

TAIYO YUDEN CO., LTD.
and **SUBSIDIARIES**

Consolidated Financial Statements for the
Years Ended March 31, 2009 and 2008
with Independent Auditors' Report

Independent Auditors' Report

To the Board of Directors of Taiyo Yuden Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Taiyo Yuden Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Taiyo Yuden Co., Ltd. and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 2.f. to the consolidated financial statements, effective for the year ended March 31, 2009, Taiyo Yuden Co., Ltd. and consolidated subsidiaries adopted Accounting Standard for Measurement of Inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 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 & Co.)

Tokyo, Japan

June 26, 2009

Consolidated Balance Sheets

Taiyo Yuden Co., Ltd. and Subsidiaries

March 31, 2009 and 2008

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Current assets:			
Cash and cash equivalents	¥33,111	¥35,402	\$337,867
Time deposits	3,995	2,903	40,764
Receivables:			
Trade notes and accounts receivable	32,785	52,629	334,539
Allowance for doubtful receivables	(192)	(228)	(1,959)
Inventories			
Finished products	10,630	14,646	108,466
Work in process	9,475	13,161	96,679
Raw materials and supplies	10,181	12,651	103,884
Deferred tax assets (Note 9)	654	2,631	6,677
Prepaid expenses and other current assets	6,186	7,321	63,139
Total current assets	<u>106,825</u>	<u>141,116</u>	<u>1,090,056</u>
Property, plant and equipment (Note 11):			
Land	7,854	7,961	80,140
Buildings and structures	63,219	64,121	645,091
Machinery and equipment	184,246	174,519	1,880,058
Tools, furniture and fixtures	18,514	16,928	188,921
Construction in progress	6,472	14,202	66,038
Total	<u>280,305</u>	<u>277,731</u>	<u>2,860,248</u>
Accumulated depreciation	(173,628)	(159,579)	(1,771,709)
Net property, plant and equipment	<u>106,677</u>	<u>118,152</u>	<u>1,088,539</u>
Investments and other assets:			
Investment securities (Note 4)	2,968	4,677	30,287
Investments in affiliates	542	489	5,532
Goodwill	731	975	7,461
Deferred tax assets (Note 9)	4,290	3,140	43,774
Other	3,715	3,067	37,900
Allowance for doubtful receivables	(297)	(11)	(3,026)
Total investments and other assets	<u>11,949</u>	<u>12,337</u>	<u>121,928</u>
Total assets	<u>¥225,451</u>	<u>¥271,605</u>	<u>\$2,300,523</u>

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Current liabilities:			
Short-term borrowings (Note 5)	¥13,868	¥13,003	\$141,512
Current portion of long-term borrowings (Note 5)	6,925	36	70,659
Current portion of convertible bonds (Note 5)	-	6,707	-
Payables:			
Trade notes and accounts payable	7,831	23,811	79,911
Accrued amount payable	3,001	8,974	30,623
Income taxes payable	1,328	3,406	13,555
Accrued bonuses for employees	1,022	2,938	10,426
Accrued bonuses for directors and corporate auditors	-	82	-
Deferred tax liabilities (Note 9)	525	10	5,361
Other	5,828	7,047	59,462
Total current liabilities	<u>40,328</u>	<u>66,014</u>	<u>411,509</u>
Long-term liabilities:			
Long-term borrowings (Note 5)	20,115	6,561	205,260
Convertible bonds with stock acquisition rights (Note 5)	20,000	20,000	204,082
Accrued retirement benefits for employees (Note 6)	1,515	1,889	15,463
Accrued retirement benefits for directors and corporate auditors	117	179	1,191
Deferred tax liabilities (Note 9)	2,358	8,068	24,064
Negative goodwill	120	-	1,227
Other	1,462	1,127	14,912
Total long-term liabilities	<u>45,687</u>	<u>37,824</u>	<u>466,199</u>
Total liabilities	<u>86,015</u>	<u>103,838</u>	<u>877,708</u>
Commitment and contingent liabilities (Notes 10 and 12):			
Net assets (Note 7)			
Shareholders' equity:			
Common stock			
Authorized - 300,000,000 shares			
Issued - 120,481,395 shares in 2009	23,557	23,555	240,380
and 120,478,119 shares in 2008			
Capital surplus	41,451	41,449	422,966
Retained earnings (Note 17)	97,840	113,470	998,369
Treasury stock, at cost - 2,910,398 shares in 2009	(3,643)	(1,600)	(37,178)
and 1,281,821 shares in 2008			
Total shareholders' equity	<u>159,205</u>	<u>176,874</u>	<u>1,624,537</u>
Valuation, translation adjustments and others:			
Net unrealized holding gains (losses) on securities	(551)	108	(5,622)
Deferred gains (losses) on hedges	(7)	13	(69)
Foreign currency translation adjustments	(19,762)	(9,734)	(201,656)
Total valuation, translation adjustments and others	<u>(20,320)</u>	<u>(9,613)</u>	<u>(207,347)</u>
Stock acquisition rights (Note 14):	303	259	3,098
Minority interests:	248	247	2,527
Total net assets	<u>139,436</u>	<u>167,767</u>	<u>1,422,815</u>
Total liabilities and net assets	<u>¥225,451</u>	<u>¥271,605</u>	<u>\$2,300,523</u>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Taiyo Yuden Co., Ltd. and Subsidiaries
March 31, 2009 and 2008

	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, MARCH 31, 2008	120,478	¥23,555	¥41,449	¥113,470	¥(1,600)	¥176,874
Effect of change in accounting policies applied to foreign subsidiaries				(113)		(113)
Changes during the year						
Issuance of new shares	3	2	2			4
Cash dividends, ¥10.00 per share				(1,184)		(1,184)
Net loss				(14,333)		(14,333)
Treasury stock acquired (1,628,577 shares)					(2,043)	(2,043)
Changes other than shareholders' equity						
Total changes	<u>3</u>	<u>2</u>	<u>2</u>	<u>(15,517)</u>	<u>(2,043)</u>	<u>(17,556)</u>
BALANCE, MARCH 31, 2009	<u>120,481</u>	<u>¥23,557</u>	<u>¥41,451</u>	<u>¥97,840</u>	<u>¥(3,643)</u>	<u>¥159,205</u>

	Millions of Yen						
	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Valuation, Translation Adjustments and Others	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, MARCH 31, 2008	¥108	¥13	¥(9,734)	¥(9,613)	¥259	¥247	¥167,767
Effect of change in accounting policies applied to foreign subsidiaries							(113)
Changes during the year							
Issuance of new shares							4
Cash dividends, ¥10.00 per share							(1,184)
Net loss							(14,333)
Treasury stock acquired (1,628,577 shares)							(2,043)
Changes other than shareholders' equity							(10,662)
Total changes	<u>(659)</u>	<u>(20)</u>	<u>(10,028)</u>	<u>(10,707)</u>	<u>44</u>	<u>1</u>	<u>(28,218)</u>
BALANCE, MARCH 31, 2009	<u>¥(551)</u>	<u>¥(7)</u>	<u>¥(19,762)</u>	<u>¥(20,320)</u>	<u>¥303</u>	<u>¥248</u>	<u>¥139,436</u>

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
BALANCE, MARCH 31, 2008	\$240,359	\$422,946	\$1,157,857	\$(16,329)	\$1,804,833
Effect of change in accounting policies applied to foreign subsidiaries			(1,155)		(1,155)
Changes during the year					
Issuance of new shares	21	20			41
Cash dividends, \$0.10 per share			(12,081)		(12,081)
Net loss			(146,252)		(146,252)
Treasury stock acquired (1,628,577 shares)				(20,849)	(20,849)
Changes other than shareholders' equity					
Total changes	<u>21</u>	<u>20</u>	<u>(158,333)</u>	<u>(20,849)</u>	<u>(179,141)</u>
BALANCE, MARCH 31, 2009	<u>\$240,380</u>	<u>\$422,966</u>	<u>\$998,369</u>	<u>\$(37,178)</u>	<u>\$1,624,537</u>

	Thousands of U.S. Dollars (Note1)						
	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Valuation, Translation Adjustments and Others	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, MARCH 31, 2008	\$1,098	\$136	\$(99,323)	\$(98,089)	\$2,645	\$2,516	\$1,711,905
Effect of change in accounting policies applied to foreign subsidiaries							(1,155)
Changes during the year							
Issuance of new shares							41
Cash dividends, \$0.10 per share							(12,081)
Net loss							(146,252)
Treasury stock acquired (1,628,577 shares)							(20,849)
Changes other than shareholders' equity	(6,720)	(205)	(102,333)	(109,258)	453	11	(108,794)
Total changes	<u>(6,720)</u>	<u>(205)</u>	<u>(102,333)</u>	<u>(109,258)</u>	<u>453</u>	<u>11</u>	<u>(287,935)</u>
BALANCE, MARCH 31, 2009	<u>\$(5,622)</u>	<u>\$(69)</u>	<u>\$(201,656)</u>	<u>\$(207,347)</u>	<u>\$3,098</u>	<u>\$2,527</u>	<u>\$1,422,815</u>

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, MARCH 31, 2007	120,424	¥23,522	¥41,416	¥104,047	¥(1,480)	¥167,505
Changes during the year						
Issuance of new shares	54	33	33			66
Cash dividends, ¥10.00 per share				(1,192)		(1,192)
Contribution to overseas subsidiary employee welfare fund				(19)		(19)
Net income				10,634		10,634
Treasury stock acquired (50,944 shares)					(120)	(120)
Changes other than shareholders' equity						
Total changes	54	33	33	9,423	(120)	9,369
BALANCE, MARCH 31, 2008	120,478	¥23,555	¥41,449	¥113,470	¥(1,600)	¥176,874

	Millions of Yen						
	Net Unrealized Holding Gains on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Valuation, Translation Adjustments and Others	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, MARCH 31, 2007	¥1,163	¥(12)	¥771	¥1,922	¥44	¥27	¥169,498
Changes during the year							
Issuance of new shares							66
Cash dividends, ¥10.00 per share							(1,192)
Contribution to overseas subsidiary employee welfare fund							(19)
Net income							10,634
Treasury stock acquired (50,944 shares)							(120)
Changes other than shareholders' equity	(1,055)	25	(10,505)	(11,535)	215	220	(11,100)
Total changes	(1,055)	25	(10,505)	(11,535)	215	220	(1,731)
BALANCE, MARCH 31, 2008	¥108	¥13	¥(9,734)	¥(9,613)	¥259	¥247	¥167,767

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Taiyo Yuden Co., Ltd. and Subsidiaries
March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Operating activities:			
Income (loss) before income taxes and minority interests	¥(16,407)	¥17,186	\$(167,419)
Adjustments to reconcile income (loss) before income tax and minority interests to net cash provided by operating activities:			
Depreciation and amortization	27,851	23,294	284,190
Impairment loss on property, plant and equipment	162	175	1,648
Amortization of goodwill	244	248	2,487
Amortization of negative goodwill	(13)	-	(136)
Increase (decrease) in allowance for doubtful receivables	278	(64)	2,833
Increase (decrease) in accrued bonuses for employees	(1,934)	125	(19,736)
Interest and dividend income	(666)	(1,256)	(6,797)
Interest expense	629	417	6,422
Equity in earnings of affiliates	(104)	(96)	(1,059)
(Gain) loss on disposal and sales of property, plant and equipment	(3,059)	687	(31,213)
Loss on valuation of investment securities	1,701	232	17,357
Decrease in payable for obligations of change in retirement benefit plan	-	(721)	-
Settlement package	3,569	-	36,420
Changes in operating assets and liabilities:			
Trade receivables	17,758	(94)	181,203
Inventories	10,143	(10,133)	103,498
Trade payables	(16,319)	5,418	(166,523)
Others	(1,063)	703	(10,825)
Subtotal	22,770	36,121	232,350
Interest and dividends received	749	1,939	7,642
Interest paid	(620)	(449)	(6,325)
Settlement package paid	(2,705)	-	(27,600)
Income taxes paid	(4,498)	(7,820)	(45,902)
Net cash provided by operating activities	15,696	29,791	160,165
Investing activities:			
Purchase of investment in subsidiaries (Note 8):	-	(269)	-
Purchases of property, plant and equipment	(27,019)	(44,584)	(275,701)
Proceeds from sales of property, plant and equipment	3,248	632	33,148
Purchases of investment securities	(687)	(443)	(7,013)
(Increase) decrease in time deposits	(2,041)	639	(20,831)
Proceeds from purchases of investments in subsidiaries resulting in change in scope of consolidation (Note 8):	1,219	-	12,435
Others	(385)	257	(3,928)
Net cash used in investing activities	(25,665)	(43,768)	(261,890)
Financing activities:			
Net increase (decrease) in short-term borrowings	(763)	3,790	(7,781)
Proceeds from long-term borrowings	20,500	-	209,184
Repayments of long-term borrowings	(58)	(9,550)	(587)
Proceeds from issuance of convertible bonds with stock acquisition rights	-	19,934	-
Redemption of convertible bonds	(6,703)	-	(68,398)
Proceeds from stock issuance to minority shareholders	12	-	125
Payments of cash dividends	(1,184)	(1,192)	(12,081)
Purchases of treasury stock	(2,043)	(120)	(20,849)
Others	19	(6)	186
Net cash provided by financing activities	9,780	12,856	99,799
Effect of exchange rate changes on cash and cash equivalents	(2,102)	(2,913)	(21,448)
Net increase (decrease) in cash and cash equivalents	(2,291)	(4,034)	(23,374)
Cash and cash equivalents, beginning of year	35,402	39,436	361,241
Cash and cash equivalents, end of year	¥33,111	¥35,402	\$337,867

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Taiyo Yuden Co., Ltd. and Subsidiaries

March 31, 2009 and 2008

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 Law 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.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As described in Note 3.a., the accounts of consolidated overseas subsidiaries for the year ended March 31, 2009 are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

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 Law. 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, 2009, which was ¥98 to U.S. \$1. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. *Consolidation Policies* – The consolidated financial statements include the accounts of Taiyo Yuden Co., Ltd. (the "Company") and all of its subsidiaries (together the "Companies"). The Japanese accounting standards for consolidation requires the control or influence concept for the consolidation scope of subsidiaries and affiliates. Victor Advanced Media Co., Ltd. became consolidated subsidiary due to the acquisition of stocks in the current fiscal year, and thus is included in the scope of consolidation. JVC ADVANCED MEDIA U.S.A. INC. and JVC Advanced Media EUROPE GmbH were established in the current fiscal year, and thus are included in the scope of consolidation. Significant intercompany accounts, transactions and unrealized profits have been eliminated in consolidation. The difference between cost of the Company's investments in subsidiaries and its equity in their net assets at the dates of acquisition ("goodwill" or "negative goodwill") 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.
- b. *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.
- c. *Translation of Foreign Currency Items in the Company's and Domestic Subsidiaries' Balance Sheets* – Short-term and long-term foreign currency monetary items are translated into Japanese yen at appropriate fiscal year-end current rates. The resulting net gains (losses) are shown as "Gain (loss) on foreign exchange" in the accompanying consolidated statements of operations.

- d. *Translation of Financial Statements of Foreign Consolidated Subsidiaries* – 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 – net” in net assets at March 31, 2009 and 2008 in the accompanying consolidated balance sheets.
- e. *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 market value, are reported with unrealized gains and losses, net of applicable assets at March 31, 2009 and 2008, respectively. Available-for-sale securities, which do not have market value, are stated at cost using the moving-average method.
(iii) 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 Law) 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.
- f. *Inventories* – Inventories are stated primarily at cost, determined by the average method for 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.
(Change in accounting policies) Effective from this fiscal year, the Companies adopted the “Accounting Standard for Measurement of Inventories” (Statement No. 9, issued by Accounting Standards Board of Japan on July 5, 2006). Under this standard, inventories held for sale in the ordinary course of business in principle, shall be carried at the acquisition cost on the balance sheet. However, in the case that the net realizable value falls below the acquisition cost at the end of the period, inventories shall be carried at the net realizable value on the balance sheet, regarded as decreased profitability of assets.
Consequently, compared to the amounts that would have been reported under the previous accounting method, the operating loss increased by ¥4,748 million (\$48,448 thousand), and the loss before income taxes and minority interests increased by ¥6,287 million (\$64,155 thousand) for the year ended March 31, 2009. The effect of the change on the segment information is described in Note 15.
- g. *Property, Plant and Equipment (Except for the leased assets)*
– Property, plant and equipment are stated at cost. For the Company and domestic consolidated subsidiaries, depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the assets, except that the straight-line method is applied to building acquired after April 1, 1998. Useful lives of the assets and salvage 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.
(Additional information) Effective from this fiscal year, the Company and its domestic consolidated subsidiaries have changed the useful lives based on the reassessment of the useful lives in light of the change in the Corporation Tax Law. Consequently, compared to the amounts that would have been reported under the previous useful lives, the operating loss increased by ¥980 million (\$9,998 thousand), and the loss before income taxes and minority interests increased by ¥1,076 million (\$10,979 thousand) for the year ended March 31, 2009. The effect of the change on the segment information is described in Note 15.
- h. *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.
- i. *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.
- j. *Accrued Retirement Benefits for Employees* –Accrued Retirement Benefits for Employees at certain consolidated subsidiaries is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. Also, certain domestic consolidated subsidiaries provide allowance for accrued pension and severance costs.

- k. *Accrued Retirement Benefits for Directors and Corporate Auditors* – Certain subsidiaries of the Company provide lump-sum severance benefits for directors and corporate auditors. While the subsidiaries have no legal obligation, they make lump-sum payments to directors and corporate auditors upon retirement. Annual provisions are made in the accounts for the estimated costs of this termination plan, which is not fully funded.
- l. *Accrued Bonuses for Employees* – Allowance for bonuses to employees are provided by the estimated amounts, which are obligated to pay to employees after the fiscal year-end, based on services provided during the current period.
- m. *Accrued Bonuses for Directors and Corporate Auditors* – Allowance for bonuses to directors and corporate auditors are provided by the estimated amounts, which are obligated to pay to directors and corporate auditors after the fiscal year-end, based on services provided during the current period.
- n. *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 when it is more likely than not that a tax benefit will not be realized.
- o. *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 ¥8,464 million (\$86,364 thousand) and ¥8,888 million for the years ended March 31, 2009 and 2008, respectively.
- p. *Derivative and Hedging Activities* – 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. However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner,
- (i) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivables,
- (1) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable translated using the spot rate at the inception date of the contract and the book value of the receivable is recognized in the income statement in the period which includes the inception date, and
- (2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- (ii) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.
- Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.
- The derivative transactions are executed and managed by the finance and accounting division in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.
- q. *Per Share Information* – Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits.
- Diluted net income per share reflects the potential dilution that could occur if stock acquisition rights were exercised or convertible bonds are converted into common stock. Diluted net income 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 out standing stock acquisition rights. Basic net income and diluted net income per share for the years ended March 31, 2009 and 2008 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.
- r. *Certain Reclassifications* – Certain reclassifications of prior year's amounts have been made to conform to the presentation for 2009.

3. CHANGES IN ACCOUNTING STANDARDS

a. Practical Solution on Unification of Accounting Policies Applies to Foreign Subsidiaries for Consolidated Financial Statements

On March 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No.18 “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (“PITF No. 18”). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries’ financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subject to amortization

(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss

(c) Capitalized expenditures for research and development activities

(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets

(e) Retrospective treatment of a change in accounting policies

(f) Accounting for net income attributable to minority interests

There were no material effects as a result of the adoption of PITF No. 18 on the consolidated financial statements for the year ended March 31, 2009.

b. Accounting Standard for Lease Transactions

Prior to April 1, 2008, the Company and consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain “as if capitalized” information in the notes to the consolidated financial statements.

On March 30, 2007, the Accounting Standards Board of Japan issued Statement No. 13, “Accounting Standard for Lease Transactions” and Guidance No. 16, “Guidance on Accounting Standard for Lease Transactions”. The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain “as if capitalized” information.

There were no material effects as a result of the adoption of the new accounting standard on the consolidated financial statements for the year ended March 31, 2009.

c. Gain on Sales of By-products

Sales of by-products had been included in other income (expenses) section. Effective from the year ended March 31, 2009, after revision of the nature of transaction, those sales are included in net sales.

Consequently, compared to the amounts that would have been reported under the previous accounting method, the net sales and the gross profit increased by ¥274 million (\$2,798 thousand), and the operating loss decreased by the same amount for the year ended March 31, 2009.

The effect of the change on the segment information is described in Note 15.

4. DEBT AND EQUITY SECURITIES

(1) Available-for-sale securities which have market value

March 31, 2009

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥3,299	¥144	¥677	¥2,766
Other	42	-	13	29
Total	¥3,341	¥144	¥690	¥2,795

March 31, 2008

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥4,482	¥943	¥892	¥4,533
Other	42	3	-	45
Total	¥4,524	¥946	¥892	¥4,578

March 31, 2009

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	\$33,656	\$1,474	\$6,912	\$28,218
Other	432	-	132	300
Total	\$34,088	\$1,474	\$7,044	\$28,518

(2) Available-for-sale and held-to-maturity securities which do not have market value

	Carrying Values		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Securities classified as:			
Available-for-sale:			
Unlisted equity securities	¥16	¥17	\$170
Equity of limited liability partnerships	155	80	1,583
Held-to-maturity:			
Other	2	2	16
Total	¥173	¥99	\$1,769

(3) The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity

	Carrying Values		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due in 1 year or less	¥0	-	\$1
Due after 1 year through 5 years	2	¥2	15
Total	¥2	¥2	\$16

5. SHORT-TERM BORROWINGS, LONG-TERM BORROWINGS, AND LEASE OBLIGATIONS

Short-term borrowing at March 31, 2009 and 2008 are consisted principally of borrowings from banks at average annual rates of approximately 1.32% and 1.77%, respectively.

Long-term debts at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of
	2009	2008	U.S. Dollars
Long-term borrowings from banks and other financial institutions			2009
(Borrowings due within one year, weighted average interest rate 1.61%)	¥6,925	¥36	\$70,659
(Borrowings due after one year, weighted average interest rate 1.55%)	20,115	6,561	205,260
1.15% convertible bonds due 2008	–	6,707	–
Euro Yen zero coupon convertible bonds due 2014	20,000	20,000	204,082
Lease obligations			
Due within one year	3	–	31
Due after one year	15	–	156
Total	47,058	33,304	480,188
Less current portion	(6,928)	(6,743)	(70,690)
Long-term debts, less current portion	¥40,130	¥26,561	\$409,498

The average interest rate per annum for lease obligations is not presented since lease obligations are stated at the amounts before deducting interest portion which is included in total lease obligations.

The conversion price per share of Euro Yen zero coupon convertible bonds for the year ended March 31, 2009 was ¥3,746 (\$38.22) – fixed price.

The aggregate annual maturities of long-term debts other than lease obligations as of March 31, 2009 are as follows:

For the year ending March 31	Millions of Yen	Thousands of
		U.S. Dollars
2010	¥6,925	\$70,659
2011	4,065	41,476
2012	12,544	128,001
2013	1,603	16,362
2014	1,533	15,646
2015 and thereafter	20,370	207,857
Total	¥47,040	\$480,001

The annual maturities of lease obligations as of March 31, 2009 are as follows:

For the year ending March 31	Millions of Yen	Thousands of
		U.S. Dollars
2010	¥3	\$31
2011	6	60
2012	3	35
2013	3	30
2014	2	21
2015 and thereafter	1	10
Total	¥18	\$187

6. RETIREMENT BENEFITS

(1) Outline of retirement benefit plans

The Company and certain domestic subsidiaries have a defined contribution pension plan, prepaid retirement plan, and lump-sum payments at the time of termination. Certain foreign subsidiaries mainly adopted lump-sum payments at the time of termination.

(2) Retirement benefit obligation for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Retirement benefits obligation	¥2,483	¥128	\$25,332
Unrecognized actuarial losses	6	-	58
Fair value of pension assets	997	-	10,170
Net liability for severance and retirement benefits	1,480	128	15,104
Prepaid pension costs	35	-	359
Accrued retirement benefits for employees	¥1,515	¥128	\$15,463

Certain domestic consolidated subsidiaries adopted the simplification method to calculate retirement benefit obligation. In addition to the above accrued retirement benefits for employees cost, ¥1,760 million were incurred by certain foreign subsidiaries in accordance with the accounting standards of each country for the year ended March 31, 2008.

Also, ¥28 million of prepaid pension cost incurred by them were included in "Investments and other assets - other" in the consolidated balance sheet as of March 31, 2008.

(3) Retirement benefit costs for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	¥488	¥47	\$4,976
Interest cost	153	-	1,565
Expected return on plan assets	(68)	-	(691)
Contribution to defined contribution pension plan	-	988	-
Other	933	-	9,521
Net periodic benefit costs	¥1,506	¥1,035	\$15,371

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

"Other" for the year ended March 31, 2009 mainly includes contribution to defined contribution pension plan.

In addition to the above retirement benefit costs, ¥666 million were incurred by certain foreign subsidiaries in accordance with the accounting standards of each country for the years ended March 31, 2008.

The discount rate was 2.25% to 8.63% for the year ended March 31, 2009. The rates of expected return on plan assets was 2.25% to 6.00% for the year ended March 31, 2009. The estimated amounts of all retirement benefits to be paid at the future retirement dates are allocated to each service year using the benefit formula or equally using the estimated number of total service years. Consolidated overseas subsidiaries have adopted the corridor approach for the amortization of actuarial differences.

7. NET ASSETS

Under the Corporate Law ("the Law"), 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 is included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets. Under the Law, 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 Law. 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. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Summary of net assets (assets and liabilities) and net payment for (net receipt from) the acquisition of shares of companies newly included is as follows:

March 31, 2009

Victor Advanced Media Co., Ltd.	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥5,240	\$53,472
Non-current assets	63	645
Current liabilities	(4,790)	(48,880)
Non-current liabilities	0	0
Negative goodwill	(133)	(1,363)
Minority interests	(180)	(1,833)
Acquisition cost	200	2,041
Cash and cash equivalents of Victor Advanced Media Co., Ltd.	(1,419)	(14,476)
Proceeds from acquisition of investments in Victor Advanced Media Co., Ltd.	¥1,219	\$12,435

March 31, 2008

Chuki Seiki Co., Ltd.	Millions of Yen
Current assets	¥1,342
Non-current assets	884
Current liabilities	(387)
Non-current liabilities	(84)
Minority interests	(208)
Carrying value of investment in Chuki Seiki Co., Ltd. under equity method at the time that the Company acquired majority of voting rights	(878)
Acquisition cost	669
Cash and cash equivalents of Chuki Seiki Co., Ltd.	(400)
Payment for the acquisition of investments in Chuki Seiki Co., Ltd.	¥269

9. INCOME TAXES

Income taxes in Japan applicable to the Company and domestic subsidiaries for the years ended March 31, 2009 and 2008 were comprised of (1) a corporation tax at the rates of 30.0% on taxable income, (2) enterprise tax of approximately 7% on taxable income and (3) prefectural and residence taxes of approximately 21% 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, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets			
Inventories	¥47	¥722	\$485
Retirement benefits	3,069	3,265	31,315
Enterprise tax payables	22	300	226
Accrued bonuses	303	1,018	3,094
Foreign tax credits carry forwards	–	1,326	–
Net unrealized holding losses on securities	–	52	–
Excess depreciation	179	83	1,828
Net operating loss	8,155	–	83,218
Other	1,767	1,588	18,015
Offset	(1,114)	(1,134)	(11,368)
Subtotal	12,428	7,220	126,813
Valuation allowance	(7,484)	(1,449)	(76,362)
Total deferred tax assets	¥4,944	¥5,771	\$50,451
Deferred tax liabilities			
Allowance for doubtful receivables	¥3	¥9	\$32
Undistributed earnings of foreign subsidiaries	2,021	7,743	20,630
Inventories	516	–	5,267
Reserves	1,167	1,185	11,906
Other	290	275	2,958
Offset	(1,114)	(1,134)	(11,368)
Total deferred tax liabilities	¥2,883	¥8,078	\$29,425

Reconciliation of the normal income tax rates to the effective income tax rates were as follows:

	2009	2008
Statutory tax rate	–	40.4 %
Differences in statutory tax rates of consolidated subsidiaries	–	2.7
Undistributed earnings of foreign subsidiaries	–	(4.8)
Impact of consolidation elimination of dividends from foreign subsidiaries	–	7.2
Foreign tax credit	–	(10.6)
Valuation allowance	–	6.3
Tax credit for research and development costs	–	(4.1)
Others – net	–	0.9
Effective income tax rate	–	38.0 %

Reconciliation of statutory and effective income tax rates for 2009 is omitted because of loss before income taxes and minority interests.

10. LEASE TRANSACTIONS

As described in Notes 2 and 3, finance lease contracts commencing after April 1, 2008 are capitalized. Information of finance lease contracts commencing prior to March 31, 2008, which are accounted for in the same manner as operating leases, was as follows:

The amounts corresponding to acquisition cost, accumulated depreciation, and net book value at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
The amount corresponding to acquisition cost	¥2,521	¥2,296	\$25,726
The amount corresponding to accumulated depreciation	1,598	1,207	16,305
The amount corresponding to net book value	¥923	¥1,089	\$9,421

The amounts of outstanding future lease payments due at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Future lease payments			
Within one year	¥378	¥393	\$3,863
Over one year	545	696	5,558
Total	¥923	¥1,089	\$9,421

Lease payments and the amounts corresponding to depreciation for the years ended March 31, 2009 and 2008 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Lease payments	¥323	¥372	\$3,293
The amount corresponding to depreciation expense	323	372	3,293

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

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

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, 2009 and 2008, the Companies recognized impairment loss on property, plant and equipment as follows:

March 31, 2009

<u>Classification</u>	<u>Description</u>	<u>Location</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Building	Idle asset	Haruna, Gunma, Japan Sannokura, Gunma	¥7	\$71
Machinery and Equipment	Idle asset	Haruna, Gunma Sannokura, Gunma Nakanojo, Gunma Tamamura, Gunma Yawatabara, Gunma Other	151	1,539
Other	Idle asset	Egi, Gunma Haruna, Gunma Sannokura, Gunma Nakanojo, Gunma Tamamura, Gunma Yawatabara, Gunma	4	38

March 31, 2008

<u>Classification</u>	<u>Description</u>	<u>Location</u>	<u>Millions of Yen</u>
Building	Idle asset	Haruna, Gunma, Japan Sannokura, Gunma	¥8
Machinery and Equipment	Idle asset	Haruna, Gunma Sannokura, Gunma Nakanojo, Gunma R&D center, Gunma Tamamura, Gunma Yawatabara, Gunma	159
Other	Idle asset	Haruna, Gunma Sannokura, Gunma Nakanojo, Gunma R&D center, Gunma	6

12. CONTINGENT LIABILITIES

At March 31, 2009 and 2008, the Companies had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
As guarantor of bank loans and indebtedness	¥13	¥24	\$130

13. DERIVATIVE FINANCIAL INSTRUMENT

The Company enters into interest rate swaps as interest rate-related derivatives and forward foreign exchange contracts as currency related derivatives. The Company utilizes derivatives solely for the purpose of hedging its exposure of financial liabilities to interest rate risk and exposure of underlying assets generated in the actual trades to foreign currency exchange risk, and does not intend to execute speculative dealings as a matter of policy. Hedged items are receivables denominated in foreign currencies and forecasted foreign-currency-denominated transactions, and interest on loan payables. Hedging instruments are forward foreign exchange contracts and interest rate swaps which forward exchange contracts and interest rate risk exposed to interest rate swaps are minimized, since all of these derivatives are intended to avoid market risk. In addition, the management considers that counterparty risk is extremely minimized since the Company enters into such derivative contracts with financial institutions with high credit ratings. The financing and accounting division is responsible for the management of derivatives in accordance with the internal rules defined for trading authorities, trading limits, reporting and others. The division manager reports operating officer of Management and Administration Headquarters about the performance and the related risks connected with derivatives, and the operating officer reports these information to the board of directors of the Company. The disclosure of fair value of outstanding derivative financial instruments was omitted as they were accounted for as hedges.

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 ¥44 million (\$453 thousand) and ¥215 million were recognized in selling, general and administrative expenses in 2009 and 2008, respectively.

For the years ended March 31, 2009 and 2008, 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 1.63% in 2009 and 1.97% in 2008, dividends per share of ¥10 (\$0.10) in both years and volatility factor of the expected market value of the Company's common stock of 49.6% in 2009 and 50.8% in 2008, determined by daily historical prices for the past ten years and a expected life of the option of 10 years in both years.

A summary of the Company's stock options outstanding at March 31, 2009 is as follows:

Date of resolution	June 29, 2005	June 29, 2006	June 28, 2007	June 28, 2007	June 27, 2008
Date of grant	June 29, 2005	August 23, 2006	July 13, 2007	July 13, 2007	July 14, 2008
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	46,000 shares of Common
Exercise price	¥1	¥1	¥1	¥1	¥1(\$0.01)
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	From July 15, 2008 to July 14, 2028
Fair value (per share)	-	¥1,511	¥2,761	¥2,761	¥966(\$9.86)
Options outstanding at March 31, 2007	16,000	29,000	-	-	-
Granted	-	-	32,000	46,000	-
Exercised	-	-	-	-	-
Forfeited/Expired	-	-	-	-	-
Options outstanding at March 31, 2008	16,000	29,000	32,000	46,000	-
Granted	-	-	-	-	46,000
Exercised	-	-	-	-	-
Forfeited/Expired	-	-	-	-	-
Options outstanding at March 31, 2009	16,000	29,000	32,000	46,000	46,000

15. SEGMENT INFORMATION

For the years ended March 31, 2009 and 2008

(1) Industry Segment Information

The Companies conduct manufacturing operations predominantly in the electronic parts industry. The sales and operating income (loss) from such operations and related assets exceeded 90% of the total of each segment of sales, operating income, and assets. Therefore, the disclosure of industry segment information was omitted.

(2) Geographic Segment Information

March 31, 2009

	Millions of Yen				Elimination and Corporate	Consolidated
	Japan	Asia	Other	Total		
Sales:						
Customers	¥65,523	¥96,822	¥23,108	¥185,453	–	¥185,453
Intersegment	121,537	67,436	1,297	190,270	¥(190,270)	–
Total	187,060	164,258	24,405	375,723	(190,270)	185,453
Operating expenses	204,418	162,280	23,741	390,439	(192,230)	198,209
Operating income (loss)	¥(17,358)	¥1,978	¥664	¥(14,716)	¥1,960	¥(12,756)
Assets	¥186,850	¥92,629	¥7,571	¥287,050	¥(61,599)	¥225,451

March 31, 2008

	Millions of Yen				Elimination and Corporate	Consolidated
	Japan	Asia	Other	Total		
Sales:						
Customers	¥79,838	¥123,683	¥34,754	¥238,275	–	¥238,275
Intersegment	158,613	79,791	1,864	240,268	¥(240,268)	–
Total	238,451	203,474	36,618	478,543	(240,268)	238,275
Operating expenses	222,724	201,025	34,533	458,282	(241,311)	216,971
Operating income	¥15,727	¥2,449	¥2,085	¥20,261	¥1,043	¥21,304
Assets	¥217,178	¥112,581	¥10,140	¥339,899	¥(68,294)	¥271,605

March 31, 2009

	Thousands of U.S. Dollars				Elimination and Corporate	Consolidated
	Japan	Asia	Other	Total		
Sales:						
Customers	\$668,606	\$987,976	\$235,791	\$1,892,373	–	\$1,892,373
Intersegment	1,240,170	688,131	13,231	1,941,532	\$(1,941,532)	–
Total	1,908,776	1,676,107	249,022	3,833,905	(1,941,532)	1,892,373
Operating expenses	2,085,896	1,655,928	242,248	3,984,072	(1,961,538)	2,022,534
Operating income (loss)	\$(177,120)	\$20,179	\$6,774	\$(150,167)	\$20,006	\$(130,161)
Assets	\$1,906,628	\$945,197	\$77,252	\$2,929,077	\$(628,554)	\$2,300,523

(a) The above segments are classified geographically.

(b) Main countries or areas other than Japan:

Asia ····· Taiwan, Hong Kong, Korea, China, Malaysia, Singapore

Other ····· U.S.A., Germany

(c) Corporate assets were ¥11,082 million (\$113,080 thousand) and ¥14,184 million at March 31, 2009 and 2008, respectively.

They are principally comprised of cash and cash equivalents and investments of the Company.

(d) Due to the change in accounting standard for inventories stated at accompanying Note 2, the operating loss for the year ended March 31, 2009 increased by ¥3,478 million (\$35,487 thousand) in Japan, and the operating income for the year ended March 31, 2009 decreased ¥1,238 million (\$12,633 thousand) and ¥32 million (\$328 thousand) in Asia and Other, respectively.

(e) Due to the change in accounting standard for sales of by-products stated at accompanying Note 3, the net sales for the year ended March 31, 2009 increased by ¥2 million (\$19 thousand) and ¥272 million (\$2,779 thousand) in Japan and Asia respectively.

The operating loss for the year ended March 31, 2009 decreased by the same amounts in Japan, and the operating income for the year ended March 31, 2009 increased by the same amounts in Asia.

(f) Due to the revised useful lives for property, plant and equipment stated at accompanying Note 2, the operating loss for the year ended March 31, 2009 increased ¥980 million (\$9,998 thousand) in Japan.

(3) Foreign Sales Information

March 31, 2009

	Millions of Yen				
	Asia	North America	Europe	Other	Total
Foreign sales	¥103,997	¥12,303	¥10,055	¥582	¥126,937
Consolidated sales					¥185,453
Percentage of foreign sales in proportion to consolidated sales	56.1%	6.6%	5.4%	0.3%	68.4%

March 31, 2008

	Millions of Yen				
	Asia	North America	Europe	Other	Total
Foreign sales	¥135,416	¥18,306	¥12,176	¥337	¥166,235
Consolidated sales					¥238,275
Percentage of foreign sales in proportion to consolidated sales	56.8%	7.7%	5.1%	0.2%	69.8%

March 31, 2009

	Thousands of U.S. Dollars				
	Asia	North America	Europe	Other	Total
Foreign sales	\$1,061,195	\$125,537	\$102,606	\$5,941	\$1,295,279
Consolidated sales					\$1,892,373

- (a) The above segments are classified geographically.
- (b) Main countries or areas other than Japan:
Asia Taiwan, Hong Kong, Korea, China, Malaysia, Singapore
North America U.S.A., Canada, Mexico
Europe Germany, U.K., Finland, Sweden, France, Italy
Other South America, the Middle East
- (c) Foreign sales are the total of export sales of the Company and its subsidiaries to countries and regions outside of Japan.
- (e) Due to the change in accounting standard for sales of by-products stated at accompanying Note 3, sales for the year ended March 31, 2009 increased by ¥272 million (\$2,779 thousand) in Asia.

17. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2009 were approved at the Company's shareholders' meeting held on June 26, 2009:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Cash dividend, ¥5.00 (\$0.05) per share	¥588	\$5,999

SUBSIDIARIES and AFFILIATE

SUBSIDIARIES

<u>Domestic (Japan)</u>	<u>Ownership</u>
Taiyo Chemical Industry Co., Ltd.	100.0%
Tsukiyono Denshi Co., Ltd.	100.0%
Akagi Electronics Co., Ltd.	100.0%
Taiyo Fukushi Co., Ltd.	100.0%
Sun Vertex Co., Ltd.	100.0%
That's Fukushima Co., Ltd.	100.0%
Kankyo Assist Co., Ltd.	100.0%
Bifrostec Inc.	57.1%
Niigata Taiyo Yuden Co., Ltd.	100.0%
Shoei Electronics Co., Ltd.	100.0%
Chuki Seiki Co., Ltd.	88.1%
Victor Advanced Media Co., Ltd.	65.0%

<u>Overseas</u>	<u>Ownership</u>
TAIWAN TAIYO YUDEN CO., LTD.	100.0%
KOREA TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (SINGAPORE) PTE LTD	100.0%
HONG KONG TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (U.S.A.) INC.	100.0%
TAIYO YUDEN EUROPE GmbH	100.0%
KOREA TONG YANG YUJUN CO., LTD.	100.0%
TAIYO YUDEN (PHILIPPINES) INC.	100.0%
TAIYO YUDEN ENTERPRISES CO., LTD.	100.0%
DONGGUAN TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (SARAWAK) SDN. BHD.	100.0%
TAIYO YUDEN (MALAYSIA) SDN. BHD.	53.3%
TAIYO YUDEN (GUANGDONG) CO., LTD.	100.0%
KOREA KYONG NAM TAIYO YUDEN CO., LTD.	100.0%
TRDA INC.	100.0%
TAIYO YUDEN (SHANGHAI) TRADING CO., LTD.	100.0%
TAIYO YUDEN (TIANJIN) ELECTRONICS CO., LTD.	100.0%
TAIYO YUDEN (SHENZHEN) ELECTRONICS TRADING CO., LTD.	100.0%
TAIYO YUDEN (CHINA) CO., LTD.	100.0%
TAIYO YUDEN (SUZHOU) CO., LTD.	100.0%
JVC ADVANCED MEDIA U.S.A. INC.	65.0%
JVC Advanced Media EUROPE GmbH	65.0%

AFFILIATE

<u>Domestic (Japan)</u>	<u>Ownership</u>
START Lab Inc.	49.9%