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## Consolidated Results for the Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

Unit: Millions of yen (Millions of yen rounded down unless otherwise stated)

### Overview of Operating Results

Item	Year ended March 31, 2015		Year ended March 31, 2016		Increase/(Decrease)	
	Amount	Share [%]	Amount	Share [%]	Amount	[%]
Net sales	227,095	100.0	240,385	100.0	13,290	5.9
Operating income	13,153	5.8	23,370	9.7	10,217	77.7
Ordinary income	15,653	6.9	22,263	9.3	6,609	42.2
Income before income taxes and minority interests	14,915	6.6	18,284	7.6	3,368	22.6
Net income attributable to owners of parent company	10,919	4.8	14,751	6.1	3,831	35.1
Comprehensive income	23,421	-	3,571	-	(19,850)	(84.8)
Net income per share [Yen]		92.74		125.27		
Diluted net income per share [Yen]		85.51		115.54		
R&D expenses		8,237		9,024		786 9.6
Capital investment		18,773		41,261		22,488 119.8
Depreciation and amortization		21,813		23,767		1,953 9.0

Notes: Share data is computed as a ratio of net sales.

	As of March 31, 2015		As of March 31, 2016		Increase/(Decrease)	
	Amount	[%]	Amount	[%]	Amount	[%]
Total assets	265,454		268,380		2,926	1.1
Net assets	150,856		153,381		2,525	1.7
Equity ratio	56.7%		57.1%		0.4 pt	-
Net assets per share [Yen]	1,278.07		1,299.75		21.68	1.7

### Net Sales by Product Segment

Product segment	Year ended March 31, 2015		Year ended March 31, 2016		Increase/(Decrease)	
	Amount	Share [%]	Amount	Share [%]	Amount	[%]
Capacitors	114,363	50.4	123,675	51.4	9,311	8.1
Ferrite and applied products	41,948	18.5	46,463	19.3	4,515	10.8
Integrated modules & devices	52,797	23.2	57,696	24.0	4,898	9.3
Others	17,986	7.9	12,551	5.2	(5,435)	(30.2)
Total	227,095	100.0	240,385	100.0	13,290	5.9

# TAIYO YUDEN

# Consolidated Results for the year ended March 31, 2016

May 11, 2016

Preparation of supplementary materials for the annual financial results: Yes  
Holding of presentation of annual financial results: Yes (For institutional investors and investment analysts)

## 1. Consolidated financial results for the period from April 1, 2015 to March 31, 2016

(1) Operating results (Percentages represent changes from the same period in the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2016	240,385	5.9	23,370	77.7	22,263	42.2	14,751	35.1
Year ended March 31, 2015	227,095	9.1	13,153	15.8	15,653	28.4	10,919	56.2

Note: Comprehensive income ended on March 31, 2016 3,571 million yen ; (84.8%) ended on March 31, 2015 23,421 million yen ; 68.5%

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income on net sales
	Yen	Yen	%	%	%
Year ended March 31, 2016	125.27	115.54	9.7	8.3	9.7
Year ended March 31, 2015	92.74	85.51	7.8	6.1	5.8

(Reference) Equity in earnings of affiliates

Year ended March 31, 2016 12 million yen Year ended March 31, 2015 7 million yen

## (2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2016	268,380	153,381	57.1	1,299.75
As of March 31, 2015	265,454	150,856	56.7	1,278.07

(Reference) Shareholder's equity As of March 31, 2016 153,132 million yen As of March 31, 2015 150,489 million yen

## (3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2016	38,278	(35,374)	(2,050)	39,944
Year ended March 31, 2015	24,896	(20,964)	(21,249)	41,476

## 2. Dividend information

	Cash dividends per share					Total annual dividend	Dividend payout ratio	Dividend on net assets
	1Q	2Q	3Q	Year End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2015	-	5.00	-	5.00	10.00	1,177	10.8	0.8
Year ended March 31, 2016	-	5.00	-	10.00	15.00	1,766	12.0	1.2
Year ending March 31, 2017 (Forecast)	-	10.00	-	10.00	20.00		58.9	

### 3. Forecasts of operating results for the period from April 1, 2016 to March 31, 2017

(Percentages represent changes from the same period in the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2016	113,000	(7.5)	5,000	(64.9)	4,500	(67.5)	2,000	(74.8)	16.98
Year ending March 31, 2017	225,000	(6.4)	10,000	(57.2)	9,000	(59.6)	4,000	(72.9)	33.95

### 4. Note

(1) Changes in principal subsidiaries during year ended March 31, 2016: No

(2) Changes in accounting policies and accounting estimates, and restatements

a. Changes in accounting policies due to the revision of accounting standards: Yes

b. Changes in accounting policies by the reasons other than "a.": No

c. Changes in accounting estimates: No

d. Restatement: No

(3) Number of common shares outstanding :

a. Number of common shares outstanding (including treasury stock):

As of March 31, 2016 120,481,395 shares As of March 31, 2015 120,481,395 shares

b. Number of treasury stock:

As of March 31, 2016 2,664,538 shares As of March 31, 2015 2,734,253 shares

c. Average number of common shares outstanding:

Fiscal Year ended March 31, 2016 117,754,411 shares Fiscal Year ended March 31, 2015 117,747,471 shares

Others :

1. This financial press release is out of scope of the audit procedure based on the Financial Instruments and Exchange Act in Japan. As of time of press release date, the annual audit procedure is ongoing.

2. Forecasts of operating results include a number of assumptions based on information currently available and certain premises which were judged to be rational. Please note that these forecasts may significantly differ from actual results with various factors.

3. TAIYO YUDEN will post the financial supplementary data on its web-site.

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# **1. Analysis of Operating Results and Financial Condition**

## **(1) Analysis of Operating Results**

### **1. Operating Results for the Year Ended March 31, 2016**

#### **Economy and Market Conditions**

During the year ended March 31, 2016 (April 1, 2015 to March 31, 2016), the business environment surrounding TAIYO YUDEN Group (the Companies) maintained a moderate recovery for the global economy as a whole because economic recovery continued in the major developed nations although economies in China and emerging countries slowed.

#### **Company Actions Planned to Offset These Conditions**

TAIYO YUDEN Group is strengthening the five basic elements in its business including market, product, customer, finance, and human resources through the implementation of growth strategy initiatives and structural improvements with the aim of achieving the medium-term targets.

The Companies' growth strategy calls for an increase in sales of their highly competitive super high-end products that support key growth applications for devices such as smartphones. In addition, the Companies have endeavored to diversify and expand sales channels, to strengthen system solution proposal capabilities, and to promote sales of high reliability products, positioning electrical components used in automobiles, industrial equipment, healthcare, and environmental energy as focus markets. The Companies are vigorously increasing production capacity for capacitors, inductors, and RF devices in order to achieve these growth strategies.

As of December 2015, the Companies have withdrawn from the recording media business, where the market is continuing to shrink. The Companies are aiming for business structure improvement by concentrating management resources on growth sectors to reconfigure our business.

## **Overview of Business Performance**

Consolidated net sales for the year ended March 31, 2016 totaled ¥240,385 million, which is an increase of 5.9% compared to the previous fiscal year. Operating income was ¥23,370 million, an increase of 77.7%, an ordinary income was ¥22,263 million, an increase of 42.2% compared to the corresponding period of the previous fiscal year. The Company recorded ¥1,795 million in business structure improvement expenses and ¥1,462 million in loss on evaluation of investment securities as extraordinary losses. The business structure improvement expenses include the withdrawal from the recording media business and integration of sites in the RF devices business. As a result, net income attributable to owners of the parent company amounted to ¥14,751 million, up by 35.1% from the same period of the previous fiscal year.

## **Exchange Rate**

The average foreign currency exchange rate for the year ended March 31, 2016 was US\$1: ¥120.75. This is a depreciation of ¥12.33 as compared to the average realized in the previous fiscal year of US\$1: ¥108.42.

## **Net Sales by Product Segment**

From the first quarter of the year ended March 31, 2016, the Company revised its product segments. The principal changes are the inclusion of energy devices, which had previously been included in “Other electronic components,” in “Others” and the inclusion of the product mounting business of a subsidiary company, which had previously been included in “Others,” in “Integrated modules & devices.”

Comparisons with figures for the year ended March 31, 2015 are based on post-revision product segments.

## ***Capacitors***

The capacitor product segment is comprised of multilayer ceramic capacitors. For the year ended March 31, 2016, capacitor sales for consumer products, i.e. TVs, and information equipment, i.e. PCs, decreased year over year. This decrease was offset by an increase year over year in capacitor sales for

communication equipment, which focused on smartphones, and automobiles/industrial equipment. In total, sales for this product segment increased 8.1% year over year to ¥123,675 million.

#### ***Ferrite and Applied Products***

This product segment is comprised of various inductors including metal power inductor “MCOIL<sup>TM</sup>”, wire-wound inductors and multilayer chip inductors. In the year ended March 31, 2016, sales increased by 10.8% to ¥46,463 million as compared to the previous fiscal year. Product sales for consumer products and information equipment were lower as compared to the previous fiscal year. This was offset by an increase in sales for communication equipment and automobiles/industrial equipment.

#### ***Integrated Modules & Devices***

This product segment is comprised of FBAR/SAW devices for mobile communications, a wide range of power supply and high frequency modules, embedded-parts multilayer wiring substrates “EOMIN<sup>TM</sup>”, and product mounting business done by a subsidiary company. For the year ended March 31, 2016, sales for power supply modules decreased year over year and sales for high frequency modules, FBAR/SAW devices for mobile communications increased year over year. This resulted in a 9.3% increase in total sales for this product segment year over year to ¥57,696 million.

#### ***Others***

For this product segment, the Company manufactures and sells energy devices and CD-Rs, DVD-Rs as well as recordable Blu-ray Discs (BD-Rs). For the year ended March 31, 2016, sales in this segment decreased 30.2% year over year to ¥12,551 million.

## 2. Outlook for the Year Ending March 31, 2017

Consolidated operating results forecasts for the year ending March 31, 2017 are as follows.

(Billions of yen unless otherwise stated)

Item \ Period	Six months ending September 30, 2016		Year ending March 31, 2017	
	Amount	YoY (%)	Amount	YoY (%)
Net sales	113.0	(7.5)	225.0	(6.4)
Operating income	5.0	(64.9)	10.0	(57.2)
Ordinary income	4.5	(67.5)	9.0	(59.6)
Net income attributable to the owners of parents company	2.0	(74.8)	4.0	(72.9)

The market environment for the year ending March 31, 2017 indicates that further advancements in functionality and performance for communication equipment such as smartphones will drive volume growth for the Companies' high value added super high-end product lineup. Moreover, further advances of electronic components in the industrial equipment and automotive markets are likely to drive growth of high reliability products. Nevertheless, consolidated net sales are forecast to decline by 6.4% compared with the previous fiscal year due to appreciation in the value of the yen against a background of uncertainty about the outlook for the global economy and other factors. In addition, operating income, ordinary income, and net income attributable to the owners of parents company are all forecast to decline compared with the previous year despite the growth in high value added products and the progress in cost reductions due to such factors as rising fixed costs from increased production capacity and the impact of appreciation in the value of the yen.

Forecasts are based on an estimated average foreign currency exchange rate of US1:¥105 for the year ending March 31, 2017.

### *Disclaimer concerning forecasts of operating results:*

The aforementioned forecasts of results are based on information available as of the date of this report. As a result, forecast information contained in this document may include potential risk and uncertainties. Accordingly, actual results may differ materially from forecasts due to a variety of factors.



## (2) Analysis of Financial Condition

### Cash Flows

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)
Cash flows from operating activities	24,896	38,278	13,381
Cash flows from investing activities	(20,964)	(35,374)	(14,409)
Cash flows from financing activities	(21,249)	(2,050)	19,198
Effect of exchange rate changes on cash and cash equivalents	4,182	(2,385)	(6,567)
Net increase (decrease) in cash and cash equivalents	(13,135)	(1,532)	11,602
Cash and cash equivalents at beginning of the year	54,611	41,476	(13,135)
Cash and cash equivalents at end of the year	41,476	39,944	(1,532)

#### Operating activities

Net cash provided by operating activities for the year ended March 31, 2016 was ¥38,278 million, an increase of 53.7% compared with the previous fiscal year. The contributing factors are; income before income taxes of ¥18,284 million; depreciation and amortization of ¥23,767 million; increase in inventories of ¥7,720 million; and decrease in trade receivables of ¥2,587 million.

#### Investing activities

Net cash used in investing activities for the year ended March 31, 2016 totaled ¥35,374 million, an increase of 68.7% compared with the previous fiscal year. The largest cash outflow was ¥37,377 million paid for purchases of property, plant and equipment.

#### Financing activities

Net cash used in financing activities for the year ended March 31, 2016 totaled ¥2,050 million, a decrease of 90.3% compared with the previous fiscal year. This was primarily attributed to repayments of long-term borrowings of ¥5,493 million, proceeds from long-term borrowings of

¥5,000 million and payments of cash dividends of ¥1,175 million.

As a result of the aforementioned activities, cash and cash equivalent as of March 31, 2016 decreased ¥1,532 million from the end of the previous fiscal year, to ¥39,944 million.

Reference: Trends in Cash Flow-Related indicators

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Equity ratio (%)	49.9	51.1	51.8	56.7	57.1
Equity ratio (%) (Market capitalization basis)	49.7	61.9	60.5	77.7	48.2
Cash flow to interest-bearing liabilities (years)	10.8	3.3	2.5	2.2	1.4
Interest coverage ratio (times)	13.7	34.3	49.1	55.7	141.2

Equity ratio = Shareholders' equity / Total assets

Equity ratio (Market capitalization basis) = Market capitalization / Total assets

Cash flow to interest-bearing liabilities = Interest-bearing liabilities / Cash flow

Interest coverage ratio = Cash flow / Interest expenditure

Notes:

1. All indicators have been calculated from consolidated financial figures.
2. Market capitalization is calculated based on the number of shares issued and outstanding less treasury stock.
3. Cash flow refers to cash flows from operating activities as shown on the consolidated statements of cash flows.
4. Interest-bearing liabilities comprise all debt on which interest is paid in the liabilities section of the consolidated balance sheets as well as noninterest-bearing convertible bonds with stock acquisition rights.  
Interest expenditure represents interest paid as shown on the consolidated statements of cash flows.

### **(3) Basic Policy on Profit Distribution and Current/Subsequent Fiscal Year Dividend**

The Company recognizes that returning profits to shareholders is one of management's most important tasks, and as such, the Company's total return ratio(\*) target has been set at 30%, including purchase of treasury stock.

(\*)[Payment of cash dividends + purchase of treasury stock] / net income attributable to the owners of parent company

For future consideration, the Company plans on increasing its annual dividend per share once it has completed building a stable and sustainable earnings structure as well as improving financial standing and a positive net cash. Based on this strategy, the Company pays dividends of 15 yen per share (interim dividend of 5 yen, year-end dividend of 10 yen) for the year ended March 31, 2016.

The Company plans to pay dividends of 20 yen per share (interim dividend of 10 yen, year-end dividend of 10 yen) for the year ending March 31, 2017.

The Company has stipulated that an interim dividend can be offered based on a resolution by our Board of Directors and has established a basic policy to offer two dividends per annum in the form of an interim dividend and year-end dividend. The interim dividend is resolved by the Company's Board of Directors. The year-end dividend is resolved at the general shareholders' meeting.

## **2. Management Policy**

### **(1) Basic Management Policy of the Company**

The Companies' management philosophy focuses on three principles: 1) employee well-being, 2) betterment of local communities, and 3) responsibility to provide returns to shareholders. Management recognizes that its mission and the social responsibility of the Company is to continually develop its businesses while serving society and public interests globally and in the communities we serve.

Our vision is “to be an excellent company that enjoys the trust and highest regard from our customers.” We aim to become an excellent company by meeting and then exceeding the expectations of customers based on the unique technical and proposal capabilities cultivated since the founding of TAIYO YUDEN.

## **(2) Medium- to Long-term Management Strategy of the Company and Target Management Indicators**

TAIYO YUDEN Group continues to push forward with measures to improve profitability. These measures are balanced structural improvements and growth strategies. As part of its growth strategies, the Companies will market their highly competitive super high-end products that satisfy customer needs for use in key growing markets, such as equipment, which includes smartphones and tablet devices. And, as part of their efforts to enhance corporate value, the Companies will also increase sales in key target markets, such as industrial equipment, automotive, healthcare and environmental energy as part of its efforts to enhance corporate value.

The Companies are also undertaking continued efforts to improve their profitability and financial stability as well as enhance efficient use of their assets. The Companies have the following target management indicators; (1) to be positive net cash at an early stage by focusing on cash flow management and (2) to exceed the consolidated return on equity ratio 10%.

## **(3) Challenges that Must be Addressed by the Companies**

Further advancements in reducing the size and profile of devices, and in functionality and performance for communications equipment, such as smartphones, require a large number of cutting-edge small-size, low-profile electronic components with good features. Demand for electronic components is also growing in automotive and industrial equipment, healthcare, environment and energy markets where electrification is making progress, requiring higher quality and reliability than ever before.

In response to such market trends, the Company will develop super high-end products with a strong competitive edge that contribute to advancements in reducing the size and profile of devices as well as in functionality and performance. The Company has positioned automotive electronics, industrial equipment, healthcare, the environment and energy as its focus markets and is striving to promote sales of high reliability products, to strengthen system solution proposals and to expand and diversify sales channels. Moreover, in order to meet strong demand, the Company will increase production capacity in Japan and overseas paving the way for sales growth. The Company will also reduce costs and develop a system that is not vulnerable to fluctuations in currency exchange rates by striving for high efficiency production and taking maximum advantage of overseas production sites.

While increasing its economic value, the Company will seek to increase corporate value by meeting the demands and expectations of stakeholders and fulfilling its social responsibility. In addition to product safety and quality, the Company also acts responsibly, engaging in initiatives such areas as labor and human rights, safety and health, the environment, and ethics.

### **3. Basic Approach to Selection of Accounting Standard**

TAIYO YUDEN Group uses Generally Accepted Accounting Principles in Japan (Japan GAAP) for the preparation of its consolidated financial statements in view of comparability for the period covered by the consolidated financial statements and inter-company comparability.

The Group's policy is to proceed with consideration into the application of International Financial Reporting Standards taking into account a trend of circumstances inside and outside Japan.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and deposits	46,709	45,962
Trade notes and accounts receivable	55,773	49,759
Merchandise and finished products	15,564	17,501
Work in process	16,014	18,638
Raw materials and supplies	12,555	12,549
Deferred tax assets	1,179	776
Other	7,455	6,642
Allowance for doubtful receivables	(281)	(267)
Total current assets	154,971	151,563
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	73,929	78,622
Machinery and equipment	240,195	225,862
Tools, furniture and fixtures	21,569	20,135
Land	8,635	8,610
Construction in progress	8,123	5,337
Accumulated depreciation	(254,745)	(231,521)
Net property, plant and equipment	97,708	107,047
Intangible fixed assets:		
Other	715	861
Total intangible fixed assets	715	861
Investments and other assets:		
Investment securities	9,071	6,287
Net defined benefit asset	22	-
Deferred tax assets	927	958
Other	2,398	2,000
Allowance for doubtful receivables	(360)	(337)
Total investments and other assets	12,058	8,908
Total fixed assets	110,482	116,817
Total assets	265,454	268,380

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
<b>LIABILITIES</b>		
Current liabilities:		
Trade notes and accounts payable	23,899	23,429
Short-term borrowings	12,366	11,979
Current portion of long-term borrowings	5,269	6,200
Accrued amounts payable	11,435	12,352
Income taxes payable	1,708	2,340
Deferred tax liabilities	788	676
Accrued bonuses for employees	3,249	3,390
Accrued bonuses for directors and corporate auditors	109	184
Other	7,892	7,974
Total current liabilities	66,719	68,530
Long-term liabilities:		
Convertible bonds with stock acquisition rights	20,082	20,067
Long-term borrowings	16,569	15,145
Deferred tax liabilities	6,290	5,906
Accrued retirement benefits for directors and corporate auditors	129	130
Net defined benefit liability	2,872	3,115
Other	1,934	2,102
Total long-term liabilities	47,878	46,468
Total liabilities	114,597	114,999
<b>NET ASSETS</b>		
Shareholders' equity:		
Common stock	23,557	23,557
Capital surplus	41,495	41,515
Retained earnings	83,339	96,912
Treasury stock	(3,413)	(3,326)
Total shareholders' equity	144,978	158,658
Accumulated other comprehensive income		
Net unrealized holding gains on securities	2,125	1,067
Deferred gains (losses) on hedges	7	6
Foreign currency translation adjustments	3,774	(6,122)
Post retirement benefit liability adjustments of foreign subsidiaries	(396)	(477)
Total accumulated other comprehensive income	5,511	(5,526)
Stock acquisition rights	227	238
Non-controlling interests	139	10
Total net assets	150,856	153,381
Total liabilities and net assets	265,454	268,380

**(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income**  
(Consolidated Statements of Operations)

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Net sales	227,095	240,385
Cost of sales	174,347	176,978
Gross profit	52,748	63,407
Selling, general and administrative expenses	39,595	40,037
Operating income	13,153	23,370
Non-operating income:		
Interest income	334	259
Dividend income	84	130
Equity in earnings of affiliate	7	12
Gain on foreign exchange	2,134	-
Subsidy income	787	213
Other	456	376
Total non-operating income	3,805	992
Non-operating expenses:		
Interest expense	324	273
Interest on bonds	61	-
Loss on foreign exchange	-	1,151
Compensation expenses	201	107
Depreciation of inactive noncurrent assets	343	372
Other	373	193
Total non-operating expenses	1,304	2,098
Ordinary income	15,653	22,263
Extraordinary gains:		
Gain on sales of property, plant and equipment	34	206
Gain on transfer of business	102	-
Other	2	-
Total extraordinary gains	139	206
Extraordinary losses:		
Loss on disposal and sales of property, plant and equipment	460	277
Impairment loss	94	222
Loss on evaluation of investment securities	1	1,462
Business structure improvement expenses	320	1,795
Other	0	428
Total extraordinary losses	878	4,185
Income before income taxes	14,915	18,284
Income taxes - current	3,520	3,624
Income taxes - deferred	359	0
Total income taxes	3,880	3,624
Net income	11,035	14,659
Net income (loss) attributable to non-controlling interests	115	(91)
Net income attributable to owners of parent company	10,919	14,751



(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Net income	11,035	14,659
Other comprehensive income		
Net unrealized holding gains (losses) on securities	1,146	(1,057)
Deferred gains (losses) on hedges	39	(1)
Foreign currency translation adjustments	11,563	(9,947)
Post retirement benefit liability adjustments of foreign subsidiaries	(362)	(81)
Total other comprehensive income (loss)	12,386	(11,087)
Comprehensive income	23,421	3,571
(Breakdown)		
Comprehensive income attributable to shareholders	23,291	3,713
Comprehensive income (loss) attributable to non-controlling interest	129	(142)

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

Prior fiscal year (April 1, 2014 - March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	23,557	41,495	73,597	(3,412)	135,236
Changes of items during the year					
Dividends from surplus			(1,177)		(1,177)
Net income			10,919		10,919
Purchase of treasury stock				(0)	(0)
Net change of items other than shareholders' equity during the period					
Total changes of items during the year	-	-	9,742	(0)	9,741
Balance at the end of the year	23,557	41,495	83,339	(3,413)	144,978

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Post retirement benefit liability adjustments of foreign subsidiaries	Accumulated other comprehensive income			
Balance at the beginning of the year	979	(31)	(7,774)	(34)	(6,860)	170	9	128,556
Changes of items during the year								
Dividends from surplus								(1,177)
Net income								10,919
Purchase of treasury stock								(0)
Net change of items other than shareholders' equity during the period	1,146	39	11,548	(362)	12,372	56	129	12,558
Total changes of items during the year	1,146	39	11,548	(362)	12,372	56	129	22,300
Balance at the end of the year	2,125	7	3,774	(396)	5,511	227	139	150,856

Current fiscal year (April 1, 2015 - March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	23,557	41,495	83,339	(3,413)	144,978
Changes of items during the year					
Dividends from surplus			(1,177)		(1,177)
Net income attributable to owners of parent company			14,751		14,751
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		1		87	88
Change in treasury share of parent arising from transaction with non-controlling shareholders		18			18
Net change of items other than shareholders' equity during the period					
Total changes of items during the year		20	13,573	86	13,680
Balance at the end of the year	23,557	41,515	96,912	(3,326)	158,658

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Post retirement benefit liability adjustments of foreign subsidiaries	Accumulated other comprehensive income			
Balance at the beginning of the year	2,125	7	3,774	(396)	5,511	227	139	150,856
Changes of items during the year								
Dividends from surplus								(1,177)
Net income attributable to owners of parent company								14,751
Purchase of treasury stock								(0)
Disposal of treasury stock								88
Change in treasury share of parent arising from transaction with non-controlling shareholders								18
Net change of items other than shareholders' equity during the period	(1,057)	(1)	(9,897)	(81)	(11,037)	10	(128)	(11,155)
Total changes of items during the year	(1,057)	(1)	(9,897)	(81)	(11,037)	10	(128)	2,525
Balance at the end of the year	1,067	6	(6,122)	(477)	(5,526)	238	10	153,381

#### (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
<b>Operating activities:</b>		
Income before income taxes	14,915	18,284
Depreciation and amortization	21,813	23,767
Impairment loss	94	222
Business structure improvement expense	320	1,795
Loss (gain) on transfer of business	(102)	-
Amortization of goodwill	600	-
Increase (decrease) in allowance for doubtful receivables	(36)	(18)
Increase (decrease) in accrued bonuses for employees	487	160
Increase (decrease) in accrued bonuses for directors and corporate auditors	34	75
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	9	3
Interest and dividend income	(419)	(389)
Interest expense	324	273
Interest on bonds	61	-
Equity in earnings of affiliate	(7)	(12)
(Gain) loss on disposal and sales of property, plant and equipment	426	70
Subsidy income	(691)	(159)
(Gain) Loss on evaluation of investment securities	1	1,462
(Increase) decrease in trade receivables	(6,372)	2,587
(Increase) decrease in inventories	(4,137)	(7,720)
Increase (decrease) in trade payables	63	260
Other	575	1,191
Subtotal	27,966	41,854
Interest and dividends received	424	377
Interest paid	(447)	(271)
Business structure improvement expense paid	(118)	(389)
Income taxes (paid) refunded	(2,928)	(3,292)
Net cash provided by operating activities	24,896	38,278
<b>Investing activities:</b>		
Purchases of property, plant and equipment	(18,780)	(37,377)
Proceeds from sales of property, plant and equipment	75	279
Purchases of investment securities	(2,749)	(160)
(Increase) decrease in time deposits	35	(1,413)
Proceeds from sales of investment securities	253	138
Proceeds from transfer of business	262	1,043
Receipt from subsidy income	691	159
Expenditure for other investment acquisition	(1,007)	-
Proceeds from sales of other investments	-	1,093
Other	253	862
Net cash used in investing activities	(20,964)	(35,374)

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
<b>Financing activities:</b>		
Net increase (decrease) in short-term borrowings	1,093	(47)
Proceeds from long-term borrowings	-	5,000
Repayments of long-term borrowings	(12,494)	(5,493)
Redemption of current portion of convertible bonds with stock acquisition rights to shares	(365)	-
Redemption of convertible bonds	(8,000)	-
Cash dividends paid to non-controlling interests	-	(0)
Purchases of treasury stock	(0)	(0)
Payments of cash dividends	(1,174)	(1,175)
Repayments of lease obligations	(308)	(333)
Other	-	0
Net cash provided by (used in) financing activities	(21,249)	(2,050)
Effect of exchange rate changes on cash and cash equivalents	4,182	(2,385)
Net increase (decrease) in cash and cash equivalents	(13,135)	(1,532)
Cash and cash equivalents at beginning of period	54,611	41,476
Cash and cash equivalents at end of period	41,476	39,944

## **(5) Notes to Consolidated Financial Statements**

### **(Notes on Premise of Going Concern)**

No relevant items to report.

### **(Basis of Presentation of Consolidated Financial Statements)**

#### **1. *Scope of consolidation***

The Company has 30 consolidated subsidiaries. Below is a list of the Company's primary subsidiaries.

TAIWAN TAIYO YUDEN CO., LTD.  
KOREA TAIYO YUDEN CO., LTD.  
TAIYO YUDEN (SINGAPORE) PTE. LTD.  
HONG KONG TAIYO YUDEN CO., LTD.  
TAIYO YUDEN (U.S.A.) INC.  
TAIYO YUDEN (PHILIPPINES), INC.  
TAIYO YUDEN (SARAWAK) SDN. BHD.  
TAIYO YUDEN (GUANGDONG) CO., LTD.  
KOREA KYONG NAM TAIYO YUDEN CO., LTD.  
NIIGATA TAIYO YUDEN CO., LTD.  
TAIYO YUDEN Mobile Technology Co., Ltd.

#### **2. *Scope of equity method***

The Company holds two affiliated companies accounting for under the equity method. There is one affiliate to which the equity method is not applied.

#### **3. *Summary of significant accounting policies***

##### **i Valuation standards and methods for important assets**

###### **Inventories**

Merchandise and finished products: Historical cost basis using mainly the periodic average method. Note: the balance sheet value is calculated with inventory write-down based on decreased profitability.

Works in progress: Historical cost basis using the periodic average Method. Note: balance sheet value is calculated with inventory write-down based on decreased profitability.

Raw materials and supplies: Historical cost basis using the first-in

first-out method. Note: balance sheet value calculated within inventory write-down based on decreased profitability.

#### ii Depreciation and amortization

Property, plant and equipment (excluding lease assets)

The Company and its consolidated domestic subsidiaries primarily use the declining-balance method of depreciation. The straight-line method of depreciation is used for buildings (excluding accompanying facilities) acquired after April 1, 1998 by the Company and its consolidated domestic subsidiaries. In addition, the same standards as those methods defined in the Corporation Tax Act of Japan are used primarily for useful life and residual value.

The Company's consolidated overseas subsidiaries primarily use the straight-line method of depreciation.

#### **(Changes in Accounting Policy)**

The "Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013, hereinafter the "Business Combinations Accounting Standard"), the "Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter the "Consolidated Financial Statements Accounting Standards"), and the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, hereinafter the "Business Divestitures Accounting Standard") have been applied from the the year ending March 31, 2016. As a result, for subsidiaries the Company continues to control, differences arising due to changes in the equity share are entered in capital surplus and costs associated with the acquisition of shares are now treated as expenses in the consolidated fiscal year in which they are incurred. In addition, for business combinations that are implemented at and after the beginning of the year ending March 31, 2016, revisions to the allocation of the cost of acquisitions as determined by provisional accounting treatment are reflected in the consolidated financial statements for the year in which the business combination took place. Additionally, the Company has changed the method of presenting consolidated net income and changed "minority interests in consolidated subsidiaries" to "non-controlling interests in consolidated subsidiaries". To reflect these changes, the Company has reclassified its consolidated financial statements for the previous fiscal year.

On the Consolidated Statements of Cash Flows for the fiscal year ended

March 31, 2016, the Company has changed to a method of reporting cash flows related to the acquisition and sale of shares in subsidiaries that are not accompanied by changes in the scope of consolidation in Net cash provided by (used in) financing activities. The Company reports expenses related to the acquisition of shares in subsidiaries that are accompanied by changes in the scope of consolidation and cash flows related to expenses incurred in the acquisition or sale of shares in subsidiaries that are not accompanied by changes in the scope of consolidation in Net cash provided by operating activities.

The Company has applied these standards in accordance with the transitional treatment prescribed in Para. 58-2 (4) of the Business Combinations Accounting Standard, Para. 44-5 (4) of the Consolidated Financial Statements Accounting Standard, and Para. 57-4 (4) of the Business Divestitures Accounting Standard, and will continue to apply these standards from the beginning of the first quarter of the year ending March 31, 2016 into the future.

There is no material impact on the consolidated financial statement for the year ended March 31, 2016.

**(Segment Information)**

***1. Segment information***

***i. Overview of reportable segments***

In the past, the Companies had reported by two business segments which were electronic components and optical media and others but change to a single business segment which is electronic components from the year ended March 31, 2016. This is because the Companies reconsider about reportable segment accompanying the withdrawal from the recording media business in December 2015, with taking consideration about the operation of their business, the allocation of management resources, the actual circumstances of the corporate management system and other factors. Then the Companies judged that it is reasonable to regard the Companies' business as one unit and appropriate for there to be a single business segment. As a result of this change, the Companies will have a single business segment which is electronic components and will not publish segment information from the year ended March 31, 2016.

***ii. Calculation for net sales, segment income or loss, assets and other items of reportable segments***



As the Group has a single business segment, publication of segment information has been omitted.

- iii. Net sales, segment income or loss, assets and other items of reportable segments

As the Group has a single business segment, publication of segment information has been omitted.

## 2. *Related information*

### Year ended March 31, 2015 (April 1, 2014 – March 31, 2015)

- i. Information for each product and service

Information for each product and service has been omitted here because it is disclosed in “5. Other; (1) Production, Orders and Sales Results; 4.Sales Results.”

- ii. Information for each region

a. Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
32,038	90,595	22,541	81,919	227,095

Note:

1. Net sales are grouped according to the country or region of the customer’s business address.

b. Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
53,913	16,980	14,055	12,759	97,708

- iii Information for each main customer

Information for each main customer has been omitted because no customer accounts for more than 10% of net sales on the consolidated profit and loss statement.

### Year ended March 31, 2016 (April 1, 2015 – March 31, 2016)

- i. Information for each product and service

Information for each product and service has been omitted here because

it is disclosed in “5. Other; (1) Production, Orders and Sales Results; 4.Sales Results.”

ii. Information for each region

a. Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries and regions	Total
24,909	107,994	29,713	77,768	240,385

Note: Net sales are grouped according to the country or region of the customer’s business address.

(Changes in presentation methods)

Hong Kong, which was included in Other countries or regions in the year ended March 31, 2015, exceeded 10% of the net sales on the consolidated statements of operations, so has been reported separately from the year ended March 31, 2016. The presentation for the year ended March 31, 2015 has been restated to reflect this change.

b. Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries and regions	Total
66,784	14,212	14,134	11,915	107,047

iii. Information for each main customer

Information for each main customer has been omitted because no customer accounts for more than 10% of net sales on the consolidated statements of operations.

**3. Fixed asset impairment losses for each reportable segment**

As the Group has a single business segment, publication of segment information about fixed asset impairment losses has been omitted.

**(Per Share Information)**

	Year ended March 31, 2015 (April 1, 2014 – March 31, 2015)	Year ended March 31, 2016 (April 1, 2015 – March 31, 2016)
Net assets per share	1,278.07	1,299.75
Net income per share	92.74	125.27
Diluted net income per share	85.51	115.54

Note: The following represents the basic data used for calculating net assets per share.

(Millions of yen unless otherwise stated)

	As of March 31, 2015	As of March 31, 2016
Total net assets	150,856	153,381
Deductions from Total net assets	366	248
(Stock acquisition rights)	(227)	(238)
(Non-controlling interests)	(139)	(10)
Net assets at fiscal year-end related to common stock	150,489	153,132
Number of common stock at fiscal year-end used in the calculation of net assets per share (thousand shares)	117,747	117,816

Note: The following represents the basic data used for calculating net income per share.

(Millions of yen unless otherwise stated)

	Year ended March 31, 2015 (April 1, 2014 – March 31, 2015)	Year ended March 31, 2016 (April 1, 2015 – March 31, 2016)
Net income per share		
Net income attributable to owners of parent company	10,919	14,751
Amounts not allocated to common stock shareholders	-	-
Net income attributable to owners of parent company related to common stock	10,919	14,751
Average number of common stock outstanding in FY (thousand shares)	117,747	117,754
Diluted net income per share		
Adjustments to net income attributable to owners of parent company	(9)	(9)
Interest on bonds (net after deduction of taxes)	(9)	(9)
Increase in common stock (thousand shares)	9,844	9,831
Convertible bonds with acquisition rights (thousand shares)	9,666	9,666
Stock acquisition rights (thousand shares)	177	165
Outline of stock not included in diluted net income per share due to lack of dilutive effect	-	-

**(Significant Subsequent Events)**

No relevant items to report.

**5. Other****(1) Production, Orders and Sales Results****1. Production**

Product segment	Year ended March 31, 2015		Year ended March 31, 2016	
	Amount	[%]	Amount	[%]
Capacitors	116,027	54.5	127,132	54.6
Ferrite and applied products	43,712	20.5	48,518	20.8
Integrated modules & devices	42,613	20.0	49,475	21.3
Others	10,684	5.0	7,615	3.3
Total	213,037	100.0	232,742	100.0

Note:

1. Amounts are based on average unit sales prices for the period.
2. The aforementioned amounts are exclusive of consumption and related taxes.
3. The Group has a single business segment which is electronic components, and the categories described above are not reportable business segments.

**2. Orders**

Product segment	Year ended March 31, 2015		Year ended March 31, 2016	
	Amount	[%]	Amount	[%]
Capacitors	117,662	49.8	124,933	50.7
Ferrite and applied products	43,157	18.3	47,171	19.1
Integrated modules & devices	57,283	24.3	61,307	24.9
Others	17,970	7.6	13,133	5.3
Total	236,073	100.0	246,545	100.0

Note:

1. Amounts are based on average unit sales prices for the period.
2. The Group has a single business segment which is electronic components, and the categories described above are not reportable business segments.

**3. Order Backlog**

Product segment	Year ended March 31, 2015		Year ended March 31, 2016	
	Amount	[%]	Amount	[%]
Capacitors	17,656	54.3	18,914	48.9
Ferrite and applied products	5,465	16.8	6,172	16.0
Integrated modules & devices	9,034	27.8	12,646	32.7
Others	335	1.0	917	2.4
Total	32,492	100.0	38,651	100.0

Note:

1. Amounts are based on average unit sales prices for the period.
2. The Group has a single business segment which is electronic components, and the categories described above are not reportable business segments.

#### 4. Sales Results

Product segment	Year ended March 31, 2015		Year ended March 31, 2016	
	Amount	[%]	Amount	[%]
Capacitors	114,363	50.4	123,675	51.4
Ferrite and applied products	41,948	18.5	46,463	19.3
Integrated modules & devices	52,797	23.2	57,696	24.0
Others	17,986	7.9	12,551	5.2
Total	227,095	100.0	240,385	100.0

Note:

1. Amounts are based on average unit sales prices for the period.
2. The Group has a single business segment which is electronic components, and the categories described above are not reportable business segments.