

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 Nine Months Ended December 31, 2016 (April 1, 2016 – December 31, 2016)

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

Overview of Operating Results

Item	Period	Nine months ended December 31, 2015		Nine months ended December 31, 2016		Increase/(Decrease)	
		Amount	Share [%]	Amount	Share [%]	Amount	[%]
Net sales		186,077	100.0	173,217	100.0	(12,859)	(6.9)
Operating income		21,058	11.3	9,589	5.5	(11,469)	(54.5)
Ordinary income		21,104	11.3	9,708	5.6	(11,395)	(54.0)
Income before income taxes and minority interests		17,610	9.5	6,814	3.9	(10,795)	(61.3)
Net income attributable to owners of parent company		14,382	7.7	4,974	2.9	(9,407)	(65.4)
Comprehensive income		8,287	-	3,690	-	(4,597)	(55.5)
Net income per share [Yen]			122.15		42.22		
Diluted net income per share [Yen]			112.62		38.89		
R&D expenses			6,701		7,204	502	7.5
Capital investment			23,671		23,225	(445)	(1.9)
Depreciation and amortization			17,226		18,055	829	4.8

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

	As of March 31, 2016	As of December 31, 2016	Increase/(Decrease)	
			Amount	[%]
Total assets	268,380	279,872	11,492	4.3
Net assets	153,381	154,748	1,367	0.9
Equity ratio	57.1%	55.2%	(1.9) pt	-
Net assets per share [Yen]	1,299.75	1,311.04	11.29	0.9

Net Sales by Product Classification

Product classification	Nine months ended December 31, 2015		Nine months ended December 31, 2016		Increase/(Decrease)	
	Amount	Share [%]	Amount	Share [%]	Amount	[%]
Capacitors	95,443	51.3	87,663	50.6	(7,780)	(8.2)
Ferrite and applied products	37,017	19.9	31,797	18.4	(5,219)	(14.1)
Integrated modules & devices	42,901	23.1	49,155	28.4	6,254	14.6
Others	10,714	5.8	4,601	2.7	(6,113)	(57.1)
Total	186,077	100.0	173,217	100.0	(12,859)	(6.9)

TAIYO YUDEN

Consolidated Results for the nine months ended December 31, 2016

February 6, 2017

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 December 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	%
Nine months ended December 31, 2016	173,217	(6.9)	9,589	(54.5)	9,708	(54.0)	4,974	(65.4)
Nine months ended December 31, 2015	186,077	11.3	21,058	157.5	21,104	100.2	14,382	141.6

Note: Comprehensive income ended on December 31, 2016 3,690 million yen ; (55.5 %) ended on December 31, 2015 8,287 million yen ; (59.8 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2016	42.22	38.89
Nine months ended December 31, 2015	122.15	112.62

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2016	279,872	154,748	55.2	1,311.04
As of March 31, 2016	268,380	153,381	57.1	1,299.75

(Reference) Shareholder's equity As of December 31, 2016 154,480 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 third quarter ended December 31, 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
	230,000	(4.3)	12,000	(48.7)	11,000	(50.6)	5,000	(66.1)	42.43

Note: There are changes in the forecasted results during the third quarter ended December 31, 2016.

4. Note

(1) Changes in principal subsidiaries during the nine months ended December 31, 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 December 31, 2016 120,481,395 shares As of March 31, 2016 120,481,395 shares

b. Number of treasury stock:

As of December 31, 2016 2,650,763 shares As of March 31, 2016 2,664,538 shares

c. Average number of common shares outstanding:

Nine months ended December 31, 2016 117,825,109 shares Nine months ended December 31, 2015 117,749,075 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 nine-month period ended December 31, 2016 (April 1, 2016 - December 31, 2016), the business environment surrounding the Group maintained a tone of moderate recovery for the global economy as a whole despite some weaknesses. Nevertheless, the outlook for the global economy remains unpredictable, including such factors as the economic outlook for China and emerging nations in Asia, the impacts of policy in individual countries, and exchange rate fluctuations.

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 nine-month period ended December 31, 2016 totaled ¥173,217 million, which is a decrease of 6.9% compared to the corresponding period of the previous fiscal year. Operating income was ¥9,589 million, a decrease of 54.5%, and ordinary income was ¥9,708 million, down by 54.0% compared to the corresponding period of the previous fiscal year. The Company recorded ¥2,179 million in business structure improvement expenses accompanying restructuring of overseas subsidiaries as an extraordinary loss. As a result, net income attributable to owners of parent company amounted to ¥4,974 million, down by 65.4% from the same period of the previous fiscal year.

Exchange Rate

The average foreign currency exchange rate for the nine-month period ended December 31, 2016 was US\$1:¥106.36. This is an appreciation of ¥15.18 as compared to the average realized in the corresponding period of the previous fiscal year of US\$1:¥121.54.

Net Sales by Product Classification

Capacitors

The capacitor product classification is comprised of multilayer ceramic capacitors. For the nine-month period ended December 31, 2016, capacitor sales for consumer products, i.e. TVs, information equipment, i.e. PCs, and communication equipment, which focused on smartphones, decreased as compared to the same period of the previous fiscal year. In total, sales for this product classification decreased 8.2% year over year to ¥87,663 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 nine-month period ended December 31, 2016, sales decreased 14.1% to ¥31,797 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 nine-month period ended December 31, 2016, sales for power supply modules decreased year over year and sales for FBAR/SAW devices for mobile communications, embedded-parts multilayer wiring substrates “EOMIN™”, and high frequency modules increased year over year. This resulted in a 14.6% increase in total sales for this product classification year over year to ¥49,155 million.

Others

For this product classification, TAIYO YUDEN Group manufactures and sells energy devices. Net sales for the nine-month period ended December 31, 2016 declined significantly to ¥4,601 million, down 57.1% 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 December 31, 2016 increased ¥11,492 million to ¥279,872 million compared with the end of the previous fiscal year.

Current assets increased ¥7,151 million in comparison to the previous fiscal year. This was mainly attributable to an increase of ¥12,159 million in trade notes and accounts receivable and a decrease of ¥3,713 million in cash and

deposits and ¥1,842 million in finished products. Fixed assets increased by ¥4,340 million due mainly to an increase of ¥3,733 million in property, plant and equipment.

Liabilities

Total liabilities as of December 31, 2016 were ¥125,124 million, an increase of ¥10,125 million as compared to the balance at March 31, 2016. This was mainly due to an increase of ¥10,147 million in short-term borrowings, ¥4,998 million in current portion of long-term borrowings, ¥4,388 million in other current liabilities and a decrease of ¥10,615 million in long-term borrowings.

Net Assets

Net assets as of December 31, 2016 increased ¥1,367 million to ¥154,748 million compared with the end of the previous fiscal year.

(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 November 7, 2016. This was decided after careful consideration of the Companies' consolidated performance for the nine-month period ended December 31, 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 February 6, 2017.

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 nine-month period ended December 31, 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 December 31, 2016
ASSETS		
Current assets:		
Cash and deposits	45,962	42,249
Trade notes and accounts receivable	49,759	61,918
Merchandise and finished products	17,501	15,658
Work in process	18,638	19,795
Raw materials and supplies	12,549	12,172
Other	7,418	7,244
Allowance for doubtful receivables	(267)	(324)
Total current assets	151,563	158,714
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	78,622	78,690
Machinery and equipment	225,862	234,097
Tools, furniture and fixtures	20,135	21,115
Land	8,610	9,426
Construction in progress	5,337	5,361
Accumulated depreciation	(231,521)	(237,910)
Net property, plant and equipment	107,047	110,780
Intangible fixed assets:		
Other	861	1,137
Total intangible fixed assets	861	1,137
Investments and other assets:		
Investment securities	6,287	6,563
Other	2,958	3,025
Allowance for doubtful receivables	(337)	(349)
Total investments and other assets	8,908	9,240
Total fixed assets	116,817	121,157
Total assets	268,380	279,872

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	23,429	26,162
Short-term borrowings	11,979	22,126
Current portion of long-term borrowings	6,200	11,199
Income taxes payable	2,340	2,384
Accrued bonuses for employees	3,390	1,322
Accrued bonuses for directors and corporate auditors	184	46
Other	21,004	25,392
Total current liabilities	68,530	88,634
Long-term liabilities:		
Convertible bonds with stock acquisition rights	20,067	20,057
Long-term borrowings	15,145	4,530
Accrued retirement benefits for directors and corporate auditors	130	134
Net defined benefit liability	3,115	3,069
Other	8,009	8,697
Total long-term liabilities	46,468	36,490
Total liabilities	114,999	125,124
NET ASSETS		
Shareholders' equity:		
Common stock	23,557	23,557
Capital surplus	41,515	41,518
Retained earnings	96,912	99,531
Treasury stock	(3,326)	(3,309)
Total shareholders' equity	158,658	161,297
Accumulated other comprehensive income		
Net unrealized holding gains on securities	1,067	1,929
Deferred gains (losses) on hedges	6	(30)
Foreign currency translation adjustments	(6,122)	(8,273)
Post retirement benefit liability adjustments of foreign subsidiaries	(477)	(443)
Total accumulated other comprehensive income	(5,526)	(6,817)
Stock acquisition rights	238	268
Non-controlling interests	10	-
Total net assets	153,381	154,748
Total liabilities and net assets	268,380	279,872

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

(Consolidated Statements of Operations)

(Nine months ended December 31, 2016 and 2015)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	186,077	173,217
Cost of sales	134,545	134,787
Gross profit	51,531	38,430
Selling, general and administrative expenses	30,473	28,841
Operating income	21,058	9,589
Non-operating income:		
Interest income	225	166
Dividend income	122	106
Equity in earnings of affiliate	30	-
Subsidy income	197	801
Other	255	130
Total non-operating income	831	1,205
Non-operating expenses:		
Interest expense	204	182
Equity in losses of affiliate	-	234
Loss on foreign exchange	191	27
Depreciation of inactive noncurrent assets	235	381
Other	153	258
Total non-operating expenses	785	1,085
Ordinary income	21,104	9,708
Extraordinary gains:		
Gain on sales of property, plant and equipment	35	23
Gain on liquidation of subsidiaries and associates	-	37
Total extraordinary gains	35	60
Extraordinary losses:		
Loss on disposal and sales of property, plant and equipment	215	431
Impairment loss	73	344
Loss on evaluation of investment securities	1,430	-
Business structure improvement expenses	1,810	2,179
Other	0	-
Total extraordinary losses	3,529	2,955
Income before income taxes	17,610	6,814
Income taxes - current	3,267	2,951
Income taxes - deferred	69	(1,113)
Total income taxes	3,337	1,838
Net income	14,272	4,975
Net income (loss) attributable to non-controlling interests	(109)	1
Net income attributable to owners of parent company	14,382	4,974

(Consolidated Statements of Comprehensive Income)

(Nine months ended December 31, 2016 and 2015)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net income	14,272	4,975
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(151)	861
Deferred gains (losses) on hedges	31	(36)
Foreign currency translation adjustments	(5,793)	(2,145)
Post retirement benefit liability adjustments of foreign subsidiaries	(71)	34
Total other comprehensive income (loss)	(5,985)	(1,285)
Comprehensive income	8,287	3,690
(Breakdown)		
Comprehensive income (loss) attributable to shareholders	8,413	3,683
Comprehensive income (loss) attributable to non-controlling interest	(125)	6

(3) 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	Nine months ended December 31, 2015		Nine months ended December 31, 2016		Increase/ (Decrease)	
	Amount	Share [%]	Amount	Share [%]	Amount	%
Capacitors	95,443	51.3	87,663	50.6	(7,780)	(8.2)
Ferrite and applied products	37,017	19.9	31,797	18.4	(5,219)	(14.1)
Integrated modules & devices	42,901	23.1	49,155	28.4	6,254	14.6
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Total	186,077	100.0	173,217	100.0	(12,859)	(6.9)

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