

**Tera Probe, Inc.**

**Annual Financial Results**

**for the Year Ended December 31, 2017**

**This document has been translated from Japanese original for reference purpose only. In the event of any discrepancy between this translated document and Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.**

**Consolidated Financial Results (Japanese Accounting Standards)  
for the FY2017 (Ended December, 31, 2017)**

Feb 19, 2017

|  |                        |                        |   |
|--|------------------------|------------------------|---|
| 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  | Kazuhito Kanbe, CFO    | Tel: +81-45-476-5711   |   |
| Scheduled date of ordinary shareholders' meeting                           | Mar 29, 2017           |                        |   |
| Scheduled date of commencement of dividend payment                         | -                      |                        |   |
| Scheduled date for filing of annual securities report                      | Mar 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 December 31, 2017 (April 1, 2017 – December 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 | %     |
| FY2017 | 17,869      | -      | 1,845            | -      | 1,790           | -     | 334         | -     |
| FY2016 | 18,812      | (17.2) | 2,334            | (16.1) | 2,539           | (0.6) | 1,242       | 166.8 |

(Note) Comprehensive income Year ended December 31, 2017: 1,526 million yen (- %)

Year ended March 31, 2017: 2,630 million yen (1,120.5%)

|        | 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                           | %                | %  | %                                      |
| FY2017 | 36.05                       | -                             | 1.5              | 3.6                                      | 10.3                                   |
| FY2016 | 133.90                      | -                             | 5.9              | 6.2                                      | 12.4                                   |

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

Year ended December 31, 2017: - million yen

Year ended March 31, 2017: 101 million yen

(Note) In the fiscal year ended December 31, 2017, the Company finalized the provisional accounting for business combinations, and reflected the provisional accounting for the consolidated financial statements in the fiscal year ended March 31, 2017.

(2) Consolidated Financial Position

|        | Total assets | Net assets  | Equity ratio | Net assets per share |
|--------|--------------|-------------|--------------|----------------------|
|        | Million yen  | Million yen | %            | Yen                  |
| FY2017 | 54,329       | 29,164      | 41.5         | 2,426.41             |
| FY2016 | 46,317       | 27,221      | 47.4         | 2,366.55             |

(Reference) Shareholders' equity Year ended December 31, 2017: 22,522 million yen

Year ended March 31, 2017: 22,014 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                            |
| FY2017 | 6,870                                | (12,065)                             | 4,503                                | 8,910                                  |
| FY2016 | 6,478                                | (11,765)                             | 7,602                                | 9,542                                  |

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     | %            | %                                |
| FY2017 | -                  | 0.00 | -   | 0.00     | 0.00   | 0               | 0.0          | 0.0                              |
| FY2016 | -                  | 0.00 | -   | 0.00     | 0.00   | 0               | 0.0          | 0.0                              |

3. Consolidated Earnings Forecast for the First Quarter of FY2018 (January 1, 2018 – March 31, 2018)

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 FY2018 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/FY2018 | 6,200       | - | 830              | - | 780             | - | 110         | - | 11.85                |

(Note) The company has changed its end of fiscal year from March 31 to December 31. As the result, the percent of year-on year changes is not indicated because the first quarter of the fiscal year ending December 31, 2018 (January 1, 2018 to March 31, 2018) and the first quarter of the previous fiscal year (April 1, 2017 to June 30, 2017) cover different periods.

Notes

- (1) Changes of important subsidiaries during the period (changes of specific in accordance with changes in the scope of consolidation): None
- (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: Yes
- (iv) Restatement: None

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

|  |        |                  |        |                  |
|--|--------|------------------|--------|------------------|
| (v) Number of shares outstanding at end of period (including treasury stock) | FY2017 | 9,282,500 shares | FY2016 | 9,282,500 shares |
| (vi) Number of treasury stock at end of period                               | FY2017 | 145shares        | FY2016 | 145shares        |
| (vii) Average number of shares outstanding during the period                 | FY2017 | 9,282,355 shares | FY2016 | 9,282,355 shares |

\*Reference

Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2017(April 1, 2017 –December 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 | %    |
| FY2017 | 8,133       | -      | (464)            | -      | (86)            | -      | (209)       | -    |
| FY2016 | 11,470      | (33.5) | 156              | (89.5) | 288             | (80.9) | 417         | 40.8 |

|        | Net income per share(basic) | Net income per share(diluted) |
|--------|-----------------------------|-------------------------------|
|        | Yen                         | Yen                           |
| FY2017 | (22.62)                     | -                             |
| FY2016 | 44.95                       | -                             |

(2) Non-Consolidated Financial Position

|        | Total assets | Net assets  | Equity ratio | Net assets per share |
|--------|--------------|-------------|--------------|----------------------|
|        | Million yen  | Million yen | %            | Yen                  |
| FY2017 | 26,098       | 19,434      | 74.5         | 2,093.70             |
| FY2016 | 25,338       | 19,644      | 77.5         | 2,116.33             |

(Reference) Shareholders' equity

Year ended December 31, 2017: 19,434 million yen

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

## 1. Overview of the Group

The company has changed its end of fiscal year from March 31 to December 31 pursuant to the resolution at the 12th annual shareholders meeting held on June 29, 2017.

As the result, the 13th business period (FY2017) comprises nine months and hence the company does not describe the comparison of the results over the previous fiscal year in this business report.

### (1) Description of Operating Results

For the third quarter of the fiscal year ended December 31, 2017, net sales at Tera Probe Group increased slightly compared with the previous quarter because the demand showed a recovery trend in the late third quarter, although inventory adjustment by certain customers continued. So, the Group's consolidated results for the third quarter were net sales of 6,002 million yen (QoQ increase of 1.4%), operating income of 619 million yen (QoQ increase of 1.8%), and ordinary income of 582 million yen (QoQ increase of 1.6%). Quarterly net income attributable to owners of parent were 77 million yen (QoQ decrease of 35.9%) because we recorded 74 million yen expenses for Hiroshima plant relocation as an extraordinary loss, and quarterly net income attributable to non-controlling interests of 319 million yen.

For the fiscal year ended December 31, 2017 (9 months) (FY2017), we could receive a strong demand for automotive products and also made Tera Probe Aizu, Inc. our wholly owned subsidiary. As a result, the Group's consolidated results were net sales of 17,869 million yen, operating income of 1,845 million yen, and ordinary income of 1,790 million yen. Net income attributable to owners of parent was 334 million yen because net income attributable to non-controlling interests was 817 million yen.

With regarding to the compensation for Hiroshima plant relocation, although we received 461 million yen as an installment payment of it in December 2017, we will record a whole compensation as an extraordinary profit at one time after the completion of Hiroshima plant relocation.

Performance by segment is as follows. The results by segment do not include consolidation adjustments, currency exchange rate adjustments and expenses not allocated by segment.

#### ① Memory Business

For the third quarter, while the memory business was affected by changes in production mix by a major customer and sales fell compared with the previous quarter, we reduced expenses on the other hand. As a result, net sales in the memory business for the third quarter were 2,715 million yen (QoQ decrease of 2.3%) and segment profit was 452 million yen (QoQ increase of 8.8%).

For the fiscal year ended December 31, 2017, although the demand volume for automotive and high end smartphone products were increased, it was not enough to compensate the affection by changes in production mix by a major customer. As a result, net sales in the memory business were 8,386 million yen and segment profit was 1,437 million yen.

#### ② System LSI Business

For the third quarter, the system LSI business increased in both sales and profits compared with the previous quarter because the volume of demand for automotive products grew steadily and inventory adjustments by certain customers broke away from its peak. As a result, net sales in the system LSI business for the third quarter were 3,224 million yen (QoQ increase of 3.9%) and segment profit was 634 million yen (QoQ increase of 25.8%).

For the fiscal year ended December 31, 2017, we could receive a strong demand for automotive products and also made Tera Probe Aizu, Inc. our wholly owned subsidiary. As a result, net sales in the system LSI business were 9,333 million yen and segment profit was 1,657 million yen.

## (2) Qualitative Information on Consolidated Financial Conditions

### ① Financial Conditions

Total assets at December 31, 2017 were 54,329 million yen, an increase of 8,012 million yen from March 31, 2017. This was mainly due to an increase of 9,374 million yen in Property, plant and equipment, despite a decrease of 1,000 million yen in securities.

Total liabilities amounted to 25,165 million yen, an increase of 6,069 million yen from March 31, 2017. This was mainly due to an increase in long-term loans payable by 2,756 million yen, short-term loans payable by 2,128 million yen and accounts payable-other by 949 million yen.

Net assets were 29,164 million yen, an increase of 1,942 million yen from March 31, 2017. This was mainly due to an increase in non-controlling interest of 1,387 million yen and retained earnings of 334 million yen respectively.

### ② Cash Flows

Cash and cash equivalents at December 31, 2017 decreased by 632 million yen when compared to March 31, 2017, to 8,910 million yen.

The overall situation regarding cash flows during this fiscal year was as described below.

Cash flows from operating activities were positive 6,870 million yen. The major positive factors were 5,338 million yen in depreciation and amortization and 1,735 million yen in profit before income taxes.

Cash flows from investing activities were negative 12,065 million yen. This was largely due to the payment of 12,751 million for the purchase of fixed assets.

Cash flows from financing activities were positive 4,503 million yen. These were largely due to the proceeds from LT and ST loans by 19,293 million yen and the repayment of LT and ST loans by 14,744 million yen.

### (3) Future Forecast

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.

For the first quarter of this fiscal year, we anticipate that both net sales and profits will increase compared to the previous quarter due to an increase of probe card sales and the conclusion of inventory adjustments by certain customers.

As a result of the above, the Group's consolidated results for the first quarter are expected as 6,200 million yen in sales, 830 million yen in operating income, and 780 million yen in ordinary income. Net income attributable to owners of parent is expected to be 110 million yen because an extraordinary loss of 200 million yen is expected for the relocation expenses from Hiroshima plant.

We expect to record the relocation expenses of Hiroshima plant as an extraordinary loss in the second quarter of this fiscal year continued from the first quarter. We will separately make an announcement as soon as we confirm when the extraordinary profit of the compensation will be recorded and how much the extraordinary loss will be.

Consolidated Financial Statements  
(1) Consolidated Balance Sheets

(Thousand yen)

|  | FY2016<br>(As of March 31, 2017) | FY2017<br>(As of December 31, 2017) |
|--|----------------------------------|-------------------------------------|
| <b>Assets</b>                              |                                  |                                     |
| <b>Current assets</b>                      |                                  |                                     |
| Cash and deposits                          | 11,942,599                       | 11,810,551                          |
| Notes and accounts receivable-trade        | 5,825,512                        | 5,720,087                           |
| Securities                                 | 1,000,000                        | -                                   |
| Finished goods                             | 68,124                           | 27,441                              |
| Work in process                            | 303,864                          | 433,367                             |
| Raw materials and supplies                 | 52,518                           | 67,715                              |
| Deferred tax assets                        | 129,410                          | 108,188                             |
| Accounts receivable-other                  | 767,518                          | 987,205                             |
| Others                                     | 244,553                          | 284,481                             |
| <b>Total current assets</b>                | <b>20,334,101</b>                | <b>19,439,039</b>                   |
| <b>Non-current assets</b>                  |                                  |                                     |
| <b>Property, plant and equipment</b>       |                                  |                                     |
| Buildings and structures, net              | 3,109,734                        | 4,377,554                           |
| Machinery, equipment and vehicles, net     | 13,772,699                       | 18,323,438                          |
| Land                                       | 1,606,675                        | 1,639,622                           |
| Construction in progress                   | 5,419,984                        | 8,602,291                           |
| Others, net                                | 1,044,868                        | 1,385,601                           |
| <b>Total property, plant and equipment</b> | <b>24,953,961</b>                | <b>34,328,508</b>                   |
| <b>Intangible assets</b>                   |                                  |                                     |
| Goodwill                                   | 120,769                          | 30,192                              |
| Others                                     | 205,894                          | 194,451                             |
| <b>Total intangible assets</b>             | <b>326,663</b>                   | <b>224,644</b>                      |
| <b>Investments and other assets</b>        |                                  |                                     |
| Claims provable in bankruptcy              | 194                              | 177                                 |
| Deferred tax assets                        | 890                              | 420                                 |
| Allowance for doubtful accounts            | (81)                             | (74)                                |
| Others                                     | 701,351                          | 337,052                             |
| <b>Total Investments and other assets</b>  | <b>702,355</b>                   | <b>337,575</b>                      |
| <b>Total non-current assets</b>            | <b>25,982,980</b>                | <b>34,890,727</b>                   |
| <b>Total assets</b>                        | <b>46,317,081</b>                | <b>54,329,767</b>                   |
| <b>Liabilities</b>                         |                                  |                                     |
| <b>Current liabilities</b>                 |                                  |                                     |
| Notes and accounts payable-trade           | 501,568                          | 788,763                             |
| Short-term loans payable                   | 440,000                          | 2,568,300                           |
| Current portion of long-term loans payable | 388,000                          | 388,000                             |
| Lease obligations                          | 609,927                          | 501,492                             |
| Accounts payable-other                     | 1,505,604                        | 2,455,508                           |
| Income taxes payable                       | 589,891                          | 477,337                             |
| Provision for bonuses                      | 674,667                          | 610,033                             |
| Deferred tax liabilities                   | 5,556                            | 585                                 |
| Others                                     | 1,006,387                        | 1,593,341                           |
| <b>Total current liabilities</b>           | <b>5,721,603</b>                 | <b>9,383,363</b>                    |

(Thousand yen)

|   | FY2016<br>(As of March 31, 2017) | FY2017<br>(As of December 31, 2017) |
|---|----------------------------------|-------------------------------------|
| <b>Noncurrent liabilities</b>                 |                                  |                                     |
| Long-term loans payable                       | 11,632,239                       | 14,388,286                          |
| Lease obligations                             | 1,007,241                        | 654,608                             |
| Deferred tax liabilities                      | 206,962                          | 256,418                             |
| Net defined benefit liabilities               | 248,242                          | 236,204                             |
| Asset retirement obligations                  | 13,635                           | 13,812                              |
| Others  | 265,510                          | 232,667                             |
| Total non-current liabilities                 | <u>13,373,832</u>                | <u>15,781,997</u>                   |
| Total liabilities                             | <u>19,095,435</u>                | <u>25,165,361</u>                   |
| <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                             | (1,617,483)                      | (1,282,821)                         |
| Treasury shares                               | (128)                            | (128)                               |
| Total shareholders' equity                    | <u>21,585,968</u>                | <u>21,920,631</u>                   |
| <b>Accumulated other comprehensive income</b> |                                  |                                     |
| Foreign currency translation adjustment       | 469,906                          | 629,445                             |
| Remeasurements of defined benefit plans       | (88,704)                         | (27,261)                            |
| Total accumulated other comprehensive income  | <u>381,201</u>                   | <u>602,183</u>                      |
| Non-controlling interests                     | <u>5,254,476</u>                 | <u>6,641,591</u>                    |
| Total net assets                              | <u>27,221,646</u>                | <u>29,164,406</u>                   |
| Total liabilities and net assets              | <u>46,317,081</u>                | <u>54,329,767</u>                   |

## (2) Consolidated Statements of Income and Comprehensive Income

(Thousand yen)

|   | FY2016<br>(April 1, 2016 - March 31, 2017) | FY2017<br>(April 1, 2017 - December 31, 2017) |
|---|--|---|
| Net sales   | 18,812,783                                 | 17,869,444                                    |
| Cost of sales   | 14,481,463                                 | 14,191,899                                    |
| Gross profit  | 4,331,320                                  | 3,677,544                                     |
| Selling, general and administrative expenses                  | 1,997,066                                  | 1,831,668                                     |
| Operating income  | 2,334,254                                  | 1,845,876                                     |
| Non-operating income  |  |   |
| Interest income   | 4,232                                      | 3,587   |
| Share of profit of entities accounted for using equity method | 101,404                                    | -   |
| Rent income on facilities                                     | 170,082                                    | 92,372  |
| Other   | 176,899                                    | 59,671  |
| Total non-operating income                                    | 452,619                                    | 155,632                                       |
| Non-operating expenses  |  |   |
| Interest expenses   | 109,244                                    | 126,783                                       |
| Depreciation of assets for rent                               | 74,297                                     | 59,653  |
| Other   | 63,456                                     | 24,298  |
| Total non-operating expenses                                  | 246,998                                    | 210,735                                       |
| Ordinary income   | 2,539,876                                  | 1,790,772                                     |
| Extraordinary income  |  |   |
| Gain on sales of non-current assets                           | 31,815                                     | 73,002  |
| Local government subsidy                                      | 12,512                                     | -   |
| Gain on step acquisitions                                     | 1,629                                      | -   |
| Gain on reversal of subscription rights to shares             | 51,269                                     | -   |
| Total extraordinary income                                    | 97,226                                     | 73,002  |
| Extraordinary loss  |  |   |
| Loss on sales of non-current assets                           | 20,301                                     | 26,194  |
| Loss on retirement of non-current assets                      | 7,785                                      | 26,951  |
| Impairment loss   | 147,684                                    | -   |
| Business place transfer expenses                              | -  | 74,786  |
| Total extraordinary loss                                      | 175,771                                    | 127,932                                       |
| Income before income taxes                                    | 2,461,330                                  | 1,735,842                                     |
| Income taxes-current  | 415,313                                    | 512,334                                       |
| Income taxes-deferred   | (15,594)                                   | 71,147  |
| Total income taxes  | 399,719                                    | 583,482                                       |
| Net income  | 2,061,611                                  | 1,152,360                                     |
| (Net income attributable to)                                  |  |   |
| Net income attributable to owners of parent                   | 1,242,931                                  | 334,662                                       |
| Net income attributable to non-controlling interests          | 818,680                                    | 817,697                                       |
| Other comprehensive income                                    |  |   |
| Foreign currency translation adjustment                       | 544,440                                    | 312,821                                       |
| Remeasurements of defined benefit plans, net of tax           | 24,671                                     | 61,442  |
| Total other comprehensive income                              | 569,111                                    | 374,264                                       |
| Comprehensive income  | 2,630,722                                  | 1,526,624                                     |



(Thousand yen)

---

|  | FY2016                           | FY2017                              |
|--|----------------------------------|-------------------------------------|
|  | (April 1, 2016 – March 31, 2017) | (April 1, 2017 - December 31, 2017) |
| (Comprehensive income attributable to)                         |                                  |                                     |
| Comprehensive income attributable to owners of the parent      | 1,545,266                        | 555,644                             |
| Comprehensive income attributable to non-controlling interests | 1,085,455                        | 970,980                             |

## (3) Consolidated Statements of Changes in Net Assets

(Thousand yen)

|  | FY2016<br>(April 1, 2016 – March 31, 2017) | FY2017<br>(April 1, 2017 -December 31, 2017) |
|--|--|--|
| <b>Shareholders' equity</b>                          |  |  |
| <b>Capital Stock</b>                                 |  |  |
| 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                                   |
| <b>Capital surplus</b>                               |  |  |
| 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                                   |
| <b>Retained earnings</b>                             |  |  |
| Balance at the beginning of current period           | (2,860,414)                                | (1,617,438)                                  |
| Changes of items during the period                   |  |  |
| Net income (loss) attributable to owners of parent   | 1,242,931                                  | 334,662                                      |
| Total changes of items during the period             | 1,242,931                                  | 334,662                                      |
| Balance at the end of current period                 | (1,617,483)                                | (1,282,821)                                  |
| <b>Treasury shares</b>                               |  |  |
| Balance at the beginning of current period           | (128)                                      | (128)  |
| Changes of items during the period                   |  |  |
| Total changes of items during the period             | -  | -  |
| Balance at the end of current period                 | (128)                                      | (128)  |
| <b>Total shareholders' equity</b>                    |  |  |
| Balance at the beginning of current period           | 20,343,037                                 | 21,585,968                                   |
| Changes of items during the period                   |  |  |
| Net income (loss) attributable to owners of parent   | 1,242,931                                  | 334,662                                      |
| Total changes of items during the period             | 1,242,931                                  | 334,662                                      |
| Balance at the end of current period                 | 21,585,968                                 | 21,920,631                                   |
| <b>Valuation and translation adjustments</b>         |  |  |
| <b>Foreign currency translation adjustment</b>       |  |  |
| Balance at the beginning of current period           | 192,241                                    | 469,906                                      |
| Changes of items during the period                   |  |  |
| Net changes of items other than shareholders' equity | 277,664                                    | 159,538                                      |
| Total changes of items during the period             | 277,664                                    | 159,538                                      |
| Balance at the end of current period                 | 469,906                                    | 629,445                                      |
| <b>Remeasurements of defined benefit plans</b>       |  |  |
| Balance at the beginning of current period           | (113,375)                                  | (88,704)                                     |
| Changes of items during the period                   |  |  |
| Net changes of items other than shareholders' equity | 24,671                                     | 61,442                                       |
| Total changes of items during the period             | 24,671                                     | 61,442                                       |
| Balance at the end of current period                 | (88,704)                                   | (27,261)                                     |

(Thousand yen)

|  | FY2016<br>(April 1, 2016 – March 31, 2017) | FY2017<br>(April 1, 2017 -December 31, 2017) |
|--|--|--|
| <b>Total accumulated other comprehensive income</b>  |  |  |
| Balance at the beginning of current period           | 78,866                                     | 381,201                                      |
| Changes of items during the period                   |  |  |
| Net changes of items other than shareholders' equity | 302,335                                    | 220,981                                      |
| Total changes of items during the period             | 302,335                                    | 220,981                                      |
| Balance at the end of current period                 | 381,201                                    | 602,183                                      |
| <b>Subscription rights to shares</b>                 |  |  |
| 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)                                   | -  |
| Total changes of items during the period             | (35,608)                                   | -  |
| Balance at the end of current period                 | -  | -  |
| <b>Non-controlling interests</b>                     |  |  |
| Balance at the beginning of current period           | 3,196,260                                  | 5,254,476                                    |
| Changes of items during the period                   |  |  |
| Net changes of items other than shareholders' equity | 2,058,215                                  | 1,387,115                                    |
| Total changes of items during the period             | 2,058,215                                  | 1,387,115                                    |
| Balance at the end of current period                 | 5,254,476                                  | 6,641,591                                    |
| <b>Total net assets</b>                              |  |  |
| Balance at the beginning of current period           | 23,653,772                                 | 27,221,646                                   |
| Changes of items during the period                   |  |  |
| Net income (loss) attributable to owners of parent   | 1,242,931                                  | 334,662                                      |
| Net changes of items other than shareholders' equity | 2,324,943                                  | 1,608,096                                    |
| Total changes of items during the period             | 3,567,874                                  | 1,942,759                                    |
| Balance at the end of current period                 | 27,221,646                                 | 29,164,406                                   |

## (4) Consolidated Statements of Cash Flows

(Thousand yen)

|   | FY2016<br>(April 1, 2016 – March 31, 2017) | FY2017<br>(April 1, 2017 - December 31, 2017) |
|---|--|---|
| <b>Cash flows from operating activities</b>   |  |   |
| Profit before income taxes  | 2,461,330                                  | 1,735,842                                     |
| Depreciation  | 5,490,808                                  | 5,338,379                                     |
| Impairment loss   | 147,684                                    | -   |
| Share-based compensation expenses   | 15,660                                     | -   |
| Gain on reversal of subscription rights to shares                                       | (51,269)                                   | -   |
| Amortization  | -  | 90,576  |
| Increase (decrease) in allowance for doubtful accounts                                  | (9)  | (6)   |
| Loss (gain) on step acquisitions  | (1,629)                                    | -   |
| Increase (decrease) in net defined benefit liability                                    | 28,902                                     | 17,829  |
| Increase (decrease) in provision for business transfer                                  | (175,408)                                  | -   |
| Increase (decrease) in provision for bonuses  | 205,975                                    | (74,931)                                      |
| Interest income   | (4,232)                                    | (3,587)                                       |
| Interest expenses   | 109,244                                    | 126,783                                       |
| Share of (profit) loss of entities accounted for using equity method                    | (101,404)                                  | -   |
| Rental  | (170,082)                                  | (92,372)                                      |
| Compensation expenses   | -  | -   |
| Interest on refund  | (401)                                      | (1,299)                                       |
| Loss (gain) on sales and retirement of non-current assets                               | (3,728)                                    | (18,824)                                      |
| Local government subsidy  | (12,512)                                   | -   |
| Decrease (increase) in notes and accounts receivable-trade                              | 273,719                                    | 159,401                                       |
| Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation | 20   | 16  |
| Decrease (increase) in inventories  | (118,293)                                  | (98,711)                                      |
| Increase (decrease) in notes and accounts payable-trade                                 | (868,283)                                  | 286,532                                       |
| Decrease (increase) in other current assets   | (313,042)                                  | (243,452)                                     |
| Increase (decrease) in other current liabilities  | 104,545                                    | (31,631)                                      |
| Increase (decrease) in other noncurrent liabilities                                     | (19,454)                                   | (32,349)                                      |
| Others, net   | (9,577)                                    | 9,298   |
| Subtotal  | 6,988,560                                  | 7,167,493                                     |
| Interest income received  | 4,574                                      | 3,600   |
| Interest expenses paid  | (108,308)                                  | (126,993)                                     |
| Proceeds from subsidy income  | 24,553                                     | -   |
| Compensation for relocation received  | -  | 461,558                                       |
| Compensation for damage paid  | (48,399)                                   | (667)   |
| Income taxes refund   | 6,366                                      | 78,093  |
| Income taxes paid   | (389,035)                                  | (712,728)                                     |
| Net cash provided by (used in) operating activities                                     | 6,478,309                                  | 6,870,355                                     |

(Thousand yen)

|  | FY2016<br>(April 1, 2016 – March 31, 2017) | FY2017<br>(April 1, 2017 -December 31, 2017) |
|--|--|--|
| <b>Cash flows from investing activities</b>                                      |  |  |
| Payments for time deposits   | (7,800,000)                                | (4,300,000)                                  |
| Proceeds from withdrawal of time deposits  | 7,900,000                                  | 4,800,000                                    |
| Purchase of property, plant and equipment  | (12,182,515)                               | (12,715,048)                                 |
| Proceeds from sales of property, plant and equipment                             | 297,092                                    | 114,986                                      |
| Purchase of intangible assets  | (46,998)                                   | (33,868)                                     |
| Proceeds from equipment rental   | 165,081                                    | 92,372                                       |
| Proceeds from transfer of business   | 596,547                                    | -  |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (95,495)                                   | -  |
| Payments of loans receivable from subsidiaries and associates                    | (1,045,000)                                | -  |
| Collection of loans receivable to subsidiaries and affiliates                    | 571,000                                    | -  |
| Others, net  | (30,607)                                   | (24,368)                                     |
| Net cash provided by (used in) investing activities                              | (11,670,895)                               | (12,065,926)                                 |
| <b>Cash flows from financing activities</b>                                      |  |  |
| Increase in short-term loans payable   | 2,583,300                                  | 8,766,220                                    |
| Decrease in short-term loans payable   | (3,115,352)                                | (6,687,300)                                  |
| Proceeds from long-term loans payable  | 7,799,224                                  | 10,526,941                                   |
| Repayments of long-term loans payable  | (654,851)                                  | (8,057,220)                                  |
| Repayments of lease obligations  | (1,044,081)                                | (461,737)                                    |
| Gain from Sale and Lease-back  | 1,061,272                                  | -  |
| Proceeds from share issuance to non-controlling shareholders                     | 1,067,308                                  | 721,941                                      |
| Dividends paid to non-controlling interests                                      | (94,548)                                   | (305,806)                                    |
| Net cash provided by (used in) financing activities                              | 7,602,270                                  | 4,503,038                                    |
| Effect of exchange rate change on cash and cash equivalents                      | 59,310                                     | 60,484                                       |
| Net increase (decrease) in cash and cash equivalents                             | 2,468,994                                  | (632,047)                                    |
| Cash and cash equivalents at beginning of period                                 | 7,073,604                                  | 9,542,599                                    |
| Cash and cash equivalents at end of period                                       | 9,542,599                                  | 8,910,551                                    |