

(Progress of a Disclosed Item) Notice of a Court Decision on a Lawsuit against Our Equity-Method Affiliate in China (L&K Engineering)

Ferrotec Holdings Corporation (Representative Director: He Xian Han; hereinafter “the Company”) announces the progress of the disclosed item as follows, as a court made a decision about a lawsuit filed by L&K Engineering (Suzhou) Co., Ltd. (hereinafter “L&K Engineering”) against Hangzhou Semiconductor Wafer Co., Ltd. (hereinafter “CCMC”) (hereinafter “the Lawsuit”), which was disclosed in “(Progress of a Disclosed Item) Notice of a Lawsuit (Appeal) against Our Equity-Method Affiliate in China” released on May 10, 2023.

1. Overview of the other party in the Lawsuit

(1)	Name	L&K Engineering (Suzhou) Co., Ltd. (L&K Engineering)
(2)	Address	No. 33, Fangda Street, Suzhou Industrial Park, Jiangsu Province, People’s Republic of China
(3)	Title and name of representative	Yao Zuxiang, Legal representative

2. Overview of the equity-method affiliate of the Company as of June 30, 2023

(1)	Name	Hangzhou Semiconductor Wafer Co., Ltd. (CCMC)
(2)	Address	888 Dongken Road, Qiantang New District, Hangzhou, Zhejiang Province, People’s Republic of China
(3)	Title and name of representative	He Xian Han, Legal representative
(4)	Contents of business	Manufacture and sale of semiconductor wafers
(5)	Capital	5,032 million yuan (approx. 100.6 billion yen)
(6)	Our investment ratio	23.05%

*Exchange rate: 1 Chinese yuan = 19.99 yen

3. Progress of the Lawsuit

- On June 6, 2019, L&K Engineering filed a lawsuit against CCMC, which is an equity-method affiliate of the Company, at the People’s Republic of China Zhejiang Hangzhou Intermediate People’s Court, to demand the payment of 128 million yuan (approx. 2,559 million yen) as the total amount including the accrued construction costs for clean room installation work.
- On November 12, 2021, the People’s Republic of China Zhejiang Hangzhou Intermediate People’s Court delivered the lower court sentence ordering CCMC to pay the accrued construction costs amounting to 109 million yuan (approx. 2,179 million yen) and the interest on late payment to L&K Engineering.
- CCMC was dissatisfied with said decision and an appeal to the Zhejiang Higher People’s Court was accepted as of December 9, 2021. At the appeal trial on May 24, 2022, the court overturned the earlier decision because deliberation was insufficient, and decided to remand the case to the People’s Republic of China Zhejiang Hangzhou Intermediate People’s Court.
- On April 11, 2023, the People’s Republic of China Zhejiang Hangzhou Intermediate People’s Court handed down a court decision ordering CCMC to pay the accrued construction costs amounting to 110 million yuan (approx. 2,199 million yen) and the interest on late payment to L&K Engineering, for settling the Lawsuit. On April 18, 2023, CCMC received the written court decision for the Lawsuit.
- On April 26, 2023, L&K Engineering appealed to the Zhejiang Higher People’s Court because L&K Engineering was dissatisfied with the decision regarding the re-examination (date of service of the written appeal from L&K Engineering: May 4, 2023). Meanwhile on the same day, CCMC appealed to the Zhejiang Higher People’s Court because CCMC was also dissatisfied with the decision, and said appeal was accepted on May 4, 2023.

4. Summary of the decision

- (1) Court: The Zhejiang Higher People’s Court
- (2) Date of decision: August 16, 2023 (Date of receipt of the decision: August 21, 2023)
- (3) Outline of the decision
 - I. CCMC shall pay 111,925,264.73 yuan (approx. 2,237 million yen) as construction charges to L&K Engineering within 30 days

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from the date of this decision.

II. CCMC shall pay a fee for an expert opinion amounting to 233,799 yuan (approx. 5 million yen) to L&K Engineering.

III. CCMC shall pay the interest on 105,267,506.79 yuan (approx. 2,104 million yen) as construction charges for a period from July 2, 2019 to the date of payment and the interest on 6,657,757.94 yuan (approx. 133 million yen) as construction charges for a period from May 18, 2021 to the date of payment to L&K Engineering within 30 days from the date of this decision.

IV. L&K Engineering has the right to receive the construction charges mentioned in the above Section I on a priority basis from the funds raised by CCMC through the foreclosure sale of the clean room, etc.

V. The other claims from L&K Engineering have been rejected.

VI. As the costs for the Lawsuit and an appeal to it amount to 1,408,894 yuan (approx. 28 million yen), L&K Engineering shall bear 154,301.16 yuan (approx. 3 million yen) and CCMC shall bear 1,254,592.84 yuan (approx. 25 million yen).

5. Future outlook

In China, up to two trials are held for each lawsuit. The judgment at the second trial becomes a final one, so L&K Engineering and CCMC need to follow the judgment at the second trial. However, there is a possibility that L&K Engineering will file for retrial at the Supreme People's Court, considering that there was an error in the trial. We have not confirmed their petition for retrial, but if L&K Engineering files for retrial and it is accepted, the above judgment may be overturned. If they file for retrial, we will insist the legitimacy of CCMC's activities.

CCMC rationally estimated the obligations regarding this Lawsuit in the previous term, and posted them in its financial statements. The impact on the business performance of the Company for the current fiscal year and onwards through this matter is expected to be minor. However, we will promptly disclose relevant items as soon as they are confirmed.