

Tera Probe, Inc.

Financial Results

for the First Quarter FY2016

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Consolidated Financial Results (Japanese Accounting Standards) for the First Quarter FY2016 (Ended June 30, 2016)

July 28, 2016

Company name: Tera Probe, Inc.	Stock exchange listing: Tokyo Stock Exchange
Stock code: 6627	URL: http://www.teraprobe.com/
Representative: Yuichiro Watanabe, CEO	
Contact: Kazuhito Kanbe, CFO	Tel: +81-45-476-5711
Scheduled date of commencement of dividend payment: -	
Scheduled date for filing of quarterly report: August 12, 2016	
Supplementary documents: Yes (Only in Japanese)	
Financial results briefing: None	

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the First Quarter of FY2016 (April 1, 2016 – June 30, 2016)

(1) Consolidated Results of Operations (Percentages show year-on year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1QFY2016	4,116	-28.4	353	-49.3	350	-49.8	156	-66.4
1QFY2015	5,752	14.4	697	2,004.4	698	2,372.5	465	-

(Note) Comprehensive income: -260million yen (-%) for the 1Q FY2016
799million yen (5,326.1%) for the 1Q FY2015

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
1QFY2016	16.83	-
1QFY2015	50.13	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1QFY2016	36,821	23,302	55.1
FY2015	35,834	23,653	57.0

(Reference) Shareholders' equity: 1QFY2016 20,290 million yen
FY2015 20,421 million yen

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2015	-	0.00	-	0.00	0.00
FY2016	-	-	-	-	-

3. Consolidated Earnings Forecast for the 1HFY2016 (April 1, 2016 - September 30, 2016)

The market environment in the semiconductor industry is characterized by short-term changes, which makes creation of a one-year business earnings forecast difficult. Therefore, in regard to Tera Probe's consolidated business outlook the company is only making available a forecast for the following quarter. Because of a difficulty of full-term forecast, a dividend forecast has been omitted, but we'll announce it timely when we can. The forecast for the First Half Quarter of FY2016 is as follows.

(Percentages show year-on year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
1HFY2016	8,550	-26.5	750	-52.7	710	-54.3	240	44.9	25.86

Notes

- (1) Changes of important subsidiaries during the period (changes specific in accordance with changes in the scope of consolidation) : None

- (2) Quarterly consolidated financial statements created using special accounting methods : Yes

- (3) Changes in accounting policies and changes or restatement of accounting estimates
 - (i) Changes in accounting policies caused by revision of accounting standards : None
 - (ii) Changes in accounting policies other than (i) : None
 - (iii) Changes in accounting estimates : None
 - (iv) Restatement : None

(4) Number of shares outstanding (common stock) :

(i) Number of shares outstanding at end of period (including treasury stock)	1QFY2016	9,282,500 shares	FY2015	9,282,500 shares
(ii) Number of treasury stock at end of period	1QFY2016	145 shares	FY2015	145 shares
(iii) Average number of shares outstanding during the period	1QFY2016	9,282,355 shares	1QFY2015	9,282,367 shares

*Notice concerning implementation of quarterly reviewing procedures

This quarterly earnings report is outside the jurisdiction of reviewing procedures outlined in the Financial Instruments and Exchange Law. The Law's reviewing procedures remained incomplete at the time this report was announced.

*Explanations and other special notes concerning the appropriate use of business results forecasts

Forward-looking statements such as business result forecasts included in this document are based on information available to Tera Probe at the time of the announcement of this document and on certain assumptions considered reasonable and do not represent promises made by the company. Actual results may differ materially from those expressed herein.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Thousand yen)

	End of previous fiscal year (As of March 31, 2016)	Three months ended (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	6,573,604	7,808,816
Notes and accounts receivable - trade	5,158,753	3,972,270
Securities	4,000,000	4,000,000
Finished goods	25,325	10,951
Work in process	231,006	198,878
Raw materials and supplies	184,295	62,526
Others	900,436	988,647
Total current assets	17,073,422	17,042,090
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,167,994	2,658,625
Machinery, equipment and vehicles, net	10,579,059	10,100,707
Construction in progress	2,272,639	4,786,810
Others, net	1,570,309	1,344,693
Total property, plant and equipment	17,590,002	18,890,837
Intangible assets	284,793	237,101
Investments and other assets		
Others	885,986	651,479
Allowance for doubtful accounts	(91)	(91)
Total Investments and other assets	885,895	651,387
Total non-current assets	18,760,691	19,779,326
Total assets	35,834,113	36,821,417
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,369,777	947,866
Short-term loans payable	987,037	1,050,797
Current portion of long-term loans payable	40,000	80,000
Lease obligations	800,737	790,908
Income taxes payable	382,099	182,505
Provision for bonuses	484,546	335,920
Provision for Loss on transfer of business	175,408	-
Others	2,152,866	2,926,741
Total current liabilities	6,392,473	6,314,739

(Thousand yen)

	End of previous fiscal year (As of March 31, 2016)	Three months ended (As of June 30, 2016)
Noncurrent liabilities		
Long-term loans payable	4,109,817	5,193,320
Lease obligations	842,667	1,349,031
Net defined benefit liability	232,556	238,505
Others	602,827	422,879
Total noncurrent liabilities	5,787,868	7,203,737
Total liabilities	12,180,341	13,518,477
Net assets		
Shareholders' equity		
Capital Stock	11,823,312	11,823,312
Capital surplus	11,380,267	11,380,267
Retained earnings	(2,860,414)	(2,704,166)
Treasury shares	(128)	(128)
Total shareholders' equity	20,343,037	20,499,285
Accumulated other comprehensive income		
Foreign currency translation adjustment	192,241	(98,230)
Remeasurements of defined benefit plans	(113,375)	(110,511)
Total accumulated other comprehensive income	78,866	(208,742)
Subscription rights to shares	35,608	39,903
Non-controlling interests	3,196,260	2,972,493
Total net assets	23,653,772	23,302,940
Total liabilities and net assets	35,834,113	36,821,417

(2) Consolidated Statements of Income and Comprehensive Income

(Thousand yen)

	Three months ended (April 1, 2015 – June 30, 2015)	Three months ended (April 1, 2016 – June 30, 2016)
Net sales	5,752,110	4,116,091
Cost of sales	4,404,284	3,261,528
Gross profit	1,347,825	854,562
Selling, general and administrative expenses	650,110	501,011
Operating profit	697,715	353,550
Non-operating income		
Interest income	2,068	1,245
Insurance income	-	30,119
Rent income on facilities	15,919	28,157
Others	18,681	16,989
Total non-operating income	36,670	76,512
Non-operating expenses		
Interest expenses	25,136	20,420
Share of loss of entities accounted for using equity method	-	22,368
Depreciation of assets for rent	3,982	19,403
Others	7,158	17,228
Total non-operating expenses	36,277	79,420
Ordinary income	698,107	350,642
Extraordinary income		
Gain on sales of non-current assets	43,371	5,177
Total extraordinary income	43,371	5,177
Extraordinary losses		
Loss on retirement of non-current assets	1,901	1,141
Impairment loss	22,367	43,519
Total extraordinary losses	24,269	44,660
Profit before income taxes	717,209	311,158
Income taxes	123,531	5,048
Profit	593,678	306,110

	Three months ended (April 1, 2015 – June 30, 2015)	Three months ended (April 1, 2016 – June 30, 2016)
Profit attributable to		
Profit attributable to owners of parent	465,296	156,248
Profit attributable to non-controlling interests	128,381	149,862
Other comprehensive income		
Foreign currency translation adjustment	204,659	(569,554)
Remeasurements of defined benefit plans, net of tax	1,061	2,863
Total other comprehensive income	205,721	(566,690)
Comprehensive income	799,399	(260,579)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	570,735	(131,360)
Comprehensive income attributable to non-controlling interests	228,664	(129,219)

(3) Consolidated Statements of Cash Flows

(Thousand yen)

	Three months ended (April 1, 2015 – June 30, 2015)	Three months ended (April 1, 2016 – June 30, 2016)
Cash flows from operating activities		
Profit before income taxes	717,209	311,158
Depreciation	1,341,172	1,209,132
Impairment loss	22,367	43,519
Share-based compensation expenses	8,127	4,295
Increase(decrease) in net defined benefit liability	(21,089)	5,949
Increase(decrease) in provision for bonuses	(120,383)	(40,243)
Increase(decrease) in provision for loss on transfer of business	-	(175,408)
Interest income	(2,068)	(1,245)
Interest expenses	25,136	20,420
Rental	(15,919)	(28,157)
Insurance income	-	(30,119)
Share of (profit) loss of entities accounted for using equity method	-	22,368
Loss (gain) on Sales and retirement of non-current assets	(41,469)	(4,035)
Decrease (increase) in notes and accounts receivable-trade	(462,751)	(1,067,960)
Decrease (increase) in inventories	(91,378)	(44,696)
Increase (decrease) in notes and accounts payable-trade	235,006	(421,869)
Decrease (increase) in other current assets	(149,180)	(15,894)
Increase (decrease) in other current liabilities	189,531	237,394
Increase (decrease) in other non-current liabilities	(3,608)	(22,682)
Others, net	20,766	(36,659)
Subtotal	1,651,468	2,101,186
Interest income received	2,472	1,534
Interest expenses paid	(25,475)	(20,365)
Compensation for damage paid	-	(48,399)
Proceeds from subsidy income	5,215	2,841
Proceeds from insurance income	-	30,119
Income taxes paid	(280,331)	(299,936)
Business structure improvement expenses paid	(307,149)	-
Net cash provided by (used in) operating activities	1,046,198	1,766,979

	Three months ended (April 1, 2015 – June 30, 2015)	Three months ended (April 1, 2016 – June 30, 2016)
Cash flows from investing activities		
Payments into time deposits	(2,000,000)	(1,900,000)
Proceeds from withdrawal of time deposits	2,000,000	2,000,000
Purchase of property, plant and equipment	(2,407,434)	(3,268,099)
Proceeds from sales of property, plant and equipment	167,462	252,641
Purchase of intangible assets	(14,893)	(17,578)
Proceeds from equipment rental	19,103	27,430
Proceeds from transfer of business	-	596,547
Others, net	(128)	(30,557)
Net cash provided by (used in) investing activities	(2,235,889)	(2,339,615)
Cash flows from financing activities		
Increase in short-term loans payable	200,000	600,000
Decrease in short-term loans payable	(40,000)	(480,000)
Proceeds from long-term loans payable	2,876,127	1,641,867
Repayments of long-term loans payable	(2,115,712)	(119,548)
Purchase of treasury shares	(43)	-
Repayments of lease obligations	(734,278)	(307,036)
Proceeds from sale-leaseback transaction	965,400	762,958
Dividends paid to non-controlling interests	(189,222)	(94,548)
Net cash provided by (used in) financing activities	962,269	2,003,692
Effect of exchange rate change on cash and cash equivalents	53,256	(95,844)
Net increase (decrease) in cash and cash equivalents	(174,164)	1,335,211
Cash and cash equivalents at beginning of period	6,880,013	7,073,604
Cash and cash equivalents at end of period	6,705,849	8,408,816