

Tera Probe, Inc.

**Annual Financial Results
for the Year Ended March 31, 2017**

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**Consolidated Financial Results (Japanese Accounting Standards)
for the FY2016 (Ended March, 31, 2017)**

May 22, 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 ordinary shareholders' meeting			June 29, 2017
Scheduled date of commencement of dividend payment			-
Scheduled date for filing of annual securities report			June 29, 2017
Supplementary documents:	Yes		
Financial results briefing:	Yes (for analysts and institutional investors)		

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	18,812	(17.2)	2,334	(16.1)	2,539	(0.6)	1,290	176.9
FY2015	22,731	6.7	2,783	109.4	2,555	95.7	465	-

(Note) Comprehensive income
 Year ended March 31, 2017: 2,677 million yen (1,142.5%)
 Year ended March 31, 2016: 215 million yen (-72.1%)

	Net income per share(basic)	Net income per share(diluted)	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2016	139.00	-	6.1	6.2	12.4
FY2015	50.19	-	2.3	7.2	12.2

(Reference) Share of (profit) loss of entities accounted for using equity method

Year ended March 31, 2017: 101million yen
 Year ended March 31, 2016: (6) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2016	46,330	27,268	47.5	2,371.64
FY2015	35,834	23,653	57.0	2,200.08

(Reference) Shareholders' equity

Year ended March 31, 2017: 22,014 million yen
 Year ended March 31, 2016: 20,421 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of FY
	Million yen	Million yen	Million yen	Million yen
FY2016	6,478	(11,670)	7,602	9,542
FY2015	6,616	(7,091)	772	7,073

2. Dividends

	Dividend per share					Total dividends	Payout ratio	Ratio of dividends to net assets
	1Q	2Q	3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2016	-	0.00	-	0.00	0.00	0	-	-
FY2015	-	0.00	-	0.00	0.00	0	-	-

3. Consolidated Earnings Forecast for the First Quarter of FY2017 (April 1, 2017 - June 30, 2017)

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 Quarter of FY2017 is as follows.

(Percentages show year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
1Q/FY2017	6,000	45.8	590	66.9	590	68.3	130	(16.8)	14.00

Notes

(1) Changes of important subsidiaries during the period (changes of specific in accordance with changes in the scope of consolidation): Yes

Consolidation-type Merger: Tera Probe Aizu, Inc.

(2) 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

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

(v) Number of shares outstanding at end of period (including treasury stock)	FY2016	9,282,500 shares	FY2015	9,282,500 shares
(vi) Number of treasury stock at end of period	FY2016	145shares	FY2015	145shares
(vii) Average number of shares outstanding during the period	FY2016	9,282,355 shares	FY2015	9,282,358 shares

*Reference

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2017(April 1, 2016 – March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	11,470	(33.5)	156	(89.5)	288	(80.9)	417	40.8
FY2015	17,251	3.7	1,496	-	1,504	-	296	-

	Net income per share(basic)	Net income per share(diluted)
	Yen	Yen
FY2016	44.95	-
FY2015	31.92	-

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2016	25,338	19,644	77.5	2,116.33
FY2015	25,652	19,262	75.0	2,071.38

(Reference) Shareholders' equity

Year ended March 31, 2017: 19,644 million yen

Year ended March 31, 2016: 19,227 million yen

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Thousand yen)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	6,573,604	11,942,599
Notes and accounts receivable-trade	5,158,753	5,825,512
Securities	4,000,000	1,000,000
Finished goods	25,325	68,124
Work in process	231,006	303,864
Raw materials and supplies	184,295	52,518
Deferred tax assets	197,677	129,410
Accounts receivable-other	406,828	767,518
Others	295,930	244,553
Total current assets	17,073,422	20,334,101
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,167,994	3,269,005
Machinery, equipment and vehicles, net	10,579,059	13,632,192
Land	629,950	1,606,675
Construction in progress	2,272,639	5,416,883
Others, net	940,359	1,075,550
Total property, plant and equipment	17,590,002	25,000,306
Intangible assets	284,793	293,878
Investments and other assets		
Shares of subsidiaries and associates	24,791	-
Claims provable in bankruptcy, claims provable in rehabilitation and other	214	194
Deferred tax assets	546	890
Others	860,434	701,351
Allowance for doubtful accounts	(91)	(81)
Total Investments and other assets	885,895	702,355
Total non-current assets	18,760,691	25,996,541
Total assets	35,834,113	46,330,642
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,369,777	501,568
Short-term loans payable	987,037	440,000
Current portion of long-term loans payable	40,000	388,000
Lease obligations	800,737	609,927
Accounts payable-other	1,444,437	1,505,604
Income taxes payable	382,099	589,891
Provision for bonuses	484,546	674,667
Provision for business transfer loss	175,408	-
Deferred tax liabilities	-	5,556
Others	708,428	1,006,387
Total current liabilities	6,392,473	5,721,603

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Noncurrent liabilities		
Long-term loans payable	4,109,817	11,632,239
Lease obligations	842,667	1,007,241
Deferred tax liabilities	289,048	173,246
Net defined benefit liabilities	232,556	248,242
Asset retirement obligations	28,679	13,635
Others	285,099	265,510
Total non-current liabilities	5,787,868	13,340,116
Total liabilities	12,180,341	19,061,719
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)	(1,570,207)
Treasury shares	(128)	(128)
Total shareholders' equity	20,343,037	21,633,244
Accumulated other comprehensive income		
Foreign currency translation adjustment	192,241	469,906
Remeasurements of defined benefit plans	(113,375)	(88,704)
Total accumulated other comprehensive income	78,866	381,201
Subscription rights to shares	35,608	0
Non-controlling interests	3,196,260	5,254,476
Total net assets	23,653,772	27,268,922
Total liabilities and net assets	35,834,113	46,330,642

(2) Consolidated Statements of Income and Comprehensive Income

(Thousand yen)

	FY2015 (April 1, 2015 - March 31, 2016)	FY2016 (April 1, 2016 - March 31, 2017)
Net sales	22,731,110	18,812,783
Cost of sales	17,594,426	14,481,463
Gross profit	5,136,684	4,331,320
Selling, general and administrative expenses	2,353,214	1,997,066
Operating profit	2,783,469	2,334,254
Non-operating income		
Interest income	7,572	4,232
Share of profit of entities accounted for using equity method	-	101,404
Rent income on facilities	68,247	170,082
Foreign exchange gains	-	104,144
Other	58,014	72,755
Total non-operating income	133,834	452,619
Non-operating expenses		
Interest expenses	94,232	109,244
Share of loss of entities accounted for using equity method	6,708	-
Depreciation of assets for rent	28,226	74,297
Depreciation of inactive non-current assets	23,087	35,147
Foreign exchange losses	43,636	-
Other	166,020	28,308
Total non-operating expenses	361,912	246,998
Ordinary profit	2,555,391	2,539,876
Extraordinary income		
Gain on sales of non-current assets	97,640	31,815
Gain on bargain purchase	-	47,275
Local government subsidy	2,841	12,512
Gain on step acquisitions	-	1,629
Gain on reversal of subscription rights to shares	-	51,269
Total extraordinary income	100,481	144,501
Extraordinary loss		
Loss on sales of non-current assets	95,980	20,301
Loss on retirement of non-current assets	25,144	7,785
Impairment loss	1,137,087	147,684
Provision for business transfer loss	178,208	-
Retirement benefit expenses	3,663	-
Total extraordinary loss	1,440,084	175,771
Profit before income taxes	1,215,787	2,508,606
Income taxes-current	447,308	415,313
Income taxes-deferred	(157,778)	(15,594)
Total income taxes	289,530	399,719

(Thousand yen)

	FY2015 (April 1, 2015 – March 31, 2016)	FY2016 (April 1, 2016 – March 31, 2017)
Profit	926,257	2,108,887
(Profit attributable to)		
Profit attributable to owners of parent	465,909	1,290,206
Profit attributable to non-controlling interests	460,347	818,680
Other comprehensive income		
Foreign currency translation adjustment	(615,414)	544,440
Remeasurements of defined benefit plans, net of tax	(95,304)	24,671
Total other comprehensive income	(710,719)	569,111
Comprehensive income	215,538	2,677,998
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	56,743	1,592,542
Comprehensive income attributable to minority interests	158,794	1,085,455

(3) Consolidated Statements of Changes in Net Assets

(Thousand yen)

	FY2015 (April 1, 2015 – March 31, 2016)	FY2016 (April 1, 2016 – March 31, 2017)
Shareholders' equity		
Capital Stock		
Balance at the beginning of current period	11,823,312	11,823,312
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	11,823,312	11,823,312
Capital surplus		
Balance at the beginning of current period	11,380,267	11,380,267
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	11,380,267	11,380,267
Retained earnings		
Balance at the beginning of current period	(3,326,324)	(2,860,414)
Changes of items during the period		
Profit (loss) attributable to owners of parent	465,909	1,290,206
Total changes of items during the period	465,909	1,290,206
Balance at the end of current period	(2,860,414)	(1,570,207)
Treasury shares		
Balance at the beginning of current period	(84)	(128)
Changes of items during the period		
Purchase of treasury stocks	(43)	-
Total changes of items during the period	(43)	-
Balance at the end of current period	(128)	(128)
Total shareholders' equity		
Balance at the beginning of current period	19,877,171	20,343,037
Changes of items during the period		
Net income or (Net loss)	465,909	1,290,206
Treasury stocks	(43)	-
Total changes of items during the period	465,866	1,290,206
Balance at the end of current period	20,343,037	21,633,244
Valuation and translation adjustments		
Foreign currency translation adjustment		
Balance at the beginning of current period	506,103	192,241
Changes of items during the period		
Net changes of items other than shareholders' equity	(313,861)	277,664
Total changes of items during the period	(313,861)	277,664
Balance at the end of current period	192,241	469,906
Remeasurements of defined benefit plans		
Balance at the beginning of current period	(18,070)	(113,375)
Net changes of items other than shareholders' equity	(95,304)	24,671
Total changes of items during the period	(95,304)	24,671
Balance at the end of current period	(113,375)	(88,704)

(Thousand yen)

	FY2015 (April 1, 2015 – March 31, 2016)	FY2016 (April 1, 2016 – March 31, 2017)
Total accumulated other comprehensive income		
Balance at the beginning of current period	488,032	78,866
Changes of items during the period		
Net changes of items other than shareholders' equity	(409,166)	302,335
Total changes of items during the period	(409,166)	302,335
Balance at the end of current period	78,866	381,201
Subscription rights to shares		
Balance at the beginning of current period	-	35,608
Changes of items during the period		
Net changes of items other than shareholders' equity	35,608	(35,608)
Total changes of items during the period	35,608	(35,608)
Balance at the end of current period	35,608	-
Non-controlling interests		
Balance at the beginning of current period	3,226,688	3,196,260
Changes of items during the period		
Net changes of items other than shareholders' equity	(30,428)	2,058,215
Total changes of items during the period	(30,428)	2,058,215
Balance at the end of current period	3,196,260	5,254,476
Total net assets		
Balance at the beginning of current period	23,591,892	23,653,772
Changes of items during the period		
Net income or Net loss(Δ)	465,909	1,290,206
Treasury stocks	(43)	-
Net changes of items other than shareholders' equity	(403,986)	2,324,943
Total changes of items during the period	61,879	3,615,150
Balance at the end of current period	23,653,772	27,268,922

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	FY2015 (April 1,2015 – March 31,2016)	FY2016 (April 1,2016 – March 31,2017)
Cash flows from operating activities		
Profit before income taxes	1,215,787	2,508,606
Depreciation	5,220,608	5,490,808
Impairment loss	1,137,087	147,684
Share-based compensation expenses	35,608	15,660
Gain on reversal of subscription rights to shares	-	(51,269)
Gain on bargain purchase	-	(47,275)
Increase (decrease) in allowance for doubtful accounts	(5)	(9)
Loss (gain) on step acquisitions	-	(1,629)
Increase (decrease) in net defined benefit liability	(56,791)	28,902
Increase (decrease) in provision for business transfer	175,408	(175,408)
Increase (decrease) in provision for bonuses	(4,317)	205,975
Interest income	(7,572)	(4,232)
Interest expenses	94,232	109,244
Share of (profit) loss of entities accounted for using equity method	6,708	(101,404)
Rental	(68,247)	(170,082)
Compensation expenses	142,540	-
Interest on refund	(524)	(401)
Loss (gain) on sales and retirement of non-current assets	23,484	(3,728)
Local government subsidy	(2,841)	(12,512)
Decrease (increase) in notes and accounts receivable-trade	(873,459)	273,719
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	15	20
Decrease (increase) in inventories	(67,189)	(118,293)
Increase (decrease) in notes and accounts payable-trade	305,651	(868,283)
Decrease (increase) in other current assets	(128,118)	(313,042)
Increase (decrease) in other current liabilities	199,470	104,545
Increase (decrease) in other noncurrent liabilities	52,166	(19,454)
Others, net	60,829	(9,577)
Subtotal	7,460,444	6,988,560
Interest income received	7,579	4,574
Interest expenses paid	(95,101)	(108,308)
Proceeds from subsidy income	61,758	24,553
Compensation for damage paid	(94,143)	(48,399)
Income taxes refund	15,164	6,366
Income taxes paid	(327,226)	(389,035)
Business structure improvement expenses paid	(411,935)	-
Net cash provided by (used in) operating activities	6,616,539	6,478,309

(Thousand yen)

	FY2015 (April 1,2015 – March 31,2016)	FY2016 (April 1,2016 – March 31,2017)
Cash flows from investing activities		
Payments for time deposits	(5,500,000)	(7,800,000)
Proceeds from withdrawal of time deposits	4,000,000	7,900,000
Purchase of property, plant and equipment	(5,908,850)	(12,182,515)
Proceeds from sales of property, plant and equipment	457,091	297,092
Purchase of intangible assets	(33,891)	(46,998)
Proceeds from equipment rental	60,435	165,081
Proceeds from transfer of business	-	596,547
Purchase of shares of subsidiaries and associates	(31,500)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(95,495)
Payments of loans receivable from subsidiaries and associates	(126,000)	(1,045,000)
Collection of loans receivable to subsidiaries and affiliates	-	571,000
Others, net	(8,575)	(30,607)
Net cash provided by (used in) investing activities	<u>(7,091,290)</u>	<u>(11,670,895)</u>
Cash flows from financing activities		
Increase in short-term loans payable	1,874,520	2,583,300
Decrease in short-term loans payable	(1,909,040)	(3,115,352)
Proceeds from long-term loans payable	5,304,145	7,799,224
Repayments of long-term loans payable	(2,885,046)	(654,851)
Repayments of lease obligations	(2,410,987)	(1,044,081)
Gain from Sale and Lease-back	988,400	1,061,272
Purchase of treasury shares	(43)	-
Proceeds from share issuance to non-controlling shareholders	-	1,067,308
Dividends paid to non-controlling interests	(189,222)	(94,548)
Net cash provided by (used in) financing activities	<u>772,726</u>	<u>7,602,270</u>
Effect of exchange rate change on cash and cash equivalents	(104,383)	59,310
Net increase (decrease) in cash and cash equivalents	<u>193,591</u>	<u>2,468,994</u>
Cash and cash equivalents at beginning of period	<u>6,880,013</u>	<u>7,073,604</u>
Cash and cash equivalents at end of period	<u>7,073,604</u>	<u>9,542,599</u>