

March 29, 2023

Sumitomo Mitsui Banking Corporation

Sustainability Linked Loan for Kao Corporation

Sumitomo Mitsui Banking Corporation ("SMBC", President and CEO: Makoto Takashima) has signed an agreement for a sustainability linked loan ("This Loan") with Kao Corporation ("Kao", President and CEO: Yoshihiro Hasebe).

The objective of sustainability linked loans is to promote and support environmentally and socially beneficial economic activities and growth by linking corporate loan terms with a client's performance against sustainability performance targets ("SPTs") consistent with a client's sustainability strategy.

The SPTs set under This Loan adopted climate change, forests and water security assessment scores published by CDP (*1). As an incentive to achieve the SPTs, the interest rates of This Loan will be adjusted depending upon the achievement of these targets. The SPTs are detailed below;

(SPTs)

A score over two or more categories on CDP climate change, forests and water security assessment scores

With the corporate purpose "To realize a *Kirei* World in which all life lives in harmony", Kao Group established its ESG strategy, the *Kirei* Lifestyle Plan in 2019 ("*Kirei*" means living a beautiful life inside and out). Kao Group's Mid-term Plan 2025 (K25), developed in 2021, details the company's objective to become a company essential to a sustainable society, with its vision of "protecting future lives" and "sustainability as the only path." Kao addresses climate change challenges across the value chain. To pursue its decarbonization, Kao has drawn up a roadmap to achieve carbon zero by 2040 and carbon negative by 2050. In the forestry sector, Kao has been promoting a support program for palm-oil smallholders to contribute to preventing deforestation. Regarding water security, Kao has been working with stakeholders to promote water-saving activities and to pursue business matching opportunities. By disclosing to stakeholders its policies and actions to its whole value chain and its business strategies incorporating the risks and opportunities in relation to climate, forests and water, high scores can be maintained while at the same time leading to the accomplishment of its long-term vision.

SMBC assessed that This Loan aligns with the "Sustainability Linked Loan Principles" (revised in February 2023) published by Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA), and "Green Loan and Sustainability Linked Loan Guideline 2022" published by the Ministry of the Environment of Japan.

On July 27, 2021, SMBC Group published "SMBC Group GREEN Innovator" and aims to enhance our services and products to realize a sustainable society together with our clients. In addition, SMBC will further contribute to achieving sustainable society by providing solutions and engaging in dialogue for our clients' sustainable corporate management.

[Outline of This Loan]

Date of Contract: March 27, 2023

Date of Draw-down: March 29, 2023

Sustainability Coordinator (*2): SMBC

Contract Period: 4 years

(*1)

CDP: An international not-for-profit organization established in London in 2000. CDP provides global disclosure system to companies and governments in such fields as climate change, water security and deforestation risks, and the disclosed data and information is utilized by investors, companies and governments.

(*2)

Sustainability Coordinator: An entity whose role is to provide facilitation and support to the borrower to formulate sustainability linked loan, including setting the SPTs.

(Reference)

Kao Corporation news release

<https://www.kao.com/global/en/news/>

Kao Corporation sustainability website

<https://www.kao.com/global/en/sustainability/>

[Contact Information]

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This announcement is not intended as a recommendation to invest or solicit.