

Notice Regarding Financing through Hybrid Loans (Subordinated Loans)

Aisin Seiki Co., Ltd. (AI) here by announces that it has executed an agreement for financing through subordinated loans (the “Hybrid Loans”) as noted in the announcement dated January 27, 2020, “Notice Regarding Issuance of Publicly Offered Hybrid Bonds (Subordinated Bonds)” which stated AI was deliberating on the use of hybrid bonds and Hybrid Loans for funding.

As announced in our release on October 31, 2019 titled “Notice Regarding Filing of Shelf Registration Statement for Corporate Bonds”, AI has considered hybrid financing (the “Financing”) following our financial strategy based on the fundamental policy of maintaining balance between financial safety and capital efficiency while raising corporate value. The Financing of JPY272.5bn will be completed through the Hybrid Loans of JPY72.5bn and the hybrid bonds of JPY200bn as noted in the announcement dated February 21, 2020, “Notice Regarding Determination of Terms and Conditions of Publicly Offered Hybrid Bonds (Subordinated Bonds)”.

1. Features of the Hybrid Loans

The Hybrid Loans have features of both debt and equity, containing features similar to equity such as optional deferral of interest payment, extremely long-term repayment periods and subordination in liquidation or bankruptcy proceedings. Therefore it is expected that rating agencies (Rating and Investment Information, Inc. and S&P Global Ratings Japan Inc.) will assign an intermediate equity content of 50%.

2. Overview of the Hybrid Loans

	Tranche A	Tranche B	Tranche C
(1) Total loan amount	JPY25bn	JPY22.5bn	JPY25bn
(2) Date of agreement	March 26, 2020		
(3) Effective date	March 31, 2020		
(4) Repayment date	March 29, 2080	March 29, 2080	March 29, 2080
(5) First early repayment date	March 31, 2026	March 31, 2028	March 30, 2029
(6) Optional interest payment deferral	AI may, at its discretion, defer all or part of the interest payments on the Hybrid Loans		
(7) Subordination	Creditors of the Hybrid Loans have subordinated claim rights in the event of AI entering into liquidation, bankruptcy, company reorganization, civil rehabilitation or similar proceedings not under Japanese law. Terms of the agreement for the Hybrid Loans must not be changed to disadvantage any creditor other than the subordinate creditors under agreements with the conditions regarding subordination substantially equal to those of the Hybrid Loans		
(8) Priority order	The Hybrid Loans rank <i>pari passu</i> with hybrid bonds issued by AI, subordinated to all indebtedness of AI and senior to common stock of AI		
(9) Rating (expected)	A (Rating and Investment Information, Inc.)		
(10) Equity content (expected)	The Hybrid Loans are recognized as eligible for 50% equity content of the total amount by Rating and Investment Information, Inc. and S&P Global Ratings Japan Inc.		

<p>(11) Replacement restrictions</p>	<p>In case of the Early Repayment, AI intends to replace the Hybrid Loans with financial products whose equity attributes is no less than that of the principal to be repaid (the amount calculated by multiplying the principal amount of the Hybrid Loans to be repaid by the equity content (expected to 50%) approved by the rating agencies), within the period of 360 days prior to the Early Repayment</p> <p>However, if the Early Repayment is scheduled on or after the first repayment date, AI may repay the Hybrid Loans without the replacement financing, complying with capital requirements, including the following:</p> <p>(i) Current capitalization ratio^{*1,*2} \leq Capitalization ratio as of the end of December 2019^{*1,*3}</p> <p>(ii) Equity attributable to owners of the parent company^{*2} \geq Equity attributable to owners of the parent company as of the end of December 2019^{*3} + Cumulative amount of the Early Repayment^{*4}</p> <p>*1 Capitalization ratio = interest bearing debt (bonds, loans and lease liabilities) / shareholders' equity (net assets) + interest bearing debt</p> <p>*2 Each financial indicator is calculated based on the latest published consolidated statements of financial position at a time of the Early Repayment</p> <p>*3 Each financial indicator is calculated based on the latest published consolidated statements of financial position at a time of pricing for the loan</p> <p>*4 Cumulative amount of the Early Repayment = cumulative amount of the early redemption (hybrid bonds) + cumulative amount of the Early Repayment (Hybrid Loans)</p>
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