

June 25, 2019

Notice of Filing of Lawsuit Against Our Chinese Subsidiary

As for the construction of a large-diameter semiconductor wafer factory in Hangzhou Daien Industrial Integrated Area, Zhejiang Province, lawsuits relating to the cost of construction work (hereinafter referred to as "the lawsuits") were filed in the competent court of the People's Republic of China, against Hangzhou Semiconductor Wafer Co., Ltd. (hereinafter referred to as "FTHW"), our consolidated subsidiary in China. The lawsuits were filed by construction contractors: China Construction Eight Engineering Division Corp. Ltd. (hereinafter referred to as "Plaintiff" or "Eight Engineering") as of April 11, 2019, and L&K Engineering (Suzhou) Co., Ltd. (hereinafter referred to as "Plaintiff" or "L&K Engineering") as of June 13, 2019. Details are as follows.

1. The court where the lawsuit was filed and the date

	Plaintiff (Eight Engineering)	Plaintiff (L&K Engineering)
(1) Date the lawsuit was filed	April 11, 2019 (Date of service of the complaint: May 28, 2019)	June 13, 2019 (Date of service of the complaint: not delivered ^(Note))
(2) Court in which the lawsuit was filed	People's Republic of China People's Court of Hangzhou Xiaoshan District	People's Republic of China Zhejiang Hangzhou Intermediate People's Court

Note: The complaint has not been served as of the date of disclosure, but is based on the information published by the plaintiff.

2. Outline of the person who filed the lawsuits

	Plaintiff (Eight Engineering)	Plaintiff (L&K Engineering)
(1) Name	China Construction Eight Engineering Division Corp. Ltd.	L&K Engineering (Suzhou) Co., Ltd.
(2) Location	People's Republic of China 1568 Century Avenue, Pudong New Area, Shanghai	People's Republic of China No. 33, Fangda Street, Suzhou Industrial Park, Jiangsu Province
(3) Title and Name of Representative	Zhi Rongchun, Legal representative	Yao Zuxiang, Legal representative

3. Content of the lawsuits and the amount of the subject matter of the lawsuits

	Plaintiff (Eight Engineering)	Plaintiff (L&K Engineering)
(1) Contents of the lawsuits	Claims for payment of accrued construction costs and interest	Claims for payment of cancellation of construction contracts and accrued construction costs, interest and damages
(2) Amount of the subject matter of the lawsuit	Building foundation construction cost: approx. RMB 48 million (approx. JPY 814 million) and interest from the date of payment until the date of actual payment	① Accrued construction costs: Approx. RMB 127 million (approx. JPY 2,115 million) ② Interest: Interest for the period from June 6, 2019 to the date of payment ^(Note) ③ Damages: Approx. RMB 1 million (Approx. JPY 21 million)

Note: Calculated on a prorated daily basis using the lending standard interest rate corresponding to the payment period of the People's Bank of China.

4. Causes of the lawsuits and the background for filing of the lawsuits

	Plaintiff (Eight Engineering)	Plaintiff (L&K Engineering)
(1) Cause of the lawsuits	Disputes concerning the payment of the balance of the construction cost caused by defective construction, etc. that does not conform to the design drawings	Disputes concerning unresolved construction quality defects and construction period delays, etc., and use of building materials not covered by safety standards, cancellation of construction contracts and accrued construction costs attributable to the above factors.
(2) Background for filing of the lawsuits	In the foundation work for the factory building, the plaintiff asked the FTHW to pay the part of the construction costs that the payment was suspended as plaintiff's defective construction was discovered and expenses for the additional construction were incurred.	In the clean room installation work, the plaintiff asked the FTHW to pay unpaid construction costs, interest, and compensation for damages in response to the FTHW's cancellation of the construction contract due to the plaintiff's delay in the construction period, poor quality of flammable material such as the use of exhaust pipes that do not conform to the safety standards, and contract default due to construction interruption.

5. Overview of the subsidiary

(1) Name	Hangzhou Semiconductor Wafer Co., Ltd.
(2) Location	3889 709-18 Dongying Road, Dajiangdong Industrial Cluster, Hangzhou, Zhejiang, China
(3) Title and Name of Representative	He Xian Han, President and GM

(4)	Contents of business	Manufacture of semiconductor wafers
(5)	Capital stock	RMB 1,557,764 thousand (as of December 31, 2018)

6. Future outlook

We will assert our legitimacy while reviewing the arguments and claims of the plaintiffs. We are preparing counterclaims against the Eight Engineering, and filed a lawsuit against the L&K Engineering in the Zhejiang Hangzhou Intermediate People's Court on June 13, 2019, claiming damages of RMB 69 million (approx. JPY 1,148 million) due to a default of contract for the clean room installation work.

While it is difficult to expect the lawsuits to have an impact on our consolidated financial results in the future, we will promptly announce any matters to be disclosed.