

**TeraProbe Reports Financial Results
for the Year Ended March 31,2012**

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Consolidated Financial Results(Japanese Accounting Standards) for the FY2011(Ended March,31)

May 9,2012

Company name	Tera Probe, Inc.	Stock Exchange listing	Tokyo Stock Exchange
Stock code	6627	URL	http://www.teraprobe.com/
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Scheduled date of ordinary shareholders' meeting	June 25,2012		
Scheduled date of commencement of dividend payment	—		
Scheduled date for filing of annual securities report	June 26,2012		
Supplementary documents	: Yes		
Financial results briefing	: Yes (for analysts and institutional investors)		

(Amounts of less than one million yen are truncated less than one million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2012(April 1, 2011 – March 31, 2012)

(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	%
Year ended March 31,2012	24,190	13.1	2,710	(47.7)	2,402	(50.3)	(5,529)	—
Year ended March 31,2011	21,381	19.9	5,181	79.1	4,835	87.0	4,151	86.1

(Note)Comprehensive income: (5,359)million yen(-%) for year ended March 31,2012
4,449million yen(78.6%) for year ended March 31,2011

	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	%	%	%
Year ended March 31,2012	(595.74)	—	(25.0)	5.3	11.2
Year ended March 31,2011	509.44	—	20.1	11.6	24.2

(Reference)Equity in net income of affiliates — million yen for the fiscal year ended March 31,2012
— million yen for the fiscal year ended March 31,2011

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31,2012	41,088	21,198	47.1	2,084.25
Year ended March 31,2011	50,325	26,557	49.5	2,681.80

(Reference) Shareholders' equity Year ended March 31,2012:19,347million yen
Year ended March 31,2011:24,893 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows financing activities	Cash and cash equivalents at end of fiscal year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31,2012	9,813	(10,671)	(804)	5,557
Year ended March 31,2011	10,382	(8,503)	2,532	7,211

2. Dividends

	Dividend per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets(consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31,2011	—	0.00	—	0.00	0.00	0	—	—
Year ended March 31,2012	—	0.00	—	0.00	0.00	0	—	—

2. Non-Consolidated Forecasts for the Fiscal Year Ending March 31, 2013(April 1, 2012-March 31, 2013)

Due to a market circumstance of Semiconductors has a characteristic of changes in a short period, it is difficult to make annual earnings forecast. So we disclose only 1Q's non-consolidated earnings forecast. And dividends estimation is not disclosed.

Net sales 4,200Million yen, Operating income 350Million yen, Ordinary income 300Million yen

Net income per share 200Million yen, Net income per share 21.55Yen

※ Statement Relating to the Execution Status for Audit Procedures

This financial summary falls outside the scope of audit procedures based on the stipulations of the Financial Instruments and Exchange Act. The audit procedures for financial statements based on the stipulations of said Act were not completed at the time this financial summary was disclosed.

※ Explanations and other special notes concerning the appropriate use of business performance forecasts

The consolidated and non-consolidated business performance forecasts given in this document are based on assumptions, prospects, and future business plans, currently available on the date this document was published. Actual results may differ from these forecasts for a variety of reasons.

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1. Results of Operations

(1) Analysis of Operating Results

① Operating Results for the Fiscal Year under Review

The economic climate surrounding FY 2011 business results produced severe conditions in Japan's domestic economy. In addition to the extended impact of the major earthquake that struck northeastern Japan in March 2011, floods in Thailand and other natural disasters led to a slowdown in manufacturing, a stronger yen that weakened exports and other unfavorable outcomes.

In the semiconductor industry that Tera Probe is a part of demand briefly rose following the March earthquake, but the flood in Thailand and other factors caused a shortage of certain parts and delays in product assembly. As a result semiconductor manufacturing was forced to make adjustments, with poor results.

However, Tera Probe was able to increase net sales, due in part to the addition of Teramikros as a new consolidated subsidiary in the second half of the business year.

At the same time, since the opening of the Kyushu Operation Center in CY2006, Tera Probe has expanded its System LSI Business by focusing on SoC (system on chip) product wafer testing for Japanese domestic IDM (integrated device manufacturers) customers. At present the Kyushu Operation Center has more than 70 testing machines, making it one of the largest wafer testing houses in Japan. However, given its exposure to severe changes in market conditions, the Center's business performance remains unsteady despite having made sizeable investments. As a result the Center has sustained persistent losses.

Recently, Tera Probe has increased its base of customers including overseas customers. Also, we have expanded our product field to include, for example, image sensors and analog products, two product areas offering high-growth potential compared to SoC products. Moreover, we undertook the challenge of reducing operational dependence on the business ups and downs of customers by shifting to more stable business operations based on strengthened partnerships with customers. However, given rapid changes in the global semiconductor market the Center needs to do more to shift away from SoC products to products in other fields. As a result, we now take a conservative view of the Center's future profitability and have recorded asset impairment losses on the Center's fixed assets.

Based on these circumstances, Tera Probe's consolidated FY 2011 results include net sales of 24,190 million yen (up 13.1% YoY), operating profit of 2,710 million yen (down 47.7% YoY) and ordinary profit of 2,402 million yen (down 50.3% YoY). Extraordinary gains amounted to 1,069 million yen (versus 246 million yen a year ago), mainly because of 559 million yen in negative goodwill following the acquisition of Teramikros, Inc. as a consolidated subsidiary. Extraordinary losses were 8,195 million yen (versus 201 million yen a year ago). These losses mainly consisted of a 2,701 million yen provision for doubtful accounts in reference to claims against Elpida Memory, Inc., which has filed for corporation reorganization, and a 5,388 million yen loss on the impairment of fixed assets at the Kyushu Operation Center. As a result, Tera Probe recorded a net loss of 5,529 million for the year (versus net income of 4,151 million yen in FY 2010). As a demonstration of responsibility for these business results Tera Probe's full-time corporate directors and corporate executive officers made the decision to reduce their remuneration by as much as 20% from January to March 2012. The reduction has been extended until June this year. Also, a reduction in bonuses paid to managers is under consideration.

Results for each Tera Probe business segment appear below. However, these results do not include consolidated adjustments, foreign currency adjustments or segment-related costs.

(Memory Business)

In the Memory Business, a weakening of the DRAM market caused lower-than-expected growth in customer-outsourced testing. This and other factors resulted in an inability to cover a rise in depreciation on capital investments made from FY 2010 into the first half of FY 2011. Also, non-DRAM memory products were unfavorable owing to a decline in the volume of customer-outsourced products.

As a result, FY 2011 consolidated Memory Business net sales were 19,745 million (up 0.7% YoY) while profits for this segment were 4,970 million yen (down 30.2% YoY).

(System LSI Business)

The System LSI Business posted weak results. Contributing factors were customer's manufacturing adjustments that affected existing customer-outsourced products and that were triggered by both flooding in Thailand and disappointing sales of digital consumer products. Also, anticipated testing of new customer-outsourced products encountered customer manufacturing delays.

While new customers and new customer-outsourced products as well as the addition of sales generated by the new consolidated subsidiary Teramikros resulted in a big jump in System LSI segment sales, these better sales were unable to make up for profit decline resulting from reduced testing of existing customer-outsourced products.

As a result, FY 2011 consolidated System LSI Business net sales were 4,529 million (up 154.1% YoY) but the segment suffered a loss of 998 million yen (versus a loss of 872 million yen a year ago).

②Outlook for the Next Fiscal Year

The semiconductor industry that Tera Probe is a part of has been undergoing significant short-term changes. As a result one-year business forecasts are difficult to formulate. Accordingly, we have issued a consolidated forecast only for the first quarter of FY 2012.

(2) Analysis of Financial Position

(i) Analysis of Assets, Liabilities and Net Assets

On a consolidated basis Tera Probe's total assets as of the end of FY 2011 were 41,088 million yen, a decline of 9,236 million yen compared with the end of FY 2010. The main explanation for this is that cash and cash equivalents suffered a drop of 1,653 million yen for various reasons, among which were a 2,701 million yen provision for doubtful accounts in reference to claims against Elpida Memory, which has applied for corporation reorganization; a 5,388 million yen asset impairment loss on fixed assets in the System LSI Business; and payment of equipment costs.

Liabilities were 19,890 million yen at the end of FY 2011, a reduction of 3,877 million yen versus the end of FY 2010. While notes and accounts payable rose by 694 million yen, lease obligations fell by 2,393 million yen and accounts payable dropped by 2,517 million yen due to payment of equipment costs and other payments.

Net assets at the end of FY 2011 stood at 21,198 million yen, a decline of 5,359 million yen versus the end of FY 2010. The main reason for the decline was that retained earnings fell in response to the net loss posted for the full business year. As a result, this produced a capital ratio of 47.1%, a decline of 2.4 percentage points versus the end of FY 2010.

(ii) Analysis of Cash Flows

On a consolidated basis the balance of cash and cash equivalents at the end of FY 2011 was 5,557 million yen, a decline of 1,653 million yen or down 22.9% versus the end of FY 2010.

Cash flow details are reviewed below.

(Cash flows from operating activities)

Cash flow from operating activities saw a net inflow of 9,813 million yen (a 5.5% drop versus the net inflow recorded at the end of FY 2010). The main positive factors were 9,219 million yen in depreciation, 5,388 million yen on the impairment of System LSI Business assets, and a 2,701 million yen provision for doubtful accounts in reference to claims against Elpida Memory, which has applied for corporation reorganization. In contrast, the main negative factors were loss before income taxes of 4,723 million yen and a 1,256 million payment of corporate income taxes decreased.

(Cash flows from investing activities)

Cash flow from investing activities saw a net outflow of 10,671 million yen (versus a 25.5% increase in net inflow a year ago). The main reason was 10,629 million yen spent on the acquisition of property, plant and equipment.

(Cash flows from financing activities)

Cash flows from financing activities produced a net cash outflow of 804 million yen (versus a net inflow of 2,532 million a year ago).

The main cash flow activity was an outflow of 6,699 million yen on repayment of lease obligations and an inflow of 5,895 million yen from sale and leaseback transactions.

(Reference) Cash flow indicators for the Group are as follows

	As of March 31,2010	As of March 31,2011	As of March 31,2012
Equity ratio(%)	49.9	49.5	47.1
Equity ratio (market value basis) (%)	—	43.3	19.5
Cash flow/interest bearing liabilities ratio (%)	1.35	1.52	1.36
Interest coverage ratio(times)	29.9	44.3	38.9

Equity ratio : Shareholders' equity / Total assets

Equity ratio (market value basis) : Market capitalization / Total assets

Cash flow / interest bearing liabilities ratio : Interest-bearing debt / Cash flow

Interest coverage ratio : Cash flow / Interest payments

(note1) Each indicator is calculated based on consolidated financial figures.

(note2) Equity ratio as of March 31, 2010 is not on the list above due to not able to calculate market capitalization.

(note3) Cash flow uses net cash provided by operating activities on the consolidated cash flow statements.

(note4) Debt with interest includes all debt with interest on the consolidated balance sheet.

(3) Basic Policy on the Payment of Dividends

Tera Probe treats the distribution of profits to shareholders as an important business responsibility. Our basic policy in this regard is that the distribution of profits should be balanced with growth in corporate value and that such distribution should be governed by the company's profit performance.

At the end of FY 2011 Tera Probe had negative retained earnings. This prevented a distribution of profits to shareholders in the form of dividends or other ways. The dividend level, in the event payment of a dividend appears possible, depends on financial conditions in each company business segment for a particular fiscal year, business results, future business plans and other factors. We plan to give consideration to the method, payout ratio and other matters related to the distribution of profits.

As for internal reserves, these are used to construct healthy company financial conditions and support the development of sustainable, vibrant business operations.

(4) Business and Other Risks

① Tera Probe's primary customer, Elpida Memory Inc., have applied for corporation reorganization proceedings

For information about this please see section (5) Notes Relating to Assumptions for the Going Concern.

② Reliance on particular customers

Tera Probe's business operations depend heavily on sales to the Elpida Memory Group, our primary business customer. The table below indicates the ratio of this sales dependency:

	As of March 31,2010	As of March 31,2011	As of March 31,2012
Sales ratio	74.6%	73.0%	67.5%
Inside, a Elpida Memory Inc.	72.1%	70.6%	66.2%

As part of the corporate reorganization process Elpida Memory will seek to revitalize itself by making adjustments to its manufacturing volume and the number of manufactured products. If the volume of testing services outsourced from Elpida to our company significantly declines, Tera Probe's business development, financial conditions and business results may be negatively affected.

Also, if any of our other major customers greatly reduces its customer-outsourced testing services or if the business environment surrounding one or more of our other major customers undergoes drastic

transformation, Tera Probe's business development, financial conditions and business results may be negatively affected.

□ Business conditions

The semiconductor products tested by Tera Probe are used in PCs, mobile phones, digital consumer electronics and other end products in a variety of fields. If these end products suddenly suffered a drastic sales decline, as happened in response to the CY 2008 global financial crisis, Tera Probe's business results could be negatively affected.

Also, if the customer-outsourced products tested by Tera Probe undergo any major change, such as a drop in testing of high-volume products, or if the overall volume of customer-outsourced testing falls, the operating rate for Tera Probe's equipment may experience a sudden decline. This could have a negative effect on Tera Probe's business operations.

□ Financing activities

Tera Probe's business requires a significant amount of capital investment. Our current management plans include investment related to start new business operations. We believe we can line up financing for it. However, as our business results may be heavily influenced by the corporate reorganization plans of our primary customer or if our financing plans are disrupted by sudden drastic changes in the business environment or some other event, Tera Probe's business development, financial conditions and business results may be negatively affected.

(5) Notes Relating to Assumptions for the Going Concern

Elpida memory, Inc. which is Tera Probe's major shareholder and Tera Probe's major customer, approximate 66% of sale in the Tera Probe group, filed a petition for the commencement of corporate reorganization proceedings with the Tokyo District Court on February 27, 2012. The Tokyo District Court made the order to commence corporate reorganization proceedings on March 23, 2012. Elpida memory, Inc. continues DRAM business after filing corporate reorganization proceedings and the Company gets order of wafer test business from Elpida on the same level before filing. Although Elpida's corporate reorganization proceedings has been commenced, it has not been approved by the Tokyo District Court at the end of this fiscal year. So it is difficult for Tera Probe to clear the uncertainty of the future about Elpida perfectly. In such situation, doubt about assumptions for the going concern is in existence.

(6) Corporate Group

The Tera Probe group consists of Tera Probe Inc. Japanese consolidated subsidiary Teramikros and overseas consolidated subsidiary TeraPower Technology Inc. The group specializes in customer-outsourced wafer testing and final testing as well as production of customer-outsourced wafer-level packages, all of which relate to the semiconductor manufacturing process.

Details concerning the business activities of the Tera Probe group, Tera Probe itself and companies affiliated with Tera Probe are described below.

□ Memory Business

The Tera Probe group's Memory Business mostly contains DRAM-related customer-outsourced wafer testing, which are handled mainly by Tera Probe's Hiroshima Operation Center and Taiwan-based TeraPower Technology Inc. The group handles wafer testing outsourced by Japanese domestic semiconductor makers, such as Elpida Memory (which treats Tera Probe as an equity-method affiliate), overseas semiconductor makers, fabless and other companies.

In general, wafer testing involves using testing programs provided by customers to test the electrical properties of semiconductor chips manufactured on wafers. Quality products are distinguished from substandard products, and a business transaction finishes when test results are sent to a customer. In

In addition, the group helps to lower customer wafer-testing costs through, for example, development of advanced testing programs and offering probe card design under outsourcing arrangements. Also, as DRAMs account for a significant portion of Memory Business sales, the group processes semiconductor chips using lasers and provides services that can stabilize and improve the chip yields of semiconductors manufactured by customers.

Also, in the case of multi-chip packages (MCP) and other semiconductor devices that package together different functional chips, one defective chip means that the entire package has to be discarded, which lowers overall yields and leads to higher costs. The Tera Probe group helps customers to avoid these problems by pre-testing semiconductors at high temperatures and high voltage levels. This burn-in testing performed during the wafer stage helps to weed out potentially substandard products and eliminate faulty chips from the manufacturing process. This use of the group's wafer-level burn-in technology leads to improved product reliability.

Semiconductors are developing more advanced product features and are undergoing cost-intensive migration to more advanced manufacturing processes. Semiconductor applications are also spreading to a variety of fields that demand product reliability, such as automobiles. As this continues, having technology which can assure high semiconductor yields, high quality and dependability is likely to become a competitive advantage.

Also, with Taiwan handling an increasing volume of customer-outsourced semiconductor manufacturing, the business operations of Tera Probe group's consolidated Taiwan-based subsidiary, TeraPower Technology Inc., are important. In Taiwan, TeraPower helps customers lower costs by using memory testing technology developed in Japan to provide wafer testing services that on par with Japan quality levels.

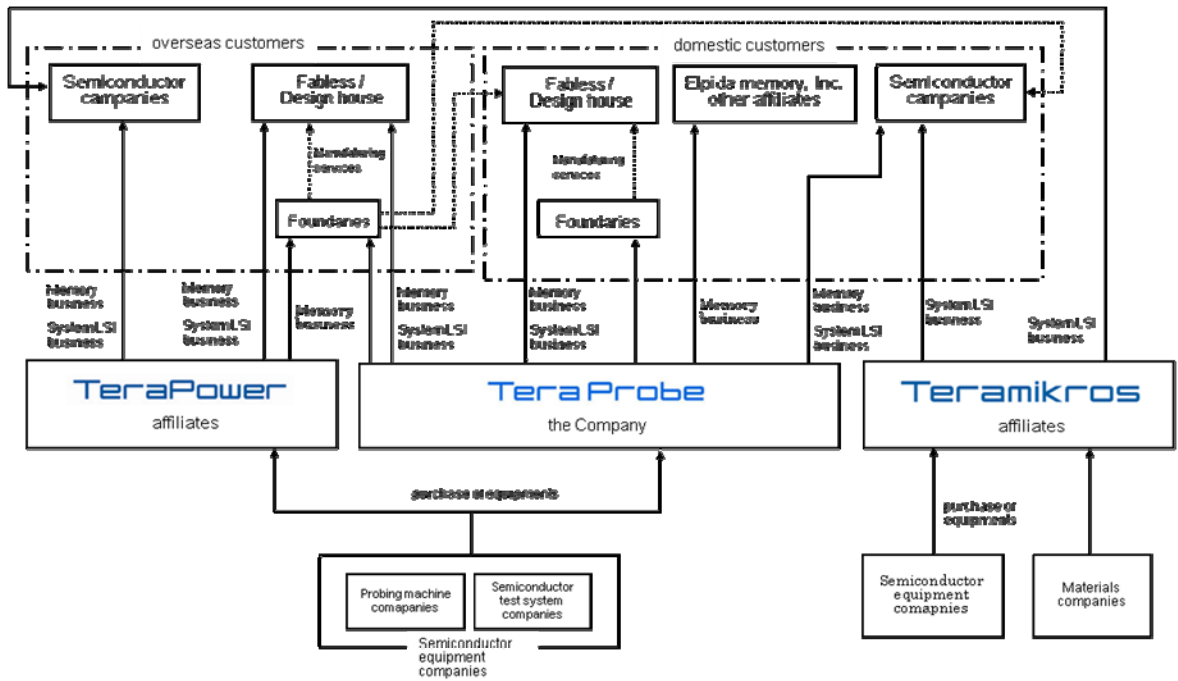
□ System LSI Business

The System LSI Business operates mainly through the Kyushu Operation Center to specialize in customer-outsourced testing of SoC, image sensors, analog and other semiconductor products made by Japanese and non-Japanese semiconductor makers and foundries. The Center also provides customer-outsourced final testing. Furthermore, Taiwan-based consolidated subsidiary TeraPower Technology provides customer-outsourced testing of SoC products. Lastly, Teramikros specializes in production of customer-outsourced MEMS sensors, analog semiconductors and other wafer-level packages.

The wafer testing services offered by the System LSI Business generally rely on testing programs provided by customers to test the properties of semiconductor chips made from wafers. Quality products are distinguished from substandard products and the test results are reported to customers. Compared with the Memory Business, the System LSI Business often handles outsourced products produced in flexible volumes. As a result, the testing equipment and testing environment varies depending on the product. For this reason, the System LSI Business is prepared to meet customer demand for advanced technology capabilities and flexibility.

The wafer-level packages outsourced to Teramikros are noted for their thin, small post-packaging product profiles. Teramikros is known for its high productivity, which is based on completing all package processes at the wafer stage.

The chart below is systematic diagram of business described above.



2. Management Policy

(1) Basic Corporate Management Policy

Tera Probe is prepared to handle any kind of business challenge by leveraging its superior technology and constant advances in operating efficiency. Our partnerships with semiconductor industry customers feature a high degree of satisfaction and trust. In line with our management philosophy of helping customers uncover new value we contribute to society by constantly improving semiconductor product testing technology and maximizing testing efficiency.

By providing efficient testing services based on advanced testing technology Tera Probe helps customers achieve higher levels of product competitiveness and contributes to the advancement of the semiconductor industry. We believe Tera Probe's well-known advanced capabilities provide the basis for a stronger future business performance.

Tera Probe remains devoted to improving its testing technology and upgrading the efficiency of its testing services. We believe this dedication will lead to expanded business opportunities and meet the expectations of shareholders and investors.

(2) Target Management Policy

Tera Probe is focused on realizing strong business growth, rewarding shareholders and achieving a high level of satisfaction among all stakeholders. Also, given the importance of sustained or higher levels of profitability, the company emphasizes return on equity (ROE) as a business performance indicator. Also, in the interest of balancing a level of profitability that can achieve targeted ROE with corporate health, we also stress the operating profit margin and the capital ratio as other essential indicators.

(3) Medium – to Long-Term Management Strategies and Target Management Indices

Tera Probe's medium to long-term corporate strategy centers on continuing to leverage the company's technology capabilities and strengthening our capital resources. At the same time, we are striving for higher levels of competitiveness and have as our goal increasing the volume of customer-outsourced products and cultivating new customer relationships that are based on superior pricing and non-pricing competitive advantages.

For this reason, we are gathering greater amounts of information related to customer needs, the market, technology, and competitors. Also, we are strengthening the development of testing technology, equipment designs and equipment programs. In addition to continuously introducing advanced equipment technology we continue to build a supply chain that includes packaging capabilities.

As these efforts bring increased customer know-how and improvements in customer support levels, we are focused on new and more reliable outsourcing relationships with customers. This can be done making Tera Probe a solid partner through active encouragement of rewarding horizontal business relationships in the Japanese market. In the overseas market, we are striving to win outsourced testing of new products by responding to a variety of customer needs, chief among them supply-chain convenience and desired levels of technology support.

Tera Probe is also focused on the maintenance and improvement of a healthy financial condition and flexible capital acquisition capabilities in order to achieve the measures described above.

(4) Issues Facing the Group

As described on (5) Notes Relating to Assumptions for the Going Concern in 1. Results of Operations, although Elpida's corporate reorganization proceedings has been commenced, it has not been approved by the Tokyo District Court at the end of this fiscal year. So it is difficult for Tera Probe to clear the uncertainty of the future about Elpida perfectly. In such situation, doubt about assumptions for the going concern is in existence.

Tera Probe group will implement countermeasures as below in order to change imbalance of sales which depends on one customer and strengthen financial stability.

In case that Elpida's reorganization plan is approved and Elpida continues to order wafer test to the Company, such unclearness will be cleared.

Improvement of System LSI business's profitability

Tera Probe will investigate further each product's profitability and check more to get order of low profitable products and consider use of low operating rate equipment. Tera Probe aims to establish Win-Win relationship with customers by strengthening check of investment risk at the timing of getting order of new products. Tera Probe aims to broaden business area by offering turn-key solutions integrated test services with WLP, which has advantage of small-footprint, produced by Teramikros, Inc. On cost reduction, Tera Probe has already decrease Tera Probe's full-time director's remuneration and will decrease manager's bonuses, service fee and more

Financing

Tera Probe group will consider several financing in order to strengthen financial stability. Also selection of equipments which are possessed and sale of low operating rate equipments to be considered.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Thousand yen)

	End of previous fiscal year (As of March 31, 2011)	End of fiscal year under review (As of March 31, 2012)
Assets		
Current assets		
Cash and deposits	7,211,189	5,557,662
Notes and accounts receivable-trade	3,774,836	3,537,532
Finished goods	12,675	27,861
Work in process	139,692	253,265
Raw materials and supplies	24,263	91,012
Deferred tax assets	184,377	264,977
Accounts receivable-other	3,293,869	494,390
Others	58,027	449,461
Allowance for doubtful accounts	—	(295)
Total current assets	14,698,932	10,675,868
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,322,848	3,004,029
Machinery, equipment and vehicles, net	27,037,352	22,886,511
Land	603,701	899,664
Construction in progress	1,350,530	183,544
Others, net	941,990	1,828,191
Total property, plant and equipment	*1 34,256,423	*1 28,801,940
Intangible assets	490,844	704,186
Investments and other assets		
Deferred tax assets	388,238	8,557
Claims provable in bankruptcy, claims provable in rehabilitation and other	—	3,120,838
Others	490,896	478,564
Allowance for doubtful accounts	—	(2,701,160)
Total Investments and other assets	*1 879,134	*1 906,800
Total noncurrent assets	35,626,402	30,412,926
Total assets	50,325,335	41,088,795
Liabilities		
Current liabilities		
Notes and accounts payable-trade	479,490	1,173,851
Short-term loans payable	1,580,400	1,858,764
Current portion of long-term loans payable	*2 300,000	*2 300,000
Lease obligations	5,994,960	3,960,205
Deferred tax liabilities	—	879
Accounts payable-other	5,131,497	2,614,449
Income taxes payable	992,098	103,938
Provision for bonuses	338,135	499,503
Notes payable-facilities	137,799	113,009
Others	562,181	673,995
Total current liabilities	15,516,563	11,298,595
Noncurrent liabilities		
Long-term loans payable	*2 300,000	—
Lease obligations	7,622,040	7,263,534

	End of previous fiscal year (As of March 31,2011)	End of fiscal year under review (As of March 31,2012)
Deferred tax liabilities	—	779,273
Provision for retirement benefits	90,566	154,989
Provision for directors' retirement benefits	55,552	74,259
Asset retirement obligations	9,245	22,648
Long-term notes payable-facilities	138,128	36,605
Others	35,580	260,582
Total noncurrent liabilities	8,251,112	8,591,893
Total liabilities	23,767,675	19,890,489
Net assets		
Shareholders' equity		
Capital Stock	11,823,312	11,823,312
Additional paid-in capital	11,380,267	11,380,267
Retained earnings	1,972,117	(3,557,859)
Total shareholders' equity	25,175,698	19,645,720
Accumulated other comprehensive income		
Foreign currency translation adjustment	(281,920)	(298,651)
Total accumulated other comprehensive income	(281,920)	(298,651)
Minority interests	1,663,881	1,851,236
Total net assets	26,557,660	21,198,305
Total liabilities and net assets	50,325,335	41,088,795

(2) Consolidated Statements of Income and Comprehensive Income

(Thousand yen)

	End of previous fiscal year (April 1,2010 - March 31,2011)	End of fiscal year under review (April 1,2011 - March 31,2012)
Net sales	21,381,338	24,190,114
Cost of sales	14,532,130	19,395,219
Gross profit	6,849,207	4,794,894
Selling, general and administrative expenses	1,667,226	2,084,665
Operating profit	5,181,981	2,710,229
Non-operating income		
Interest income	3,561	4,742
Rent income on facilities	44,028	32,284
Commission fee	9,114	29,150
Compensation income	—	58,036
Foreign exchange gains	—	17,927
Other	11,525	25,615
Total non-operating income	68,230	167,756
Non-operating expenses		
Interest expenses	234,595	252,359
Depreciation of assets for rent	17,265	10,660
Stock issuance cost	41,967	—
Depreciation of inactive noncurrent assets	84,472	141,781
Compensation expenses	—	60,077
Foreign exchange losses	13,422	—
Other	23,197	11,103
Total non-operating expenses	414,921	475,982
Ordinary profit	4,835,290	2,402,003
Extraordinary income		
Gain on sales of noncurrent assets	120,359	247,619
Gain on negative goodwill	—	559,308
Local government subsidy	126,341	262,777
Total extraordinary income	246,700	1,069,704
Extraordinary expenses		
Loss on sales of noncurrent assets	57,070	52,350
Loss on retirement of noncurrent assets	28,043	54,090
Impairment loss	*1 76,214	*1 5,388,016
Provision of allowance for doubtful accounts	—	2,701,160
Loss on cancellation of know-how license	38,095	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,453	—
Total extraordinary expenses	201,876	8,195,618
Income before income taxes or (Loss) before income taxes	4,880,113	(4,723,910)
Income taxes-current	908,473	62,208
Income Taxes Deferred	(569,464)	540,429
Total income taxes-current	339,009	602,637

	End of previous fiscal year (April 1,2010 - March 31,2011)	End of fiscal year under review (April 1,2011 – March 31,2012)
Income before minority interests or (Loss) before minority interests	4,541,104	(5,326,547)
Minority interests in income	389,639	203,430
Net income or (Net loss)	4,151,465	(5,529,977)
Minority interests in income	389,639	203,430
Income before minority interests or (Loss) before minority interests)	4,541,104	(5,326,547)
Other comprehensive income		
Foreign currency translation adjustment	(91,124)	(32,806)
Total other comprehensive income	(91,124)	(32,806)
Comprehensive income	4,449,979	(5,359,354)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	4,104,991	(5,546,709)
Comprehensive income attributable to minority interests	344,988	187,354

(3) Consolidated Statements of Changes in Net Assets

(Thousand yen)

	End of previous fiscal year (April 1,2010 - March 31,2011)	End of year under review (April 1,2011 - March 31,2012)
Shareholders' equity		
Capital Stock		
Balance at the beginning of current period	9,600,000	11,823,312
Changes of items during the period		
Issuance of new shares	2,223,312	—
Total changes of items during the period	2,223,312	—
Balance at the end of current period	11,823,312	11,823,312
Additional paid-in capital		
Balance at the beginning of current period	9,156,955	11,380,267
Changes of items during the period		
Issuance of new shares	2,223,312	—
Total changes of items during the period	2,223,312	—
Balance at the end of current period	11,380,267	11,380,267
Retained earnings		
Balance at the beginning of current period	(2,179,347)	1,972,117
Changes of items during the period		
Net income or (Net loss)	4,151,465	(5,529,977)
Total changes of items during the period	4,151,465	(5,529,977)
Balance at the end of current period	1,972,117	(3,557,859)
Total shareholders' equity		
Balance at the beginning of current period	16,577,607	25,175,698
Changes of items during the period		
Issuance of new shares	4,446,625	—
Net income or (Net loss)	4,151,465	(5,529,977)
Total changes of items during the period	8,598,090	(5,529,977)
Balance at the end of current period	25,175,698	19,645,720
Valuation and translation adjustments		
Foreign currency translation adjustment		
Balance at the beginning of current period	(235,446)	(281,920)
Changes of items during the period		
Net changes of items other than shareholders' equity	(46,473)	(16,731)
Total changes of items during the period	(46,473)	(16,731)
Balance at the end of current period	(281,920)	(298,651)
Total valuation and translation adjustments		
Balance at the beginning of current period	(235,446)	(281,920)
Changes of items during the period		
Net changes of items other than shareholders' equity	(46,473)	(16,731)
Total changes of items during the period	(46,473)	(16,731)
Balance at the end of current period	(281,920)	(298,651)

	End of previous fiscal year (April 1,2010 - March 31,2011)	End of fiscal year under review (April 1,2011 – March 31,2012)
Minority interests		
Balance at the beginning of current period	1,318,893	1,663,881
Changes of items during the period		
Net changes of items other than shareholders' equity	344,988	187,354
Total changes of items during the period	344,988	187,354
Balance at the end of current period	1,663,881	1,851,236
Total net assets		
Balance at the beginning of current period	17,661,055	26,557,660
Changes of items during the period		
Issuance of new shares	4,446,625	—
Net income or Net loss(Δ)	4,151,465	(5,529,977)
Net changes of items other than shareholders' equity	298,514	170,623
Total changes of items during the period	8,896,604	(5,359,354)
Balance at the end of current period	26,557,660	21,198,305

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	End of previous fiscal year (April 1,2010 - March 31,2011)	End of fiscal year under review (April 1,2011 - March 31,2012)
Net cash provided by (used in) operating activities		
Income before income taxes or (loss) before income taxes	4,880,113	(4,723,910)
Depreciation and amortization	6,703,011	9,219,990
Impairment loss	76,214	5,388,016
Gain on negative goodwill	—	(559,308)
Increase (decrease) in allowance for doubtful accounts	—	2,699,019
Increase (decrease) in provision	138,750	29,027
Interest income received	(3,561)	(4,742)
Interest expenses paid	234,595	252,359
Rent income on facilities	(44,028)	(32,284)
Compensation income	—	(58,036)
Local government subsidy	(126,341)	(262,777)
Stock issuance cost	41,967	—
Compensation expenses	—	60,077
Loss (gain) on sales of property, plant and equipment	(35,245)	(141,298)
Loss on cancellation of know-how license	38,095	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,453	—
Decrease (increase) in notes and accounts receivable-trade	(994,426)	1,702,013
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	—	(2,802,201)
Decrease (increase) in inventories	(11,668)	17,768
Increase (decrease) in notes and accounts payable-trade	66,575	94,026
Decrease (increase) in other current assets	(102,153)	56,706
Increase (decrease) in other current liabilities	(285,500)	(71,881)
Increase (decrease) in other noncurrent liabilities	—	226,121
Others, net	(4,942)	(30,967)
Subtotal	10,573,908	11,057,718
Interest income	7,130	4,733
Interest expenses	(234,242)	(252,700)
Proceeds from compensation	—	58,036
Proceeds from subsidy	126,341	262,777
Income taxes refund	8,940	—
Compensation for damage paid	—	(60,077)
Income taxes paid	(100,064)	(1,256,970)
Net cash provided by (used in) operating activities	10,382,013	9,813,515

	End of previous fiscal year (April 1,2010 - March 31,2011)	End of fiscal year under review (April 1,2011 – March 31,2012)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(9,127,259)	(10,629,255)
Proceeds from sales of property, plant and equipment	564,584	457,836
Purchase of intangible assets	(24,721)	(116,967)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	* ₂ (409,379)
Proceeds from rent income on facilities	110,549	33,159
Payments for lease and guarantee deposits	(26,631)	(3,250)
Proceeds from collection of lease and guarantee deposits	4,233	917
Payments for asset retirement obligations	(4,070)	(3,800)
Others, net	–	(1,001)
Net cash provided by (used in) investing activities	(8,503,314)	(10,671,740)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,557,898	300,000
Repayment of long-term loans payable	(300,000)	(300,000)
Repayments of lease obligations	(7,141,945)	(6,699,426)
Proceeds from sale and leaseback transaction	4,012,204	5,895,050
Proceeds from issuance of common stock	4,398,032	–
Proceeds from exercise of stock option	6,625	–
Net increase (decrease) in cash and cash equivalents	2,532,815	(804,376)
Effect of exchange rate change on cash and cash equivalents	(21,015)	9,074
Net increase (decrease) in cash and cash equivalents	4,390,498	(1,653,527)
Cash and cash equivalents	2,820,690	7,211,189
Cash and cash equivalents at end of period	*₁ 7,211,189	*₁ 5,557,662

(5)Notes Relating to Assumptions for the Going Concern

Elpida memory, Inc. which is Tera Probe's major shareholder and Tera Probe's major customer, approximate 66% of sale in the Tera Probe group, filed a petition for the commencement of corporate reorganization proceedings with the Tokyo District Court on February 27, 2012. The Tokyo District Court made the order to commence corporate reorganization proceedings on March 23, 2012. Elpida memory, Inc. continues DRAM business after filing corporate reorganization proceedings and Tera Probe gets order of wafer test business from Elpida on the same level before filing. Although Elpida's corporate reorganization proceedings has been commenced, it has not been approved by the Tokyo District Court at the end of this fiscal year. So it is difficult for Tera Probe to clear the uncertainty of the future about Elpida perfectly. In such situation, doubt about assumptions for the going concern is in existence.

Tera Probe accounts sales almost as it is and keeps cash to be needed for the time being. Tera Probe continues to consider increasing cash for operation and equipment spending in addition to increase revenue by improving operating rate of equipment until clearing this situation.

As long as taking these measures, there is significant unclearness about assumptions for the going concern at this time due to Elpida filed corporate reorganization proceedings and Elpida's reorganization plan is not approved.

Elpida will submit proposed reorganization plan to the Tokyo District court by August 21, 2012 from now on. Tera Probe considers that Elpida continues DRAM business and that there is quite a possibility of receiving order for wafer test from Elpida after approval for Elpida's reorganization plan. In case that Elpida's reorganization plan is approved and Elpida continues to order wafer test to Tera Probe, such unclearness will be cleared.

Consolidated financial statements were made on the assumption of going concern and effect of unclearness about assumption of going concern was not reflected on the consolidated financial statements.

(6)Basic Important Matters for the Preparation of Consolidated Financial Statements

1. Scope of Consolidation

Consolidated subsidiaries: 2

Name of consolidated subsidiaries:

TeraPower Technology Inc.

TeraMikros, Inc.

TeraMikros, Inc. was included into range of consolidation due to purchase of stock in this consolidated fiscal year.

2. Account Settlement Dates for Consolidated Subsidiaries

Among consolidated subsidiaries, the book-closing date for TeraPower Technology Inc. is the last day of December.

On the occasion of making consolidated financial statements, the financial statements used were based on provisional settlement of account.

3. Matters Concerning Accounting Standards

(i) Valuation standard and method for significant assets

a. Derivatives

Market value method

b. Inventory

Finished goods

Cost accounting method using the first in first out method and the gross average method (The values in the consolidated balance sheet were calculated using the book-value write-down method based on the decline in profitability.).

Work in progress

Cost accounting method using the gross average method (The values in the consolidated balance sheet were calculated using the book-value write-down method based on the decline in profitability.).

Supplies

Cost accounting method using the last invoice method or gross average method (The values in the consolidated balance sheet were calculated using the book-value write-down method based on the decline in profitability.).

(ii) Depreciation method for significant depreciable assets

Property, plant and equipment (excluding lease assets)

Straight-line method

The service lives for these major categories are as follows:

Buildings and structures 7 to 50 years

Machinery, equipment and vehicles 1 to 15 years

Other 1 to 30 years

Intangible assets

Straight-line method

Software for internal use is amortized over the expected usable period, up to 10 years.

Investments and other assets (excluding lease assets)

Straight-line method

Lend assets is amortized over 40 years.

Lease assets

Depreciation of finance lease transactions that involve a transfer of ownership is accounted for in a manner similar to ordinary fixed assets.

Depreciation of finance lease transactions that do not involve a transfer of ownership is computed using the straight-line method over the lease terms as service life, assuming no residual value.

Accounting standards for significant allowances

A. Allowance for doubtful accounts

To provide for a loss on doubtful accounts such as trade receivables are provided using a reasonably estimated rate of losses. Allowances for claims provable in bankruptcy, claims provable in rehabilitation and other are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectability of certain doubtful accounts.

B. Provision for bonuses

To prepare for the payment of bonuses for employees, the Company provides accrued bonuses for employees based on the projected amount for the consolidated fiscal year under review.

C. Provision for retirement benefits

To prepare for the payment of employee retirement benefits, the Company provides accrued retirement benefits based on projected benefits obligations and the fair value of pension assets at the consolidated fiscal year-end under review.

Past liabilities are accounted for according to the straight-line method as they are incurred for a certain number of years (20 years) of service of employees at the time of incurring.

Actual differences are charged to expenses from the next fiscal year using a straight-line method mainly based on determined years (20 years) within the average remaining years of service of employees when incurred.

D. Provision for directors' retirement benefits

To prepare for the payment of directors and officers retirement benefits, the Company provides accrued retirement benefits based on internal regulations at the consolidated fiscal year-end under review.

4. Translation standard for important foreign currency-denominated assets and liabilities into the Japanese yen

Foreign currency amounts are translated into the Japanese yen on the basis of the spot exchange rate in effect on the consolidated balance sheet date for monetary assets and liabilities.

Assets and liabilities of overseas subsidiary are translated into the Japanese yen on the basis of the spot exchange rate in effect on the consolidated balance sheet date. Profit and losses of overseas subsidiary are translated into the Japanese yen on the basis of the average exchange rate during the fiscal year. Effect of foreign currency changes of overseas subsidiary is included into the account of Foreign Currency Translation Adjustment and Minority Interest in the Net Assets.

5. Scope of funds in consolidated cash flow statements

Cash and cash equipments in consolidated cash flow statements consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments with a maturity of three months or less at the date of acquisition that can easily be converted into cash and that have only minor risks of changes in value.

6. Accounting Method for Consumption Taxes

The tax-exclusion method is used for the calculation of consumption tax and local consumption tax.

(7) Additional information

(Adoption of accounting standard of accounting changes and corrections of errors)

Accounting changes and corrections of errors after the beginning of this fiscal year (April 1, 2011) was adopted

Accounting standards on Accounting Changes and Corrections of Errors (Corporate accounting standard No.24 December 4, 2009) and Application guideline of accounting standards on accounting changes and correction of errors was adopted after the beginning of this fiscal year (April 1, 2011).

(8)Notes to Consolidated Financial Statements

(Notes to Consolidated Balance Sheet)

*1 Accumulated depreciation of property, plant and equipment and lend assets are as follows

	End of previous fiscal year (As of March 31,2011)	End of fiscal year under review (As of March 31,2012)
Accumulated depreciation of property, plant and equipment	38,703,802 thousand yen	59,466,619 thousand yen
Accumulated depreciation of lend assets	11,395 thousand yen	12,774 thousand yen

*2 Financial covenant is as follows.

	End of previous fiscal year (As of March 31,2011)	End of fiscal year under review (As of March 31,2012)
Financial covenant	<p>Long-term loans payable 600,000K yen has financial covenant. In case of violation of provisions below, loans with financial covenant should be repaid in full.</p> <p>(1) provisions of net assets In case of net assets amount on balance sheet lower than 7,824 million yen</p> <p>(2) provision of profit In case of net loss for the second consecutive fiscal year</p>	<p>Long-term loans payable 300,000K yen has financial covenant. In case of violation of provisions below, loans with financial covenant should be repaid in full.</p> <p>(1) provisions of net assets In case of net assets amount on balance sheet lower than 7,824 million yen</p> <p>(2) provision of profit In case of net loss for the second consecutive fiscal year</p>

(Notes to Consolidated Statements of Income and Comprehensive Income)

*1. Impairment loss

End of previous fiscal year (April 1, 2010 – March 31, 2011)

Location	Use	Category	Amount(thousand yen)
Higashi-Hiroshima-shi, Hiroshima	Predetermined disposal assets	Machinery, equipment and vehicles, other	76,214

In the Tera Probe group, business assets are grouped by business segment and significant lend assets, idle assets and predetermined disposal assets are grouped by individual basis. Predetermined disposal assets in Higashi-Hiroshima-shi, Hiroshima prefecture has no chance to be used for original purpose. So these assets's book value wrote down to recoverable amounts and this decreased amount was in extraordinary expenses. Details are as follows.
Machinery, Equipment and Vehicles 65,402 thousand yen, Others 10,811 thousand yen.
The recoverable amounts were measured based on net selling price. These assets are calculated by memorandum value due to impossible to diver to other utilization purpose and sell.

End of fiscal year under review (April 1, 2011 – March 31, 2012)

Location	Use	Category	Amount(thousand yen)
Ashikita-gun, Kumamoto	Business assets (semiconductor test equipment)	Buildings and structures, Machinery, equipment and vehicles, Land, Construction in progress etc.	5,282,000
Ashikita-gun, Kumamoto	Predetermined disposal assets	Construction in progress	106,016

In the Tera Probe group, business assets are grouped by business segment and significant lend assets, idle assets and predetermined disposal assets are grouped by individual basis. The book value of business assets in Ashikita-gun, Kumamoto prefecture wrote down to recoverable amounts due to deterioration of profitability caused by downturn of semiconductor's market and this decreased amount was in extraordinary expenses. Details are as follows.
Buildings and structures 1,819,673 thousand yen, Machinery, equipment and vehicles 2,993,393 thousand yen, Land 171,931 thousand yen, Construction in Progress 196,765 thousand yen and Others 100,236 thousand yen.
Predetermined disposal assets in Ashikita-gun, Kumamoto prefecture has no chance to be used for original purpose. So these assets's book value wrote down to recoverable amounts and this decreased amount was in extraordinary expenses.
The recoverable amounts of business assets were measured based on value in use which discount rate was 8%. The recoverable amounts of predetermined disposal assets were measured based on net selling price. These assets are calculated by memorandum value due to impossible to diver to other utilization purpose and sell.

(Notes to Consolidated Statements of Changes in Net Assets)
End of previous fiscal year (April 1, 2010 – March 31, 2011)

1. Types and numbers of issued capital stock

Types of shares	At beginning of consolidated fiscal year under review(share)	Increase(share)	Decrease(share)	At end of consolidated fiscal year under review(share)
Issued capital stock				
Common stock(Note 1)	768,000	8,514,500	—	9,282,500
Total	768,000	8,514,500	—	9,282,500

(note1) Detail of increase number of common stock: 8,514,500 shares

Stock split (1 : 10) 6,912,000 shares, Paid-for general offering 1,600,000shares,
Execution of stock option right 2,500 shares

2. New share subscription right and new treasury share subscription right

Not applicable

3. Dividends

Not applicable

End of fiscal year under review (April 1, 2011 – March 31, 2012)

1. Types and numbers of issued capital stock

Types of shares	At beginning of consolidated fiscal year under review(share)	Increase(share)	Decrease(share)	At end of consolidated fiscal year under review(share)
Issued capital stock				
Common stock(Note 1)	9,282,500	—	—	9,282,500
Total	9,282,500	—	—	9,282,500

2. New share subscription right and new treasury share subscription right

Not applicable

3. Dividends

Not applicable

(Notes to Consolidated Statements of Cash Flows)

*1 Relationship between closing cash and cash equivalents and the amount posted on the balance sheet

	End of previous fiscal year (April 1,2010 - March 31,2011)	End of fiscal year under review (April 1,2011 – March 31,2012)
Cash and deposits	7,211,189 thousand yen	5,557,662 thousand yen
Cash and cash equivalents	7,211,189 thousand yen	5,557,662 thousand yen

*2 Details of assets and debts of new consolidated subsidiary by purchase of shares

Details of beginning balance of Teramikros, Inc.'s assets and debts which consolidated by purchase of shares and relationship between purchase price of shares and net expense for purchasing shares

Current assets	2,273,032 thousand yen
Noncurrent assets	2,631,777 thousand yen
Current liabilities	(2,097,325) thousand yen
Noncurrent liabilities	(1,608,797) thousand yen
Negative goodwill	(559,308) thousand yen
Acquisition costs	639,379 thousand yen
Cash and cash equivalents	(230,000) thousand yen
Balance: Net expense for purchasing shares of Teramikros, Inc.	409,379 thousand yen

(Tax Effect Accounting)

1. Breakdown of principal causes of deferred tax assets and deferred tax liabilities

	(Thousand yen)	
	End of previous fiscal year (As of March 31,2011)	End of fiscal year under review (As of March 31,2012)
Deferred tax assets		
Provision for bonuses	69,927	153,347
Allowance for doubtful accounts	-	364,313
Fixed assets acquisition costs	120,627	118,441
Goodwill by capital consolidation	-	234,337
Depreciation	285,184	311,137
Impairment loss	241,896	1,879,586
Loss carried forward	-	117,363
Unrealized gain of fixed assets	42,470	7,847
Others	181,485	312,621
Sub total Deferred tax assets	941,592	3,498,996
Valuation allowance	(184,486)	(2,780,365)
Total Deferred tax assets	757,106	718,631
Deferred tax liabilities		
Reserve for special depreciation	(146,395)	(82,971)
Compressed entry	(34,940)	(75,393)
Fixed assets acquisition costs	-	(169,690)
Goodwill by capital consolidation	-	(80,045)
Differences of debt adjust account	-	(719,558)
Retained earnings of subsidiaries	-	(80,095)
Others	(3,154)	(17,495)
Total Deferred tax liabilities	(184,490)	(1,225,249)
Net total deferred tax assets	572,616	(506,617)

(Note)Net total deferred tax assets of the consolidated year under review and those of the previous consolidated fiscal year are included in the following items of the consolidated balance sheets

	(Thousand yen)	
	End of previous fiscal year (As of March 31,2011)	End of fiscal under review (As of March 31,2012)
Current assets – Deferred tax assets	184,377	264,977
Noncurrent assets – Deferred tax assets	388,238	8,557
Current liabilities – Deferred tax liabilities	-	(879)
Noncurrent liabilities – Deferred tax liabilities	-	(779,273)

2. Detail of major reasons for differences between statutory effective tax rate and Actual effective tax rate

	End of previous fiscal year (As of March 31,2011)	End of fiscal under review (As of March 31,2012)
Statutory effective tax rate (Adjustment)	40.4%	Abbreviation due to loss before income taxes
Non-deductible items such as entertainment expenses	0.2	
Valuation allowance	(29.7)	
Differences of foreign tax rates	(4.8)	
Others	0.8	
Actual effective tax rate	6.9	

3. Adjustment of deferred tax assets and deferred tax liabilities due to change of effective statutory tax rate

Following the introduction on December 2, 2011 of the Act of Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures and the Act on Special Measure for Securing Financial Recourses Necessary for Reconstruction following the Great East Japan Earthquake, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities in the consolidated fiscal year under review (only those expected settled or realized on or after April 1, 2012) is changed from the previous consolidated fiscal year's rate of 40.44% to 37.75% for temporary differences expected to be resolved on after April 1, 2012 to March 31, 2015, and to 35.38% for temporary differences expected to be resolved on after April 1, 2015.

As a result of these changes, each of deferred tax liabilities (net of deferred tax assets) and income tax deferred decreased 44,668 thousand yen.

(Segment Information)

a . Segment Information

1 . Overview of Reported Segments

The reported segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

The Company has business units based on products and services. These business units work together with related companies and make plans of domestic and overseas comprehensively.

On the basis of these segments, therefore, the Company decided to make the two units --- Memory / System LSI --- its reported segments.

Memory business is testing wafers of memories like DRAM and developing wafer test related things on consignment. System LSI business is testing wafers and chips of logic, SoC, sensors etc. and developing test relating things and packaging on consignment.

2. Basis for Calculating Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

The accounting methods used for reportable segments are generally the same as those described in “Basic Important Matters for the Preparation of Consolidated Financial Statements” except for basis for conversion from foreign currency to Japanese yen about asset and debt.

Concerning about conversion from foreign currency to Japanese yen about asset and debt, Sales, profit or loss, increase of tangible assets and intangible assets are used of fixed rate the Company decided internally and assets are used of spot rate at the end of fiscal year. Reported segment profit is based on operating profit. Inventory, tangible and intangible assets are allocated to reported assets. Segment assets related to business segment indirectly are allocated to each reported segment assets, but costs related to these assets are not allocated.

3. Information on net sales and profits or losses by reported segment
 Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

(Thousand yen)

	Reported segments			Adjustment	Total
	Memory Business	System LSI Business	Total		
Net sales					
Sales—outside customers	19,618,229	1,782,690	21,400,920	(19,581)	21,381,338
Sales and transfer inter-segment	—	—	—	—	—
Total	19,618,229	1,782,690	21,400,920	(19,581)	21,381,338
Segment profit(loss)	7,119,686	(872,234)	6,247,452	(1,065,470)	5,181,981
Segment assets	27,588,255	7,278,242	34,866,497	15,458,838	50,325,335
Other items					
Depreciation	5,602,797	864,561	6,467,358	56,659	6,524,018
Increase in property, plant and equipment, and intangible assets	13,987,951	2,147,698	16,135,650	(271,146)	15,864,504

Consolidated fiscal year under review (April 1, 2011 – March 31, 2012)

(Thousand yen)

	Reported segments			Adjustment	Total
	Memory Business	System LSI Business	Total		
Net sales					
Sales—outside customers	19,745,878	4,529,212	24,275,090	(84,975)	24,190,114
Sales and transfer inter-segment	—	—	—	—	—
Total	19,745,878	4,529,212	24,275,090	(84,975)	24,190,114
Segment profit(loss)	4,970,262	(998,765)	3,971,496	(1,261,267)	2,710,229
Segment assets	25,181,438	4,866,897	30,048,335	11,040,459	41,088,795
Other items					
Depreciation	7,819,691	1,251,250	9,070,942	(3,651)	9,067,291
Increase in property, plant and equipment, and intangible assets	5,992,857	1,744,016	7,736,873	101,602	7,838,476

4. Difference between Reportable Segments Total and Sales on Consolidated Financial Statements, and Main Factors in the Difference (Related to Difference Adjustment)

(Thousand yen)

Net sales	End of previous fiscal year	End of fiscal year under review
Reportable segments total	21,400,920	24,275,090
Differences of foreign currencies conversion	(19,536)	(60,996)
Elimination of inter-segment transaction	(44)	(23,979)
Sale on consolidated financial statements	21,381,338	24,190,114

(Thousand yen)

Profit	End of previous fiscal year	End of fiscal year under review
Reportable segments total	6,247,452	3,971,496
Differences of foreign currencies conversion	(6,067)	(11,591)
Elimination of inter-segment transaction	(38,740)	23,721
Company-wide cost (Note)	(1,020,663)	(1,273,397)
Operating income (loss) on consolidated financial statements	5,181,981	2,710,229

(Note) Company-wide cost is primarily administrative cost not belonging to any reported segments.

(Thousand yen)

Assets	End of previous fiscal year	End of fiscal year under review
Reportable segments total	34,866,497	30,048,335
Elimination of inter-segment transaction	(72,027)	(2,682,495)
Company-wide assets (Note)	15,530,866	13,722,954
Total assets on consolidated financial statements	50,325,335	41,088,795

(Note) Company-wide cost is primarily current assets except for inventory.

(Thousand yen)

Other items	Reportable segments total		Difference of conversion		Elimination of inter-segment transaction		Other(Note)		Amount recorded in consolidated financial statements	
	End of previous fiscal year	End of fiscal year under review	End of previous fiscal year	End of fiscal year under review	End of previous fiscal year	End of fiscal year under review	End of previous fiscal year	End of fiscal year under review	End of previous fiscal year	End of fiscal year under review
Depreciation	6,467,358	9,070,942	(5,733)	(24,235)	(13,297)	(25,203)	75,690	45,787	6,524,018	9,067,291
Increase in property, plant and equipment, and intangible assets	16,135,650	7,736,873	(24,703)	(20,769)	(270,005)	(4,286)	23,563	126,657	15,864,504	7,838,476

(Note) Company-wide depreciation and increase of company-wide tangible and intangible assets are primarily related to systems used by administrative division.

b. Related information

Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

1. Information by Product and Service

(Thousand yen)

	Memory	System LSI	Total
Sales—outside customers	19,598,647	1,782,690	21,381,338

2. Information by Area

(1) Net sales

(Thousand yen)

Japan	Taiwan	Asia	North America	Total
17,875,930	2,258,197	996,137	251,073	21,381,338

(Note) Detail of each area is as follows.

Asia: India, China, Singapore, South Korea, Thailand

North America: United States

(2) Noncurrent assets

(Thousand yen)

Japan	Taiwan	Total
29,814,256	4,442,167	34,256,423

3. Information by Major Customer

(Thousand yen)

Customer	Net sales	Related segments
Elpida Memory Inc.	15,094,109	Memory Business

Consolidated fiscal year under review (April 1,2011 – March 31,2012)

1. Information by Product and Service

(Thousand yen)

	Memory	System LSI	Total
Sales–outside customers	19,664,648	4,525,466	24,190,114

2. Information by Area

(1) Net sales

(Thousand yen)

Japan	Taiwan	Asia	North America	Total
20,560,041	2,453,921	20,591	1,155,560	24,190,114

(Note) Detail of each area is as follows.

Asia: India, China

North America: United States

(2) Noncurrent assets

(Thousand yen)

Japan	Taiwan	Total
24,866,555	3,935,385	28,801,940

3. Major Customer

(Thousand yen)

Customer	Net sales	Related segments
Elpida Memory, Inc.	16,025,269	Memory Business

c. Information on impairment loss on noncurrent assets

Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

(Thousand yen)

	Memory Business	System LSI Business	Total
Impairment loss	76,214	—	76,214

Consolidated fiscal year under review (April 1,2011 – March 31,2012)

(Thousand yen)

	Memory Business	System LSI Business	Total
Impairment loss	—	5,388,016	5,388,016

d. Information on amortization of goodwill and amortized balance by reported segment

Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

Not applicable

Consolidated fiscal year under review (April 1,2011 – March 31,2012)

Not applicable

e. Information on gain on negative goodwill by reported segment

Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

Not applicable

Consolidated fiscal year under review (April 1,2011 – March 31,2012)

Gain on negative goodwill is not allocated to reported segments. Gain on negative goodwill is on extraordinary income due to acquisition of stock of Teramikros Inc. on October 1, 2011. Gain on negative good will for this is 559,308 thousand yen.

(Related parties information)

1. Transaction with related parties

The Company's transaction with related parties

(1) The Company's parent company and major shareholders limited to corporation

Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

Type	Name	Address	Capital or stake (million yen)	Description of business or job	Ownership percentage (controlled)	Relationship	Transaction	Transaction amount (K yen)	Account	Balance at fiscal year end (K yen)
Other affiliate company	Elpida memory, Inc. (note3)	Chuo-ku, Tokyo	215,663	Development, design, manufacturing and sales of semiconductors	(controlled) direct 39.6%	Consignment of wafer test Interlocking directors Rental of instruments	Sales of products (note1)	14,527,459	Account receivable	1,758,264
							Rental fee of instruments, Power usage, other (note2)	1,911,786	Accrued expenses	112,375

Consolidated fiscal year under review (April 1,2011 – March 31,2012)

Type	Name	Address	Capital or stake (million yen)	Description of business or job	Ownership percentage (controlled)	Relationship	Transaction	Transaction amount (K yen)	Account	Balance at fiscal year end (K yen)
Other affiliate company	Elpida memory, Inc. (note3)	Chuo-ku, Tokyo	236,143	Development, design, manufacturing and sales of semiconductors	(controlled) direct 39.6%	Consignment of wafer test Rental of instruments	Sales of products (note1)	15,615,319	Account receivable	618,829
									Claims provable in bankruptcy, claims provable in rehabilitation and other (note4)	2,732,746
							Rental fee of instruments, Power usage, other (note2)	2,132,687	Account payable	1,003
									Account payable other	284,416
Accrued expenses	124,339									

About amount above, transaction amount is not included consumption tax, but balance at fiscal yearend is included consumption tax

Business condition and policy of business condition's determination

(Note1) Selling price of products is determined by negotiation considering of total cost.

(Note2) Rental fee is included depreciation, fixed assets tax, insurance and interest of rental assets. Power usage is based on used amount of the company. Other, mainly service fee is based on manpower of services.

(note3) Due to Elpida memory's ownership percentage to the Company decreased in December 2010, Elpida memory changed from parent company to other affiliate company. Transaction amount is annual basis.

(Note 4) Balance of allowance for doubtful accounts for Elpida memory is 2,331,548 thousand yen. It is made an entry in FY2011.

(Corporate combination)

Corporate combination by purchase

1. Outline of corporate combination

(1) Name of purchased company and description of business

Name of purchased company : Teramikros Inc.

Description of business: Research, development, design, manufacturing and sales of WLP

(2) Main reason of purchase

The company aims to strengthen and enlarge turn key business by purchase of wafer level packaging business which is expected synergy with wafer test service as one of new growth strategy.

(3) Date of purchase

October 1, 2011

(4) Legal form of corporate combination

Purchase of stock

(5) Company name after combination

Teramikros Inc.

(6) Acquired rate of voting right

100%

(7) Major grounds of settlement which company is as purchaser

Due to stock acquisition by the Company using cash

2. Duration of purchased company's operation result included in consolidated financial statements

October 1, 2011 – March 31, 2012

3. Acquisition cost of purchase and detail

(Thousand yen)

Acquisition amount: Cash	600,000
Direct cost for acquisition: Due diligence costs and others	39,379
<u>Acquisition cost</u>	<u>639,379</u>

4. Major detail of assets adopted and debt assumed on the date of combine

(Thousand yen)

Current assets	2,273,032	Current liabilities	2,097,325
Noncurrent assets	2,631,777	Noncurrent liabilities	1,608,797
		Net assets	1,198,687
Total assets	4,904,810	Total liabilities and net assets	4,904,810

5. Approximate amount of impact to consolidated financial statements if corporate combine complete at the beginning of this fiscal year

Net sales	2,775,023 thousand yen
Ordinary loss	272,382 thousand yen
Net loss	188,021 thousand yen

(Procedure of approximate amount calculation)

Approximate amount is difference of sales amount and profit/loss between amount on the assumption that corporate combine complete at the beginning of this fiscal and amount on this fiscal year's consolidated income statements. This approximate amount is not audited.

6. Amount of negative goodwill and cause

(i) Amount of negative goodwill

559,308 thousand yen

(ii) Cause

Fair value of net assets at the timing of corporate combine is larger than acquisition cost.

