

Company name: TAIYO YUDEN CO., LTD.
 URL: <http://www.ty-top.com/>
 Representative: Shoichi Tosaka, President and Chief Executive Officer
 Contact: Accounting Department, Management Planning Headquarters
 Telephone number: +81-3-3832-0101
 Listing exchange: Tokyo Stock Exchange (Code Number: 6976)

Consolidated Results for the Six Months Ended September 30, 2016 (April 1, 2016 – September 30, 2016)

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

Overview of Operating Results

Item	Period	Six months ended September 30, 2015		Six months ended September 30, 2016		Increase/(Decrease)	
		Amount	Share [%]	Amount	Share [%]	Amount	[%]
Net sales		122,109	100.0	113,032	100.0	(9,077)	(7.4)
Operating income		14,253	11.7	5,290	4.7	(8,963)	(62.9)
Ordinary income		13,837	11.3	3,032	2.7	(10,804)	(78.1)
Income before income taxes and minority interests		10,686	8.8	2,002	1.8	(8,683)	(81.3)
Net income attributable to owners of parent company		7,948	6.5	907	0.8	(7,041)	(88.6)
Comprehensive income (loss)		1,450	-	(9,479)	-	(10,930)	-
Net income per share [Yen]			67.51		7.70		
Diluted net income per share [Yen]			62.26		7.07		
R&D expenses			4,423		4,568	145	3.3
Capital investment			15,974		14,812	(1,161)	(7.3)
Depreciation and amortization			11,204		11,823	619	5.5

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

	As of March 31, 2016	As of September 30, 2016	Increase/(Decrease)	
			Amount	[%]
Total assets	268,380	261,979	(6,400)	(2.4)
Net assets	153,381	142,736	(10,645)	(6.9)
Equity ratio	57.1%	54.4%	(2.7) pt	-
Net assets per share [Yen]	1,299.75	1,208.99	(90.76)	(7.0)

Net Sales by Product Classification

Product classification	Six months ended September 30, 2015		Six months ended September 30, 2016		Increase/(Decrease)	
	Amount	Share [%]	Amount	Share [%]	Amount	[%]
Capacitors	62,225	51.0	57,083	50.5	(5,141)	(8.3)
Ferrite and applied products	23,871	19.5	20,838	18.4	(3,033)	(12.7)
Integrated modules & devices	29,608	24.2	32,351	28.6	2,742	9.3
Others	6,404	5.2	2,759	2.4	(3,644)	(56.9)
Total	122,109	100.0	113,032	100.0	(9,077)	(7.4)

TAIYO YUDEN

Consolidated Results for the six months ended September 30, 2016

November 7, 2016

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

1. Consolidated financial results for the period from April 1, 2016 to September 30, 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	%
Six months ended September 30, 2016	113,032	(7.4)	5,290	(62.9)	3,032	(78.1)	907	(88.6)
Six months ended September 30, 2015	122,109	16.1	14,253	477.3	13,837	292.2	7,948	993.7

Note: Comprehensive income ended on September 30, 2016 (9,479) million yen ; - % ended on September 30, 2015 1,450 million yen ; (78.9 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2016	7.70	7.07
Six months ended September 30, 2015	67.51	62.26

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2016	261,979	142,736	54.4	1,208.99
As of March 31, 2016	268,380	153,381	57.1	1,299.75

(Reference) Shareholder's equity As of September 30, 2016 142,455 million yen
As of March 31, 2016 153,132 million yen

2. Dividend information

	Cash dividends per share				
	1Q	2Q	3Q	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	—	5.00	—	10.00	15.00
Year ending March 31, 2017	—	10.00			
Year ending March 31, 2017 (forecast)			—	10.00	20.00

Note: No changes in the forecasted dividend during the second quarter ended September 30, 2016.

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

(Percentages represent changes from 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
Year ending March 31, 2017	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	225,000	(6.4)	10,000	(57.2)	7,500	(66.3)	3,000	(79.7)	25.46

Note: There are changes in the forecasted results during the second quarter ended September 30, 2016.

4. Note

(1) Changes in principal subsidiaries during the six months ended September 30, 2016: No

(2) Adoption of specific accounting procedures for quarterly consolidated reporting: No

(3) 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

(4) Number of common shares outstanding :

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

As of September 30, 2016 120,481,395 shares As of March 31, 2016 120,481,395 shares

b. Number of treasury stock:

As of September 30, 2016 2,650,703 shares As of March 31, 2016 2,664,538 shares

c. Average number of common shares outstanding:

Six months ended September 30, 2016 117,822,736 shares Six months ended September 30, 2015 117,748,718 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 quarterly review 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. Qualitative Information Concerning Financial Statements and Other

(1) Consolidated Operating Results

Economy and Market Conditions

During the six-month period ended September 30, 2016, the business environment surrounding the Group generally showed a tone of recovery for the global economy as a whole due to ongoing steady growth in developed countries, while uncertainty persists in some of these countries, despite the slowdown observed in China and other emerging nations. Nevertheless, the situation related to rising uncertainty in the global economy and financial market trends remains unpredictable, including the possibility of economic downturn in China and emerging countries and the issues around the withdrawal of the United Kingdom from the European Union.

Company Actions Planned to Offset These Conditions

TAIYO YUDEN Group aims to achieve its medium-term targets and management vision by focusing on growth markets such as communication equipment and automotive and industrial equipment centered on the solution business that leverages the Group's core technologies, in addition to super high-end products and high reliability products that draw on the Group's strengths of research and development and production technology.

In the communication device market, demand for ultra-small and high reliability components is expected to rise significantly because of a sharp increase in equipment connected to the internet. This increase results from the development of the IoT as well as continued advances in smartphone functionality and performance. In the automotive and industrial equipment markets, demand for large, high voltage resistant, high reliability components is expected to rise along with the proliferation of hybrid and electric vehicles and the further advances of electronic components in industrial equipment. In these markets, TAIYO YUDEN Group is working to expand sales of highly competitive, super high-end products and high reliability products, such as capacitors, inductors, and integrated modules & devices. In the solution business, another focus of growth, TAIYO YUDEN Group is promoting the

development of new businesses that combine the Group's core technologies in the following areas: multilayer, optical, integration, surface processing, wireless, and power sources. The Group is also working to strengthen monozukuri (manufacturing) capabilities in order to build a system that will enhance profitability and meet future increases in demand for components. In addition to enhancing production capacity, the Group is accelerating improvements in production efficiency by promoting advances in underlying technologies and transforming production methods.

Overview of Business Performance

Consolidated net sales for the six-month period ended September 30, 2016 totaled ¥113,032 million, which is a decrease of 7.4% compared to the corresponding period of the previous fiscal year. Operating income was ¥5,290 million, a decrease of 62.9%. Moreover, as a result of recording ¥2,099 million in loss on foreign exchange, ordinary income amounted to ¥3,032 million, down by 78.1% compared to the corresponding period of the previous fiscal year, and net income attributable to owners of the parent company was ¥907 million, a decrease of 88.6% from the same period of the previous fiscal year.

Exchange Rate

The average foreign currency exchange rate for the six-month period ended September 30, 2016 was US\$1:¥107.19. This is an appreciation of ¥14.64 as compared to the average realized in the corresponding period of the previous fiscal year of US\$1:¥121.83.

Net Sales by Product Classification

Capacitors

The capacitor product classification is comprised of multilayer ceramic capacitors. For the six-month period ended September 30, 2016, capacitor sales for consumer products, i.e. TVs, information equipment, i.e. PCs, and communication equipment, which focused on smartphones. In total, sales for this product classification decreased 8.3% year over year to ¥57,083 million.

Ferrite and applied products

This product classification is comprised of various inductors including metal power inductor “MCOIL™”, wire-wound inductors and multilayer chip inductors. In the six-month period ended September 30, 2016, sales decreased 12.7% to ¥20,838 million as compared to the same period of the previous fiscal year. Product sales for consumer products, information equipment and communication equipment were lower as compared to the corresponding period of the previous fiscal year.

Integrated Modules & Devices

This product classification 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™” and our product mounting business done by a subsidiary company. For the six-month period ended September 30, 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 classification year over year to ¥32,351 million.

Others

For this product classification, TAIYO YUDEN Group manufactures and sells energy devices. Net sales for the six-month period ended September 30, 2016 declined significantly to ¥2,759 million, down 56.9% year on year, due to the withdrawal from the Optical Media business.

(2) Consolidated Financial Condition

1. Changes in Financial Condition

Assets

Total assets as of September 30, 2016 decreased ¥6,400 million to ¥261,979 million compared with the end of the previous fiscal year.

Current assets decreased ¥6,551 million in comparison to the previous fiscal year. This was mainly attributable to a decrease of ¥6,198 million in cash and deposits, ¥1,844 million in merchandise and finished products, ¥1,196 million in work in process and an increase of ¥3,318 million in trade notes

and accounts receivable. Fixed assets increased by ¥150 million due mainly to an increase of 228 million in intangible fixed assets and a decrease of ¥142 million in property, plant and equipment.

Liabilities

Total liabilities as of September 30, 2016 were ¥119,243 million, an increase of ¥4,244 million as compared to the balance at March 31, 2016. This was mainly due to an increase of ¥9,560 million in short-term borrowings, ¥4,999 million in current portion of long-term borrowings and a decrease of ¥10,606 million in long-term borrowings.

Net Assets

Net assets as of September 30, 2016 decreased ¥10,645 million to ¥142,736 million compared with the end of the previous fiscal year.

2. Cash Flows

Operating activities

Net cash provided by operating activities for the six-month period ended September 30, 2016 was ¥8,939 million, a decrease of 48.3% compared with the corresponding period of the previous fiscal year. The main factors are income before income taxes of ¥2,002 million, depreciation and amortization of ¥11,823 million and increase in trade receivables of ¥7,278 million.

Investing activities

Net cash used in investing activities for six-month period ended September 30, 2016 totaled ¥14,021 million, a decrease of 16.4% compared with the corresponding period of the previous fiscal year. The main factor is amounts paid for purchase of property, plant and equipment of ¥15,163 million.

Financing activities

Net cash provided by financing activities for the six-month period ended September 30, 2016 totaled ¥2,901 million, an increase of 31.6% compared with the corresponding period of the previous fiscal year. This was primarily attributed to net increase in short-term borrowings of ¥9,884 million and repayments of long-term borrowings of ¥5,607 million.

As a result of the aforementioned activities, cash and cash equivalents as of

September 30, 2016 decreased ¥4,817 million from the end of the previous fiscal year, to ¥35,127 million.

(3) Forecasts of Consolidated Operating Results

TAIYO YUDEN revised its consolidated operating results forecasts for the full fiscal year ending March 31, 2017, previously announced on May 11, 2016. This was decided after careful consideration of the Companies' consolidated performance for the six-month period ended September 30, 2016. For details and the revised figures, please refer to our current press release "TAIYO YUDEN Announces the Reasons for Differences between Consolidated Forecasts and Actual Results, and Earnings Forecast Revisions" announced today November 7, 2016.

2. Summary Information and Notes

(1) Changes in Accounting Policy, Changes in Accounting Estimates, and Restatements

1. Changes in Accounting Policy

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In the three-month period ended June 30, 2016, the Company applied Practical Solution on a change in depreciation method due to Tax Reform 2016 (PITF No. 32, June 17, 2016) following the revision of the Corporation Tax Act, and changed the method of depreciation for structures and facilities attached to buildings acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on the consolidated financial statements for the six-month period ended September 30, 2016 is immaterial.

2. Additional Information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016) from the three-month period ended June 30, 2016.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
ASSETS		
Current assets:		
Cash and deposits	45,962	39,764
Trade notes and accounts receivable	49,759	53,078
Merchandise and finished products	17,501	15,656
Work in process	18,638	17,441
Raw materials and supplies	12,549	12,723
Other	7,418	6,629
Allowance for doubtful receivables	(267)	(281)
Total current assets	151,563	145,011
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	78,622	76,217
Machinery and equipment	225,862	220,024
Tools, furniture and fixtures	20,135	19,962
Land	8,610	8,631
Construction in progress	5,337	6,375
Accumulated depreciation	(231,521)	(224,305)
Net property, plant and equipment	107,047	106,905
Intangible fixed assets:		
Other	861	1,089
Total intangible fixed assets	861	1,089
Investments and other assets:		
Investment securities	6,287	6,402
Other	2,958	2,873
Allowance for doubtful receivables	(337)	(303)
Total investments and other assets	8,908	8,972
Total fixed assets	116,817	116,967
Total assets	268,380	261,979

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	23,429	24,105
Short-term borrowings	11,979	21,539
Current portion of long-term borrowings	6,200	11,199
Income taxes payable	2,340	2,076
Accrued bonuses for employees	3,390	3,358
Accrued bonuses for directors and corporate auditors	184	31
Other	21,004	20,803
Total current liabilities	68,530	83,114
Long-term liabilities:		
Convertible bonds with stock acquisition rights	20,067	20,064
Long-term borrowings	15,145	4,539
Accrued retirement benefits for directors and corporate auditors	130	131
Net defined benefit liability	3,115	2,972
Other	8,009	8,424
Total long-term liabilities	46,468	36,128
Total liabilities	114,999	119,243
NET ASSETS		
Shareholders' equity:		
Common stock	23,557	23,557
Capital surplus	41,515	41,516
Retained earnings	96,912	96,642
Treasury stock	(3,326)	(3,309)
Total shareholders' equity	158,658	158,406
Accumulated other comprehensive income		
Net unrealized holding gains on securities	1,067	1,361
Deferred gains (losses) on hedges	6	30
Foreign currency translation adjustments	(6,122)	(16,886)
Post retirement benefit liability adjustments of foreign subsidiaries	(477)	(456)
Total accumulated other comprehensive income	(5,526)	(15,950)
Stock acquisition rights	238	268
Non-controlling interests	10	12
Total net assets	153,381	142,736
Total liabilities and net assets	268,380	261,979

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

(Consolidated Statements of Operations)

(Six months ended September 30, 2016 and 2015)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	122,109	113,032
Cost of sales	87,508	88,688
Gross profit	34,601	24,344
Selling, general and administrative expenses	20,347	19,053
Operating income	14,253	5,290
Non-operating income:		
Interest income	158	107
Dividend income	87	71
Equity in earnings of affiliate	8	-
Subsidy income	12	244
Gain on investments in partnership	88	0
Other	54	90
Total non-operating income	409	512
Non-operating expenses:		
Interest expense	136	123
Equity in losses of affiliate	-	151
Loss on foreign exchange	461	2,099
Depreciation of inactive noncurrent assets	138	270
Other	88	124
Total non-operating expenses	826	2,770
Ordinary income	13,837	3,032
Extraordinary gains:		
Gain on sales of property, plant and equipment	34	23
Total extraordinary gains	34	23
Extraordinary losses:		
Loss on disposal and sales of property, plant and equipment	185	335
Impairment loss	62	344
Loss on evaluation of investment securities	1,430	-
Business structure improvement expenses	1,506	374
Other	0	-
Total extraordinary losses	3,185	1,053
Income before income taxes	10,686	2,002
Income taxes - current	2,676	1,910
Income taxes - deferred	179	(818)
Total income taxes	2,856	1,092
Net income	7,829	910
Net income (loss) attributable to non-controlling interests	(119)	2
Net income attributable to owners of parent company	7,948	907

(Consolidated Statements of Comprehensive Income)

(Six months ended September 30, 2016 and 2015)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net income	7,829	910
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(405)	293
Deferred gains (losses) on hedges	0	23
Foreign currency translation adjustments	(5,891)	(10,728)
Post retirement benefit liability adjustments of foreign subsidiaries	(83)	21
Total other comprehensive income (loss)	(6,379)	(10,389)
Comprehensive income	1,450	(9,479)
(Breakdown)		
Comprehensive income (loss) attributable to shareholders	1,585	(9,517)
Comprehensive income (loss) attributable to non-controlling interest	(135)	37

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Operating activities:		
Income before income taxes	10,686	2,002
Depreciation and amortization	11,204	11,823
Impairment loss	62	344
Business structure improvement expense	1,506	374
Increase (decrease) in allowance for doubtful receivables	28	(2)
Increase (decrease) in accrued bonuses for employees	731	3
Increase (decrease) in accrued bonuses for directors and corporate auditors	(23)	(152)
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	8	3
Interest and dividend income	(245)	(178)
Interest expense	136	123
Equity in earnings of affiliate	(8)	151
(Gain) loss on disposal and sales of property, plant and equipment	150	311
(Gain) Loss on evaluation of investment securities	1,430	-
Subsidy income	-	(66)
(Increase) decrease in trade receivables	(1,306)	(7,278)
(Increase) decrease in inventories	(6,976)	(242)
Increase (decrease) in trade payables	1,956	1,343
Other	(174)	2,674
Subtotal	19,171	11,234
Interest and dividends received	241	182
Interest paid	(137)	(131)
Business structure improvement expense paid	(149)	(374)
Income taxes (paid) refunded	(1,850)	(1,972)
Net cash provided by operating activities	17,275	8,939
Investing activities:		
Purchases of property, plant and equipment	(18,107)	(15,163)
Proceeds from sales of property, plant and equipment	38	86
Proceeds from sales of investment securities	95	32
(Increase) decrease in time deposits	(1,405)	823
Receipt from subsidy income	-	66
Proceeds from transfer of business	1,043	-
Proceeds from sales of other investments	1,122	-
Other	434	131
Net cash used in investing activities	(16,778)	(14,021)
Financing activities:		
Net increase (decrease) in short-term borrowings	2,444	9,884
Proceeds from long-term borrowings	5,000	-
Repayments of long-term borrowings	(4,487)	(5,607)
Cash dividends paid to non-controlling interests	(0)	-
Purchases of treasury stock	(0)	(0)
Payments of cash dividends	(587)	(1,175)
Repayments of lease obligations	(162)	(200)
Other	0	0
Net cash provided by (used in) financing activities	2,204	2,901
Effect of exchange rate changes on cash and cash equivalents	(779)	(2,636)
Net increase (decrease) in cash and cash equivalents	1,921	(4,817)
Cash and cash equivalents at beginning of period	41,476	39,944
Cash and cash equivalents at end of period	43,398	35,127

(4) Notes on Consolidated Financial Statements

(Notes on Premise of Going Concern)

No relevant items to report.

(Notes in Case of Significant Changes to Shareholders' Equity)

No relevant items to report.

4. Supplementary Information

(1) Net Sales by Product Classification

(Millions of yen)

Product classification	Six months ended September 30, 2015		Six months ended September 30, 2016		Increase/ (Decrease)	
	Amount	Share [%]	Amount	Share [%]	Amount	%
Capacitors	62,225	51.0	57,083	50.5	(5,141)	(8.3)
Ferrite and applied products	23,871	19.5	20,838	18.4	(3,033)	(12.7)
Integrated modules & devices	29,608	24.2	32,351	28.6	2,742	9.3
Others	6,404	5.2	2,759	2.4	(3,644)	(56.9)
Total	122,109	100.0	113,032	100.0	(9,077)	(7.4)

Note: The aforementioned amounts are exclusive of consumption and related taxes.