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## Notice of Procurement of Finance through Hybrid Loan (Subordinated Loan)

HANWA Co., Ltd. (“the Company”) hereby announces that, on March 12, 2019, it concluded an agreement for procurement of finance totalling 50 billion yen through hybrid loan (Subordinated loan; “the Hybrid Loan”), as follows:

### 1. Objective and Significance of Procurement of Finance

Under the current Medium-term Business Plan (From April 2016 to March 2020), as business operations for the next decade, the Company and its group companies aim to strengthen its management and financial foundation through the “Three S” Commitment – (1) Steady; Maintain and increase earnings in well-established business, (2) Speedy; Speed up to produce benefits from investments in group companies and strategic investments in Japan and overseas, (3) Strategic; Establish future sources of additional earnings by continuing strategic investments.

For the objective to realize the goals of the plan and secure funds required for sustainable growth along with financial soundness, the Company decided to procure finance through the Hybrid Loan.

The Hybrid Loan has an intermediate nature between equity and liabilities. Despite its classification as liabilities, it has certain aspects and characteristics similar to equity, such as optional deferral of interest payments, longer repayment term and subordination in bankruptcy proceedings.

Therefore, the Hybrid Loan is expected to be evaluated for equity credit on 50% of the funding by credit agencies, namely Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd., thereby contributing to substantially strengthening the financial standing without diluting its shares.

### 2. Outline of the Hybrid Loan

(1)	Total amount to be procured	50 billion yen
(2)	Date of agreement	March 12, 2019
(3)	Date of loan execution	March 15, 2019
(4)	Final repayment deadline	March 16, 2054 However, from five (5) years after the execution of the Hybrid Loan, all or part of the principal may be paid prior to the deadline on interest payment dates.
(5)	Use of funds	General business funds and Repayment of interest bearing debt.
(6)	Replacement Restrictions	Intended to procure funds that have been approved by credit rating agencies as having at least the equivalent capital nature as equity or the Hybrid Loan within twelve months before the pre-deadline prepayment date. However, if the Hybrid Loan is to be prepaid on or after the interest payment date of March 15, 2024 yet before the final repayment deadline, if [1] below is met, an amount that meets [2] may be deducted from the amount equivalent to the assessed capital (total procured funds x 50%).  [1] Net Debt Equity Ratio is less than 180 % [2] Shareholders' equity is greater than the shareholders' equity as of September 30, 2018, an amount equivalent to 50% of the amount by which equity is exceeded.

(7)	Interest payment provisions	The Company may, at its discretion, defer payment of all or part of interest on the Hybrid Loan. However, there are provisions for mandatory payment.
(8)	Subordination provisions	The creditor shall have a subordinated claim in liquidation proceedings, bankruptcy proceedings, corporate reorganization proceedings, or civil rehabilitation proceedings, or equivalent proceedings overseas by the Company. The individual provisions of this agreement must not be amended in any way that would be disadvantageous to senior debtors, in all respects.
(9)	Evaluation of Equity Credit (expected)	Middle Level, 50% (Japan Credit Rating Agency, Ltd.) Class 3, 50% (Rating and Investment Information, Inc.)

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