

Tera Probe, Inc.

**Financial Results
for the Third Quarter FY2015**

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Consolidated Financial Results (Japanese Accounting Standards) for the Third Quarter FY2015 (Ended December 31, 2015)

January 28, 2016

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 12, 2016	
Supplementary documents: Yes	
Financial results briefing: None	

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Third Quarter of FY2015 (April 1, 2015 – December 31, 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	%
3QFY2015	17,220	7.8	2,297	175.9	2,125	157.3	409	-
3QFY2014	15,971	-2.8	832	44.6	826	48.1	-562	-

(Note) Comprehensive income: 470million yen (4.3%) for the 3Q FY2015
450million yen (-52.0%) for the 3Q FY2014

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
3QFY2015	44.07	-
3QFY2014	-60.58	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
3QFY2015	35,264	23,895	58.5	2,222.08
FY2014	35,324	23,591	57.7	2,193.96

(Reference) Shareholders' equity: 3QFY2015 20,626 million yen
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	-	-	-
FY2015 (Forecast)	-	-	-	0.00	0.00

3. Consolidated Earnings Forecast for the FY2015 (April 1, 2015 - March 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
FY2015	22,400	5.1	2,500	88.0	2,300	76.1	250	-	26.93

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)	3QFY2015	9,282,500 shares	FY2014	9,282,500 shares
(ii) Number of treasury stock at end of period	3QFY2015	145 shares	FY2014	104 shares
(iii) Average number of shares outstanding during the period	3QFY2015	9,282,359 shares	3QFY2014	9,282,412 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)	Nine months ended (As of December 31, 2015)
Assets		
Current assets		
Cash and deposits	3,980,411	4,134,686
Notes and accounts receivable - trade	4,407,704	5,386,201
Securities	4,899,601	5,899,517
Finished goods	36,093	58,516
Work in process	209,823	307,337
Raw materials and supplies	135,390	174,002
Others	697,579	645,537
Total current assets	14,366,604	16,605,799
Noncurrent assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	11,728,421	11,570,948
Others, net	8,213,768	6,217,097
Total property, plant and equipment	19,942,189	17,788,045
Intangible assets	424,875	312,859
Investments and other assets		
Others	591,116	557,534
Allowance for doubtful accounts	(96)	(91)
Total Investments and other assets	591,019	557,443
Total non-current assets	20,958,085	18,658,348
Total assets	35,324,689	35,264,147
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,448,554	1,606,243
Short-term loans payable	1,097,535	1,139,819
Current portion of long-term loans payable	-	40,000
Lease obligations	2,200,501	1,028,153
Income taxes payable	225,464	317,713
Provision for bonuses	510,974	438,716
Others	2,476,170	1,889,102
Total current liabilities	7,959,200	6,459,748

(Thousand yen)

	End of previous fiscal year (As of March 31, 2015)	Nine months ended (As of December 31, 2015)
Noncurrent liabilities		
Long-term loans payable	2,067,973	3,210,001
Lease obligations	867,399	953,424
Net defined benefit liability	194,042	181,598
Others	644,180	564,283
Total noncurrent liabilities	3,773,596	4,909,308
Total liabilities	11,732,796	11,369,056
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)	(2,917,254)
Treasury shares	(84)	(128)
Total shareholders' equity	19,877,171	20,286,197
Accumulated other comprehensive income		
Foreign currency translation adjustment	506,103	354,788
Remeasurements of defined benefit plans	(18,070)	(14,885)
Total accumulated other comprehensive income	488,032	339,902
Subscription rights to shares	-	22,201
Non-controlling interests	3,226,688	3,246,789
Total net assets	23,591,892	23,895,091
Total liabilities and net assets	35,324,689	35,264,147

(2) Consolidated Statements of Income and Comprehensive Income

(Thousand yen)

	Nine months ended (April 1, 2014 – December 31, 2014)	Nine months ended (April 1, 2015 – December 31, 2015)
Net sales	15,971,270	17,220,282
Cost of sales	13,450,083	13,155,634
Gross profit	2,521,186	4,064,648
Selling, general and administrative expenses	1,688,320	1,766,718
Operating profit	832,866	2,297,929
Non-operating income		
Interest income	6,547	5,942
Rent income on facilities	44,757	39,544
Others	112,844	46,668
Total non-operating income	164,149	92,154
Non-operating expenses		
Interest expenses	80,989	74,165
Compensation expenses	56,184	143,214
Others	33,729	47,472
Total non-operating expenses	170,904	264,851
Ordinary profit	826,110	2,125,232
Extraordinary income		
Gain on sales of non-current assets	41,553	60,998
Total extraordinary income	41,553	60,998
Extraordinary losses		
Loss on retirement of non-current assets	12,846	5,148
Impairment loss	34,336	1,122,554
Provision for business transfer loss	-	45,540
Business structure improvement expenses	791,426	-
Total extraordinary losses	838,609	1,173,242
Profit before income taxes and minority interests	29,054	1,012,988
Income taxes	238,542	249,214
Profit for the period	(209,487)	763,774

	Nine months ended (April 1, 2014 – December 31, 2014)	Nine months ended (April 1, 2015 - December 31, 2015)
Profit (loss) attributable to owners of parent	(562,283)	409,070
Profit attributable to non-controlling interests	352,796	354,704
Other comprehensive income		
Foreign currency translation adjustment	654,313	(296,696)
Remeasurements of defined benefit plans, net of tax	5,855	3,185
Total other comprehensive income	660,169	(293,510)
Comprehensive income	450,682	470,263
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(222,727)	260,940
Comprehensive income attributable to non-controlling interests	673,409	209,323

(3) Consolidated Statements of Cash Flows

(Thousand yen)

	Nine months ended (April 1, 2014 – December 31, 2014)	Nine months ended (April 1, 2015 – December 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	29,054	1,012,988
Depreciation	4,024,657	3,950,446
Impairment loss	34,336	1,122,554
Business structure improvement expenses	791,426	-
Share-based compensation expenses	-	22,201
Increase (decrease) in allowance for doubtful accounts	(229,910)	(5)
Increase (decrease) in net defined benefit liability	29,541	(12,443)
Increase (decrease) in provision for bonuses	(245,716)	(110,948)
Increase(decrease) in provision for business transfer loss	(6,547)	(5,942)
Interest income	80,989	74,165
Interest expenses	(44,757)	(39,544)
Rental	56,184	143,214
Loss (gain) on Sales and retirement of non-current assets	(28,707)	(55,850)
Decrease (increase) in notes and accounts receivable-trade	(857,585)	(1,039,147)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	636,727	15
Decrease (increase) in inventories	(9,104)	(163,547)
Increase (decrease) in notes and accounts payable-trade	518,163	542,297
Decrease (increase) in other current assets	(110,421)	(86,463)
Increase (decrease) in other current liabilities	303,655	253,494
Increase (decrease) in other non-current liabilities	(102,075)	71,917
Others, net	31,200	29,583
Subtotal	4,901,114	5,708,986
Interest income received	6,537	6,375
Interest expenses paid	(79,719)	(74,985)
Proceeds from subsidy income	409,711	61,758
Compensation for damage paid	(55,893)	(26,115)
Income taxes refund	1,852	15,093
Income taxes paid	(101,132)	(330,273)
Business structure improvement expenses paid	-	(411,935)
Net cash provided by (used in) operating activities	5,082,468	4,948,903

	Nine months ended (April 1, 2014 – December 31, 2014)	Nine months ended (April 1, 2015 – December 31, 2015)
Cash flows from investing activities		
Payments into time deposits	(3,800,000)	(4,000,000)
Proceeds from withdrawal of time deposits	2,000,000	4,000,000
Proceeds from sales of securities	500,000	-
Purchase of property, plant and equipment	(3,945,966)	(4,215,155)
Proceeds from sales of property, plant and equipment	84,409	279,857
Purchase of intangible assets	(48,461)	(37,160)
Proceeds from rent income on facilities	38,216	42,728
Others, net	(12,689)	(8,486)
Net cash provided by (used in) investing activities	(5,184,490)	(3,938,216)
Cash flows from financing activities		
Increase in short-term loans payable	211,392	1,583,110
Decrease in short-term loans payable	(1,180,185)	(1,506,220)
Proceeds from long-term loans payable	1,893,403	3,762,923
Repayments of long-term loans payable	-	(2,440,397)
Purchase of treasury shares	(21)	(43)
Repayments of lease obligations	(1,988,615)	(2,026,043)
Proceeds from sale-leaseback transaction	525,229	988,400
Dividends paid to non-controlling interests	-	(189,222)
Net cash provided by (used in) financing activities	(538,796)	172,505
Effect of exchange rate change on cash and cash equivalents	108,684	(29,002)
Net increase (decrease) in cash and cash equivalents	(532,134)	1,154,189
Cash and cash equivalents at beginning of period	7,882,336	6,880,013
Cash and cash equivalents at end of period	7,350,202	8,034,203