

Solutions for the Future

TAIYO YUDEN Annual Report 2014

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.

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Notes

- Period covered by this report: From April 1, 2013 to March 31, 2014. 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 2014," for example, has been shortened to "2014."
- 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, 2014.

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.

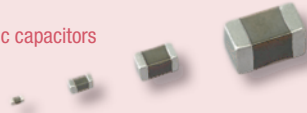
The TAIYO YUDEN Group's business activities center on the development, manufacture, and sales of electronic components.

Electronic Components

Capacitors

Capacitors are used in a wide variety of electronic equipment to temporarily store electricity and remove electronic noise. TAIYO YUDEN excels in producing small, high-capacitance multilayer ceramic capacitors, which are best suited to cutting-edge compact, ultrathin digital devices. Large numbers of smartphones, tablet devices, and other devices use these products.

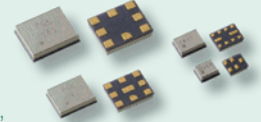
Main products:
Multilayer ceramic capacitors



Integrated Modules & Devices

The Integrated Modules & Devices segment's main products are SAW/FBAR devices for mobile communications, front-end modules, and power supply modules. The SAW/FBAR devices are used primarily in smartphones to enable high-speed data communications and high-quality voice communications.

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



Ferrite and Applied Products

The main products of the Ferrite and Applied Products segment are inductors used in electronic equipment power and high-frequency circuits for blocking alternating current while allowing direct current to pass through.

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



Other Electronic Components

The Other Electronic Components segment develops and brings to market a variety of energy devices used as backup power equipment for smart meters and other similar products, and peak current assistance for LED flashes.

Main products:
Lithium ion capacitors, polyacene capacitors



Optical Media and Others

Optical Media Products

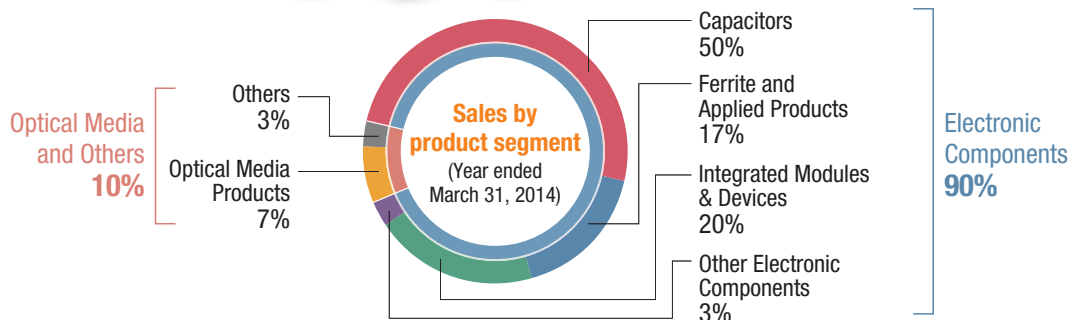
TAIYO YUDEN invented the CD-R and was the first company to bring this product to the market. Since then, TAIYO YUDEN has domestically produced optical media products to Japan's highest quality levels. Our optical media products are the choice for data archiving and similar applications.

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

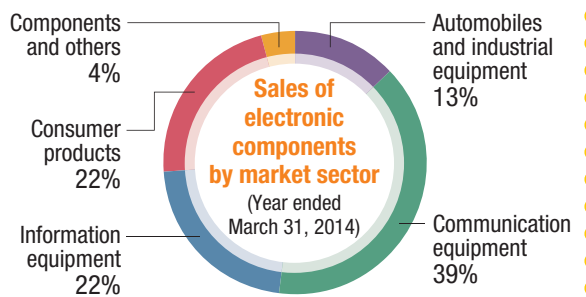
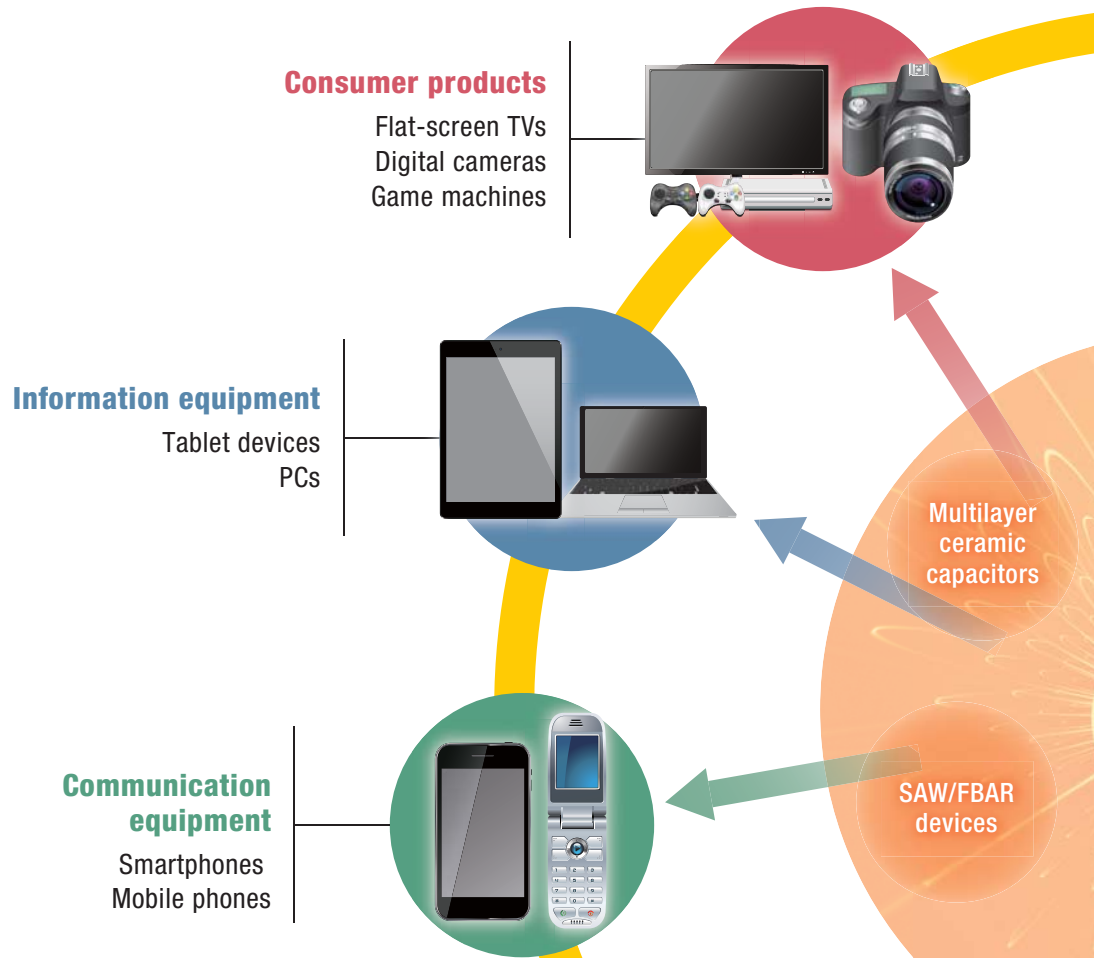


Others

The Other segment primarily involves the design and mounting of print circuit boards done at a subsidiary company.



TAIYO YUDEN presents various solutions with passive components as their core in the world's electronics field.



TAIYO YUDEN's business coverage in the electronics parts field

(TAIYO YUDEN makes products in the red characters.)

Electronic components and devices
¥66,613.2 billion

Electronic devices ¥45,923.7 billion

Devices that apply functions of electrons to perform active tasks such as amplification

General electronic components ¥20,689.2 billion

Components that work with and supplement electronic devices

Semiconductor devices, integrated circuits, electron tubes, etc.

Passive components

Capacitors, inductors, resistors, transformers, and others

These devices store, control, separate, and do other work on provided electronic energy.

Connecting components switches, connectors, and others

These devices connect, switch, and do other work on electronic circuits and systems.

Transducers

Electroacoustic transducers, compact motors, and others

These devices create sounds, torques, magnetic flux, and others.

Other electronic components

High-frequency components, mobile communication devices (SAW/FBAR), and power-supply components

Source: the Japan Electronics and Information Technology Industries Association

Passive components and other electronic components

Inductors

Circuit modules

Energy devices

Automobile

Navigation systems
Telematics
Engine control units

Industrial Equipment

Surveillance cameras
Smart meters

Medical and Healthcare

Blood pressure meters
Patient bed sensors
Health check-ups

Environmental and Energy

Solar power generators
Electric bicycles
Electric vehicles

Optical media products



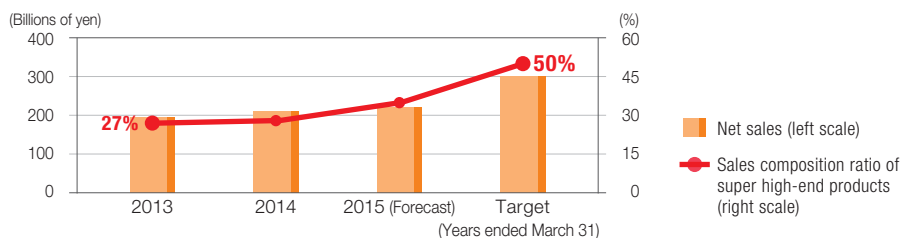
Development of Super High-end Products

The Company's super high-end products are developed using our market leading technical expertise and capabilities. We have advanced these products to mass production ahead of our competitors. The steadfast development of our super high-end products for the growth markets and focus markets is essential to the Company's profitable business growth.

Definition of a super high-end product

- 1 • Product that obtains the top position in the global market
- 2 • Product that only 2.5 suppliers can develop in the field
- 3 • Product that provides solutions for growth markets
- 4 • Products that sustains a strong competitive edge

Sales Composition Ratio of Super High-end Products



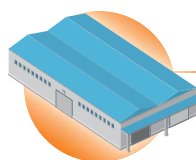
Product for Focus Markets

Computerization and the use of electronic components are rapidly advancing in markets showing relatively steady demand. Markets such as, automobile, industrial equipment, medical and healthcare products, as well as environmental and energy applications demand a continuous stream of TAIYO YUDEN's products. We are expanding TAIYO YUDEN's high reliable electronic components' lineup and bringing to markets high temperature resistance, long life, and high quality products as well as promoting use of our products as core design components in customer's products. The strategy will continuously open new sales routes and opportunities that address market needs.



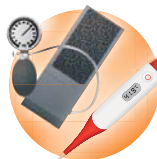
Automobiles

Navigation systems
Telematics
Engine control units



Industrial Equipment

Surveillance cameras
Smart meters



Medical and Healthcare

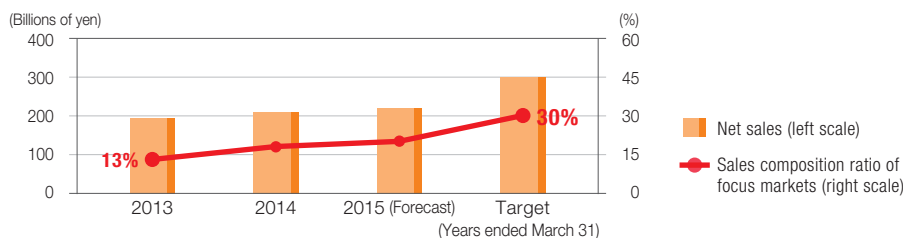
Blood pressure meters
Patient bed sensors
Health check-ups



Environmental and Energy

Solar power generators
Electric bicycles
Electric vehicles

Sales Composition Ratio of Focus Markets

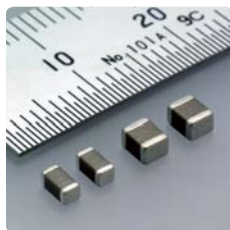


TAIYO YUDEN's
Strength and Uniqueness:

1

The Technical and Knowhow Ability to Develop and Bring to Market World-leading Innovative Products

Since its founding, TAIYO YUDEN has followed a credo of starting from material development to complete end products. Our research and development activities have been producing numerous world-first innovations and products for many years.



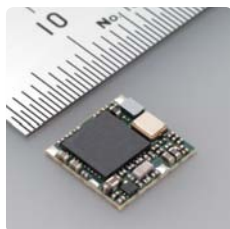
1984

Commercialized the world's first nickel-electrode high-capacity multilayer ceramic capacitor



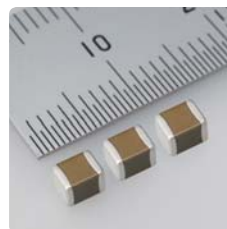
1988

Commercialized CD-R, the world's first recordable optical media



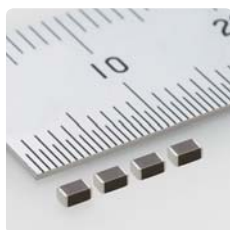
2006

World's first mass production of the groundbreaking EOMIN™ embedded-parts multilayer wiring substrate with a copper core



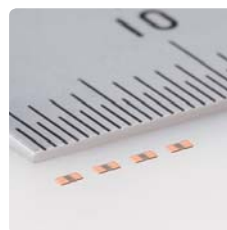
2013

Achieved the world's first 330μF multilayer ceramic capacitor



2013

Commercialized the world's first multilayer metal power inductor



2014

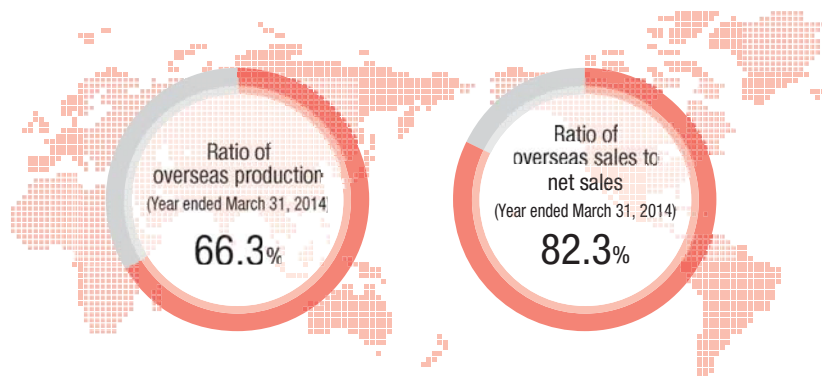
Achieved the world's thinnest (0.11mm) multilayer ceramic capacitor

TAIYO YUDEN's
Strength and Uniqueness:

2

Global Production and Extensive Sales Network

TAIYO YUDEN began its global expansion in 1967 with a subsidiary in Taiwan and has continued developing operations focused on North America, Europe, and East Asia. This led to its current development, production, and sales network to 16 countries and regions worldwide, including Japan. Today, the Company continually works to improve its reach throughout the world markets and in particular, regarding its production activities, the Company is stepping up the development of high-end products abroad to maximize use of its overseas bases as it formulates the optimal global production network of bases in Japan and around the world.

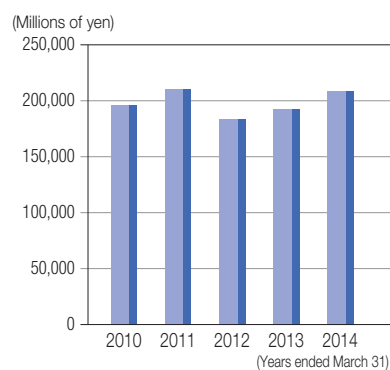


(Millions of yen)

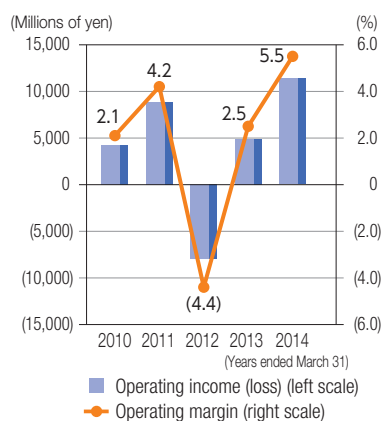
Fiscal year	2010	2011	2012	2013	2014
Net sales	¥ 195,690	¥ 210,401	¥ 183,795	¥ 192,903	¥ 208,222
Operating income (loss)	4,203	8,792	(8,010)	4,850	11,358
Ordinary income (loss)	1,966	6,740	(9,070)	7,118	12,192
Net income (loss)	(680)	(5,506)	(21,599)	1,867	6,989
Total assets	236,361	221,272	208,461	225,991	247,596
Net assets	139,263	127,626	104,400	115,814	128,556
Cash flows from operating activities	25,662	25,219	5,534	19,496	29,724
Cash flows from investing activities	(8,918)	(16,594)	(28,945)	(18,157)	(18,947)
Free cash flows	16,744	8,625	(23,411)	1,339	10,777
Cash flows from financing activities	(8,775)	(8,948)	11,388	2,334	8,404
Cash and cash equivalents at end of year	40,451	38,811	26,671	33,280	54,611
R&D expenses	7,698	8,475	8,068	6,840	7,353
Capital investment	9,352	17,519	26,764	20,702	19,126
Depreciation and amortization	23,922	19,309	19,250	19,832	20,750
Per share data (yen)					
Net assets per share	¥ 1,179.82	¥ 1,080.61	¥ 884.70	¥ 981.92	¥ 1,090.26
Basic net income (loss) per share	(5.78)	(46.82)	(183.70)	15.88	59.38
Diluted net income per share	—	—	—	15.85	58.09
Cash dividends per share	10.00	10.00	5.00	10.00	10.00
Financial ratios (%)					
Equity ratio	58.7	57.4	49.9	51.1	51.8
Return on Equity [ROE]	(0.5)	(4.1)	(18.7)	1.7	5.7
Return on Assets [ROA]	0.9	2.9	(4.2)	3.3	5.1
Other information					
Number of employees [consolidated]	17,836	17,267	16,194	15,915	16,435
Number of employees [non-consolidated]	2,957	2,988	2,977	2,632	2,572

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

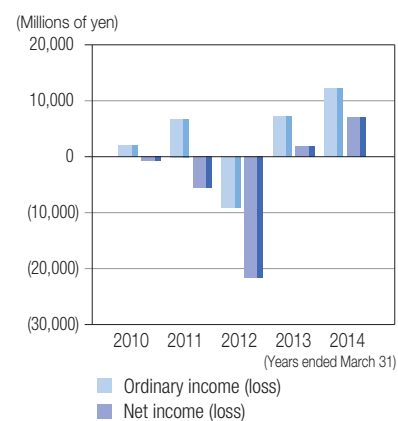
Net sales



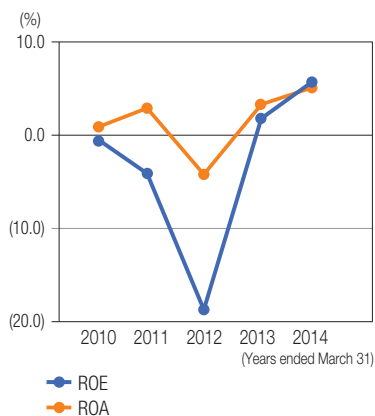
Operating income (loss)/Operating margin



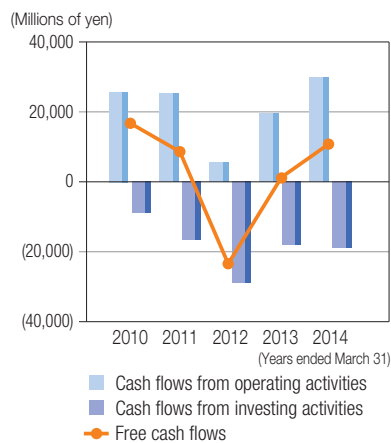
Ordinary income (loss)/Net income (loss)



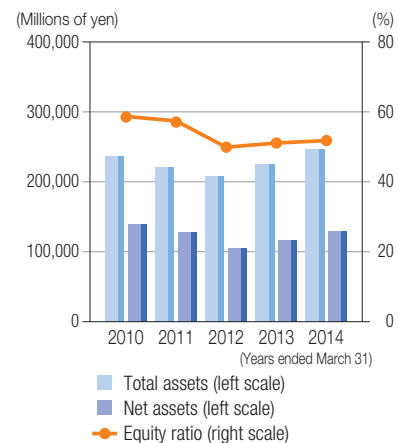
ROE/ROA



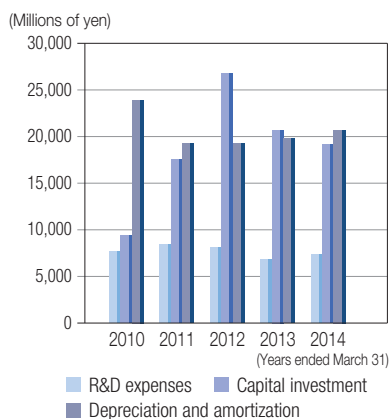
Cash flows



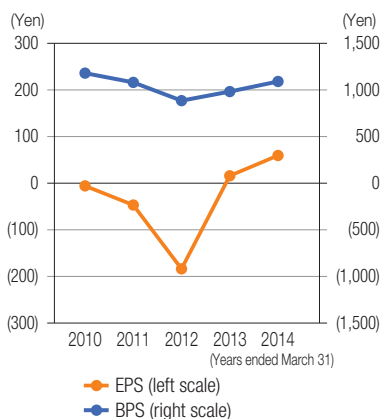
Total assets/Net assets/Equity ratio



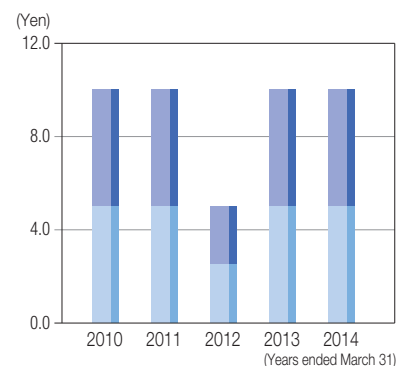
R&D expenses/Capital investment/Depreciation and amortization



EPS/BPS



Cash dividends per share





We will continue steadfast implementation of structural reform while accelerating growth strategies.

TAIYO YUDEN

太陽誘電株式会社

I wish to thank our investors, business partners, local communities, and all stakeholders for your continued support.

In the consolidated fiscal year ended March 2014, TAIYO YUDEN posted substantial increases in net sales of 7.9% year over year to ¥208.2 billion, operating income of 134.2% year over year to ¥11.3 billion, and net income of 274.3% year over year to ¥6.9 billion. The results reflect our diligent efforts to advance structural reform and success with our growth strategies focused on high value-added super high-end products with additional support from a weaker Japanese Yen. We are transforming TAIYO YUDEN into a company capable of consistently generating profits and believe we have established a sustainable growth path for the Company.

Nevertheless, we are still not fully satisfied with our performance. Insufficient lineup and mistimed product development for some of our core products along with lower level of production volume in the applications and models incorporating our products caused our sales and income results to fall short of our initial plan. I assure you that everyone at TAIYO YUDEN is aware that we did not live up to stakeholder expectations in the fiscal year ended in March 2014.

While addressing the causes of the shortcomings, we are stepping up measures to strengthen the Company's market, products, customer base, and financial bases to ensure we survive and thrive in the rapidly changing market conditions we face. We are also aiming to continually establish the Company's position as a trusted and stable supplier as seen by a wide range of customers in many different markets.

We are grateful for the continued support and guidance we receive from our stakeholders as we push forward with our endeavors.

President and Chief Executive Officer
Eiji Watanuki

A handwritten signature in black ink that reads "E. Watanuki". The signature is written in a cursive, flowing style.



Q1

Please explain the main causes for the Company falling short of its initial targets for the fiscal year ended in March 2014 and what the Company is doing to address those issues.

A The reasons we fell short of our targets were twofold; 1) we had an insufficient lineup of MCOIL™ metal power inductors, and 2) the mistimed development of SAW/FBAR devices for mobile communications. We have already addressed the causes of these problems and are fully prepared to implement solutions to these issues in the current fiscal year, which ends March 2015.

MCOIL™ is a promising super high-end product that is the solution for increasingly compact, thinner, and larger-current digital electronics. We were unable to increase MCOIL™ sales as planned. Sales were impacted by our insufficient product lineup and a much steeper than expected decline in the production volumes of devices that use our products. Furthermore, we missed business opportunities because we were too slow in bringing MCOIL™ to market. For SAW/FBAR devices, we were unable to develop timely products in pace with the rapidly expanding market for communications devices, which is driven by the proliferation of smartphones and increasingly higher speed data communications.

There is also a concern on an over emphasis of the belief that leading-edge products sell automatically. In reality, no matter how outstanding a product is, it will not sell unless it meets customers' quality and pricing needs and the product must be made available in a timely manner that meets the customer's schedule expectations. As a management executive, I am particularly concerned that this may have contributed to the situation.

The introduction of MCOIL™ series took six months longer than we had planned. We are now preparing for high volume production to address this head on with all of our MCOIL™ product variations. We also established the TAIYO YUDEN Mobile Technology Ome Operation Center in April 2014 to enhance our operating efficiency and create a manufacturing structure with the ability to quickly respond to the growing demand for communications devices.

In the fiscal year ending in March 2015, we project MCOIL™ sales to grow 2.2 times and communication device sales growing 40% year over year.

*Please see the "Special Feature," page 14, for further details about our communications devices.

Core product net sales forecasts and key points for the year ending in March 31, 2015

	(Billions of yen)		(Years ended March 31)	
	2014	2015 (forecast)	Change	Key points in the sales growth
Capacitors	104.2	113.0	+8%	Super high-end multilayer ceramic capacitors 25% increase
Ferrite and Applied Products	34.7	41.0	+18%	MCOIL™ 2.2 times
Integrated Modules & Devices	42.4	46.0	+9%	Communication device 40% increase

MCOIL™ production schedule

(Years ended March 31)

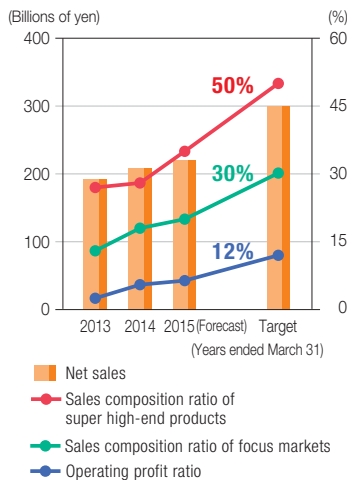
	2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015
MA (Standard type)	Expand production capacity and mass production →				
MD (High current)	Mass production (steadily launch larger sizes) →				
MC (Small and low profile)			→		
ME (High spec)			→		
MB (Cost effective)	→				

Q2

What are your earnings forecast and growth strategies for the fiscal year ending in March 2015?

A We expect to have increases in both sales and profit in the fiscal year ending in March 2015 as we steadily progress toward fulfilling our corporate vision by implementing growth strategies to strengthen our market, product, and customer bases with a fortified financial base.

Sales composition ratio of super high-end products and products in focus markets



In the fiscal year ending in March 2015, we forecast an increase in net sales by 5.7% year over year to ¥220.0 billion, operating income will increase by 23.3% year over year to ¥14.0 billion, and net income is projected to grow by 21.6% year over year to ¥8.5 billion. We have also created a very clear corporate vision for the Company. Despite being an electronic components manufacturer in Japan, commanding 40% of the global market, and boasting a number of world-leading technologies, we are still viewed as having a market base that is dependent on business conditions, a product base that is prone to pricing competition, a customer base that makes us seen as a Tier 3 supplier out of range of the top two tier groups with a fragile financial base. We are confident and determined to turn this assessment around 180 degrees in right direction by persevering with our reform efforts and continuing to produce results.

We will continue the expansion of the sales composition ratios of our high value-added super high-end products to 50% and of our focus markets, including automobile electronics, industrial equipment, medical and healthcare, and environmental and energy, to 30%. By changing our main evaluation benchmark from operating income to net profit, implemented during the year ended in March 2014, we created a framework with established mini-companies in each of our business domains that are empowered to act independently and pursue positive results. This allows each group and the TAIYO YUDEN group as a whole to optimize sales and marketing decision making that drives an efficient utilization of our resources and facilities. Now that we have established our new structure we will focus on gaining a positive net cash flow and construct a solid financial base.

Core strategy and vision





Q3

How do you develop the focus markets to overcome the reliance on business conditions?

A We have created a lineup of competitive products for the automotive and other industries and we are now supplying Tier 1 manufacturers (direct suppliers to original equipment manufacturers.)

TAIYO YUDEN is highly respected for its technological developments, product competitiveness, and proposal capabilities that we have cultivated in consumer markets, automobile electronics, industrial equipment, medical and healthcare, environmental and energy, and other markets. These fields continue to increase the use of electronics technology and we are positioned to take advantage of these new market demands. We have assembled a lineup of highly reliable products matched to the various needs of the automotive industry and are ready to begin supplying components to Tier 1 manufacturers. We see significant synergies with the new markets we are entering and our traditional consumer products markets. TAIYO YUDEN is capable of highly efficient development and manufacturing of products that have common basic designs and processes with consumer products. Moreover, we have highly competitive pricing advantages with such products. We have been already selected as a component supplier of parts in automobile power trains, which conveys engine power that moves the vehicle and is considered to be the most difficult to produce.

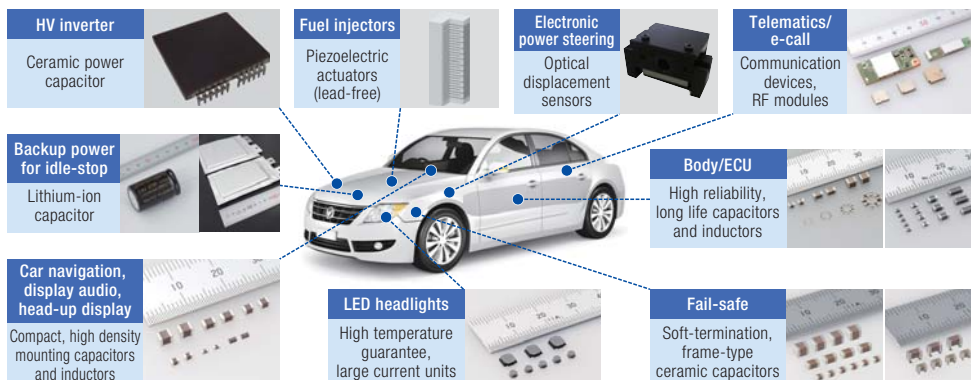
We are also progressing with commercialization of products for the industrial equipment, healthcare, environmental and energy markets, including energy regeneration systems for electric bicycles and other equipment, wireless sensor networks used to detect strain and vibrations in bridges and buildings, and power control systems that improve the efficiency of solar power generation systems. We project the sales composition ratio of products for these focus markets to increase from 13% in the fiscal year ended in March 2013 to 20% in the fiscal year ending in March 2015.

Product development for focus markets (automobile electronics)

Strength in high reliability, high performance products meeting automotive component market trends

- High quality proven by our production track record
- Global supply chain with in-house integrated production spanning from raw material to manufacturing facilities
- Expansion of sales to Tier 1 manufacturers with competitive products and application specific in-depth proposals

■ Applications
■ Products





Q4

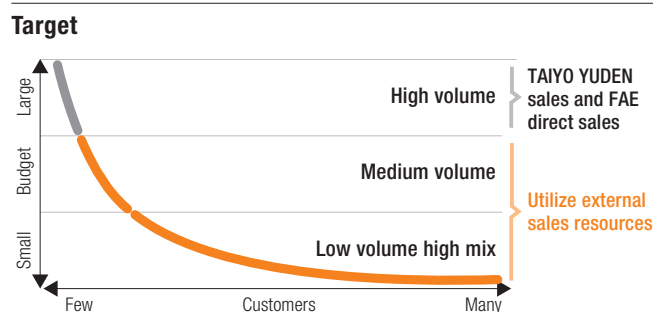
How will TAIYO YUDEN strengthen its sales and production structures to achieve growth in the future?

A We will strengthen our structure by putting our corporate roadmap on a parallel vector matching to the trends in the markets we serve.

We expect higher demand for greater functionality and expanding markets for smartphones, tablet devices, and other products with growth potential to lead to increasing use of super high-end products. Major set makers are developing global operations and Chinese companies gain momentum. These manufacturers will continue the steady rollout of new models with highly concentrated periods of mass production. Amid this environment, suppliers of electronic components, including TAIYO YUDEN, are at risk to miss business opportunities and to quickly confront pricing competition even with our super high-end products. To address this risk we must be quick to market with product development and in establishing a system for high-volume production.

Our strategic approach and related actions to these conditions is to focus on key equipment and to increase the number of field application engineers (FAEs) working with the customer to quickly identify customer needs and gather information on market trends at customer sites around the world. Our top priorities will be to create a corporate roadmap on a parallel vector with the market trends and be able to provide a steady supply of products that are competitively priced that meet the specifications needed in the market. We will also concentrate our sales staff and FAE's efforts in product volume zones of growth markets to enhance our ability to develop and introduce in-demand products with the focus on flexibility that meets production needs.

The first hurdle in successfully entering these new markets will be our ability to obtain a higher recognition level or the TAIYO YUDEN name. To raise our profile, we will strengthen our sales channels in these new markets by increasing the contact points with business partners through our distributors, trading companies, and online traders.



Q5

What is the Company's approach to providing a proper return to shareholders?

A We are constructing a stable and sustainable earnings structure and we are constantly working to improve our financial position. As we aim to realize these objectives, we are seeking to provide profit return to shareholders at a total return ratio of 30%.

TAIYO YUDEN's goal is to become a company that is highly respected by all stakeholders, and we are focusing on the reform of the Company's financial base. This focus is in line with three priority bases— 1) market base, 2) product base, and 3) customer base. The Company's management team is working diligently to implement cash flow management policies that will yield a positive net cash flow in the fiscal year ending March 2016. To realize this, we will fortify our production system and make our main focus super high-end products while maintaining capital investment within the range of depreciation and amortization.

To properly succeed and assure our policies are implemented we are reestablishing a stable and sustainable earnings structure and we will continue to stress the importance of improving our financial position at this stage. Management has therefore determined to distribute total dividends of ¥10 per share from retained earnings, representing a dividend payout ratio of 16.8%, for the fiscal year ended in March 2014.

We are committed to returning profit to our shareholders as we move forward with our plans and related actions to increase sales and profits with positive net cash flow results in the fiscal year ending in March 2015.

Special feature:

Third Pillar “Communications Devices”

Accelerating Business Expansion in the Growing Smartphone Market

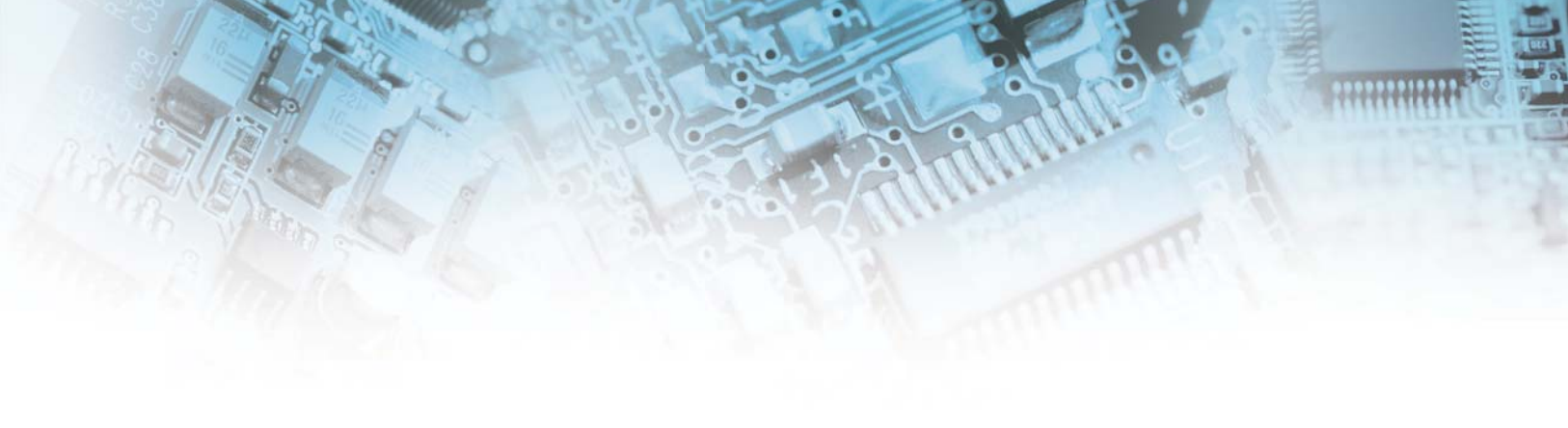


Demand for communication specific devices is expanding among our products used in high functional smartphones and tablet devices and we have designated the communication specific devices as the third pillar of our strategic products following multilayer ceramic capacitors and inductors.

Seiichi Tsutsumi

Director
Senior Operating Officer
Chief of Integrated Module &
Device Business Headquarters

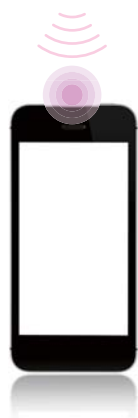




What role does the communications device business play in TAIYO YUDEN's business operations?

Use of smartphones and other mobile communications devices is rapidly rising throughout the world market in both developed and developing countries. Smartphone ownership is projected* to rise from 12% of the world's population in 2011 to 49% in 2016. TAIYO YUDEN is developing and manufacturing crucial components for mobile communications such as SAW filters, FBAR filters, duplexers, and front-end modules that integrated these functions into compact shapes. The demand for mobile communications devices is growing at an unprecedented rate. These devices are extremely sophisticated and require leading edge technological solutions. TAIYO YUDEN understands this and has the solutions needed to be successful in this market, hence communications devices operation are now the third pillar of TAIYO YUDEN's business.

*Source: Seed Planning "Global Smartphone Proliferation Projection"



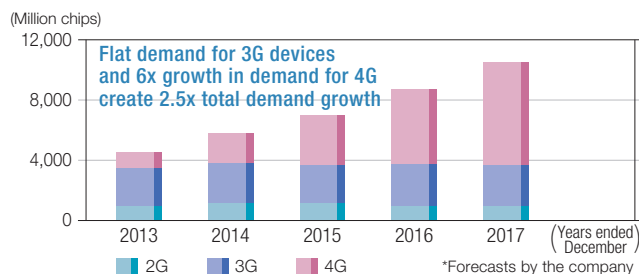
Functions and features of SAW filters, FBAR filters, and duplexers

Surface acoustic wave (SAW) and film bulk acoustic resonator (FBAR) filters are used in mobile communication terminals to distinguish electric signals of various band frequencies. They, then, filter or pick up transmission signals of specific frequencies. FBAR filters perform better for higher frequencies than SAW filters. A duplexer simultaneously sends signals and filters incoming signals even when their frequencies are different. These communications devices play an essential role in realizing smooth data communications.

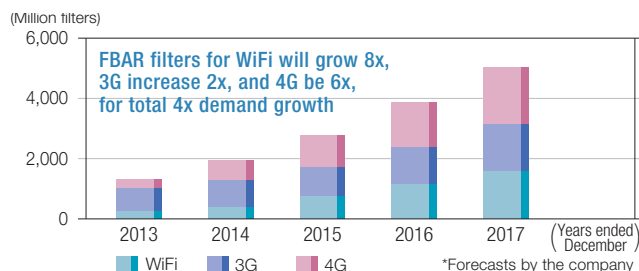
How will the developments in commercial smartphones affect the communications device demand?

A key focus in this industry is addressing the differences in communications standards and frequency bands among countries and regions throughout the world, which will enable smartphone users to communicate anywhere in the world with a single device at hand. Furthermore, there is a growing volume of communication traffic that requires resolving the use of higher frequencies and closer bandwidths. There are pressing challenges and demand the latest in SAW/FBAR filters and duplexer technology and TAIYO YUDEN is positioned to address these challenges. These conditions now require more than two SAW/FBAR filters and duplexers as a solution. This is needed to support multiple frequency bands and are now mountable in a single smartphone. And, as is the case in our industry, performance demands for the devices continually increases with every new model device being introduced to the market. The volume of mobile data communication is expected to continue growing, and the number of duplexers used in mobile devices is expected to jump 2.5 times from 2013 in 2017 while the number of FBAR filters, which offer superior performance for higher frequency bands, is forecast to grow four times over the same period.

Demand trend for duplexers



Demand trend for FBAR filters



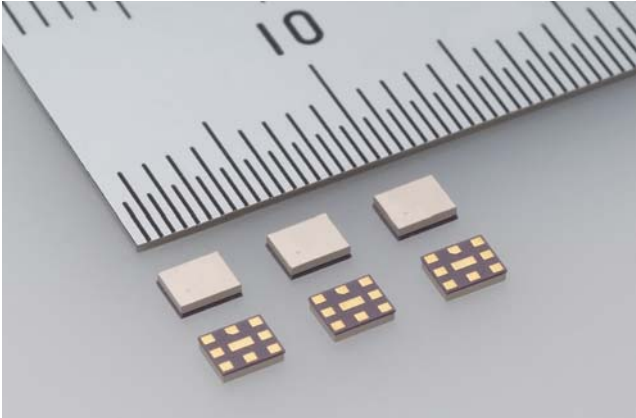


What is TAIYO YUDEN's strength in the communications devices area?

Our primary strengths in this market are our expertise in development and manufacturing capabilities for both SAW filters and FBAR filters. We currently are the only company that can provide world-leading technologies for both these product groups.

Why is the expertise to produce both SAW and FBAR filters a strength?

SAW and FBAR filters are used mainly for different frequency band ranges and have separate manufacturing costs. Having the technologies for both SAW and FBAR filters gives us the ability to be a one-stop supplier of duplexers and communications modules that incorporate the combined technologies of SAW and FBAR filters to meet the customer specifications and demands for qualities and costs. We see this as a huge advantage for the Company.

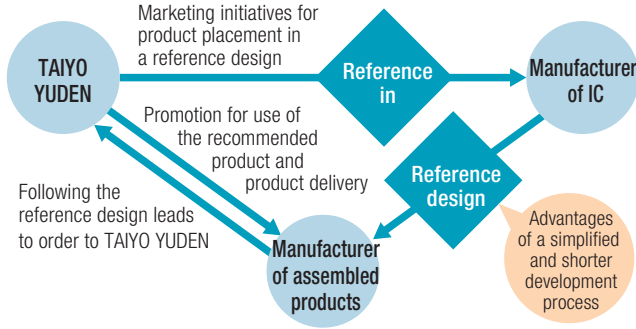


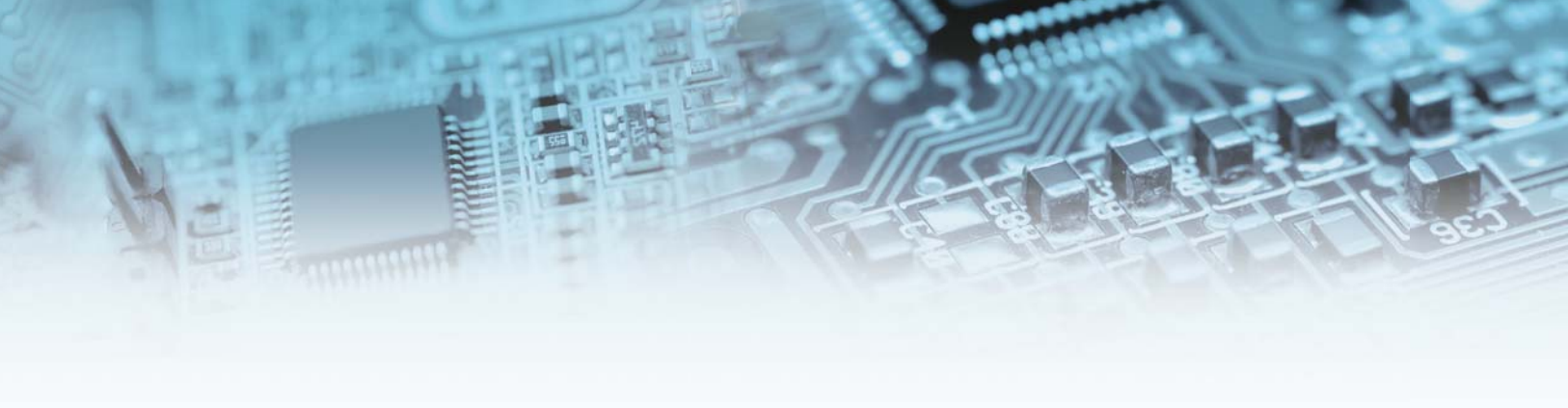
What is the Company's sales strategy?

We are formulating strong relationships with smartphone and module makers around the world, collaborating from the early stages of the development of new models to ensure we have a clear understanding of the technical needs and other requirements for the upcoming models. This gives us the ability to develop and offer communications devices that meet market needs. We are also focusing on gaining designations for our products as recommended components in reference designs from integrated circuit (IC) manufacturers who design and develop ICs for mobile communications devices. Mobile communications devices are increasingly required to more rapidly become smaller with higher functionality and lower cost. This is done by incorporating integrated components of smaller and thinner pieces. At the same time, circuit designs are becoming increasingly sophisticated and complex as demand for greater functionality leads to an increasing number of components used in the designs. Smartphone makers are responding by simplifying the processes to reduce costs and product development time. As a result, they are increasingly using reference designs provided by platform IC manufacturers*.

*A platform IC manufacturer independently provides manufacturers of assembled products with platforms that integrate various ICs on single circuit or multiple circuits.

From product marketing for reference designs to order placement





What specifically is being done to strengthen the production system?

In the market for mobile communications devices, we expect the continuing growth of smartphones with a rising number of built-in components, accompanied with a demand for greater functionality. This is the fuel that will drive market growth. To continue growing our sales in the market and to keep pace with demand, we must have an operating structure that enables us to furnish, in a timely manner, a stable supply of leading technology products that meet the customers' needs for quality and pricing.



Therefore, we took a concrete step in that direction with the acquisition of the land and buildings of a former semiconductor factory in Ome, Tokyo. In April 2014, we commenced developing and manufacturing communications devices at the new Ome facility. The facility provides exceptional scalability as it enables us to expand production capacity by 2.5 to 3 times as necessary to respond to future demand. We are reorganizing our production structure to enhance our business efficiency with the Ome Operation Center serving as our primary site for the development and manufacture of communications devices.

How will the Company maintain its competitive advantage going forward?

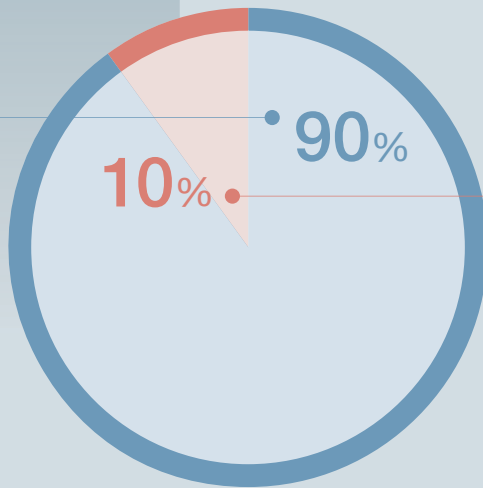
The source of our competitive advantage is our technical capability to develop communications devices matched to market needs. Providing leading technology is a way to maintain an key advantage. We will continually challenge ourselves to be the leader in the industry by providing superior communications devices to customers and for use in IC manufacturer reference designs. We will also use our state-of-art technologies, such as the EOMIN™ embedded-parts multilayer wiring substrate, to provide added value solutions, which combine multiple optimal electronic components into modules. We will continue to leverage our strength and position in the market and be the one-stop supplier for customers' needs and exercise our technical capabilities and abundant expertise we have cultivated to present products ideally matched to market needs.



At a Glance

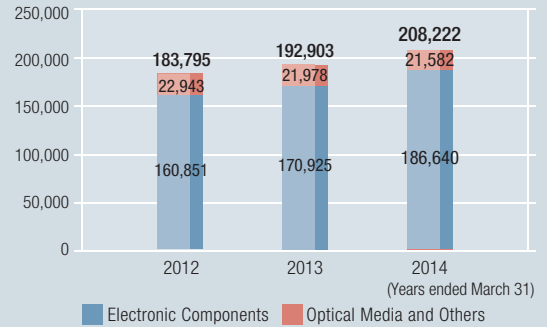
Net sales breakdown by business segment

Year ended March 31, 2014



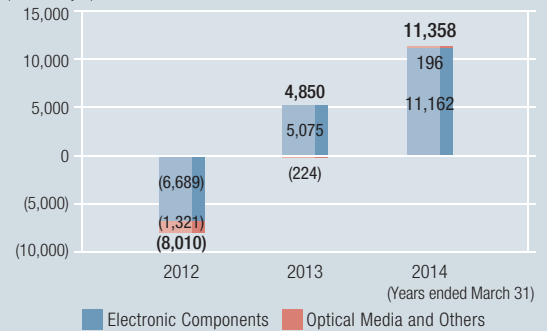
Net sales by business segment

(Millions of yen)

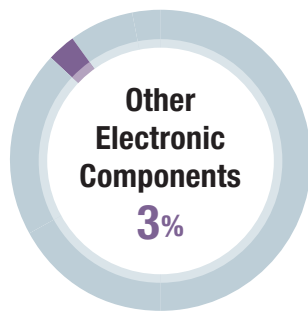
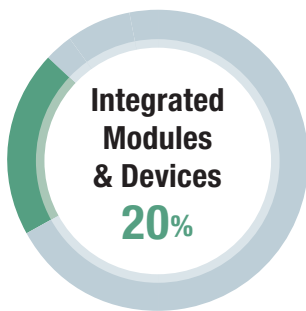
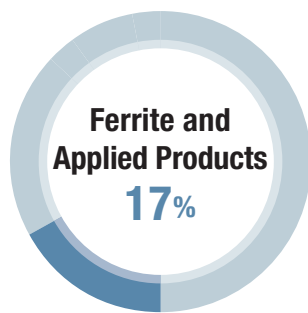
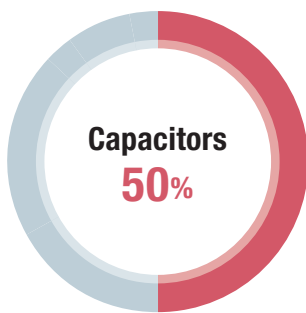


Operating income by business segment

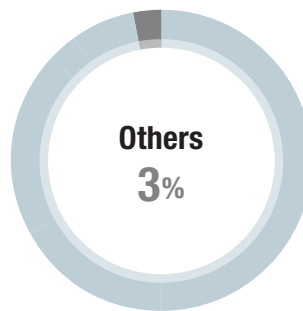
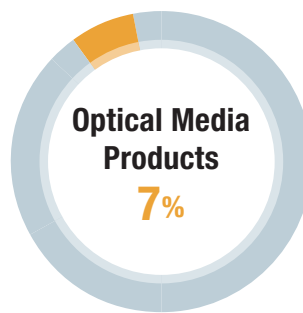
(Millions of yen)



Electronic Components



Optical Media and Others



Business Overview

The TAIYO YUDEN Group has been developing and producing capacitors since the Company's founding. The Capacitors Business is currently the Group's core operation, generating roughly half of the total consolidated net sales. This segment is actively developing super high-end products and other high-quality products for a wide variety of electronic devices.

Business Performance in the Year Ended March 2014

Net sales rose 16.0% year over year to ¥104,233 million supported by across the broad growth in all product categories compared with the previous year.

Key Initiatives in the Year Ended March 2014

The Group continued developing dielectric materials technology, thin-film and high capacity technology, production technology for ultra-small capacitors, and other technologies to further enhance the performance of its multilayer ceramic capacitors. The Group also advanced the development of multi-layering technology capable of over 1,000 layers and successfully realized mass production of EIA1210-size (3.2 mm x 2.5 mm) units with 330 µF capacitance as a possible substitute of electrolytic capacitors widespread in the market. These advances also enabled the Group to begin mass production of EIA01005 (0.4 mm x 0.2 mm) capacitors with 0.22 µF capacitance, EIA0201 (0.6 mm x 0.3 mm) capacitors with 2.2 µF, EIA0402 (1.0 mm x 0.5 mm) with 22 µF, and EIA0603 (1.6 mm x 0.8 mm) capacitors with 47 µF. Mass production is also being readied for ultra-small EIA008004

(0.25 mm x 0.125 mm) capacitors and was started for low-profile 0.15 mm thick EIA0201 capacitors and 0.11 mm thick EIA0402 capacitors.

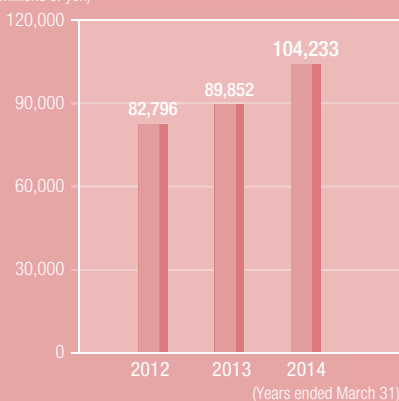
Initiatives Ahead

The TAIYO YUDEN Group will sustain its market leading position in ultra-small and ultra-low profile multilayer ceramic capacitors, providing all sizes of cutting-edge super high-end products to create a framework for expansion that is in tandem with demand for smartphones, tablet devices, and other growing product categories.

The Group will also strengthen its lineup of high quality, high reliability products for the automotive electronics, industrial equipment, medical and healthcare, environmental and energy target markets. In the high capacitance zone of 100 µF and higher, we are aggressively developing our position in the electrolytic capacitor market to stimulate market growth for multilayer ceramic capacitors. The production structure will be strengthened by accelerating the shift of production of high-end products from Japan to our existing overseas production facilities while maximizing the overseas base use and taking steps to achieve high production efficiency at all production bases worldwide.

Net sales

(Millions of yen)

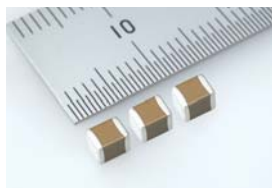


Main Products

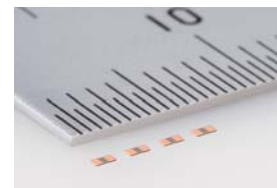
Multilayer ceramic capacitors



EIA008004 (0.25 mm x 0.125 mm) ultra-small multilayer ceramic capacitors



EIA1210 (3.2 mm x 2.5 mm) small high-capacitance multilayer ceramic capacitors with 330 µF capacitance



EIA0402 (1.0 mm x 0.5 mm) low-profile multilayer ceramic capacitors with 0.11 mm thickness

Business Overview

The Ferrite and Applied Products segment develops products used in power circuits and high frequency circuits with a primary focus on products using ferrite materials and the MCOIL™ metal power inductors using metallic magnetic materials.

Business Performance in the Year Ended March 2014

Net sales increased 22.0% year over year to ¥34,745 million as sales growth of products for tablets and other information equipment, for smartphones and other communications equipment, and for automotive and industrial equipment, which more than offset a decline in product sales for TVs and other consumer products.

Key Initiatives in the Year Ended March 2014

In multilayer chip inductors, the Group reinforced its lineup of multilayer MCOIL™ metal power inductors for use in smartphone and tablet devices amid the expanding markets and began preparations for mass production of EIA0805 (2.0 mm × 1.25 mm) inductors. We continued improving the inductance properties of our high-frequency multilayer inductors for mobile devices, including mass-producing the industry's highest-level EIA0201 (0.6 mm × 0.3 mm) and EIA01005 (0.4 mm × 0.2 mm) inductors with enhanced Q factor. We also commercialized EIA0202 (0.65

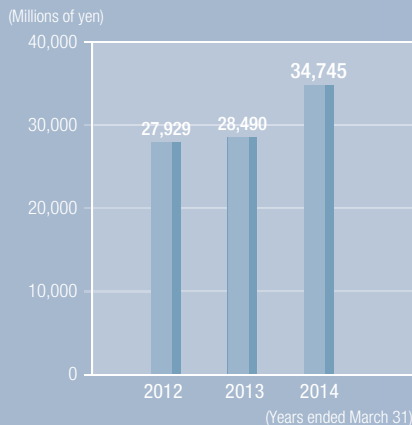
mm × 0.55 mm) small common-mode choke coils for noise suppression components in smartphones.

We expanded our lineup of wire-wound chip inductors with wire-wound MCOIL™ inductors with low inductance of 1 μH or lower and high inductance up to 10 μH. The addition of EIA0603 (1.6 mm × 0.8 mm) and EIA0805 products expanded this product offering to 14 different inductor sizes.

Initiatives Ahead

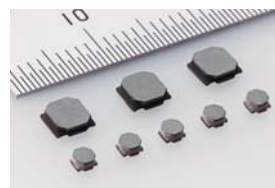
The Group will accelerate development of super high-end products to better meet customer needs. We are particularly focusing on power inductors, where we will enhance the lineup of MCOIL™ products, advancing strategic market introductions and expanding production capacity. We are also preparing to add EIA01005-size products to the lineup of high frequency, high-Q multilayer chip inductors and ultra-small multilayer chip inductors. As with the capacitors production and similar to capacitor operations, we will maximize the use of and enhance production efficiency at overseas bases.

Net sales

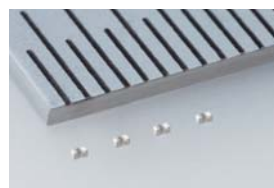


Main Products

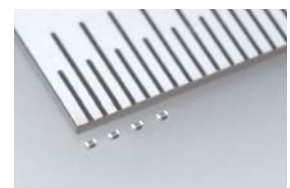
MCOIL™ metal power inductors, wire-wound inductors, multilayer chip inductors, and all types of inductors



MCOIL™ metal power inductors



High-Q multilayer chip inductors for high frequency applications



Ultra-small multilayer chip inductors

Business Overview

The Integrated Modules & Devices segment handles communications devices, power modules, and other equipment with our high reliability electronic components to meet the specific needs of various markets.

Business Performance in the Year Ended March 2014

Segment net sales decreased 11.4% year over year to ¥42,375 million due to year-over-year declines in sales of SAW/FBAR devices for mobile communications and power supply modules.

Key Initiatives in the Year Ended March 2014

During the term, the Group developed products centered on SAW technology, which is used as the fundamental mobile communications devices in smartphones. We also developed and submitted product proposals for products including miniaturized, low energy-consumption filter devices for long-term evolution, or LTE, transmission method that has been gaining usage in recent years, and front-end modules with matching circuits. In addition, a key focus remains on the development of products using FBAR technology to provide solutions for devices with higher functionality.

In mixed-function modules, EOMIN™, an embedded-parts multilayer wiring

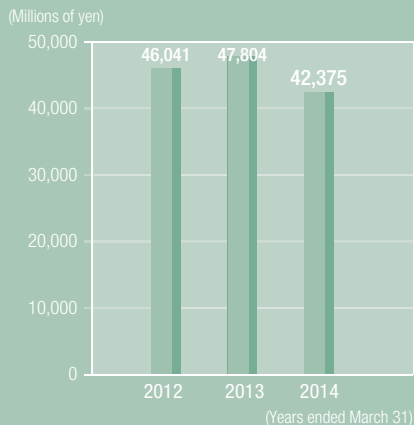
substrate, contributed substantially to making smaller and thinner camera modules for smartphones.

In wireless communication modules, we concentrated on developing and commercializing combination modules with universal compatibility with Bluetooth®, wireless LAN, and other communications standards.

Initiatives Ahead

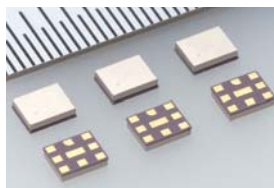
The Group is developing a high frequency module business centered on SAW/FBAR technology, aggressively introducing super high-end products using the Group's original embedded-parts multilayer wiring substrate EOMIN™ technology, and strengthening the power supply business with recovery systems and other products for the energy market. We will also construct production systems for mobile communications devices to keep pace with the rising number of built-in components accompanying broadening use of the next-generation LTE transmission method.

Net sales

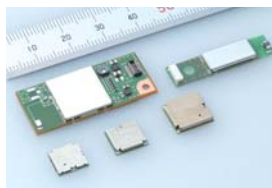


Main Products

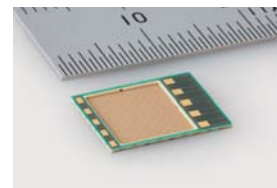
SAW/FBAR devices for mobile communications, power supply modules, high frequency modules and embedded-parts multilayer wiring substrate



SAW/FBAR devices for mobile communications



Wireless modules



Embedded-parts multilayer wiring substrate EOMIN™

Business Overview

The Other Electronic Components segment develops polyacene capacitors and lithium ion capacitors used for peak current assistance and backup up power supply in electronic devices.

Business Performance in the Year Ended March 2014

Segment net sales increased 10.6% year over year to ¥5,284 million.

Key Initiatives in the Year Ended March 2014

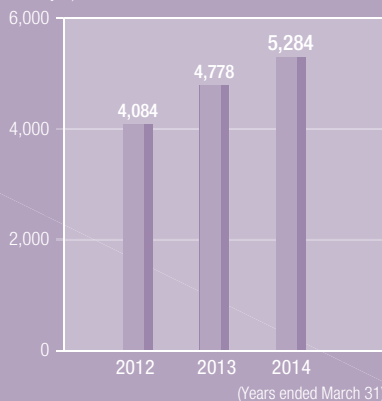
The Group expanded production of cylinder-type lithium ion capacitors that take advantage of both the characteristics of electric double-layer capacitors and lithium ion batteries to provide the high reliability functionality required by the industrial equipment and other markets. We also proceeded and proposed products for large lithium ion capacitors and continued marketing focus on cylinder-type polyacene capacitors.

Initiatives Ahead

The Group will develop product applications in advanced technology fields and expand sales in the energy field. We are enhancing our product offerings for applications in the smart meter and storage server backup power supply markets, which are expected to expand in the future, and advancing marketing activities for large lithium ion capacitors in markets for equipment requiring high reliability functionality.

Net sales

(Millions of yen)

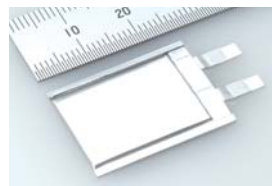


Main Products

Energy devices



Cylinder type lithium ion capacitors



Thin-type polyacene capacitors

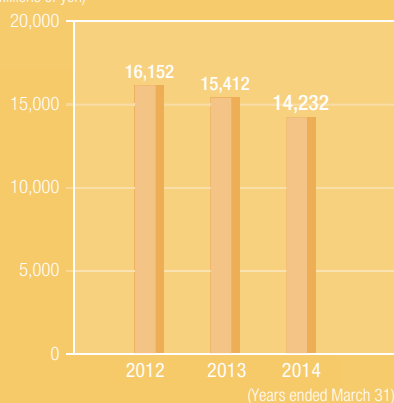
Review of Operations

Optical Media and Others

Optical Media Products

Net sales

(Millions of yen)



(Years ended March 31)

Business Overview

After successfully developing the world's first CD-R in 1988, the Group has continued developing and producing CD-Rs, DVD-Rs and BD-Rs. The Optical Media Products segment's current main target is the market for information archiving (long-term storage of digital data).

Business Performance in the Year Ended March 2014

Net sales declined 7.7% year over year to ¥14,232 million.

Key Initiatives in the Year Ended March 2014

The Group continued development of high-quality CD-R, DVD-R, and BD-R format products and next-generation high-density archiving media in line with the growing demand for optical recording

media for archiving applications.

Initiatives Ahead

The Group will continue transforming its business model with the aim of establishing steady and positive earnings. We will also seek to create and cultivate markets for archiving applications by proposing system solutions highlighting TAIYO YUDEN's strength and reputation in the market for high quality products.

Main Products

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



DVD-R, BD-R, CD-R

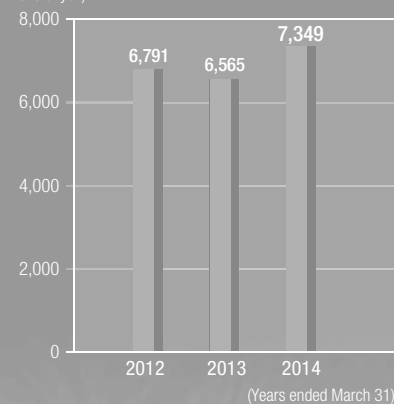
Review of Operations

Optical Media and Others

Others

Net sales

(Millions of yen)



(Years ended March 31)

Business Overview

The Other segment is primarily comprised of a subsidiary's printed circuit board design and mounting business.

Business Performance in the Year Ended March 2014

Net sales increased 11.9% year over year to ¥7,349 million.

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.

Achievement of our Vision through 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 reduce environmental burdens on society as a whole and the communities we serve. Our core objective using these methods is to make electronic components that are incorporated inside a final product possess higher and higher performance levels and values.

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. We also consider our products as being beneficial for society as they are useful for a wide variety of producers that use electric

Research and Development Principles

“Innovative advance”

Technology precedence

Promote leading edge technological development as the precursory to innovative product development and become a global leader in technology

Reproducibility

Logically verify the reproducibility of the technology we develop

Technological applicability

Develop technologies that are feasible and applicable economically to our manufacturing process and that meet critical environmental standards

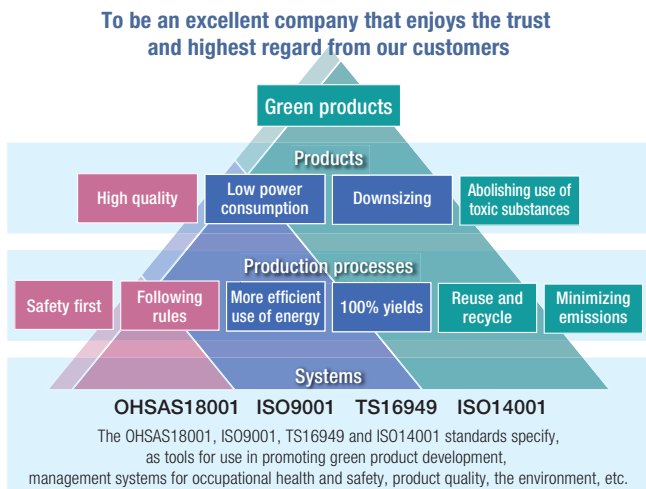
Environmental consideration

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

power and, most importantly, our products enhance the quality of life of our customers.

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. We eliminate what in Japanese are called the three M’s—*muda* (wastefulness), *mura* (inconsistency), and *muri* (overburden)—over the entire life cycle of products to add value for customers and local communities we serve as well as our employees.

We are confident that our R&D activities aimed at creating a higher standard of green products will enable us to realize our vision to “become an excellent company that enjoys the trust and highest regard from our customers.”



High quality

Products satisfying customer requests with high reliability

Low power consumption

Products delivering superior performance without consuming vast amounts of electricity

Downsizing

Products delivering high performance with few materials and thus contributing to end products fitting high functionality into a compact package

Abolishing use of toxic substances

Products not containing toxic substances

Safety first

Production processes designed with safety in mind allow operators to work free from *muri* (overburden).

Following rules

Operating in accordance with standardized procedures holds the key to minimizing irregularities between items.

More efficient use of energy

We minimize the energy used in manufacturing products.

100% yields

Stable production of high-quality products requires not allowing rejects and other forms of *muda* (wastefulness) to arise.

Reuse and recycle

Wherever possible, we use reused and recycled goods as materials for production.

Minimizing emissions

Wherever possible, our production processes strive for zero levels for emissions and other forms of *muda* (wastefulness).

Interview with the Head of the R&D Department

We are committed to constantly aiming our R&D at cutting edge domains to meet customer needs.

Shoichi Tosaka

Director, Executive Operating Officer in charge of quality assurance and R&D/engineering

Research and development is where TAIYO YUDEN creates new sources for the Company's future successes.

We are focusing our R&D activities in each business field on creating unique products in all phases of the product development. For example, TAIYO YUDEN is a world leader in materials technology. In material development for multilayer ceramic capacitors, we are downsizing dielectric particles, capacitors' material, while storing more power inside. This combination is a desired but challenging technology. We unceasingly seek to develop the "World's Best and World's First" products meeting the evolving needs of the market.

Technical breakthroughs in research do not always translate to business profits. To avoid such misunderstandings, our R&D department is working in collaboration with our sales and marketing departments and directly with our business divisions. This gives us valuable insight to what our customers' needs are and enables us to deliver new products at the right timing for our customers. Our medium-term development activities are organized to respond to customers' product development schedules. Our fundamental research gears

toward long-term technology trends. These resources are allotted to each in line with the golden ratio*.

In addition, TAIYO YUDEN is taking steps to eliminate what in Japanese are called the three Ms—*muda* (wastefulness), *mura* (inconsistency), and *muri* (overburden)—at every stage of a product's lifecycle from design to disposal over our all products. This results in the production and delivery of "green products" to the market, which have a greater value in aspects of safety, environmental, quality, cost, and delivery timing. We believe that pursuing these objectives will lead us into a new growth stage and create a virtuous cycle that is mutually beneficial for the Company and the society and environment around us.

*The golden ratio ($\frac{1+\sqrt{5}}{2}$:1) has been said from the ancient Greek era to be the harmonious proportions that provide the greatest amount of perceived beauty. Common modern applications of the ratio are in the measurements of postcards and business cards.



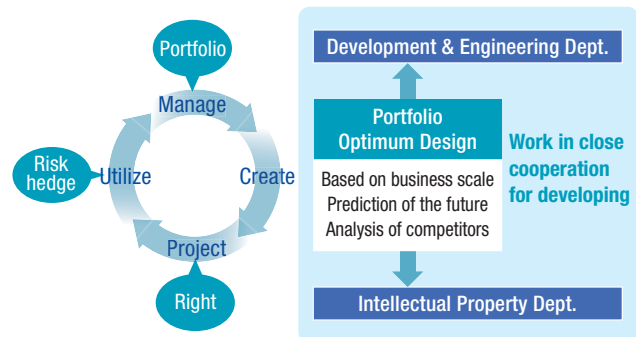
Activities on Intellectual Property Rights

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.

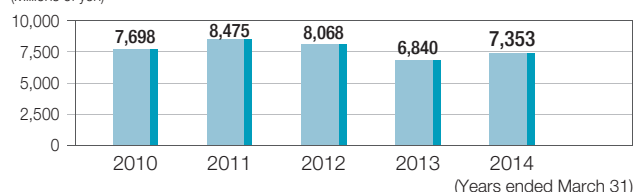


R&D Expenses

We recognize that continuing innovations and advancement in our technologies through R&D is the foundation for the Group to create the future. With this belief, we will continue to invest in R&D activities and the future development of our products.

R&D expenses

(Millions of yen)



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 of the TAIYO YUDEN Group drives development and technological progress and takes a role of a foundation of creativity focusing on the future.

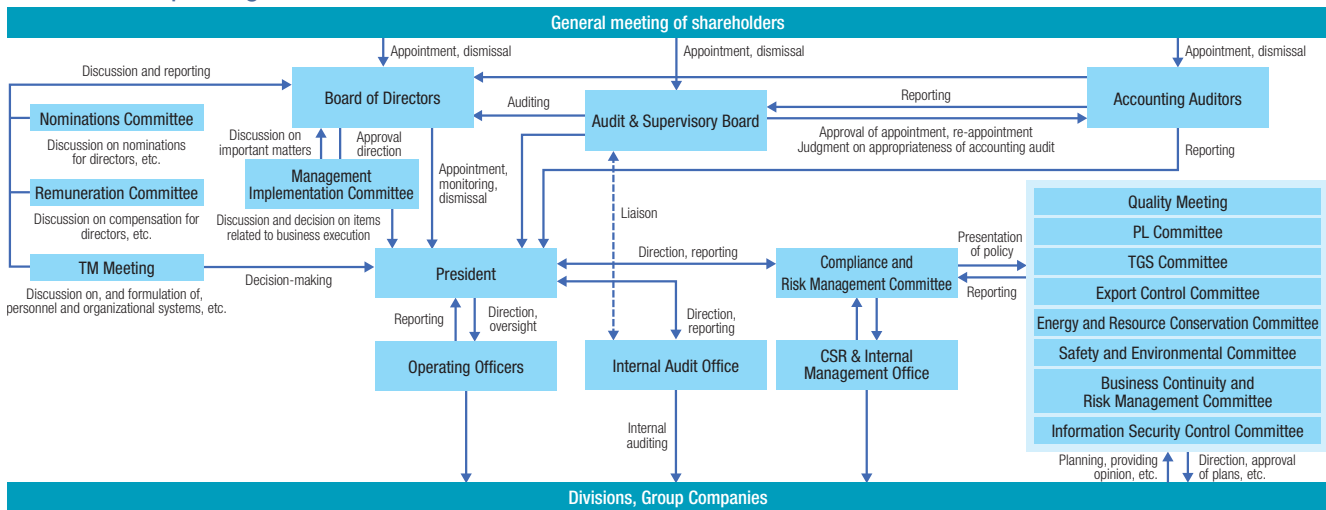


Basic Policy for Corporate Governance

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.

General policy regarding the roles and election of Outside Directors/Outside Audit & Supervisory Board Members

Two of our company's directors fulfill the prerequisites for outside directors. These individuals make efforts to strengthen the supervisory capability of the company and thereby enable objective management. Specifically, they fulfill a role that is important to the decision making process and provide opinions from the perspective of either technical experts or shareholders independent of executive management, based on a broad view that leverages knowledge of legal affairs related to the company and the experiences of corporate managers.

In addition, the company has four auditors (two of whom are managing auditors). Two of them fulfill the prerequisites as external auditors, and cooperate with each other to monitor

the state of internal control of operations on a daily basis.

Specifically, these auditors are responsible for investigating and verifying whether the corporate directors' work is being conducted in compliance with the pertaining laws. In addition to possessing technical and practical knowledge of their own in the fields of law and accounting, they objectively monitor the actions taken by our directors from an independent standpoint.

Selection of Outside, Independent Directors

Yuji Iwanaga, Outside, Independent Director

As Mr. Yuji Iwanaga has experience as a senior manager in business companies, as well as knowledge and experience as an attorney specialized in corporate legal practices, it was judged that he would be able to objectively supervise management. Therefore, Mr. Iwanaga was appointed as a candidate for Outside Director.

Hisaji Agata, Outside, Independent Director

As Mr. Hisaji Agata is an expert in corporate incubation aiming to formulate a highly transparent and sound business structure, and has a long history of achievement and proven insight as a business manager, it was judged that he would be able to objectively supervise management. Therefore, Mr. Agata was appointed as a candidate for Outside Director.

Selection of Outside Audit & Supervisory Board Members

Tomonori Akisaka, Outside Audit & Supervisory Board Member

As Mr. Akisaka has experience of specialized research in corporate law as a university professor, expertise as a certified public accountant, and extensive finance and accounting knowledge, it was judged that he would be able to provide guidance and recommendations for ensuring the appropriateness of the board of directors' activities and present valuable insight to the auditing of corporate management. Therefore, Mr. Akisaka was appointed as an outside Audit & Supervisory Board member.

Kazuhiro Yamakawa, Outside Audit & Supervisory Board Member

As Mr. Yamakawa has extensive experience as a public prosecutor, attorney, and university professor and proficiency in a broad range of corporate and legal affairs, it was judged that he would be able to provide guidance and recommendations for ensuring the appropriateness of the board of directors' activities and valuable insight to the auditing of corporate management. Therefore, Mr. Yamakawa was appointed as an outside Audit & Supervisory Board member.

Total remuneration paid to Directors and Audit & Supervisory Board Members for the fiscal year ended in March, 2014

Position	End of March 2014				Number of persons
	Total remuneration paid (Millions of yen)	Total remuneration paid by type of compensation (Millions of yen)			
		Basic remuneration	Bonus	Stock option	
Directors (excluding Outside Directors)	252	152	38	62	8
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	48	48	—	—	2
Outside Directors	33	33	—	—	4
Total	334	233	38	62	14

- Notes: 1. The "Number of persons" refers to the number of persons subject to remuneration for the fiscal year ended in March, 2014, not the number of persons in office.
2. The limit of remunerations paid to Directors was resolved to be ¥450 million or less per year at the 66th Ordinary General Meeting of Shareholders held on June 28, 2007. The limit of remunerations paid to Audit & Supervisory Board Members was resolved to be ¥6 million or less per month at the 52nd Ordinary General Meeting of Shareholders held on June 29, 1993.
3. In accordance with the abolition of the retirement benefit program for officers, a resolution was passed on the final payment of retirement benefits at the 63rd Ordinary General Meeting of Shareholders held on June 29, 2004. Based on this resolution, and in addition to the above remuneration, a retirement benefit of ¥45.8 million has been paid to one Director, whose retirement coincided with the conclusion of the 72nd Ordinary General Meeting of Shareholders held on June 27, 2013.

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

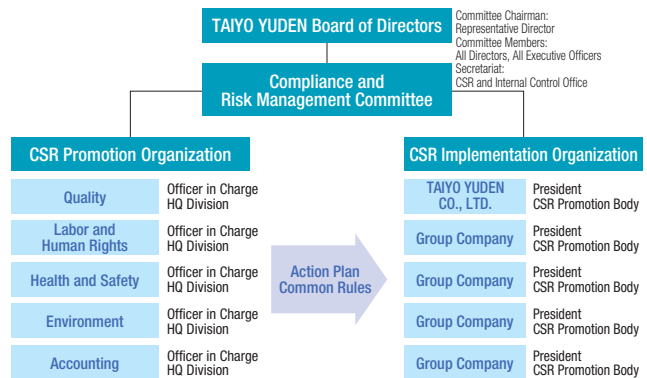
- The TAIYO YUDEN Group will respect the dignity and individuality of each person based on recognition of people's diverse backgrounds and characteristics.
- The TAIYO YUDEN Group will strive to create safe work environments that ensure our employees are able to perform their duties with a sense of reassurance.

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.

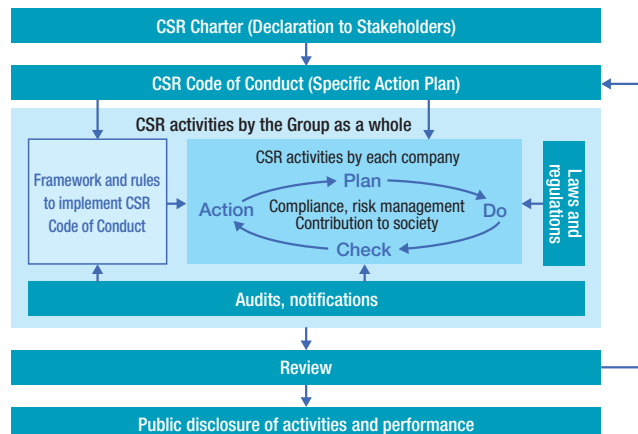


CSR Management System

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.



Environmental Activities

Converted energy from diesel oil to natural gas

Although TAIYO YUDEN (GUANGDONG) had used diesel oil boilers, it has converted the energy to natural gas since 2012. In the year ended in March 2014, we introduced natural gas boilers into the cafeteria and no.

6 plant. The reduction in the amount of greenhouse gases came to 4,156 tons-CO₂e during the year.



Opened a solar power plant

We built a solar power plant at the site of the old Hongo Research institute, Takasaki-city, Gunma, with 460kW capacity, which is equivalent to the amount of electricity used by 150 households, and started operation in November 2013. While effectively utilizing our assets, we create energy from the renewable source and distribute it across the region to help realizing sustainable society.



Contributing to Society

Plant tours/work experience tours

TAIYO YUDEN Group has been hosting plant tours and work experience as one of the most important connection points with people in the communities. We have junior high school students



in the neighborhood visiting Tamamura Plant every year in order to gain some working experience. They experience work at the plant through the experience program.

Support for victims of earthquakes and typhoons

TAIYO YUDEN (PHILIPPINES) donated cash, clothing, daily necessities and bottles of water for the victims of Typhoon Haiyan, as well as the earthquake on Bohol Island in 2013.



We donated relief money through the Japanese Red Cross for the restoration of the disaster-affected areas.

Health and Safety Activities

Lectures on static electricity disaster prevention/local exhaust ventilation

Static electricity disaster prevention/local exhaust ventilation classes were held across the sites provided by instructors invited from outside of the companies. We learned about the ignition mechanism of static electricity and its prevention measures. It is mandatory to install local exhaust ventilation systems at sites where specific chemical substances are handled. Classes were held by a professional body to learn the basics of local exhaust ventilation design and its inspection methods.



Fire and evacuation drills

Various types of regularly scheduled drills are conducted to prepare for sudden accidents and disasters. With exercising procedures on early discovery, rapid response, prevention and mitigation of impact, the TAIYO YUDEN Group improves and reconfirms appropriate procedures of them. At TAIYO YUDEN (TIANJIN) ELECTRONICS, fire brigade officers taught how to use fire extinguishers with hands-on training in addition to helping evacuation and rescue drills.



For further details on our CSR activities, please visit at <http://www.yuden.co.jp/or/company/csr/>

Directors and Audit & Supervisory Board Members

Directors



Representative Director **Eiji Watanuki**

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.



Director **Shoichi Tosaka**

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.



Director **Katsushige Nakano**

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.



Director **Seiichi Tsutsumi**

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.



Director **Osamu Takahashi**

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 New Business Planning Development Headquarters in 2014.



Director **Shinji Masuyama**

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.



Outside, Independent Director **Yuji Iwanaga**

As a certified attorney, Mr. Iwanaga was admitted to the Japan Federation of Bar Association in 1981, after working at Tohato Inc. and General Aircon Co., Ltd. In 1984, he was admitted to the State Bar of California and joined Lillick, McHose & Charles (currently Pillsbury Winthrop Shaw Pittman LLP), becoming a partner. He has served as an Outside, Independent Director for the Company since 2006.



Outside, Independent Director **Hisaji Agata**

After working Nomura Securities Co., Ltd., from 1974 to 1981, Mr. Agata joined the Japan Associated Finance Co., Ltd. (currently JAFCO Co., Ltd.) where he served as Director, Managing Director, and Executive Managing Officer. He has served as an Outside, Independent Director for the Company since 2008. He has also served as a Special Adviser of HIBIKI Partners Co., Ltd. since 2008 and as an Outside Auditor of RaQualia Pharma Inc. since 2010.

Audit & Supervisory Board Members



Audit & Supervisory Board Member
Norio Osakabe



Audit & Supervisory Board Member
Mamoru Yamaki



Outside Audit & Supervisory Board Member
Tomonori Akisaka



Outside Audit & Supervisory Board Member
Kazuhiro Yamakawa

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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

Fiscal year	2004	2005	2006	2007
Net sales	¥ 163,328	¥ 172,256	¥ 186,539	¥ 221,229
Operating income (loss)	10,988	2,055	6,691	22,018
Ordinary income (loss)	9,381	1,973	6,997	21,641
Net income (loss)	(1,844)	(774)	3,155	12,944
Total assets	213,988	212,231	224,381	258,552
Net assets	140,395	141,667	153,875	169,497
Cash flows from operating activities	18,494	5,853	20,054	28,979
Cash flows from investing activities	(14,683)	(19,601)	(15,290)	(33,780)
Free cash flows	3,811	(13,748)	4,764	(4,801)
Cash flows from financing activities	(2,464)	3,386	(2,805)	7,586
Cash and cash equivalents at end of year	40,752	31,245	35,672	39,435
R&D expenses	7,903	7,581	7,096	8,207
Capital investment	14,409	22,464	15,778	30,244
Depreciation and amortization	18,333	17,984	17,052	18,376

Per share data (yen)

Net assets per share	¥ 1,176.13	¥ 1,187.69	¥ 1,290.00	¥ 1,421.45
Basic net income (loss) per share	(15.90)	(6.58)	26.00	108.58
Diluted net income per share	—	—	25.21	104.09
Cash dividends per share	10.00	10.00	10.00	10.00

Financial ratios (%)

Equity ratio	65.6	66.8	68.6	65.5
Return on Equity [ROE]	(1.3)	(0.5)	2.1	8.0
Return on Assets [ROA]	4.4	0.9	3.2	9.0

Other information

Number of employees [consolidated]	17,194	17,577	19,656	20,387
Number of employees [non-consolidated]	2,675	2,669	2,592	2,686

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

(Millions of yen)

	2008	2009	2010	2011	2012	2013	2014
¥	238,274	¥ 185,452	¥ 195,690	¥ 210,401	¥ 183,795	¥ 192,903	¥ 208,222
	21,304	(12,755)	4,203	8,792	(8,010)	4,850	11,358
	19,141	(12,601)	1,966	6,740	(9,070)	7,118	12,192
	10,634	(14,332)	(680)	(5,506)	(21,599)	1,867	6,989
	271,605	225,451	236,361	221,272	208,461	225,991	247,596
	167,766	139,435	139,263	127,626	104,400	115,814	128,556
	29,791	15,696	25,662	25,219	5,534	19,496	29,724
	(43,768)	(25,665)	(8,918)	(16,594)	(28,945)	(18,157)	(18,947)
	(13,977)	(9,969)	16,744	8,625	(23,411)	1,339	10,777
	12,855	9,780	(8,775)	(8,948)	11,388	2,334	8,404
	35,401	33,110	40,451	38,811	26,671	33,280	54,611
	8,888	8,463	7,698	8,475	8,068	6,840	7,353
	44,584	27,018	9,352	17,519	26,764	20,702	19,126
	23,294	27,850	23,922	19,309	19,250	19,832	20,750
¥	1,403.24	¥ 1,181.28	¥ 1,179.82	¥ 1,080.61	¥ 884.70	¥ 981.92	¥ 1,090.26
	89.22	(121.51)	(5.78)	(46.82)	(183.70)	15.88	59.38
	82.06	—	—	—	—	15.85	58.09
	10.00	10.00	10.00	10.00	5.00	10.00	10.00
	61.6	61.6	58.7	57.4	49.9	51.1	51.8
	6.3	(9.4)	(0.5)	(4.1)	(18.7)	1.7	5.7
	7.2	(5.1)	0.9	2.9	(4.2)	3.3	5.1
	20,117	17,478	17,836	17,267	16,194	15,915	16,435
	2,905	2,918	2,957	2,988	2,977	2,632	2,572

Financial Review

Performance Overview

The economic environment for the TAIYO YUDEN Group improved moderately in the fiscal year ended March 31, 2014, supported by recovery in global economic conditions, which was led mainly by developed countries while certain segments remained sluggish. Demand for electronic components was strong in the electronics industry. The Group's business domain and positive results were supported by the expanding smartphone and tablet device markets and increasing use of electronics in automobiles. Demand remained stagnant in the personal computer and TV segments.

In these conditions, the Group implemented growth strategies and structural reform aimed at improving revenue. Growth strategies carried out during the year leveraged our competitive advantage in super high-end products to expand the sales in the growing smartphone and tablet device markets. We also strengthened our sales structure and enhanced the lineup of high-reliability products in our focused markets: automobile electronics, industrial equipment, healthcare, and environmental and energy. Structural reform included the restructure of the optical media products business as part of our ongoing effort to improve the breakeven point. As a result, net sales increased 7.9% year over year to ¥208,222 million in the fiscal year ended March 31, 2014.

Selling, General and Administrative Expenses

Selling, general and administrative expenses rose ¥3,373 million year over year to ¥36,223 million for the fiscal year ended March 31, 2014. The main elements were increases in employee bonus and allowances and R&D expenses. Operating income amounted to ¥11,358 million, an increase of 134.2% from the previous fiscal year.

Other Income (Expenses)

The net amount of other income was expenses of ¥1,206 million, an increase of ¥235 million compared with the previous fiscal year. This amount reflects the posting of ¥1,574 million as a decrease in gain on foreign exchange, ¥881 million down in gain on sales of property, plant and equipment, and an increase in business structure improvement expenses by ¥608 million. At the same time, the rise in income reflects the posting of decrease in a settlement package of ¥2,823 million.

As a result of above factors, we restored profitability and booked net income of ¥6,989 million, a surge of 274.3% from the previous fiscal year.

Financial Position

Assets

Total assets at the March 31, 2014, fiscal year-end were valued at ¥247,596 million, an increase of ¥21,604 million from the previous fiscal year-end. Current assets increased ¥26,426 million due mainly to rises of ¥23,894 million in cash and deposits and ¥2,370 million in work in process inventories. Property, plant and equipment decreased ¥4,822 million largely due to declines of ¥4,377 million in tangible fixed assets and ¥613 million in intangible fixed assets.

Liabilities

Total liabilities at the March 31, 2014, fiscal year-end amounted to ¥119,040 million, up ¥8,863 million from the previous fiscal year-end. The primary factors were decreases of ¥9,618 million in short-term borrowings and ¥2,282 million in accrued amounts payable. This was offset by an increase of ¥20,096 million in current portion of convertible bonds with subscription rights.

Net Assets

Net assets at the March 31, 2014, fiscal year-end were ¥128,556 million, up ¥12,741 million from the previous fiscal year-end. The main factors were a ¥6,989 million increase in net income, a ¥1,176 million decrease in dividends from surplus, and a ¥6,571 million increase from foreign currency translation adjustments.

Cash Flows

Net cash provided by operating activities in the fiscal year ended March 31, 2014, amounted to ¥29,724 million, an increase of 52.5% from the previous fiscal year. The primary factors were income before income taxes and minority interests of ¥10,152 million, depreciation and amortization of ¥20,750 million, business structure improvement expenses of ¥862 million, and a ¥1,970 million decrease in trade payables. Net cash used in investing activities for the fiscal year ended March 31, 2014, amounted to ¥18,947 million, an increase of 4.4% as compared to the previous fiscal year. The increase was largely due to ¥16,875 million utilized for purchases of property, plant and equipment and a ¥2,223 million net increase in time deposits. Net cash provided by financing activities for the fiscal year ended March 31, 2014, amounted to ¥8,404 million, a 260.0% jump from the previous fiscal year. The main factors were a ¥9,903 million net decrease in short-term borrowings and ¥20,071 million proceeds from the issuance of convertible bonds with acquisition rights. As a result of the above, cash and cash equivalents at the March 31, 2014, fiscal year-end amounted to ¥54,611 million, an increase of ¥21,331 million from the end of the previous fiscal year.

Financial

The TAIYO YUDEN Group conducts centralized management of Group funds to enhance the efficiency of funding operations. The Group collects surplus funds from affiliated companies and allocates funds to affiliated companies as necessary. External sources are utilized when additional funds are needed. The Cash Management System (CMS) is utilized to minimize interest-bearing debt from external sources. Financing from external sources at the March 31, 2014, fiscal year-end consisted of ¥8,000 million in the current portion of bonds payable, ¥365 million in the current portion of convertible bonds with stock acquisition rights, ¥10,623 million in short-term borrowings, ¥12,472 million in the current portion of long-term borrowings, ¥20,096 million in convertible bonds with stock acquisition rights, and ¥21,861 million in long-term borrowings. In principle, borrowings are secured within Japan at fixed interest rates. To ensure financial stability, the Company has also established a commitment line of ¥10,000 million effective for three years. The commitment line was renewed in December 2011 for security in an emergency situation. The Company has not utilized the commitment line as of the March 31, 2014, fiscal year-end. The Group is capable of generating cash flow through sound financial position and operating activities. Management believes it is capable of procuring the operating capital and funds for capital investment for future activities that may be required in the future to maintain the Group's growth.

Overview of Capital Investment

Capital investment amounted to ¥16,875 million in the fiscal year ended March 31, 2014. Investments primarily comprised the following.

Electronic Components

Capital investment of ¥16,683 million was used mainly for investments to improve productivity and for R&D facilities.

Consolidated Financial Statements

Consolidated Balance Sheets

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2014 and 2013

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
Current assets:			
Cash and cash equivalents (Note 3)	¥54,612	¥33,281	\$530,210
Time deposits (Note 3)	4,639	2,076	45,041
Receivables:			
Trade notes and accounts receivable (Note 3)	43,013	41,656	417,600
Allowance for doubtful receivables	(323)	(271)	(3,136)
Inventories:			
Merchandise and finished products	14,180	15,023	137,667
Work in process	13,457	11,087	130,654
Raw materials and supplies	9,928	9,833	96,385
Deferred tax assets (Note 8)	460	536	4,468
Prepaid expenses and other current assets	3,794	4,111	36,833
Total current assets	<u>143,760</u>	<u>117,332</u>	<u>1,395,722</u>
Property, plant and equipment (Note 10):			
Land	7,697	7,689	74,730
Buildings and structures	70,724	68,215	686,638
Machinery and equipment	226,115	212,367	2,195,293
Tools, furniture and fixtures	20,258	19,262	196,679
Construction in progress	4,481	9,358	43,505
Total	<u>329,275</u>	<u>316,891</u>	<u>3,196,845</u>
Accumulated depreciation	<u>(234,878)</u>	<u>(218,116)</u>	<u>(2,280,365)</u>
Net property, plant and equipment	<u>94,397</u>	<u>98,775</u>	<u>916,480</u>
Investments and other assets:			
Investment securities (Notes 3 and 4)	4,286	3,814	41,607
Investments in affiliate (Note 3)	574	546	5,574
Goodwill	601	1,201	5,831
Deferred tax assets (Note 8)	906	904	8,798
Net defined benefit asset (Note 6)	11	-	109
Other	3,388	3,702	32,891
Allowance for doubtful receivables	(326)	(282)	(3,161)
Total investments and other assets	<u>9,440</u>	<u>9,885</u>	<u>91,649</u>
Total assets	<u>¥247,597</u>	<u>¥225,992</u>	<u>\$2,403,851</u>

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥10,624	¥20,242	\$103,144
Current portion of bonds payable (Notes 3 and 5)	8,000	-	77,670
Current portion of long-term borrowings (Notes 3 and 5)	12,473	4,899	121,092
Current portion of convertible bonds with stock acquisition rights (Notes 3 and 5)	365	-	3,544
Notes and accounts payable:			
Trade notes and accounts payable (Note 3)	18,598	17,950	180,562
Other (Note 3)	6,430	8,713	62,431
Income taxes payable (Notes 3 and 8)	1,160	1,049	11,258
Accrued bonuses for employees	2,746	2,981	26,664
Accrued bonuses for directors	75	75	726
Deferred tax liabilities (Note 8)	696	698	6,757
Other	7,226	7,837	70,160
Total current liabilities	<u>68,393</u>	<u>64,444</u>	<u>664,008</u>
Long-term liabilities:			
Bonds payable (Notes 3 and 5)	-	8,000	-
Long-term borrowings (Notes 3 and 5)	21,862	29,365	212,251
Convertible bonds with stock acquisition rights (Notes 3 and 5)	20,096	365	195,111
Accrued retirement benefits for employees (Note 6)	-	1,475	-
Net defined benefit liability (Note 6)	1,936	-	18,801
Accrued retirement benefits for directors and corporate auditors	118	126	1,139
Deferred tax liabilities (Note 8)	5,144	4,378	49,944
Negative goodwill	-	10	-
Other	1,492	2,014	14,480
Total long-term liabilities	<u>50,648</u>	<u>45,733</u>	<u>491,726</u>
Total liabilities	<u>119,041</u>	<u>110,177</u>	<u>1,155,734</u>
Commitment and contingent liabilities (Note 12):			
Net assets (Note 7)			
Shareholders' equity:			
Common stock			
Authorized - 300,000,000 shares			
Issued - 120,481,395 shares in 2014 and 2013			
	23,557	23,557	228,711
Capital surplus	41,495	41,484	402,865
Retained earnings (Note 18)	73,597	67,804	714,537
Treasury stock, at cost -			
2,733,602 shares in 2014 and 2,855,179 shares in 2013	(3,413)	(3,564)	(33,134)
Total shareholders' equity	<u>135,236</u>	<u>129,281</u>	<u>1,312,979</u>
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	980	562	9,512
Deferred gains (losses) on hedges	(32)	15	(311)
Foreign currency translation adjustments	(7,775)	(14,347)	(75,482)
Adjustment in defined benefit obligation of overseas subsidiaries	(34)	(12)	(330)
Total accumulated other comprehensive income	<u>(6,861)</u>	<u>(13,782)</u>	<u>(66,611)</u>
Stock acquisition rights (Note 14)	171	275	1,659
Minority interests	10	41	90
Total net assets	<u>128,556</u>	<u>115,815</u>	<u>1,248,117</u>
Total liabilities and net assets	<u>¥247,597</u>	<u>¥225,992</u>	<u>\$2,403,851</u>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
Net sales (Note 16)	¥208,223	¥192,904	\$2,021,580
Cost of sales	160,640	155,203	1,559,613
Gross profit	47,583	37,701	461,967
Selling, general and administrative expenses	36,224	32,850	351,687
Operating income (Note 16)	11,359	4,851	110,280
Other income (expenses)			
Interest and dividend income	359	238	3,487
Interest expense	(510)	(556)	(4,952)
Interest on bonds	(74)	(74)	(715)
Equity in earnings of affiliate	25	7	240
Gain on foreign exchange	1,321	2,895	12,826
Depreciation of inactive noncurrent assets	(399)	(419)	(3,872)
Compensation expenses	(155)	(114)	(1,506)
Gain on sales of property, plant and equipment	24	905	229
Loss on disposal and sales of property, plant and equipment	(282)	(217)	(2,735)
Loss on valuation of investment securities (Note 4)	(135)	(427)	(1,306)
Impairment loss on property, plant and equipment (Note 11)	(622)	(346)	(6,044)
Business structure improvement expenses	(863)	(254)	(8,375)
Settlement package	-	(2,823)	-
Subsidy income	182	122	1,764
Life insurance dividend income	77	69	751
Bond issuance cost	(60)	-	(586)
Other	(94)	23	(916)
Other income (expenses) - net	(1,206)	(971)	(11,710)
Income before income taxes and minority interests	10,153	3,880	98,570
Income taxes (Note 8)			
Current	2,496	1,737	24,228
Deferred	680	269	6,601
Total income taxes	3,176	2,006	30,829
Income before minority interests	6,977	1,874	67,741
Minority interests	(13)	7	(119)
Net income	¥6,990	¥1,867	\$67,860
Per share of common stock (Note 17):			
Basic earnings	¥59.38	¥15.88	\$0.58
Diluted earnings	58.09	15.85	0.56
Cash dividends applicable to the year	10.00	10.00	0.10

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
Income before minority interests	¥6,977	¥1,874	\$67,741
Other comprehensive income (Note 15):			
Net unrealized holding gains (losses) on securities	418	128	4,054
Deferred gains (losses) on hedges	(47)	9	(451)
Foreign currency translation adjustments	6,572	10,291	63,801
Adjustment in defined benefit obligation of overseas subsidiaries	(22)	(91)	(215)
Total other comprehensive income	<u>6,921</u>	<u>10,337</u>	<u>67,189</u>
Comprehensive income	<u>¥13,898</u>	<u>¥12,211</u>	<u>\$134,930</u>
Total comprehensive income attributable to:			
Owners of the parent	¥13,911	¥12,205	\$135,049
Minority interests	(13)	6	(119)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2014 and 2013

	Thousands	Millions of Yen				Total Shareholders' Equity
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	
BALANCE, APRIL 1, 2013	120,481	¥23,557	¥41,484	¥67,804	¥(3,564)	¥129,281
Changes during the year						
Cash dividends, 10.00 yen per share				(1,177)		(1,177)
Net income				6,990		6,990
Treasury stock acquired (2,423 shares)					(3)	(3)
Treasury stock disposed (124,000 shares)			11		154	165
Change in scope of consolidation				(20)		(20)
Changes other than shareholders' equity						
Total changes	-	-	11	5,793	151	5,955
BALANCE, MARCH 31, 2014	120,481	¥23,557	¥41,495	¥73,597	¥(3,413)	¥135,236

	Millions of Yen							
	Accumulated Other Comprehensive Income		Adjustment in Defined Benefit Obligation of Overseas Subsidiaries	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets	
Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments						
BALANCE, APRIL 1, 2013	¥562	¥15	¥(14,347)	¥(12)	¥(13,782)	¥275	¥41	¥115,815
Changes during the year								
Cash dividends, 10.00 yen per share								(1,177)
Net income								6,990
Treasury stock acquired (2,423 shares)								(3)
Treasury stock disposed (124,000 shares)								165
Change in scope of consolidation								(20)
Changes other than shareholders' equity	418	(47)	6,572	(22)	6,921	(104)	(31)	6,786
Total changes	418	(47)	6,572	(22)	6,921	(104)	(31)	12,741
BALANCE, MARCH 31, 2014	¥980	¥(32)	¥(7,775)	¥(34)	¥(6,861)	¥171	¥10	¥128,556

	Thousands of U.S. Dollars (Note 1)				
	Shareholders' Equity				Total Shareholders' Equity
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	
BALANCE, APRIL 1, 2013	\$228,711	\$402,758	\$658,288	\$(34,605)	\$1,255,152
Changes during the year					
Cash dividends, 0.10 dollar per share			(11,426)		(11,426)
Net income			67,860		67,860
Treasury stock acquired (2,423 shares)				(32)	(32)
Treasury stock disposed (124,000 shares)		107		1,503	1,610
Change in scope of consolidation			(185)		(185)
Changes other than shareholders' equity					
Total changes	-	107	56,249	1,471	57,827
BALANCE, MARCH 31, 2014	\$228,711	\$402,865	\$714,537	\$(33,134)	\$1,312,979

	Thousands of U.S. Dollars (Note 1)							
	Accumulated Other Comprehensive Income		Adjustment in Defined Benefit Obligation of Overseas Subsidiaries	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets	
Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments						
BALANCE, APRIL 1, 2013	\$5,458	\$140	\$(139,283)	\$(115)	\$(133,800)	\$2,666	\$395	\$1,124,413
Changes during the year								
Cash dividends, 0.10 dollar per share								(11,426)
Net income								67,860
Treasury stock acquired (2,423 shares)								(32)
Treasury stock disposed (124,000 shares)								1,610
Change in scope of consolidation								(185)
Changes other than shareholders' equity	4,054	(451)	63,801	(215)	67,189	(1,007)	(305)	65,877
Total changes	4,054	(451)	63,801	(215)	67,189	(1,007)	(305)	123,704
BALANCE, MARCH 31, 2014	\$9,512	\$(311)	\$(75,482)	\$(330)	\$(66,611)	\$1,659	\$90	\$1,248,117

See accompanying notes to consolidated financial statements.

	Thousands	Millions of Yen				
	Number of Shares of Common Stock Issued	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
Cumulative effect of changes in accounting policies				(1)		(1)
Retroactively changed BALANCE, APRIL 1, 2012		23,557	41,471	66,819	(3,625)	128,222
Changes during the year						
Cash dividends, 7.50 yen per share				(882)		(882)
Net income				1,867		1,867
Treasury stock acquired (12,169 shares)					(9)	(9)
Treasury stock disposed (56,000 shares)			13		70	83
Changes other than shareholders' equity						
Total changes	-	-	13	985	61	1,059
BALANCE, MARCH 31, 2013	120,481	¥23,557	¥41,484	¥67,804	¥(3,564)	¥129,281

	Millions of Yen							
	Accumulated Other Comprehensive Income				Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets
Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Adjustment in Defined Benefit Obligation of Overseas Subsidiaries					
BALANCE, APRIL 1, 2012	¥434	¥6	¥(24,638)	¥-	¥(24,198)	¥329	¥46	¥104,400
Cumulative effect of changes in accounting policies				79	79			78
Retroactively changed BALANCE, APRIL 1, 2012	434	6	(24,638)	79	(24,119)	329	46	104,478
Changes during the year								
Cash dividends, 7.50 yen per share								(882)
Net income								1,867
Treasury stock acquired (12,169 shares)								(9)
Treasury stock disposed (56,000 shares)								83
Changes other than shareholders' equity	128	9	10,291	(91)	10,337	(54)	(5)	10,278
Total changes	128	9	10,291	(91)	10,337	(54)	(5)	11,337
BALANCE, MARCH 31, 2013	¥562	¥15	¥(14,347)	¥(12)	¥(13,782)	¥275	¥41	¥115,815

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
Operating activities:			
Income before income taxes and minority interests	¥10,153	¥3,880	\$98,570
Adjustments to reconcile income before income tax and minority interests to net cash provided by operating activities:			
Depreciation and amortization	20,751	19,833	201,465
Impairment loss on property, plant and equipment	622	346	6,044
Business structure improvement expense	863	254	8,375
Amortization of goodwill	601	601	5,831
Amortization of negative goodwill	(10)	(21)	(101)
Increase (decrease) in allowance for doubtful receivables	88	(13)	858
Increase (decrease) in accrued bonuses for employees	(247)	1,211	(2,400)
Increase (decrease) in accrued bonuses for directors	(1)	75	(6)
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	(11)	16	(105)
Interest and dividend income	(359)	(238)	(3,487)
Interest expense	510	556	4,952
Interest on bonds	74	74	715
Equity in earnings of affiliates	(25)	(7)	(240)
(Gain) loss on disposal and sales of property, plant and equipment	258	(688)	2,506
Loss on valuation of investment securities	135	427	1,306
Settlement package	-	2,823	-
Changes in operating assets and liabilities:			
Trade receivables	2,082	5,309	20,216
Inventories	(109)	(2,769)	(1,055)
Trade payables	(1,970)	(1,216)	(19,128)
Other	(221)	(2,889)	(2,140)
Subtotal	<u>33,184</u>	<u>27,564</u>	<u>322,176</u>
Interest and dividends received	345	299	3,346
Interest paid	(605)	(568)	(5,876)
Settlement package paid	-	(2,823)	-
Payments for business structure improvement expenses	(863)	(3,419)	(8,375)
Income taxes paid	<u>(2,337)</u>	<u>(1,556)</u>	<u>(22,684)</u>
Net cash provided by operating activities	<u>29,724</u>	<u>19,497</u>	<u>288,587</u>
Investing activities:			
Purchases of property, plant and equipment	(16,875)	(19,534)	(163,836)
Proceeds from sales of property, plant and equipment	75	1,195	724
Purchases of investment securities	(38)	(38)	(364)
Increase in time deposits	(2,223)	(566)	(21,584)
Proceeds from sales of investment securities	121	170	1,175
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	-	(44)	-
Other	(7)	659	(69)
Net cash used in investing activities	<u>(18,947)</u>	<u>(18,158)</u>	<u>(183,954)</u>
Financing activities:			
Net increase (decrease) in short-term borrowings	(9,904)	10,765	(96,154)
Proceeds from long-term borrowings	5,000	17,000	48,544
Repayments of long-term borrowings	(4,929)	(4,182)	(47,859)
Redemption of convertible bonds with acquisition rights	-	(19,635)	-
Proceeds from issuance of convertible bonds with acquisition rights	20,072	-	194,872
Purchase of stock from minority shareholder	-	(11)	-
Payments of cash dividends	(1,176)	(880)	(11,413)
Purchases of treasury stock	(3)	(9)	(32)
Repayments of lease obligations	(655)	(713)	(6,363)
Other	0	0	1
Net cash provided by financing activities	<u>8,405</u>	<u>2,335</u>	<u>81,596</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2,165</u>	<u>2,935</u>	<u>21,021</u>
Net increase in cash and cash equivalents	<u>21,347</u>	<u>6,609</u>	<u>207,250</u>
Cash and cash equivalents, beginning of year	33,281	26,672	323,112
Decrease in cash and cash equivalents resulting from change in scope of consolidation	(16)	-	(152)
Cash and cash equivalents, end of year	<u>¥54,612</u>	<u>¥33,281</u>	<u>\$530,210</u>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2014 and 2013

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, 2014, which was 103 yen to 1 U.S. dollar. 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 equity-method affiliates. As of March 31, 2014 and 2013, the numbers of consolidated subsidiaries were 33 and 34, respectively. The number of equity-method affiliate is 1, unchanged during the current 2 fiscal years. Significant intercompany accounts, transactions and unrealized profits have been eliminated in consolidation.

Bifrostec Inc. was eliminated from the scope of consolidation due to allocation of new shares to a third party in the fiscal year ended March 31, 2014. The exclusion of Bifrostec Inc. would not have a material effect on the total consolidated amount of net income and retained earnings as well as on the overall consolidated financial statements.

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.

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 on foreign exchange" in the accompanying consolidated statements of income.

(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, 2014 and 2013 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 on and 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 defined 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

Accrued 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

Accrued 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) 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.

(15) 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 7,353 million yen (71,392 thousand dollar) and 6,840 million yen for the years ended March 31, 2014 and 2013, respectively.

(16) 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 department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

(17) 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, 2014 and 2013 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 years ended March 31, 2014 and 2013 are computed in accordance with Japanese accounting standards.

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.

(18) Certain Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the presentation of the current year. These reclassifications have no significant impact on previously reported results of operations or retained earnings.

(Consolidated Balance Sheets)

Previously, "Lease liabilities" in long-term liabilities of consolidated balance sheet were stated separately as of March 31, 2013. However, the Company has changed its method of presentation to include in "Other" in long-term liabilities as it is immaterial from this fiscal year. The consolidated financial statements for the year ended March 31, 2013 were rearranged in order to reflect this change to presentation.

As a result of the change, 1,011 million yen of "Lease liabilities" was reclassified into 2,014 million yen of "Other" in the consolidated balance sheet as of March 31, 2013.

(Consolidated Statements of Income)

Previously, "Compensation expenses" amounts to 114 million yen were included in "Other" in other income (expenses) of consolidated statement of income for the year ended March 31, 2013. However, the Company has changed its method of presentation to state separately "Compensation expenses" as it is material from this fiscal year. The consolidated financial statements for the year ended March 31, 2013 were rearranged in order to reflect the changes to presentation.

(19) Changes in Accounting Policies

a. Changes in Accounting Policies Due to Changes in Accounting Standards

"Employee Benefits" (International Accounting Standards ("IAS") No. 19 amended on June 16, 2011) became effective from the fiscal year beginning on or after January 1, 2013. Effective from the fiscal year ended March 31, 2014, certain overseas subsidiaries have applied the standard and changed the method in recognizing actuarial differences, prior service costs and net interest on net defined benefit liability. The changes in accounting policies have been applied retroactively.

As a result of this change, income before income taxes and minority interests decreased by 142 million yen for the year ended March 31, 2013. While the cumulative effect on the beginning balance of net assets are immaterial, retained earnings as of March 31, 2013 decreased by 135 million yen. Also, basic EPS and diluted EPS for the year ended March 31, 2013 decreased by 1.13 yen.

b. Application of Accounting Standard for Retirement Benefits and Others

Effective from the end of the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012), and difference between defined benefit obligations and plan assets has been recorded as net defined benefit obligation and unrecognized actuarial differences has also been recorded as net defined benefit obligation.

c. 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 previous fiscal year.

This change resulted in an increase in operating income of 328 million yen and profit before income taxes and minority interests of 343 million yen for the year ended March 31, 2013.

(20) Unapplied Accounting Standards

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013)

"Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013)

"Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013)

"Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, revised on September 13, 2013)

"Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised on September 13, 2013)

"Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, revised on September 13, 2013)

a. Outline

These accounting standards and guidance for them have been mainly revised accounting treatments currently applied in terms of followings:

- i Change in interest in controlled subsidiary in which a parent keeps continued control such as in a case of acquiring additional interest of the subsidiary.
- ii Accounting treatment of acquisition related cost.
- iii Change in presentation of net income, and change in terminology from minority interest to net income attribute to owners of parents and non-controlling interest
- iv Change in accounting for transitional accounting in business combination

b. Scheduled date of adoption

The Company plans to apply these standards and guidance from the beginning of the fiscal year ending March 31, 2016. However change in accounting for transitional accounting in business combination will be applied from business combination on and after the beginning of the fiscal year ending March 31, 2016.

c. Impact of adoption of these accounting standards and guidance

At the time of preparation of the accompanying the consolidated financial statements, the impact of application of these standards is currently under assessment.

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 a Chief of Headquarters in charge, and he/she reports 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 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, 2014 and 2013 are as follows. When it is extremely difficult to measure a fair value of financial instrument, such financial instrument is not included in the table shown below.

Millions of yen			
2014			
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥59,251	¥59,251	—
(2) Trade notes and accounts receivable	43,013	43,013	—
(3) Investment securities:			
1) Held-to-maturity debt securities	0	0	—
2) Available-for-sale securities	3,912	3,912	—
Total assets	¥106,176	¥106,176	—
(4) Trade notes and accounts payable	18,598	18,598	—
(5) Short-term borrowings	10,624	10,624	—
(6) Other accounts payable	6,430	6,430	—
(7) Income taxes payable	1,160	1,160	—
(8) Bonds payable	8,000	8,019	¥19
(9) Convertible bonds with stock acquisition rights (*1)	20,461	21,312	851
(10) Long-term borrowings (*2)	34,335	34,169	(166)
Total liabilities	¥99,608	¥100,312	¥704
(11) Derivative transactions (*3)	¥(7)	¥(7)	—

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)	—

Thousands of U.S. dollars			
2014			
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	\$575,251	\$575,251	—
(2) Trade notes and accounts receivable	417,600	417,600	—
(3) Investment securities:			
1) Held-to-maturity debt securities	4	4	—
2) Available-for-sale securities	37,978	37,978	—
Total assets	\$1,030,833	\$1,030,833	—
(4) Trade notes and accounts payable	180,562	180,562	—
(5) Short-term borrowings	103,144	103,144	—
(6) Other accounts payable	62,431	62,431	—
(7) Income taxes payable	11,258	11,258	—
(8) Bonds payable	77,670	77,856	\$186
(9) Convertible bonds with stock acquisition rights (*1)	198,655	206,916	8,261
(10) Long-term borrowings (*2)	333,343	331,732	(1,611)
Total liabilities	\$967,063	\$973,899	\$6,836
(11) Derivative transactions (*3)	\$(66)	\$(66)	—

(*1) Convertible bonds with stock acquisition rights at March 31, 2014 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

	Millions of yen		Thousands of
	2014	2013	U.S. dollars
	Book value	Book value	2014
			Book value
Available-for-sale securities:			
Unlisted equity securities	¥12	¥135	\$111
Investments in affiliate	574	546	5,574
Equities of limited liability partnerships for investment business and of other similar partnerships	362	375	3,514

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, 2014 and 2013 for monetary assets and investment securities

	Millions of yen	
	2014	
	Within 1 year	Over 1 year and within 5 year
Cash, cash equivalents and time deposits	¥59,171	-
Trade notes and accounts receivable	43,013	-
Investment securities		
Held-to-maturity debt securities	0	¥0

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

	Thousands of U.S. dollars	
	2014	
	Within 1 year	Over 1 year and
Cash, cash equivalents and time deposits	\$574,477	-
Trade notes and accounts receivable	417,600	-
Investment securities		
Held-to-maturity debt securities	1	\$2

4. DEBT AND EQUITY SECURITIES

(1) Held-to-maturity debt securities

	Millions of Yen		
	2014		
	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		
	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	-

	Thousands of U.S. Dollars		
	2014		
	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	\$4	\$4	-
Subtotal	\$4	\$4	-
Total	\$4	\$4	-

(2) Available-for-sale securities

Millions of Yen			
2014			
Book value	Acquisition cost	Unrealized Gain/loss	
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	¥3,622	¥2,355	¥1,267
Corporate bonds	-	-	-
Other	53	42	11
Subtotal	¥3,675	¥2,397	¥1,278
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	¥237	¥269	¥(32)
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	¥237	¥269	¥(32)
Total	¥3,912	¥2,666	¥1,246
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
Thousands of U.S. Dollars			
2014			
Book value	Acquisition cost	Unrealized Gain/loss	
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	\$35,161	\$22,860	\$12,301
Corporate bonds	-	-	-
Other	518	411	107
Subtotal	\$35,679	\$23,271	\$12,408
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	\$2,299	\$2,614	\$(315)
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	\$2,299	\$2,614	\$(315)
Total	\$37,978	\$25,885	\$12,093

(3) Impaired securities

For the years ended March 31, 2014 and 2013, the Company recorded an impairment loss of 135 million yen (1,306 thousand dollar) and 427 million yen on "Available-for-sale securities" (135 million yen (1,306 thousand dollar) and 427 million yen 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, 2014 and 2013 principally consist of borrowings from banks at average annual rates of approximately 0.71% and 0.83%, respectively.

Long-term debts at March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Long-term borrowings from banks and other financial institutions			
Due within one year, weighted average interest rate 1.12% at March 31, 2014, and 1.25% at March 31, 2013	¥12,473	¥4,899	\$121,092
Due after one year, weighted average interest rate 0.86% at March 31, 2014, and 0.98% at March 31, 2013	21,862	29,365	212,251
Euro Yen zero coupon convertible bonds due 2014			
Due within one year	365	-	3,544
Due after one year	-	365	-
Euro Yen zero coupon convertible bonds due 2021			
Due within one year	-	-	-
Due after one year	20,096	-	195,111
Bonds payable			
Due within one year	8,000	-	77,670
Due after one year	-	8,000	-
Lease liabilities			
Due within one year			
Lease that deem to transfer ownership to lessee	-	351	-
Lease that do not transfer ownership to lessee	303	311	2,949
Due after one year			
Lease that deem to transfer ownership to lessee	-	-	-
Lease that do not transfer ownership to lessee	736	1,011	7,144
Total	63,835	44,302	619,761
Less current portion	(21,141)	(5,561)	(205,255)
Long-term debts, less current portion	¥42,694	¥38,741	\$414,506

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 due 2014 for the years ended March 31, 2014 and 2013 was 3,746 yen (36.37 dollar) - fixed price.

The conversion price per share of Euro Yen zero coupon convertible bonds due 2021 for the years ended March 31, 2014 was 2,069 yen (20.09 dollar) - fixed price.

The aggregate annual maturities of long-term debts other than lease liabilities as of March 31, 2014 are as follows:

For the year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥20,838	\$202,306
2016	5,272	51,185
2017	5,772	56,035
2018	10,646	103,365
2019	21	206
2020 and thereafter	20,247	196,571
Total	¥62,796	\$609,668

The annual maturities of lease liabilities as of March 31, 2014 are as follows:

For the year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥303	\$2,949
2016	303	2,939
2017	251	2,437
2018	142	1,377
2019	28	271
2020 and thereafter	12	120
Total	¥1,039	\$10,093

6. RETIREMENT BENEFITS

Outline of retirement benefit plans

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

Overseas subsidiaries have applied International Financial Reporting Standards ("IFRS"). "Employee Benefits" ("IAS" No. 19 amended on June 16, 2011) became effective from the fiscal year beginning on and after January 1, 2013. Effective from the fiscal year ended March 31, 2014, certain overseas subsidiaries have adopted the standard. The changes in accounting policies have been applied from the year ended March 31, 2014, and they have been applied retroactively to the financial statements for the year ended March 31, 2013.

For the year ended March 31, 2014

a. Defined benefit pension plans

(1) The reconciliation of defined benefit obligation for the year ended March 31, 2014 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Defined benefit obligation at beginning of year	¥2,323	\$22,556
Service costs	610	5,916
Interest cost	76	741
Actuarial (gain) loss	22	211
Benefits paid	(466)	(4,522)
Other	576	5,596
Defined benefit obligation at end of year	<u>¥3,141</u>	<u>\$30,498</u>

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

(2) The reconciliation of plan assets for the year ended March 31, 2014 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Fair value of plan assets at beginning of year	¥978	\$9,495
Interest income	37	361
Actuarial gain (loss)	11	105
Employer's contribution	101	981
Benefits paid	(244)	(2,370)
Other	333	3,234
Fair value of plan assets at end of year	<u>¥1,216</u>	<u>\$11,806</u>

(3) Reconciliation between the balances of defined benefits obligation and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets as of March 31, 2014 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Funded defined benefits obligation	¥1,552	\$15,069
Plan assets	<u>(1,216)</u>	<u>(11,806)</u>
	336	3,263
Unfunded defined benefits obligation	1,589	15,429
Total net liability (asset) for retirement benefit	<u>¥1,925</u>	<u>\$18,692</u>
Net defined benefit liability	¥1,936	\$18,801
Net defined benefit asset	<u>(11)</u>	<u>(109)</u>
Total net liability (asset) for retirement benefit	<u>¥1,925</u>	<u>\$18,692</u>

(4) Components of retirement benefit costs for the year ended March 31, 2014 were as follows:

	<u>Millions of Yen</u> <u>2014</u>	<u>Thousands of</u> <u>U.S. Dollars</u> <u>2014</u>
Service costs	¥610	\$5,916
Net interest	39	380
Amortization of actuarial differences	9	90
Total retirement benefit cost for the fiscal year	<u>¥658</u>	<u>\$6,386</u>

The company applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No.18).

Accordingly, the total amounts of actuarial differences have been amortized by a certain period of fixed years within average expected future service years.

(5) Adjustment in defined benefit obligation of overseas subsidiaries, excluding the income tax effect accounting, was as follows:

	<u>Millions of Yen</u> <u>2014</u>	<u>Thousands of</u> <u>U.S. Dollars</u> <u>2014</u>
Actuarial differences	¥2	\$21

(6) Accumulated amount of adjustment in defined benefit obligation of overseas subsidiaries, excluding the income tax effect was as follows:

	<u>Millions of Yen</u> <u>2014</u>	<u>Thousands of</u> <u>U.S. Dollars</u> <u>2014</u>
Unrecognized actuarial differences	¥(57)	\$(549)

(7) Plan assets

(i) The proportion of plan assets as of March 31, 2014 was as follows:

	<u>2014</u>
Debt securities	77 %
Cash and deposit with bank	20
Other	3
Total	<u>100 %</u>

99% of plan assets is retirement benefit trusts established for corporate pension plans.

(ii) Rates of expected return

The rates of expected return are not set since the overseas subsidiaries applied the IAS No. 19.

(8) Actuarial assumptions

	<u>2014</u>
Discount rates (overseas subsidiaries)	2.80 - 5.01 %

b. Defined contribution pension plans

The required contribution amount to the defined contribution pension plans by the Companies was 1,197 million yen (11,621 thousand dollar).

For the year ended March 31, 2013

(1) The liability (asset) for retirement benefit plans for the year ended March 31, 2013 was as follows:

	Millions of Yen
	<u>2013</u>
Defined benefits obligation	¥2,323
Fair value of pension assets	978
Net liability for severance and retirement benefits	<u>1,345</u>
Prepaid pension costs	130
Accrued retirement benefits for employees	<u>¥1,475</u>

(2) Retirement benefit costs for the year ended March 31, 2013 were as follows:

	Millions of Yen
	<u>2013</u>
Service costs	¥434
Net interest	62
Amortization of actuarial differences	(7)
Prior service costs	151
Other	1,184
Net periodic benefit costs	<u>¥1,824</u>

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

The company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No.18).

Accordingly, the total amounts of actuarial differences have been amortized by a certain period of fixed years within average expected future service years.

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

The discount rates of overseas companies were from 3.67% to 4.00% 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.

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, 2014 and 2013 were comprised of (1) a corporation tax at the rate of 28% on taxable income, (2) enterprise tax of approximately 7% on taxable income and (3) prefectural and residence taxes of approximately 19% of the amount of the corporation tax. 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, 2014 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets			
Inventories	¥487	¥346	\$4,724
Accrued expenses	290	289	2,811
Retirement benefits	2,339	2,747	22,712
Net defined benefit liability	483	-	4,692
Enterprise tax payables	95	57	927
Accrued bonuses	927	1,052	8,996
Investment securities	319	430	3,094
Excess depreciation	1,577	1,743	15,307
Lump-sum depreciable assets	116	202	1,129
Allowance for doubtful receivables	181	150	1,762
Unused tax loss carry-forward	19,206	19,171	186,467
Other	1,698	1,918	16,484
Offset	(145)	(268)	(1,404)
Subtotal	27,573	27,837	267,701
Valuation allowance	(26,207)	(26,397)	(254,435)
Total deferred tax assets	¥1,366	¥1,440	\$13,266
Deferred tax liabilities			
Undistributed earnings of foreign subsidiaries	¥2,942	¥2,426	\$28,557
Inventories	660	632	6,412
Reserves	874	890	8,487
Unrealized holding gains on investment securities	291	143	2,828
Other	1,218	1,253	12,562
Offset	(145)	(268)	(2,145)
Total deferred tax liabilities	¥5,840	¥5,076	\$56,701

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

	2014	2013
Statutory tax rate	37.8 %	37.8 %
(Reconciliations)		
Differences in statutory tax rates of foreign subsidiaries	(15.7)	(35.7)
Undistributed earnings of foreign subsidiaries	5.1	14.1
Valuation allowance	1.3	17.4
Foreign tax	0.6	3.6
Unrealized profit included in inventories	(1.3)	9.8
Amortization of goodwill	2.2	5.6
Decrease of deferred tax assets due to income tax rates change	0.3	-
Others - net	1.0	(0.9)
Effective income tax rate	31.3 %	51.7 %

The "Act on Partial Revision of the Income Tax Act" (Act No. 10 of 2014) was promulgated on March 31, 2014 and the special reconstruction surtax will no longer be imposed from the fiscal year beginning on or after April 1, 2014.

Accordingly, the effective statutory tax rate utilized for the measurement of deferred tax assets and deferred tax liabilities for the current fiscal year was changed from 37.8% in the previous fiscal year to 35.4% in connection with temporary differences expected to be settled or realized in the fiscal years beginning on or after April, 2014.

As a result, deferred tax assets, net of deferred tax liabilities as of March 31, 2014, decreased by 26 million yen (252 thousand dollar) and income taxes - deferred for the year ended March 31, 2014 increased by the same amount.

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

Tsukiyono Denshi Co., Ltd.	Millions of Yen
Current assets	¥62
Non-current assets	0
Current liabilities	(48)
Loss on sales of investments	(4)
Sales price of investments	10
Cash and cash equivalents of alienated company	(54)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	¥(44)

10. LEASE TRANSACTIONS

(1) Finance Lease

The amounts corresponding to acquisition cost, accumulated depreciation, and net book value at March 31, 2014 and 2013 are not shown as they are immaterial.

(2) Operating Lease

The amounts of noncancellable future lease payments as of March 31, 2014 and 2013 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Future lease payments			
Within one year	¥278	¥284	\$2,693
Over one year	339	251	3,295
Total	¥617	¥535	\$5,988

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, 2014 and 2013, the Companies recognized impairment loss on property, plant and equipment as follows:

For the year ended March 31, 2014

Classification	Description	Location	Millions of Yen	Thousands of U.S. Dollars
Machinery and Equipment,	Idle assets	Tamamura, Gunma Haruna, Gunma Nakanojo, Gunma Date, Fukushima Yawatabara, Gunma Others	¥622	\$6,044

For the year ended March 31, 2013

Classification	Description	Location	Millions of Yen
Machinery and Equipment,	Idle assets	Tamamura, Gunma Haruna, Gunma Nakanojo, Gunma Date, Fukushima Minakami, Gunma Others	¥346

12. CONTINGENT LIABILITIES

At March 31, 2014 and 2013, the Companies had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
As guarantor of bank loans and indebtedness	¥1	¥3	\$13

13. DERIVATIVE TRANSACTIONS

The fair values of derivatives held by the Companies as of March 31, 2014 and 2013 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			
	2014			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	¥12,874	-	¥15	¥15
Foreign exchange forward contracts: Buying: U.S. Dollar	¥1,532	-	¥11	¥11

	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

	Thousands of U.S. Dollars			
	2014			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	\$124,989	-	\$142	\$142
Foreign exchange forward contracts: Buying: U.S. Dollar	\$14,878	-	\$103	\$103

(2) Derivative transactions for which hedge accounting is applied

		Millions of Yen		
		2014		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts:	Future transaction			
Selling: U.S. Dollar		¥6,130	-	¥(41)
Foreign exchange forward contracts:	Future transaction			
Buying: U.S. Dollar		¥1,534	-	¥9
Interest-rate swaps:	Long-term borrowings			
Fixed interest payment and floating interest receipt		¥17,550	¥6,750	-

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

		Thousands of U.S. Dollars		
		2014		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts:	Future transaction			
Selling: U.S. Dollar		\$59,516	-	\$(394)
Foreign exchange forward contracts:	Future transaction			
Buying: U.S. Dollar		\$14,895	-	\$83
Interest-rate swaps:	Long-term borrowings			
Fixed interest payment and floating interest receipt		\$170,388	\$65,534	-

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 62 million yen (602 thousand dollar) and 28 million yen were recognized in selling, general and administrative expenses in 2014 and 2013, respectively.

For the years ended March 31, 2014 and 2013, 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 0.16% and 0.71% in 2014, 0.15% in 2013, dividends per share of 10 yen (0.10 dollar) in 2014, 5 yen in 2013, and volatility factor of the expected market value of the Company's common stock of 47.2% and 47.8% in 2014, 54.5% in 2013, determined by weekly historical price for the past 3.3 years, and 8.1 years in 2014, 3.6 years in 2013, which is the same period as expected life of the option.

A summary of the Company's stock options outstanding at March 31, 2014 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, 2013 (share)	8,000	13,000	17,000	25,000
Granted (share)	-	-	-	-
Exercised (share)	8,000	13,000	11,000	15,000
Forfeited/Expired (share)	-	-	-	-
Options outstanding at March 31, 2014 (share)	-	-	6,000	10,000
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, 2013 (share)	25,000	25,000	30,000	36,000
Granted (share)	-	-	-	-
Exercised (share)	15,000	15,000	16,000	14,000
Forfeited/Expired (share)	-	-	-	-
Options outstanding at March 31, 2014 (share)	10,000	10,000	14,000	22,000
Date of resolution	April 25, 2012	May 24, 2013	June 27, 2013	
Date of grant	May 11, 2012	June 10, 2013	July 12, 2013	
Number of options	38,000 shares of Common stock	10,000 shares of Common stock	31,000 shares of Common stock	
Exercise price	¥1	¥1	¥1	
Exercise period	From May 11, 2012 to May 10, 2032	From June 10, 2013 to June 9, 2033	From July 12, 2013 to July 11, 2033	
Fair value (per share)	¥739	¥1,625	¥1,476	
Options outstanding at March 31, 2013 (share)	36,000	-	-	
Granted (share)	-	10,000	31,000	
Exercised (share)	13,000	4,000	-	
Forfeited/Expired (share)	-	-	-	
Options outstanding at March 31, 2014 (share)	23,000	6,000	31,000	

15. COMPREHENSIVE INCOME

Reclassification and income tax effects attributable to other comprehensive income for the years ended March 31, 2014 and 2013 were as follows:

	Millions of Yen		Thousands of
	2014	2013	U.S. dollars
			2014
Net unrealized holding gains (losses) on securities:			
Gains (losses) arising during the year	¥565	¥(41)	\$5,489
Reclassifications and adjustments	-	195	-
Before income tax effects	565	154	5,489
Income tax effects	(147)	(26)	(1,435)
Net unrealized holding gains (losses) on securities	418	128	4,054
Deferred gains (losses) on hedges:			
Gains (losses) arising during the year	(167)	(176)	(1,624)
Reclassifications and adjustments	112	190	1,088
Before income tax effects	(55)	14	(536)
Income tax effects	8	(5)	85
Deferred gains (losses) on hedges	(47)	9	(451)
Foreign currency translation adjustments:			
Adjustments arising during the year	6,572	10,291	63,801
Adjustment in defined benefit obligation of overseas subsidiaries:			
Gains (losses) arising during the year	(7)	(99)	(69)
Reclassifications and adjustments	9	(7)	90
Before income tax effects	2	(106)	21
Income tax effects	(24)	15	(236)
Adjustment in defined benefit obligation of overseas subsidiaries	(22)	(91)	(215)
Total other comprehensive income	¥6,921	¥10,337	\$67,189

16. SEGMENT INFORMATION

(1) 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 Applied Products," "Integrated Modules and Devices," and "Other Electronic Components".

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

(2) 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.

(3) Changes in accounting policies

As described in Note 2 (19)a, the changes in accounting policies have been applied retroactively and accordingly, segment information for the year ended March 31, 2013 reflects the retroactive adjustment.

As a result of this change, compared with before the retroactive adjustment, segment income for Electronic Components decreased by 142 million yen, and adjustments to segment assets increased by 65 million yen for the year ended March 31, 2013.

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

	Millions of Yen			
	2014			
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	¥186,640	¥21,583	-	¥208,223
Intersegment sales or transfers	-	-	-	-
Total sales	186,640	21,583	-	208,223
Segment income (loss)	¥11,162	¥197	-	¥11,359
Segment assets	¥168,595	¥10,800	¥68,202	¥247,597
Other items:				
Depreciation and amortization	¥20,189	¥562	-	¥20,751
Increase in property, plant and equipment and intangible assets	18,891	235	-	19,126

	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)	¥5,076	¥(225)	-	¥4,851
Segment assets	¥169,337	¥12,914	¥43,741	¥225,992
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

	Thousands of U.S. Dollars			
	2014			
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	\$1,812,041	\$209,539	-	\$2,021,580
Intersegment sales or transfers	-	-	-	-
Total sales	<u>1,812,041</u>	<u>209,539</u>	<u>-</u>	<u>2,021,580</u>
Segment income (loss)	<u>\$108,369</u>	<u>\$1,911</u>	<u>-</u>	<u>\$110,280</u>
Segment assets	<u>\$1,636,849</u>	<u>\$104,852</u>	<u>\$662,150</u>	<u>\$2,403,851</u>
Other items:				
Depreciation and amortization	\$196,014	\$5,451	-	\$201,465
Increase in property, plant and equipment and intangible assets	183,412	2,281	-	185,693

(5) 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.

(6) Change in depreciation method

Due to the change in depreciation method stated at accompanying Note 2, the operating profit in Electronic Components increased 321 million yen and the operating loss in Optical media and others decreased by 8 million yen for the year ended March 31, 2013.

(7) Transactions by geographical areas

(i) Sales

Millions of Yen				
2014				
Japan	China	South Korea	Other areas	Total
¥36,885	¥70,821	¥20,081	¥80,436	¥208,223

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

Thousands of U.S. dollars				
2014				
Japan	China	South Korea	Other areas	Total
\$358,107	\$687,584	\$194,956	\$780,933	\$2,021,580

(ii) Property, plant and equipment

Millions of Yen				
2014				
Japan	China	Malaysia	Other areas	Total
¥52,732	¥15,913	¥13,183	¥12,569	¥94,397

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

Thousands of U.S. dollars				
2014				
Japan	China	Malaysia	Other areas	Total
\$511,964	\$154,499	\$127,993	\$122,024	\$916,480

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

Millions of Yen				
2014				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	¥122	¥500	-	¥622

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

Thousands of U.S. dollars				
2014				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	\$1,184	\$4,860	-	\$6,044

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

Millions of Yen				
2014				
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	¥601	-	-	¥601
Balance	¥601	-	-	¥601
(Negative goodwill)				
Amortization	-	¥10	-	¥10
Balance	-	-	-	-

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

Thousands of U.S. dollars				
2014				
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	\$5,831	-	-	\$5,831
Balance	\$5,831	-	-	\$5,831
(Negative goodwill)				
Amortization	-	\$101	-	\$101
Balance	-	-	-	-

17. EARNINGS PER SHARE

Reconciliation of the basic and diluted earnings per share ("EPS") for the years ended March 31, 2014 and 2013 were as follows:

For the year ended March 31, 2014

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net	Weighted		
	Earnings	Average Shares	EPS	
Basic EPS				
Earnings allocated to common shareholders	¥6,990	117,711	¥59.38	\$0.58
Effect of dilutive securities				
Convertible bonds	-	-	-	-
Convertible bonds with stock acquisition rights	(3)	2,416	-	-
Stock acquisition rights	-	154	-	-
Diluted EPS				
Earnings for computation	¥6,987	120,281	¥58.09	\$0.56

For the year ended March 31, 2013

	Millions of Yen	Thousands of Shares	Yen
	Net	Weighted	
	Earnings	Average Shares	EPS
Basic EPS			
Earnings allocated to common shareholders	¥1,867	117,615	¥15.88
Effect of dilutive securities			
Convertible bonds	-	-	-
Convertible bonds with stock acquisition rights	-	-	-
Stock acquisition rights	-	212	-
Diluted EPS			
Earnings for computation	¥1,867	117,827	¥15.85

As described in Note 2 (19)a, the changes in accounting policies have been applied retroactively to the prior years' financial statements and accordingly, basic EPS and diluted EPS for the year ended March 31, 2013 presented above reflect the retrospective adjustment.

18. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2014 were approved at the Company's shareholders' meeting held on June 27, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividend, 5.00 yen (0.05 dollar) per share	¥589	\$5,716



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, 2014 and 2013, and the consolidated statements of income and 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, 2014 and 2013, 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, 2014 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

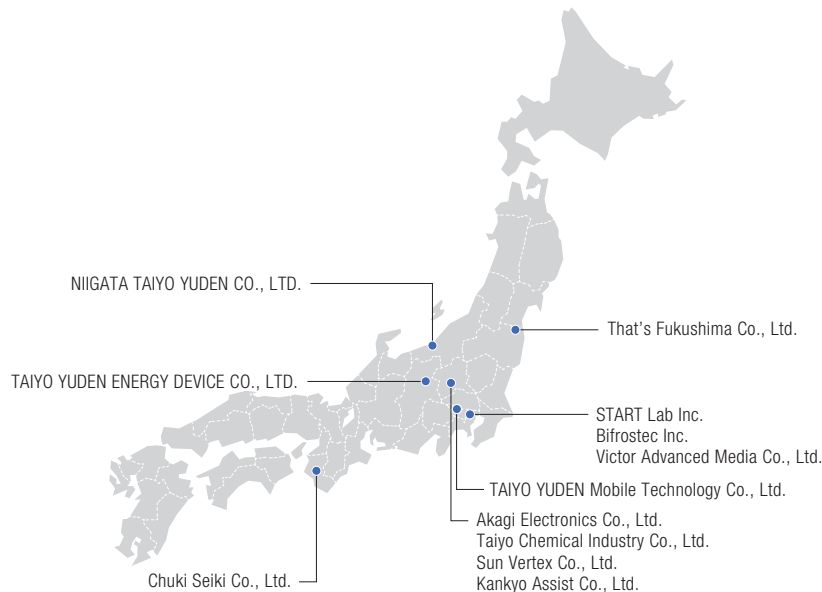
July 14, 2014
Tokyo, Japan

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.

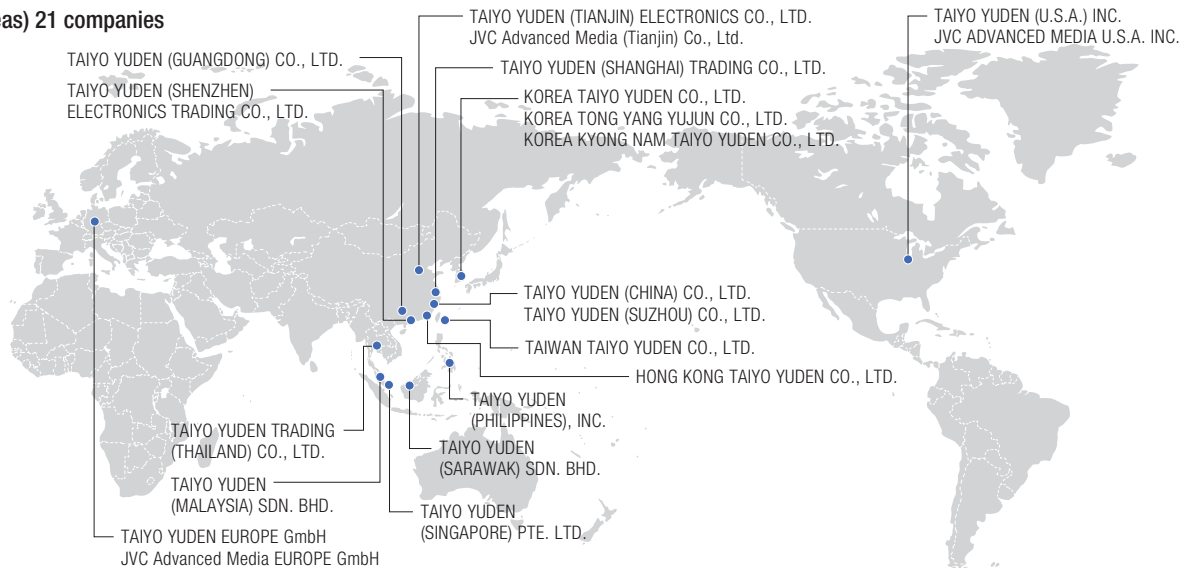
Company name	TAIYO YUDEN CO., LTD.	Paid-in capital	¥23,557 million (as of March 31, 2014)
Head office	6-16-20, Ueno, Taito-ku, Tokyo 110-0005, Japan Tel: +81-3-3832-0101	Number of employees	16,435 (Consolidated) 2,572 (Non-consolidated) (as of March 31, 2014)
President and Chief Executive Officer	Eiji 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 (33 companies)

(Japan) 12 companies



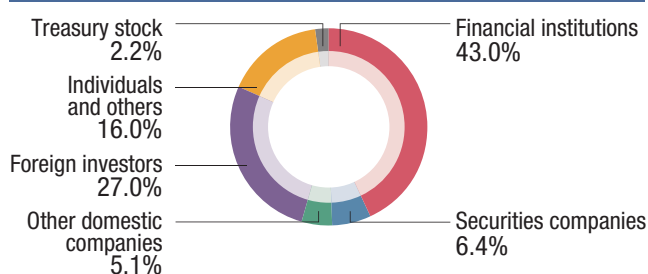
(Overseas) 21 companies



Stock Information

Common stock	Authorized: 300,000,000
	Issued: 120,481,395
	(Including 2,733,602 shares of treasury stock)
Stock exchange listing:	First section of Tokyo Stock Exchange
Securities code:	6976
Unit of trading:	100 shares
Number of shareholders:	14,235

Composition of Shareholders



*Figures have been rounded to one decimal place.

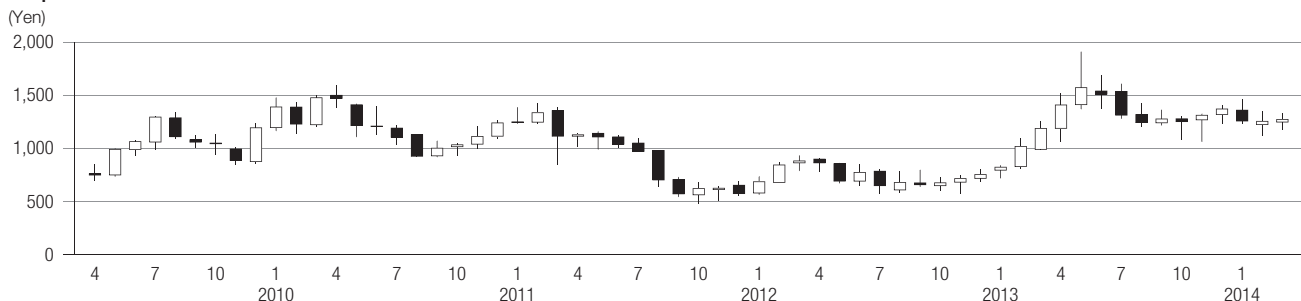
Major Shareholders

Name	Number of shares (hundreds)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	150,232	12.46
Japan Trustee Services Bank, Ltd. (Trust Account)	88,455	7.34
STATE STREET BANK AND TRUST COMPANY	46,553	3.86
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	45,996	3.81
Sumitomo Mitsui Banking Corporation	40,000	3.32
BNP Paribas Securities (Japan) Ltd.	33,000	2.73
The Iyo Bank, Ltd.	30,001	2.49
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	29,287	2.43
THE BANK OF NEW YORK-JASDEC TREATY ACCOUNT	26,774	2.22
THE BANK OF NEW YORK 133522	21,447	1.78

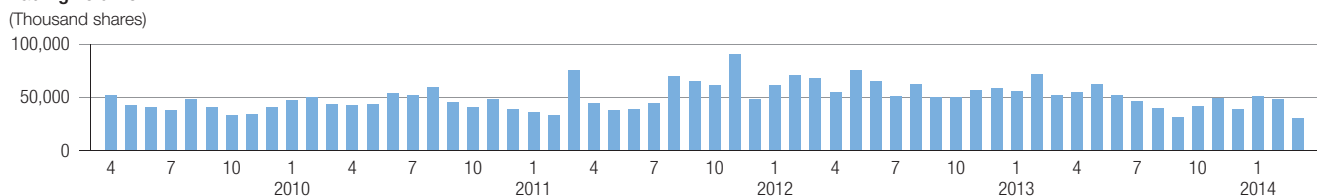
Notes: 1. The Company holds 2,733,602 shares of treasury stock; however, it is excluded from the above-mentioned major shareholders.
2. The figures in this table are rounded down.

Stock Price/Trading Volume

Stock price



Trading volume

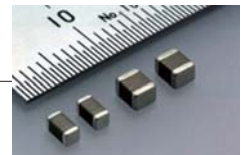


TAIYO YUDEN's History

- 1950.03 TAIYO YUDEN CO., LTD. was established
- 1950.09 Sales of Rutilcon, barium titanate ceramic capacitors, began
- 1954.09 Production of Ferrit Cores, small ferrite cores, began
- 1964.09 Established the technical research laboratory
- 1965 Sales of inductors using in-house ferrite cores began
- 1967.05 Established our first overseas subsidiary TAIWAN TAIYO YUDEN CO., LTD. in Taipei
- 1970.03 Listed on the Second Section of the Tokyo Stock Exchange. In 1973, moved to the First Section.
- 1976.07 The world's first sales of axial leaded ceramic capacitors began
- 1977.04 Sales of axial leaded inductors began
- 1977.10 Developed world's first tubular chip type ceramic capacitors
- 1984.07 The world's first sales of nickel electrode high-capacitance multilayer ceramic capacitors began
- 1986.06 Established the EMC Center
- 1988.09 Announced the release of the world's first recordable CD-R compact disks
- 1998.06 Sales of the LB Series of wire-wound chip inductors for power circuits began
- 1998.11 Established the R&D Center
- 2000 Established four production bases abroad simultaneously
- 2001.04 Acquired the world's first Bluetooth® standard version 1.1 qualification for Bluetooth® full modules
- 2010.03 Acquired TAIYO YUDEN Mobile Technology Co., Ltd.
- 2010.04 The world's first sales of 0.1 μ F 0402-size multilayer ceramic capacitors began
- 2012.05 Sales of MCOIL™, metal power inductors, began



Founder Hikohachi Sato and the first office in Chiyoda Ward, Tokyo



Super High-end Products	▶	Super high-end products are proprietary TAIYO YUDEN products meeting the four criteria: product that obtains the top position in the global market, product that only 2.5 suppliers can develop in the field, product that provides solutions for growth markets, and product that sustains a strong competitive edge.
Multilayer Ceramic Capacitor	▶	Multilayer ceramic capacitors are constructed with alternating layers of electrodes and dielectric materials such as barium titanate, enhancing capacitance of even very small capacitors. Multilayer ceramic capacitors are highly reliable and provide with excellent high frequency property.
Capacitance	▶	Capacitance is the volume of electrical charge that can be stored in a capacitor. Electrical capacitance units are measured in farads (symbol: F) . Multilayer ceramic capacitors are constantly being developed to be smaller and have larger capacitance.
MCOIL™ Metal Power Inductor	▶	Metal power inductors, which are also called choke coils, are made from metallic magnetic materials. Power inductors ensure an electric current remains stable. The main advantage of metal power inductors is that they conduct more electric current than inductors made of ferrite, a ceramic compound consisting mainly of iron oxide, while also being thinner and stronger. MCOIL is a trademark of TAIYO YUDEN.
Embedded Organic Module Involved Nanotechnology EOMIN™	▶	EOMIN™ is a circuit board that can embed electronic components in a substrate. Rather than mounting the components on the surface of the circuit board, EOMIN™ moves the component inside the circuit board to create three-dimensional circuitry and smaller modules. EOMIN is a trademark of TAIYO YUDEN.
SAW/FBAR Devices	▶	Surface acoustic wave (SAW) and film bulk acoustic resonator (FBAR) filters are communications devices for filtering the electrical signals of band frequencies and allow the reception and transmission of specific frequencies. FBAR filters provide better performance characteristics for higher frequencies than SAW filters.
4G LTE	▶	Fourth generation long-term evolution (4G LTE) is an international transmission standard for high-speed, large-capacity wireless communications developed from the third-generation (3G) service. The 4G LTE protocol is becoming the worldwide standard and has been adopted in the United States, Europe, Japan, and China. Noise issues for communications devices from the use of higher frequencies and proximity of bandwidths are creating increasing demand for 4G LTE devices.

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