.3	8,895,074 96,109

Sustainable finance

The Nanto Bank Group has set the following targets for the amount of sustainable finance disbursements to provide financial support for activities aimed at resolving sustainability issues facing local communities and customers.

The cumulative disbursements for fiscal 2023 and fiscal 2024 are expected to reach ¥353.7 billion (progress rate: 35.3%), of which ¥111.2 billion will represent environmental finance.

Sustainable finance goals

FY2023-FY2030
Cumulative amount of investment and loan disbursements
¥1 trillion

Cumulative results

¥353.7 billion
(of which, ¥111.2 billion
environmental finance)

Financing that contributes to solving environmental and social issues

- Environmental: Renewable energy, energy conservation, ZEB, ZEV, etc.
- Social: Regional revitalization, community revitalization, startups, business succession, BCP measures, etc.

Finance supporting or promoting clients' efforts to achieve the SDGs