

February 29, 2024
Hanwa Co., Ltd.

Notice of Procurement of Finance through Hybrid Loan (Subordinated Loan) and early prepayment of existing Hybrid loan (Subordinated Loan)

Hanwa Co., Ltd. (“Hanwa”) concluded a new agreement for procurement of finance totaling 50 billion yen through hybrid loan (Subordinated loan; “the Hybrid Loan”) on February 29, 2024, and will prepay the entire existing 50 billion hybrid loan (“the Existing Hybrid Loan”) executed on March 15, 2019, on March 15, 2024.

1. Objective and Significance of Procurement of Finance

Under the current Medium-term Business Plan 2025 “Run up to HANWA 2030 ~Soar into the next stage challenging the status quo~”, Hanwa and its group companies are working on sustainable growth under a three-story structure of "Enhancement of management foundation" (1st floor), "Development of business strategy" (2nd floor), and "Generate profits from investment" (3rd floor), based on “Sustainability management”.

For the objective to secure funds for these sustainable growth and to continue to Enhancement of financial foundations, Hanwa 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	February 29, 2024
(3) Date of loan execution	March 15, 2024

(4) Final repayment deadline	March 17, 2059 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	Repayment of interest-bearing debt.
(6) Replacement restrictions	Hanwa intends not to prepay the Hybrid Loan unless it has raised funds that have been approved by credit rating agencies as having the equivalent capital nature as equity or the Hybrid Loan within 12 months before the pre-deadline prepayment date. However, after the interest payment date of March 15, 2029, Hanwa may forego the above replacement if certain financial levels are met.
(7) Interest payment provisions	Hanwa 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 Hanwa. 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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