

June 14, 2024

Sumitomo Mitsui Banking Corporation

Syndicated Sustainability-Linked Hybrid Loan for Daiwa House Industry Co., Ltd.

Sumitomo Mitsui Banking Corporation (President and CEO: Akihiro Fukutome, hereinafter "SMBC") has signed an agreement of the first sustainability-linked hybrid loan (hereinafter the "Loan") in Japan, which combines sustainability-linked loan and hybrid finance with Daiwa House Industry Co., Ltd. (President and CEO: Keiichi Yoshii, hereinafter "Daiwa House Industry"). The loan is based on the "Sustainability-Linked Finance Framework" (hereinafter the "Framework") that has been formulated by Daiwa House Industry.

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 (hereinafter "SPTs") consistent with a client's sustainability strategy. In addition, the Loan is a form of subordinated hybrid financing with an intermediate nature between equity and debt, and Daiwa House Industry anticipates receiving equity certification on 50% of the capital procurement amount from Rating and Investment Information Inc. (R&I) and from Japan Credit Rating Agency, Ltd. (JCR). SMBC has been appointed by Daiwa House Industry as the Lead Arranger, Bookrunner and Agent to structure the loan.

Daiwa House Industry is engaged in a wide range of real estate-related businesses, including the development, management, operation and sale of rental real estate, and condominiums, as well as construction contracts for housing, commercial facilities and logistics facilities that make use of prefabricated construction technology. Additionally, it advances initiatives such as renewable energy power generation projects.

Daiwa House Industry aims to realize a sustainable society in its long-term environmental vision "Challenge ZERO 2055" formulated in fiscal 2016 and has set seven targets of particular importance defined as "Challenge Zero" in order to accelerate its initiatives with specific milestones for 2030. In the loan, items that contribute to the realization of a decarbonized society have been selected from these targets, and the following SPTs are set as important indicators to measure the progress of reducing greenhouse gas emissions during the use of buildings provided in addition to the company's business activities, and as an incentive to achieve them, the borrower is obliged to donate to an organization for the purpose of environmental conservation activities or purchase emission credits, according to the degree of achievement of the SPTs.

[Overview of the loan]

Date of agreement	June 14, 2024
Drawdown date	September 25, 2024
Loan amount	40 billion yen
Maturity date	September 25, 2059 However, on each interest payment date after September 25, 2029, all or part of the principal can be prepaid.
Lead Arranger	Sumitomo Mitsui Banking Corporation
Joint Arranger	MUFG Bank Mizuho Bank
Lenders	Syndicate Group organized by lead arranger and joint arrangers

SPTs	<p>SPT-1: Reduction of greenhouse gas emissions (Scope 1+2) in business activities by 59% in FY2027 (compared to FY2015)</p> <p>SPT-2: Reduction of greenhouse gas emissions (Scope 3, Category 11) in community planning by 56% in FY2027 (compared to FY2015)</p>
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The framework has received a second party opinion from Rating and Investment Information Inc. (R&I) for its alignment with the “Sustainability-Linked Loan Principles” (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 Guidelines” (2022) published by the Ministry of the Environment.

SMBC will further contribute to achieving sustainable society by providing solutions and engaging in dialogue for our clients’ sustainable management.

(Reference)

Daiwa House Industry Co., Ltd. website:

<https://www.daiwahouse.com/English/>

"Second Opinion" by Rating and Investment Information Inc. (R&I):

<https://www.r-i.co.jp/rating/esg/sustainabilityfinance/index.html>

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