

Tera Probe, Inc.

**Financial Results
for the Third Quarter FY2016**

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Consolidated Financial Results (Japanese Accounting Standards) for the Third Quarter FY2016 (Ended December 31, 2016)

January 31, 2017

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	February 13, 2017		
Supplementary documents	:Yes (Only in Japanese)		
Financial results briefing:	No		

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Third Quarter of FY2016 (April 1, 2016 – December 31, 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	%
3QFY2016	13,415	-22.1	1,472	-35.9	1,625	-23.5	695	70.1
3QFY2015	17,220	7.8	2,297	175.9	2,125	157.3	409	—

(Note) Comprehensive income: 1,578million yen (235.6%) for the 3Q FY2016
470million yen (4.3%) for the 3Q FY2015

	Net income per share(basic)	Net income per share(diluted)
	Yen	Yen
3QFY2016	74.96	—
3QFY2015	44.07	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
3QFY2016	42,876	26,217	49.6	2,291.97
FY2015	35,834	23,653	57.0	2,200.08

(Reference) Shareholders' equity : 3Q FY2016 : 21,274 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	—	—	—
FY2016 (Forecast)	—	—	—	0.00	0.00

3. Consolidated Earnings Forecast for the FY2016 (April 1, 2016 - December 31, 2016)

(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
FY2016	18,880	(16.9)	2,250	(19.2)	2,400	(6.1)	1,100	136.1	118.50

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)	3QFY2016	9,282,500 shares	FY2015	9,282,500 shares
(ii) Number of treasury stock at end of period	3QFY2016	145shares	FY2015	145shares
(iii) Average number of shares outstanding during the period	3QFY2016	9,282,355 shares	3QFY2015	9,282,355 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)	Nine months ended (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	6,573,604	12,549,118
Notes and accounts receivable-trade	5,158,753	4,881,867
Securities	4,000,000	1,000,000
Finished goods	25,325	76,341
Work in process	231,006	308,895
Raw materials and supplies	184,295	52,941
Others	900,436	994,638
Total current assets	17,073,422	19,863,804
Noncurrent assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	10,579,059	13,122,286
Others, net	7,010,942	9,153,992
Total property, plant and equipment	17,590,002	22,276,278
Intangible assets	284,793	205,867
Investments and other assets		
Others	885,986	531,027
Allowance for doubtful accounts	(91)	(81)
Total Investments and other assets	885,895	530,946
Total non-current assets	18,760,691	23,013,093
Total assets	35,834,113	42,876,897
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,369,777	711,932
Short-term loans payable	987,037	1,951,082
Current portion of long-term loans payable	40,000	328,000
Lease obligations	800,737	649,469
Income taxes payable	382,099	313,294
Provision for bonuses	484,546	443,259
Provision for business transfer loss	175,408	-
Others	2,152,866	2,518,766
Total current liabilities	6,392,473	6,915,803

(Thousand yen)

	End of previous fiscal year (As of March 31, 2016)	Nine months ended (As of December 31, 2016)
Noncurrent liabilities		
Long-term loans payable	4,109,817	7,831,605
Lease obligations	842,667	1,135,621
Net defined benefit liability	232,556	253,792
Others	602,827	522,337
Total noncurrent liabilities	5,787,868	9,743,357
Total liabilities	12,180,341	16,659,161
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)	(2,164,616)
Treasury shares	(128)	(128)
Total shareholders' equity	20,343,037	21,038,835
Accumulated other comprehensive income		
Foreign currency translation adjustment	192,241	340,870
Remeasurements of defined benefit plans	(113,375)	(104,783)
Total accumulated other comprehensive income	78,866	236,086
Subscription rights to shares	35,608	48,413
Non-controlling interests	3,196,260	4,894,400
Total net assets	23,653,772	26,217,736
Total liabilities and net assets	35,834,113	42,876,897

(2) Consolidated Statements of Income and Comprehensive Income

(Thousand yen)

	Nine months ended (April 1, 2015 – December 31, 2015)	Nine months ended (April 1, 2016 – December 31, 2016)
Net sales	17,220,282	13,415,058
Cost of sales	13,155,634	10,448,344
Gross profit	4,064,648	2,966,714
Selling, general and administrative expenses	1,766,718	1,494,104
Operating profit	2,297,929	1,472,609
Non-operating income		
Interest income	5,942	2,816
Rent income on facilities	39,544	113,834
Share of profit of entities accounted for using equity method	-	63,523
Foreign exchange gains	-	97,160
Others	46,668	59,218
Total non-operating income	92,154	336,553
Non-operating expenses		
Interest expenses	74,165	76,482
Depreciation of assets for rent	11,424	49,925
Others	179,262	57,514
Total non-operating expenses	264,851	183,921
Ordinary income	2,125,232	1,625,240
Extraordinary income		
Gain on sales of non-current assets	60,998	21,125
Others	-	300
Total extraordinary income	60,998	21,425
Extraordinary losses		
Loss on sales of non-current assets	-	11,691
Loss on retirement of non-current assets	5,148	6,118
Impairment loss	1,122,554	100,119
Provision for business transfer loss	45,540	-
Total extraordinary losses	1,173,242	117,930
Profit before income taxes	1,012,988	1,528,735
Income taxes	249,214	250,357
Profit	763,774	1,278,378

	Nine months ended (April 1, 2015 - December 31, 2015)	Nine months ended (April 1, 2016 - December 31, 2016)
Profit attributable to		
Profit attributable to owners of parent	409,070	695,798
Profit attributable to non-controlling interests	354,704	582,579
Other comprehensive income		
Foreign currency translation adjustment	(296,696)	291,428
Remeasurements of defined benefit plans, net of tax	3,185	8,591
Total other comprehensive income	(293,510)	300,020
Comprehensive income	470,263	1,578,398
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	260,940	853,018
Comprehensive income attributable to non-controlling interests	209,323	725,379

(3) Consolidated Statements of Cash Flows

(Thousand yen)

	Nine months ended (April 1, 2015 - December 31, 2015)	Nine months ended (April 1, 2016 - December 31, 2016)
Cash flows from operating activities		
Profit before income taxes	1,012,988	1,528,735
Depreciation	3,950,446	3,954,797
Impairment loss	1,122,554	100,119
Share-based compensation expenses	22,201	12,805
Increase (decrease) in allowance for doubtful accounts	(5)	(9)
Increase (decrease) in net defined benefit liability	(12,443)	21,236
Increase (decrease) in provision for bonuses	45,540	29,799
Increase(decrease) in provision for business transfer loss	(156,488)	(175,408)
Interest income	(5,942)	(2,816)
Interest expenses	74,165	76,482
Rental	(39,544)	(113,834)
Share of (profit) loss of entities accounted for using equity method	-	(63,523)
Loss (gain) on Sales and retirement of non-current assets	(55,850)	(3,314)
Decrease (increase) in notes and accounts receivable-trade	(1,039,147)	382,197
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	15	20
Decrease (increase) in inventories	(163,547)	(195,880)
Increase (decrease) in notes and accounts payable-trade	542,297	(657,994)
Decrease (increase) in other current assets	(86,463)	(112,923)
Increase (decrease) in other current liabilities	253,494	373,399
Increase (decrease) in other non-current liabilities	71,917	(6,910)
Others, net	172,797	(2,839)
Subtotal	5,708,986	5,144,137
Interest income received	6,375	3,057
Interest expenses paid	(74,985)	(75,506)
Proceeds from subsidy income	61,758	12,341
Compensation for damage paid	(26,115)	(48,399)
Income taxes refund	15,093	5,964
Income taxes paid	(330,273)	(379,548)
Business structure improvement expenses paid	(411,935)	-
Net cash provided by (used in) operating activities	4,948,903	4,662,044

	Nine months ended (April 1, 2015 - December 31, 2015)	Nine months ended (April 1, 2016 - December 31, 2016)
Cash flows from investing activities		
Payments into time deposits	(4,000,000)	(6,200,000)
Proceeds from withdrawal of time deposits	4,000,000	4,800,000
Purchase of property, plant and equipment	(4,215,155)	(8,292,332)
Proceeds from sales of property, plant and equipment	279,857	280,442
Purchase of intangible assets	(37,160)	(37,564)
Proceeds from rent income on facilities	42,728	114,665
Proceeds from transfer of business	-	596,547
Others, net	(8,486)	(30,236)
Net cash provided by (used in) investing activities	(3,938,216)	(8,768,478)
Cash flows from financing activities		
Increase in short-term loans payable	1,583,110	2,167,220
Decrease in short-term loans payable	(1,506,220)	(1,280,000)
Proceeds from long-term loans payable	3,762,923	4,210,479
Repayments of long-term loans payable	(2,440,397)	(555,200)
Purchase of treasury shares	(43)	-
Repayments of lease obligations	(2,026,043)	(779,373)
Proceeds from sale-leaseback transaction	988,400	965,458
Dividends paid to non-controlling interests	(189,222)	(94,548)
Proceeds from share issuance to non-controlling shareholders	-	1,067,308
Net cash provided by (used in) financing activities	172,505	5,701,343
Effect of exchange rate change on cash and cash equivalents	(29,002)	(19,395)
Net increase (decrease) in cash and cash equivalents	1,154,189	1,575,514
Cash and cash equivalents at beginning of period	6,880,013	7,073,604
Cash and cash equivalents at end of period	8,034,203	8,649,118