

Addressing Climate Change

Hyakugo Bank is strengthening its responses to climate change based on the approach of the TCFD (Task Force on Climate-related Financial Disclosures) Recommendations. We will assess the impact of climate change on our customers and the Hyakugo Bank Group, strive to reduce the environmental impact of the Hyakugo Bank Group's business activities, and support the decarbonization of our customers through our financial products and services.

Strategy

Approach and plans with respect to climate change

Based on the recognition that addressing climate change is one of the most important initiatives, we identified it as materiality.

Under our Environmental Policy, we formulate an environmental conservation activity plan every year and work to support our customers' decarbonization efforts and to mitigate the Hyakugo Bank Group's own environmental impact.

Quantitative assessment of climate change risks (scenario analysis)

Risks related to climate change are divided into two categories. Physical risks are the risks of physical damage resulting from natural disasters and extreme weather events caused by climate change, while transition risks are risks from changes in legislation, markets, technology and social reputation resulting from the transition to a decarbonized society.

Hyakugo Bank conducts scenario analysis to assess resilience to climate change risk.

(1) Physical risks

Referring to the 2°C and 4°C scenarios of the IPCC*, we analyze the impact on credit costs for the Hyakugo Bank Group that would result if a major climate change-induced flood event in Japan were to cause the deterioration of customers' business performance and damage to the value of their collateral.

Risk event	Damage to collateral property due to a massive flood Deterioration in business performance of commercial credit recipients due to direct damage to their buildings and damage due to the suspension of operations resulting from flooding
Scope of analysis	Domestic commercial credit recipients and housing loans borrowers (the Bank's own clients and those guaranteed by the Bank's guarantee company)
Scenario	IPCC RCP 2.6 and RCP 8.5
Analysis method	After estimating the financial condition of a company in the event of a major flood event, using flood hazard maps, the amount of increase in credit costs is calculated considering the probability of a major flood event up to 2050, which is assumed based on IPCC scenarios.
Analysis period	Until 2050
Analysis results	Increase in credit costs: up to ¥3.9 billion

* IPCC: Intergovernmental Panel on Climate Change

(2) Transition risks

Referring to the 1.5°C and 2°C scenarios of the NGFS^{*1} and IEA^{*2}, we analyze the impact on credit costs that would incur for the Hyakugo Bank Group in the sectors that the Bank deems to have a relatively high degree of material risk in the event of policy tightening (introduction of a carbon tax, etc.) and market changes for the transition to a decarbonized society. To the four sectors of energy, utilities, transportation, and automotive components chosen for the analysis in FY2024, we have added the real estate sector in FY2025.

Risk event	Deterioration in the performance of credit clients due to sales fluctuations and increased costs and capital expenditures associated with the transition to a decarbonized society.
Scope of analysis	Energy (gas refining), utilities (electricity and gas supply), transportation (freight and passenger land transportation), automotive components, and real estate.
Scenario	NGFS's Net Zero 2050 and Below 2°C IEA's NZE and APS
Analysis method	Based on the transition scenarios, the amount of increase in credit costs is calculated by projecting the future financial condition of the loan recipient.
Analysis period	Until 2050
Analysis results	Increase in credit costs: up to ¥12.2 billion

*1 NGFS: Network for Greening the Financial System, a network comprised of financial authorities to address climate change and relevant risks

*2 IEA: International Energy Agency

Percentage of carbon-related assets in the Bank's credit balance*

Sector	Industry (TCFD 14 industry classification)	Ratio
Energy and utilities	Oil and gas, coal, electricity	1.83%
Transportation	Air, marine, land, automobile	4.29%
Materials and buildings	Metals and mining, chemicals, building materials and capital goods, real estate management and development	16.93%
Agriculture, food, and forest products	Beverages and food, agriculture, paper and forestry	1.67%

* Bank's credit balance: Total of loans, acceptances and guarantees, foreign exchange, etc. on March 31, 2025 (excludes renewable energy power generation businesses, etc.)

Results of scenario analysis

Based on the scenario analysis results, we believe that the impact on credit costs would be limited. In addition to efforts to identify and make recommendations on the impacts of climate change risks, we will contribute to the decarbonization of the region through decarbonization support and sustainable finance.

Understanding GHG emissions from our investment and loan portfolio (Scope 3 Category 15)

Results of emissions by industry sector of investee companies

Industry	GHG emissions (t-CO ₂)
Building materials and capital goods	1,652,334
Metals and mining	971,959
Automobiles	628,660
Beverages and food	386,652
Land transportation	362,292
Chemicals	359,910
Electricity	323,389
Oil and gas	229,712
Paper and forestry	134,624
Real estate management and development	57,098
Marine transportation	38,942
Agriculture	36,211
Air transportation	11,005
Coal	—
Other	1,613,087
Total	6,805,875

We believe that understanding the GHG emissions of investee companies and supporting their reduction are important for the realization of regional decarbonization. To this end, since FY2022, we have calculated the emissions of our corporate investees in Japan with reference to the PCAF Standard*. Since FY2023, we have worked on enhancing calculations using a portion of emissions data disclosed by companies, and we improved our data quality score, which indicates the quality of emissions data on a scale of 1 to 5, from 3.46 in FY2023 to 3.40 in FY2024.

* A method developed by the PCAF (Partnership for Carbon Accounting Financials), an international initiative, for financial institutions to measure and disclose the greenhouse gas emissions of their investment and loan portfolios.

<Calculation method>

- The investment and loan balances used for the measurement are as of March 31, 2025, and the financial data are for the most recent fiscal year, up to March 31, 2025.
- GHG emissions are calculated by multiplying the estimated emissions of investees (total of Scope 1 and 2) by the ratio of the Bank's contribution.
- Emissions from investees are estimated based on data disclosed by companies. If such data is not available, industry-specific emissions coefficients per unit of sales quoted from databases, such as those of the National Institute for Environmental Studies and the Ministry of the Environment, are used.
- The Bank's contribution is calculated by dividing the balance of the Bank's investments and loans by the total amount of assets procured by the counterparties.
- The method of calculating GHG emissions may be subject to change in the future due to clarification of international standards and other factors.

Analysis of GHG emissions of regional loan recipients

Analysis of emissions of loan recipients in local areas by industry sector

Industry	GHG emissions (t-CO ₂)
Building materials and capital goods	1,135,457
Metals and mining	634,887
Automobiles	496,784
Beverages and food	296,286
Land transportation	269,139
Chemicals	185,689
Oil and gas	175,994
Electricity	83,210
Paper and forestry	45,343
Real estate management and development	35,967
Agriculture	31,965
Marine transportation	28,885
Air transportation	—
Coal	—
Other	1,200,727
Total	4,620,304

From FY2023, after identifying trends in emissions by industry sector for the Bank's entire investment and loans portfolio, to further support decarbonization efforts by our customers in the region, we conduct an analysis of emissions by industry sector of customers based in the local areas that are the Bank's main sales territories (Mie Prefecture, Aichi Prefecture, and Shingu City in Wakayama Prefecture).

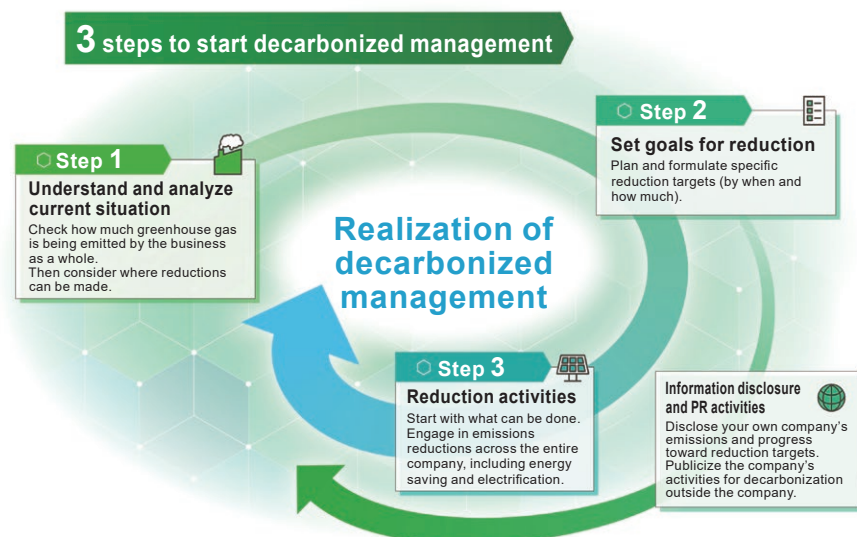
From results of analysis of the current status, sectors such as "building materials and capital goods," "metals and mining," and "automobiles" would appear to be the main sectors for engagement in decarbonized management support.

We will continue to support the decarbonization of the region by deepening our dialogue with customers that have positioned decarbonized management as an issue and providing them with solutions to suit the phase of their initiatives.

Opportunities related to Climate Change

The area where Hyakugo Bank has sales foundation, particularly has thriving manufacturing industries. Manufacturing industries account for a large share of CO₂ emissions among all industries. In order to meet the demand for increased capital investments and other investments associated with the transition to decarbonization, we are strengthening initiatives to support local decarbonization with the long-term target (from FY2022 to FY2030) of “sustainable finance of ¥1 trillion (of which, more than ¥500.0 billion is environment-related loans).”

In addition, in our efforts to mitigate the environmental impact of the Hyakugo Bank Group's business activities, we set “net zero greenhouse gas emissions (Scopes 1, 2)” as a long-term target (from FY2022 to FY2028), as well as promote the introduction of renewable energy and energy-saving facilities.



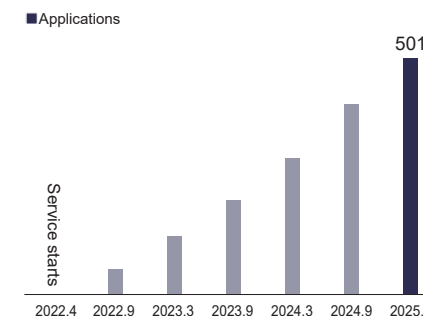
Assistance in calculating emissions and Hyakugo Decarbonization Support Services

Hyakugo Bank supports our customers' efforts to realize decarbonized management by extending assistance in calculating emissions in partnership with specialized companies and Hyakugo Decarbonization Support Services.

Assistance in calculating emissions (cumulative number of contracts)



Hyakugo Decarbonization Support Services (cumulative number of contracts)



Overview of Hyakugo Decarbonization Support Services

Eligible persons	Corporations and sole proprietors who have calculated or are planning to calculate GHG emissions (Scopes 1, 2)
Details of the service	We will confirm the status of GHG emissions calculations and support reduction simulations and external PR efforts, such as formulating declarations and posting about activities on the Bank's website. - Assist in developing GHG emission reduction targets and reduction simulations - Assist external PR activities with delivery of declarations of decarbonized management (wooden plaque) - Assist external PR activities by posting related information on the Bank's website

Main sustainability-related loan products

Name of product		Customer needs
Hyakugo SDGs private placement bonds	Corporate support type	Promote company's own SDGs initiatives
	Donation type	Contribute to solving social issues through donations to educational and welfare institutions, local governments, etc.
	Decarbonization support type	Promote company's own initiatives for decarbonization
Loan to support SDG initiatives		Promote company's own SDGs initiatives
Hyakugo sustainable loans (framework evaluation type)	Green loan type	Externally communicate efforts in green projects (projects that contribute to solving environmental problems)
	Sustainability-linked loans	Externally communicate commitment to targets that lead to decarbonized management
Green loans (individual evaluation type)		Externally communicate efforts in green projects (projects that contribute to solving environmental problems)
Sustainability-linked loans (individual evaluation type)		Externally communicate commitment to targets that lead to advanced sustainability management
Social loans (individual evaluation type)		Externally communicate efforts in social projects (projects that contribute to solving social issues)
Positive impact finance		Externally communicate efforts to strengthen sustainability management through bank's impact assessment

Marusho Co., Ltd.

Location: 5-11-15, Hinaga, Yokkaichi City
 Business description: collection and transportation of industrial waste

Details of support

- ▶ Hyakugo Decarbonization Support Services
- ▶ Assistance in calculating emissions/Support for SME's acquisition of SBT certification (Hyakugo Research Institute)
- ▶ Hyakugo sustainable loans (sustainability-linked loan type)



Customer's Voice

Takahiro Kawamoto
Representative Director

We are taking on challenges to achieve a circular economy and zero emissions through our environmental consulting business, which aims to ensure proper disposal of industrial waste and convert it into a valuable resource. After receiving a proposal for decarbonized management from Hyakugo Bank, we decided to embark on it to accelerate the strengthening of decarbonized management and SDGs activities as a member of corporations that support society and environment.

First, with Hyakugo Research Institute Company Limited's assistance, we identified issues for reducing GHG emissions by calculating and visualizing them, and obtained SBT certification for SMEs with a target of reducing their emissions by 42% from FY2021 levels by 2030. Furthermore, we have been promoting our initiatives with the use of sustainable finance, in which preferential interest rates are applied upon achieving the emissions reduction targets. Thus far, we have achieved the targets smoothly.

We will contribute to the realization of sustainable environment and regional societies through our business activities beyond initiatives within our own company.

Voice of the person in charge



Marusho Co., Ltd. is engaged in environmental consulting business to solve concerns related to waste, utilizing experience and knowledge cultivated to date. Seeing the necessity of a company to take the lead in the initiatives, which is a leading company in the region that engages in environmental fields, such as Marusho Co., Ltd., we proposed the strengthening of decarbonized management. Together with our customers, we will continue to consider the realization of a sustainable society and walk beside and support them as they work toward those goals.

Kazuta Sugio
Assistant Manager, Rengeji Branch

Risk Management

In light of the importance of the impact of direct risks arising from climate change factors and indirect risks arising from investments and loans, etc., the Bank is taking steps to mitigate the negative impacts of such risks and to achieve a smooth decarbonization of society.

Management system for climate change risks

- Based on the recognition that addressing climate change is one of the most important initiatives, the Sustainability Promotion Committee meets regularly to discuss progress and issues related to addressing climate change.
- Further, if physical and transition risks that are recognized as climate change risks materialize, they could have a significant impact on the Bank's management through various spillover channels, and we are working to identify and mitigate such risks in our integrated risk management framework.
- The Bank's equity capital is also assessed by taking into account the estimated physical risk and the additional credit cost of transition risk.

Spillover channels of climate change risk (example)

Category	Definition	Physical risks	Transition risks
Credit risk	Risk of incurring losses primarily due to failure to repay principal or interest as scheduled as a result of deterioration in the business performance of the loan recipient or investee, etc.	Damage to collateral value due to damage to customer assets, business stagnation and performance deterioration	Deterioration in business performance resulting from increased costs incurred by customers in dealing with capital expenditures and other costs associated with the realization of a decarbonized society
Market risk	Risk of losses due to a decrease in the value of the Bank's financial assets as a result of fluctuations in interest rates, exchange rates, stock prices, etc.	Decline in the value of securities and other assets due to the impact of extreme weather and natural disasters	Decline in the value of securities and other assets due to deterioration in the performance of investees or changes in investor behavior in the market
Operational risk	Risk of incurring losses due to internal management problems in terms of internal procedures, people, systems, etc., or external factors such as natural disasters	Decrease in revenues and damage to the value of assets held by the Bank due to stagnation of the Bank's business	Reputational damage resulting from a lack of disclosure of information on the Bank's efforts to realize a decarbonized society

Sustainable Investment and Loan Policy

- The Hyakugo Bank Group has established a Sustainable Investment and Loan Policy for making responsible investments and loans as a lender of funds.
- We actively invest in and lend to businesses that have a positive impact on the environment and society in compliance with the Hyakugo Bank Credit Policy.
- For investments and loans in sectors that are considered to have a significant impact on the environment and society, we establish initiative policies and take appropriate measures.

Investment and loan policies for specific sectors

Sector	Policy
Coal-fired thermal power generation businesses	As this sector has higher emissions of greenhouse gases than other power generation methods and it has a negative impact on the environment, including climate change and atmospheric pollution, the Bank does not invest in or lend to new coal-fired thermal power generation facilities. However, we may respond, after careful consideration, to projects that are incorporating innovative technologies and methodologies, such as CCS/CCUS* and co-firing in an effort to achieve the matters agreed on in the Paris Agreement.
Businesses that involve the logging and burning of forests	The Bank recognizes that illegal logging and burning of forests takes place for the production of raw materials such as palm oil, which is an important raw material that is indispensable to people's lives and society. In light of this fact, regarding investments and loans to businesses that involve logging and burning forests, we respond cautiously after careful consideration of the legality of the business and its impact on the regional economy and environment.
Manufacturing of weapons of mass destruction and non-humanitarian weapons	The Bank does not invest in or lend to companies that manufacture weapons of mass destruction, such as nuclear weapons and biological and chemical weapons, or anti-personnel land mines and cluster bombs, due to the inhumane nature of such weapons.
Businesses involved in human rights violations such as forced labor	The Bank does not invest in or lend to companies that engage in human rights violations such as child labor and forced labor.

* CCS: Carbon capture and storage

CCUS: Carbon capture, utilization and storage

Indicators and Targets

Sustainable finance targets and results

For the nine years from FY2022 to FY2030, we have set a target of totaling ¥1 trillion in sustainable finance (of which, more than ¥500.0 billion is environment-related loans). Through sustainable finance, we aim to both solve the business challenges of customers, including their responses to climate change, and develop regional economies.

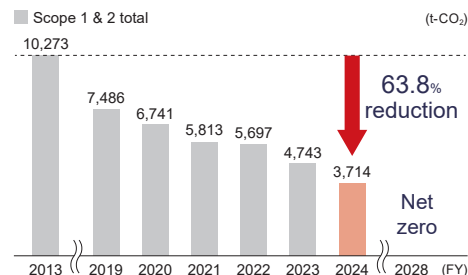
	FY2024 Actual	FY2030 Target
Sustainable finance ^{*1}	¥740.7 billion	¥1 trillion
Of which, environment-related loans ^{*2}	¥196.6 billion	¥500.0 billion or more

^{*1} Sustainable finance: Investments and loans that contribute to the realization of a sustainable society by resolving social and environmental issues

^{*2} Environment-related loans: Investments and loans that support initiatives for the protection of global and regional environments, such as responses to climate change

GHG emissions reduction targets and results (Scope 1, 2)

We are working to mitigate the environmental impact of the Hyakugo Bank Group's business activities with the aim of achieving net zero GHG emissions (Scopes 1, 2). In FY2024, GHG emissions were 3,714 t-CO₂, a 63.8% reduction from FY2013, mainly due to the introduction of CO₂-free electricity and LED lighting.



Roadmap for Scope 1 and 2 net zero

We formulate a roadmap for Scope 1 and 2 net zero and review it annually. We will promote decarbonization of facilities, explore a wide range of options, including the use of highly sustainable renewable energy sources, with the aim of achieving net-zero GHG emissions across the entire Hyakugo Bank Group in FY2028.

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Scope 1	Decarbonization of business vehicles (introduction of eco-cars and installation of EV charging equipment)						
	Transition to renewable energy for company owned properties (introduction of CO ₂ -free electricity)						
Scope 2	Strengthening of energy saving (introduction of LED lighting and high-efficiency lighting)						
	Renewal of equipment (renewal of air conditioning equipment)						
Emissions that cannot be reduced	Carbon offsetting with the use of non-fossil fuel certificates and regional carbon credits						

Understanding GHG emissions including from the supply chain

We have been working to understand GHG emissions, including those from our supply chain (Scope 3), since FY2022. In FY2024, we added Categories 1, 3, 4 and 5 to our calculations.

			(t-CO ₂)
Measured item		Scope of calculation	FY2024
Scope 1	Burning of fuels (gasoline, diesel oil, bunker A, city gas, LPG)	Entire Group	1,303
Scope 2	Power use		2,411
Scope 1 & 2 total			3,714

Scope 3	Category 1	Purchased goods and services	Hyakugo Bank	4,136
	Category 2	Capital goods	Entire Group	11,845
	Category 3	Fuel- and energy-related activities not included in Scope 1 or 2		865
	Category 4	Upstream transport and delivery		635
	Category 5	Waste generated in operations	Hyakugo Bank	295
	Category 6	Business travel		165
	Category 7	Employee commuting		1,675
	Category 8	Leased assets (upstream)		—
	Category 9	Downstream transportation and delivery		—
	Category 10	Processing of sold products		—
	Category 11	Use of sold products		—
	Category 12	End-of-life treatment of sold products		—
	Category 13	Downstream leased assets		—
	Category 14	Franchises		—
	Category 15	Investment		6,805,875

<Calculation method>

- For Scope 1 and 2, coefficients based on the Act on Promotion of Global Warming Countermeasures (the Global Warming Act) are used.
- For Scope 2, adjusted emission coefficients for the relevant fiscal year are used for each electric utility, but for FY2024 results, coefficients for the preceding fiscal year (FY2023) are used because coefficients for FY2024 have not yet been published.
- The Ministry of the Environment's emissions intensity database was used in the calculations of Scope 3 emissions.