



Annual Report

2013

YEAR ENDED MARCH 31, 2013

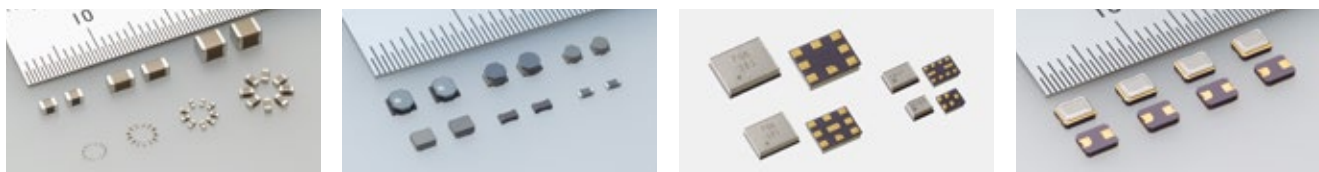
TAIYO YUDEN

Profile

TAIYO YUDEN is a company that makes electronic components that are indispensable for economic activity in Japan and throughout the world.

Since its founding in 1950, TAIYO YUDEN has worked to develop and mass produce electronic components that meet the most current needs of our customers and the markets we serve, ranging from the research and development of materials to product commercialization. This is what we believe in.

TAIYO YUDEN aims to be an exciting company that is trusted by all its stakeholders, with a foundation comprised mainly of its original technical capabilities and proposal-making abilities that have been developed since the company was first founded.



Contents

To Our Stakeholders	P. 01	Research and Development Activities.	P. 22
TAIYO YUDEN's Business Segments	P. 02	Corporate Governance	P. 24
TAIYO YUDEN's History	P. 04	Directors and Audit & Supervisory Board Members	P. 25
TAIYO YUDEN's Business Performance	P. 06	CSR Activities	P. 26
Message from the President	P. 08	Financial Section	P. 28
Medium-term Management Plan	P. 11	11-year Summary	P. 29
Feature: Metal Power Inductor "MCOIL™"	P. 12	Financial Review	P. 30
Review of Operations		Consolidated Financial Statements	P. 32
At a Glance	P. 16	Notes to Consolidated Financial Statements.	P. 39
Electronic Components		Independent Auditor's Report	P. 63
Capacitors	P. 17	Stock Information.	P. 64
Ferrite and Applied Products.	P. 18	Corporate Data	P. 65
Integrated Modules & Devices.	P. 19		
Other Electronic Components	P. 20		
Optical Media and Others			
Optical Media Products	P. 21		
Others.	P. 21		

Notes

- Period covered by this report: From April 1, 2012 to March 31, 2013. The figures in this report omit amounts less than hundred million yen and 1 million yen and displays it.
- The following convention has been applied as regards the labeling of fiscal years in graphs: "The fiscal year ended March 2013," for example, has been shortened to "2013."
- The English-language version of this report is based on the Japanese-language version. With the exception of the financial statements, all figures presented have been rounded down to the nearest appropriate unit. As a result, there are cases when a presented figure differs slightly from the equivalent figure in the financial statements.
- The Bluetooth® word mark and logos are registered trademarks owned by Bluetooth SIG, Inc. TAIYO YUDEN has been granted approval to use these trademarks.
- The contents of this Annual Report are correct as of June 27, 2013.

Disclaimer

This Annual Report is intended to provide information about the business performance and strategies of the TAIYO YUDEN Group. It is not intended as an inducement to purchase or sell stock in TAIYO YUDEN or any TAIYO YUDEN Group company. Statements in this report that are not historical fact are forward-looking statements based on the current beliefs, estimates and expectations of TAIYO YUDEN Group Management. As these beliefs, estimates and expectations are subject to a number of risks, uncertainties and assumptions, actual results may differ materially. TAIYO YUDEN undertakes no obligation to update any forward-looking statements, and shall in no event be liable for any damages arising out of the use or interpretation of this material. Please refrain from copying or disseminating this material without the prior consent of TAIYO YUDEN.

To Our Stakeholders

I wish to thank all our investors, business partners, members of regional communities we serve, and all shareholders for their continued support.

The overall business environment we operate in was difficult in the year ended March 2013, however we did see positive trends with the world economy showing signs of gradual improvement and the Japanese economy showing improvements with the depreciation of the high yen in the second half of the year under review. At TAIYO YUDEN, we have been working to build a strong business structure that will not be affected by external factors such as these. To accomplish this, we have been implementing structural improvements that have reduced fixed costs by ¥10 billion per year starting in the fall of 2011. In addition, we have been altering our product mix to offer more super high-end products that utilize the key elements of our technical capabilities, capitalizing on one of our strengths. Furthermore, the entire Group has been conducting initiatives supporting our growth strategy. These initiatives are key to our proactive approach to the markets we are focusing on, including automobiles, industrial equipment, health care, and environment/energy-related equipment. As a result, consolidated net sales for the year ended March 2013 totaled ¥192,903 million, operating income was ¥4,993 million, and net income totaled ¥2,000 million. In brief, we have successfully embarked on a new stage of TAIYO YUDEN.

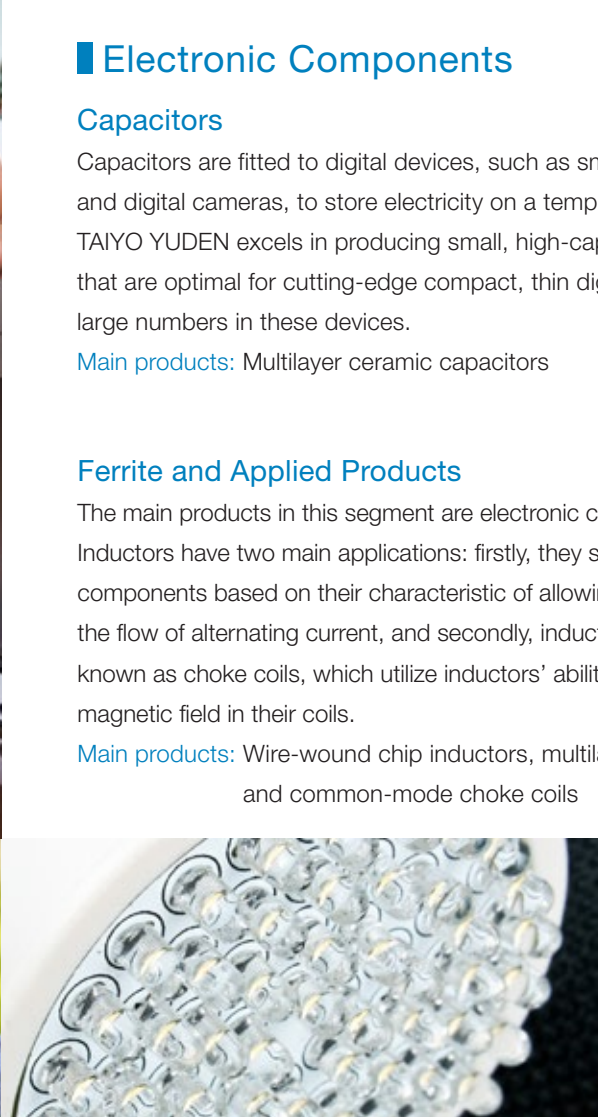
These results and continued initiatives are just the beginning of TAIYO YUDEN's transformation as we aim for higher goals and arouse greater expectations moving forward. We will continue to implement our structural reforms and conduct a further shift to super-high-end products. Through these and other measures, we will boldly focus on and successfully penetrate the markets we are targeting. In the process of doing so, we will be flexible and we will quickly adjust to new possibilities at the same time as properly reacting and adapting to hitherto unseen business conditions and models.

I look forward to a prosperous future for TAIYO YUDEN, and I sincerely ask for your continued support for our endeavors.



A handwritten signature in black ink, reading "E. Watanuki".

Eiji Watanuki
President and Representative Director



■ Electronic Components

Capacitors

Capacitors are fitted to digital devices, such as smartphones and mobile phones, PCs and digital cameras, to store electricity on a temporary basis and remove electronic noise. TAIYO YUDEN excels in producing small, high-capacitance multilayer ceramic capacitors that are optimal for cutting-edge compact, thin digital devices. Our products are used in large numbers in these devices.

Main products: Multilayer ceramic capacitors

Ferrite and Applied Products

The main products in this segment are electronic components known as inductors. Inductors have two main applications: firstly, they serve as electronic noise suppression components based on their characteristic of allowing direct current to pass while blocking the flow of alternating current, and secondly, inductors serve as electronic components known as choke coils, which utilize inductors' ability to store electricity in the form of a magnetic field in their coils.

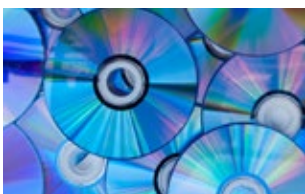
Main products: Wire-wound chip inductors, multilayer chip inductors, ferrite chip beads and common-mode choke coils

■ Optical Media and Others

Optical Media Products

Since the inception of the CD-R, which was invented by TAIYO YUDEN, we have been producing the highest quality, Japanese-made optical media products. Our optical media products are used for data storage and digital broadcasting recording applications.

Main products: CD-Rs, DVD-Rs and BD-Rs





Integrated Modules & Devices

The integrated modules & devices segment includes products such as SAW/FBAR devices for mobile communications, front-end modules, and inverter modules for LCD TV backlights. SAW/FBAR devices for mobile communications are used mainly in smartphones. These devices are being increasingly fitted to smartphones for the purpose of achieving high-speed data communications and high-quality voice communications.

Main products: SAW/FBAR devices for mobile communications, various power modules, high-frequency modules and embedded parts multilayer wiring substrates

Other Electronic Components

The main products in this segment are energy devices such as polyacene capacitors and lithium ion capacitors. These products are used as backup power supplies for clocks embedded in smartphones and as peak current assistance for LED flashes. Other common applications for these devices include being used as backup power supplies for smart meters and other devices.

Main products: Polyacene capacitors and lithium ion capacitors

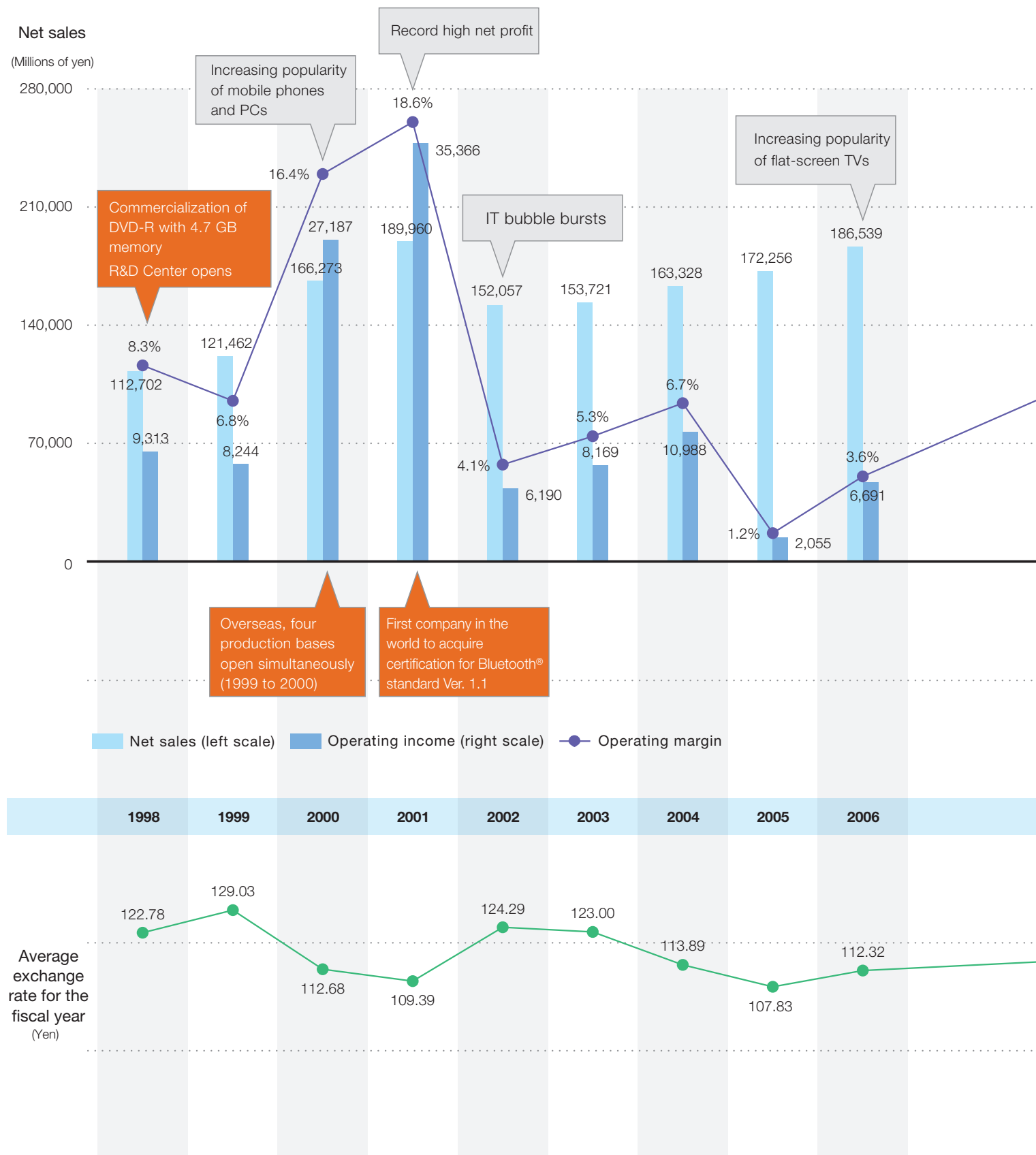


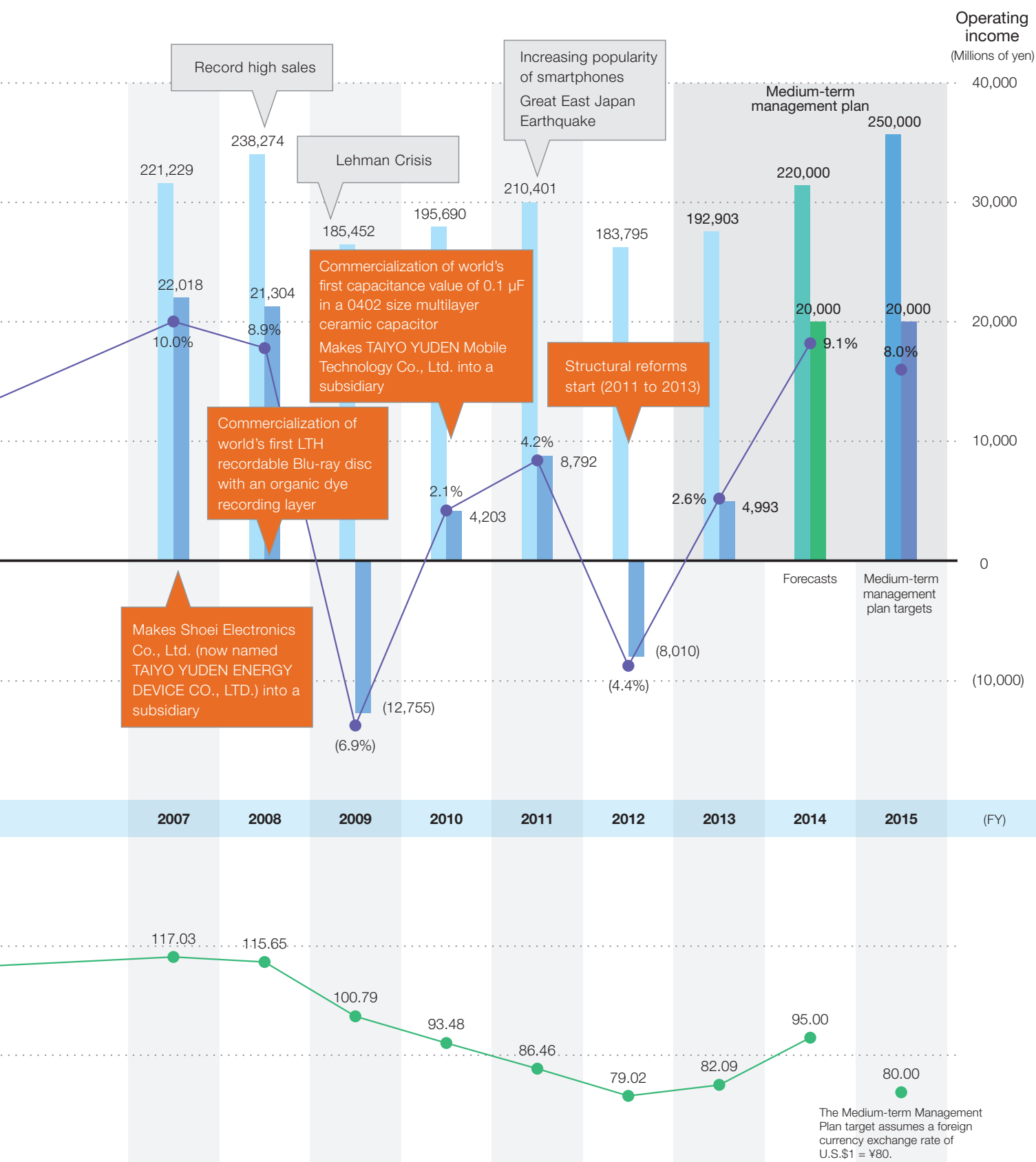
Others

The others segment mainly comprises the printed circuit board design and the device mounting business of one of our subsidiaries.



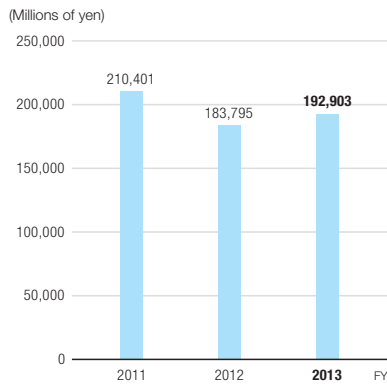
TAIYO YUDEN's History



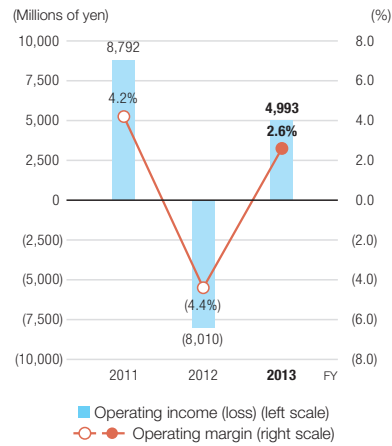


TAIYO YUDEN's Business Performance

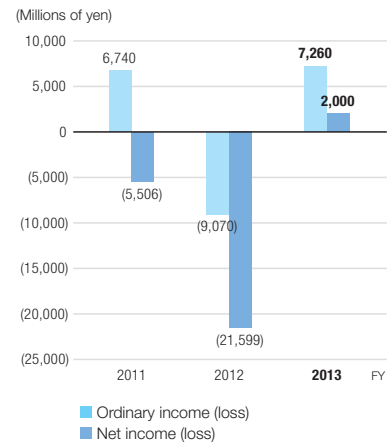
Net sales



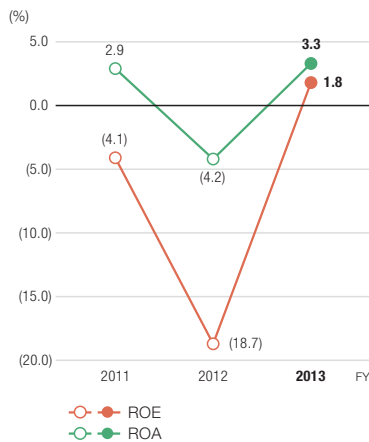
Operating income (loss)/ Operating margin



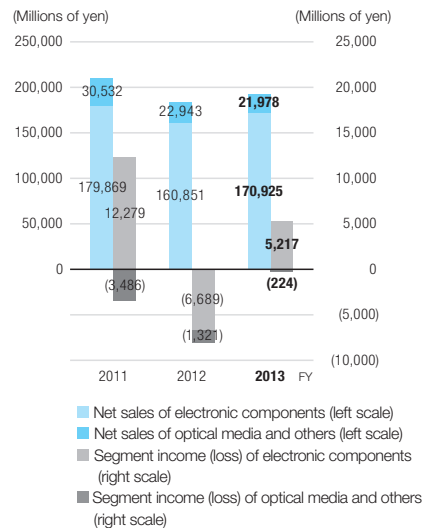
Ordinary income (loss)/ Net income (loss)



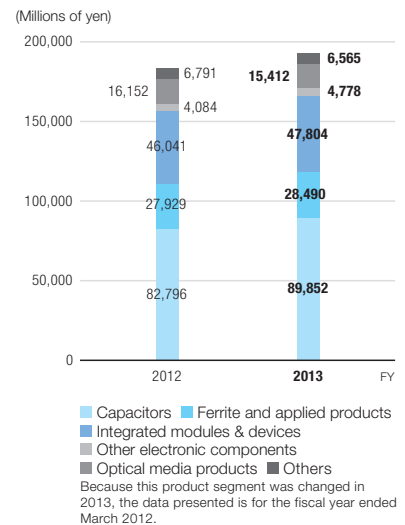
ROE/ROA



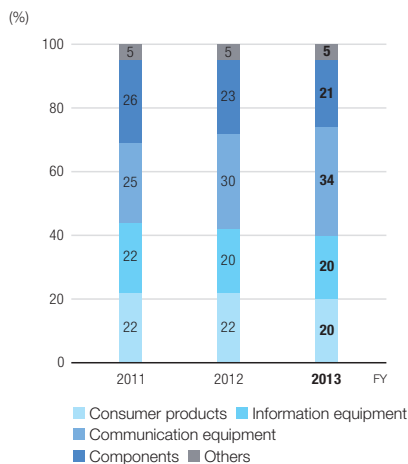
Operating results by business segment



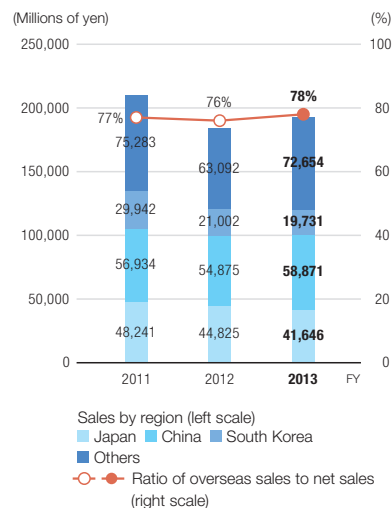
Sales by product segment



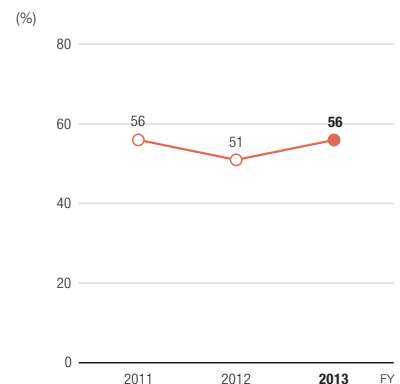
Sales of electronic components by market sector



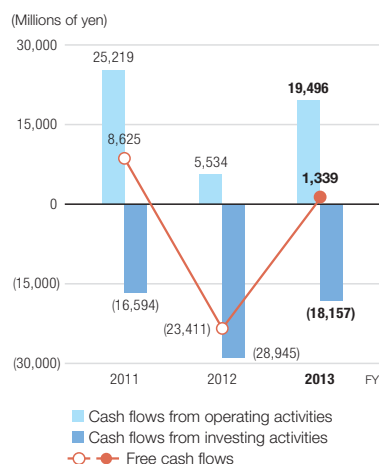
Sales by region/Ratio of overseas sales to net sales



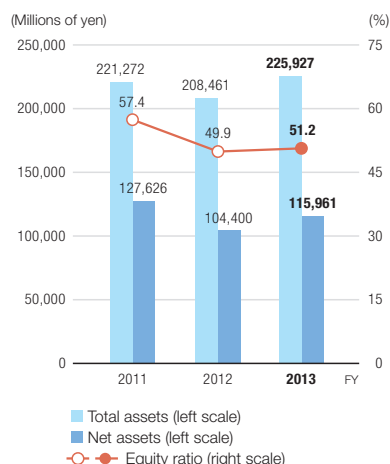
Ratio of overseas production



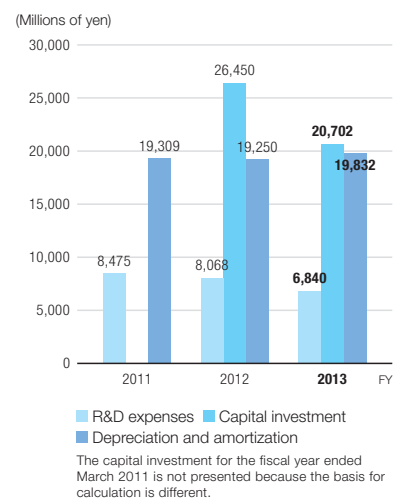
Cash flows



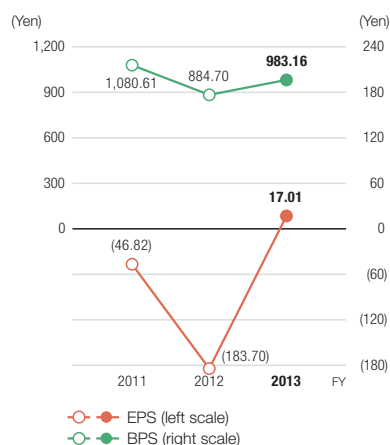
Total assets/Net assets/Equity ratio



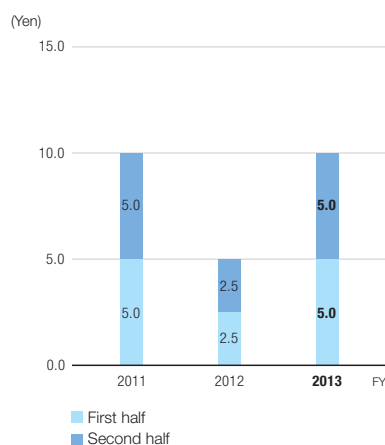
R&D expenses/Capital investment/Depreciation and amortization



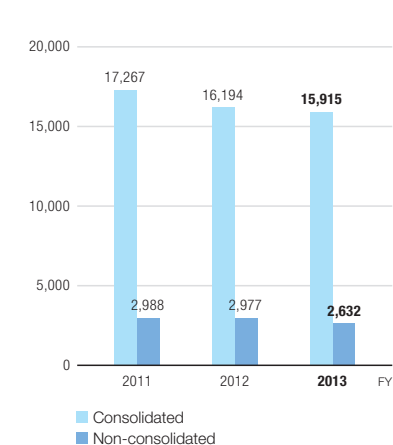
Earnings per share (EPS)/Book-value per share (BPS)



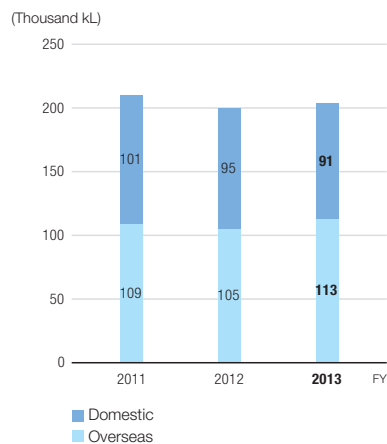
Cash dividends per share



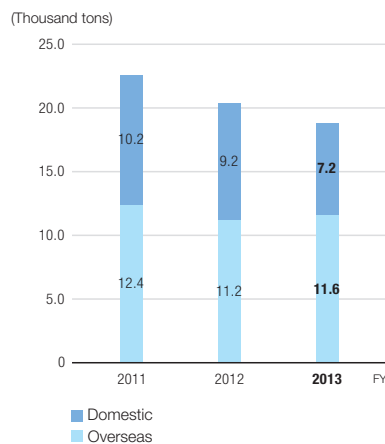
Number of employees



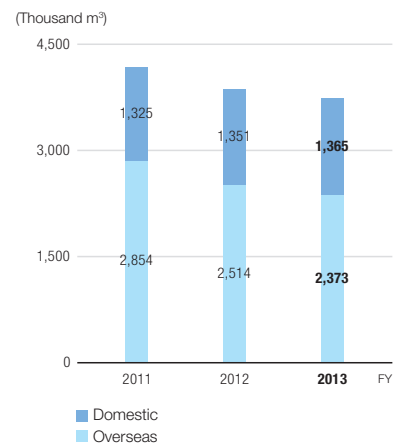
Energy consumption (Crude oil equivalent)



Amount of waste generation



Water use



TAIYO YUDEN continues to meet the challenges of transforming itself, aiming to become an excellent company that enjoys the trust and highest regard from our customers.



Eiji Watanuki
President and Representative Director

Overview of the Year Ended March 2013

In the year ended March 2013, the business climate for the TAIYO YUDEN Group remained difficult, primarily due to weak worldwide demand for electronic components. This was offset somewhat by such positive factors as the world economic improvements from the recent slowdown and movements in the exchange rate resulting in a weaker yen. All in all, we consider it to be a significant accomplishment for the Group succeeded in achieving a positive net income for the first time in five years.

With that said, we clearly recognize that it is an extremely regrettable fact that we did not achieve our targets that were set at the beginning of the fiscal year. These targets were: net sales of ¥210.0 billion, operating income of ¥10.0 billion and net income of ¥5.5 billion. In the process of examining the reasons why we did not meet our targets, we identified a number of issues that apply throughout the Group, which offer up opportunities to improve further. If successful in addressing these issues, we will see significant improvements in the Group's profitability.

In short, my candid assessment of the year ended March 2013 is that despite significant progress in structural reforms, our growth strategy and profit achievements, we must still work harder to accomplish further successes as we move forward.

Progress on the Medium-term Management Plan

Although we did not achieve complete success in meeting the targets for the first year of the medium-term management plan, I consider that we have steadily made progress with structural improvements and we were able to achieve many of our targets by our structural improvement measures. These measures are broadly divided as:

1) structural reform, 2) restriction of capital investment, 3) reduction of selling, general and administrative expenses (SG&A) and other expenses, and 4) decreasing the currency exchange rate influence.

A key structural reform initiative, "Withdrawal from unprofitable products," has proven to be very challenging. When I was appointed President in June 2011, the Group was offering some products that were generating a profit, but there were many products that were unprofitable. It was imperative that we quickly transition to become a company that has all of its products generating strong profit contributions. To do this, we categorized our unprofitable products from a variety of perspectives: product breadth, cost effectiveness, the trend and potential of the product's market, and competitiveness. We then set in place initiatives that increased the possibilities for improving profitability by

product. We determined whether the product is profitable or will start making a profit, otherwise the product must be discontinued. As a result, we have eliminated the majority of our unprofitable products as of the end of March 2013.

We have shifted our business resources to growth areas by moving human resources and assets away from unprofitable businesses to make use of these resources in markets and products on which we are focusing. Moreover, we have established an attitude throughout the Group that loss-generating products must not be tolerated. We will rigorously implement constant reviews to assure product profitability and to assure prompt action to exit non-profitable products when needed. At the same time, we strongly recognize that an important management issue is developing our marketing capabilities to adapt quickly to changes in demand trends. In the year ended March 2013, we concluded the Group's marketing capabilities to be somewhat inadequate and in some cases we did not move quickly in properly reacting to market circumstances. The Group develops its businesses in the context of various elements, i.e. markets, equipment, technology, customers and business models. We have challenged ourselves to think of ways to better address these elements. We must obtain all relevant information as soon as possible and decide how to build a supply system that closely matches demand. Furthermore, it is necessary that this information is obtained by the Group working as a whole, from the people on the front line of production, those in marketing and the rest of our Group members. To further strengthen this concept, the Group will continue to increase the number of Field Application Engineers (FAEs)—sales personnel with engineering skills—to strengthen our making framework. This will yield us better and closer communication with our customers and business partners.

We are committed to move forward with these initiatives and achieve our targets by the year ending March 2015, the final year of our medium-term management plan.

Future of TAIYO YUDEN

The business environment surrounding the TAIYO YUDEN Group is changing in a feverish manner and our markets continue to show growth. It is imperative that we quickly understand our customers' needs and put in place the relevant production and development frameworks that meet these needs. The Group's core strength is technology and we know we must stop any thinking that "Good products will sell themselves." Instead we must quickly analyze how to achieve the integrated marketing, production and development of products that satisfy our customers' requirements, including the preparation of a system that predicts customer demand.

When we think about the Group in this manner, we realize that there are many challenges we must face directly. We must remember that when our stakeholders evaluate our Group they are assessing a “life-size” corporate entity that we sometimes cannot see completely from our standpoint inside the Group. I have continued to meet with our outside stakeholders and I assure you that we are listening to their evaluations of the Group. Since I became President, I have come to know the concerns of our stakeholders and I can categorize them as they relate to the four “bases” of TAIYO YUDEN: 1) our market base with its high ratio of business focused on consumer markets which are susceptible to changes in business conditions, 2) our product base which is commodity-focused and easily impacted by price and market-share competition, 3) our customer base which sometimes views us as a third string supplier in the industry, and 4) our financial base which sometimes seems unstable, persistently in the red. However, we have begun to see good results from moving ahead with our structural improvement measures, including structural reforms, and pursuing growth strategies in line with our medium-term management plan. As a result, we sense that little by little we are receiving a positive assessment from our customers for our efforts.

We have focused our initiatives directed toward growth strategy to improve three critical bases: 1) market base, 2) product base and 3) customer base. We have partially addressed these initiatives and have these bases as pillars of our medium-term management plan. This means that the Group will not only be active in its existing markets but will start to enter new business fields, including those related to automobiles, industrial equipment, health care, and the environmental and energy industries. In particular, automobiles are increasingly using a variety of electronic components as they become more “electrified.” The TAIYO YUDEN Group has already been prioritizing the expansion of its product lineup and sales routes, and we fully appreciate the urgency of acting to enter these new fields and penetrate these markets on an immediate basis. Furthermore, in the case of markets that we conceive it would be difficult for the Group to enter unaided, we are transforming our business model to accommodate the formation of alliances with other companies. Looking ahead, we intend to proactively enter these markets characterized as being comparatively less susceptible to price competition.

We have also determined that another effective method to achieve our goal is to move further with our shift to super high-end products, and so develop “Products that can only be produced by TAIYO YUDEN.” We are aiming to create the “Next high-end product” as an evolutionary step necessary

for the long-term growth of the TAIYO YUDEN Group.

By strengthening our market base and product base in this manner, we aim to cultivate our customer base such that our customers will choose the Group on the basis of its advanced and original technology.

At TAIYO YUDEN, we have been focusing on our structural improvement measures for an eighteen month period leading up to March 2013. Nevertheless, implementing structural improvement is an activity that must be carried on as long as a company itself continues its existence. As we successively launch competitive new products, the company intends to pursue its initiatives on a relentless basis with the goals to make unprofitable products profitable or to speedily withdraw them from the market, to ensure that the frontline activities of marketing, production and development are subject to corporate management that is rigorously focused on profitability, and to improve productivity and reduce costs. By so doing, we can achieve a robust financial base.

In order to be even more proactive meeting these goals and carrying out these initiatives, the TAIYO YUDEN Group launched many projects in April 2013 that addressed the various issues involved. We consider that the achievement of the goals of our medium-term management plan can be guaranteed by the whole Group applying these initiatives in a flexible and cross-organizational manner.

To realize this transformation, I consider that it is the responsibility of our managers to bring about a company in which our employees throughout the world can make full use of their abilities to achieve our goals. Looking ahead, I expect the Group to provide all its human resources with the means of rising to the most adventurous challenges and taking the most active business roles.

In Conclusion

The TAIYO YUDEN Group is working to be an excellent entity that enjoys the trust and highest regard from our customers. We will be changing significantly as we continue to take on various challenges. We have successfully achieved our first stage of transformation by moving to a profitable income position. Next, we will tackle and resolve the various issues with which we are faced by focusing on the activities of many projects, thereby moving on to achieve a further transformation. I myself am convinced that the Group will make a major breakthrough in the current year ending March 2014. I ask that our shareholders and all other stakeholders join us in our endeavors to achieve these transformations of the TAIYO YUDEN Group.

Medium-term Management Plan (from the year ended March 2013 to the year ending March 2015)

Management Targets

Year ending March 2015 Net sales ¥250 billion
Operating income ¥20 billion ROE 8%
Year ending March 2016 Positive net cash position

Our Vision

Transformation to a well-balanced business structure
Break free of dependence on existing markets

Growth Strategy

Develop super high-end products for growth equipment (Smartphones and tablet devices, etc.)

Expand sales in our key target market (Automobiles, industrial equipment, health care and the environmental and energy industries, etc.)

Strengthen Our Earnings Structure

Improve our break-even point

- Improve limited profitability by increasing the ratio of super-high-end products
- Curb fixed expenses and reduce costs

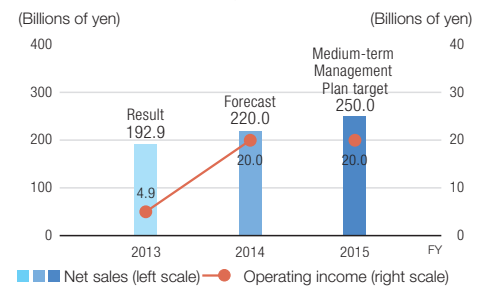
Targets by Product

Capacitors Achieve a 10% or higher operating margin

Ferrite and Applied Products Achieve a 10% or higher operating margin

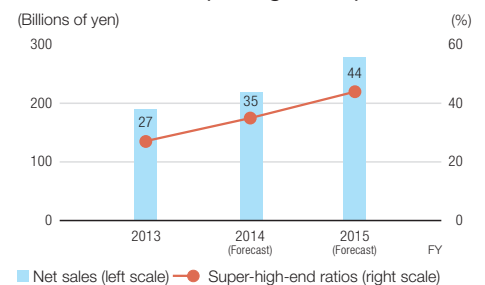
Integrated Modules & Devices Achieve a 5% or higher operating margin

Net sales/Operating income



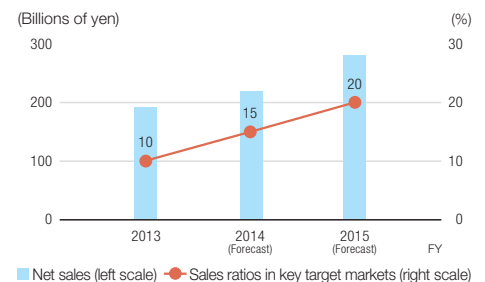
The Medium-term Management Plan target assumes a foreign currency exchange rate of U.S.\$1 = ¥80.

Sales ratios of super high-end products



Net sales for the year ending March 2015 assume a foreign currency exchange rate of U.S.\$1 = ¥95, amended from the Medium-term Management Plan assumption of U.S.\$1 = ¥80 based on the forecast rate for the year ending March 2014.

Sales ratios in key target markets



Net sales for the year ending March 2015 assume a foreign currency exchange rate of U.S.\$1 = ¥95, amended from the Medium-term Management Plan assumption of U.S.\$1 = ¥80 based on the forecast rate for the year ending March 2014.

Quantitative targets after achieving the targets of the Medium-term Management Plan

Net sales ¥300 billion Operating income at record high* ROE 10% or higher

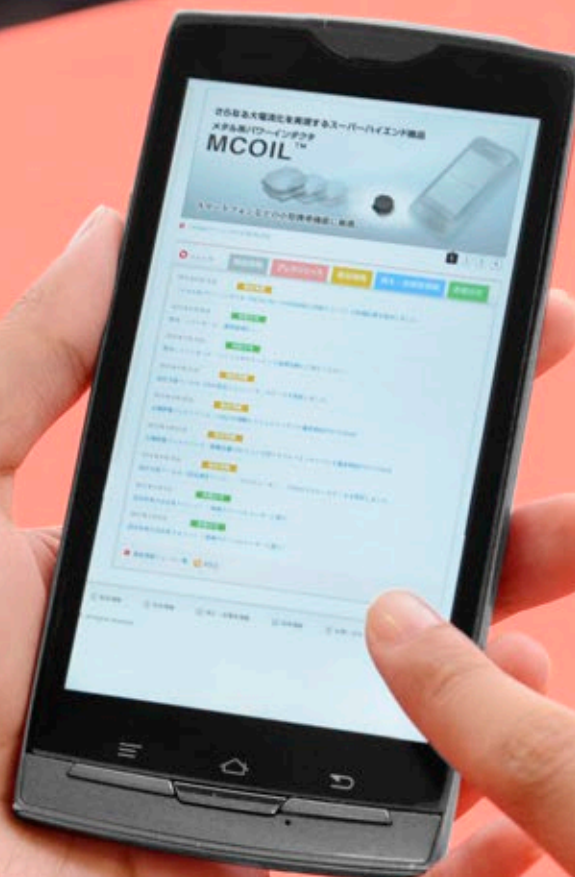
*Record high operating income was ¥35.3 billion (year ended March 2001)

Sales composition of 30% in key target markets

- Realize creation of new markets → Expanding sales of "Next high-end products"
- Develop the high functionality, state-of-the-art Integrated Modules & Devices product segment
- Develop new business models

Feature: Metal Power Inductor “MCOIL™”

Feature MCOIL™

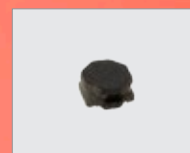


Developed and commercialized by TAIYO YUDEN, the metal power inductor “MCOIL™” is attracting interest for its outstanding product competitiveness and future prospects for market expansion.

Awards Won by “MCOIL™”

MCOIL™ won the “2012 Product of the Year” award bestowed by the U.S. technology magazine “Electronic Products.”

MCOIL™ won the “New Product & Novel Technology Award” at the 11th International Conference on Ferrites.

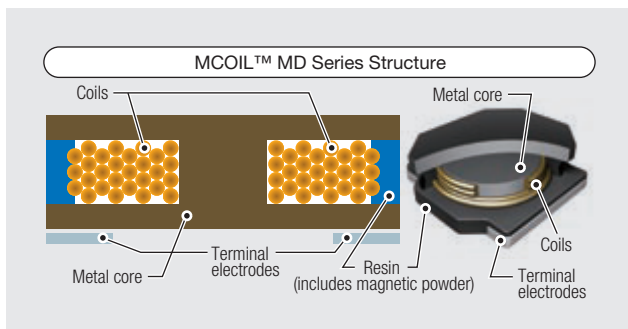


TAIYO YUDEN Paves the Way for a New Wave of Innovation in Inductors

Inductors, which generally take the shape of a conducting coil wrapped around a core, are basic components used in electronic circuits. Power inductors (also known as “choke coils”) are a type of inductor used in power circuits, and serve to stabilize circuit voltages.

To address the market demand created by increasingly stronger user needs for the lengthening of the battery operating time of compact digital devices such as smartphones and tablets and also in response to advances and increases in the functionality of these devices, there is a greater need for power inductors to be embedded in the internal circuitry of these devices to support larger currents. There are also strong calls for miniaturized and thinner power inductors that will make devices flatter and conserve more circuit space.

TAIYO YUDEN has developed a power inductor, called MCOIL™, that is attracting interest for satisfying these market needs. This power inductor is made of metallic magnetic materials (hereafter “metallic materials”) developed by TAIYO YUDEN. MCOIL™’s most significant feature is that it allows for the passage of large currents. This, coupled with a miniaturized and low-profile form, has caused an evolutionary development in the market in comparison to conventional power inductors made of ferrite (a ceramic material consisting primarily of iron oxide), which has been the main raw material until now. Power inductors using metallic materials can pass a current about 1.5 times larger than a ferrite inductor of the same size.



TAIYO YUDEN's Newly Developed Metallic Material Our Competitive Advantages: High Strength, High Insulation, and High Magnetic Permeability

The main advantage of the metallic material developed by TAIYO YUDEN is that the new material does not contain organic binders*¹. This is a significant product improvement in comparison with conventional metallic inductor materials.

TAIYO YUDEN ensures the insulation and strength of the metallic material by forming a highly crystalline and thin oxide layer on the surface of the metallic magnetic particles in the material. This achieves properties superior to conventional materials that use organic binders. This new metallic material allows TAIYO YUDEN to make extensive use of its proprietary manufacturing processes and related expertise, which have been cultivated through our vast experience with ferrite inductors. As a result, TAIYO YUDEN can achieve a consistently high level of product quality as well as being able to shorten development times and reduce costs.

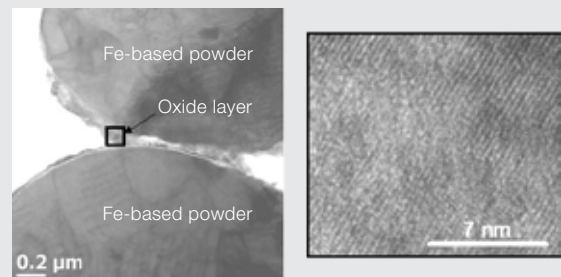
TAIYO YUDEN has successfully raised the magnetic permeability*² of the new metallic material to roughly twice that of metallic materials containing organic binders.

In this manner, the metallic material developed by TAIYO YUDEN offers distinctive features, providing high magnetic permeability, along with both high insulation and high strength.

*¹ Made from resins and other such materials, organic binders serve to bind metallic magnetic particles together and provide insulation.

*² The magnetic permeability is a measure of the inductor core's ability to concentrate magnetic force lines. The higher the core's magnetic permeability, the stronger the magnetic flux, enabling direct current resistance to be held lower.

Electron microscope images of the metallic magnetic pressed powder material used in the metal power inductor MCOIL™



The right image is an enlargement of the square in the left image.

Another Feature of MCOIL™: The Device is More Resistant to Being Heated Up

MCOIL™ possesses superior DC superimposition characteristics*³ compared to inductors using ferrite materials. Furthermore, because MCOIL™ possesses a higher magnetic permeability than metallic materials using organic binders, the direct current resistance can be lowered by reducing the amount of coil used in the inductor.

In the case of a power inductor that passes a large current, heat dissipation must also be suppressed as current passes through the inductor. Therefore, the capability of lowering the direct current resistance, which is a source of heat, provides a significant advantage. This means that MCOIL™ does not heat up easily—another key advantage of this device. A reduction of energy loss caused by heat dissipation will help to achieve a longer battery operating time as well. That this is a proven, important and key advantage for today's smartphones is beyond doubt.

In addition, MCOIL™ is a composite material containing oxidation material, not organic binders. This makes MCOIL™ an excellent material for operation in high-temperature environments. MCOIL™ offers solutions for the development of applications in fields such as automobiles and industrial equipment, where higher reliability is strongly demanded under high-temperature conditions.

*³ The DC superimposition characteristics govern the amount direct current that can flow through the coil.

Outlook for MCOIL™: Continued Expansion Supported by Additional Applications Beyond Smartphones and Tablet Devices Markets

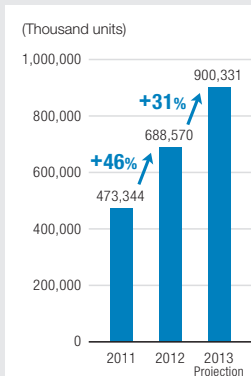
Smartphone and tablet shipments are projected to continue growing in the coming years and the number of ICs built into these devices is increasing in line with the higher functionality provided. For these reasons, demand for MCOIL™ is projected to continue to expand further.

Since the start of mass production in 2012, TAIYO YUDEN has upgraded and expanded the MCOIL™ lineup in order to meet a variety of needs arising from the smaller size of the final products in which MCOIL™ is installed. These needs include handling larger currents, fitting into smaller spaces, and suppressing heat dissipation. To meet these market demands, we are developing MCOIL™ products with an emphasis on them being smaller and thinner models.

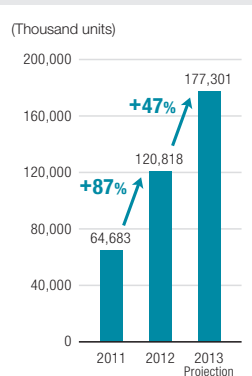
Furthermore, MCOIL™ products have potential uses in fields other than smartphones and tablet devices, such as automobiles, industrial equipment and medical devices. For example, one particularly crucial requirement for automotive electronic components is for high reliability under stringent temperature conditions. As stated above, MCOIL™ does not use organic binders and offers strong advantages in terms of heat resistance and other temperature performance characteristics.

We will grow the market for MCOIL™ by expanding and upgrading the product lineup to suit a variety of applications.

Global smartphone production volume

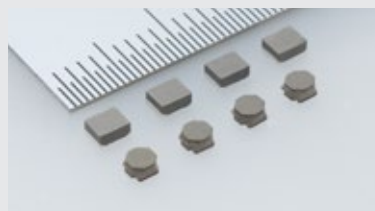


Global tablet devices production volume



Source: "World-wide Production of Major Electronics 2011—2013," Japan Electronics and Information Technology Industries Association (JEITA)

MCOIL™ lineup



(Top) MA Series (EIA1008 size)
(Bottom) MD Series (2 mm square)



Thin products (Thickness: 1 mm)

MCOIL™ harbors the potential to become a game-changing product.

Toshiyuki Yagasaki

Product Development Department, Ferrite Application Product Division



When we started developing MCOIL™, the size of metal power inductors was generally around 8—10 mm square. The products were used mainly in laptops, such as ultra-books. In these circumstances and with an eye on the future evolution of digital mobile devices, we set out to develop an even smaller metal power inductor in order to differentiate ourselves from our competitors.

From the initial stage of selecting raw materials, the search for effective raw materials proved elusive, but we pressed on by repeating a process of trial and error. As we did so, we identified the possibilities of new materials that we would never have considered based on our previous line of thought. We studied the new materials extensively and finally succeeded in developing a new metallic material free of organic binders.

This discovery proved to be an exciting moment for our team. We set out to develop the world's best-performing inductor exclusively within the TAIYO YUDEN Group. With this strong determination, we rose to the challenge of meeting and exceeding the requirements defined by the extremely tough competitive environment we operate in, with the aim of supplying the market with the best-in-their-class product that we would be able to launch with confidence. With a high level of motivation, which permeates throughout TAIYO YUDEN's corporate culture, we did not give up on these goals and we energetically tackled this task. I believe that these factors were the driving forces behind the successful development of MCOIL™. As the next step, we intend to develop a variety of production applications that incorporate the features of MCOIL™.

MCOIL™ Production Sites

TAIYO YUDEN CO., LTD.
Nakanojo Plant



The Nakanojo Plant is an inductor production headquarters responsible for operations ranging from product development to mass production.

Location: Nakanojo-machi, Agatsuma-gun, Gunma Prefecture

Chuki Seiki Co., Ltd.



Aiming to be a cutting-edge plant conducting world-class manufacturing, Chuki Seiki Co., Ltd. also manufactures products that are difficult to produce and require advanced production technology.

Location: Inami-cho, Hidaka-gun, Wakayama Prefecture

TAIYO YUDEN
(PHILIPPINES), INC.



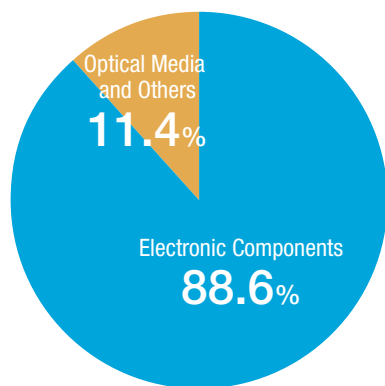
TAIYO YUDEN (PHILIPPINES), INC. is the TAIYO YUDEN Group's mass production base for inductors. The company commenced full-fledged mass production of MCOIL™ in 2013.

Location: Cebu, Philippines

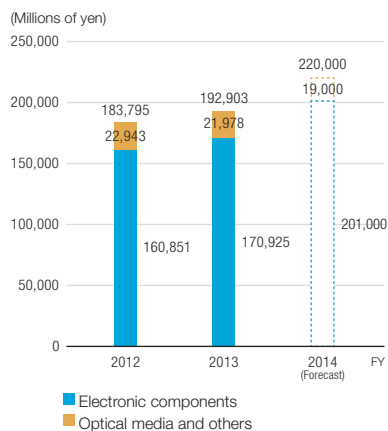
At a Glance

Net sales by business segment

2013



Net sales by business segment



Overview of Results

In the electronics industry during the year ended March 2013, demand grew for smartphones and tablet devices. In contrast to this, the market continued to be sluggish centered on PCs and TVs. As a result, demand for electronic components was weak.

Under these harsh conditions, the TAIYO YUDEN Group worked to achieve the targets of its medium-term management plan. We moved ahead with our structural improvement measures, including shifting the production of capacitors and inductors offshore from Japan to other countries, and worked to expand sales of super high-end products. In conjunction with these and other growth strategies, we implemented profit improvement measures. As a result, consolidated net sales for the year ended March 2013 rose 5.0% compared with the previous fiscal year to ¥192,903 million. Operating income improved to ¥4,993 million from an operating loss of ¥8,010 million for the previous fiscal year.

Overview by Business Segment

Electronic Components

The Electronic Components business manufactures and sells capacitors, inductors, SAW/FBAR devices for mobile communications, energy devices and other electronic components.

In the year ended March 2013, the electronics industry saw continued growth from the smartphone and tablet device markets. In contrast to this, the PC and television markets remain sluggish. Overall this has caused weaker demand for electronic components.

The TAIYO YUDEN Group has implemented a series of structural reforms that are measures management believes will improve operations and foster growth needed to achieve the targets established for the year ending March 2015, which is the final year of our medium-term management plan. The measures implemented to improve operations

include the process of shifting the production of capacitors and inductors offshore from Japan to other countries, which is consistent with efforts to maximize the use of its overseas production sites. Our growth strategies include the expansion of sales and the emphasis on super high-end products, including capacitors, inductors, and SAW/FBAR devices for mobile communications.

As a result, consolidated sales in this segment rose 6.3% year over year to ¥170,925 million, and operating income amounted to ¥5,217 million, compared to an operating loss of ¥6,689 million for the previous fiscal year.

<Sales of Electronic Components by Market Sector>

The breakdown for sales of electronic components by market sector comprised 20% for consumer products, 20% for information equipment, 34% for communication equipment, 21% for components, and 5% for others.

Sales for consumer products declined 4% year over year due to the slump in demand for televisions and other products, but sales for communication equipment increased 15% year over year due to the expansion of the smartphone market. As a result, sales in this segment rose significantly year over year.

Optical Media and Others

The Optical Media and Others business manufactures and sells optical media products and engages in other businesses.

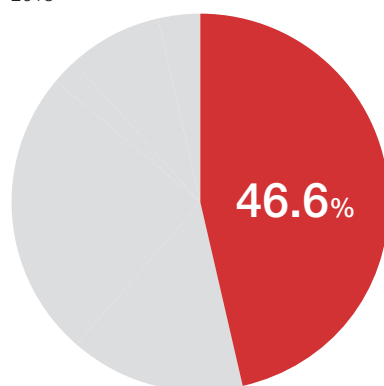
In the year ended March 2013, the TAIYO YUDEN Group continued with initiatives aimed at returning the optical media products business back to profitability.

As a result, although consolidated sales in this segment declined 4.2% year over year to ¥21,978 million, the operating loss amounted to ¥224 million, an improvement of ¥1,096 million from the previous fiscal year's operating loss.

ELECTRONIC COMPONENTS CAPACITORS

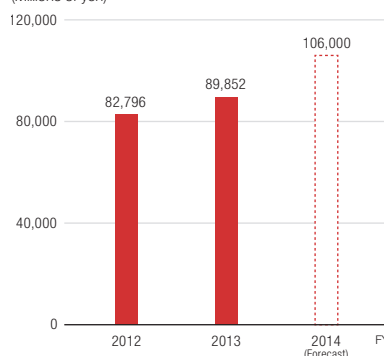
Net sales breakdown by product segment

2013



Segment sales

(Millions of yen)



Medium-term Management Plan Targets

(From FYE March 2013 to 2015)

- Achieve a 10% or higher operating margin
- Capture the top market share of 50% or higher for the super high-end product market

Business Overview

The Capacitors Business is the TAIYO YUDEN Group's core business. Since its founding, the Group has been engaged in development and production in this business, which currently represents about half of the Group's consolidated net sales. In recent years, the Group has proactively shifted to super high-end products in an effort to develop and produce high-quality capacitor products.

Business Performance in the Year Ended March 2013

Sales were ¥89,852 million, an increase of 8.5% year-over-year. Product sales for consumer products, i.e. televisions, were lower as compared to the previous fiscal year. This was offset by the increase in sales for communication equipment, which focused on smartphones, and electronic components, i.e. LCD panels.

Key Initiatives in the Year Ended March 2013

In multilayer ceramic capacitors, the TAIYO YUDEN Group continued its efforts from the previous fiscal year to improve its dielectric materials technology, thin-film and high capacity technology, and miniaturization capabilities. Furthermore, our multi-layering technology is approaching a 1000-layer capability, allowing the Group to successfully introduce and mass produce new capacitor products in the EIA1206 size (3.2 mm x 1.6 mm) and EIA1210 size (3.2 mm x 2.5 mm) range, both with a high capacitance of 220 μ F. We applied these technologies and began mass production

of an EIA0201 size (0.6 mm x 0.3 mm) product with capacitance of 2.2 μ F, EIA0402 size (1.0 mm x 0.5 mm) 22 μ F and an EIA0603 size (1.6 mm x 0.8 mm) product with capacitance of 47 μ F. In addition, preparations are now under way to commence mass production of EIA01005 size (0.4 mm x 0.2 mm) with capacitance of 0.22 μ F.

Initiatives Ahead

The TAIYO YUDEN Group is putting a framework in place for addressing growing product categories like smartphones and tablet devices in step with expanding demand. To this end, the Group is enhancing super high-end products such as small, high-capacitance multilayer ceramic capacitors, as well as low-profile multilayer ceramic capacitors.

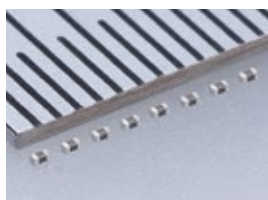
By accelerating overseas expansion of high-end products which are made in Japan, the Group will work to optimize the use of overseas production facilities, while striving to achieve high production efficiency at all production facilities worldwide.

Furthermore, the Group will vigorously enter new fields without restricting itself to existing business domains. Particular emphasis will be put on enhancing product lineups for high-quality product markets such as the industrial equipment, automotive and healthcare industries.

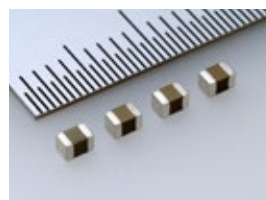
In the high capacitance zone above 100 μ F, we aim for further growth by promoting expansion in the multilayer ceramic capacitor market by aggressively developing our position in the electrolytic capacitor market.

Main Products

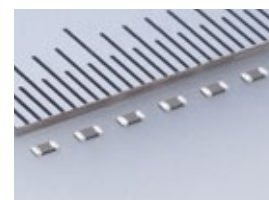
Multilayer ceramic capacitors



EIA01005 size (0.4 mm x 0.2 mm) ultra-small multilayer ceramic capacitors



EIA0805 size (2.0 mm x 1.25 mm) small high-capacitance multilayer ceramic capacitors

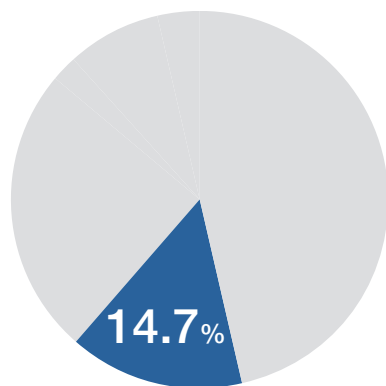


EIA0402 size (1.0 mm x 0.5 mm) 0.22 mm thickness low profile multilayer ceramic capacitors

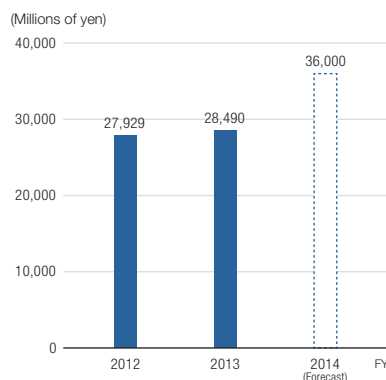
ELECTRONIC COMPONENTS FERRITE AND APPLIED PRODUCTS

Net sales breakdown by product segment

2013



Segment sales



Medium-term Management Plan Targets

(From FYE March 2013 to 2015)

- Achieve a 10% or higher operating margin
- Double power inductor sales (FYE March 2012 → FYE March 2015)
- Capture the No. 1 share of the market for metal power inductors, with a 50% or higher share
- Capture the No. 1 share of the market for High-Q high-frequency inductors

Business Overview

Since its pioneering early years, TAIYO YUDEN has been engaged in development and production in the ferrite and applied products business. In recent years, in addition to conventional products using ferrite materials, the TAIYO YUDEN Group has expanded the metal power inductor MCOIL™ line of products using new metallic magnetic materials.

Business Performance in the Year Ended March 2013

Sales were ¥28,490 million, an increase of 2.0% year-over-year. Sales for consumer product and electronic components were lower as compared to the previous fiscal year. However, this was offset by the increase in sales for information equipment, i.e. PCs and communication equipment.

Key Initiatives in the Year Ended March 2013

High-frequency multilayer inductors are used in the high-frequency circuits of mobile devices, which have seen continuing rapid market expansion. In this field, the TAIYO YUDEN Group developed and commercialized EIA0201 size (0.6 mm × 0.3 mm) and EIA01005 size (0.4 mm × 0.2 mm) products, the industry's highest level of Q factor.

To address stronger market demand for miniaturized, large current inductors, the Group commenced mass production of the metal power inductor MCOIL™ using metallic magnetic materials. It launched EIA0806 size (2.0 mm × 1.6 mm) and EIA1008 size (2.5 mm × 2.0 mm) products, in addition to 1.6 mm by 4.0 mm square size products. Another initiative was to commence mass production of products with a thin 1.0 mm profile.

Initiatives Ahead

In multilayer chip inductors and wire-wound inductors, the Group has acted speedily on the development of super high-end products that respond precisely to customer needs.

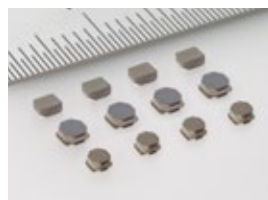
Another priority is to enhance the metal power inductor MCOIL™ line, for which mass production has begun. Here, the Group will focus on launching these products in strategic markets while expanding production capacity.

The Group will expand its lineup of high-frequency multilayer chip inductors and multilayer chip beads, with extremely small EIA01005 size (0.4 mm × 0.2 mm) products.

Furthermore, we will endeavor to optimize the use of production facilities overseas and achieve the highest possible production efficiencies.

Main Products

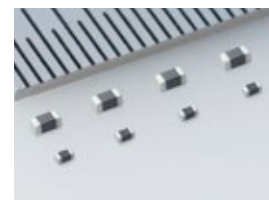
Multilayer/wire-wound chip inductors, ferrite chip beads and common mode choke coils



Metal power inductor
"MCOIL™"



High-frequency multilayer
chip beads inductors

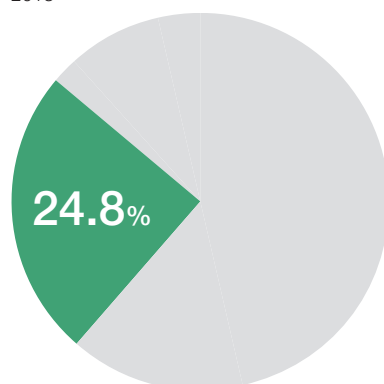


Multilayer chip beads
inductors

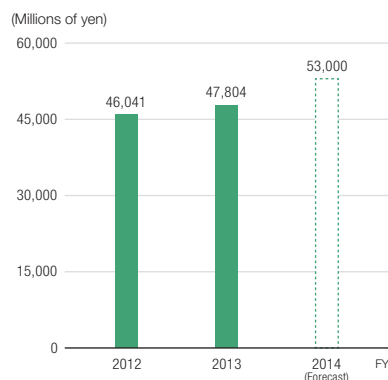
ELECTRONIC COMPONENTS INTEGRATED MODULES & DEVICES

Net sales breakdown by product segment

2013



Segment sales



Medium-term Management Plan Targets

(From FYE March 2013 to 2015)

- Achieve a 5% or higher operating margin
- Double communication device sales (FYE March 2012 → FYE March 2015)

Business Overview

In the past few years, the TAIYO YUDEN Group has been working to transform its business focus from the module business to an integrated modules & devices business. We are focusing particularly on enhancing our position in the communication device and energy-related fields.

Business Performance in the Year Ended March 2013

Sales in the Integrated Modules & Devices business rose 3.8% year over year to ¥47,804 million. Sales of power supply and high frequency modules were lower as compared to the previous fiscal year. This was offset by the increase in sales of SAW/FBAR devices for mobile communications.

Key Initiatives in the Year Ended March 2013

In SAW/FBAR devices for mobile communications, technology has become a key element in the devices that support the smartphone market, and the TAIYO YUDEN Group is working hard to develop products in this segment. We are making proposals for miniaturized, low energy-consumption filter devices that support LTE, and front-end modules with value-added integrated circuits. The Group is also focusing its efforts on developing products that use FBAR technology to

support more highly functional devices.

The Group worked to develop multifunctional modules that have superior compactness, a low profile and high efficiency, in order to address growing power conservation needs.

With regard to wireless communication modules, the Group also concentrated on developing and commercializing combination modules that enable the same module to be compatible with different communications standards such as Bluetooth® and wireless LAN. The Group also made new proposals to the communications market, including the healthcare and other fields.

Initiatives Ahead

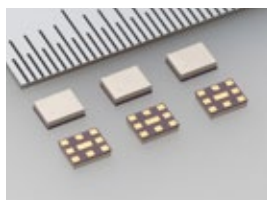
The Group is developing a high frequency module business centered on SAW/FBAR technology, while building a production base in response to rising demand from the growing smartphone and tablet device markets, where we see an increasing need for a greater number of embedded SAW/FBAR devices per product.

The Group is also aggressively targeting the market for super high-end components with products such as the EOMIN™ embedded-parts multilayer wiring substrate ("component-on-chip").

Furthermore, the Group is strengthening the power supply business with recovery systems and other products for the energy market.

Main Products

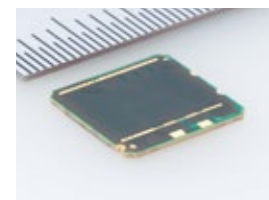
SAW/FBAR devices for mobile communications, power supply modules, high frequency modules and embedded parts multilayer wiring substrate



SAW/FBAR devices for mobile communications



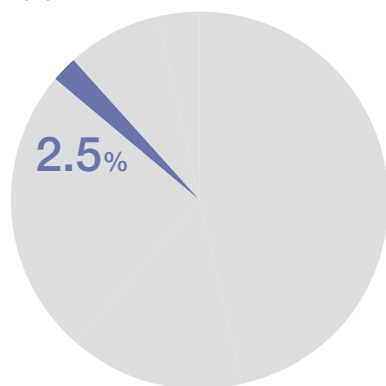
High frequency modules



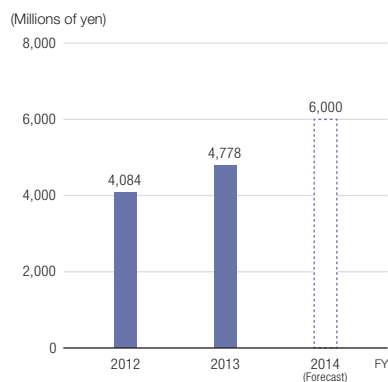
Embedded-parts multilayer wiring substrate EOMIN™

ELECTRONIC COMPONENTS OTHER ELECTRONIC COMPONENTS

Net sales breakdown by product segment
2013



Segment sales



Business Overview

To establish a foothold in the energy device field, TAIYO YUDEN converted Shoei Electronics Co., Ltd. (present TAIYO YUDEN ENERGY DEVICE CO., LTD.) into a subsidiary in 2007. By combining this company's capacitor technology with TAIYO YUDEN's various elemental technologies cultivated over the years, TAIYO YUDEN is working to enhance its presence in the energy device field.

Business Performance in the Year Ended March 2013

In the year ended March 2013, net sales rose 17.0% year over year to ¥4,778 million.

Key Initiatives in the Year Ended March 2013

Polyacene capacitors are mainly used as backup power supplies for smartphones and digital still cameras. In this field, the Group increased production of square-type polyacene capacitors. The Group also pressed ahead with low-temperature polyacene capacitors for smart meters.

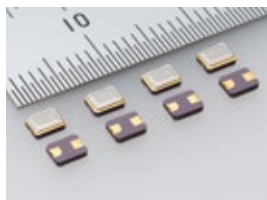
The Group is also working to increase the capacitance and energy density of cylinder-type lithium ion capacitors.

Initiatives Ahead

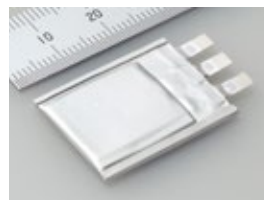
While conducting product development, the Group is working to develop applications in cutting-edge technology fields, and to expand sales in the energy field. The Group is focusing particularly on enhancing products for backup power supplies for devices used in centralized meter reading systems and smart meters.

Main Products

Energy devices (polyacene capacitors and lithium ion capacitors)



Square-type polyacene capacitors



Thin-type polyacene capacitors



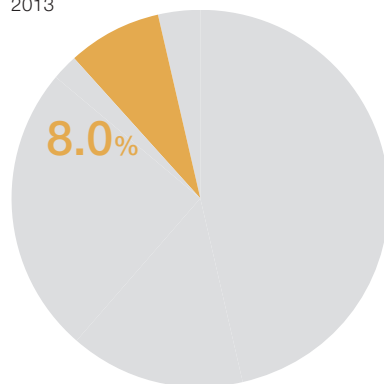
Cylinder type lithium ion capacitors

OPTICAL MEDIA AND OTHERS

OPTICAL MEDIA PRODUCTS

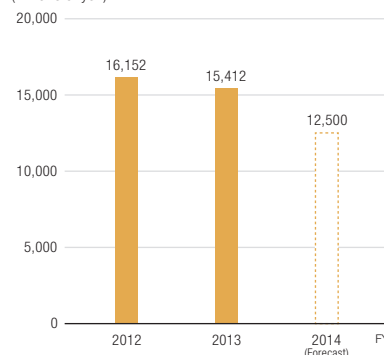
Net sales breakdown by product segment

2013



Segment sales

(Millions of yen)



Business Overview

Ever since developing the world's first CD-R in 1988, the TAIYO YUDEN Group has worked to develop and produce DVD-Rs and BD-Rs. Currently, our main target in this business is the market for archiving applications.

Business Performance in the Year Ended March 2013

Net sales were down 4.6% year over year to ¥15,412 million, due to a decline in sales of CD-Rs and DVD-Rs/DVD+Rs.

Key Initiatives in the Year Ended March 2013

In response to mounting demand for long-term optical storage devices (for archiving purposes), the Group continued with efforts to develop high-quality products for various types of recording format, such as CD-R, DVD-R and BD-R.

Initiatives Ahead

In step with contraction in consumer markets, the Group will optimize the size of its production base and the Group will work to transform its business model to ensure steady earnings. This will be achieved by focusing on cultivating the market for archiving applications, where the Group can exploit its strengths by supplying high quality products.

Main Products

CD-Rs, DVD-Rs/DVD+Rs, BD-Rs



DVD-R, BD-R, CD-R

OPTICAL MEDIA AND OTHERS

OTHERS

Business Performance in the Year Ended March 2013

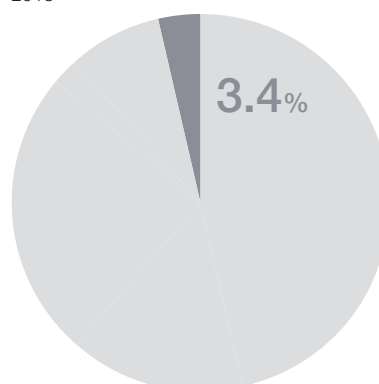
For the year ended March 2013, sales were ¥6,565 million, down 3.3% from the previous fiscal year.

Main Business

Circuit design and mounting business at a subsidiary.

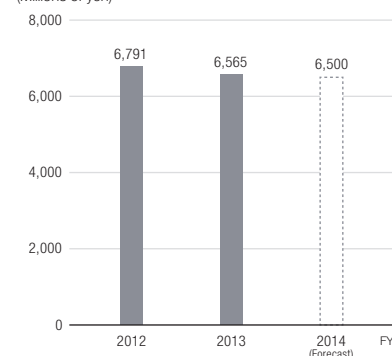
Net sales breakdown by product segment

2013



Segment sales

(Millions of yen)



Research and Development Activities

The Foundation of Our Research and Development Activities

Hikohachi Sato, the founder of TAIYO YUDEN, was a researcher in ceramic materials. Since its establishment, TAIYO YUDEN has believed that product commercialization should start from the development of materials. This has been one of the strengths of TAIYO YUDEN, and has resulted in us creating many products that have been the “world’s first.”

The TAIYO YUDEN Group’s research and development continues its focus on activities that are driven by one of the Company’s main objectives, which is to develop products that are rated highly by our customers, by means of enhancing the Company’s many elemental technologies that have been built up since its foundation. In particular, we are focusing on the development of super high-end products.

Research and Development Principles

Become a world leader in technology

Promote technological development ahead of product development and become a global leader in technology

Devise general-purpose technologies

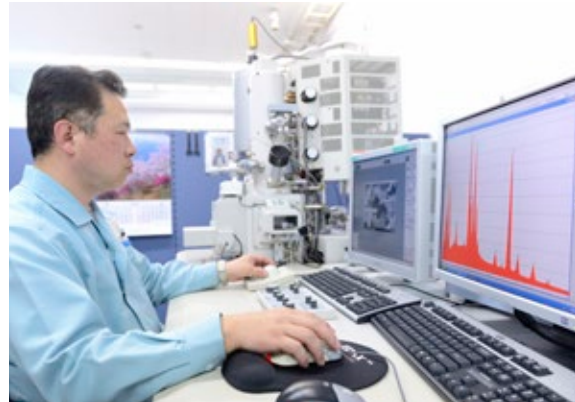
Devise technologies which can be applied not only to specific products but also to other areas useful to the markets we serve

Develop economic and environment-compatible technologies

Develop technologies which can be economically applicable to our manufacturing process and meet critical environmental standards

Create No. 1 technologies

Persist to create the world’s best and first technologies



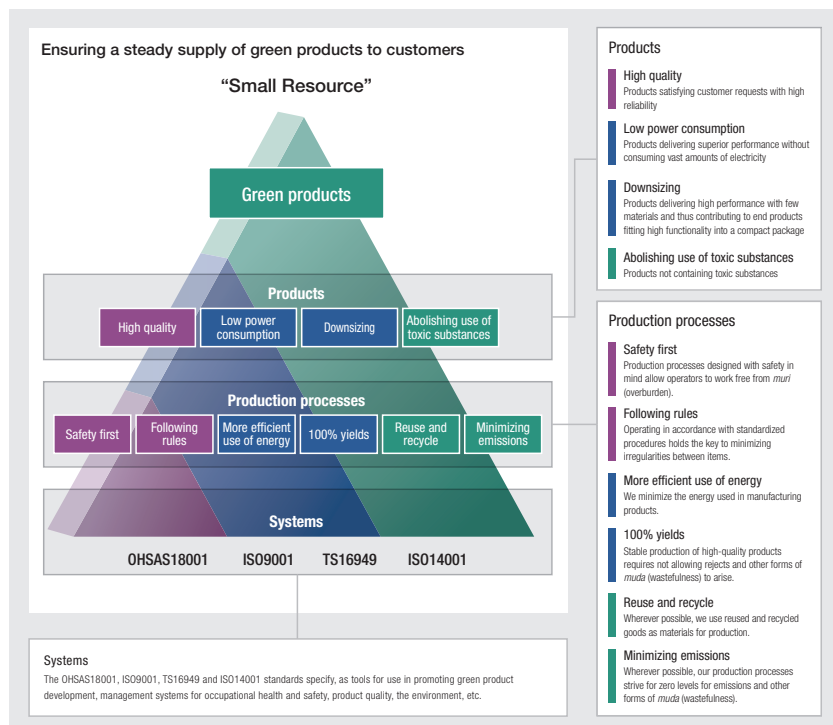
Development of “Green Products”

The TAIYO YUDEN Group has effective methods available that resolve the dilemma of how to both respond to customer demands for more advanced electronic devices and also to reduce environmental burdens. The objectives of these methods are to make electronic components that are incorporated inside a final product possess higher and higher performance levels.

Electronic components with high performance levels manifest improvements such as compactness (leading to reduction in the parts and materials used) and enhanced power efficiency (leading to lower energy consumed). Consequently, the TAIYO YUDEN Group continues to support the implementation of higher performance in all devices, and to achieve reductions in the environmental burden. Moreover, we consider our products as being beneficial for society as they are useful for a wide variety of producers that use electric power and enhance the quality of life of our customers.

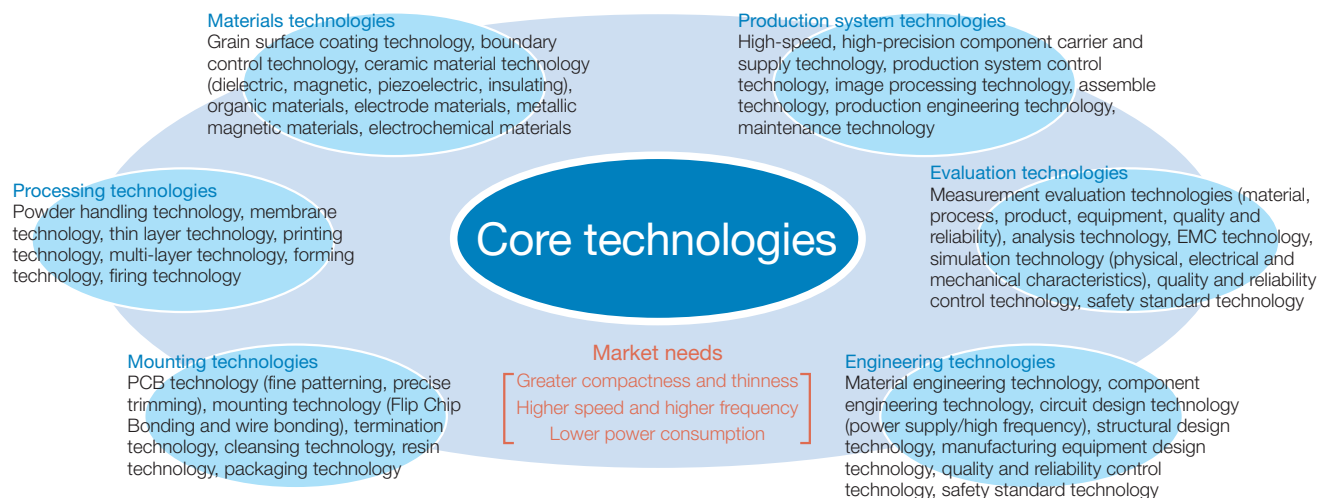
The TAIYO YUDEN Group strives to make a positive contribution to reducing the Company’s burden on the environment by pursuing “green products” and working to provide a stable supply of these items.

The green products that the Group has on its development horizon reflect the environmental considerations applied throughout the product life cycle, not only at the products’ end use, but also at all stages from design through production, sales, and incorporation into the final product right up to final disposal. This means eliminating what in Japanese are called the three M’s—*muda* (wastefulness), *mura* (unevenness), and *muri* (overburden)—over the entire life cycle of products to give them value for the customer, the local community, and our employees.



TAIYO YUDEN's Elemental Technologies

The TAIYO YUDEN Group is continuing to develop products that are rated highly by our customers, by using the various elemental technologies that the Company has built up since its foundation.



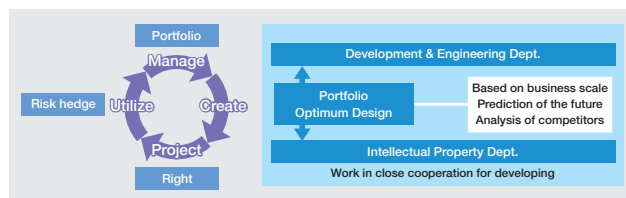
Activities on Intellectual Property Rights

Basic Policy

We, the TAIYO YUDEN Group, endeavor to obtain, maintain and protect intellectual property rights for proper use, and also to respect the intellectual property rights of third parties, in accordance with our CSR Code of Conduct.

Protection of Intellectual Property Rights

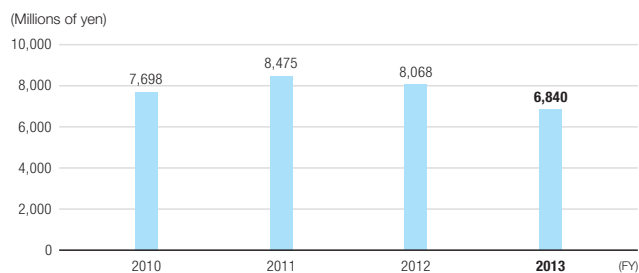
At TAIYO YUDEN, the Intellectual Property Department and the Developing and Engineering Department work in close cooperation with each other from the early stages of developing new technologies and obtaining intellectual property rights. We have our own management system to create, protect and utilize the intellectual property rights that are suitable for each of our businesses.



R&D Expenses

We recognize that continuing innovations and advancement in our technologies through R&D are the foundation of the strength of the Group. Accordingly, we will continue to invest in R&D activities and the future development of our products.

R&D expenses



R&D Center, TAIYO YUDEN's Research Facility (Takasaki City, Gunma Prefecture)

As we were committed to continuing to create the world's best products and uphold our claim to be "the TAIYO YUDEN of technology and the TAIYO YUDEN of development," we opened the R&D Center in 1998. In 2003, we established an Anechoic Chamber Test Facility in the same complex, and accelerated our proactive R&D activities in the field of radio communication. Currently, the R&D Center has become a foundation of the developmental and technological capabilities of the TAIYO YUDEN Group.

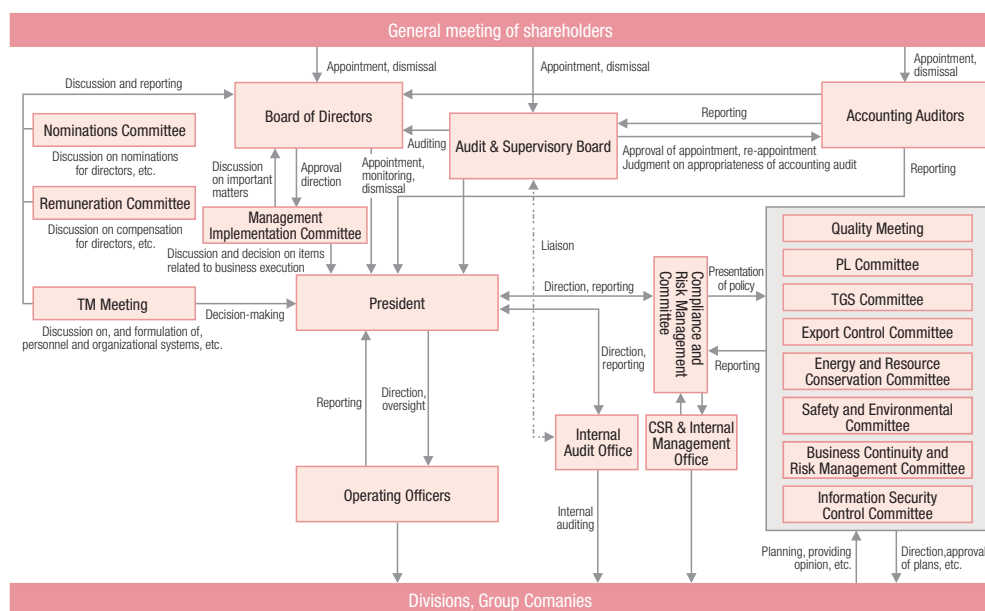


Basic Policy for Corporate Governance

Since its foundation, the TAIYO YUDEN Group has implemented a management philosophy that focuses on “employee well-being,” “betterment of local communities” and “responsibility to provide returns to shareholders.” Over the years, we have strived to build strong relationships with all stakeholders, beginning with the Company’s shareholders, with a strong focus on enhancing corporate value.

Considering the strengthening of corporate governance as the most important issue, the Company tries to make management more transparent with timely information disclosure, enhance compliance systems, and construct systems for ensuring speedy decision-making and execution of duties, as well as appropriate supervision and audit.

Structure of corporate governance



Review of Corporate Governance

1. The Company has adopted the corporate auditor system, and has a Board of Directors, Audit & Supervisory Board and an accounting auditor. In order to ensure the transparency of its management oversight mechanism as it concerns Outside Directors and Outside Audit & Supervisory Board Members, the Company has strengthened its criteria for the election of Outside Directors by making its “Standards for the Independence of Outside Directors/ Outside Audit & Supervisory Board Members” more rigorous based on consideration of the “Securities Listing Regulations” set forth by the Tokyo Stock Exchange Group together with other standards for independence set forth by other financial instruments exchanges and subsidiary organizations advising about the exercise of voting rights. Furthermore, the Outside Directors and Outside Audit & Supervisory Board Members work closely with the Audit & Supervisory Board and Internal Audit Office, thereby enabling the effective utilization of corporate audit functions and enhancing the functions of management oversight.

* For more details concerning the independence criteria for Outside Directors and Outside Audit & Supervisory Board Members, please refer to “Selection Criteria for Outside Directors/Outside Audit & Supervisory Board Members” on the TAIYO YUDEN website.

2. The Company established the operating officer system and has Operating Officers in place so as to separate supervising function from operating function.
3. Principal meetings and roles of committees are as follows.
 - Management Implementation Committee
In the Management Implementation Committee, Operating Officers

in charge of business operations deliberate and determine policy matters related to operations of group management.

- TM Meeting
In the TM Meeting, consisting of Directors with a rank of Executive Operating Officer or higher, and Directors who are in charge of personnel matters, matters concerning personnel, organizations, and remuneration for the entire Group are deliberated and determined, and matters concerning important management policies are deliberated in advance.
- Nominations Committee
The Nominations Committee nominates candidates for Directors, Corporate Auditors, and Operating Officers, and deliberates matters related to election of Representative Directors and Directors. The Committee is chaired by an Outside Director who is an Independent Officer to ensure objectivity of each deliberated matter.
- Remuneration Committee
The Remuneration Committee deliberates systems of remuneration to Corporate Officers, as well as details of remuneration to each Corporate Officer. The Committee is chaired by an Outside Director who is an Independent Officer to ensure objectivity of each deliberated matter.
- Compliance and Risk Management Committee
The Compliance and Risk Management Committee consisting of Directors and Operating Officers discusses activities to improve systems concerning internal control, relevant instructions, and their progress management.

Directors and Audit & Supervisory Board Members

Directors



Eiji Watanuki

Representative Director

Joined TAIYO YUDEN in 1971 and served many years in the sales and marketing divisions in Japan and overseas, including as President of a subsidiary in Singapore and as President of the Western Japan Branch. Appointed Senior Operating Officer in 2003, and Director in 2006. In charge of the Integrated Module Business from 2007, and appointed President and Representative Director in June 2011.



Shoichi Tosaka

Director

Joined TAIYO YUDEN in 1979, and was mainly engaged in materials development and technological development. Appointed Senior Operating Officer in 2003. Subsequently, in charge of Electronic Components business, R&D/engineering, and quality assurance. Appointed Director in June 2006.



Seiichi Tsutsumi

Director

Joined TAIYO YUDEN in 1977 and was engaged in sales and marketing for many years. Appointed President of a subsidiary in Singapore in 2000. Appointed Managing Officer and in charge of product marketing and planning at Sales Headquarters in 2007. In charge of Greater China Area from 2009. Appointed Director in June 2010. Appointed Chief of Integrated Module & Device Business Headquarters in 2011.



Osamu Takahashi

Director

Joined TAIYO YUDEN in 1980. Assigned to quality assurance and materials technology divisions, he was subsequently engaged in sales promotion and marketing. Since 1992, has been involved in production planning, corporate planning and financial divisions. Appointed Operating Officer in 2003. Appointed Director in June 2011. Appointed Chief of Strategic Project Headquarters in 2013.



Katsushige Nakano

Director

After working at Fujitsu Ltd. in accounting and finance in the Communication business in Japan and overseas, was appointed President and Representative Director of Fujitsu Media Devices Ltd. in 2009. Following the latter company's transfer of the Communication Device business to TAIYO YUDEN in 2010, joined TAIYO YUDEN in April 2013, was appointed Director in June and was in charge of mainly financial strategy as Chief of Management Planning Headquarters.



Shinji Masuyama

Director

Joined TAIYO YUDEN in 1980 and was engaged in production technology and system development of electronic components and optical media products for many years. Appointed Managing Officer in 2004, and in charge of the Electronic Components business centered on the Capacitor Product business and Ferrite Application Product business. Appointed Director in June 2013.



Yuji Iwanaga

Outside, Independent
Director



Hisaji Agata

Outside, Independent
Director

Audit & Supervisory Board Members



Norio Osakabe
Audit & Supervisory
Board Member



Mamoru Yamaki
Audit & Supervisory
Board Member



Tomonori Akisaka
Outside Audit &
Supervisory Board Member



Kazuhiro Yamakawa
Outside Audit &
Supervisory Board Member

CSR Activities

Basic Stance Regarding CSR Activities

The TAIYO YUDEN Group's management philosophy is to support employee well-being, support the betterment of local communities, and accept responsibility to provide returns to shareholders. The fulfillment of these responsibilities is the basis of management at TAIYO YUDEN.

Business enterprises can not develop all alone, but they evolve along with local communities. Fifty years ago, our business involvement with local communities was confined to Japanese society, but now it has spread worldwide. By this change, we have obtained more opportunities to expand our business and to increase the economic value of our products. At the same time, however, the range of our stakeholders has broadened, and their requirements and expectations are growing bigger and deeper.

As we turn these opportunities into results which incorporate an increase in economic value, we will also enhance our social value by responding to stakeholders' requirements and expectations, and by fulfilling our social responsibilities. To accomplish this goal, we take responsibility not only for the safety and quality of our products, but also for our activities within the Company that are related with labor and human rights, safety and health, the environment, and ethics.

CSR Charter

To present the management philosophy of the TAIYO YUDEN Group more clearly to stakeholders, in 2005 the CSR Charter (TAIYO YUDEN Group's Charter on Social Responsibility) was established. To win the trust and goodwill of society, the TAIYO YUDEN Group will respect human rights, keep abreast of and comply with laws and international rules and regulations, and take a socially conscious course of action based on high ethical standards.

Business

- The TAIYO YUDEN Group will win our clients' confidence by developing and providing high value-added products and services for which safety is thoroughly considered.
- The TAIYO YUDEN Group will pursue global environmental preservation by reducing environmental impacts caused by our business activities.
- The TAIYO YUDEN Group will engage in fair, open, and free competition while maintaining sound relationships with governmental/administrative bodies, citizens and organizations.

People

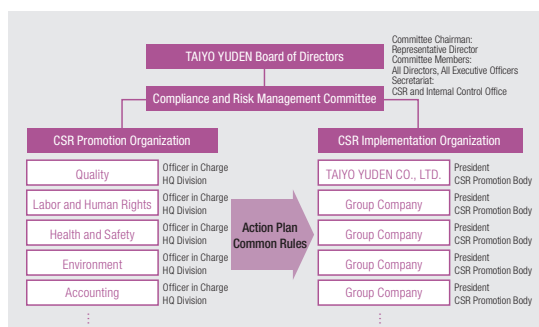
- The TAIYO YUDEN Group will respect the dignity and individuality of each person based on recognition of people's diverse backgrounds and characteristics.
- The TAIYO YUDEN Group will strive to create safe work environments that ensure our employees are able to perform their duties with a sense of reassurance.

Society

- The TAIYO YUDEN Group will actively participate in social contribution efforts while valuing co-existence with local and international communities.
- The TAIYO YUDEN Group will promote widespread communication with society and disclose corporate information on a timely basis in an appropriate manner.

CSR Activities Promotion Framework

In the Group's CSR activities, overall management is provided by the Compliance and Risk Management Committee, chaired by the President and attended by all directors. The promotion organization is comprised of officers in charge and HQ divisions appointed for each provision of the Code of Conduct and each applicable risk, and management is carried out according to a system (the Compliance and Risk Management System) implemented by each group company in accordance with the activity policy and rules in common established by the promotion organization.

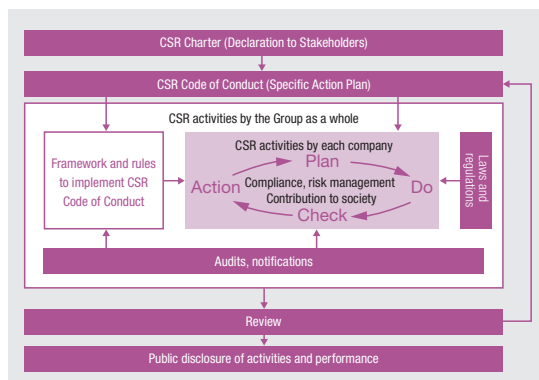


CSR Management System

The TAIYO YUDEN Group has built a CSR management system to achieve the goals set forth in our CSR Charter and assure compliance with the CSR Code of Conduct.

In carrying out CSR activities, we follow the provisions of our Code of Conduct and comply with laws and regulations as a matter of course. We also have a framework and rules in place for promoting proper conduct and all of our group sites employ a management system based on the plan-do-check-act (PDCA) cycle.

These activities are checked through internal audits and a notification system. An annual review of CSR performance is conducted and activities are continually being improved.



Details of Activities and Examples of Efforts

Encouraging and Facilitating CSR

At TAIYO YUDEN we actively provide education to encourage and facilitate the understanding and implementation of CSR.

To deepen understanding of our CSR Code of Conduct, we have created and distributed to all officers and employees the CSR Code of Conduct Handbook that uses simplified explanations with illustrations.

In addition, we hold seminars for management personnel given by visiting lecturers, and periodically carry out an e-Learning program and other measures for non-management-level employees. We also hold group training sessions for employees upon first entering the Company or at the time of a promotion.

Environmental Activities

In order to contribute to passing on our irreplaceable natural world to future generations, the TAIYO YUDEN Group is implementing initiatives to reduce the burden on the environment of all manner of business activities.

Product Cutting Machine Wastewater Recycling

Chuki Seiki Co., Ltd. used to treat and discharge wastewater from product cutting machines, but it has now been able to significantly reduce water consumption by filtering with a filter and reusing this wastewater. The reduction in the amount of water comes to approximately 4,490 tons per year.

Mangrove Tree Planting

In FY2008, TAIYO YUDEN (PHILIPPINES) began planting mangrove seedlings on Olango Island, near Mactan Island where the company is located. Every year 10,000 mangrove trees are planted.



Mangrove tree planting

Contributing to Society

Our corporate approach is to coexist harmoniously with the local communities and wider global society that our business touches. Toward that end we actively encourage tours of our factories, and promote community exchanges and exchanges with other companies as part of our activities to contribute to society.

Beautification Activities

We put great effort into volunteer community clean-ups at each TAIYO YUDEN Group site. These activities are not restricted to Japan; in 2012 in the Philippines we carried out a beach clean-up of Olango Island and collected 81 kg of garbage that had washed ashore.



Beach clean-up of Olango Island

Community Exchange

The TAIYO YUDEN Group accepts plant tours as one important way of keeping in contact with local communities. TAIYO YUDEN Mobile Technology was visited by about 80 elementary school students and about 20 high school students who were then briefed on the corporate activities of the TAIYO YUDEN Group and the products made at the plant. University students visited TAIYO YUDEN (PHILIPPINES) and learned about the practice of environmental protection technologies. Moreover, 40 representatives from 28 groups also paid a visit and toured the safety practices in the workplace.



A plant tour

Donations to Local Communities

The TAIYO YUDEN Group gives donations to the Gunma Prefecture and Sato Traffic Orphans Welfare Fund. The Sato Traffic Orphans Welfare Fund was founded based on the contributions of the late Hikohachi Sato, who was the founder of TAIYO YUDEN. These funds are then used to give scholarships to traffic orphans and to hold traffic safety training. Moreover, these activities are not confined to Japan: we are proactively developing social contribution activities overseas. In South Korea, we operate a traffic accident orphans fund and make donations to elementary schools. In China, we support the SOS Children's Villages.* In the Philippines, we make donations to welfare and other organizations, and to the victims of Typhoon Pablo.



Donations to the victims of Typhoon Pablo

*SOS Children's Villages: An international child welfare organization that supports children who need help and children who lost their parents due to war, disasters, infectious diseases and major accidents.

Health and Safety Activities

To create a workplace where employees can work without anxiety, the TAIYO YUDEN Group draws up Group-wide medium-term plans. The plans prescribe the activities to be carried out to prevent work-related accidents.

Prevention of Disasters and Explosions

We are developing comprehensive measures to prevent disasters and explosions caused by chemical substances. These include managing humidity, making facilities explosion-proof, and removing static electricity from production jigs and people's bodies.

Financial Section

11-year Summary	P. 29
Financial Review	P. 30
Consolidated Financial Statements	P. 32
Consolidated Balance Sheets	P. 32
Consolidated Statements of Operations	P. 34
Consolidated Statements of Comprehensive Income	P. 35
Consolidated Statements of Changes in Net Assets	P. 36
Consolidated Statements of Cash Flows	P. 38
Notes to Consolidated Financial Statements	P. 39
Independent Auditor's Report	P. 63

The English language version of this report is based on the Japanese language version.

With the exception of the financial statements, all figures presented have been rounded down to the nearest appropriate unit.

As a result, there are cases when a figure in the following text differs slightly from the equivalent figure in the financial statements.

11-year Summary

TAIYO YUDEN CO., LTD. and Subsidiaries

Years Ended March 31 and as of March 31

	Millions of yen	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net sales		¥153,721	¥163,328	¥172,256	¥186,539	¥221,229	¥238,274	¥185,452	¥195,690	¥210,401	¥183,795	¥192,903
Operating income (loss)		8,169	10,988	2,055	6,691	22,018	21,304	(12,755)	4,203	8,792	(8,010)	4,993
Ordinary income (loss)		7,288	9,381	1,973	6,997	21,641	19,141	(12,601)	1,966	6,740	(9,070)	7,260
Net income (loss)		2,992	(1,844)	(774)	3,155	12,944	10,634	(14,332)	(680)	(5,506)	(21,599)	2,000
Net assets		152,552	140,395	141,667	153,875	169,497	167,766	139,435	139,263	127,626	104,400	115,961
Total assets		214,097	213,988	212,231	224,381	258,552	271,605	225,451	236,361	221,272	208,461	225,927
Cash flows from operating activities		28,967	18,494	5,853	20,054	28,979	29,791	15,696	25,662	25,219	5,534	19,496
Cash flows from investing activities		(5,642)	(14,683)	(19,601)	(15,290)	(33,780)	(43,768)	(25,665)	(8,918)	(16,594)	(28,945)	(18,157)
Cash flows from financing activities		(13,425)	(2,464)	3,386	(2,805)	7,586	12,855	9,780	(8,775)	(8,948)	11,388	2,334
Cash and cash equivalents at end of year		41,883	40,752	31,245	35,672	39,435	35,401	33,110	40,451	38,811	26,671	33,280
R&D expenses		7,988	7,903	7,581	7,096	8,207	8,888	8,463	7,698	8,475	8,068	6,840
Capital investment		7,417	14,409	22,464	15,778	30,244	44,584	27,018	9,352	17,519	26,764	20,702
Depreciation and amortization		20,284	18,333	17,984	17,052	18,376	23,294	27,850	23,922	19,309	19,250	19,832
	Yen	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net assets per share		¥1,268.22	¥1,176.13	¥1,187.69	¥1,290.00	¥1,421.45	¥1,403.24	¥1,181.28	¥1,179.82	¥1,080.61	¥884.70	¥983.16
Basic net income (loss) per share		24.38	(15.90)	(6.58)	26.00	108.58	89.22	(121.51)	(5.78)	(46.82)	(183.70)	17.01
Diluted net income per share		23.66	-	-	25.21	104.09	82.06	-	-	-	-	16.98
Cash dividends per share		10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	5.00	10.00
	%	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Equity ratio		71.3	65.6	66.8	68.6	65.5	61.6	61.6	58.7	57.4	49.9	51.2
Return on Equity [ROE]		1.9	(1.3)	(0.5)	2.1	8.0	6.3	(9.4)	(0.5)	(4.1)	(18.7)	1.8
Return on Assets [ROA]		3.3	4.4	0.9	3.2	9.0	7.2	(5.1)	0.9	2.9	(4.2)	3.3
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of employees [consolidated]		15,791	17,194	17,577	19,656	20,387	20,117	17,478	17,836	17,267	16,194	15,915
Number of employees [non-consolidated]		2,860	2,675	2,669	2,592	2,686	2,905	2,918	2,957	2,988	2,977	2,632

Note: ROE = Net income/Shareholders' equity (yearly average) x 100

ROA = Ordinary income/Total assets (yearly average) x 100

The figures differ from the figures presented on page 7 of this report because the change in the basis of calculation used in the fiscal years ended March 2012 and March 2013 has not been applied.

Performance Overview

The economic environment surrounding TAIYO YUDEN CO., LTD. ("TAIYO YUDEN" or "the Company") and its subsidiaries (together "the TAIYO YUDEN Group" or "the Group") in the year ended March 31, 2013 remained challenging, despite a gradual recovery in the global economy and the rapid depreciation of the yen that began in the second half of the Company's fiscal year.

The electronics industry, to which the Group belongs, has seen continued growth from the smartphone and tablet device markets. In contrast to this, the PC and television markets remain sluggish. Overall this has caused weaker demand for electronic components.

Under such difficult circumstances, the TAIYO YUDEN Group has implemented a series of structural reforms that are measures management believes will improve operations and foster growth needed to achieve the targets established for the year ended March 31, 2015, which is the final year of the Group's medium-term management plan. The measures implemented to improve operations include the process of shifting the production of capacitors and inductors offshore from Japan to other countries, which is consistent with efforts to maximize the use of the Group's overseas production sites. Our growth strategies include the expansion of sales and the emphasis on super high-end products, including capacitors, inductors and SAW/FBAR devices for mobile communications. As a result, net sales increased 5.0% year over year, to ¥192,903 million.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses were ¥32,809 million for the year ended March 31, 2013, down ¥1,932 million from the previous fiscal year. The contributors to the decrease were decreases in tariffs and commission fees, a decrease in the provision for employee salaries and benefits, and a decrease in R&D expenses.

As a result, operating income was ¥4,993 million, compared to an operating loss of ¥8,010 million in the previous fiscal year.

Other Income (Expenses)

The net amount of other income was expenses of ¥971 million, down ¥5,643 million compared with the previous fiscal year. This improvement reflects the posting of ¥2,895 million as gain on foreign exchange and ¥905 million as gain on sales of property, plant and equipment, and the large decrease (¥4,023 million) in business structure improvement expenses to ¥254 million. At the same time, the increase in expenses reflects the posting of a settlement package of ¥2,823 million.

As a result of above factors, we restored profitability and booked net income of ¥2,000 million, compared to a net loss of ¥21,599 million in the previous fiscal year.

Financial Position

Assets

Total assets at fiscal year-end were valued at ¥225,927 million, an increase of ¥17,465 million compared with the previous fiscal year-end. Current assets increased ¥12,933 million mainly due to four factors; 1) an increase of ¥7,444 million in cash and cash equivalents, 2) an increase of ¥1,923 million in merchandise and finished products, 3) an increase of ¥2,557 million in work in process, and 4) an increase of ¥912 million in raw materials and supplies.

Liabilities

Total liabilities at fiscal year-end were ¥109,966 million, up ¥5,905 million compared to the previous fiscal year-end. This was due primarily to four factors; 1) an increase of ¥2,604 million in trade notes and accounts payable, 2) an increase of ¥11,210 million in short-term borrowings, 3) an absence of the ¥19,635 million in current portion of convertible bonds with stock acquisition rights recorded in the previous fiscal year, and 4) an increase of ¥12,066 million in long-term borrowings.

Net Assets

Total net assets at the fiscal year-end were ¥115,961 million, up ¥11,560 million as compared to the previous fiscal year-end, due primarily to an increase of ¥2,000 million from net income, a decrease of ¥882 million in cash dividends from retained earnings, and an increase of ¥10,291 million from foreign currency translation adjustments.

Cash Flows

Net cash provided by operating activities for the year ended March 31, 2013 was ¥19,496 million, an increase of 252.3% compared with the previous fiscal year. The contributing factors were income before income taxes and minority interests of ¥4,021 million; depreciation and amortization of ¥19,832 million; business structure improvement expenses of ¥254 million; an impairment loss of ¥345 million; a settlement package of ¥2,822 million; a decrease in trade receivables of ¥5,308 million; and an increase in inventories of ¥2,768 million.

Net cash used in investing activities for the year ended March 31, 2013 totaled ¥18,157 million, a decrease of 37.3% compared with the previous fiscal year. The largest cash outflow was ¥19,533 million paid for purchases of property, plant and equipment.

Net cash provided by financing activities for the year ended March 31, 2013 totaled ¥2,334 million, a decrease of 79.5% compared with the previous fiscal year. This was primarily attributed to a net increase in short-term borrowings of ¥10,765 million, proceeds from long-term borrowings of ¥17,000 million, repayments of long-term borrowings of ¥4,181 million, and redemption of current portion of convertible bonds with stock acquisition rights to shares of ¥19,635 million.

As a result of the aforementioned activities, cash and cash equivalents as of March 31, 2013 increased ¥6,608 million from the end of the previous fiscal year, to ¥33,280 million.

Financing

The TAIYO YUDEN Group practices consolidated management of Group funds with the objective of

increasing the efficiency of funding operations. We collect surplus funds from subsidiaries to supply necessary funds to other subsidiaries, while procuring funds externally to cover any shortfalls. We have adopted a Cash Management System (CMS) to minimize external interest-bearing debt.

Financing from external sources at fiscal year-end consisted of the following items: 1) short-term borrowings of ¥20,242 million, 2) the current portion of long-term borrowings of ¥4,899 million, 3) bonds payable of ¥8,000 million, 4) convertible bonds with stock acquisition rights of ¥365 million, 5) long-term borrowings of ¥29,364 million, and 6) lease liabilities of ¥1,673 million. Borrowings are made in Japan at fixed interest rates. The Company also has a commitment line of ¥10,000 million effective for three years to ensure financial stability. We renewed this commitment line in December 2011 with the intention of having these funds available for any emergencies that may severely impact cash flow. As of the fiscal year-end, the Company has not used any of this commitment line.

The TAIYO YUDEN Group has the ability to generate cash flow through sound financial position and operating activities. This enables the procurement of operating capital and funds for capital investment required for the future to maintain growth on a Group-wide basis.

Overview of Capital Investment

Capital investment during the year ended March 31, 2013 amounted to ¥19,651 million. The overall breakdown is as follows.

Electronic Components

Capital investment of ¥19,264 million was used mainly to boost productivity of capacitors, and ferrite and applied products, and for R&D facilities.

Optical Media and Others

Capital investment of ¥386 million was used mainly to launch new optical media products.

Consolidated Financial Statements

Consolidated Balance Sheets

TAIYO YUDEN CO., LTD. and Subsidiaries

March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2013	2012	2013
Current assets:			
Cash and cash equivalents (Note 3)	¥33,281	¥26,672	\$354,048
Time deposits (Note 3)	2,076	1,241	22,085
Receivables:			
Trade notes and accounts receivable (Note 3)	41,656	41,865	443,144
Allowance for doubtful receivables	(271)	(290)	(2,886)
Inventories:			
Merchandise and finished products	15,023	13,100	159,821
Work in process	11,087	8,530	117,943
Raw materials and supplies	9,833	8,920	104,604
Deferred tax assets (Note 8)	536	405	5,708
Prepaid expenses and other current assets	4,111	3,956	43,750
Total current assets	117,332	104,399	1,248,217
Property, plant and equipment (Note 10):			
Land	7,689	7,687	81,804
Buildings and structures	68,215	64,204	725,686
Machinery and equipment	212,367	192,930	2,259,226
Tools, furniture and fixtures	19,262	18,212	204,920
Construction in progress	9,358	10,397	99,548
Total	316,891	293,430	3,371,184
Accumulated depreciation	(218,116)	(199,409)	(2,320,388)
Net property, plant and equipment	98,775	94,021	1,050,796
Investments and other assets:			
Investment securities (Notes 3 and 4)	3,814	3,955	40,577
Investments in affiliate (Note 3)	546	595	5,812
Goodwill	1,201	1,802	12,778
Deferred tax assets (Note 8)	839	580	8,925
Other	3,702	3,355	39,375
Allowance for doubtful receivables	(282)	(246)	(3,000)
Total investments and other assets	9,820	10,041	104,467
Total assets	¥225,927	¥208,461	\$2,403,480

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND NET ASSETS	2013	2012	2013
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥20,242	¥9,032	\$215,345
Current portion of long-term borrowings (Notes 3 and 5)	4,899	4,148	52,120
Current portion of convertible bonds with stock acquisition rights	–	19,635	–
Notes and accounts payable:			
Trade notes and accounts payable (Note 3)	17,950	15,346	190,958
Other (Note 3)	8,713	7,593	92,693
Income taxes payable (Note 3)	1,049	586	11,162
Accrued bonuses for employees	2,981	1,741	31,715
Accrued bonuses for directors	75	–	803
Deferred tax liabilities (Note 8)	698	616	7,422
Provision for business structure improvement	–	475	–
Other	7,837	10,585	83,354
Total current liabilities	64,444	69,757	685,572
Long-term liabilities:			
Bonds payable (Notes 3 and 5)	8,000	8,000	85,106
Long-term borrowings (Notes 3 and 5)	29,365	17,298	312,389
Convertible bonds with stock acquisition rights (Notes 3 and 5)	365	365	3,883
Lease liabilities (Note 5)	1,011	1,662	10,754
Accrued retirement benefits for employees (Note 6)	1,263	1,660	13,441
Accrued retirement benefits for directors and corporate auditors	126	108	1,338
Deferred tax liabilities (Note 8)	4,378	3,650	46,572
Negative goodwill	10	31	110
Other	1,004	1,530	10,687
Total long-term liabilities	45,522	34,304	484,280
Total liabilities	109,966	104,061	1,169,852
Commitment and contingent liabilities (Notes 9 and 11):			
Net assets (Note 7)			
Shareholders' equity:			
Common stock			
Authorized – 300,000,000 shares			
Issued – 120,481,395 shares in 2013 and 2012	23,557	23,557	250,609
Capital surplus	41,484	41,471	441,320
Retained earnings (Note 18)	67,938	66,820	722,748
Treasury stock, at cost – 2,855,179 shares in 2013 and 2,899,010 shares in 2012	(3,564)	(3,625)	(37,919)
Total shareholders' equity	129,415	128,223	1,376,758
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	562	434	5,981
Deferred gains (losses) on hedges	15	6	153
Foreign currency translation adjustments	(14,347)	(24,638)	(152,618)
Total accumulated other comprehensive income	(13,770)	(24,198)	(146,484)
Stock acquisition rights (Note 13)	275	329	2,921
Minority interests	41	46	433
Total net assets	115,961	104,400	1,233,628
Total liabilities and net assets	¥225,927	¥208,461	\$2,403,480

Consolidated Statements of Operations

TAIYO YUDEN CO., LTD. and Subsidiaries

March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET SALES (Note 16)	¥192,904	¥183,795	\$2,052,169
COST OF SALES	155,101	157,064	1,650,009
Gross profit	37,803	26,731	402,160
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	32,810	34,742	349,041
Operating income (loss) (Note 16)	4,993	(8,011)	53,119
OTHER INCOME (EXPENSES):			
Interest and dividends income	238	277	2,531
Interest expense	(556)	(410)	(5,918)
Equity in earnings of affiliate	7	69	80
Gain (Loss) on foreign exchange	2,895	(526)	30,799
Depreciation of inactive noncurrent assets	(419)	(349)	(4,456)
Gain on sales of property, plant and equipment	905	29	9,632
Loss on disposal and sales of property, plant and equipment	(217)	(496)	(2,310)
Loss on disposal of inventories	(135)	(142)	(1,437)
Loss on valuation of investment securities	(427)	(443)	(4,548)
Impairment loss on property, plant and equipment (Note 10)	(346)	(268)	(3,679)
Business structure improvement expenses (Note 15)	(254)	(4,277)	(2,707)
Settlement package	(2,823)	–	(30,029)
Subsidy income	122	72	1,293
Life insurance dividends income	69	41	738
Interest on bonds	(74)	(12)	(783)
Bond issuance cost	–	(41)	–
Gain on change of employee retirement benefit plan	–	56	–
Gain on negative goodwill	–	12	–
Other	44	(206)	462
Other income (expense) – net	(971)	(6,614)	(10,332)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	4,022	(14,625)	42,787
INCOME TAXES (Note 8)			
Current	1,737	1,139	18,483
Deferred	278	5,832	2,953
Total income taxes	2,015	6,971	21,436
INCOME (LOSS) BEFORE MINORITY INTERESTS	2,007	(21,596)	21,351
MINORITY INTERESTS	7	4	71
NET INCOME (LOSS)	¥2,000	¥(21,600)	\$21,280
PER SHARE OF COMMON STOCK (Note 17):	Yen		U.S. Dollars (Note 1)
Basic earnings	¥17.01	¥(183.70)	\$0.18
Diluted earnings	16.98	–	0.18
Cash dividends applicable to the year	10.00	5.00	0.11

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

TAIYO YUDEN CO., LTD. and Subsidiaries

March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
INCOME (LOSS) BEFORE MINORITY INTERESTS	¥2,007	¥(21,596)	\$21,351
OTHER COMPREHENSIVE INCOME (Note 14):			
Net unrealized holding gains (losses) on securities	128	52	1,367
Deferred gains (losses) on hedges	9	55	95
Foreign currency translation adjustments	10,291	(662)	109,475
Total other comprehensive income	10,428	(555)	110,937
COMPREHENSIVE INCOME	¥12,435	¥(22,151)	\$132,288
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥12,429	¥(22,155)	\$132,224
Minority interests	6	4	64

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

TAIYO YUDEN CO., LTD. and Subsidiaries

March 31, 2013 and 2012

	Number of Shares of Common Stock Issued	Shareholders' Equity				
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
BALANCE, APRIL 1, 2012	120,481	¥23,557	¥41,471	¥66,820	¥(3,625)	¥128,223
Changes during the year						
Cash dividends, ¥7.50 per share				(882)		(882)
Net income				2,000		2,000
Treasury stock acquired (12,169 shares)					(9)	(9)
Treasury stock disposed (56,000 shares)			13		70	83
Changes other than shareholders' equity						
Total changes	<u>—</u>	<u>—</u>	<u>13</u>	<u>1,118</u>	<u>61</u>	<u>1,192</u>
BALANCE, MARCH 31, 2013	120,481	¥23,557	¥41,484	¥67,938	¥(3,564)	¥129,415

Millions of Yen

	Accumulated Other Comprehensive Income						
	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, APRIL 1, 2012	¥434	¥6	¥(24,638)	¥(24,198)	¥329	¥46	¥104,400
Changes during the year							
Cash dividends, ¥7.50 per share							(882)
Net income							2,000
Treasury stock acquired (12,169 shares)							(9)
Treasury stock disposed (56,000 shares)							83
Changes other than shareholders' equity	128	9	10,291	10,428	(54)	(5)	10,369
Total changes	128	9	10,291	10,428	(54)	(5)	11,561
BALANCE, MARCH 31, 2013	¥562	¥15	¥(14,347)	¥(13,770)	¥275	¥41	¥115,961

Thousands of U.S. Dollars (Note 1)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
BALANCE, APRIL 1, 2012	\$250,609	\$441,183	\$710,852	\$(38,570)	\$1,364,074
Changes during the year					
Cash dividends, \$0.08 per share			(9,384)		(9,384)
Net income			21,280		21,280
Treasury stock acquired (12,169 shares)				(94)	(94)
Treasury stock disposed (56,000 shares)		137		745	882
Changes other than shareholders' equity					
Total changes	-	137	11,896	651	12,684
BALANCE, MARCH 31, 2013	\$250,609	\$441,320	\$722,748	\$(37,919)	\$1,376,758

Thousands of U.S. Dollars (Note 1)

	Accumulated Other Comprehensive Income						
	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, APRIL 1, 2012	\$4,614	\$58	\$(262,100)	\$(257,428)	\$3,504	\$491	\$1,110,641
Changes during the year							
Cash dividends, \$0.08 per share							(9,384)
Net income							21,280
Treasury stock acquired (12,169 shares)							(94)
Treasury stock disposed (56,000 shares)							882
Changes other than shareholders' equity	1,367	95	109,482	110,944	(583)	(58)	110,303
Total changes	1,367	95	109,482	110,944	(583)	(58)	122,987
BALANCE, MARCH 31, 2013	\$5,981	\$153	\$(152,618)	\$(146,484)	\$2,921	\$433	\$1,233,628

See accompanying Notes to Consolidated Financial Statements.

	Thousands	Millions of Yen				
	Number of Shares of Common Stock Issued	Shareholders' Equity				
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
BALANCE, APRIL 1, 2011	120,481	¥23,557	¥41,471	¥89,302	¥(3,621)	¥150,709
Changes during the year						
Cash dividends, ¥7.50 per share				(882)		(882)
Net loss				(21,600)		(21,600)
Treasury stock acquired (4,560 shares)					(4)	(4)
Changes other than shareholders' equity						
Total changes				(22,482)	(4)	(22,486)
BALANCE, MARCH 31, 2012	120,481	¥23,557	¥41,471	¥66,820	¥(3,625)	¥128,223

	Millions of Yen					
	Accumulated Other Comprehensive Income					
	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests
BALANCE, APRIL 1, 2011	¥382	¥(50)	¥(23,975)	¥(23,643)	¥288	¥272
Changes during the year						
Cash dividends, ¥7.50 per share						(882)
Net loss						(21,600)
Treasury stock acquired (4,560 shares)						(4)
Changes other than shareholders' equity	52	56	(663)	(555)	41	(740)
Total changes	52	56	(663)	(555)	41	(226)
BALANCE, MARCH 31, 2012	¥434	¥6	¥(24,638)	¥(24,198)	¥329	¥46

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries

March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Operating activities:			
Income (loss) before income taxes and minority interests	¥4,022	¥(14,625)	\$42,787
Adjustments to reconcile income (loss) before income tax and minority interests to net cash provided by operating activities:			
Depreciation and amortization	19,833	19,250	210,989
Impairment loss on property, plant and equipment	346	268	3,679
Business structure improvement expense	254	4,277	2,707
Amortization of goodwill	601	844	6,389
Amortization of negative goodwill	(21)	(21)	(220)
Gain on negative goodwill	—	(12)	—
Increase (decrease) in allowance for doubtful receivables	(13)	70	(139)
Increase (decrease) in accrued bonuses for employees	1,211	(1,207)	12,882
Increase (decrease) in accrued bonuses for directors	75	(47)	803
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	16	(26)	169
Interest and dividend income	(238)	(277)	(2,531)
Interest expense	556	410	5,918
Interest on bonds	74	12	783
Equity in earnings of affiliates	(7)	(69)	(80)
(Gain) loss on disposal and sales of property, plant and equipment	(688)	467	(7,322)
Loss on valuation of investment securities	427	443	4,548
Settlement package	2,823	—	30,029
Changes in operating assets and liabilities:			
Trade receivables	5,309	(1,116)	56,476
Inventories	(2,769)	1,550	(29,456)
Trade payables	(1,216)	(1,154)	(12,939)
Other	(3,031)	(687)	(32,242)
Subtotal	27,564	8,350	293,230
Interest and dividends received	299	281	3,178
Interest paid	(568)	(403)	(6,040)
Settlement package paid	(2,823)	—	(30,029)
Payments for business structure improvement expenses	(3,419)	(1,113)	(36,368)
Income taxes paid	(1,556)	(1,581)	(16,558)
Net cash provided by operating activities	19,497	5,534	207,413
Investing activities:			
Purchases of property, plant and equipment	(19,534)	(29,101)	(207,808)
Proceeds from sales of property, plant and equipment	1,195	73	12,708
Purchases of investment securities	(38)	(200)	(399)
Increase in time deposits	(566)	(123)	(6,018)
Proceeds from sales of investment securities	170	5	1,805
Payments for sales of investments in subsidiaries	—	—	—
resulting in change in scope of consolidation (Note 19)	(44)	—	(471)
Other	659	401	7,018
Net cash used in investing activities	(18,158)	(28,945)	(193,165)
Financing activities:			
Net increase in short-term borrowings	10,765	6,054	114,524
Proceeds from long-term borrowings	17,000	12,000	180,851
Repayments of long-term borrowings	(4,182)	(12,564)	(44,488)
Proceeds from issuance of bonds	—	7,959	—
Redemption of convertible bonds with acquisition rights	(19,635)	—	(208,883)
Proceeds from stock issuance to minority shareholders	—	6	—
Purchase of stock from minority shareholder	(11)	(224)	(122)
Payments of cash dividends	(880)	(880)	(9,361)
Purchases of treasury stock	(9)	(4)	(94)
Repayments of lease obligations	(713)	(958)	(7,591)
Other	0	—	0
Net cash provided by financing activities	2,335	11,389	24,836
Effect of exchange rate changes on cash and cash equivalents	2,935	(118)	31,223
Net increase (decrease) in cash and cash equivalents	6,609	(12,140)	70,307
Cash and cash equivalents, beginning of year	26,672	38,812	283,741
Cash and cash equivalents, end of year	¥33,281	¥26,672	\$354,048

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

TAIYO YUDEN CO., LTD. and Subsidiaries

March 31, 2013 and 2012

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of TAIYO YUDEN CO., LTD. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, and partially reflect the adjustments which are necessary to conform with Japanese GAAP. The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013, which was ¥94 to U.S. \$1. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation Policies

The consolidated financial statements include the accounts of the Company and all of its subsidiaries (together the "Companies"). The Japanese accounting standards for consolidation require the control or influence concept for the consolidation scope of subsidiaries and affiliates.

As of March 31, 2013, the numbers of consolidated subsidiaries and affiliate were 34 and 1, respectively.

The Company sold investment securities in Tsukiyono Denshi Co., Ltd., which was a subsidiary of the Company, in the fiscal year ended March 31, 2013.

TAIYO YUDEN Mobile Technology Products Co., Ltd., which was a sub-subsidiary of the Company, was merged into TAIYO YUDEN Mobile Technology Co., Ltd., which is a subsidiary of the Company, in the fiscal year ended March 31, 2013.

Significant intercompany accounts, transactions and unrealized profits have been eliminated in consolidation.

The difference between cost of the Company's investment securities in subsidiaries and its equity in their net assets at the dates of acquisition ("goodwill" or "negative goodwill acquired before March 2010") is being amortized over the subsequent five-year periods. Investment in affiliate is accounted for by the equity method. Net income (loss) includes the equity in the current net earnings (losses) of such company after the elimination of unrealized intercompany profit.

(2) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposit, and short-term investments with original maturities of three months or less, that are readily convertible into known amount of cash and are so near maturity that they present negligible risk of changes in value.

(3) Foreign Currency Transactions

Short-term and long-term foreign currency monetary items are translated into Japanese yen at appropriate fiscal year-end current rates. The resulting net gains (losses) are shown as "Gain (Loss) on foreign exchange" in the accompanying consolidated statements of operations.

(4) Foreign Currency Financial Statements

In translating the financial statements of foreign subsidiaries for the purpose of consolidation, all assets and liabilities are translated into Japanese yen at appropriate fiscal year-end current rates while net assets accounts are translated at historical rates.

Revenue and expense items are translated at the average rates during the fiscal year. The resulting translation differences are shown as "Foreign currency translation adjustments" in net assets at March 31, 2013 and 2012 in the accompanying consolidated balance sheets.

(5) Debt and Equity Securities

The Companies classify debt and equity securities, depending on management's intent, as follows:

(i) Held-to-maturity debt securities, for which management has the positive intent and ability to hold to maturity, are reported at amortized cost.

(ii) Available-for-sale securities represent securities not classified as either trading securities or held-to-maturity debt securities. Available-for-sale securities, which have fair value, are reported at fair value with unrealized gains, net of applicable taxes.

Available-for-sale securities, which do not have fair value, are stated at cost using the moving-average method. Equities of limited liability partnerships for investment business and of other similar partnerships (defined as "securities" by Article 2, Section 2 of the Financial Instruments and Exchange Act) are valued at the net equity equivalents based on the recently available financial statements of the partnership corresponding to the reporting dates of the financial statements defined by the partnership agreements.

(6) Inventories

Inventories are stated primarily at cost, determined by the average method for merchandise, finished products and work in process and by the first-in, first-out (FIFO) method for raw materials and supplies, modified by the writing down below cost to net realizable value.

(7) Property, Plant and Equipment (Except for the leased assets)

Property, plant and equipment are stated at cost. For the Company and domestic consolidated subsidiaries, depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the assets, except that the straight-line method is applied to building acquired after April 1, 1998.

Useful lives of the assets and residual value of the assets are mainly estimated in consistent with the method accepted under the corporate tax law in Japan. For foreign subsidiaries, depreciation is principally computed by straight-line method.

(8) Leased Assets

(i) Leased assets, ownership of which is considered to be transferred to the lessee, are depreciated in the same manner as property, plant and equipment.

(ii) Leased assets, ownership of which is not considered to be transferred to the lessee, are depreciated over the leased term by the straight-line method with no residual value, except for finance leases commencing prior to March 31, 2008, which are accounted for in the same manner as operating leases.

(9) Allowance for Doubtful Receivables

The Company and its domestic consolidated subsidiaries provide the allowance for doubtful accounts based on the percentage of actual bad debt losses against the balance of total receivables and the amount of uncollectible receivables estimated on an individual basis. Overseas consolidated subsidiaries record the allowance based primarily on the amount of uncollectible receivables estimated on an individual basis.

(10) Accrued Retirement Benefits for Employees

Accrued retirement benefits for employees at certain consolidated subsidiaries are provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. Also, certain consolidated subsidiaries provide allowance for accrued pension and severance costs.

(11) Accrued Retirement Benefits for Directors and Corporate Auditors

Certain subsidiaries of the Company provide lump-sum severance benefits for directors and corporate auditors. The accrued retirement benefits for directors and corporate auditors are provided at the amount which would be required based on their internal regulations if all directors and corporate auditors retired at the balance sheet date.

- (12) **Accrued Bonuses for Employees**
 Allowance for bonuses to employees are provided by the estimated amounts, which are obligated to pay to employees after the fiscal year-end, based on services provided during the current period.
- (13) **Accrued Bonuses for Directors**
 Allowance for bonuses to directors are provided by the estimated amounts, which are obligated to pay to directors after the fiscal year-end, based on services provided during the current period.
- (14) **Provision for business structure improvement**
 Provision for business structure improvement for certain subsidiary is provided by the estimated amounts to be incurred on business structure improvement.
- (15) **Income Taxes**
 The provision for income taxes is computed based on the pretax income for the financial reporting purposes. Deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. A valuation allowance is recorded to reduce deferred tax assets if it is not probable that deferred tax assets will be realized in the future.
 The Company and certain domestic subsidiaries have adopted a consolidated tax return system from the year ended March 31, 2013.
- (16) **Research and Development Costs**
 Expenditures by the Company and certain subsidiaries for development of specified new products are charged to income as incurred and were ¥6,840 million (\$72,767 thousand) and ¥8,069 million for the years ended March 31, 2013 and 2012, respectively.
- (17) **Derivative and Hedging Activities**
 Companies are required to state derivative instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative instruments are used for hedging purposes.
 The Company defers recognition of gains or losses resulting from changes in fair value of derivative instruments until the related losses or gains on the hedged items are recognized.
 If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.
 The derivative transactions are executed and managed by the finance and accounting division in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.
- (18) **Per Share Information**
 Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits. Basic earnings per share for the years ended March 31, 2013 and 2012 are computed in accordance with Japanese accounting standards.
 Diluted earnings per share reflects the potential dilution that could occur if stock acquisition rights were exercised or convertible bonds are converted into common stock. Diluted earnings per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding stock acquisition rights. Diluted earnings per share for the year ended March 31, 2013 are computed in accordance with Japanese accounting standards.
 Although diluted shares exist for the year ended March 31, 2012, diluted earnings per share are not disclosed since there is net loss per share for the period.
 Cash dividends per share consist of interim and year-end dividends and are accounted for in the year they are declared rather than in the year in which they are actually paid.
- (19) **Certain Reclassifications**
 Certain reclassifications of prior year's amounts have been made to conform to the presentation for 2013.
- Change in the Method of Presentation for a Component of Cash Flows**
 Previously, "payments for business structure improvement expenses" were included in "Other" in operating activities of consolidated statements of cash flows for the year ended March 31, 2012. However, the Company has changed its method of presentation to state separately "payments for business structure improvement expenses" as it is material from this fiscal year. The consolidated financial statements for the year ended March 31, 2012 were rearranged in order to reflect this change to presentation.
 As a result of the change, in the consolidated statement of cash flows for the year ended March 31, 2012, ¥(1,800) million of "Other" is reclassified into ¥(1,113) million of payments for business structure improvement expenses and ¥(687) million of "Other".
- (20) **Changes in Accounting Policies**
Changes in Depreciation Method
 The Company and its consolidated domestic subsidiaries have changed the depreciation method used for property, plant and equipment acquired on or after April 1, 2012 based on revisions made to Japan's Corporation Tax Act. This change has taken effect beginning with this fiscal year.
 This change resulted in an increase in operating income of ¥328 million (\$3,494 thousand) and profit before income taxes and minority interests of ¥343 million (\$3,648 thousand) for the year ended March 31, 2013.

3. Financial instruments

(1) Qualitative information on financial instruments

a. Group policy for financial instruments

The Companies, which mainly produce and market electronic components, procure short-term operating funds with bank loans, and long-term funds for capital investment, etc. with bank loans and issuance of bonds in accordance with a capital investment plan. Temporary surplus funds are managed as safe and secure financial funds such as short-term deposits. The Company uses derivatives to hedge risks stated below, and do not intend to use them for speculative purpose.

b. Risk management for financial instruments

Trade notes and accounts receivable which are operating receivables are exposed to consumer credit risk. Therefore, the Companies manage due dates and balance for each customer, and make efforts to early recognize concerns about collectability and reduce its risks due to deterioration in financial conditions, etc.

Investment securities consisting mainly of shares of companies with which the Companies have business relationship are managed by grasping fair values and financial conditions of issuers on a regular basis.

Payment due dates of most trade notes and accounts payable which are operating payables are within one year.

The Company uses borrowings, bonds and convertible bond with stock acquisition rights mainly for the purpose of procuring funds necessary for capital investment. As long-term loans with floating interest rate are exposed to the risk of interest-rate fluctuations, the Company uses derivative transactions (interest-rate swaps) to hedge the risk.

Operating receivables in foreign currency which arise from the Company's global business development are exposed to the risk of exchange-rate fluctuations. The Company uses forward exchange contracts as hedging instruments for operating receivables in foreign currency to reduce the risk of exchange-rate fluctuations, in principle. The Company also makes forward exchange contracts to hedge risks from operating receivables in foreign currency which are surely brought about by forecasted transactions related to exports.

The Company makes derivatives transactions only with high-rated financial institutions. In accordance with the internal risk management regulations providing for trading authority, the ceiling and other matters, the finance and accounting department executes derivative transactions, and manage them by recording details of transactions and checking balances with counterparties.

A manager of finance and accounting department reports monthly results of transactions to Managing Officers of Management & Administration Headquarters, and they report the results to the Board of Directors. Consolidated subsidiaries and affiliate do not use derivatives.

The Company unifies the management of funds of the entire Group based on funding plans prepared by each group company in order to allow them to secure adequate liquidity.

c. Supplemental information on market value of financial instruments

Financial instruments without market quotations are stated at reasonably calculated value. Such a value is calculated based on variable factors. Therefore, the value may be changed depending on prerequisites to be adopted.

(2) Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheets at March 31, 2013 and 2012 are as follows. When it is extremely difficult to measure a fair value of financial instrument, such a financial instrument is not included in the table shown below.

Millions of yen			
2013			
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥35,357	¥35,357	—
(2) Trade notes and accounts receivable	41,656	41,656	—
(3) Investment securities:			
1) Held-to-maturity debt securities	0	0	—
2) Available-for-sale securities	3,303	3,303	—
Total assets	¥80,316	¥80,316	—
(4) Trade notes and accounts payable	17,950	17,950	—
(5) Short-term borrowings	20,242	20,242	—
(6) Other accounts payable	8,713	8,713	—
(7) Income taxes payable	1,049	1,049	—
(8) Bonds payable	8,000	8,030	¥30
(9) Convertible bonds with stock acquisition rights	365	362	(3)
(10) Long-term borrowings (*2)	34,264	34,129	(135)
Total liabilities	¥90,583	¥90,475	¥(108)
(11) Derivative transactions (*3)	¥(559)	¥(559)	—

Millions of yen			
2012			
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥27,913	¥27,913	—
(2) Trade notes and accounts receivable	41,865	41,865	—
(3) Investment securities:			
1) Held-to-maturity debt securities	1	1	—
2) Available-for-sale securities	3,438	3,438	—
Total assets	¥73,217	¥73,217	—
(4) Trade notes and accounts payable	15,346	15,346	—
(5) Short-term borrowings	9,032	9,032	—
(6) Other accounts payable	7,593	7,593	—
(7) Income taxes payable	586	586	—
(8) Bonds payable	8,000	8,014	¥14
(9) Convertible bonds with stock acquisition rights (*1)	20,000	19,964	(36)
(10) Long-term borrowings (*2)	21,446	21,406	(40)
Total liabilities	¥82,003	¥81,941	¥(62)
(10) Derivative transactions (*3)	¥(686)	¥(686)	—

Thousands of U.S. dollars			
2013			
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	\$376,133	\$376,133	—
(2) Trade notes and accounts receivable	443,144	443,144	—
(3) Investment securities:			
1) Held-to-maturity debt securities	5	5	—
2) Available-for-sale securities	35,138	35,138	—
Total assets	\$854,420	\$854,420	—
(4) Trade notes and accounts payable	190,958	190,958	—
(5) Short-term borrowings	215,345	215,345	—
(6) Other accounts payable	92,693	92,693	—
(7) Income taxes payable	11,162	11,162	—
(8) Bonds payable	85,106	85,430	\$324
(9) Convertible bonds with stock acquisition rights	3,883	3,854	(29)
(10) Long-term borrowings (*2)	364,509	363,070	(1,439)
Total liabilities	\$963,656	\$962,512	\$(1,144)
(11) Derivative transactions (*3)	\$(5,946)	\$(5,946)	—

(*1) Convertible bonds with stock acquisition rights at March 31, 2012 includes current portion.

(*2) Long-term borrowings includes current portion.

(*3) Derivatives transactions are stated in net of assets and liabilities. The figures in parenthesis indicate net liabilities.

Note 1: Measurement methods for fair value of financial instruments and matters concerning securities and derivative transactions

Assets:

(1) Cash, cash equivalents and time deposits and (2) Trade notes and accounts receivable

Since these are settled in short term, their fair values are close to book values. Accordingly, they are stated at book value.

(3) Investment securities

Equity securities are stated at price on exchange market, and bonds are stated at price offered by correspondent financial institutions.

Liabilities:

(4) Trade notes and accounts payable, (5) Short-term borrowings, (6) Other accounts payable and

(7) Income taxes payable

Since these are settled in short term, their fair values are close to book values. Accordingly, they are stated at book value.

(8) Bonds payable and (9) Convertible bonds with stock acquisition rights

The prices offered by correspondent financial institutions are regarded as fair values.

(10) Long-term borrowings

The fair values of long-term borrowings are measured as present values obtained by discounting total amount of principal and interest at the estimated interest rate if similar borrowings were newly made. Long-term borrowings with floating interest rates are subject to the preferential accounting method for interest-rate swaps. Their fair values are calculated by discounting the total amount of principal and interest treated together with relevant interest-rate swaps at the estimated interest rate if similar borrowings were newly made.

(11) Derivative transactions

The fair values of forward exchange contracts are stated at prices offered by financial institutions.

As derivative transactions subject to the preferential accounting method for interest-rate swaps are treated together with hedged long-term borrowings, their fair values are included in the fair values of relevant long-term borrowings.

Note 2: Financial instruments of which fair value is extremely difficult to be identified

Classification	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
	Book value	Book value	Book value
Available-for-sale securities:			
Unlisted equity securities	¥135	¥177	\$1,440
Investments in affiliate	546	595	5,812
Equities of limited liability partnerships for investment business and of other similar partnerships	375	340	3,994

As for financial instruments shown above, there is no market price and future cash flow cannot be estimated. Accordingly, since it is considered very difficult to identify their fair value, they are not included in "Assets (3) 2) Available-for-sale securities".

Note 3: Planned redemption amounts after March 31, 2013 and 2012 for monetary assets and investment securities

	Millions of yen	
	2013	
	Within 1 year	Over 1 year and within 5
Cash, cash equivalents and time deposits	¥35,317	–
Trade notes and accounts receivable	41,656	–
Investment securities		
Held-to-maturity debt securities	0	¥0

	Millions of yen	
	2012	
	Within 1 year	Over 1 year and within 5
Cash, cash equivalents and time deposits	¥27,877	–
Trade notes and accounts receivable	41,865	–
Investment securities		
Held-to-maturity debt securities	0	¥1

	Thousands of U.S. dollars	
	2013	
	Within 1 year	Over 1 year and within 5
Cash, cash equivalents and time deposits	\$375,709	–
Trade notes and accounts receivable	443,144	–
Investment securities		
Held-to-maturity debt securities	2	\$3

4. DEBT AND EQUITY SECURITIES

(1) Held-to-maturity debt securities

Millions of Yen			
2013			
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	¥0	¥0	—
Subtotal	¥0	¥0	—
Total	¥0	¥0	—

Millions of Yen			
2012			
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	¥1	¥1	—
Subtotal	¥1	¥1	—
Total	¥1	¥1	—

Thousands of U.S. Dollars			
2013			
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	\$5	\$5	—
Subtotal	\$5	\$5	—
Total	\$5	\$5	—

(2) Available-for-sale securities

Millions of Yen			
2013			
	Book value	Acquisition cost	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	¥3,103	¥2,413	¥690
Corporate bonds	—	—	—
Other	45	42	3
Subtotal	¥3,148	¥2,455	¥693
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	¥155	¥165	¥(10)
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥155	¥165	¥(10)
Total	¥3,303	¥2,620	¥683
Millions of Yen			
2012			
	Book value	Acquisition cost	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	¥2,983	¥2,232	¥751
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥2,983	¥2,232	¥751
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	¥419	¥603	¥(184)
Corporate bonds	—	—	—
Other	36	42	(6)
Subtotal	¥455	¥645	¥(190)
Total	¥3,438	¥2,877	¥561
Thousands of U.S. Dollars			
2013			
	Book value	Acquisition cost	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	\$33,006	\$25,675	\$7,331
Corporate bonds	—	—	—
Other	483	450	33
Subtotal	\$33,489	\$26,125	\$7,364
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	\$1,649	\$1,755	\$(106)
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$1,649	\$1,755	\$(106)
Total	\$35,138	\$27,880	\$7,258

(3) Impaired securities

For the years ended March 31, 2013 and 2012, the Company recorded an impairment loss of ¥427 million (\$4,548 thousand) and ¥443 million on "Available-for-sale securities" (¥427 million (\$4,548 thousand) and ¥443 million on other marketable securities), respectively.

The Company posts the entire amount of impairment loss on all securities whose fair value at the end of the fiscal year is less than 50% of the acquisition cost.

For securities whose fair value at the end of the fiscal year decreases by 30 to 50% from their acquisition cost, the Company posts an impairment loss when it is judged necessary, by examining the impact and recoverability of the amount.

5. INDEBTEDNESS

Short-term borrowing at March 31, 2013 and 2012 principally consist of borrowings from banks at average annual rates of approximately 0.83% and 0.92%, respectively.

Long-term debts at March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Long-term borrowings from banks and other financial institutions			
Due within one year, weighted average interest rate 1.25% at March 31, 2013, and 1.38% at March 31, 2012.	¥4,899	¥4,148	\$52,120
Due after one year, weighted average interest rate 0.98% at March 31, 2013, and 1.19% at March 31, 2012.	29,365	17,298	312,389
Euro Yen zero coupon convertible bonds due 2014			
Due within one year	—	19,635	—
Due after one year	365	365	3,883
Bonds payable			
Due within one year	—	—	—
Due after one year	8,000	8,000	85,106
Lease liabilities			
Due within one year			
Lease that deem to transfer ownership to lessee, weighted average interest rate 3.22%	351	340	3,733
Lease that do not transfer ownership to lessee	311	373	3,314
Due after one year			
Lease that deem to transfer ownership to lessee, weighted average interest rate 3.22%	—	351	—
Lease that do not transfer ownership to lessee	1,011	1,311	10,754
Total	44,302	51,821	386,193
Less current portion	(5,561)	(24,496)	(59,167)
Long-term debts, less current portion	¥38,741	¥27,325	\$327,026

The average interest rate per annum for lease that do not transfer ownership to lessee is not presented since lease liabilities are stated at the amounts before deducting interest portion which is included in total lease liabilities.

The conversion price per share of Euro Yen zero coupon convertible bonds for the years ended March 31, 2013 and 2012 was ¥3,746 (\$39.85) – fixed price.

The aggregate annual maturities of long-term debts other than lease liabilities as of March 31, 2013 are as follows:

For the year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥4,899	\$52,120
2015	20,839	221,693
2016	5,274	56,103
2017	773	8,226
2018	10,648	113,279
2019 and thereafter	196	2,077
Total	¥42,629	\$453,498

The annual maturities of lease liabilities as of March 31, 2013 are as follows:

For the year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥662	\$7,047
2015	302	3,217
2016	299	3,182
2017	257	2,729
2018	133	1,413
2019 and thereafter	20	213
Total	¥1,673	\$17,801

6. RETIREMENT BENEFITS

(1) Outline of retirement benefit plans

The Company and certain domestic subsidiaries have defined contribution pension plans, prepaid retirement plans. Certain foreign subsidiaries mainly adopted lump-sum retirement benefit plans.

(2) The liability (asset) for retirement benefit plans for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefits obligation	¥2,323	¥2,661	\$24,716
Fair value of pension assets	978	924	10,404
Unrecognized past service liabilities	142	—	1,514
Unrecognized actuarial differences	66	141	703
Net liability for severance and retirement benefits	1,137	1,596	12,095
Prepaid pension costs	126	64	1,346
Accrued retirement benefits for employees	¥1,263	¥1,660	\$13,441

(3) Retirement benefit costs for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥434	¥484	\$4,621
Interest cost	101	132	1,079
Expected return on plan assets	(39)	(62)	(419)
Amortization of prior service costs	9	2	93
Amortization of actuarial differences	(7)	—	(79)
Other	1,184	1,099	12,598
Net periodic benefit costs	¥1,682	¥1,655	\$17,893

Retirement benefit costs incurred by the domestic consolidated subsidiaries that adopted the simplification method or benefit formula were recorded as service cost.

"Other" for the years ended March 31, 2013 and 2012 mainly includes contribution to defined contribution pension plans.

The discount rates of foreign companies were from 3.67% to 4.00% for the year ended March 31, 2013.

The rates of expected return on plan assets of foreign companies are 4.50% for the year ended March 31, 2013.

The estimated amounts of all retirement benefits to be paid at the future retirement dates are allocated to each service year using the benefit formula or equally using the estimated number of total service years.

Consolidated overseas subsidiaries have adopted the corridor approach for the amortization of actuarial differences.

7. NET ASSETS

Under the Companies Act of Japan ("the Act"), in cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve, must be set aside as additional paid-in capital or legal earnings reserve. Additional paid-in capital and legal earnings reserve are included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets. Under the Act, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act. Appropriations are not accrued in the consolidated financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders' approval has been obtained.

8. INCOME TAXES

Income taxes in Japan applicable to the Company and domestic subsidiaries for the years ended March 31, 2013 and 2012 were comprised of (1) a corporation tax at the rates of 28% and 30% on taxable income, (2) enterprise tax of approximately 7% and 7% on taxable income and (3) prefectural and residence taxes of approximately 19% and 21% of the amount of the corporation tax, respectively. Enterprise tax is deductible for income tax purposes when paid.

Income taxes of foreign subsidiaries are generally based on tax rates applicable in the country of incorporation.

Significant components of the deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets			
Inventories	¥346	¥162	\$3,683
Retirement benefits	2,682	3,893	28,536
Enterprise tax payables	57	14	606
Accrued bonuses	1,052	587	11,195
Excess depreciation	1,743	2,049	18,538
Allowance for doubtful receivables	150	87	1,598
Unused tax losses	19,171	16,732	203,942
Other	2,840	2,894	30,211
Offset	(268)	(213)	(2,851)
Subtotal	27,773	26,205	295,458
Valuation allowance	(26,397)	(25,220)	(280,825)
Total deferred tax assets	¥1,376	¥985	\$14,633
Deferred tax liabilities			
Allowance for doubtful receivables	–	¥22	–
Undistributed earnings of foreign subsidiaries	¥2,426	1,878	\$25,811
Inventories	632	585	6,724
Reserves	890	932	9,469
Unrealized holding gains on investment securities	143	118	1,526
Other	1,253	944	13,316
Offset	(268)	(213)	(2,852)
Total deferred tax liabilities	¥5,076	¥4,266	\$53,994

Main items of the reconciliations of the normal income tax rate to the effective income tax rates are as follows:

	2013
Statutory tax rate	37.8 %
(Reconciliations)	
Differences in statutory tax rates of foreign subsidiaries	(35.5)
Undistributed earnings of foreign subsidiaries	13.6
Valuation allowance	16.7
Foreign tax	3.4
Unrealized profit included in inventories	9.5
Amortization of goodwill	5.4
Others – net	(0.8)
Effective income tax rate	50.1 %

Reconciliations of statutory and effective income tax rate for 2012 are omitted because of loss before income taxes and minority interests.

9. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Summary of net assets (liabilities) and net payment for the sales of investments excluded from consolidation is as follows:

March 31, 2013

<u>Tsukiyono Denshi Co., Ltd.</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Current assets	¥62	\$655
Non-current assets	0	1
Current liabilities	(48)	(512)
Loss on sales of investments	<u>(4)</u>	<u>(38)</u>
Sales price of investments	10	106
Cash and cash equivalents of alienated company	<u>(54)</u>	<u>(577)</u>
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	<u>¥(44)</u>	<u>\$(471)</u>

10. LEASE TRANSACTIONS

(1) Finance Lease

As described in Note 2, finance lease contracts commencing after April 1, 2008 are capitalized. Information of finance lease contracts commencing prior to March 31, 2008, which are accounted for in the same manner as operating leases, was as follows:

The amounts corresponding to acquisition cost, accumulated depreciation, and net book value at March 31, 2012 were as follows:

	Millions of Yen 2012	Thousands of U.S. Dollars 2012
The amount corresponding to acquisition cost	¥638	\$7,785
The amount corresponding to accumulated depreciation	559	6,816
The amount corresponding to net book value	¥79	\$969

The amounts of outstanding future lease payments due at March 31, 2012 were as follows:

	Millions of Yen 2012	Thousands of U.S. Dollars 2012
Future lease payments		
Within one year	¥65	\$796
Over one year	14	173
Total	¥79	\$969

Lease payments and the amounts corresponding to depreciation for the year ended March 31, 2012 were summarized as follows:

	Millions of Yen 2012	Thousands of U.S. Dollars 2012
Lease payments	¥228	\$2,775
The amount corresponding to depreciation expense	228	2,775

The imputed interest expense portion is included in the above future lease payments under finance leases.

The amount corresponding to depreciation expense was calculated by the straight-line method over the lease term with no residual value.

The amounts corresponding to acquisition cost, accumulated depreciation, and net book value at March 31, 2013 are not shown as they are immaterial.

(2) Operating Lease

The amounts of noncancellable future lease payments as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Future lease payments			
Within one year	¥284	¥281	\$3,026
Over one year	251	525	2,668
Total	¥535	¥806	\$5,694

11. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

The Companies categorize their business assets by segmentation for management accounting, and idle assets by individual asset. Property, plant and equipment such as head office and laboratories are categorized as common assets.

For the idle assets with no specific utilization plan or low profitability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss on property, plant and equipment.

For the years ended March 31, 2013 and 2012, the Companies recognized impairment loss on property, plant and equipment as follows:

For the year ended March 31, 2013

Classification	Description	Location	Millions of Yen	Thousands of U.S. Dollars
Machinery and Equipment, Others	Idle assets	Tamamura, Gunma Haruna, Gunma Nakanojo, Gunma Date, Fukushima Minakami, Gunma Others	¥346	\$3,679

For the year ended March 31, 2012

Classification	Description	Location	Millions of Yen
Machinery and Equipment, Others	Idle assets	Haruna, Gunma Nakanojo, Gunma Tamamura, Gunma Yawatabara, Gunma Tianjin, China Others	¥268

12. CONTINGENT LIABILITIES

At March 31, 2013 and 2012, the Companies had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
As guarantor of bank loans and indebtedness	¥3	¥4	\$29

13. DERIVATIVE TRANSACTIONS

The fair values of derivatives held by the Companies as of March 31, 2013 and 2012 are summarized as follows. Fair value is computed based on quotes and others by financial institutions and others.

(1) Derivative transactions for which hedge accounting is not applied

	Millions of Yen			
	2013			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	¥12,091	—	¥(597)	¥(597)
Foreign exchange forward contracts: Buying: U.S. Dollar	¥1,865	—	¥15	¥15

	Millions of Yen			
	2012			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	¥11,624	—	¥(695)	¥(695)

	Thousands of U.S. Dollars			
	2013			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	\$128,631	—	\$(6,354)	\$(6,354)
Foreign exchange forward contracts: Buying: U.S. Dollar	\$19,838	—	\$160	\$160

(2) Derivative transactions for which hedge accounting is applied

		Millions of Yen		
		2013		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts: Selling: U.S. Dollar	Future transaction	¥5,207	–	¥40
Foreign exchange forward contracts: Buying: U.S. Dollar	Future transaction	¥1,896	–	¥(16)
Interest-rate swaps Fixed interest payment and floating interest receipt	Long-term borrowings	¥18,550	¥17,050	–

		Millions of Yen		
		2012		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts: Selling: U.S. Dollar	Future transaction	¥4,528	–	13
Foreign exchange forward contracts: Buying: U.S. Dollar	Future transaction	¥825	–	¥(4)
Interest-rate swaps Fixed interest payment and floating interest receipt	Long-term borrowings	¥9,000	¥750	–

		Thousands of U.S. Dollars		
		2013		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts: Selling: U.S. Dollar	Future transaction	\$55,396	–	\$422
Foreign exchange forward contracts: Buying: U.S. Dollar	Future transaction	\$20,169	–	\$(175)
Interest-rate swaps Fixed interest payment and floating interest receipt	Long-term borrowings	\$197,340	\$181,383	–

For the specific treatment of interest-rate swaps, because they are account for in combination with the hedged long-term borrowings, their fair value is included in the fair value of the long-term borrowings.

14. STOCK OPTION PLAN

The Company grants stock options to its directors in line with resolutions of the board of directors meetings.

Expenses for stock options amounting to ¥28 million (\$299 thousand) and ¥41 million were recognized in selling, general and administrative expenses in 2013 and 2012, respectively.

For the years ended March 31, 2013 and 2012, a standard option pricing model (i.e., Black-Scholes) was used to measure the fair value of stock options granted to its directors.

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with risk-free interest rates of 0.15% in 2013 and 0.34% in 2012, dividends per share of ¥5 (\$0.05) in 2013 and ¥10 in 2012, and volatility factor of the expected market value of the Company's common stock of 54.5% in 2013 and 50.7% in 2012, determined by weekly historical price for the past four years and three months and expected life of the option of 3.6 years in 2013 and 4.3 years in 2012.

A summary of the Company's stock options outstanding at March 31, 2013 is as follows:

Date of resolution	June 29, 2005	June 29, 2006	June 28, 2007	June 28, 2007
Date of grant	June 29, 2005	August 23, 2006	July 13, 2007	July 13, 2007
Number of options	26,000 shares of Common stock	29,000 shares of Common stock	32,000 shares of Common stock	46,000 shares of Common stock
Exercise price	¥1	¥1	¥1	¥1
Exercise period	From June 30, 2005 to July 31, 2025	From August 24, 2006 to August 23, 2026	From July 14, 2007 to July 13, 2027	From July 14, 2007 to July 13, 2027
Fair value (per share)	¥ –	¥1,511	¥2,761	¥2,761
Options outstanding at March 31, 2012	8,000 shares	17,000 shares	23,000 shares	34,000 shares
Granted	–	–	–	–
Exercised	–	4,000 shares	6,000 shares	9,000 shares
Forfeited/Expired	–	–	–	–
Options outstanding at March 31, 2013	8,000 shares	13,000 shares	17,000 shares	25,000 shares

Date of resolution	June 27, 2008	May 25, 2009	June 29, 2010	June 29, 2011
Date of grant	July 14, 2008	June 9, 2009	July 21, 2010	July 14, 2011
Number of options	46,000 shares of Common stock	37,000 shares of Common stock	39,000 shares of Common stock	44,000 shares of Common stock
Exercise price	¥1	¥1	¥1	¥1
Exercise period	From July 15, 2008 to July 14, 2028	From June 10, 2009 to June 9, 2029	From July 22, 2010 to July 21, 2030	From July 14, 2011 to July 13, 2031
Fair value (per share)	¥966	¥947	¥1,013	¥948
Options outstanding at March 31, 2012	34,000 shares	34,000 shares	39,000 shares	44,000 shares
Granted	–	–	–	–
Exercised	9,000 shares	9,000 shares	9,000 shares	8,000 shares
Forfeited/Expired	–	–	–	–
Options outstanding at March 31, 2013	25,000 shares	25,000 shares	30,000 shares	36,000 shares

Date of resolution	April 25, 2012
Date of grant	May 11, 2012
Number of options	38,000 shares of Common stock
Exercise price	¥1
Exercise period	From May 11, 2012 to May 10, 2032
Fair value (per share)	¥739
Options outstanding at March 31, 2012	–
Granted	38,000 shares
Exercised	2,000 shares
Forfeited/Expired	–
Options outstanding at March 31, 2013	36,000 shares

15. COMPREHENSIVE INCOME

Reclassification and income tax effects attributable to other comprehensive income for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized holding gains (losses) on securities:			
Gains (losses) arising during the year	¥(41)	¥520	\$(437)
Reclassifications and adjustments	195	(443)	2,071
Before income tax effects	154	77	1,634
Income tax effects	(26)	(25)	(267)
Net unrealized holding gains (losses) on securities	128	52	1,367
Deferred gains (losses) on hedges:			
Gains (losses) arising during the year	(176)	(8)	(1,871)
Reclassifications and adjustments	190	100	2,023
Before income tax effects	14	92	152
Income tax effects	(5)	(37)	(57)
Deferred gains (losses) on hedges	9	55	95
Foreign currency translation adjustments:			
Adjustments arising during the year	10,291	(662)	109,475
Total other comprehensive income	¥10,428	¥(555)	\$110,937

16. SEGMENT INFORMATION

(a) General information about reportable segments

The Companies' reportable segments are those for which separately financial information is available and regular evaluation by the Company's Board of Directors is being performed in order to decide how resources are allocated among the Companies.

The Companies consist of two segments identified by the nature of the business, including "Electronic Components" and "Optical media and others". "Electronic Components" consists of "Capacitors", "Ferrite and Application Products", "Integrated Modules and Devices", and "Other Electronic Components".

"Optical media and others" mainly provides recording-media products and implementation business of subsidiaries.

(b) Basis of measurement about reportable segment income or loss, segment assets and other material items

The accounting policies of each reportable segment are consistent to those disclosed in Note "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES". Income by reportable segments is based on operating income. Liabilities are not disclosed because they are not provided to the highest decision-making body periodically.

(c) Information about reportable segment income or loss, segment assets, segment liabilities and other material items

Millions of Yen				
2013				
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	¥170,926	¥21,978	—	¥192,904
Intersegment sales or transfers	—	—	—	—
Total sales	170,926	21,978	—	192,904
Segment income (loss)	¥5,218	¥(225)	—	¥4,993
Segment assets	¥169,337	¥12,914	¥43,676	¥225,927
Other items:				
Depreciation and amortization	¥18,734	¥1,099	—	¥19,833
Increase in property, plant and equipment and intangible assets	20,475	396	—	20,871

Millions of Yen				
2012				
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	¥160,852	¥22,943	—	¥183,795
Intersegment sales or transfers	—	—	—	—
Total sales	160,852	22,943	—	183,795
Segment income (loss)	¥(6,689)	¥(1,322)	—	¥(8,011)
Segment assets	¥159,074	¥13,617	¥35,770	¥208,461
Other items:				
Depreciation and amortization	¥17,984	¥1,266	—	¥19,250
Increase in property, plant and equipment and intangible assets	26,152	612	—	26,764

Thousands of U.S. Dollars				
2013				
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	\$1,818,358	\$233,811	—	\$2,052,169
Intersegment sales or transfers	—	—	—	—
Total sales	1,818,358	233,811	—	2,052,169
Segment income (loss)	\$55,510	\$(2,391)	—	\$53,119
Segment assets	\$1,801,460	\$137,380	\$464,640	\$2,403,480
Other items:				
Depreciation and amortization	\$199,295	\$11,694	—	\$210,989
Increase in property, plant and equipment and intangible assets	217,824	4,213	—	222,037

(d) Reconciliation of published figures and aggregates of reportable operating segments

Total amounts of Sales, Segment income (loss), Segment assets, and Other items in the reportable segment above match with those in the consolidated financial statements.

(e) Due to the revised useful lives for property, plant and equipment stated at accompanying Note 2, the operating profit in Electronic Components increased by ¥321million (\$3,413 thousand) and the operating loss in Optical media and others decreased by ¥8 million (\$80 thousand) for the year ended March 31, 2013.

(f) Related information

1. Information about geographical areas

(i) Sales

Millions of Yen				
2013				
Japan	China	South Korea	Other areas	Total
¥41,646	¥58,872	¥19,732	¥72,654	¥192,904

Millions of Yen				
2012				
Japan	China	South Korea	Other areas	Total
¥44,825	¥54,876	¥21,002	¥63,092	¥183,795

Thousands of U.S. dollars				
2013				
Japan	China	South Korea	Other areas	Total
\$443,046	\$626,293	\$209,913	\$772,917	\$2,052,169

(ii) Property, plant and equipment

Millions of Yen				
2013				
Japan	China	Malaysia	Other areas	Total
¥56,928	¥14,962	¥12,824	¥14,061	¥98,775

Millions of Yen				
2012				
Japan	China	Malaysia	Other areas	Total
¥58,605	¥11,712	¥11,043	¥12,661	¥94,021

Thousands of U.S. dollars				
2013				
Japan	China	Malaysia	Other areas	Total
\$605,620	\$159,175	\$136,422	\$149,578	\$1,050,795

(g) Information about impairment loss on property, plant and equipment by reportable segments

Millions of Yen				
2013				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	¥210	¥136	–	¥346

Millions of Yen				
2012				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	¥268	–	–	¥268

Thousands of U.S. dollars				
2013				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	\$2,228	\$1,451	–	\$3,679

(h) Information about amortization and the balance of (negative) goodwill by reportable segments

Millions of Yen				
2013				
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	¥601	—	—	¥601
Balance	¥1,201	—	—	¥1,201
(Negative goodwill)				
Amortization	—	¥21	—	¥21
Balance	—	¥10	—	¥10

Millions of Yen				
2012				
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	¥844	—	—	¥844
Balance	¥1,802	—	—	¥1,802
(Negative goodwill)				
Amortization	—	¥21	—	¥21
Balance	—	¥31	—	¥31

Thousands of U.S. dollars				
2013				
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	\$6,389	—	—	\$6,389
Balance	\$12,778	—	—	\$12,778
(Negative goodwill)				
Amortization	—	\$220	—	\$220
Balance	—	\$110	—	\$110

17. EARNINGS PER SHARE

Reconciliation of the basic and diluted earnings per share ("EPS") for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Earnings	Weighted Average Shares	EPS	
For the year ended March 31, 2013				
Basic EPS				
Earnings allocated to common shareholders	¥2,000	117,615	¥17.01	\$0.18
Effect of dilutive securities				
Convertible bonds	—	—	—	—
Convertible bonds with stock acquisition rights	—	—	—	—
Stock acquisition rights	—	212	—	—
Diluted EPS				
Earnings for computation	¥2,000	117,827	¥16.98	\$0.18

For the year ended March 31, 2012

Basic EPS			
Earnings allocated to common shareholders	¥(21,600)	117,584	¥(183.70)

Although diluted shares exist for the year ended March 31, 2012, diluted earnings per share is not disclosed since there is net loss per share for the period.

18. SUBSEQUENT EVENT

- 1) The following appropriations of retained earnings at March 31, 2013 were approved at the Company's shareholders' meeting held on June 27, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividend, ¥5.00 (\$0.05) per share	¥588	\$6,257

- (2) Implement of structural reform at a subsidiary company

In addition to implementing employee transfers within the group companies, the subsidiary will reduce its workforce by 150 by the end of September 2013.

This reduction in the force will be done through utilization of special redeployment support network.

The forecasted cost associated with aforementioned structural reform is ¥700 million (\$7,447 thousand).

This amount will be stated as extraordinary loss in the consolidated accounts for the year ending March 31, 2014.



Independent Auditor's Report

To the Board of Directors of TAIYO YUDEN Co., Ltd.:

We have audited the accompanying consolidated financial statements of TAIYO YUDEN Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TAIYO YUDEN Co., Ltd. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 11, 2013
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Stock Information

Common stock Authorized: 300,000,000
 Issued: 120,481,395
 (Including 2,855,179 shares of treasury stock)

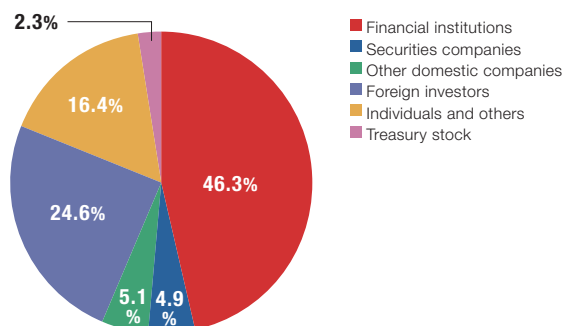
Stock exchange listing: First section of Tokyo Stock Exchange

Securities code: 6976

Unit of trading: 100 shares

Number of shareholders: 11,967

Composition of Shareholders



*Figures have been rounded to one decimal place.

Major Shareholders

Name	Number of shares (Thousands)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	188,028	15.60
Japan Trustee Services Bank, Ltd. (Trust Account)	103,551	8.59
THE BANK OF NEW YORK-JASDEC TREATY ACCOUNT	44,913	3.72
Sumitomo Mitsui Banking Corporation	40,000	3.32
The Iyo Bank, Ltd.	30,001	2.49
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	28,734	2.38
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	25,536	2.11
Nippon Life Insurance Company	23,805	1.97
BNY FOR GCM CLIENT ACCOUNT (E) BD	19,595	1.62
The Sato Foundation Welfare Fund for Children of Traffic Accident Victims	19,166	1.59

Notes: 1. The Company holds 2,855,179 shares of treasury stock; however, it is excluded from the above-mentioned major shareholders.
 2. The figures in this table are rounded down.

Stock Price/Trading Volume

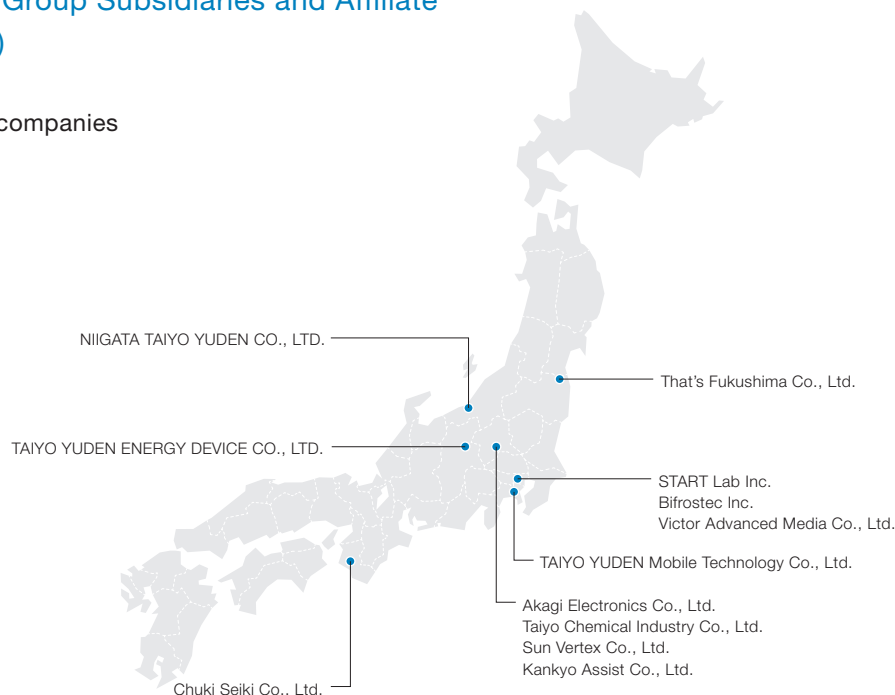


Corporate Data

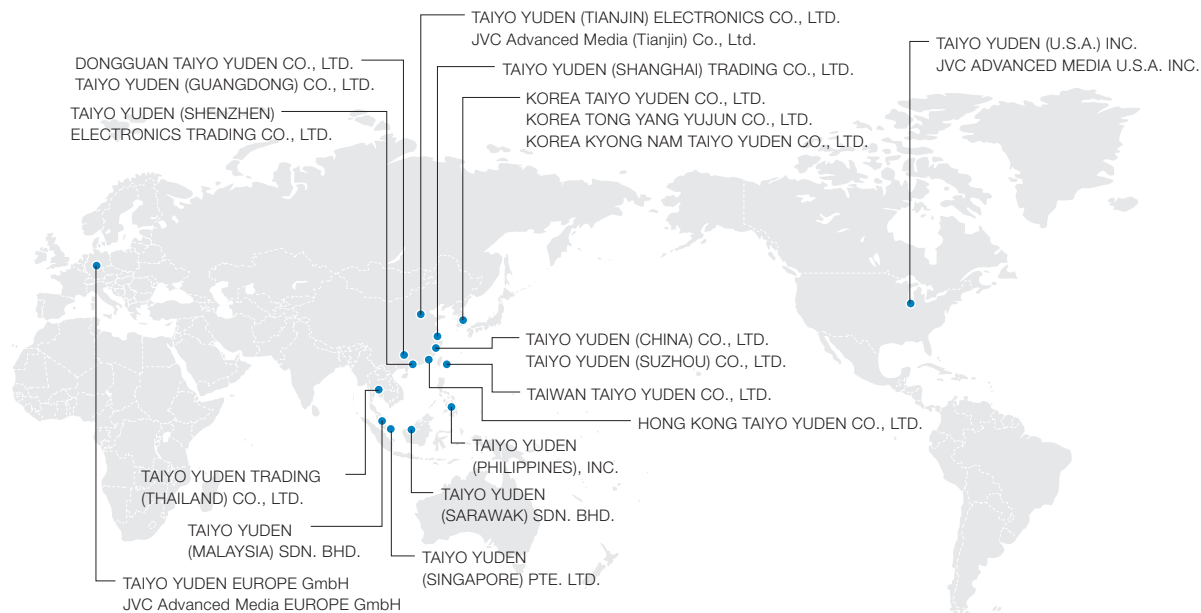
Company name	TAIYO YUDEN CO., LTD.	Paid-in capital	¥23,557 million (as of March 31, 2013)
Head office	6-16-20, Ueno, Taito-ku, Tokyo 110-0005, Japan Tel: +81-3-3832-0101	Number of employees	15,915 (Consolidated) 2,632 (Non-consolidated) (as of March 31, 2013)
President and Representative Director	Eiji Watanuki	Main products	Ceramic capacitors, inductors, functional modules, SAW/FBAR devices for mobile communications, energy devices, optical recording media, etc.
Date of establishment	March 23, 1950		
URL	http://www.ty-top.com/		

TAIYO YUDEN Group Subsidiaries and Affiliate (34 companies)

(Japan) 12 companies



(Overseas) 22 companies



TAIYO YUDEN CO., LTD.

6-16-20, Ueno, Taito-ku, Tokyo 110-0005, Japan

Tel +81-3-3832-0101

<http://www.ty-top.com/>