

Date: June 05, 2019

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Notice Regarding the Possible Uncollectible or Late Collection of Receivables at Consolidated Subsidiary (Notice)

HANWA Co., Ltd. (the Company) hereby announces that possible uncollectible or late collection of receivables in respect of trade counterpart(s) of HANWA SINGAPORE (PRIVATE) LTD. (Hanwa Singapore), a consolidated subsidiary of the Company, could occur, and gives Notice as follows.

While the information described in this notice does not constitute material information (“*juyo jijitsu*”), as prescribed by the Tokyo Stock Exchange that requires timely disclosure, the Company has nonetheless decided to disclose this information having considered that such information is important and useful to the shareholders and investors.

1. Overview of the Subsidiary

(1) Company Name	HANWA SINGAPORE (PRIVATE) LTD.
(2) Location	1 Raffles Place, #11-61, One Raffles Place Tower 2 048616, Singapore
(3) The Representative	Shoji Shirasawa
(4) Description of Business	Wholesaler of merchandise in Asian region
(5) Capital Stock	US\$ 13,827,000

2. Overview of the Trade Counterpart(s)

Neither legal filings nor dishonours have occurred on the trade counterpart(s) concerned. In light of the potential impact on the business continuity of such counterpart(s), details such as name(s) are withheld.

3. Summary of Circumstances that Led to Possible Uncollectible or Late Collection of Receivables

In or around February to April 2019, Hanwa Singapore purchased Marine Diesel Oil from two petroleum product wholesale companies based in Singapore (the Suppliers) at Free On Board basis and sold to a petroleum product distributor based in the United Kingdom (the Buyer) and distributed to certain fishing vessels specified by the Buyer. After transaction(s), part of the payment was not received by due date, and upon request of payment to the Buyer, it was found that neither the whereabouts of the actual goods nor fact of actual delivery could be confirmed. Accordingly, there is a certain risk of uncollectible or late collection of receivables.

4. Type and Amount of the Receivables

It is confirmed that a part of the outstanding receivables has already been collected, and the exact amount is to be confirmed as negotiations with the relevant trade counterpart(s) and lawyers are in progress. At the time of discovery of payment delay, the outstanding balance of the receivables from the transaction(s) amounted to approximately 20 Million United States Dollars (approximately 2.2 Billion Japanese Yen).

This Notice was originally announced in the Japanese language at the Tokyo Stock Exchange on June 5th, 2019. It has been translated into English and is being presented solely for the convenience of non-Japanese speakers. In the event of any discrepancies between the Japanese announcement and this English translation, the former will prevail.

5. Future Outlook

The Company is currently conducting an investigation to determine the precise amount of the uncollectible or late receivables, and consulting with lawyers in an effort to secure payment. As the Company is unable to confirm the amount of uncollectible or late receivables, it is accordingly unable to estimate relevant losses and has not set up accounting provisions for the same. Although accounting provisions have not been made, the Company will disclose the relevant facts promptly if there is any significant impact on the business result of the Company on a consolidated basis. The transaction(s) was (were) conducted according to local trading practices, not complying with the original terms and conditions of the agreement (payment in advance from the Buyer, payment to the Suppliers by Letter of Credit), which has also resulted in the Company requiring more time to confirm the relevant facts. The Company group is currently expanding its businesses in South East Asia under its direction to 'set up a second Hanwa in South East Asia' and have placed two expatriate executive officers and two expatriates in charge of legal affairs, but the above issue regarding its overseas business controls has occurred nevertheless. The Company will endeavour to prevent the occurrence of a similar incident in the future, by assessing overseas business risks accurately and strengthening its governance structures even further.

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