

# Environmental Initiatives

## Responses to TCFD recommendations

### 1. Governance

- In accordance with Hokkoku FHD Environmental Policies, the Board of Directors receives reports and oversees issues concerning climate change.
- While we do not have a committee dedicated to climate change issues, we have in place a system to identify and discuss climate change and other sustainability issues in the form of cross-departmental projects led by the General Planning Department (PR & IR Section), which includes the Management Administration Department and our consulting subsidiary, The CC Innovation, Ltd.
- Our policies and other important matters concerning climate change are discussed at the Strategic Committee meetings attended by the president and other executive officers as well as general managers of the business departments, and are then resolved at Board of Directors meetings.

### TCFD governance system



### 2. Strategy

- We have recognized the major physical and transition risks and opportunities associated with climate change and set forth policies to address them.
- In terms of scenario analyses, we have calculated the transition risks for three industries that are likely to have a substantial impact on the Company and the customers in the region. For physical risks, we have referred to the 4°C and 2°C scenarios and analyzed the potential impact of worsening customer business conditions and impairment of collateral value in the event of a large flood in Ishikawa Prefecture due to climate change.
- Based on the results of these analyses, we will engage in dialogue with our customers and promote awareness of decarbonization in the region while generating business opportunities through consulting and other services.

### Risks and opportunities

Transition risks (assuming risks will become most apparent in the 1.5–2°C scenarios)	
<b>Policy and regulatory risks</b>	<ul style="list-style-type: none"> <li>• Earnings decline and impairment of existing assets, etc. at borrowers and investees due to an increase in costs to control carbon emissions</li> <li>• Increase in costs to address climate change-related regulations in Japan and overseas</li> </ul>
<b>Technological risk</b>	<ul style="list-style-type: none"> <li>• Earnings decline and impairment of existing assets, etc. at borrowers and investees due to failures and delays in developing decarbonization technologies</li> </ul>
<b>Market risk</b>	<ul style="list-style-type: none"> <li>• Earnings decline and impairment of existing assets, etc. at borrowers and investees due to changes in the supply-demand environment of their products and services</li> </ul>
<b>Reputational risk</b>	<ul style="list-style-type: none"> <li>• Deteriorating reputation and corporate brand due to delayed responses</li> <li>• Worsening evaluation by outside parties due to lack of information disclosure</li> <li>• Deteriorating reputation due to continued transactions with business partners whose responses to climate change are insufficient</li> </ul>
Physical risks (assuming risks will become most apparent in the 4°C scenario, etc.)	
<b>Acute risk</b>	<ul style="list-style-type: none"> <li>• Risk of becoming unable to continue operations due to damage to sales bases and other property holdings; risk of cost increases related to countermeasures and restoration work</li> <li>• Increase in credit costs accompanying deteriorating performance and collateral impairment at borrowers and investees due to natural disasters</li> <li>• Fluctuating value of securities and other holdings owing to worsening market and investment environment as well as declining credibility of borrowers and investees due to climate-related disasters</li> </ul>
<b>Chronic risk</b>	<ul style="list-style-type: none"> <li>• Higher facility and energy costs accompanying efforts to strengthen business continuity</li> </ul>
Opportunities	
<b>Resource efficiency</b>	<ul style="list-style-type: none"> <li>• Reduced operation costs due to efforts to improve operational efficiency, such as going paperless</li> <li>• Achievement of highly efficient energy use due to the introduction of energy-saving facilities</li> <li>• Efficient operation of owned facilities</li> </ul>
<b>Energy source</b>	<ul style="list-style-type: none"> <li>• Lower procurement costs due to a shift in energy sources</li> </ul>
<b>Products and services</b>	<ul style="list-style-type: none"> <li>• Expanded financing and leasing opportunities fueled by rising needs for capital investment in renewables and decarbonization</li> <li>• Expanded opportunities for consulting work related to decarbonization</li> <li>• Expanded consulting opportunities to address increasing needs for operational efficiencies, such as going paperless</li> <li>• Expanded consulting opportunities to address increasing needs for formulating management strategies to transform businesses</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>• Improved corporate image through promotion of climate-related information disclosure</li> </ul>
<b>Resilience</b>	<ul style="list-style-type: none"> <li>• Expanded financing opportunities fueled by infrastructure investment, etc. to ensure disaster preparedness</li> <li>• Expanded consulting opportunities to address increasing needs for business continuity planning as part of disaster preparedness</li> </ul>

### Efforts through business activities

#### Promotion of customers' climate change awareness through an understanding of their business prospects

We are working to enhance awareness of climate change responses among our customers through our efforts to understand their business prospects. We will address customers' decarbonization-related financing needs, including loans and leases. At the same time, we will create business opportunities in consulting and advisory by working together with the customers on climate change responses and other ESG-related challenges.

#### Assessment at the principal item level

		Initiatives disclosed	Began initiatives	No initiatives taken, not aware of the issue	Number of sub-items
<b>E</b>	<b>Environment</b>	2	1	0	11
<b>S</b>	<b>Social and regional contributions</b>	2	1	0	5
<b>S, G</b>	<b>Human rights and labor issues</b>	2	1	0	12
<b>S, G</b>	<b>Products and services, organizational structure</b>	2	1	0	18

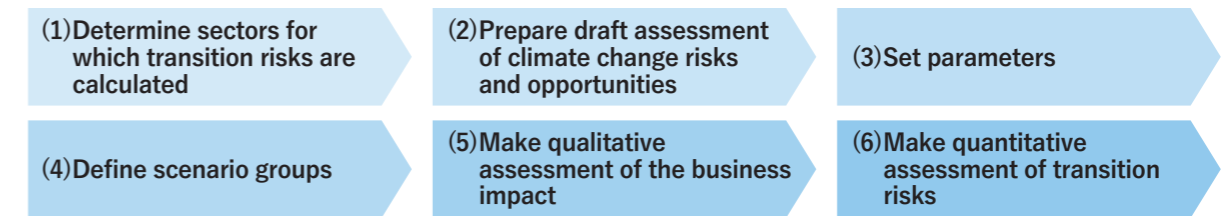
Customers with whom we were able to conduct hearings on environmental issues (among all ESG/SDG items) in conjunction with our efforts to understand their business prospects: 3,506 companies (50.1%) of the relevant pool of 6,999 companies as of the end of March 2023

#### Consulting and advisory

- In our priority businesses of consulting and advisory, we have included ESG and SDGs consulting in the service lineup to support the sustainable business management of our customers.
- Responding to climate change is an important and urgent issue for companies. We believe that, much like digital transformation (DX), green transformation (GX) is a necessary element for customers' accomplishment of their visions.
- By understanding their business prospects, we will share our customers' challenges and support them in their transformation.

### Scenario analyses

#### Flow chart for calculating transition risks



<b>Transition risks</b>	<ul style="list-style-type: none"> <li>• We analyzed the impact the transition to a carbon-free society would have on the sectors of "metals and mining," "food products," and "land transport, railway, air cargo, and logistics services." These sectors were chosen for the following reasons:               <ol style="list-style-type: none"> <li>(1) Likely to be vulnerable to the impact of climate change</li> <li>(2) Present a large impact on the Company's financials due to their credit balance</li> <li>(3) The Company can contribute to improving awareness of decarbonization in the region due to the large number of customer debtors in these sectors</li> </ol> </li> <li>• The analyses of each sector's top 10 companies by the amount of credit granted (30 companies in total) indicated that our credit costs will increase by roughly ¥3.2 billion by 2030.</li> </ul>
<b>Physical risks</b>	<ul style="list-style-type: none"> <li>• Using the IPCC 4°C and 2°C scenarios as reference, we analyzed the impact of the deterioration of customers' business conditions, and the impairment of customer offices and collaterals and of our own properties in the prefecture, should a once-in-a-century wind and flood damage occur in Ishikawa Prefecture.</li> <li>• We conducted an analysis covering debtors with business bases within the Ishikawa Prefecture, in areas susceptible to flooding depths of 0.5 meters or more, for a period through 2050. The results showed that our credit costs would increase by roughly ¥4.7 billion at most under the 4°C scenario and ¥2.4 billion at most under the 2°C scenario.</li> <li>• The impact on the Company-owned properties was estimated at ¥200 million at most under the 4°C scenario and ¥100 million at most under the 2°C scenario.</li> </ul>

### 3. Risk management

We have established our investment and loan policy and sector policy in accordance with our sustainability policy and materiality. As such, we seek to reduce and avoid investments and loans that are highly likely to have an adverse environmental and social impact.

#### Investment and loan policy

Businesses we support actively	<ul style="list-style-type: none"> <li>● Customers' environmental, social, and governance-related initiatives and businesses</li> </ul>
Businesses for which we prohibit investments and loans	<ul style="list-style-type: none"> <li>● Antisocial forces and businesses</li> <li>● Businesses that engage in child labor and/or forced labor</li> <li>● Businesses that develop and/or manufacture nuclear, chemical, or other weapons of mass destruction, or inhumane weapons such as cluster munitions</li> </ul>
Specified sectors	<ul style="list-style-type: none"> <li>● Coal-fired power generation sector, cluster munitions manufacturing sector, forestry sector, and palm oil plantation development sector</li> </ul>

#### Sector policy

Coal-fired power generation business	In light of our efforts concerning climate change risks, environmental protection, and renewable energy, we carefully consider investments and loans for coal-fired power generation businesses on a project-by-project basis.
Cluster munitions manufacturing-related business	In light of the inhumane nature of cluster munitions, we prohibit investments and loans to companies that manufacture cluster munitions.
Deforestation business	Regarding investments and loans to large-scale deforestation projects, we carefully consider our approach, factoring in the status of customers' consideration of the environment and local community and the actual impact on the environment and community.
Palm oil plantation development business	From the viewpoint of preserving forest resources and biodiversity and protecting human rights, we prohibit investments and loans to palm oil plantation development projects.

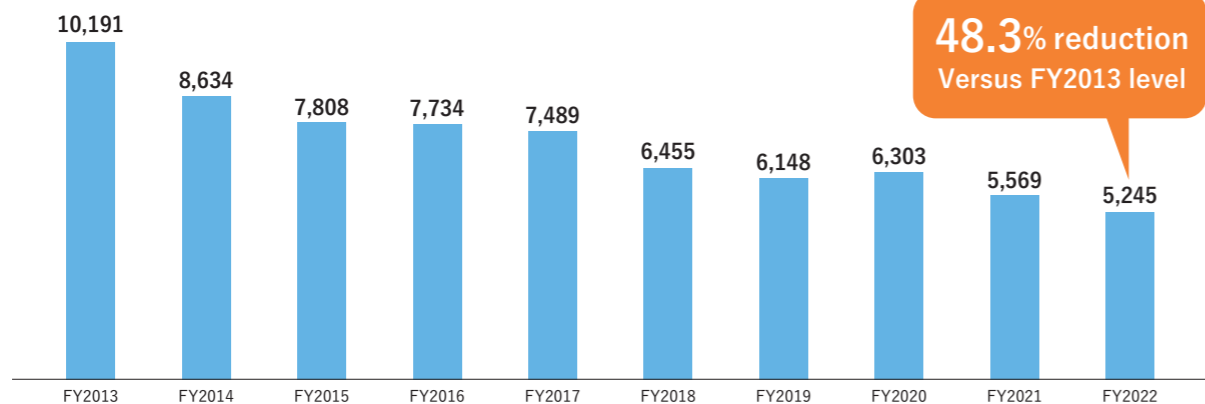
### 4. Indicators and targets

We disclose data on Scope 1 and Scope 2 greenhouse gas emissions, and designate the results in CO<sub>2</sub> emissions reduction as our climate change-related indicator. In FY2030, we target 100% emissions reduction versus FY2013.

#### Target

**FY2030 CO<sub>2</sub> emissions reduction target of -100% from FY2013**

#### Results (tons)



CO<sub>2</sub> emissions (absolute value) are stated by adding emissions from business-use vehicles to the CO<sub>2</sub> emissions figures presented by Hokkoku Bank in its periodical reports under the Act on the Rational Use of Energy. (We disclose data on Scope 1 and Scope 2 emissions.)

In the future, we will consider tracking and disclosure of other climate change-related metrics.

### Action plan

**Adopt ZEB\* concept when building new offices**  
**Convert existing office facilities to energy-saving facilities**

\*ZEB: Short for net zero energy buildings; environmentally friendly offices

**Convert existing office facilities to energy-saving facilities and install photovoltaic systems on office rooftops**

**Reduce vehicles for business use and replace current vehicles with EVs (HVs)**

**Switch to carbon-neutral electricity\***

\*Carbon-neutral electricity: Electricity that achieves net zero CO<sub>2</sub> emissions through the use of renewable energy and certificates of environmental value (non-fossil fuel certificates)

### Initiatives contributing to CO<sub>2</sub> reduction in society at large

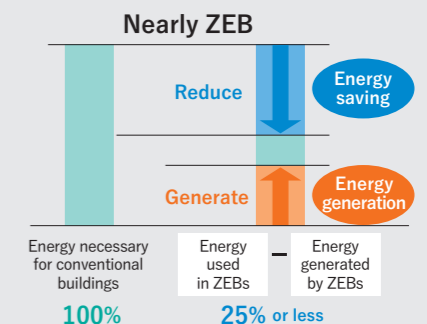
- BPR and ICT consulting
  - Promoting cashless payment
  - Promoting the use of cloud-based internet banking for individual customers and internet banking for corporate customers
- By continuing the customer-oriented efforts shown above, among other initiatives, we seek to improve productivity, reduce CO<sub>2</sub> emissions, and spread awareness in the region.

#### Environmental responses at new offices (Komatsu and Kaga sales departments)

The offices of our Komatsu and Kaga sales departments have been certified as Nearly ZEB buildings for their facilities that reduce energy consumption and the photovoltaic panels that generate energy.

#### Characteristics

- Use of high-performance insulation materials
- Adoption of heat-insulating glass in building openings to shield heat in the summer and prevent internal heat from dissipating in the winter
- Reduced energy consumption through full installation of LED lighting and introduction of daylight and motion sensors
- Adoption of a slit system for ventilation to take in outside air
- Introduction of a system to visualize energy volumes, including power consumption and generation



Source: Ministry of the Environment website



Komatsu Sales Department (Opened in August 2022)



Kaga Sales Department (Opened in May 2023)

### Endorsement of international initiatives

