

*January 24, 2019*

## **Notice Concerning Out-of-Court Settlement**

As announced in the press release dated May 15, 2018 titled "Notice Regarding Posting of Extraordinary Loss and Differences Between the Full-year Consolidated Business Forecasts and the Actual Results", concerning the unpaid lease fee pertaining to the lease contract of silicon crystal manufacturing equipment sold by Shanghai Hanhong Precision Machinery Co., Ltd. (hereinafter "Shanghai Hanhong"), a subsidiary of the Company, on November 25, 2010 between AVIC International Leasing Co., Ltd. (hereinafter the "Plaintiff") and a third party (hereinafter the "Debtor"), a lawsuit under the repurchase guarantee agreement (hereinafter the "Lawsuit") were filed against Shanghai Hanhong with the Shanghai No.2 Intermediate People's Court by AVIC International on August 21, 2017. Finally, we have reached an agreement with the plaintiff to settle a lawsuit.

### **1. Background from Filing of lawsuit to settlement**

With respect to the unpaid lease fee pertaining to the lease contract of silicon crystal manufacturing equipment sold to the Debtor pursuant to the sales contract that Shanghai Hanhong entered into in November 2010, a civil lawsuit based on a guarantee contract was brought by the Plaintiff, and a ruling was granted by the Court of First Instance on February 9, 2018, recognizing and allowing the right of the Plaintiff to claim, but Shanghai Hanhong asserted that the trial court's judgment contained a factual misunderstandings, and so a hearing held on February 22, 2018, at the Shanghai High People's Court (hereinafter referred to as the 'Court of Second Instance') lodged an appeal for the withdrawal of the judgment and a rejection of the referee trial or litigation request and, since it was accepted, the hearing of the lawsuit at the Court of Second Instance was continued. Subsequently, as a result of discussions about an amicable settlement of reconciliation being held at the Court of Second Instance in December, 2018, the Company, as the result of having undertaken a comprehensive examination of the effect on, the cost of, and reputational impact, etc., to the management of Shanghai Hanhong due to the prolongation of this trial, and as a result of taking these factors into consideration, the Company has now reached an amicable agreement of settlement with the Plaintiff on this occasion.

### **2. Contents of the settlement**

Settlement amount: RMB 45 million (approx. 720 million yen)

Settlement terms: Shanghai Hanhong will pay the above amount as the repurchase price to the plaintiff.

### **3. Future outlook**

The Company recorded RMB 67 million (1,158 million yen) as reserve for litigation losses in the fourth quarter of the fiscal year ended March 2018.

In the second quarter of the fiscal year ending March 2019, an additional RMB 7 million was recorded, and the total provision for loss on litigation was RMB 74 million (total 1,230 million yen). However, the accounting treatment process and amount of the settlement are currently under review and will be announced as soon as they are finalized. The Company is currently in the process of closely examining the effect on the business forecast for the fiscal year ending March 2019 (announced on November 14, 2018), and the Company will announce it promptly if a revision to the business forecasts is required.