

**Tera Probe, Inc.**

**Financial Results**

**for the Second Quarter FY2016**

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## Consolidated Financial Results (Japanese Accounting Standards) for the Second Quarter FY2016 (Ended September 30, 2016)

October 27, 2016

Company name	Tera Probe, Inc.	Stock exchange listing	Tokyo Stock Exchange
Stock code	6627	URL:	<a href="http://www.teraprobe.com/">http://www.teraprobe.com/</a>
Representative	Yuichiro Watanabe, CEO		
Contact	Kazuhiro Kanbe, CFO	Tel:	+81-45-476-5711
Scheduled date of commencement of dividend payment	—		
Scheduled date for filing of quarterly report			November 11, 2016
Supplementary documents	:Yes (Only in Japanese)		
Financial results briefing	:Yes		

(Amounts of less than one million yen are truncated)

### 1. Consolidated Financial Results for the Second Quarter of FY2016 (April 1, 2016 – September 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	%
2QFY2016	8,430	-27.5	703	-55.6	715	-53.9	226	36.4
2QFY2015	11,632	9.1	1,584	193.0	1,554	175.8	165	—

(Note) Comprehensive income: 47million yen (82.2%) for the 2Q FY2016  
26million yen (-93.9%) for the 2Q FY2015

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
2QFY2016	24.35	—
2QFY2015	17.85	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2QFY2016	38,197	23,615	53.4	2,196.30
FY2015	35,834	23,653	57.0	2,200.08

(Reference) Shareholders' equity : 2Q FY2016 : 20,386 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	—	0.00			

### 3. Consolidated Earnings Forecast for the Third Quarter of FY2016 (April 1, 2016 - December 31, 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 Third 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
3QFY2016	13,300	-22.8	1,250	-45.6	1,250	-41.2	450	10.0	48.48

## 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)	2Q FY2016	9,282,500 shares	FY2015	9,282,500 shares
(ii) Number of treasury stock at end of period	2Q FY2016	145shares	FY2015	145shares
(iii) Average number of shares outstanding during the period	2Q FY2016	9,282,355 shares	2QFY2015	9,282,361 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)	Six months ended (As of September 30, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	6,573,604	11,381,058
Notes and accounts receivable-trade	5,158,753	3,766,473
Securities	4,000,000	1,000,000
Finished goods	25,325	30,565
Work in process	231,006	250,829
Raw materials and supplies	184,295	50,726
Others	900,436	1,054,802
Total current assets	17,073,422	17,534,455
Noncurrent assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	10,579,059	11,427,086
Others, net	7,010,942	8,347,558
Total property, plant and equipment	17,590,002	19,774,645
Intangible assets	284,793	228,177
Investments and other assets		
Others	885,986	660,382
Allowance for doubtful accounts	(91)	(91)
Total Investments and other assets	885,895	660,291
Total non-current assets	18,760,691	20,663,113
Total assets	35,834,113	38,197,569
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	1,369,777	578,660
Short-term loans payable	987,037	1,579,392
Current portion of long-term loans payable	40,000	328,000
Lease obligations	800,737	678,961
Income taxes payable	382,099	215,283
Provision for bonuses	484,546	437,252
Provision for business transfer loss	175,408	-
Others	2,152,866	2,250,645
Total current liabilities	6,392,473	6,068,196

(Thousand yen)

	End of previous fiscal year (As of March 31, 2016)	Six months ended (As of September 30, 2016)
<b>Noncurrent liabilities</b>		
Long-term loans payable	4,109,817	6,505,594
Lease obligations	842,667	1,285,338
Net defined benefit liability	232,556	245,776
Others	602,827	477,221
Total noncurrent liabilities	5,787,868	8,513,930
Total liabilities	12,180,341	14,582,126
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital Stock	11,823,312	11,823,312
Capital surplus	11,380,267	11,380,267
Retained earnings	(2,860,414)	(2,634,393)
Treasury shares	(128)	(128)
Total shareholders' equity	20,343,037	20,569,058
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	192,241	(74,539)
Remeasurements of defined benefit plans	(113,375)	(107,647)
Total accumulated other comprehensive income	78,866	(182,186)
Subscription rights to shares	35,608	44,175
Non-controlling interests	3,196,260	3,184,395
Total net assets	23,653,772	23,615,442
Total liabilities and net assets	35,834,113	38,197,569

(2) Consolidated Statements of Income and Comprehensive Income

(Thousand yen)

	Six months ended (April 1, 2015 – September 30, 2015)	Six months ended (April 1, 2016 – September 30, 2016)
Net sales	11,632,050	8,430,861
Cost of sales	8,859,471	6,753,456
Gross profit	2,772,578	1,677,404
Selling, general and administrative expenses	1,187,644	973,701
Operating profit	1,584,933	703,702
Non-operating income		
Interest income	3,805	2,018
Insurance income	-	30,119
Rent income on facilities	28,687	79,474
Others	29,465	25,318
Total non-operating income	61,957	136,931
Non-operating expenses		
Interest expenses	50,979	45,968
Share of loss of entities accounted for using equity method	-	3,561
Depreciation of assets for rent	7,623	35,057
Others	34,195	40,238
Total non-operating expenses	92,798	124,826
Ordinary profit	1,554,093	715,807
Extraordinary income		
Gain on sales of non-current assets	62,976	12,784
Others	-	300
Total extraordinary income	62,976	13,084
Extraordinary losses		
Loss on sales of non-current assets	-	11,499
Loss on retirement of non-current assets	3,018	5,728
Impairment loss	992,061	43,519
Provision for business transfer loss	114,559	-
Total extraordinary losses	1,109,639	60,746
Profit before income taxes and minority interests	507,429	668,145
Income taxes	106,312	103,122
Profit	401,117	565,023

	Six months ended (April 1, 2015 - September 30, 2015)	Six months ended (April 1, 2016 - September 30, 2016)
Profit attributable to		
Profit (loss) attributable to owners of parent	165,658	226,021
Profit attributable to non-controlling interests	235,458	339,001
Other comprehensive income		
Foreign currency translation adjustment	(377,081)	(523,099)
Remeasurements of defined benefit plans, net of tax	2,123	5,727
Total other comprehensive income	(374,958)	(517,372)
Comprehensive income	26,158	47,650
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(24,529)	(35,031)
Comprehensive income attributable to non-controlling interests	50,688	82,682

(3) Consolidated Statements of Cash Flows

(Thousand yen)

	Six months ended (April 1, 2015 - September 30, 2015)	Six months ended (April 1, 2016 - September 30, 2016)
<b>Cash flows from operating activities</b>		
Profit before income taxes	507,429	668,145
Depreciation	2,664,890	2,530,015
Impairment loss	992,061	43,519
Share-based compensation expenses	15,102	8,567
Increase (decrease) in net defined benefit liability	(19,103)	13,220
Increase (decrease) in provision for bonuses	(7,230)	58,652
Increase (decrease) in provision for business transfer loss	114,559	(175,408)
Interest income	(3,805)	(2,018)
Interest expenses	50,979	45,968
Rental	(28,687)	(79,474)
Insurance income	-	(30,119)
Share of (profit) loss of entities accounted for using equity method	-	3,561
Loss (gain) on Sales and retirement of non-current assets	(59,957)	4,442
Decrease (increase) in notes and accounts receivable-trade	(904,488)	1,282,609
Decrease (increase) in inventories	(117,774)	(104,229)
Increase (decrease) in notes and accounts payable-trade	261,287	(791,061)
Decrease (increase) in other current assets	(62,683)	(189,706)
Increase (decrease) in other current liabilities	190,131	169,573
Increase (decrease) in other non-current liabilities	79,431	4,173
Others, net	105,171	7,673
Subtotal	3,777,314	3,468,104
Interest income received	3,883	2,265
Interest expenses paid	(51,613)	(45,088)
Compensation for damage paid	-	(48,399)
Proceeds from subsidy income	5,215	12,341
Proceeds from insurance income	-	30,119
Income taxes refund	15,093	5,964
Income taxes paid	(354,786)	(369,294)
Business structure improvement expenses paid	(411,935)	-
Net cash provided by (used in) operating activities	2,983,170	3,056,013



	Six months ended (April 1, 2015 - September 30, 2015)	Six months ended (April 1, 2016 - September 30, 2016)
<b>Cash flows from investing activities</b>		
Payments into time deposits	(2,000,000)	(4,400,000)
Proceeds from withdrawal of time deposits	2,000,000	3,500,000
Purchase of property, plant and equipment	(3,672,019)	(5,990,419)
Proceeds from sales of property, plant and equipment	247,458	261,873
Purchase of intangible assets	(24,697)	(29,086)
Proceeds from rent income on facilities	27,913	80,717
Proceeds from transfer of business	-	596,547
Others, net	(126)	(30,249)
Net cash provided by (used in) investing activities	(3,421,470)	(6,010,616)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	700,000	1,556,240
Decrease in short-term loans payable	(160,000)	(900,000)
Proceeds from long-term loans payable	2,835,466	3,503,052
Repayments of long-term loans payable	(2,085,802)	(465,907)
Purchase of treasury shares	(43)	-
Repayments of lease obligations	(1,443,710)	(595,511)
Proceeds from sale-leaseback transaction	965,400	965,458
Dividends paid to non-controlling interests	(189,222)	(94,548)
Net cash provided by (used in) financing activities	622,086	3,968,783
Effect of exchange rate change on cash and cash equivalents	(93,225)	(106,726)
Net increase (decrease) in cash and cash equivalents	90,560	907,454
Cash and cash equivalents at beginning of period	6,880,013	7,073,604
Cash and cash equivalents at end of period	6,970,574	7,981,058