

**Tera Probe Reports Financial Results
for the Second Quarter FY2014**

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**Consolidated Financial Results(Japanese Accounting Standards)
for the Second Quarter FY2014(Ended September 30,2014)**

October 28,2014

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 14,2014
 Supplementary documents : Yes
 Financial results briefing: Yes

(Amounts less than one million yen are rounded down to zero)

1. Consolidated Financial Results for the Second Quarter of FY2014 (April 1, 2014 – September 30)

(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	%
2Q FY 2014	10,662	-1.2	540	667.2	563	1,028.7	-114	-
2Q FY 2013	10,792	-6.2	70	-85.0	49	-83.6	34	-90.6

(Note)Comprehensive income: 434 million yen(46.6%) for the 2Q FY2014
 296 million yen(13.9%) for the 2Q FY2013

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
2Q FY 2014	-12.33	—
2Q FY 2013	3.68	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q FY 2014	34,340	23,254	59.7	2,208.04
FY 2013	33,514	22,671	60.5	2,185.93

(Reference) Shareholders' equity: The 2Q FY2014: 20,495 million yen
 The FY2013: 20,290 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2013	—	0.00	—	0.00	0.00
FY 2014	—	0.00			

3. Consolidated Earnings Forecast for the Third Quarter of FY2014 (April 1, 2014-December 31, 2014)

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 FY 2014 is as follows:

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
3Q FY 2014	16,000	-2.6	700	21.6	690	23.7	-600	-	-64.64

Notes

(1) Changes of important subsidiaries during the quarter(changes involving particular subsidiaries 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, changes in accounting estimates, restatements

- (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 FY 2014	9,282,500 shares	FY 2013	9,282,500 shares
(ii) Number of treasury stock at end of period	2Q FY 2014	83shares	FY 2013	83shares
(iii) Average number of shares outstanding during the period	2Q FY 2014	9,282,417 shares	2Q FY 2013	9,282,458 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.

1. Quarterly Consolidated Financial Statements
 (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	End of previous fiscal year (As of March 31,2013)	End of Second quarter of the fiscal year under review (As of September 30,2014)
Assets		
Current assets		
Cash and deposits	2,782,585	3,831,992
Accounts receivable-trade	3,708,986	4,321,359
Securities	5,799,587	5,699,506
Finished goods	11,883	18,614
Work in process	250,789	222,013
Raw materials and supplies	125,854	122,683
Other	1,140,810	580,283
Total current assets	13,820,497	14,796,453
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	12,899,946	12,606,306
Other, net	5,317,528	5,839,505
Total property, plant and equipment	18,217,475	18,445,811
Intangible assets	479,413	451,859
Investments and other assets		
Other	1,227,019	646,377
Allowance for doubtful accounts	(230,007)	(103)
Total Investments and other assets	997,012	646,273
Total non-current assets	19,693,901	19,543,944
Total assets	33,514,398	34,340,398
Liabilities		
Current liabilities		
Accounts payable-trade	852,909	1,174,609
Short-term loans payable	1,895,503	1,023,748
Lease obligations	2,534,961	2,596,232
Income taxes payable	105,361	143,469
Early retirement obligation	111,740	-
Provision for bonuses	476,122	517,137
Other	1,709,531	1,649,493
Total current liabilities	7,686,128	7,104,691
Non-current liabilities		
Long-term loans payable	-	1,925,209
Lease obligations	2,196,232	1,177,382
Net defined benefit liability	338,580	218,409
Other	621,806	660,594
Total non-current liabilities	3,156,619	3,981,595
Total liabilities	10,842,748	11,086,286

(Thousand yen)

	End of fiscal year (As of March 31,2013)	End of Second quarter of the fiscal year under review (As of September 30,2014)
Net assets		
Shareholders' equity		
Capital stock	11,823,312	11,823,312
Capital surplus	11,380,267	11,380,267
Retained earnings	(2,996,890)	(2,963,432)
Treasury shares	(62)	(62)
Total shareholders' equity	20,206,627	20,240,084
Accumulated other comprehensive income		
Foreign currency translation adjustment	122,852	290,107
Remeasurements of defined benefit plans	(38,769)	(34,216)
Total accumulated other comprehensive income	84,083	255,890
Minority interests	2,380,939	2,758,136
Total net assets	22,671,650	23,254,112
Total liabilities and net assets	33,514,398	34,340,398

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(First six-months period)

(Thousand yen)

	First six-month period of previous fiscal year (April 1,2013 - September 30,2013)	First six-month period of the fiscal year under review (April 1,2014 - September 30,2014)
Net sales	10,792,758	10,662,814
Cost of sales	9,690,113	9,040,294
Gross profit	1,102,644	1,622,520
Selling, general and administrative expenses	1,032,128	1,081,538
Operating income	70,515	540,981
Non-operating income		
Interest income	3,273	4,387
Foreign exchange gains	4,867	37,296
Rent income on facilities	22,088	29,181
Reversal of allowance for doubtful accounts	59,906	19,787
Other	7,851	20,293
Total non-operating income	97,986	110,947
Non-operating expenses		
Interest expenses	67,818	55,807
Other	50,764	32,700
Total non-operating expenses	118,582	88,508
Ordinary income	49,919	563,420
Extraordinary income		
Gain on sales of non-current assets	538	22,763
Total extraordinary income	538	22,763
Extraordinary losses		
Loss on sales of non-current assets	960	—
Loss on retirement of non-current assets	1,689	1,692
Impairment loss	-	34,336
Business structure improvement expenses	-	296,823
Total extraordinary losses	2,649	332,853
Income before income taxes and minority interests	47,808	253,331
Income taxes	(12,277)	151,276
Income before minority interests	60,086	102,054
Minority interests in income	25,901	216,500
Net income(loss)	34,184	(114,445)
Minority interests in income	25,901	216,500
Income before minority interests	60,086	102,054
Other comprehensive income		
Foreign currency translation adjustment	236,393	327,951
Remeasurements of defined benefit plans, net of tax	-	4,552
Total other comprehensive income	236,393	332,504
Comprehensive income	296,479	434,558
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	154,745	57,362
Comprehensive income attributable to minority interests	141,734	377,196

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	First six-month period of previous fiscal year (April 1,2013 – September 30,2013)	First six-month period of the fiscal year under review (April 1,2014 – September 30,2014)
Cash flows from operating activities		
Income before income taxes and minority interests	47,808	253,331
Depreciation	4,153,594	2,800,583
Impairment loss	-	34,336
Business structure improvement expenses	-	296,823
Increase (decrease) in allowance for doubtful accounts	(217,104)	(229,903)
Increase (decrease) in net defined benefit liability	-	27,731
Increase (decrease) in provision	(86,099)	(79,661)
Interest income	(3,273)	(4,387)
Interest expenses	67,818	55,807
Rental	(22,088)	(29,181)
Loss (gain) on sales and retirement of non-current assets	2,111	(21,071)
Decrease (increase) in notes and accounts receivable-trade	(318,485)	(548,494)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	165,007	636,709
Decrease (increase) in inventories	(30,927)	28,528
Increase (decrease) in notes and accounts payable-trade	1,530,335	230,927
Decrease (increase) in other current assets	(1,714,484)	(83,737)
Increase (decrease) in other current liabilities	(63,238)	333,039
Increase (decrease) in other noncurrent liabilities	55,615	(52,875)
Others, net	(1,906)	27,864
Subtotal	3,564,683	3,676,373
Interest income received	3,265	4,103
Interest expenses paid	(67,818)	(54,189)
Proceeds from subsidy income	-	409,711
Income taxes refund	7,731	-
Income taxes paid	(68,394)	(74,853)
Net cash provided by (used in) operating activities	3,439,468	3,961,145

(Thousand yen)

	First six-month period of previous fiscal year (April 1,2013 – September 30,2013)	First six-month period of the fiscal year under review (April 1,2014 – September 30,2014)
Cash flows from investing activities		
Payments into time deposits	(300,000)	(1,800,000)
Proceeds from withdrawal of time deposits	300,000	300,000
Proceeds from sales of securities	-	500,000
Purchase of property, plant and equipment	(1,430,778)	(3,012,290)
Proceeds from sales of property, plant and equipment	8,574	36,434
Purchase of intangible assets	(6,424)	(36,428)
Proceeds from rent income on facilities	24,755	22,909
Others, net	(104)	(12,897)
Net cash provided by (used in) investing activities	(1,403,977)	(4,002,272)
Cash flows from financing activities		
Increase in short-term loans payable	-	205,818
Decrease in short-term loans payable	-	(1,149,066)
Proceeds from long-term loans payable	-	1,835,126
Repayments of lease obligations	(1,488,514)	(1,331,529)
Proceeds from sale- leaseback transaction	-	373,950
Purchase of treasury shares	(38)	-
Cash dividends paid to minority shareholders	(141,510)	-
Net cash provided by (used in) financing activities	(1,630,063)	(65,701)
Effect of exchange rate change on cash and cash equivalents	58,810	55,990
Net increase (decrease) in cash and cash equivalents	464,237	(50,837)
Cash and cash equivalents at beginning of period	6,043,022	7,882,336
Cash and cash equivalents at end of period	6,507,259	7,831,499