



Cadence Design Systems to Pay \$95 Million Penalty to BIS for Unauthorized Exports to Chinese Entities Tied to Development of Military Supercomputers

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WASHINGTON, D.C. — Today, the Department of Commerce’s Bureau of Industry and Security (BIS) imposed an administrative penalty of \$95 million against Cadence Design Systems Inc. (Cadence) for illegal exports of Electronic Design Automation (EDA) hardware and software and semiconductor design technology to parties on the Entity List, an export controls blacklist. This is in addition to a concurrent agreement that Cadence signed with the U.S. Department of Justice which includes \$45 million in forfeitures.

In a settlement agreement with BIS, Cadence admitted that employees of its Chinese subsidiary knowingly transferred sensitive U.S. technology to entities that develop supercomputers in support of China’s military modernization and nuclear weapons programs namely the National University of Defense Technology (NUDT), Tianjin Phytium Information Technology (Phytium), and other Entity List parties.

Jeffrey I. Kessler, Under Secretary of Commerce for Industry and Security, stated:

“Companies that violate export laws and compromise national security should face strong penalties that deter future wrongdoing. Today’s action shows BIS’s commitment to making this happen.”

Under the terms of the BIS settlement agreement, Cadence admitted to 56 violations of the EAR between September 2015 and September 2020, for selling EDA products to NUDT through an alias, Central South CAD Center (CSCC). Cadence exported EDA hardware and software, and semiconductor design technology, valued at \$45,305,317.41 to CSCC with knowledge or reason to know that NUDT would be the end-user. Cadence maintained a sales relationship with NUDT for years after NUDT’s placement on the Entity List using an account assigned to CSCC and had reason to know CSCC was closely linked to NUDT, including that equipment sold or loaned to CSCC was installed on the NUDT campus and that CSCC and NUDT shared personnel.

More than three years after it first shipped controlled items to NUDT in violation of the EAR, Cadence froze sales to the CSCC account based upon the association with NUDT. Despite this action, Cadence then agreed to assign its contracts with CSCC to Phytium, another company linked to NUDT, and to transfer or attempt to transfer the hardware, software, and technology that it had previously sold and exported to CSCC. At the time Cadence agreed to these transfers, Cadence knew or had reason to know that Phytium and CSCC were closely linked, including through overlapping personnel. Cadence's transfer of EDA software and semiconductor design technology that had been previously exported to CSCC resulted in two more violations between approximately November 2020 and February 2021.

The full order, settlement agreement, and Proposed Charging Letter are available online [here](#). This case was investigated by BIS's Office of Export Enforcement, San Jose Field Office and the Federal Bureau of Investigation. For more information, please visit <https://www.bis.gov/enforcement>.

Report suspected export control violations through the BIS online [tip portal](#). You can also call the Enforcement Hotline at 1-800-424-2980 or email EELeas@bis.doc.gov