

Tera Probe, Inc.

Financial Results

for the Second Quarter FY2015

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Consolidated Financial Results(Japanese Accounting Standards) for the Second Quarter FY2015(Ended September 30,2015)

October 29,2015

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)	045(476)5711
Scheduled date of commencement of dividend payment	—		
Scheduled date for filing of quarterly report	November 13,2015		
Supplementary documents	: Yes		
Financial results briefing	: Yes		

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Second Quarter of FY2015(April 1, 2015 – September 30, 2015)

(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	%
2QFY2015	11,632	9.1	1,584	193.0	1,554	175.8	165	—
2QFY2014	10,662	(1.2)	540	667.2	563	1028.7	(114)	—

(Note)Comprehensive income: 26million yen(-93.9%) for the 2Q FY2015
434million yen(46.6%) for the 2Q FY2014

	Net income per share(basic)	Net income per share(diluted)
	Yen	Yen
2QFY2015	17.85	—
2QFY2014	(12.33)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2QFY2015	34,280	23,443	59.3	2,191.32
FY2014	35,324	23,591	57.7	2,193.96

(Reference) Shareholders' equity : The 2Q FY2015 : 20,340 million yen
The FY2014 : 20,365 million yen

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2014	—	0.00	—	0.00	0.00
FY2015	—	0.00			

3. Consolidated Earnings Forecast for the Third Quarter of FY2015 (April 1, 2015 - December 31, 2015)

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.

Since creation of a full-term forecast is also difficult Tera Probe has omitted a dividend forecast.

The forecast for the Third Quarter of FY2015 is as follows:

	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
3QFY2015	17,100	7.1	2,050	146.1	2,000	142.1	400	—	43.09

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 : Yes
 - (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)	2Q FY2015	9,282,500 shares	FY2014	9,282,500 shares
(ii) Number of treasury stock at end of period	2Q FY2015	145shares	FY2014	104shares
(iii) Average number of shares outstanding during the period	2Q FY2015	9,282,361 shares	2QFY2014	9,282,417 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, 2015)	Six months ended (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	3,980,411	3,671,034
Notes and accounts receivable-trade	4,407,704	5,236,074
Securities	4,899,601	5,299,539
Finished goods	36,093	53,109
Work in process	209,823	261,950
Raw materials and supplies	135,390	177,588
Others	697,579	714,707
Total current assets	14,366,604	15,414,004
Noncurrent assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	11,728,421	11,985,990
Others, net	8,213,768	5,997,479
Total property, plant and equipment	19,942,189	17,983,469
Intangible assets	424,875	332,924
Investments and other assets		
Others	591,116	550,004
Allowance for doubtful accounts	(96)	(96)
Total Investments and other assets	591,019	549,907
Total non-current assets	20,958,085	18,866,301
Total assets	35,324,689	34,280,306
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,448,554	1,325,332
Short-term loans payable	1,097,535	1,573,467
Lease obligations	2,200,501	1,486,969
Income taxes payable	225,464	155,474
Provision for bonuses	510,974	491,607
Provision for business transfer loss	-	114,559
Others	2,476,170	1,215,874
Total current liabilities	7,959,200	6,363,284

(Thousand yen)

	End of previous fiscal year (As of March 31,2015)	Six months ended (As of September 30,2015)
Noncurrent liabilities		
Long-term loans payable	2,067,973	2,647,126
Lease obligations	867,399	1,049,620
Net defined benefit liability	194,042	174,939
Others	644,180	601,448
Total noncurrent liabilities	3,773,596	4,473,134
Total liabilities	11,732,796	10,836,418
Net assets		
Shareholders' equity		
Capital Stock	11,823,312	11,823,312
Capital surplus	11,380,267	11,380,267
Retained earnings	(3,326,324)	(3,160,666)
Treasury shares	(84)	(128)
Total shareholders' equity	19,877,171	20,042,786
Accumulated other comprehensive income		
Foreign currency translation adjustment	506,103	313,791
Remeasurements of defined benefit plans	(18,070)	(15,947)
Total accumulated other comprehensive income	488,032	297,844
Subscription rights to shares	-	15,102
Non-controlling interests	3,226,688	3,088,154
Total net assets	23,591,892	23,443,887
Total liabilities and net assets	35,324,689	34,280,306

(2) Consolidated Statements of Income and Comprehensive Income

(Thousand yen)

	Six months ended (April 1,2014 – September 30,2014)	Six months ended (April 1,2015 - September 30,2015)
Net sales	10,662,814	11,632,050
Cost of sales	9,040,294	8,859,471
Gross profit	1,622,520	2,772,578
Selling, general and administrative expenses	1,081,538	1,187,644
Operating profit	540,981	1,584,933
Non-operating income		
Interest income	4,387	3,805
Rent income on facilities	29,181	28,687
Reversal of allowance for doubtful accounts	19,787	-
Others	57,590	29,465
Total non-operating income	110,947	61,957
Non-operating expenses		
Interest expenses	55,807	50,979
Compensation expenses	10,161	24,530
Others	22,538	17,288
Total non-operating expenses	88,508	92,798
Ordinary profit	563,420	1,554,093
Extraordinary income		
Gain on sales of non-current assets	22,763	62,976
Total extraordinary income	22,763	62,976
Extraordinary losses		
Loss on retirement of non-current assets	1,692	3,018
Impairment loss	34,336	992,061
Provision for business transfer loss	-	114,559
Business structure improvement expenses	296,823	-
Total extraordinary losses	332,853	1,109,639
Profit before income taxes and minority interests	253,331	507,429
Income taxes	151,276	106,312
Profit for the period	102,054	401,117

	Six months ended (April 1,2014 - September 30,2014)	Six months ended (April 1,2015 - September 30,2015)
Profit (loss) attributable to owners of parent	(114,445)	165,658
Profit attributable to non-controlling interests	216,500	235,458
Other comprehensive income		
Foreign currency translation adjustment	327,951	(377,081)
Remeasurements of defined benefit plans, net of tax	4,552	2,123
Total other comprehensive income	332,504	(374,958)
Comprehensive income	434,558	26,158
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	57,362	(24,529)
Comprehensive income attributable to non-controlling interests	377,196	50,688

(3) Consolidated Statements of Cash Flows

(Thousand yen)

	Six months ended (April 1,2014 - September 30,2014)	Six months ended (April 1,2015 - September 30,2015)
Cash flows from operating activities		
Income before income taxes and minority interests	253,331	507,429
Depreciation	2,800,583	2,664,890
Impairment loss	34,336	992,061
Business structure improvement expenses	296,823	-
Share-based compensation expenses	-	15,102
Increase (decrease) in allowance for doubtful accounts	(229,903)	-
Increase (decrease) in net defined benefit liability	27,731	(19,103)
Increase (decrease) in provision for bonuses	32,078	(7,230)
Increase(decrease) in provision for early retirement expenses	(111,740)	-
Increase(decrease) in provision for business transfer loss	-	114,559
Interest income	(4,387)	(3,805)
Interest expenses	55,807	50,979
Rental	(29,181)	(28,687)
Loss (gain) on Sales and retirement of non-current assets	(21,071)	(59,957)
Decrease (increase) in notes and accounts receivable-trade	(548,494)	(904,488)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	636,709	-
Decrease (increase) in inventories	28,528	(117,774)
Increase (decrease) in notes and accounts payable-trade	230,927	261,287
Decrease (increase) in other current assets	(83,737)	(62,683)
Increase (decrease) in other current liabilities	333,039	190,131
Increase (decrease) in other non-current liabilities	(52,875)	79,431
Others, net	27,864	105,171
Subtotal	3,676,373	3,777,314
Interest income received	4,103	3,883
Interest expenses paid	(54,189)	(51,613)
Proceeds from subsidy income	409,711	5,215
Income taxes refund		15,093
Income taxes paid	(74,853)	(354,786)
Business structure improvement expenses paid	-	(411,935)
Net cash provided by (used in) operating activities	3,961,145	2,983,170

	Six months ended (April 1,2014 - September 30,2014)	Six months ended (April 1,2015 - September 30,2015)
Cash flows from investing activities		
Payments into time deposits	(1,800,000)	(2,000,000)
Proceeds from withdrawal of time deposits	300,000	2,000,000
Proceeds from sales of securities	500,000	-
Purchase of property, plant and equipment	(3,012,290)	(3,672,019)
Proceeds from sales of property, plant and equipment	36,434	247,458
Purchase of intangible assets	(36,428)	(24,697)
Proceeds from rent income on facilities	22,909	27,913
Others, net	(12,897)	(126)
Net cash provided by (used in) investing activities	(4,002,272)	(3,421,470)
Cash flows from financing activities		
Increase in short-term loans payable	205,818	700,000
Decrease in short-term loans payable	(1,149,066)	(160,000)
Proceeds from long-term loans payable	1,835,126	2,835,466
Repayments of long-term loans payable	-	(2,085,802)
Purchase of treasury shares	-	(43)
Repayments of lease obligations	(1,331,529)	(1,443,710)
Proceeds from sale-leaseback transaction	373,950	965,400
Dividends paid to non-controlling interests	-	(189,222)
Net cash provided by (used in) financing activities	(65,701)	622,086
Effect of exchange rate change on cash and cash equivalents	55,990	(93,225)
Net increase (decrease) in cash and cash equivalents	(50,837)	90,560
Cash and cash equivalents at beginning of period	7,882,336	6,880,013
Cash and cash equivalents at end of period	7,831,499	6,970,574