

TCFD Report

(Development of climate change initiatives in accordance with TCFD recommendations)

Having declared their support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), Hirogin Holdings and its subsidiary Hiroshima Bank are moving forward with qualitative and quantitative enhancements in their disclosure of matters such as the effects of climate-related risks and opportunities on Group business activities, earnings, and other results, in accordance with the TCFD framework.

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Final update: June 27, 2023

Toward a brighter future



Hirogin Holdings

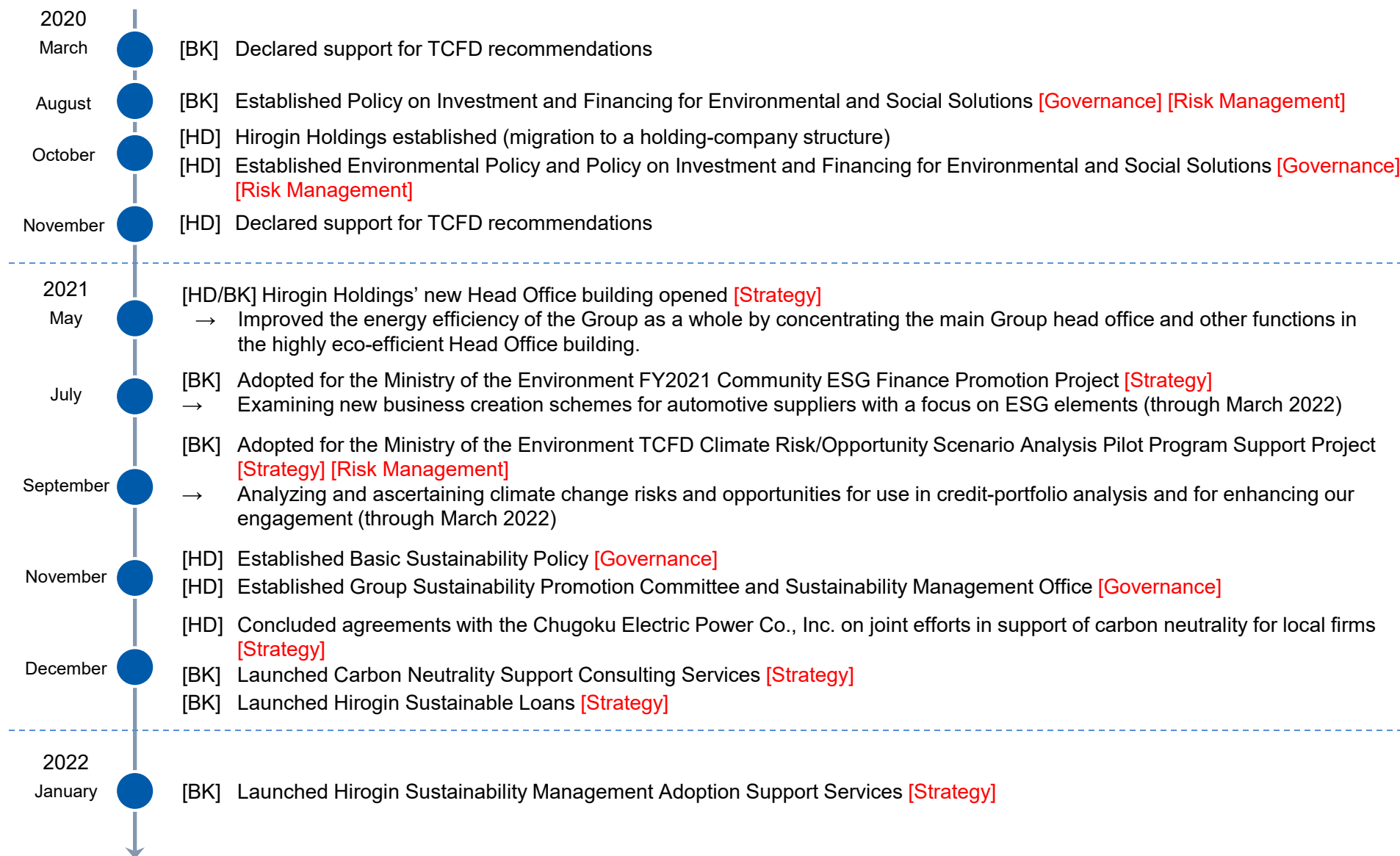
1. Key progress (highlights since April 2022)

1. Governance	<ul style="list-style-type: none"> ➤ Revising the Directors' skills matrix (March 2023) <ul style="list-style-type: none"> – Adding "sustainability" to the matrix of required skills to promote and enhance sustainability management 	p. 5
2. Strategy	<ul style="list-style-type: none"> ➤ The Board of Directors deliberated on medium- to long-term courses of action for achieving carbon neutrality (September 2022). <ul style="list-style-type: none"> – Formulating a roadmap to achieve carbon neutrality with regard to Group emissions (Scopes 1 and 2) – Identifying the state of greenhouse gas emissions (Scope 3 / Category 15) generated by investees and borrowers and providing support through our engagement to achieve reductions – Enhancing demand and supply foundations for renewable energy within the community, in cooperation with various companies, local public agencies, and other organizations 	p. 10
	<ul style="list-style-type: none"> ➤ Efforts to achieve carbon neutrality for the Group itself <ul style="list-style-type: none"> – Adopting renewable electricity at the Head Office Building (November 2022) – Adopting carbon neutral city gas at the Head Office Building (January 2023) 	p. 11
	<ul style="list-style-type: none"> ➤ Response to and support for carbon neutral initiatives by community and customers <ul style="list-style-type: none"> – Adopted for and participation in the Ministry of the Environment Financial Institutions Portfolio Carbon Analysis Pilot Program Support Project (October 2022 – March 2023) – Launching Hirogin Positive Impact Finance (March 2023) 	p. 13 to 16
	<ul style="list-style-type: none"> ➤ Enhancing scope of disclosure of credit exposure to carbon-related assets (June 2023) <ul style="list-style-type: none"> – Enhancing the scope of disclosure beyond the energy sector to include the transport, materials/structures, and agriculture/food/forestry sectors 	p. 8
3. Risk management	<ul style="list-style-type: none"> ➤ Added climate change policies to the Risk Appetite Statement (October 2022) <ul style="list-style-type: none"> – Developing a structure for monitoring the state of response by subsidiaries based on climate change policies 	p. 18
	<ul style="list-style-type: none"> ➤ Revising the Policy on Investment and Financing for Environmental and Social Solutions (October 2022) <ul style="list-style-type: none"> – Establishing a target year (2035) to achieve a zero project financing balance for coal-fired thermoelectric power generation – Establishing investment and finance policies for coal, petroleum, and natural gas exploration, palm oil farming, and large-scale lumbering 	p. 19
4. Metrics and targets	<ul style="list-style-type: none"> ➤ Established medium- to long-term targets for the Group in the areas of reducing greenhouse gas emissions and promoting sustainable finance (May 2022) <ul style="list-style-type: none"> – Target 1: Achieving Scope 1 and 2 carbon neutrality by FY2030 – Target 2: Achieving Scope 1, 2, and 3 carbon neutrality by FY2050 – Target 3: Extending a cumulative total of two trillion yen in sustainable finance (including one trillion yen in environmental finance) from FY2021 through FY2030 ➤ Expanding the scope of disclosure of greenhouse gas emissions (June 2023) <ul style="list-style-type: none"> – Adding disclosure of greenhouse gas emissions generated in activities supported by Hiroshima Bank's business loans (financed emissions) ➤ Establishing an internal carbon pricing scheme for Scopes 1 and 2 (September 2022) 	p. 21 to 22

2. Progress in advancing climate measures based on TCFD recommendations

Presented below are key initiatives since Hirogin Holdings and its subsidiary Hiroshima Bank declared their support for the TCFD recommendations.

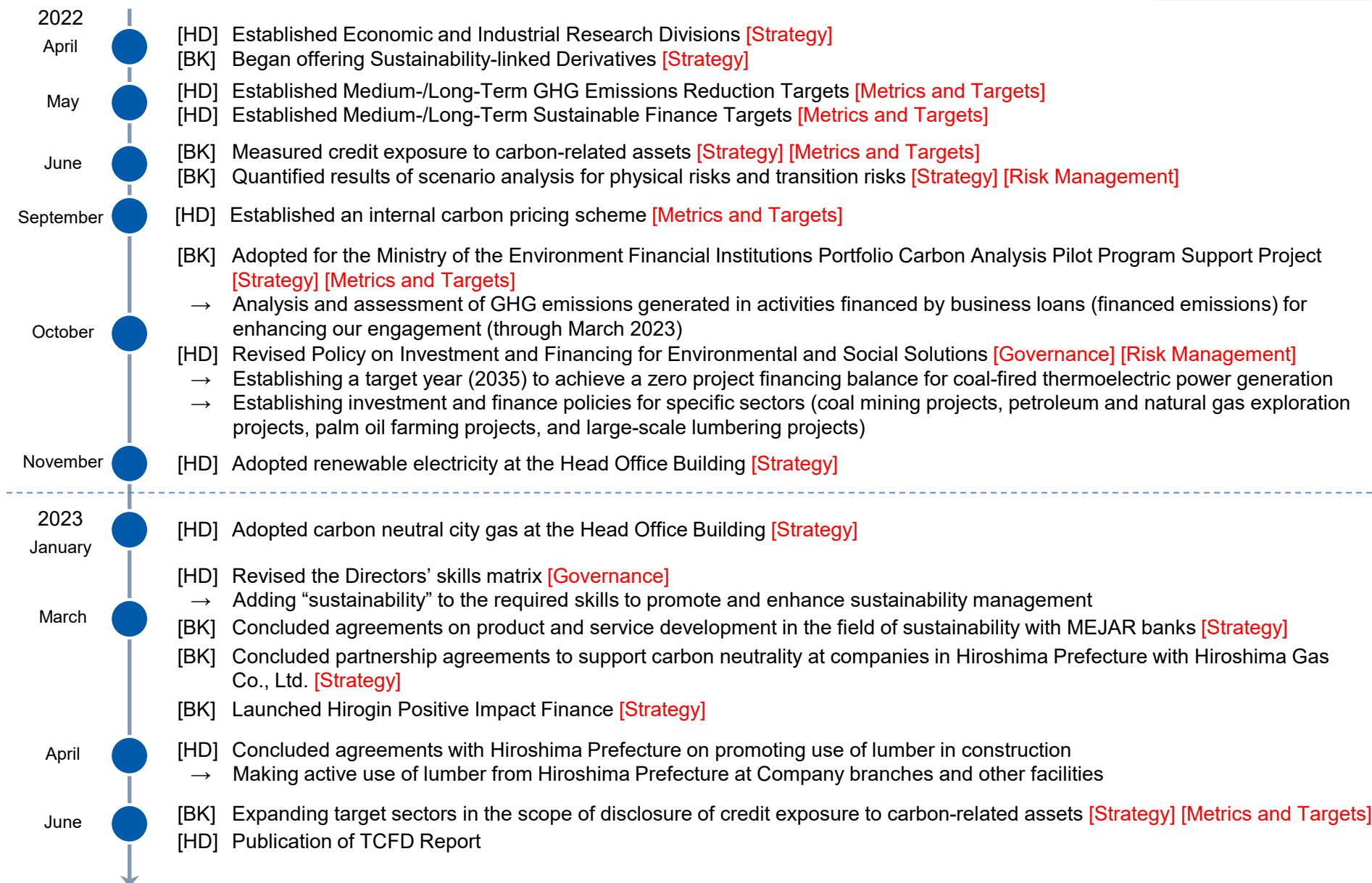
HD: Hirogin Holdings
BK: Hiroshima Bank



2. Progress in advancing climate measures based on TCFD recommendations

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HD: Hirogin Holdings
BK: Hiroshima Bank



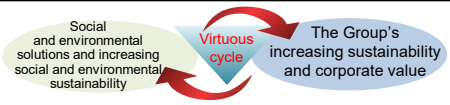
3. Disclosures based on TCFD recommendations

1. Governance

a. Description of the board's governance structure for climate-related risks and opportunities

Establishing various basic policies on climate change

➤ Recognizing climate change and other sustainability issues as important management topics, the Board of Directors has established various basic policies on climate change within the Group, including the Basic Sustainability Policy, the Environmental Policy, and the Investment and Finance Policy for Environmental and Social Solutions.

Policy	Overview (summary, excerpts)
Basic Sustainability Policy	<p>➤ By promoting initiatives through its primary business as a Regional Comprehensive Services Group, the Group will realize solutions to social and environmental challenges as well as sustained growth within the community, while achieve virtuous cycles through the Group's sustained growth and gains in corporate value to realize its management vision.</p> <p>➤ We will consider social and environmental impact, today and into the future, in all our business activities, striving to maximize positive impacts and minimize negative impacts.</p> 
Hirogin Group SDGs Statement	<p>➤ The Hirogin Group has identified the following four materialities related to achieving the United Nations Sustainable Development Goals (SDGs). We will contribute to social and environmental solutions and sustained community growth by providing comprehensive community solutions marked by exceptional added value.</p> <ol style="list-style-type: none"> 1. Community 2. Aging 3. Human rights 4. Environment <p>We will address global warming and climate change under the materiality theme of the environment.</p>
Environmental Policy	<p>➤ Our efforts to protect the environment are a key social responsibility of the Group as a member of the local community. All employees will participate in active and sustained efforts to protect the environment based on a keen environmental awareness.</p> <ol style="list-style-type: none"> 1. Striving to reduce the environmental impact of office activities 2. Supporting community environmental protection activities through the Regional Comprehensive Services 3. Group employees acting in ways that reflect consideration for the environment
Policy on Investment and Financing for Environmental and Social Solutions	<p>➤ The Hirogin Group actively supports businesses that contribute to the realization of a sustainable society and sustainable environment, including renewable energy projects that reduce the risk of climate change and help build a carbon neutral society and biodiversity projects to protect forestry resources and endangered species.</p> <p>➤ At the same time, in light of the potential environmental and social risk or impact, we have identified the following businesses as ones requiring careful consideration before the commitment of investment or financing or ones for which investment or financing should be avoided altogether.</p> <p>Businesses for which no investment or financing are to be made:</p> <ol style="list-style-type: none"> 1. Businesses involved in the development and manufacture of weapons such as nuclear weapons and cluster bombs 2. Businesses involved in human trafficking, forced labor, and other violations of human rights <p>Careful consideration required:</p> <ol style="list-style-type: none"> 1. Coal-fired thermoelectric power generation 2. Coal mining 3. Oil and gas exploration 4. Palm oil farming 5. Large-scale lumbering <p>For more information, see p. 19.</p>

3. Disclosures based on TCFD recommendations

1. Governance	a. Description of the board's governance structure for climate-related risks and opportunities (continued)	<p>Governance functions of the Board of Directors in addressing climate change</p> <p>➤ Based on deliberation and study of matters related to climate change by the Group Sustainability Promotion Committee and the Group Integrated Risk Management Committee, the Board of Directors chooses to advance our response to climate change through means including formulating Group management plans and integrated risk management policies.</p> <p>➤ The Board monitors business execution related to climate change by seeking out reports on the status of the Group management plans and integrated risk management above, both periodically and as needed.</p> <table><tr><th>Specifics of Board deliberations on climate change (FY2022)</th></tr><tr><td><p>(1) Setting medium-/long-term targets related to achieving a carbon neutral community</p><ul style="list-style-type: none">• Setting medium-/long-term targets for reducing Group GHG emissions (Scopes 1, 2, and 3)• Setting medium-/long-term targets for sustainable finance<p>(2) Medium-/long-term targets initiatives and courses of action to achieve a carbon neutral community</p><ul style="list-style-type: none">• Establishing a roadmap to eliminate the Group GHG emissions (Scopes 1 and 2)• Identifying the state of GHG emissions (Scope 3 / Category 15) generated by investees and borrowers and providing support to achieve reductions through our engagement• Enhancing demand and supply foundations for renewable energy within the community, in cooperation with various companies, local public agencies, and other organizations<p>(3) Revising the Policy on Investment and Financing for Environmental and Social Solutions</p><ul style="list-style-type: none">• Establishing a target year (2035) to achieve a zero project financing balance for coal-fired thermoelectric power generation• Establishing investment and finance policies for coal, petroleum, and natural gas exploration, palm oil farming, and large-scale lumbering<p>(4) Managing climate change risk as a top risk</p><ul style="list-style-type: none">• Adding climate policies to the Group Risk Appetite Statement<p>(5) Responding to TCFD recommendations</p><ul style="list-style-type: none">• Future efforts to strengthen response and enhance disclosures related to climate change based on TCFD recommendations</td></tr></table> <p>➤ Hironin Holdings holds executive training seminars to improve the Board's efficacy, both periodically and as needed. In June 2022, as part of these efforts, it held an executive training on the theme of corporate governance reforms and sustainability management seminar for internal directors, outside directors, and other executives.</p> <p>➤ In March 2023 the Board revised the skills matrix for Directors for the purpose of promoting and enhancing sustainability management in accordance with the deliberations and recommendations of the Group Nomination and Remuneration Advisory Committee. These revisions added "sustainability" to the required skills for internal directors and outside directors.</p>	Specifics of Board deliberations on climate change (FY2022)	<p>(1) Setting medium-/long-term targets related to achieving a carbon neutral community</p> <ul style="list-style-type: none">• Setting medium-/long-term targets for reducing Group GHG emissions (Scopes 1, 2, and 3)• Setting medium-/long-term targets for sustainable finance <p>(2) Medium-/long-term targets initiatives and courses of action to achieve a carbon neutral community</p> <ul style="list-style-type: none">• Establishing a roadmap to eliminate the Group GHG emissions (Scopes 1 and 2)• Identifying the state of GHG emissions (Scope 3 / Category 15) generated by investees and borrowers and providing support to achieve reductions through our engagement• Enhancing demand and supply foundations for renewable energy within the community, in cooperation with various companies, local public agencies, and other organizations <p>(3) Revising the Policy on Investment and Financing for Environmental and Social Solutions</p> <ul style="list-style-type: none">• Establishing a target year (2035) to achieve a zero project financing balance for coal-fired thermoelectric power generation• Establishing investment and finance policies for coal, petroleum, and natural gas exploration, palm oil farming, and large-scale lumbering <p>(4) Managing climate change risk as a top risk</p> <ul style="list-style-type: none">• Adding climate policies to the Group Risk Appetite Statement <p>(5) Responding to TCFD recommendations</p> <ul style="list-style-type: none">• Future efforts to strengthen response and enhance disclosures related to climate change based on TCFD recommendations
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b. Description of management's role in assessing and managing climate-related risks and opportunities	<p>Climate change business execution structure</p> <p>➤ The Group Sustainability Promotion Committee (chaired by the Representative Director and President) has been established to advise the President. This committee deliberates on and studies responses to climate change and other sustainability issues and reports to the Board on the status of related efforts both periodically (every half-year) and when needed.</p> <p>➤ In addition, Hironin Holdings has established the Sustainability Management Office within the Management Planning Group of the Management Planning Division. The Sustainability Management Office will enhance integrated functions related to various sustainability issues, including our response to climate change.</p> <p>➤ Additionally, based on annual management plans, Hiroshima Bank and other Group companies seek both to achieve carbon neutrality for the Group and to promote awareness of carbon neutrality and initiatives among their customers.</p>			

3. Disclosures based on TCFD recommendations

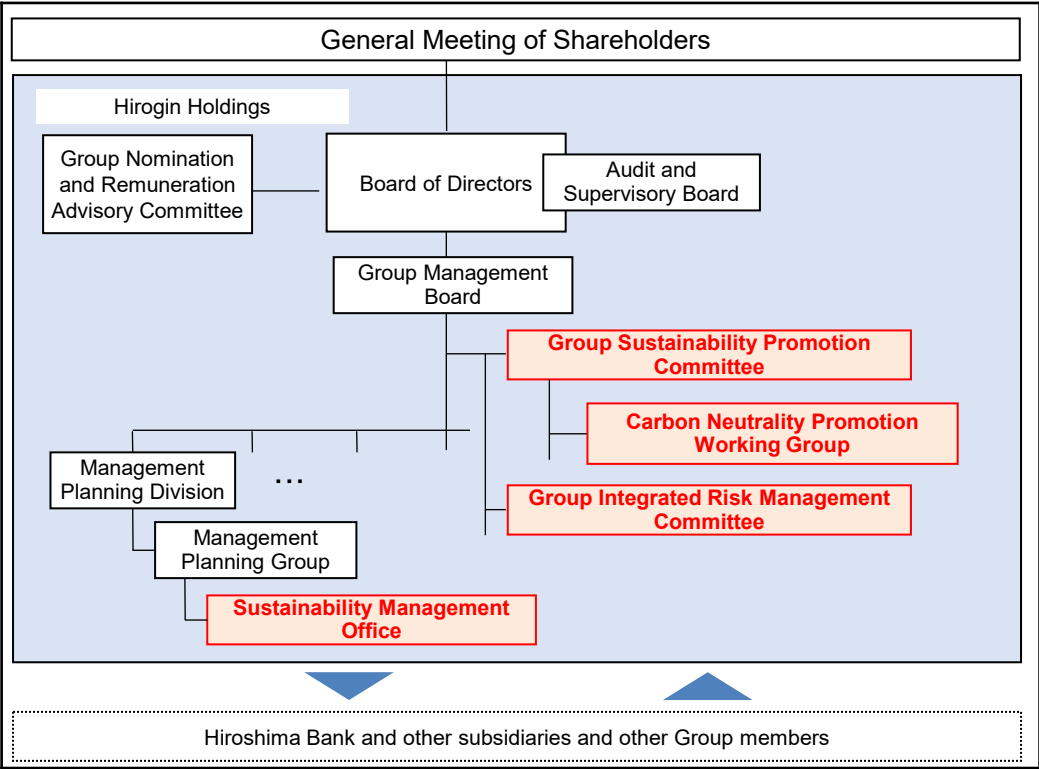
1. Governance

b. Description of management's role in assessing and managing climate-related risks and opportunities (continued)

Reference: Main deliberative bodies related to climate change

Body	Chair	Major roles and responsibilities related to climate change
Board of Directors	Chairperson	➤ Decision-making on sustainability issues and oversight of business execution
Group Sustainability Promotion Committee	President	➤ Deliberation on and studying basic policies, priorities, and the state of initiatives regarding sustainability issues as an advisory body to the President
Carbon Neutrality Promotion Working Group	General Manager, Management Planning Group	➤ As a subsidiary organization of the Group Sustainability Promotion Committee, deliberating on and studying matters related to promoting carbon neutrality within the Group, in the community, and among customers
Group Integrated Risk Management Committee	General Manager, Business Administration Division	➤ As an advisory body to the President, comprehensively ascertaining and analyzing various risks, including risks related to climate change; implementing appropriate management and controls (i.e., deliberating on and studying matters such as scenario analysis and credit risk related to carbon-related assets)

Reference: Climate change organizational chart



3. Disclosures based on TCFD recommendations

2. Strategy

a. Description of climate-related risks and opportunities identified by the Group over the short, medium, and long term

Recognition of climate change as a management topic

- In light of the key role manufacturing plays in the local economy, the four local prefectures centered on Hiroshima Prefecture (including Okayama, Yamaguchi, and Ehime prefectures), in which the Group has its main customer base, generate high CO₂ emissions per capita.
- Accordingly, the Group regards the smooth transition to a carbon neutral society throughout the region—by promoting and supporting carbon neutrality not just within the Group but among customers—as a key part of its mission as a Regional Comprehensive Services Group and in line with its efforts to achieve coexistence and coprosperity with the community based on a strong community-focused management outlook.

Reference: CO₂ emissions ranked by prefecture (FY2019)

CO ₂ emissions		
Rank	Prefecture	Emissions (million t-CO ₂)
1	Chiba	64.3
2	Aichi	64.2
3	Tokyo	64.1
4	Kanagawa	58.5
5	Hokkaido	50.0
6	Hyogo	46.5
7	Hiroshima	44.0
8	Osaka	40.7
9	Okayama	38.6
10	Ibaraki	38.1
National average		21.0

Per-capita CO ₂ emissions		
Rank	Prefecture	Emissions/population (million t-CO ₂)
1	Oita	23.5
2	Okayama	20.4
3	Yamaguchi	19.6
4	Wakayama	16.5
5	Hiroshima	15.7
6	Ibaraki	13.3
7	Mie	11.9
8	Ehime	11.7
9	Chiba	10.3
10	Aomori	10.0
National average		7.8

Source: Estimates by Hirogin Holdings based on Ministry of the Environment, Current Estimates of CO₂ Emissions by Sector, and Ministry of Internal Affairs and Communications, Population Estimates

3. Disclosures based on TCFD recommendations

2. Strategy

a. Description of climate-related risks and opportunities identified by the Group over the short, medium, and long term (continued)

The Group’s recognition of climate change risks and opportunities

- The Group recognizes as climate change risks physical risks resulting from environmental changes related to rising atmospheric temperatures and other factors and transition risks resulting from social and economic changes related to transition to a carbon neutral society.
- It recognizes climate change opportunities in the provision of products, services, etc. suited to adaptation to and mitigation of climate change as well as social and economic changes related to transition to a carbon neutral society.

Risk recognition
<ul style="list-style-type: none">➤ Physical risks<ul style="list-style-type: none">• Increases in credit costs and risk assets due to worsening of business conditions among customers within the community (e.g., facility damage, supply chain disruptions) caused by abnormal weather• Decreases in asset value due to damage to assets held➤ Transition risks<ul style="list-style-type: none">• Increases in credit costs and risk assets due to worsening business conditions among customers within the community as a result of cost increases associated with the transition to a carbon neutral society• Decreased trust from society due to delays in responding to social demands, etc.

Opportunity recognition
<ul style="list-style-type: none">➤ Opportunities<ul style="list-style-type: none">• Increasing demand for capital investment by customers• Innovations generated by related technological developments• Increasing opportunities for consulting on business transitions <div>Further enhancements of various solutions, including solutions in nonfinancial fields, based on the Group’s various functions and alliances</div> <div>An opportunity to demonstrate our potential as a Regional Comprehensive Services Group</div>

Credit exposure to carbon-related assets

- Based on the TCFD recommendations, the Group’s main subsidiary Hiroshima Bank recognizes balances of credit in main sectors as carbon-related assets for purposes of internal climate change risk management. Current measurements of scope of credit exposure associated with these sectors (as of the end of March 2023) are shown below.

End of March 2023		
Sector		Share of credit balance
	Energy*	2.9%
	Transport	13.5%
	Materials/structures	10.4%
	Agriculture/food/forestry	2.0%
Total		28.9%

* Not including renewable energy businesses

Reference: End of March 2022		
Sector		Share of credit balance
Energy*		2.3%

* Not including renewable energy businesses

Scope of carbon-related assets revised in accordance with revised TCFD practical guide and other guidelines

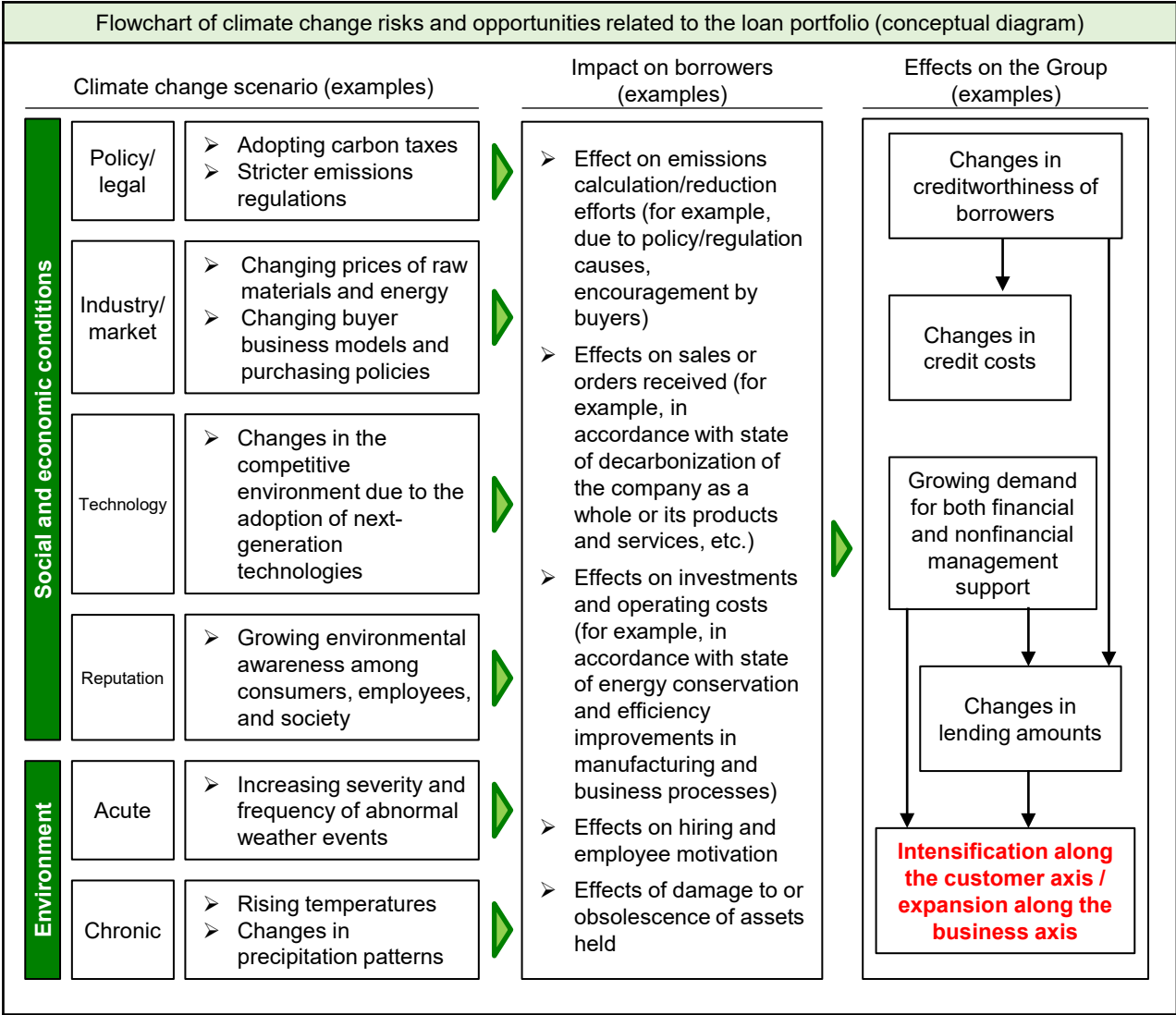
3. Disclosures based on TCFD recommendations

2.
Strategy

a. Description of climate-related risks and opportunities identified by the Group over the short, medium, and long term (continued)

Climate change risks and opportunities related to the loan portfolio

➤ Indirectly, the Group is exposed to both physical and transition risks and opportunities of customer firms through the lending business of Hiroshima Bank, its main subsidiary. It recognizes that the major climate change risks and opportunities depend on the loan portfolio.



3. Disclosures based on TCFD recommendations

2. Strategy

b. Description of the impact of climate-related risks and opportunities on the Group's businesses, strategies, and financial planning (continued)

Moving forward with climate change initiatives based on recognized climate-related risks and opportunities

➤ Based on deliberations within the Group Sustainability Promotion Committee, the Board of Directors, and other bodies concerning specific TCFD recommendations, the Group seeks to advance its responses to climate change continually and in stages through identification of topics that truly require proactive study and responses (i.e., prioritization and focus) from strategic perspectives, such as those of pursuing opportunities for and mitigating or avoiding risks to the Group.

Goals, aims	Key initiatives in FY2022	Courses of action for initiatives in FY2023 (including those under consideration)
1. Structural revisions and enhancements of disclosures concerning policies and other matters in response to a changing regulatory and other external environment	<ul style="list-style-type: none"> ➤ Adding "sustainability" to the Directors' skills matrix ➤ Revising the Policy on Investment and Financing for Environmental and Social Solutions ➤ Revising the scope of carbon-related assets in accordance with revised TCFD practical guide 	<ul style="list-style-type: none"> ➤ Continuing to advance TCFD responses and enhance disclosure through an annual plan-do-check-act (PDCA) cycle for TCFD management
2. Systematically reducing Group GHG emissions (Scopes 1 and 2)	<ul style="list-style-type: none"> ➤ Setting targets on Scope 1 and 2 emissions reductions (achieving carbon neutrality by FY2030) ➤ Formulating a roadmap for the period through FY2030 on Scope 1 and 2 emissions ➤ Establishing an internal carbon pricing scheme for Scope 1 and 2 emissions ➤ Adopting renewable electricity at the Head Office Building 	<ul style="list-style-type: none"> ➤ In addition to steady progress on reductions based on the reductions roadmap, fostering a movement to achieve reductions in various ways, including internal and external communication ➤ Proceeding with studies and measures toward independent certification of Scopes 1 and 2
3. Identifying the state of greenhouse gas emissions (Scope 3 / Category 15) generated by investees and borrowers and providing support to achieve reductions through our engagement	<ul style="list-style-type: none"> ➤ Setting targets on Scope 1, 2, and 3 emissions reductions (achieving carbon neutrality by FY2050) ➤ Calculating and ascertaining GHG emissions in Hiroshima Bank's feasibility-based business lending (financed emissions) (participation in the Ministry of the Environment Financial Institutions Portfolio Carbon Analysis Pilot Program Support Project) ➤ Enhancing business partnership (with, e.g., cloud operators) to support visualization of customer CO₂ emissions ➤ Developing engagement activities focused on specific industries (e.g., automobiles and auto parts) 	<ul style="list-style-type: none"> ➤ Pursuing diverse avenues of dialogue and engagement by identifying high-priority sectors and individual businesses (segmentation and targeting) based on portfolio carbon analysis ➤ Endeavoring in stages to expand subject asset classes and improve the precision (i.e., data quality scores) of figures for financed emissions
4. Enhancing financial and nonfinancial solutions to support decarbonization among customers	<ul style="list-style-type: none"> ➤ Establishing the new Economic and Industrial Research Division within the company ➤ Thoroughly revising discussion tools used in business potential evaluations (incorporating SDG and carbon neutrality elements) ➤ Concluding agreements on product and service development in the field of sustainability with MEJAR banks ➤ Establishing Hirogin Positive Impact Finance 	<ul style="list-style-type: none"> ➤ Strengthening sales and HR development structures related to promoting support for sustainability (e.g., assigning personnel in charge in sales-related sections and utilizing opportunities for secondment to external organizations) ➤ Efforts to promulgate the concept of sustainability within the organization and to improve dialogue skills by enhancing training for individual tiers and operations, thereby achieving more effective dialogue and customer support
5. Growing demand and supply foundations for renewable energy within the community in cooperation with various companies, local public agencies, and other organizations	<ul style="list-style-type: none"> ➤ Participation in the Chugoku Economic Federation's Carbon-Neutrality Promotion Council and Carbon-Neutral Electricity Promotion Subcommittee ➤ Accepting the consignment of and implementing the Manufacturing Support Project toward Carbon Neutrality established by Hiroshima Prefecture through public bidding 	<ul style="list-style-type: none"> ➤ Strengthening efforts to find solutions to community challenges centered on promoting renewable energy by enhancing cooperation with core businesses and administrators in the region ➤ Enhancing awareness promotion raising activities through seminars and other events

3. Disclosures based on TCFD recommendations

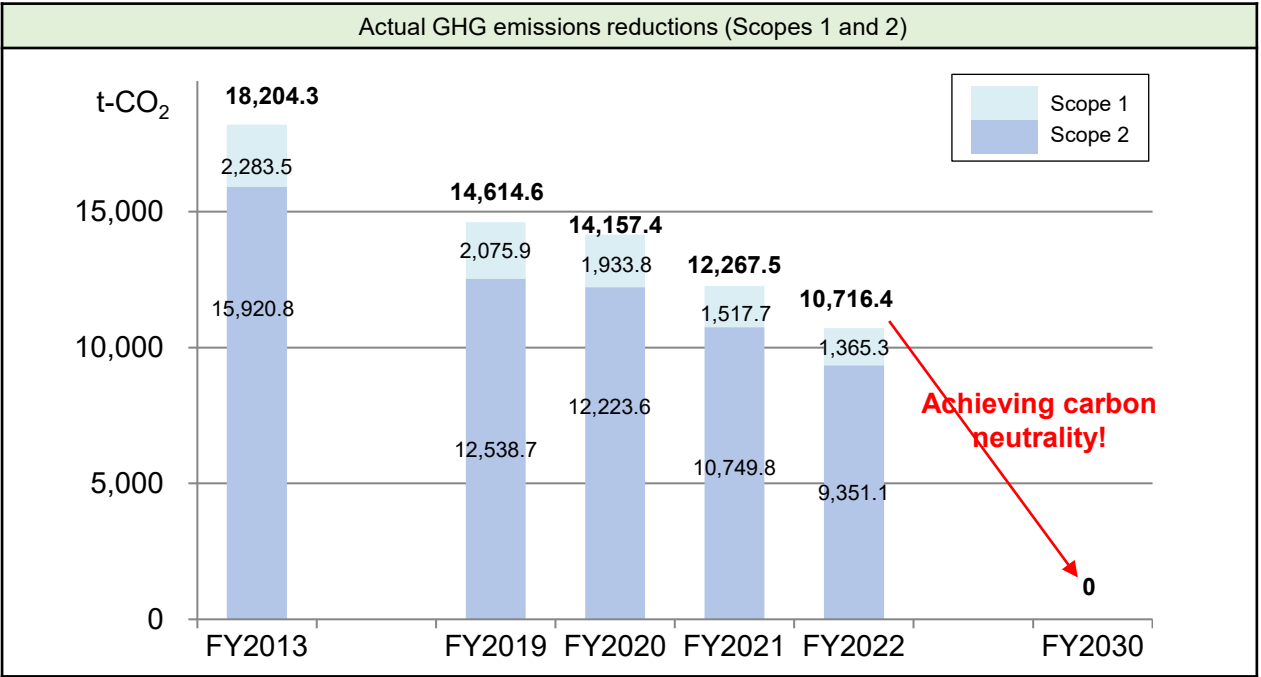
2.
Strategy

b. Description of the impact of climate-related risks and opportunities on the Group's businesses, strategies, and financial planning (continued)

The Group's efforts to achieve carbon neutrality

- In May 2022, the Hirogin Group established the new medium-/long-term target of achieving carbon neutrality / eliminating greenhouse gas emissions (Scopes 1 and 2) by FY2030.
- In FY2022, we reduced GHG emissions by 1,551.1 tons from the previous fiscal year. The measures taken included switching to LED lighting, installing high efficiency air conditioning, and deploying other energy-saving facilities at multiple bank branches and adopting renewable electricity at the new Head Office Building.

Medium-/long-term GHG emissions reduction targets (Scopes 1 and 2)
Achieving carbon neutrality on the Group's GHG emissions (Scopes 1 and 2) by FY2030



Key measures to reduce GHG emissions (Scopes 1 and 2)	
<div>(1) Continuing pursuit of energy conservation<ul style="list-style-type: none">• Upgrading to energy-saving facilities, such as LED lighting and high efficiency air conditioning• Promoting eco-friendly office activities(2) Electrification of power sources<ul style="list-style-type: none">• Adopting electric-powered vehicles such as hybrids and EVs in stages</div>	<div>(3) Using renewable electricity<ul style="list-style-type: none">• Switching to electric power generated by renewable sources<div>Adopting renewable electricity at the Head Office Building (from November 2022)</div></div>

3. Disclosures based on TCFD recommendations

2. Strategy

b. Description of the impact of climate-related risks and opportunities on the Group's businesses, strategies, and financial planning (continued)

Efforts to encourage involvement in carbon neutrality by Group employees

- In encouraging customer firms to reduce GHG emissions, we must promote dialogue based on the outlook of partnership.
- For this reason, we believe it is essential to promote understanding of carbon neutrality within the Group—both to make steady progress on the Group's own GHG emissions reduction efforts and to use such reduction efforts to further dialogue with customers.
- In FY2022, in addition to promoting activities to raise awareness within the Group in various ways, including communicating messages from top management and holding in-house training sessions through seminars and e-learning, the new Economic and Industrial Research Division established at Hirogin Holdings (in April 2022) published reports on carbon neutrality in general and on individual industries: for example, the automotive and shipbuilding industries. Through these and other means, we have sought to improve knowledge and understanding among Group employees, thereby contributing to growing awareness and stronger dialogue with our customers.
- In FY2022 we undertook Carbon Neutral Involvement activities to formulate and work toward action targets in individual workplaces. These activities seek to encourage all Group employees to consider what they can do to work toward carbon neutrality within the Group itself, in their communities, and at customers. The goal is to foster a movement toward carbon neutrality among all Group employees.

Ideal involvement in carbon neutrality by all Group employees
1. State in which all Group employees feel involved in efforts to achieve carbon neutrality by the Group, their communities, and customers, and understand and take active interest in such efforts.
2. State in which all Group employees assume ownership of and put into practice initiatives aimed at carbon neutrality for the Group, their communities, and customers and conducted by themselves as individuals and by small groups (including those away from the job).



Examples of specific initiatives	
Initial action targets (partial examples)	Actual results (partial examples)
➤ Learning about case studies of SME initiatives through model case studies in the Ministry of the Environment's Decarbonization Management Handbook for SMEs	➤ All related employees met twice weekly to consider practical case studies from the handbook, gaining familiarity with corporate initiatives and learning about decarbonization approaches within industries and the reductions achieved.
➤ Taking action to achieve specific goals through officewise, in-house, eco-diagnostic activities	➤ All participants took action in aspects such as conserving electricity and water by setting targets to be achieved in three months—not just at the office, but at home—thereby becoming more familiar with carbon neutrality.
➤ Improving proposal skills by using dialogue and proposal tools to engage in dialogue with customers and sharing the details thereof with others in the branch in team training sessions	➤ Asked about details of customers' levels of understanding of carbon neutrality and needs in addressing the topic, leading ultimately to successful contracts for SDG-related solutions and improving individual proposal skills.

3. Disclosures based on TCFD recommendations

2. Strategy

b. Description of the impact of climate-related risks and opportunities on the Group's businesses, strategies, and financial planning (continued)

Efforts to achieve carbon neutrality in investment and lending portfolios

- In May 2022, the Hirogin Group established the new medium-/long-term target for achieving carbon neutrality (Scopes 1, 2, and 3) by FY2050 throughout the supply chain, including the investment and lending portfolios.
- In particular, major subsidiary Hiroshima Bank understands the importance of the initiatives undertaken to assess and reduce greenhouse gas emissions associated with its business lending portfolio (financed emissions), as it focuses as a regional financial institution on engagement with local SMEs.
- In FY2022, following adoption by the Ministry of the Environment Financial Institutions Portfolio Carbon Analysis Pilot Program Support Project, major subsidiary Hiroshima Bank participated in related initiatives to assess greenhouse gas emissions associated with its business lending portfolio (financed emissions) and examined the potential use of the results in engagement with customer firms.

Medium-/long-term GHG emissions reduction targets (Scopes 1, 2, 3)

Achieving carbon neutrality on GHG emissions throughout the supply chain, including the investment and lending portfolios (**Scopes 1, 2, 3**), **by FY2050**



Estimated greenhouse gas emissions associated with Hiroshima Bank's business lending portfolio (financed emissions) (year ended March 2022)

Total financed emissions associated with business lending portfolio

No.	Industry category	Total financed emissions (t-CO ₂)
1	Electric power	1,591,000
2	Metals, mining	988,365
3	Sea transport	889,379
4	Automotive	538,381
5	Construction materials, capital goods	498,256
6	Food and beverages	475,269
7	Chemicals	357,125
8	Land transport	325,032
9	Papermaking, forestry	269,909
10	Real estate management and development	121,426
11	Oil and gas	119,153
12	Agriculture	22,356
13	Air transport	5,919
14	Other	4,085,708
Total		10,287,278

Customers for whom engagement is considered especially important

1. Those in the **local area** (Hiroshima, Okayama, Yamaguchi, and Ehime prefectures)

and

2. **Major/sub-major** customers

Totals of major/sub-major customers in the local area (included at left)

No.	Industry category	Total financed emissions (t-CO ₂)
1	Sea transport	545,699
2	Metals, mining	448,050
3	Electric power	441,717
4	Food and beverages	308,593
5	Automotive	275,277
6	Construction materials, capital goods	219,824
7	Land transport	213,509
8	Chemicals	152,732
9	Papermaking, forestry	102,467
10	Real estate management and development	91,396
11	Oil and gas	13,558
12	Agriculture	11,356
13	Air transport	1,650
14	Other	2,712,086
Total		5,537,914

3. Disclosures based on TCFD recommendations

2. Strategy

b. Description of the impact of climate-related risks and opportunities on the Group's businesses, strategies, and financial planning (continued)

Awareness promotion activities to promote carbon neutral efforts within the community and at customer firms

- To foster a movement toward carbon neutrality regionwide, the Hirogin Group is energetically pursuing awareness promotion activities within the community and at customer firms.

Reference: Examples of seminars on carbon neutrality

1. Seminars held by Hiroshima Bank

Date	Title of seminar or other event	Notes
June 2022	Introduction to Carbon Neutrality	Held jointly with Chugai Technos Corporation
July 2022	Decarbonization Seminar 2022 in Hiroshima	Held jointly with The Chugoku Electric Power Co., Inc.
October 2022	Carbon Neutrality Seminar: Prospects for a Decarbonized Society	Held by Hiroshima Bank (with a speaker from Mazda Motor Corporation)
November 2022	Decarbonization Seminar 2022 in Fukuyama	Held jointly with The Chugoku Electric Power Co., Inc.
March 2023	(Held jointly by six MEJAR sustainability solutions partner banks) Decarbonization Management Seminar	Held jointly with the Bank of Yokohama, Hokkaido Bank, Hokuriku Bank, 77 Bank, and Higashi-Nippon Bank

2. Seminars held by outside parties (with members from the Group management as instructor)

Date	Title of seminar or other event	Instructors, speakers
November 2022	Held by the Chugoku Regional Development Promotion Council: Seminar for Top Management on Taking on the Challenge of Regional Decarbonization	• Akira Ogi, Director and Senior Managing Executive Officer
December 2022	Held by CIRIEC Japan (at Fukuyama University): Exploring the Status of and Issues in Regional Efforts Toward the SDGs and Carbon Neutrality	• Toshio Heya, President and Representative Director • Akira Ogi, Director and Senior Managing Executive Officer
June 2023	Held by the Hiroshima Chamber of Commerce and Industry: Learning from Case Studies: A Seminar on Advancing Decarbonization Management	• Toshitaka Fujii, Deputy General Manager, Sustainability Management Office, Management Planning Group
June 2023	Held by the UNITAR Association: SDGs and Corporate Strategies	• Takeshi Okada, Section Manager, Sustainability Management Office, Management Planning Group
June 2023	Held jointly by Hiroshima Prefecture and the Chugoku Shimbun Starting Now: A Carbon Neutral Business Seminar	• Hitoshi Nishida, General Manager, Management Planning Group

3. Disclosures based on TCFD recommendations

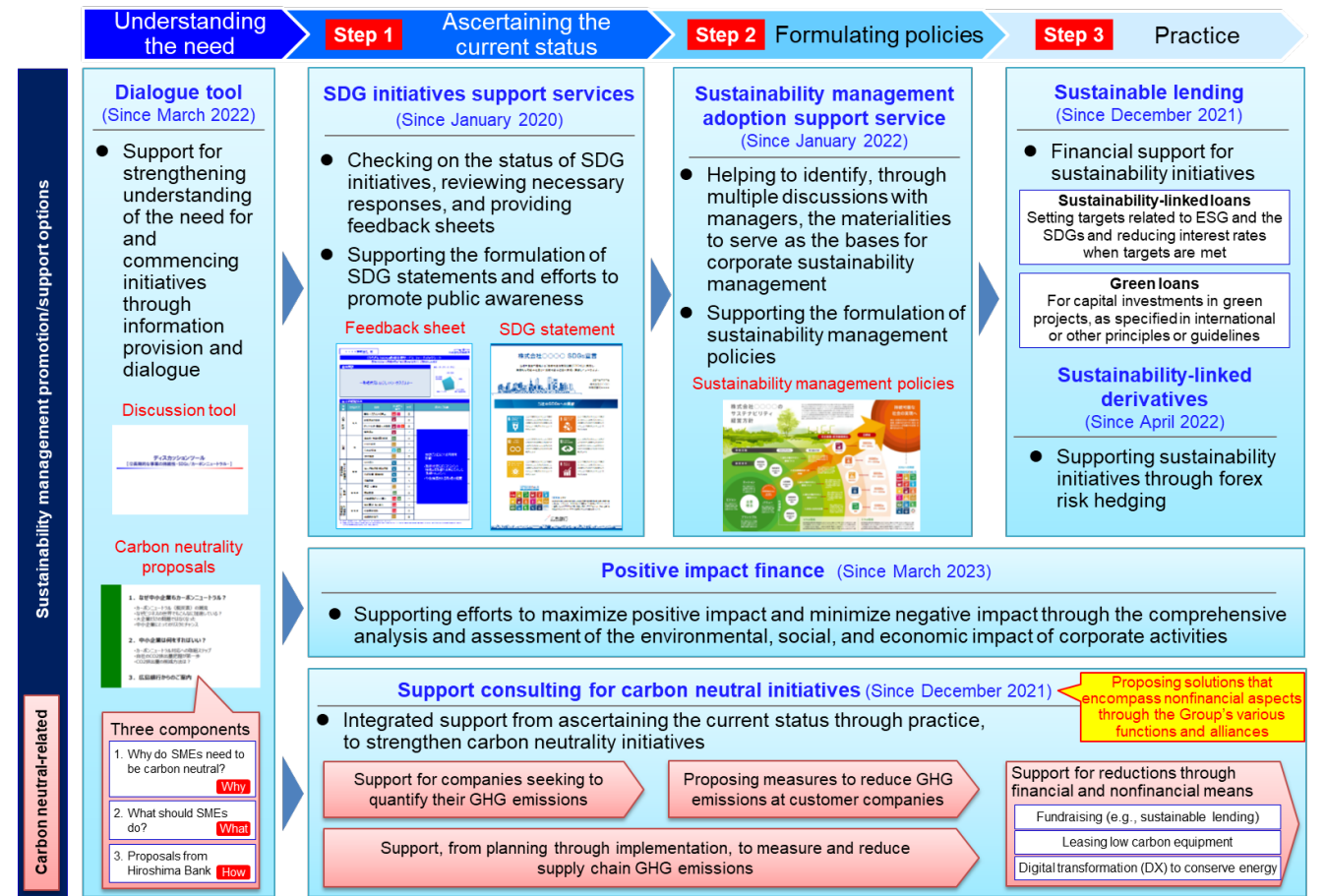
2. Strategy

b. Description of the impact of climate-related risks and opportunities on the Group's businesses, strategies, and financial planning (continued)

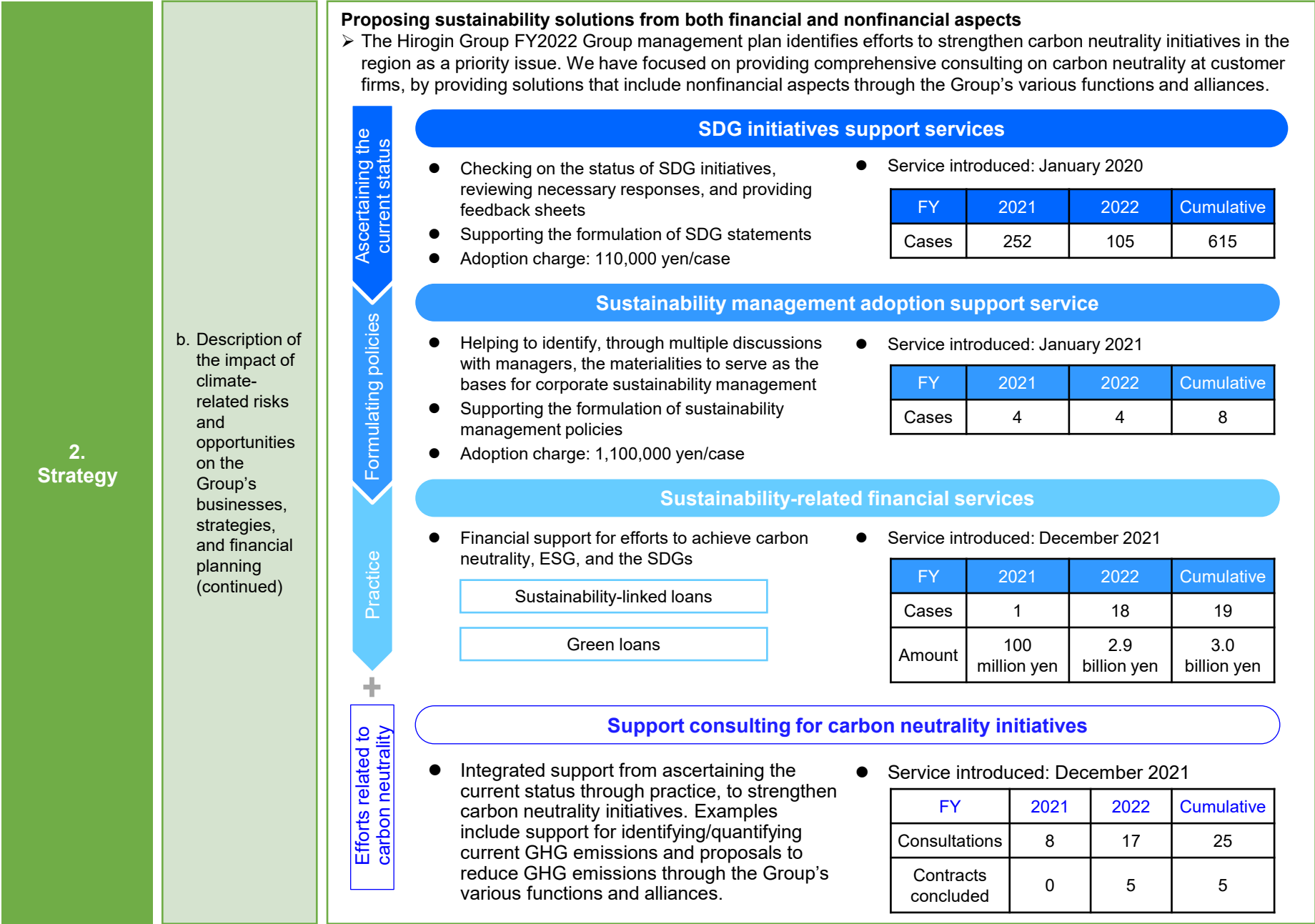
Responses to and support for carbon neutral efforts at customer firms

➤ The Hirogin Group supports efforts by customer firms to improve sustainability, including efforts to move closer to their carbon neutral goals, based on the pursuit of both financial and nonfinancial business opportunities and reducing climate change risks in its investment and lending portfolios.

Reference: Overview of comprehensive consulting on carbon neutrality of customer firms



3. Disclosures based on TCFD recommendations



3. Disclosures based on TCFD recommendations

2. Strategy

c. Description of the resilience of the Group's strategy, accounting for various climate scenarios, including 2°C or lower scenario

Scenario analysis

➤ Hiroshima Bank, the Hirogin Group's main subsidiary, undertook scenario analysis of physical and transition risks through various approaches, including participation in the Ministry of the Environment's TCFD Climate Risk/Opportunity Scenario Analysis Pilot Program Support Project.

Physical risks	
Risks analyzed	<ul style="list-style-type: none"> Damage to pledged assets due to flooding or landslides Deteriorating financial conditions due to suspension of business operations by borrowers following flooding
Subject portfolio	<ul style="list-style-type: none"> Domestic business borrowers
Scenarios	<ul style="list-style-type: none"> Multiple scenarios including the Intergovernmental Panel on Climate Change (IPCC) RCP8.5 (4°C) and RCP2.6 (2°C) scenarios
Analytical method	<ul style="list-style-type: none"> Estimating impact based on location, structure, and other properties of borrowers' pledged assets, business sites, etc.
Results of analysis	<ul style="list-style-type: none"> Potential increase in credit costs through 2050: up to 5.5 billion yen
Transition risks	
Risks analyzed	<ul style="list-style-type: none"> Deteriorating financial conditions at borrowers due to lower sales and higher costs accompanying transition to a carbon neutral society
Subject portfolio	<ul style="list-style-type: none"> Of the sectors defined as carbon-related assets in the TCFD recommendations, the three sectors of electric utilities, automotives and auto parts, and maritime transportation were chosen for analysis from strategic perspectives, taking into consideration matters such as the importance of each sector to the regional economy in the four local prefectures, and to Hiroshima Bank's lending portfolio.
Scenarios	<ul style="list-style-type: none"> The International Energy Agency (IEA) (below) 2°C and 4°C scenarios
Analytical method	<ul style="list-style-type: none"> Predicting changes in business results in subject sectors based on transition scenarios and estimating their impact on credit ratings and credit costs
Results of analysis	<ul style="list-style-type: none"> Potential increase in credit costs through 2050: up to 6.5 billion yen

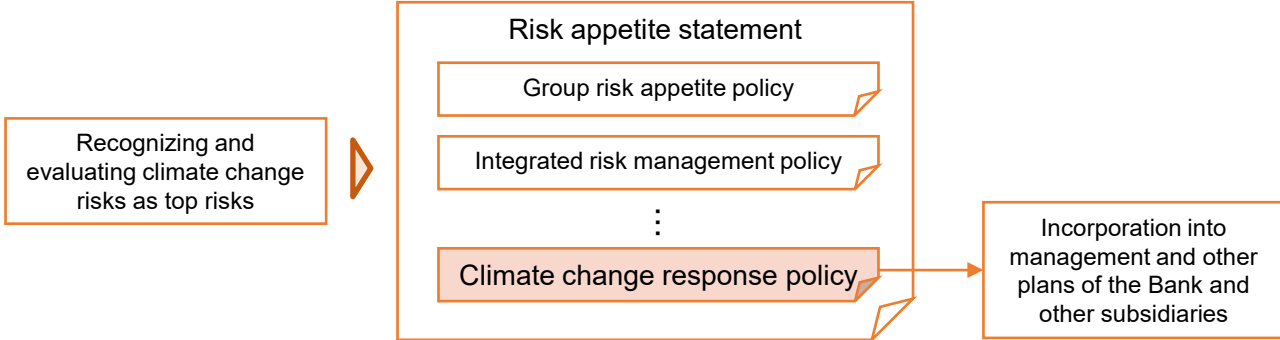
Resilience of strategy based on scenario analysis

➤ The impact on the credit portfolio has been assessed to be limited based on the results of current scenario analysis.

➤ However, since by its nature current scenario analysis involves phenomena for which the results are highly uncertain and ones occurring over the long term, the anticipated scenarios and subjects of analysis incorporate certain assumptions. We recognize that quantitative analyses of transition risks in particular will require improvements, review, and other measures, either periodically or as needed.

➤ In the future, we will continue to examine our approach to applying the knowledge, information, and other insights gained through scenario analyses. This will include going beyond credit portfolio analysis to encompass direct engagement with customer firms. By continuing to seek to encourage and support carbon neutral efforts at customer firms, we will strive to strengthen the resilience not just of the Group, but customer firms.

3. Disclosures based on TCFD recommendations

3. Risk management	a. Description of the Group processes for identifying and assessing climate risks	<p>Recognizing and evaluating climate change risks as top risks</p> <ul style="list-style-type: none">➤ The Group is developing an integrated risk management approach based on the risk appetite framework to clarify the types and quantities of acceptable risks we will assume in pursuing management objectives and earnings opportunities in light of external environment while, at the same time, implementing appropriate risk controls in a manner consistent with management strategies and policies.➤ As part of this framework, we choose the top risks to be controlled based on their importance to management. Management and operational policies for each type of top risk are determined by the Board of Directors based on deliberations in the Group Integrated Risk Management Committee and other bodies.➤ The Group has identified as top risks those risks related to social, environmental, and other changes related to climate change. Since the second half of FY2022, as part of efforts to address climate change risks, the Group has incorporated a climate change response policy into its risk appetite statement. It maintains an approach of responding dynamically through continuous monitoring and other means. <p>Improving assessments of climate change risks through scenario analysis</p> <ul style="list-style-type: none">➤ The Group is carrying out initiatives based on scenario analysis to enhance its capacity to assess climate change risks—in particular, those posed by its lending portfolio. While continuing to pursue scenario analysis, it will seek to improve analytical methods, broaden the scope of analysis periodically or as needed, and take other appropriate measures.
	b. Description of the Group's processes for managing climate-related risks	<p>Incorporation of climate change risks into the risk appetite statement</p> <ul style="list-style-type: none">➤ The Hirogin Group establishes a risk appetite statement based on semiannual deliberations by the Board of Directors, reflecting the recognition and analysis of various risks, including those associated with climate change. Through this process, the Group establishes response policies and other measures to address various risks, including those associated with climate change.➤ Since the second half of FY2022, the Group has added a climate change response policy to its risk appetite statement. The Group has established an approach of monitoring the status of implementation by subsidiaries of responses based on the climate change response policy every half-year. 

3. Disclosures based on TCFD recommendations

<div>3. Risk management</div>	<div>b. Description of the Group's processes for managing climate-related risks (continued)</div>	<div> <div>Managing environmental and social risks in finance</div> <div> <div>➤ In light of environmental and social risks or impacts, the Group's Policy on Investment and Financing for Environmental and Social Solutions identifies the following businesses either as ones in which investment and finance are prohibited and ones requiring careful consideration.</div> <div> <div>Businesses for which investment and finance are prohibited in principle</div> <div> <div>1. Businesses involved in the development and manufacture of weapons such as nuclear weapons and cluster bombs</div> <div>2. Businesses involved in human trafficking, forced labor, and other violations of human rights</div> </div> </div> <div> <div>Businesses requiring careful consideration</div> <div> <div>1. Coal-fired thermoelectric power generation</div> <div>In principle, the Group will not invest in or finance the new construction of coal-fired power plants. This is because they generate more GHGs than other power generation methods and pose higher risks of climate change and air pollution.</div> <div>However, careful consideration may be given to coal-fired power plant projects on an exceptional basis after fully accounting for aspects such as the background and distinguishing features of each project, based on each country's energy policies and circumstances and international guidelines, such as the OECD Arrangement on Officially Supported Export Credits. This prohibition does not apply in unavoidable cases—for example, when responding to disasters or other emergencies. In addition, as initiatives to help reduce GHG emissions, we will support carbon capture and storage and other advanced eco-friendly technologies.</div> <div>In light of the above policy, the Group aims to achieve a zero balance by 2035 for project finance for the construction of coal-fired power plants.</div> <div>2. Coal mining</div> <div>If managed improperly, the coal-mining business can have deleterious effects on worker safety in the form of mining accidents or on ecosystems due to harmful waste. Decisions are made on new investment and finance based on a careful examination of measures taken by the customer to mitigate environmental and social impacts.</div> <div>We do not finance new projects employing the mountain-top removal (MTR) method of mining, which generates considerable environmental impact.</div> <div>3. Oil and gas exploration</div> <div>Since oil and gas exploration may lead to sea or river pollution due to spills and may have negative effects on local residents and communities, decisions are made on new investment and finance based on careful examination of measures taken by the customer to mitigate environmental and social impacts.</div> <div>4. Palm oil farming</div> <div>While palm oil is an essential commodity for daily life, its cultivation is often associated with child labor and other human rights violations, and involves destruction and burning of natural woodlands, which can have negative effects on local communities and the global climate. Decisions are made on new investment and finance for palm oil farming businesses by requesting certification by the Roundtable on Sustainable Palm Oil (RSPO)*¹ or similar body and a statement of compliance with NDPE*² and other principles, along with a careful examination of measures taken by the customer to mitigate environmental and social impacts.</div> <div>*1 International certification of products that use or contribute to production of sustainable palm oil materials</div> <div>*2 Environmental and human rights policies calling for no deforestation, no peat, and no exploitation</div> <div>5. Large-scale lumbering</div> <div>Large-scale lumbering can contribute to climate change and have negative effects on ecosystems. Decisions are made on new investments and finance based on a careful consideration of certification by the Forest Stewardship Council (FSC)*³, the Programme for the Endorsement of Forest Certification Schemes (PEFC)*⁴, and measures taken by the customer to mitigate environmental and social impacts.</div> <div>*3 International certification of properly managed forestry products</div> <div>*4 International certification program promoting sustainable forestry</div> </div> </div> </div> </div>
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3. Disclosures based on TCFD recommendations

3.
Risk
management

c. Description of
how
processes for
identifying,
assessing,
and
managing
climate
change risks
are integrated
into the
Group's
overall risk
management

Climate change risk management within the integrated risk management framework

- The Hirogin Group maintains an approach to climate change risk management within its integrated risk management framework, thereby identifying, assessing, and managing climate change risks as top risks in integrated risk management processes based on the risk appetite framework.
- In FY2022, we clarified the role of climate change risks as risk drivers affecting credit and other risks based on their impact on society, the environment, and other areas. On that basis, we developed an approach to monitoring to control the emergence of such risks.
- The Group will continue to consider sustained efforts in the area of scenario analysis, as well as study and advance efforts to embody qualitative and quantitative standards in identifying important climate change risks. In these and other ways, we will strengthen climate change risk management within the integrated risk management framework.

Climate change risk management cycle

Hirogin Holdings

Board of Directors

Group Management Board

Group Integrated Risk Management Committee

Hiroshima Bank and other Group companies

During planning

Monitoring during the period

Environmental recognition
Top risks
(deliberations)

Risk appetite
(deliberations)

Climate change
policies
(deliberations)

Discussions and arrangements among
Hirogin Holdings' related sections in
charge

Risk appetite
statement
(decisions)

Management
and other
plans
(decisions)

Integrated risk
management
status
(report)

Status of
measures
implemented
(report)

20

3. Disclosures based on TCFD recommendations

a. Metrics used by the Group to assess climate-related risks and opportunities in line with its strategy and risk management processes

Climate-related metrics

➤ Based on TCFD recommendations and other considerations, the Group applies the following climate-related metrics:

Metric category	Unit	Metric	See page(s)
GHG emissions	t-CO ₂	(Absolute) GHG emissions	pp. 11, 13, 21
Risks	Ratio	Degree of credit exposure to carbon-related assets	p. 8
Opportunities	Amount	Amount of sustainable finance executed (and amount of environmental finance executed)	p. 22
Internal carbon price	Amount	Internal carbon price (internal carbon price per t-CO ₂)	p. 22

➤ We will continue to study and implement appropriate responses, periodically and as needed, in various areas, including enhancing our climate-related metrics and making more advanced use of climate metrics, to strengthen our response to climate change and enhance related disclosures.

4. Metrics and targets

b. Scope 1, Scope 2, and, where appropriate, Scope 3 greenhouse gas (GHG) emissions and related risks

GHG emissions

➤ The Group has calculated current GHG emissions as shown below, based on the TCFD recommendations and other considerations:

Unit: t-CO₂

Subject		Scope	FY2013	FY2020	FY2021	FY2022
Scope 1 (fuel consumption) Scope 2 (electricity use) Total for Scopes 1 and 2	Entire Group		2,283.5	1,933.8	1,517.7	1,365.3
			15,920.8	12,223.6	10,749.8	9,351.1
			18,204.3	14,157.4	12,267.5	10,716.4
Scope 3/Category 1 (products and services purchased)	Hiroshima Bank non-consolidated		13,261.7	13,661.0	14,815.7	12,112.3
Scope 3/Category 3 (energy-related activities)			1,236.6	1,665.9	1,601.0	1,508.4
Scope 3/Category 4 (upstream transport and delivery)			1,674.7	1,812.3	1,799.7	1,712.0
Scope 3/Category 6 (business travel)			392.2	411.5	398.2	433.0
Scope 3/Category 7 (commuting)			725.8	761.5	760.9	801.2
Scope 3/Category 15 (investment and finance)			-	-	-	*

* Financed emissions from business loans included in the asset class of Scope 3 / Category 15 (investment and finance) totaled **10,287,278 t-CO₂**. These results are based on data as of the end of March 2022.

For more information, see p. 13.

➤ We will continue to study and implement appropriate responses, periodically and as needed, in various aspects, and expand the scope of GHG calculations, including Scope 3 / Category 15 (investment and finance) GHGs, thereby strengthening our response to climate change and enhancing all related disclosures.

3. Disclosures based on TCFD recommendations

4. Metrics and targets

c. Targets used by the Group to manage climate-related risks and opportunities and performance against targets

Promoting sustainable finance

- In May 2022, the Hirogin Group established a new medium-/long-term target: to execute a cumulative total of two trillion yen from FY2021 through FY2030 in sustainable finance (investments and loans), with the goal of supporting efforts to identify solutions to environmental and social challenges (including one trillion yen in environmental finance).
- The Group is enhancing its lineup of both financial and nonfinancial solutions to support carbon neutrality and other aspects of sustainability management at customer firms. In the future, we will continue to advance sustainable finance as part of efforts to support sustainability management at customer firms.

Sustainable finance medium-/long-term target	
➤	Setting the target of executing a cumulative total of two trillion yen in sustainable finance (investments and loans) to help identify solutions to environmental and social challenges (including one trillion yen in environmental finance) from FY2021 through FY2030



Sustainable finance results (execution amounts)	FY2021	FY2022	Cumulative
Sustainable finance	122 billion yen	211.9 billion yen	333.9 billion yen
Environmental finance (included above)	85 billion yen	150.3 billion yen	235.3 billion yen

Scope of sustainable finance	
➤	Investment, lending, and leasing to help identify solutions to environmental challenges: Renewable energy; motor vehicles, ships, and other facilities to lessen environmental impact
➤	Investment, lending, and leasing to help identify solutions to social challenges: SDGs; medical, welfare, and educational facilities; startup finance; business succession; business continuity planning (BCP); public infrastructure; etc.

Establishing internal carbon pricing

- As part of our efforts to achieve carbon neutrality in the Group itself (Scope 1 and 2 emissions reductions), we have established an internal carbon pricing scheme as shown below. We plan to review aspects of this metric, such as price level and scope, in a timely manner in the future.

Item	Details
Price	14,000 yen/t-CO ₂
Scope	Scopes 1 and 2
Purpose	To promote carbon neutrality in areas such as electricity use, the Group's major source of emissions
Use method	Used as one reference metric when making decisions related to the adoption of renewable electricity or other renewable energy sources