

August 28, 2020

(Progress of a Disclosed Item)**Notification of the Judgment Regarding the Lawsuit against Our Chinese Subsidiary**

As mentioned in “Notice of the Filing of Lawsuit against Our Chinese Subsidiary” dated June 25, 2019, our Chinese subsidiary, Hangzhou Semiconductor Wafer Co., Ltd. (hereinafter “FTHW”), was filed a lawsuit related to the construction of a large-diameter semiconductor wafer plant by China Construction Eighth Engineering Division. Corp. Ltd. (hereinafter the “Plaintiff” or the “Eighth Division”), and the Hangzhou Xiaoshan People’s Court, China delivered judgment of the first trial on August 17, 2020. The details are as follows.

1. Judgment date and the court

(1) Date of judgment	August 17, 2020 (Date of delivery of the written judgment: August 26, 2020)
(2) Court with jurisdiction	Hangzhou Xiaoshan People’s Court, China

2. Outline of the person who filed the lawsuit

(1) Name	China Construction Eighth Engineering Division. Corp. Ltd.
(2) Location	27 th floor, 1558 Century Avenue, Pilot Free Trade Zone, Shanghai, China
(3) Title and name of representative	Jiao Rong Chun, Legal representative

3. Contents and the amount of the subject matter of the lawsuit

(1) Contents of the lawsuit	Request for the payment of the construction fee in arrears and accompanying interest
(2) Amount of the subject matter of the lawsuit	Fee for the construction of the foundation for the building: Approx. 48 million yuan (approx. 743 million yen) and the interest calculated on a per diem basis from the reference interest rate for loans announced by the People’s Bank of China for the period from the deadline for payment to the actual payment date

*Exchange rate: 1 yuan = 15.47 yen

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

(1) Cause of the lawsuit	Dispute regarding the payment of the remaining construction fee due to the defective construction work that did not comply with the designed drawings, etc.
(2) Background for filing of the lawsuit	In the construction of the foundation for the plant, the Plaintiff’s defective work was discovered, and there emerged some costs for additional work. Then, FTHW refrained from paying the fee for some construction works. The Plaintiff filed a lawsuit to request the payment of the remaining amount.

5. Description of the judgment

(1) Sentence	<p>(1) FTHW shall pay the construction fee: 34,096,997 yuan (approx. 527 million yen) to the Eighth Division within 10 days after the effective date of this judgment.</p> <p>(2) FTHW shall pay the interest calculated on a per diem basis with the reference interest rate for loans announced by the People’s Bank of China for the period from May 20, 2018 to August 19, 2019, and the interest calculated on a per diem basis with the interest rate for the lending market in the inter-bank call market for the period from August 20, 2019 to the payment date.</p> <p>(3) FTHW shall pay the appraisal fee: 100,000 yuan (approx. 1.5 million yen) to the Eighth Division within 10 days after the effective date of this judgment.</p>
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	<p>(4) For the discount of the fee for piling the Eighth Division undertook or the discounted construction fee that has been approved by the court, FTHW will have the preferential right to claim up to the amount mentioned in the above paragraph (1).</p> <p>(5) The Eighth Division shall dismiss other claims for this lawsuit.</p> <p>(6) If the party concerned fails to fulfill the obligation to pay by the designated deadline in accordance with this judgment, said party shall pay the penalty equal to two times the interest for the delay period pursuant to Article 253 of the Code of Civil Procedure of the People's Republic of China.</p>
(2) Ratio of burdens of expenses for the trial	With regard to the total cost: 291,592 yuan (approx. 4.5 million yen) composed of the trial acceptance fee: 286,592 yuan and the lawsuit preservation application fee: 5,000 yuan, the Eighth Division shall pay 79,307 yuan (approx. 1.2 million yen) and FTHW shall pay 212,285 yuan (approx. 3.3 million yen).
(3) Procedure for filing an appeal	The party concerned may file an appeal within 15 days after receiving the written judgment.

*Exchange rate: 1 yuan = 15.47 yen

6. Overview of FTHW

(1) Name	Hangzhou Semiconductor Wafer Co., Ltd.
(2) Location	888 Dongken Road, Qiantang New District, Hangzhou, Zhejiang, China
(3) Title and name of representative	He Xian Han, Representative Director and President
(4) Contents of business	Manufacture of semiconductor wafers
(5) Capital stock	1,954,061 thousand yuan (approx. 30,229 million yen) As of December 31, 2019

*Exchange rate: 1 yuan = 15.47 yen

7. Future outlook

The Company and FTHW will scrutinize the contents of the judgment, and discuss how to deal with it, including the possibility of filing an appeal. The construction fee to be paid to the Eighth Division in accordance with the judgment: 34,096,997 yuan (approx. 527 million yen) is within the range of the amount estimated as other fixed liabilities in the consolidated financial results for the first quarter of the term ending March 2021, so the impact of this lawsuit on the Company's consolidated business performance is considered minor, but if there emerges any items that should be disclosed, we will promptly announce them immediately.