



Annual Report 2012
Fiscal Year Ended March 31, 2012

Profile

TAIYO YUDEN is a company that makes electronic components that are indispensable for economic activity in Japan and throughout the world.

Since its founding in 1950, TAIYO YUDEN has worked to develop and mass produce electronic components that meet the most current needs of our customers and the markets we serve, ranging from the research and development of materials to product commercialization. This is what we believe in.

TAIYO YUDEN aims to be an exciting company that is trusted by all its stakeholders, with a foundation comprised mainly of its original technical capabilities and proposal-making abilities that have been developed since the company was first founded.

Notes

Period covered by report: from April 1, 2011 to March 31, 2012

The amount of money listed in this report cuts off less than hundred million yen and 1 million yen and displays it.

The Bluetooth[®] word mark and logos are registered trademarks owned by Bluetooth SIG, Inc. TAIYO YUDEN has been granted approval to use these trademarks.

The following convention has been applied as regards the labeling of fiscal years in graphs: "the fiscal year ended March 2012," for example, has been shortened to "2012."

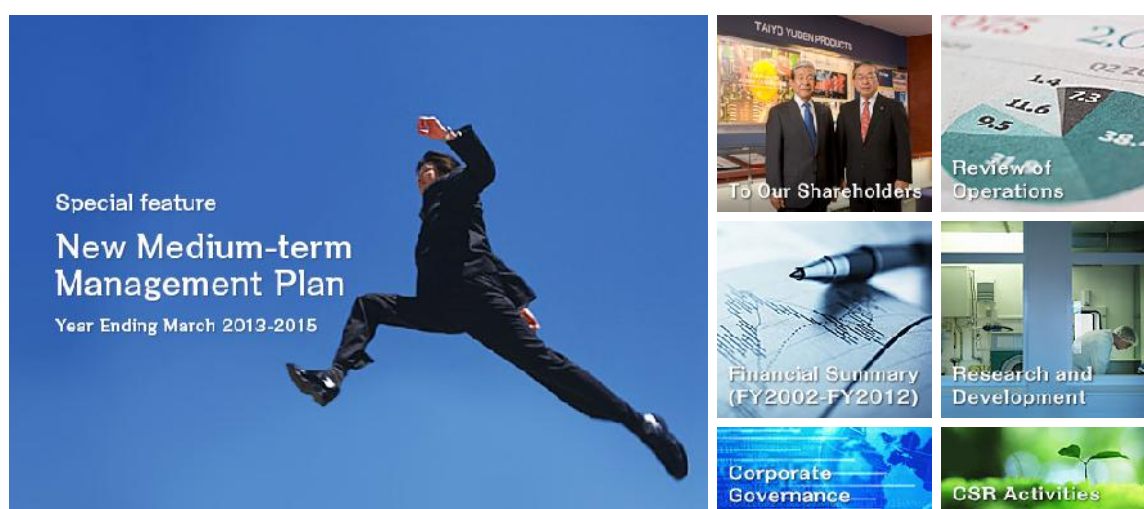
The English - language version of this report is based on the Japanese - language version. With the exception of the financial statements, all figures presented have been rounded down to the nearest appropriate unit.

As a result, there are cases when a presented figure differs slightly from the equivalent figure in the financial statements.

Disclaimer

This Annual Report is intended to provide information about the business performance and strategies of the TAIYO YUDEN Group. It is not intended as an inducement to purchase or sell stock in TAIYO YUDEN or any TAIYO YUDEN Group company. Statements in this report that are not historical fact are forward-looking statements based on the current beliefs, estimates and expectations of TAIYO YUDEN Group Management. As these beliefs, estimates and expectations are subject to a number of risks, uncertainties and assumptions, actual results may differ materially. TAIYO YUDEN undertakes no obligation to update any forward-looking statements, and shall in no event be liable for any damages arising out of the use or interpretation of this material. Please refrain from copying or disseminating this material without the prior consent of TAIYO YUDEN.

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To Our Shareholders

Working to be an excellent company that enjoys the trust and highest regard from our stakeholders.

Overview of the Fiscal Year Ended March 2012

The fiscal year ended March 2012 was a very turbulent year, with the Japanese economy at a standstill in the wake of the Great East Japan Earthquake, economic uncertainty prevailing in Europe and a number of other factors, such as the strong yen and floods in Thailand, adversely affecting the business climate. It is no exaggeration to say that external factors had a dominating influence on TAIYO YUDEN and its operations throughout the year.



Chairman and Representative Director
Yoshiro Kanzaki
President and Representative Director
Eiji Watanuki

TAIYO YUDEN has been steadily working to improve its business structure. We have implemented a growth strategy that aims to achieve sustained growth by building a foundation that will produce earnings that are not substantially affected by external factors. These structural improvements include plans to reduce fixed costs by roughly ¥10 billion per year—a goal that we expect to reach in the fiscal year ending March 2013. Our strategy for growth focuses on developing new products and increasing opportunities to propose solutions to customers, as well as seeking to cultivate new markets. To this end, we are taking steps to make better use of Field Application Engineers (FAEs) to enhance sales activities. By increasing the number of sales personnel possessing the advanced technical knowledge, TAIYO YUDEN can actively participate in the planning stages of our customers' projects, helping the customer solve problems and make technical proposals at the time when customers are deciding which products to acquire and develop.

TAIYO YUDEN is steadily making progress in these structural improvement efforts, aiming to be an excellent company that enjoys the trust and highest regard from our stakeholders. Nevertheless, in the fiscal year ended March 2012, the external factors discussed above caused sales and profits to decline year over year. Consolidated net sales fell 12.6% year over year, to ¥183,795 million, generating an operating loss of ¥8,010 million (versus an ¥8,792 million operating profit the previous year). Extraordinary items included special extra retirement payment for the solicitation of voluntary retirement, posted as a business structure improvement expense, as well as the depletion of deferred tax assets. As a result, the net loss for the period was ¥21,599 million, compared with a ¥5,506 million net loss in the previous fiscal year.

Unit: Millions of yen	Year ended March 31, 2011 (01 Apr 2010 – 31 Mar 2011)	Year ended March 31, 2012 (01 Apr 2011 – 31 Mar 2012)	Amount	%
Net sales	210,401	183,795	(26,606)	(12.6%)
Operating income	8,792	(8,010)	(16,803)	-
Ordinary income	6,740	(9,070)	(15,810)	-
Net income	(5,506)	(21,599)	(16,093)	-

During the fiscal year ending March 2013, TAIYO YUDEN embarked on a new three-year Medium-term Management Plan. The plan includes structural improvements based on continued plans to reduce fixed costs. By implementing this new Medium-term Management Plan, the Company will achieve its strategy for growth.

Mission of the Top Management

At present, TAIYO YUDEN's management structure is headed by two top executive officers—the Chairman and the President. The Chairman's main responsibilities are to chair the Board of Directors, provide management oversight of all operations, and oversee compliance activities (internal auditing, corporate social responsibility (CSR) and internal management control). The President is in charge of overall business activities, including sales and production. The two top executives regularly consult with one another on important issues affecting the overall performance of the Company. The primary aim is to further improve the corporate value of TAIYO YUDEN.



The Company's management philosophy places high priority on "employee well-being", "the betterment of local communities" and a "responsibility to provide returns to shareholders." By increasing earnings, the Company can enhance its economic presence and value, thereby benefitting not only its customers and shareholders but also its employees and the communities in which we operate. At TAIYO YUDEN we make it our mission to contribute to the benefit of all stakeholders.

To achieve this philosophy, we believe that it is essential to increase the number of core businesses and achieve a well-balanced business structure. To achieve this management philosophy, we believe that it is essential to increase the number of core businesses in order to realize sustained growth. TAIYO YUDEN's core businesses included capacitor and inductor component products. As part of this philosophy we will also develop the Integrated Module and Device Business as a central pillar of our product offerings. Our strategy involves taking part in the planning stages with our customers. At the point in the product phase that our customers are developing the concepts for a new product, we can propose solutions and supply products in a timely manner to help customers meet their objectives. In this way, TAIYO YUDEN can become an excellent company that enjoys the trust and highest regard from our stakeholders.

■ Growth Strategy



In July 2011 TAIYO YUDEN adopted a "mini-company" structure. The declared purpose of the mini-company structure is to improve business efficiency and accelerate operations. Each of the business functions—product development, materials procurement, production and sales—were divided into separate structures for each mini-company. This structure allows each mini-company to function as an independent unit to enhance our focus and the awareness of employees handling each of these functions on how best to provide value and increased earnings of the business for which they are responsible. In addition, our sales personnel can relay customer needs and intentions to the product development and production units on a more efficient basis. In this way, all

functions at TAIYO YUDEN are unified in a single structure which works more effectively to address customer needs.

In the year ending March 2013, we are embarking on a new Medium-term Management Plan which focuses on expanding the lineup of super-high-end products, adopting a sales structure based on the development of customer solutions, and cultivating new markets. The key to meeting these objectives is to make effective use of FAEs to support sales activities. In order to make effective proposals to customers at the product development phase, it is necessary to use marketing activities to identify specific needs at the early stage of development.

Most products that are introduced in the market are the result of development efforts that began several years earlier. By enhancing marketing efforts, TAIYO YUDEN can get its foot in the door at the development stage, and propose products and solutions that match our customers' needs and product development timing. This will in turn make the product development phase more efficient. We can help customers address their problems throughout the development process, thereby helping to build a relationship of trust, while gaining the opportunity to propose a variety of solutions. At the same time, we believe that this will also improve overall customer satisfaction.

*Please refer to the section on the new Medium-term Management Plan for more details about our growth strategy.

■ Progressing Towards the Goals of the New Medium-term Management Plan

In order to be an excellent company that enjoys the trust and highest regard from our stakeholders, TAIYO YUDEN must successfully implement its structural reforms and its growth strategy. If the Company can fully implement these two objectives on a sustained basis, it will be able to meet the goals of the new Medium-term Management Plan. TAIYO YUDEN management and employees believe in the Company's management philosophy and we are united in our dedication to meet these objectives.

We look forward to the rebirth of TAIYO YUDEN, and a very prosperous future.

Chairman and Representative Director

President and Representative Director

New Medium-term Management Plan

The TAIYO YUDEN Group has formulated the New Medium-term Management Plan, covering the three years from the fiscal year ending March 2013 up to the fiscal year ending March 2015.

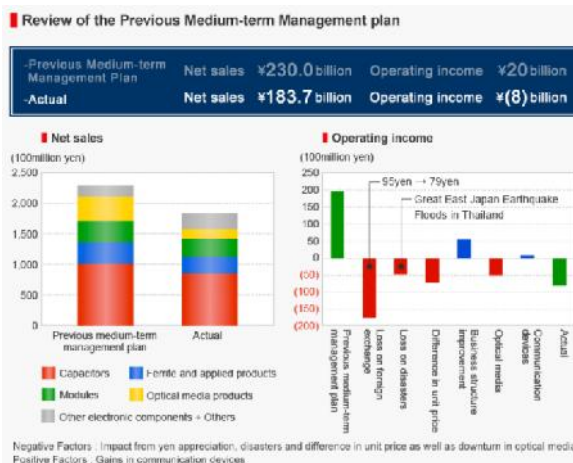
Up to now, the Group's earnings have fluctuated sharply due to trends in the electronics market, currency exchange rates, and other factors.

Under the new plan, the Group has been working to build a strong business structure that will not be affected by these external factors, aiming to achieve sustained growth.

Summary of Previous Medium-term Management Plan (from the year ended March 2010 to the year ended March 2012)

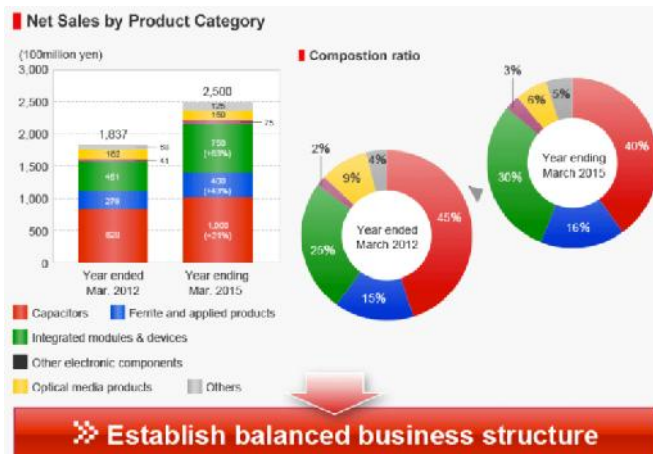
Under the slogan "Change and Challenge!", the previous plan set a sales target of ¥230 billion and an operating income target of ¥20 billion. TAIYO YUDEN fell short of these targets, posting ¥183.7 billion in sales with an operating loss of ¥8.0 billion in the fiscal year ended March 2012—the final year of the plan.

The main reasons for the operating loss posted last year were a strong yen, falling unit prices and slumping demand in the optical media products business, as well as the impact of natural disasters such as the Great East Japan Earthquake and floods in Thailand. Although various measures were taken to boost profits, including making improvements in productivity, the weak economic conditions and deteriorating supply-demand balance created a very harsh business environment.



Overview of the New Medium-term Management Plan (from the year ending March 2013 to the year ending March 2015)

The new plan sets a sales target of ¥250 billion, an operating income target of ¥20 billion and an ROE target of 8% by the year ending March 2015. It also sets the goal of generating positive net cash flow by the year ending March 2016. The operating income goal has been given precedence over the sales target.



Strategy for Achieving the Targets of the Plan

1. Continue the Structural Reforms That Began in the Year Ended March 2012

Efficiency utilization of the overseas base

The Company will utilize its production bases to achieve the highest efficiencies. The production of capacitors and inductors will be transferred to overseas production locations. The front-end processing of super-high-end components will remain in Japan. All other processing, including some high-end products, will be transferred to overseas plants, primarily in Korea, China, the Philippines and Malaysia.

Withdrawal from an unprofitable product

Products that are unlikely to generate profits in the foreseeable future and products that are losing their competitiveness will be phased out during the year ending March 2013. We will rebuild our product portfolio so that it consists entirely of products that are expected to generate profits. Business plans for the year ending March 2014 will continue to exclude loss-generating products.

Base reorganization and personnel

In addition to restructuring production subsidiaries and sales offices, TAIYO YUDEN will reduce its work force, particularly in Japan, releasing full-time employees, temporary workers and contract workers. Total personnel reductions across the TAIYO YUDEN Group will amount to roughly 1,000 workers. The Company is currently on track to meet these objectives.

2. Enhance Sales Capabilities

Contrary to past sales activities, the primary objective of future sales efforts will be to generate stronger profits and not simply increase only revenue. The question will be; what sort of sales activities can best raise profits?

TAIYO YUDEN intends to increase the number of Field Application Engineers (FAEs), sales personnel with advanced technological knowhow, thus increasing the opportunities to provide clients with technical proposals and solutions at the initial stages of development and throughout the development process. As part of the efforts to reorganize the Company's network of offices worldwide, more FAEs will be hired and assigned to positions in each region including Japan. The Company aims to enhance its cooperative business structure by achieving closer coordination between product development, production and sales.

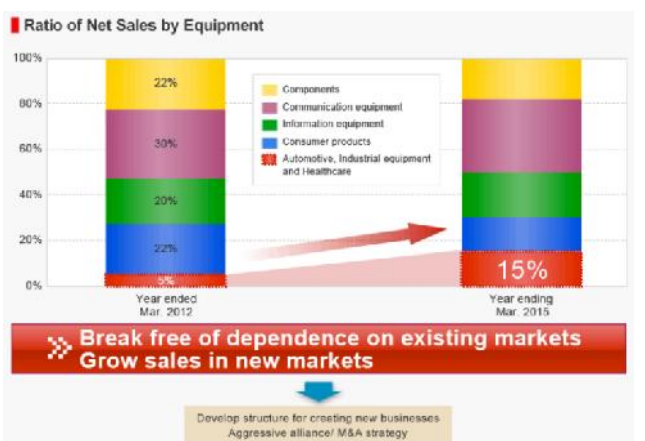


The Company's core businesses can be divided into two general market segments. The first of these is the IT market, which has been a major focus of operations in the past, with its particular emphasis on growing product segments like smartphones and tablet PCs. The second focus will be on new markets like industrial equipment, automobiles, health care and environment/energy-related equipment.

In April 2012, TAIYO YUDEN established a new business organization in charge of these new markets. This organization has commenced business activities and will draw upon the broad product lineup and abundant knowhow accumulated by TAIYO YUDEN in the past, supported by business alliances and M&A activities, to make more aggressive inroads into the new markets. The Company expects this new business to become a central contributor to earnings in the future.

Markets Worthy of Attention - New Markets -

- Expansion of sales in automotive, industrial equipment and healthcare markets
- Entry into environmental and energy markets

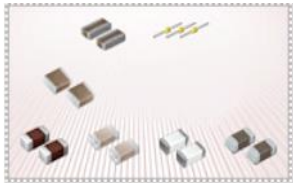


3. Growth Strategies for Each Product

In addition to capacitors and inductors, develop the Integrated Module and Device Business as a central pillar of operations, aiming to build a well-balanced business structure.

Capacitors

The Company aims to capture a 50% or higher share of the super-high-end market for small, high-capacitance multilayer ceramic capacitors. In addition, the Company intends to aggressively target the automobile, industrial equipment, and health care markets by providing the high-quality components demanded by these manufacturers. In addition to fully utilizing its global production resources and providing efficient production and supply, TAIYO YUDEN intends to invest in areas where technological improvement is driving growth.



The multilayer ceramic capacitors of TAIYO YUDEN continue to be at the forefront of the industry and support the growth and development of electronics equipment. By developing and producing capacitors from the raw material barium titanate, TAIYO YUDEN continues to evolve small-size, high volume products from the raw material level, on a daily basis. TAIYO YUDEN meets the demands of our customers through a vast product lineup including ultra small capacitors and high volume capacitors, and special types of capacitors such as low ESL capacitors, capacitors for high frequency applications, high voltage capacitors.

Inductors

The Company is expanding its lineup of super-high-end “MCOIL[®]” metallic power inductors. “MCOIL[®]” inductors utilize a new metallic material developed by TAIYO YUDEN, which allows these small, low-profile inductors to supply a large current efficiently, which is in line with market needs.

The Company is also launching high-frequency multilayer chip inductors which are small and have a high Q factor*. The high Q factor provided by these inductors in the high-frequency range is expected to help increase our market share.

*Q factor: The ratio of inductive reactance to resistance at a given frequency. The higher the Q factor, the lower the loss caused by the inductor.



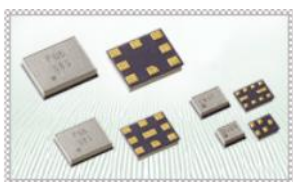
There is no stopping the evolution of digital products such as personal computers, mobile phones, and smart appliances, and similarly, the need for having small size, thin type, and high performance inductors used therein also continues to increase. At TAIYO YUDEN, in order to comply with the varied demands of customers, we are bringing about remarkable downsizing by doing away with the unnecessary space, and are developing and producing various types of inductors from power inductors to inductors for high frequency appliances through precisely and strictly managed production processes, such as the wire-wound inductors that can support a wide range of circuit designs, and the multi-layer inductors that make use of

high multi-layer technology and elemental technology.

Integrated Modules & Devices

One of TAIYO YUDEN's competitive strengths is its ability to develop new materials which make it possible to create new electronic components. This allows the Company to propose an ideal integrated device that uses components created by TAIYO YUDEN. The Company is aggressively developing and marketing high value-added super-high-end products using Surface Acoustic Wave (SAW) and Film Bulk Acoustic Resonator (FBAR) technology, as well as developing products that incorporate the EOMIN[®] embedded-parts multilayer wiring substrate.

*Please refer to the section on “Research and Development” in this report for more details about the EOMIN[®] embedded-parts multilayer wiring substrate.



TAIYO YUDEN has changed the business model for this product segment to include SAW/FBAR devices, in addition to the individual modules from the past. TAIYO YUDEN is developing the high frequency business around the core of SAW/FBAR technology, and conducting aggressive market launches of super-high-end products using EOMIN[®]- embedded-parts multilayer wiring substrate that have been developed using Group in-house technology.

Moreover, a strong market demand for energy-saving products has prompted TAIYO YUDEN to work on the development of power source technology which reduces power consumption, and on the development of LED technology for use in both lighting applications and as a backlight unit for flat screen television sets. As a result, TAIYO YUDEN has launched numerous products that are differentiated from the competition.

■ Policy on Shareholder Returns

The TAIYO YUDEN Group always places the highest priority on providing shareholders with the highest possible return on their investment. However, currently the Company recognizes that it is at the stage where it must build a stable and sustainable earnings structure together with improving its financial structure. Due to the deterioration in the Company's financial structure during the year ended March 2012, the annual dividend was reduced to ¥5 per share. Nevertheless, our basic policy stance is to maintain a stable dividend of ¥10 per share. Once the goals of the new Medium-term Management Plan have been achieved, the Company intends to take the necessary steps, including share repurchases, to maintain a 30% total return ratio ([payment of cash dividends + purchase of treasury stock] / net income). TAIYO YUDEN will continue striving to be an excellent company that enjoys the trust of and highest regard from our stakeholders. In closing, we wish to thank all our shareholders and investors for their continued support.

Basic policy: Stable annual dividend of ¥10 per share

Annual dividend for the year ended March 31, 2012 was reduced to ¥5 per share due to a rapid weakening in financial standing

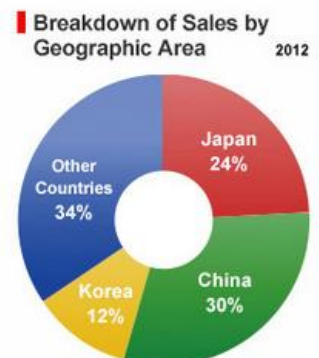
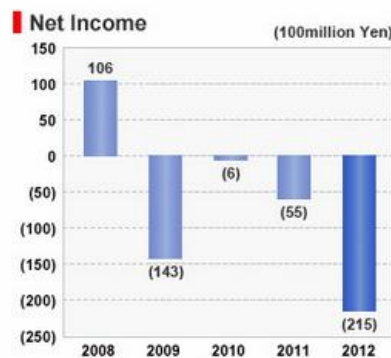
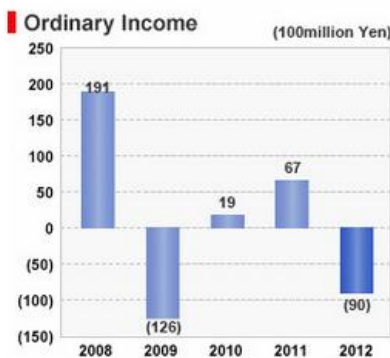
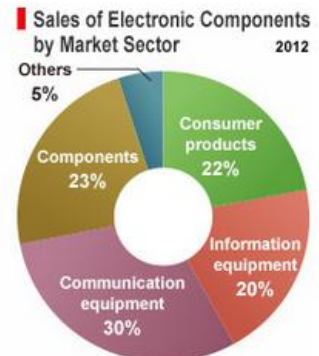
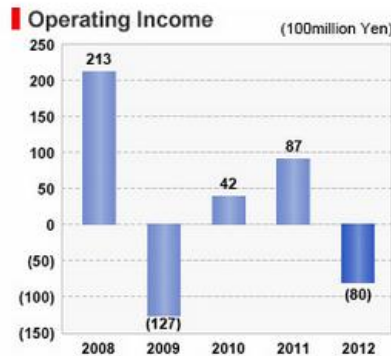
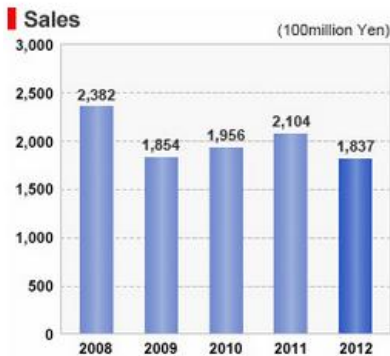
Plan to offer an annual dividend of ¥10 per share for the year ending March 31, 2013 thanks to an anticipated improvement in earnings

Total return ratio(*) set at 30% once the targets of the new medium-term management plan have been achieved

(*) payment of cash dividend + purchase of treasury stock / net income

Review of Operations

Business Performance Highlights



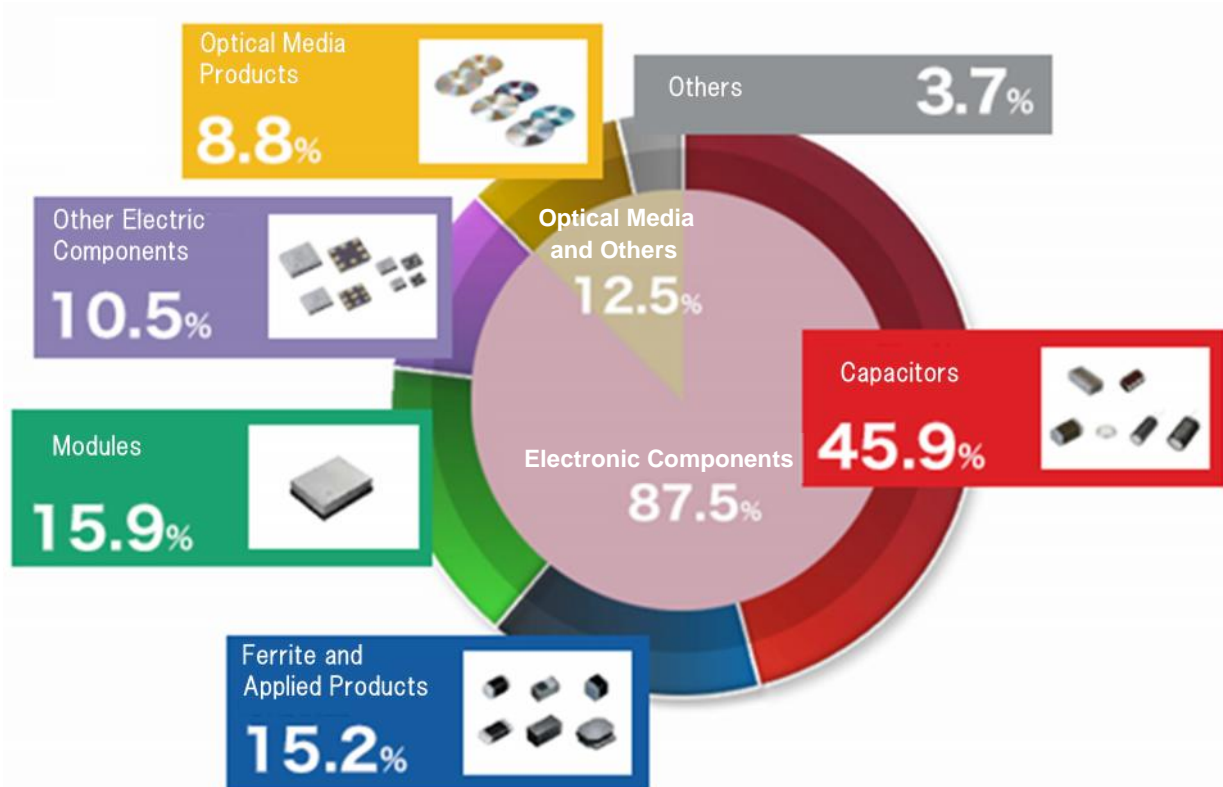
The TAIYO YUDEN Group is comprised of two business segments: "Electronic Components" and "Optical Media and Others." The "Electronic Components" business manufactures and sells capacitors, inductors, SAW/FBAR devices and other electronic components. The "Optical Media and Others" business manufactures and sells optical media products and engages in other businesses.

During the fiscal year ended March 2012, demand for smartphones and tablet PCs was strong. In contrast, efforts by PC and LCD panel manufacturers to adjust inventories contributed to a drop in demand for electronic components. The Electronic Components business expanded its production capacity for super-high-end products such as small, high-capacitance multilayer ceramic capacitors and SAW/FBAR devices. This was done to maintain a steady supply of products used in smartphones, which, in particular, continued to experience increases in demand. In the Optical Media and Others business, structural reforms made during the year ended March 2011 helped to increase efficiencies in the Optical Media business with the objective of producing positive profit.

Nevertheless, total consolidated sales for the fiscal year ended March 2012 declined by 12.6% year over year, to ¥183,795 million. The Company posted an operating loss of ¥8,010 million (compared with a ¥8,792 million profit in the previous year). Extraordinary items included expenses related to restructuring, such as a special extra retirement payment for the solicitation of voluntary retirement, as well as the depletion of deferred tax assets. As a result, the net loss for the period was ¥21,599 million, compared with a ¥5,506 million net loss in the year ended March 2011.

Net Sales by Product Segment

Year ended March 31, 2012



Note: The foregoing product segment applies to the fiscal year ended March 2012. From the fiscal year ending March 2013, the product segment has been changed as shown in the following.

TAIYO YUDEN has changed the name of this product segment from "Modules" to "Integrated Modules & Devices"

Year Ended March 31, 2012

Business segment	Product segment	Main products
Electronic Components	Capacitors	- Multilayer ceramic capacitors - Energy devices
	Ferrite and applied products	- Multilayer chip inductors - Wire-wound chip Inductors
	Modules	- Power supply modules - High frequency modules - Embedded-parts multilayer wiring substrate
	Other electronic components	- SAW/FBAR devices - Antennas - Ceramic filter
Optical Media and Others	Optical media products	CD-Rs, DVD-Rs, BD-Rs
	Others	The circuit design and mounting business of our subsidiaries



Year Ending March 31, 2013

Business segment	Product segment	Main products
Electronic Components	Capacitors	- Multilayer ceramic capacitors
	Ferrite and applied products	- Multilayer chip inductors - Wire-wound chip Inductors
	Integrated Modules & Devices	- SAW/FBAR devices - Antennas - Ceramic filter - Power supply modules - High frequency modules - Embedded-parts multilayer wiring substrate
	Other electronic components	- Energy devices
Optical Media and Others	Optical media products	CD-Rs, DVD-Rs, BD-Rs
	Others	The circuit design and mounting business of our subsidiaries

Electronic Components

Capacitors

Main Products

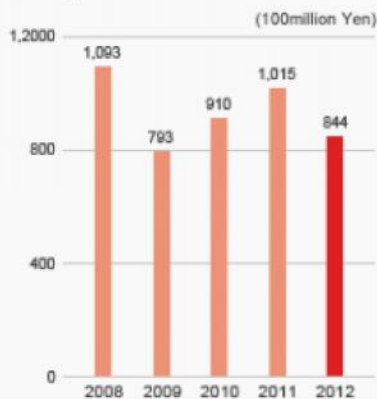
- Multilayer ceramic capacitors
- Energy devices* (Polyacene capacitors, Lithium ion capacitors)

Net Sales

for the Year Ended March 31, 2012

84,462 million yen

Change of the sales amount



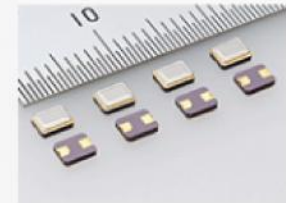
In the fiscal year ended March 2012, the business was affected by declining demand from manufacturers of consumer equipments, such as TVs, information equipments, such as PCs, and components like LCD panels. Sales declined by 16.8% year over year, to ¥84,462 million.

During the fiscal year ending March 2013, TAIYO YUDEN will launch a number of super-high-end products such as extremely small EIA 01005 size (0.4mm x 0.2mm) and EIA 0201 size (0.6mm x 0.3mm) capacitors. These new components are targeted to support markets poised for continuing demand growth, such as smartphones and tablet PCs. In order to promote sales growth, the Company is aggressively targeting the market for electrolytic capacitors with a high capacitance of 100 μ F and above, while trying to encourage growth in the market for multilayer ceramic capacitors. TAIYO YUDEN is also focusing its energies to promote products into high-quality product markets such as the industrial equipment, automotive and health care industries, by expanding its lineup of products aimed to support these sectors.

The Company is also working to optimize the use of production facilities to achieve high efficiencies. These efforts include the transfer of the production of many high-end components formerly made in Japan to overseas production sites.



Multilayer ceramic capacitors



Ceramic type polyacene capacitors

*From the fiscal year ending March 2013, TAIYO YUDEN changed the product segment of energy devices and included them in the "Other Electronic Components" segment.

Ferrite and applied products

Main Products

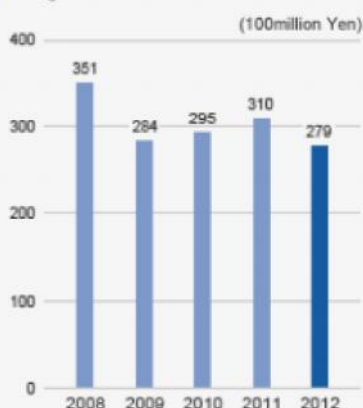
- Multilayer chip inductors
- Wire-wound chip inductors
- SMD power inductors
- Common mode choke coils

Net Sales

for the Year Ended March 31, 2012

27,929 million yen

Change of the sales amount



In the fiscal year ended March 2012, the business was affected by declining demand from manufacturers of consumer equipments, such as TVs, information equipments, such as PCs, and components like LCD panels. Sales declined by 10.0% year over year, to ¥27,929 million.

During the fiscal year ending March 2013, the Company will focus efforts on developing super-high-end products which respond precisely to customer needs. The Company is expanding its lineup of high-frequency multilayer chip inductors and multilayer chip beads, with products as small as EIA 01005 size (0.4mm x 0.2mm). In addition, TAIYO YUDEN has used new metallic materials to develop the MCOIL[®] line of miniaturized, large current inductors. The Company plans to continue developing new versions of this product and launching these products into strategic markets, while expanding production capacity.

As in the case of the capacitor business, the Company is trying to optimize the use of production facilities in Japan and overseas, to achieve the highest possible efficiency.



Small power inductors



Multilayer chip inductors

Modules

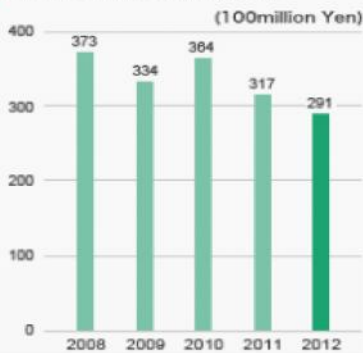
Main Products

- Power Supply Modules
- High frequency modules
- Embedded parts multilayer wiring substrate

Net Sales
for the Year Ended March 31, 2012

29,166 million yen

Change of the sales amount



Integrated Modules & Devices

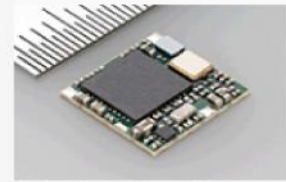
From the fiscal year ending March 2013, the product segment has been changed to the "Integrated Modules & Devices" segment.

For the fiscal year ended March 31, 2012, module sales totaled ¥29,166 million, down 8.2% compared with the previous fiscal year. Although sales of high-frequency modules rose year-over-year, sales of power supply modules declined.

From the fiscal year ending March 2013, the product segment has been changed to the "Integrated Modules and Devices" segment, reflecting the business model for this product segment, and its focus on an increasing ratio of integrated devices, rather than the individual modules that were the core products in the past. This segment will now include SAW/FBAR devices, antennas and ceramic filters. The Company is building a firm production base for SAW/FBAR devices in response to rising demand from the growing smartphone and tablet PC markets, where we see an increase of the need for more of these components. TAIYO YUDEN is also aggressively targeting the market for super-high-end components with products such as the EOMIN[®]--embedded-parts multilayer wiring substrate ("component-on-chip") which was developed using TAIYO YUDEN proprietary technology. In addition, this segment is also focused on the power supply business with recovery systems and other products for the energy market.

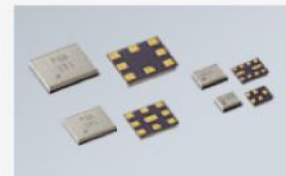


High frequency modules



Embedded-parts multilayer wiring substrate, "EOMIN[®]"

This new product segment, "Integrated Modules & Devices," now newly includes SAW/FBAR devices, antennas and ceramic filters.



SAW/FBAR devices

Other Electronic Components

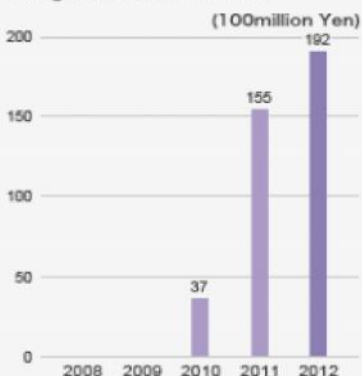
Main Products

- SAW/FBAR Devices
- Varistors

Net Sales
for the Year Ended March 31, 2012

19,294 million yen

Change of the sales amount

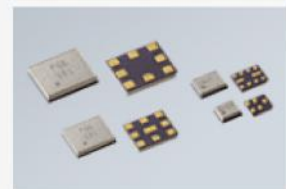


Because the segment was changed from the fiscal year ended March 2011, only the figures for three fiscal years have been stated.

It is the electronic parts which do not belong to the division of the "Capacitors" "Ferrite and Applied Products" "Modules".

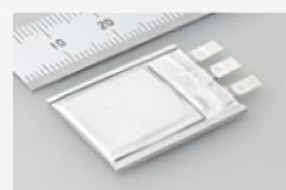
In the fiscal year ended March 2012, sales of SAW filters and other SAW/FBAR devices rose year over year, comprising a 24.3% increase in sales, to ¥19,294 million.

Due to the reorganization of the product segments, energy devices, which formerly were included in the "Capacitors" segment, will be included in this segment. Going forward, we will develop products in energy devices, which is expected to grow, develop applications in advanced technology fields, and expand sales in energy-related fields.



SAW/FBAR devices

From the fiscal year ending March 2013, energy devices (polyacene capacitors, lithium ion capacitors) have been added to this segment. SAW/FBAR devices, antennas and ceramic filters have been changed to the "Integrated Modules & Devices" segment.



Thin type polyacene capacitor

Optical Media and Others

Optical Media Products

Main Products

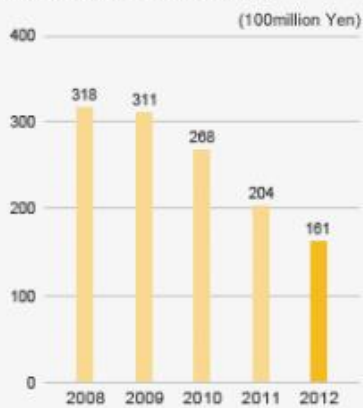
- CD-Rs, DVD-Rs, BD-Rs

Net Sales

for the Year Ended March 31, 2012

16,152 million yen

● Change of the sales amount



Consolidated net sales for the year ended March 2012 were ¥16,152 million, down 21.1% from the previous fiscal year. Sales of CD-Rs and DVD-Rs/DVD+Rs all declined year over year, although sales of BD-Rs were robust.

In the year ending March 2013, the Company will take steps to return its CD-R, DVD-R and BD-R businesses to profitability, focusing mainly on consumer electronics applications. We will also try to cultivate the market for archiving applications, which requires highly reliable product types.



DVD-R BD-R CD-R

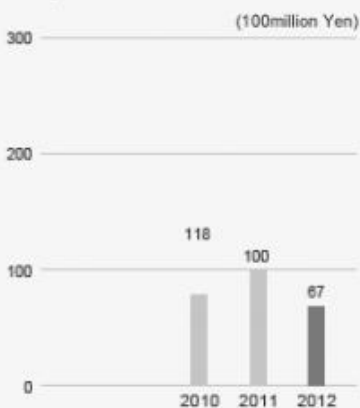
Others

Net Sales

for the Year Ended March 31, 2012

6,791 million yen

● Change of the sales amount



Because the segment was changed from the fiscal year ended March 2011, only the figures for three fiscal years have been stated.

Sales in this segment primarily come from the circuit design and mounting business of one of our subsidiaries. For the fiscal year ended March 31, 2012, sales in this segment were ¥6,791 million, down 32.4% from the previous fiscal year.

Research and Development



TAIYO YUDEN's research & development continues its focus on activities that are driven by one of the Company's main objectives, which is to develop products that are rated highly by our customers, by means of enhancing the Company's knowledge and technology positions and leveraging its skill set to allow for this development. The Company intends to further advance its materials technology, processing technology, design technology and production technology to meet the various needs of our customers, such as size constraints, digitization, multi-functionality and

modulization of their products.

To this end, the Company is creating super-high-end products ranging from various types of chip components, circuit modules, high-frequency devices and electronic noise suppression components.

Research and Development Principles

1 Become a world leader in technology

Promote technological development ahead of product development and become a global leader in technology

2 Devise general-purpose technologies

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

3 Develop economic and environment-compatible technologies

Develop technologies which can be economically applicable to our manufacturing process and meet critical environmental standards

4 Create No.1 technologies

Persist to create the world's best and first technologies



R&D Center (Takasaki-shi, Gunma)

The Leading Edge of R&D

Enhancing the competitiveness of front-end modules*

Improve the development of SAW/FBAR devices and EOMIN® components

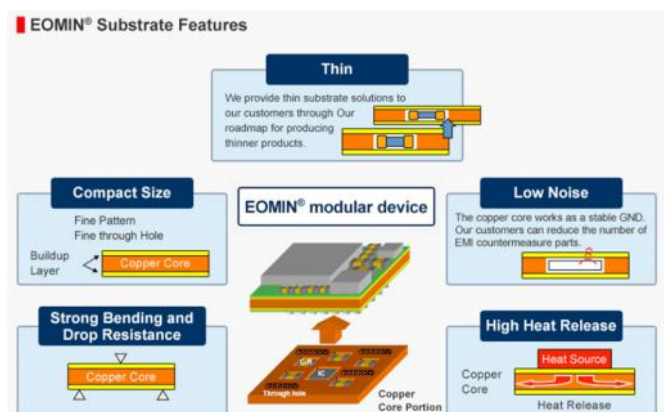
SAW/FBAR components are primarily used in smartphones as well as other mobile electronics devices. These products are quickly becoming an essential component in mobile telecommunications products. EOMIN® is an embedded-parts multilayer wiring substrate. It uses a copper core to provide low noise and heat dispersion qualities. These EOMIN® modular devices can greatly reduce the overall size of conventional modules.

As smartphones incorporate increasing functionality and multiband capabilities, the number of individual components they require is steadily increasing. At the same time users are demanding that the handsets be smaller and thinner. TAIYO YUDEN's SAW/FBAR devices and EOMIN® products can be used to create highly functional front-end modules which can respond to these market needs.

TAIYO YUDEN uses its advanced product development technology and production technology to supply a multitude of high value-added super-high-end products, and is expanding production capacity accordingly. R&D efforts will continue to focus on SAW/FBAR devices and EOMIN® products.

*Front-end Modules

Includes transmission/reception circuits in the antenna unit, to unify functions in a single module



Main Activities

During the fiscal year ended March 2012, R&D expenditures were ¥8,068 million. The following section outlines the Company's main R&D activities.

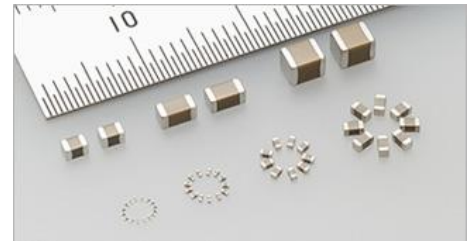
Electronic Components

Capacitors

Multilayer ceramic capacitors

The Company has improved its dielectric materials technology, thin-film and high capacity technology, and miniaturization capabilities to develop dielectric layers that are less than 1 micron in thickness and has mass-produced these products on a consistent basis. The Company's multi-layering technology is approaching a 1000-layer capability, allowing TAIYO YUDEN to introduce and mass produce new capacitor products in the EIA 1206 size (3.2mm x 1.6mm) and EIA 1210 size (3.2mm x 2.5mm) range, both with a high capacitance of 220 μ F.

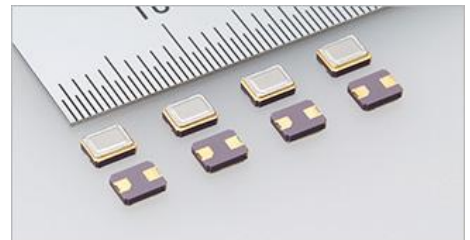
Looking ahead, we will apply these technologies to expand production of new products for the smartphone market.



Multilayer ceramic capacitors

Energy devices (capacitors)*

TAIYO YUDEN has developed the world's smallest polyacene capacitors, for use in smartphones and for backup purposes in digital cameras. The Company has begun mass production of a coin-type 3.8mm-diameter x 1.1mm device, the smallest in the industry, and a rectangular 3.2mm x 2.5mm device, and has also begun mass production of low-profile, low-impedance polyacene capacitors. With the utilization of a two-layered electric capacitor structure and a lithium ion-coated anode, the Company has developed a cylindrical lithium ion capacitor which offers improved energy precision. Development work on a low-profile lithium ion capacitor is continuing. The Company will continue to develop superior new products that meet market needs in the energy device market. This market is expected to enjoy strong growth in the future.



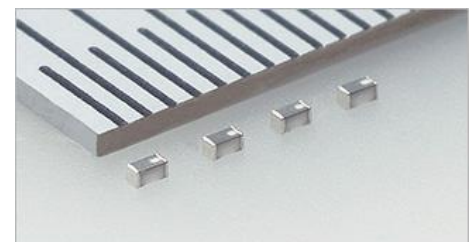
Ceramic type polyacene capacitors

*From the fiscal year ending March 2013, TAIYO YUDEN changed the product segment to the "Other Electronic Components" segment.

Ferrite and applied products

Multilayer chip inductors

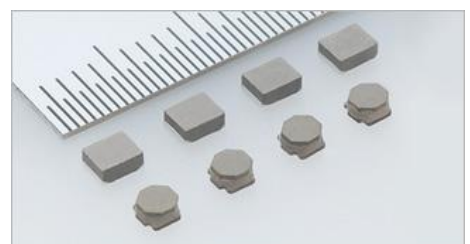
TAIYO YUDEN is expanding its lineup of multilayer choke coils for DC-DC converters used in the expanding mobile electronics market. The Company has begun mass production of miniaturized, EIA 0603 size (1.6mm x 0.8mm) products which have a low profile of just 0.33mm in height. In the market for high-frequency multilayer inductors, used in the high-frequency circuits of mobile phones, TAIYO YUDEN developed EIA 0201 size (0.6mm x 0.3mm) and EIA 01005 size (0.4mm x 0.2mm) products which offer the best Q-factor characteristics in the industry. These products are in mass production. As technology continues to progress, the Company intends to launch even smaller and higher-function products.



High-Q multilayer chip inductors

Wire-wound inductors

Surface-mounted coil inductors used in power supply circuits are another focus of development for TAIYO YUDEN. Of particular note is the choke coils used in DC-DC converters produced for the growing smartphone market. To address strong market demand for low-profile products, the Company has begun mass production of 2mm x 2mm products. In response to the demand for even smaller products with large power outputs, the Company has used its technological know-how in developing new materials and advanced production technology to develop and mass produce the MCOIL[®] metallic power inductor. In the future, the Company plans to expand its lineup of MCOIL[®] products and increase production to further enhance competitiveness and product breadth. The Company will also continue working to develop new products by vigorously expanding its product lineup to meet market needs.



Metal power inductor "MCOIL[®]"

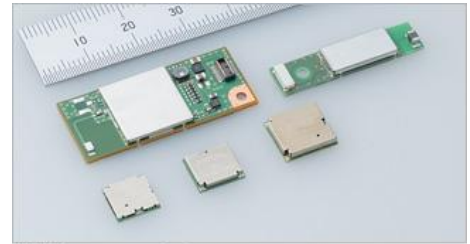
Modules

Multifunctional modules

A strong market demand for power-conserving components has prompted TAIYO YUDEN to work on the development of power source technology which reduces power consumption. Meanwhile, the Company is developing LED technology for use in both lighting applications and as a backlight unit for flat screen television sets. This technology provides the Company with several competitive advantages. In the future, the Company will continue working to address power conservation needs, developing multifunctional modules that have superior compactness, a low profile and high efficiency. One way to further reduce power consumption is to reuse energy in circuits. TAIYO YUDEN is developing new applications for power sources, and its own in-house IC control technologies for power sources, creating a stronger and more competitive product lineup.

Wireless communication modules

In the growing market for short-range wireless communications, TAIYO YUDEN has developed a multitude of products from small, low-profile modules and its own antenna modules, to meet customer needs with an emphasis to develop a wide range of products that reflect market demand. Recently, the Company developed a “combination module” which incorporates more than one separate wireless transmission standard—an example of this is our Bluetooth® and wireless LAN—in a single module product. We are currently making intense efforts to incorporate these modules in new products.



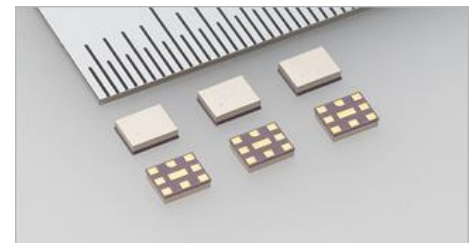
High frequency modules

As communications networks incorporate more and more separate and diverse pieces of equipment, the Company has been working to develop and commercialize a module business that supports software requirements. The Company is now capable of proposing solutions in the new communications-related markets in fields such as digital home electronics and health care.

Other Electronic Components

Communication devices*

SAW technology has become a key element in the devices that support the rapidly growing smartphone market, and TAIYO YUDEN is working hard to develop products in this segment. The Company already offers products that support both the global standard variety of 3G service (UMTS) and also the LTE standard which is likely to provide the backbone for next-generation networks and services. The Company is making proposals for miniaturized, low energy-consumption filter devices and front-end modules with value-added integrated circuits. TAIYO YUDEN is also focusing its efforts to develop products that use FBAR technology to support more highly functional devices. The market for telecommunications products is becoming increasingly complex. TAIYO YUDEN will propose and develop high-frequency devices that offer the most appropriate solution to market needs.



Duplexers

*From the fiscal year ending March 2013, TAIYO YUDEN changed the product segment to the "Integrated Modules and Devices" segment.

Optical Media and Others

Optical Media Products

The Company has begun mass production and shipments of a 6x speed device in support of the market for BD-R LTH recording media. And, in response to mounting demand for long-term optical storage devices (for archiving purposes), TAIYO YUDEN is continuing efforts to develop high-quality products for various types of recording format—CD-R, DVD-R and BD-R.



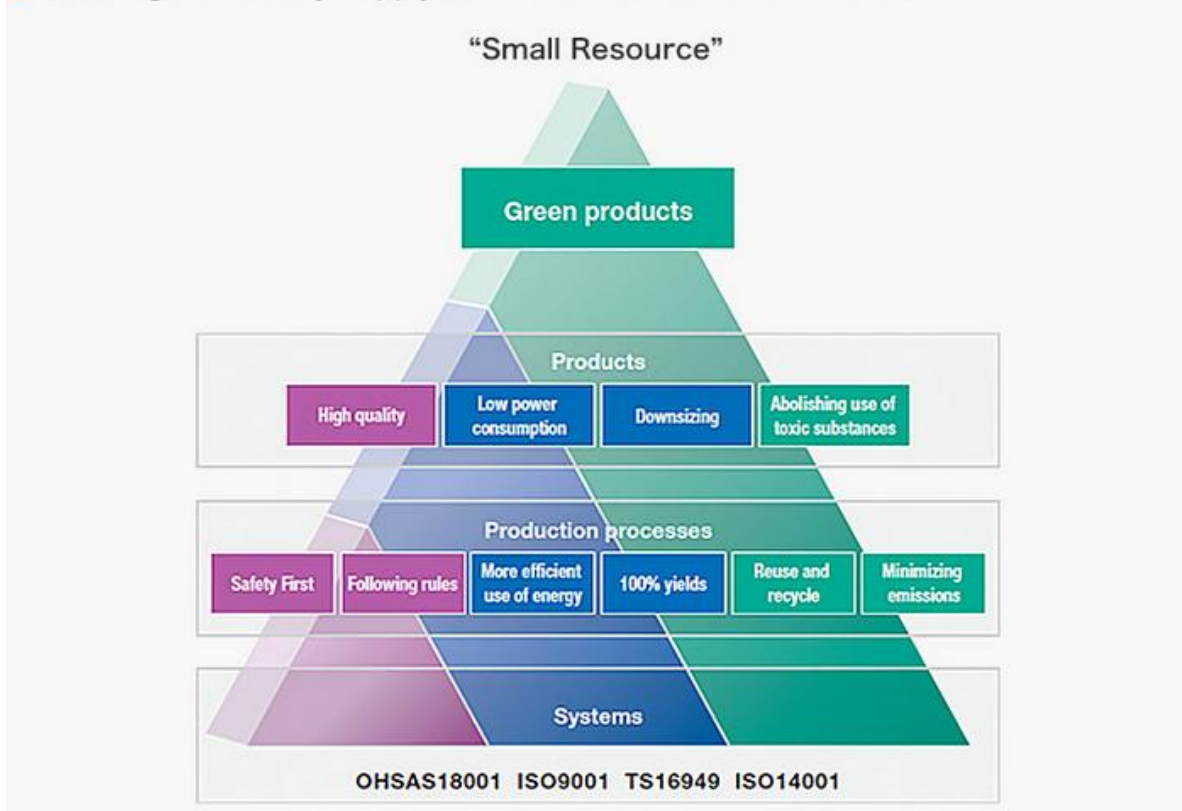
DVD-R, BD-R, CD-R

Development of “green products”

The TAIYO YUDEN Group strives to make a positive contribution to reducing the Company's burden on the environment by pursuing “green products” and working to provide a stable supply of these items. Critical factors such as design and production, marketing, support for installation in final products, and disposal have all been considered as the Company endeavors to reduce muda (waste), mura (inconsistency) and muri (overburdening the environment). To this end, the Company is committed to developing products which offer value to employees, customers and local communities alike.

TAIYO YUDEN has implemented product quality and environmental management systems and has leveraged the Occupational Health & Safety Systems to meet the task to develop “green products” that reduce waste, inconsistency and overburdening the environment. The TAIYO YUDEN Group will maintain its level of dedication to the development of superior green products through its involvement in the “green processes” and development of “green products.”

Ensuring of a steady supply of Green Products to customers



Evaluation points for “Green products”

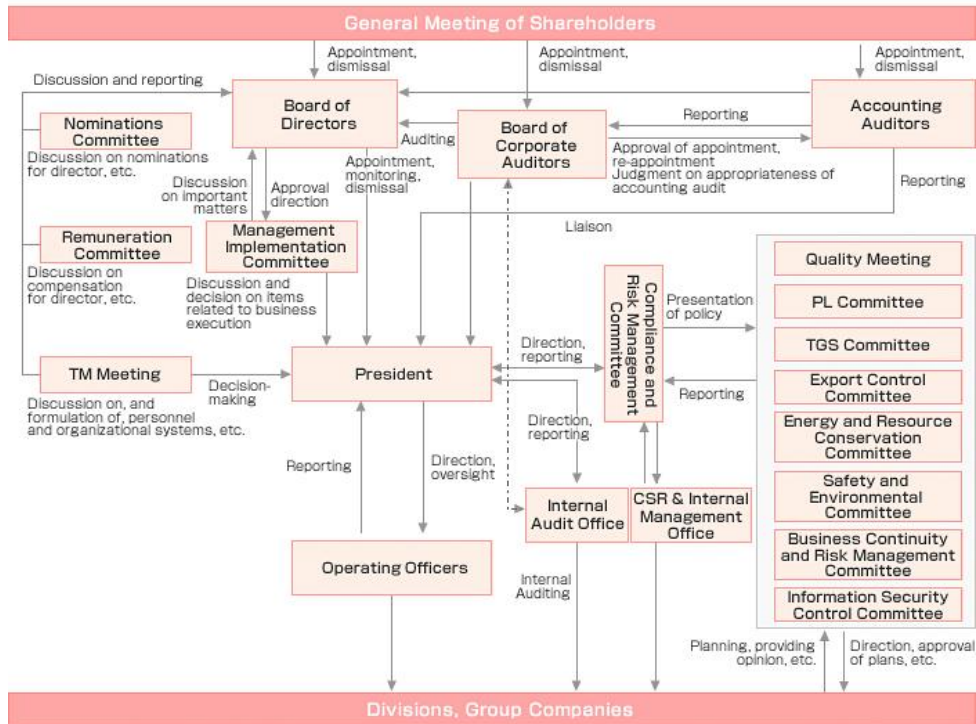


Corporate Governance

Basic Policy for Corporate Governance

Since its foundation, the TAIYO YUDEN Group has implemented a management philosophy that focuses on "employee well-being," "betterment of local communities" and "responsibility to provide returns to shareholders." Over the years, we have strived to build strong relationships with all stakeholders, beginning with the Company's shareholders, with a strong focus on enhancing corporate value. Considering the strengthening of corporate governance as the most important issue, the Company tries to make management more transparent with timely information disclosure, enhance compliance systems, and construct systems for ensuring speedy decision-making and execution of duties, as well as appropriate supervision and audit.

Structure of Corporate Governance



Review of Corporate Governance

- 1 All Outside Directors and Outside Corporate Auditors are appointed as Independent Officers who have no possibility of conflict of interests with general shareholders.
- 2 The Company established the operating officer system and has Operating Officers in place so as to separate supervising function from operating function.
- 3 Principal meetings and roles of committees are as follows.
 - Management Implementation Committee
In Management Implementation Committee, Operating Officers in charge of business operations deliberate and determine political matters related to operations of group management.
 - TM Meeting
In TM Meeting consisting of Directors with a rank of Executive Operating Officer or higher, matters concerning personnel, organizations, and remunerations in the entire Group are deliberated and determined, and matters concerning important management policies are deliberated in advance.
 - Nominations Committee
The Nominations Committee nominates candidates for Directors, Corporate Auditors, and Operating Officers, and deliberates matters related to election of Representative Directors and Directors. The Committee is chaired by an Outside Director who is an Independent Officer to ensure objectivity of each deliberated matters.
 - Remuneration Committee
The Remuneration Committee deliberates systems of remunerations to Corporate Officers, as well as details of remunerations to each Corporate Officer. The Committee is chaired by an Outside Director who is an Independent Officer to ensure objectivity of each deliberated matters.
 - Compliance and Risk Management Committee
The Compliance and Risk Management Committee consisting of Directors and Operating Officers discusses activities to improve systems concerning internal control, relevant instructions, and their progress management.

Directors, Auditors and Operating Officers

Directors



Yoshiro Kanzaki
Representative Director



Eiji Watanuki
Representative Director



Katsumi Yanagisawa
Director



Shoichi Tosaka
Director



Seiichi Tsutsumi
Director



Osamu Takahashi
Director



Yuji Iwanaga
Outside, Independent Director



Hisaji Agata
Outside, Independent Director

Auditors



Norio Osakabe
Corporate Auditor



Mamoru Yamaki
Corporate Auditor



Tomonori Akisaka
Outside, Independent Auditor



Kazuhiro Yamakawa
Outside, Independent Auditor

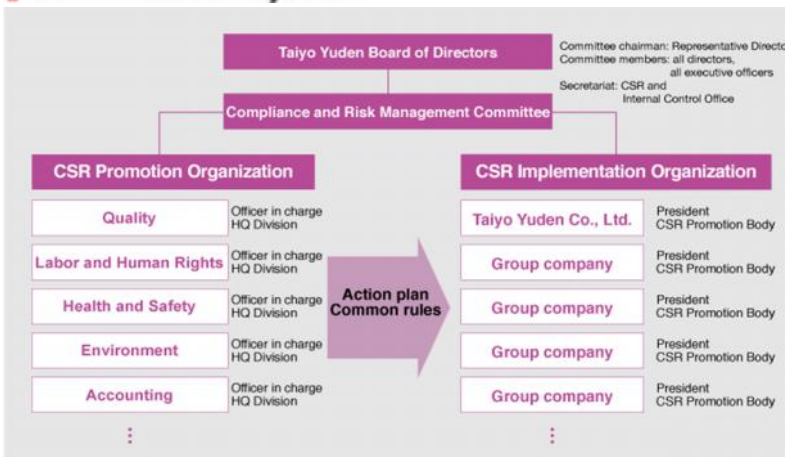
Operating Officers

Yoshiro Kanzaki	Chairman
Eiji Watanuki	President
Katsumi Yanagisawa	Senior Executive Operating Officer, in charge of Electronic components business
Shoichi Tosaka	Executive Operating Officer, in charge of R&D and engineering, Quality assurance, New business planning and development, and Recording media business
Seiichi Tsutsumi	Senior Operating Officer, in charge of Integrated module & device business
Osamu Takahashi	Senior Operating Officer, in charge of Management planning
Takashi Tomaru	Senior Operating Officer, in charge of Greater China area
Shinji Masuyama	Senior Operating Officer, in charge of Electronic components business
Akihiko Mochizuki	Operating Officer, in charge of Recording media business
Toshio Mishuku	Operating Officer, in charge of General administration, and CSR and internal management
Kazuyuki Oshima	Operating Officer, in charge of Global SCM development
Hirokazu Chazono	Operating Officer, in charge of Ferrite application product
Kazuya Umezawa	Operating Officer, in charge of New business planning department

The TAIYO YUDEN Group Conducts Management With a Unified View Under the TAIYO YUDEN Group CSR Charter.

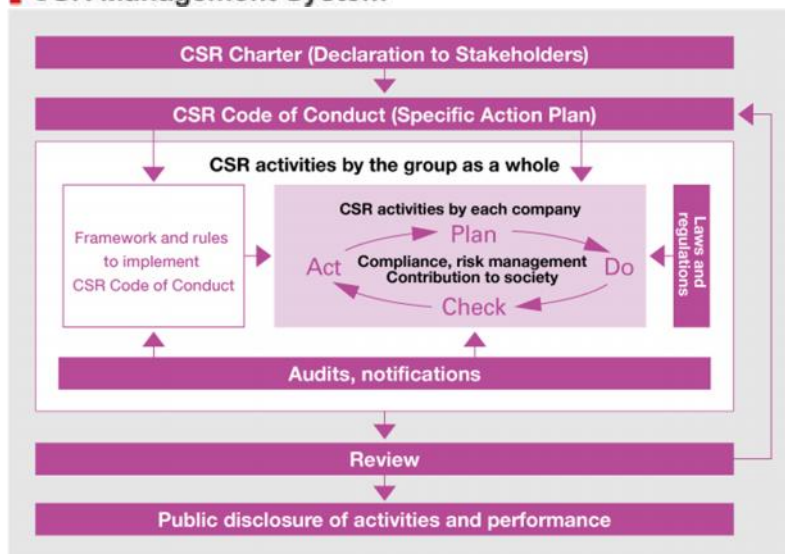
The TAIYO YUDEN Group implements a management philosophy that focuses on "employee well-being," "betterment of local communities" and "responsibility to provide returns to shareholders." Over the years, we have strived to build strong relationships with all stakeholders, beginning with the Company's shareholders, with a strong focus on enhancing corporate value. In 2005 the TAIYO YUDEN Group formulated its CSR Charter (TAIYO YUDEN's Social Responsibility), and in 2006 it formulated the CSR Code of Conduct as a concrete code of behavior to which employees must adhere. Based on the CSR Charter and CSR Code of Conduct, the entire TAIYO YUDEN Group engages in CSR activities.

CSR Promotion System



The Compliance and Risk Management Committee supervises all the CSR activities of the TAIYO YUDEN Group. The chairman of the Committee is a Representative Director, and all TAIYO YUDEN directors are Committee members. The promotion organization is comprised of officers in charge of business operations and head quarter divisions appointed for each provision of the Code of Conduct and each applicable risk. TAIYO YUDEN management is conducted in accordance with this system (the Compliance and Risk Management System) and implemented by each Group company in accordance with the activity policy and rules in common established by the promotion organization.

CSR Management System



In order to realize the purpose of the CSR Charter, the TAIYO YUDEN Group has built a CSR management system. This system puts in place the mechanisms and rules that ensure adherence to laws and regulations and promote the CSR Code of Conduct. Based on this, each Group company conducts CSR activities using PDCA. Furthermore, TAIYO YUDEN continually monitors and checks this system by using internal audits and a whistle-blowing system. Annual reviews of business results are done to assure continuous improvements of all CSR activities.

Initiatives Related to Safety and the Environment

The TAIYO YUDEN Group continually strives to assure fulfillment and awareness of its CSR responsibilities. We engage in safety and environment initiatives based on the CSR Charter. We continually work to ensure the safety of the workplace, to maintain the health of our employees, and to co-exist with nature by reducing the burden on the environment through a variety of business activities.



Environment

Recycling of washing water used for plating

We installed equipment for recycling the washing water used for plating, thereby contributing to a reduction in the volume of water used by the plant. (DONGGUAN TAIYO YUDEN/TAIYO YUDEN (GUANGDONG))



Education

Checking that breathing masks fit properly

Continuing to implement countermeasures against exposure to nano-materials, TAIYO YUDEN made employees learn how to properly use respiratory protective equipment. (TAIYO YUDEN Group, domestic base)



Training

Firefighting training

To ensure all employees know how to use a fire extinguisher, we trained them in firefighting procedures using a water-type fire extinguisher. (Haruna Plant)



Contributing to Society

Plant tours

We organized tours of TAIYO YUDEN Group plants in various regions, at which we explained about the business activities and products of the plant. (Various bases of the TAIYO YUDEN Group)

Financial Section

Financial Summary (FY2002-FY2012)

TAIYO YUDEN CO., LTD. and Subsidiaries
Years Ended March 31 and as of March 31

Millions of yen	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net sales	152,057	153,721	163,328	172,256	186,539	221,229	238,274	185,452	195,690	210,401	183,795
Operating income (loss)	6,190	8,169	10,988	2,055	6,691	22,018	21,304	(12,755)	4,203	8,792	(8,010)
Ordinary income (loss)	9,965	7,288	9,381	1,973	6,997	21,641	19,141	(12,601)	1,966	6,740	(9,070)
Net income (loss)	6,320	2,992	(1,844)	(774)	3,155	12,944	10,634	(14,332)	(680)	(5,506)	(21,599)
Net assets	159,096	152,552	140,395	141,667	153,875	169,497	167,766	139,435	139,263	127,626	104,400
Total assets	231,555	214,097	213,988	212,231	224,381	258,552	271,605	225,451	236,361	221,272	208,461
Cash flows from operating activities	36,156	28,967	18,494	5,853	20,054	28,979	29,791	15,696	25,662	25,219	5,534
Cash flows from investing activities	(15,046)	(5,642)	(14,683)	(19,601)	(15,290)	(33,780)	(43,768)	(25,665)	(8,918)	(16,594)	(28,945)
Cash flows from financing activities	(11,452)	(13,425)	(2,464)	3,386	(2,805)	7,586	12,855	9,780	(8,775)	(8,948)	11,388
Cash and cash equivalents at end of year	33,782	41,883	40,752	31,245	35,672	39,435	35,401	33,110	40,451	38,811	26,671
R&D expenses	8,278	7,988	7,903	7,581	7,096	8,207	8,888	8,463	7,698	8,475	8,068
Capital investment	18,511	7,417	14,409	22,464	15,778	30,244	44,584	27,018	9,352	17,519	26,764
Depreciation and amortization	20,745	20,284	18,333	17,984	17,052	18,376	23,294	27,850	23,922	19,309	19,250
Yen	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net assets per share	1,321.41	1,268.22	1,176.13	1,187.69	1,290.00	1,421.45	1,403.24	1,181.28	1,179.82	1,080.61	884.70
Basic net income (loss) per share	52.49	24.38	(15.90)	(6.58)	26.00	108.58	89.22	(121.51)	(5.78)	(46.82)	(183.70)
Diluted net income per share	50.54	23.66	-	-	25.21	104.09	82.06	-	-	-	-
Cash dividends per share	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	5.00
%	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Equity ratio	68.7	71.3	65.6	66.8	68.6	65.5	61.6	61.6	58.7	57.4	49.9
Return on Equity [ROE]	4.1	1.9	(1.3)	(0.5)	2.1	8.0	6.3	(9.4)	(0.5)	(4.1)	(18.7)
Return on Assets [ROA]	4.2	3.3	4.4	0.9	3.2	9.0	7.2	(5.1)	0.9	2.9	(4.2)
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of employees [consolidated]	15,794	15,791	17,194	17,577	19,656	20,387	20,117	17,478	17,836	17,267	16,194
Number of employees [non-consolidated]	2,895	2,860	2,675	2,669	2,592	2,686	2,905	2,918	2,957	2,988	2,977

Note: ROE = Net income/Shareholder's equity (yearly average)

ROA = Ordinary income/Total assets (yearly average)

Assets

Total assets at fiscal year-end were valued at ¥208,461 million, a decrease of ¥12,811 million compared with the previous fiscal year-end. Current assets decreased ¥15,177 million mainly due to five factors; 1) a decrease of ¥12,045 million in cash and cash equivalents, 2) a decrease of ¥1,369 million in deferred tax assets, 3) a decrease of ¥972 million in raw materials and supplies, 4) a decrease of ¥789 million in work in process, and 5) an increase of ¥674 million in trade notes and accounts receivable. Fixed assets increased ¥2,365 million mainly due to an increase of ¥6,418 million in property, plant and equipment and a decrease of ¥3,046 million in deferred tax assets.

Liabilities

Total liabilities at fiscal year-end were ¥104,061 million, up ¥10,414 million compared to the previous fiscal year-end. This was due primarily to four factors; 1) an increase of ¥8,000 million in bonds payable, 2) an increase of ¥6,034 million in short-term borrowings, 3) a decrease of ¥2,695 million in accrued amounts payable, and 4) a decrease of ¥1,702 million in trade notes and accounts payable.

Net Assets

Total net assets at the fiscal year-end were ¥104,400 million, down ¥23,225 million as compared to the previous fiscal year-end due primarily to a decrease of ¥21,599 million from a net loss, a decrease of ¥881 million in cash dividends from retained earnings, and a decrease of ¥662 million from foreign currency translation adjustments.

Cash Flows

Net cash provided by operating activities in the fiscal year reached ¥5,534 million (a 78.1% decrease compared with the previous fiscal year). The major factors include loss before income taxes and minority interests of ¥14,624 million, depreciation and amortization of ¥19,250 million, business structure improvement expenses of ¥4,276 million, an impairment loss on property, plant and equipment of ¥268 million, an increase in trade receivables of ¥1,115 million, and a decrease in inventories of ¥1,549 million.

Net cash used in investing activities totaled ¥28,945 million (a 74.4% increase over the previous fiscal year). The major cash outflow was ¥29,101 million for purchases of property, plant and equipment.

Net cash provided by financing activities for the fiscal year was ¥11,388 million (compared to ¥8,948 million in net cash used in the previous fiscal year). Major factors included a net increase in short-term borrowings of ¥6,053 million, proceeds from long-term borrowings of ¥12,000 million, repayments of long-term borrowings of ¥12,563 million, and proceeds from issuance of bonds of ¥7,959 million.

As a result, cash and cash equivalents at end of the year were ¥26,671 million, a decrease of ¥12,140 million as compared to the previous fiscal year-end.

Financing

The TAIYO YUDEN Group practices consolidated management of Group funds with the objective of increasing the efficiency of funding operations. We collect surplus funds from subsidiaries to supply necessary funds to other subsidiaries, while procuring funds externally to cover any shortfalls. We have adopted a Cash Management System (CMS) to minimize external interest-bearing debt.

Financing from external sources at fiscal year-end consisted of the following items:

1. A current portion of convertible-bond-type bonds with subscription rights to share of ¥19,635 million
2. Short-term borrowings of ¥9,031 million
3. The current portion of long-term borrowings of ¥4,147 million
4. Bonds payable of ¥8,000 million
5. Convertible bonds with stock acquisition rights of ¥365 million
6. Long-term borrowings of ¥17,297 million
7. Lease liabilities of ¥2,374 million.

Borrowings are made in Japan at fixed interest rates. The Company also has a commitment line of ¥10,000 million effective for three years to ensure financial stability. We renewed this commitment line in December 2011 with the intention of having these funds available for any emergencies that may severely impact cash flow. As for the fiscal year-end, the Company has not used any of this commitment line.

The TAIYO YUDEN Group has the ability to generate cash flow through sound financial management and operating activities. This enables the procurement of operating capital and funds for capital investment required for the future to maintain growth on a group-wide basis.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses were ¥34,742 million for the fiscal year ended March 31, 2012, down ¥2,395 million from the previous year. The contributors to the decrease were decreases in tariffs and commission fees, a decrease in the provision for employee salaries and benefits, and a decrease in R&D expenses.

Other Income (Expenses)

The net amount of other income (expenses) was expenses of ¥6,614 million, down ¥5,831 million compared with the previous year. These expenses reflect the posting of business structure improvement expenses, and the absence this year of last year's posting of a loss on (earthquake) disaster.

Overview of Capital Investment

Capital investment during the year ended March 2012 amounted to ¥29,101 million. The overall breakdown is as follows.

[Electronic Components]

Capital investment of ¥28,510 million was used mainly to boost productivity of capacitors, and ferrite and applied products, and for R&D facilities.

[Optical Media and Others]

Capital investment of ¥591 million was used mainly to launch new optical media products.

Consolidated Financial Statements

Consolidated Balance Sheets

TAIYO YUDEN CO., LTD. and Subsidiaries

March 31, 2012 and 2011

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Current assets:			
Cash and cash equivalents (Note 3)	¥26,672	¥38,812	\$325,265
Time deposits (Note 3)	1,241	1,146	15,132
Receivables:			
Trade notes and accounts receivable (Note 3)	41,865	41,191	510,551
Allowance for doubtful receivables	(290)	(216)	(3,533)
Inventories:			
Merchandise and finished products	13,100	13,276	159,751
Work in process	8,530	9,319	104,020
Raw materials and supplies	8,920	9,893	108,785
Deferred tax assets (Note 8)	405	1,774	4,934
Prepaid expenses and other current assets	3,956	4,381	48,250
Total current assets	<u>104,399</u>	<u>119,576</u>	<u>1,273,155</u>
Property, plant and equipment (Note 10):			
Land	7,687	7,716	93,740
Buildings and structures	64,204	62,069	782,980
Machinery and equipment	192,930	179,945	2,352,809
Tools, furniture and fixtures	18,212	17,649	222,105
Construction in progress	10,397	10,742	126,787
Total	<u>293,430</u>	<u>278,121</u>	<u>3,578,421</u>
Accumulated depreciation	(199,409)	(190,518)	(2,431,818)
Net property, plant and equipment	<u>94,021</u>	<u>87,603</u>	<u>1,146,603</u>
Investments and other assets:			
Investment securities (Notes 3 and 4)	3,955	4,149	48,238
Investments in affiliate (Note 3)	595	528	7,255
Goodwill	1,802	2,646	21,973
Deferred tax assets (Note 8)	580	3,626	7,072
Other	3,355	3,395	40,920
Allowance for doubtful receivables	(246)	(250)	(3,005)
Total investments and other assets	<u>10,041</u>	<u>14,094</u>	<u>122,453</u>
Total assets	<u>¥208,461</u>	<u>¥221,273</u>	<u>\$2,542,211</u>

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥9,032	¥2,997	\$110,141
Current portion of long-term borrowings (Notes 3 and 5)	4,148	12,540	50,584
Current portion of convertible bonds with stock acquisition rights (Note 19)	19,635	–	239,451
Notes and accounts payable:			
Trade notes and accounts payable (Note 3)	15,346	17,048	187,141
Other (Note 3)	7,593	10,289	92,602
Income taxes payable (Note 3)	586	1,120	7,149
Accrued bonuses for employees	1,741	2,952	21,236
Accrued bonuses for directors	–	47	–
Deferred tax liabilities (Note 8)	616	484	7,510
Provision for business structure improvement	475	–	5,788
Other	10,585	7,926	129,095
Total current liabilities	69,757	55,403	850,697
Long-term liabilities:			
Bonds payable (Notes 3 and 5)	8,000	–	97,561
Long-term borrowings (Notes 3 and 5)	17,298	9,470	210,948
Convertible bonds with stock acquisition rights (Notes 3 and 5)	365	20,000	4,451
Lease liabilities (Note 5)	1,662	2,010	20,270
Accrued retirement benefits for employees (Note 6)	1,660	3,400	20,242
Accrued retirement benefits for directors and corporate auditors	108	137	1,312
Deferred tax liabilities (Note 8)	3,650	2,301	44,507
Negative goodwill	31	52	379
Other	1,530	874	18,670
Total long-term liabilities	34,304	38,244	418,340
Total liabilities	104,061	93,647	1,269,037
Commitment and contingent liabilities (Notes 9 and 11):			
Net assets (Note 7)			
Shareholders' equity:			
Common stock			
Authorized – 300,000,000 shares			
Issued – 120,481,395 shares in 2012 and 2011	23,557	23,557	287,283
Capital surplus	41,471	41,471	505,746
Retained earnings (Note 19)	66,820	89,302	814,879
Treasury stock, at cost – 2,899,010 shares in 2012 and 2,894,450 shares in 2011	(3,625)	(3,621)	(44,214)
Total shareholders' equity	128,223	150,709	1,563,694
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	434	382	5,290
Deferred gains (losses) on hedges	6	(50)	67
Foreign currency translation adjustments	(24,638)	(23,975)	(300,456)
Total accumulated other comprehensive income	(24,198)	(23,643)	(295,099)
Stock acquisition rights (Note 13)	329	288	4,016
Minority interests	46	272	563
Total net assets	104,400	127,626	1,273,174
Total liabilities and net assets	¥208,461	¥221,273	\$2,542,211

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

TAIYO YUDEN CO., LTD. and Subsidiaries

March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET SALES (Note 17)	¥183,795	¥210,402	\$2,241,407
COST OF SALES	<u>157,064</u>	<u>164,472</u>	<u>1,915,415</u>
Gross profit	26,731	45,930	325,992
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>34,742</u>	<u>37,138</u>	<u>423,686</u>
Operating income (loss) (Note 17)	(8,011)	8,792	(97,694)
OTHER INCOME (EXPENSES):			
Interest and dividends income	277	254	3,374
Interest expense	(410)	(477)	(5,005)
Equity in earnings of affiliates	69	2	844
Loss on foreign exchange	(526)	(1,442)	(6,415)
Depreciation of inactive noncurrent assets	(349)	(546)	(4,257)
Gain on sales of property, plant and equipment	29	941	357
Loss on disposal and sales of property, plant and equipment	(496)	(2,172)	(6,044)
Loss on disposal of inventories	(142)	(313)	(1,730)
Loss on valuation of investment securities	(443)	(235)	(5,397)
Impairment loss on property, plant and equipment (Note 10)	(268)	(7,343)	(3,271)
Business structure improvement expenses (Note 16)	(4,277)	-	(52,157)
Subsidy income	72	58	875
Life insurance dividends income	41	58	499
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	(27)	-
Loss on (earthquake) disaster (Note 15)	-	(1,410)	-
Interest on bonds	(12)	-	(144)
Bond issuance cost	(41)	-	(495)
Gain on change of employee retirement benefit plan	56	-	681
Gain on negative goodwill	12	-	144
Other	<u>(206)</u>	<u>207</u>	<u>(2,513)</u>
Other income (expense) - net	<u>(6,614)</u>	<u>(12,445)</u>	<u>(80,654)</u>
LOSS BEFORE INCOME TAXES AND MINORITY INTERESTS	(14,625)	(3,653)	(178,348)
INCOME TAXES (Note 8)			
Current	1,139	1,879	13,893
Deferred	<u>5,832</u>	<u>(42)</u>	<u>71,122</u>
Total income taxes	<u>6,971</u>	<u>1,837</u>	<u>85,015</u>
LOSS BEFORE MINORITY INTERESTS	(21,596)	(5,490)	(263,363)
MINORITY INTERESTS	4	16	49
NET LOSS	<u>¥(21,600)</u>	<u>¥(5,506)</u>	<u>\$(263,412)</u>
	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 18):			
Basic net loss	¥(183.70)	¥(46.82)	\$(2.24)
Diluted net earnings	-	-	-
Cash dividends applicable to the year	5.00	10.00	0.06

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

TAIYO YUDEN CO., LTD. and Subsidiaries

March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
LOSS BEFORE MINORITY INTERESTS	¥(21,596)	¥(5,490)	\$(263,363)
OTHER COMPREHENSIVE INCOME (Note 14):			
Net unrealized holding gains (losses) on securities	52	(313)	634
Deferred gains (losses) on hedges	55	46	675
Foreign currency translation adjustments	(662)	(4,715)	(8,078)
Total other comprehensive income	<u>(555)</u>	<u>(4,982)</u>	<u>(6,769)</u>
COMPREHENSIVE INCOME	<u>¥(22,151)</u>	<u>¥(10,472)</u>	<u>\$(270,132)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥(22,155)	¥(10,488)	\$(270,178)
Minority interests	4	16	46

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2012 and 2011

	Thousands	Millions of Yen				
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
BALANCE, APRIL 1, 2011	120,481	¥23,557	¥41,471	¥89,302	¥(3,621)	¥150,709
Changes during the year						
Cash dividends, ¥7.50 per share				(882)		(882)
Net loss				(21,600)		(21,600)
Treasury stock acquired (4,560 shares)					(4)	(4)
Changes other than shareholders' equity						
Total changes				(22,482)	(4)	(22,486)
BALANCE, MARCH 31, 2012	120,481	¥23,557	¥41,471	¥66,820	¥(3,625)	¥128,223

	Millions of Yen						
	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, APRIL 1, 2011	¥382	¥(50)	¥(23,975)	¥(23,643)	¥288	¥272	¥127,626
Changes during the year							
Cash dividends, ¥7.50 per share							(882)
Net loss							(21,600)
Treasury stock acquired (4,560 shares)							(4)
Changes other than shareholders' equity	52	56	(663)	(555)	41	(226)	(740)
Total changes	52	56	(663)	(555)	41	(226)	(23,226)
BALANCE, MARCH 31, 2012	¥434	¥6	¥(24,638)	¥(24,198)	¥329	¥46	¥104,400

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
BALANCE, APRIL 1, 2011	\$287,283	\$505,746	\$1,089,045	\$(44,157)	\$1,837,917
Changes during the year					
Cash dividends, \$0.09 per share			(10,754)		(10,754)
Net loss			(263,412)		(263,412)
Treasury stock acquired (4,560 shares)				(57)	(57)
Changes other than shareholders' equity					
Total changes			(274,166)	(57)	(274,223)
BALANCE, MARCH 31, 2012	\$287,283	\$505,746	\$814,879	\$(44,214)	\$1,563,694

	Thousands of U.S. Dollars (Note 1)						
	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, APRIL 1, 2011	\$4,655	\$(607)	\$(292,381)	\$(288,333)	\$3,508	\$3,324	\$1,556,416
Changes during the year							
Cash dividends, \$0.09 per share							(10,754)
Net loss							(263,412)
Treasury stock acquired (4,560 shares)							(57)
Changes other than shareholders' equity	635	674	(8,075)	(6,766)	508	(2,761)	(9,019)
Total changes	635	674	(8,075)	(6,766)	508	(2,761)	(283,242)
BALANCE, MARCH 31, 2012	\$5,290	\$67	\$(300,456)	\$(295,099)	\$4,016	\$563	\$1,273,174

See accompanying Notes to Consolidated Financial Statements.

	Thousands	Millions of Yen				
	Number of Shares of Common Stock Issued	Shareholders' Equity				
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
BALANCE, APRIL 1, 2010	120,481	¥23,557	¥41,471	¥95,984	¥(3,592)	¥157,420
Changes during the year						
Cash dividends, ¥10.00 per share				(1,176)		(1,176)
Net loss				(5,506)		(5,506)
Treasury stock acquired (23,021 shares)					(29)	(29)
Changes other than shareholders' equity						
Total changes	-	-	-	(6,682)	(29)	(6,711)
BALANCE, MARCH 31, 2011	<u>120,481</u>	<u>¥23,557</u>	<u>¥41,471</u>	<u>¥89,302</u>	<u>¥(3,621)</u>	<u>¥150,709</u>

	Millions of Yen						
	Accumulated Other Comprehensive Income						
	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, APRIL 1, 2010	¥695	¥(96)	¥(19,260)	¥(18,661)	¥248	¥256	¥139,263
Changes during the year							
Cash dividends, ¥10.00 per share							(1,176)
Net loss							(5,506)
Treasury stock acquired (23,021 shares)							(29)
Changes other than shareholders' equity	(313)	46	(4,715)	(4,982)	40	16	(4,926)
Total changes	<u>(313)</u>	<u>46</u>	<u>(4,715)</u>	<u>(4,982)</u>	<u>40</u>	<u>16</u>	<u>(11,637)</u>
BALANCE, MARCH 31, 2011	<u>¥382</u>	<u>¥(50)</u>	<u>¥(23,975)</u>	<u>¥(23,643)</u>	<u>¥288</u>	<u>¥272</u>	<u>¥127,626</u>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries

March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Operating activities:			
Loss before income taxes and minority interests	¥(14,625)	¥(3,653)	\$(178,348)
Adjustments to reconcile loss before income tax and minority interests to net cash provided by operating activities:			
Depreciation and amortization	19,250	19,310	234,762
Impairment loss on property, plant and equipment	268	7,343	3,271
Business structure improvement expense	4,277	-	52,157
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	27	-
Loss on (earthquake) disaster	-	1,410	-
Amortization of goodwill	844	844	10,297
Amortization of negative goodwill	(21)	(21)	(253)
Gain on negative goodwill	(12)	-	(144)
Increase (decrease) in allowance for doubtful receivables	70	(95)	855
Increase (decrease) in accrued bonuses for employees	(1,207)	237	(14,720)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(47)	24	(569)
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	(26)	6	(316)
Interest and dividend income	(277)	(254)	(3,374)
Interest expense	410	477	5,005
Interest on bonds	12	-	144
Equity in earnings of affiliates	(69)	(2)	(844)
Loss on disposal and sales of property, plant and equipment	467	1,231	5,687
Loss on valuation of investment securities	443	235	5,397
Changes in operating assets and liabilities:			
Trade receivables	(1,116)	4,415	(13,608)
Inventories	1,550	(4,784)	18,900
Trade payables	(1,154)	852	(14,080)
Other	(1,800)	(44)	(21,957)
Subtotal	7,237	27,558	88,262
Interest and dividends received	281	252	3,431
Interest paid	(403)	(489)	(4,915)
Income taxes paid	(1,581)	(2,102)	(19,284)
Net cash provided by operating activities	5,534	25,219	67,494
Investing activities:			
Purchases of property, plant and equipment	(29,101)	(17,519)	(354,897)
Proceeds from sales of property, plant and equipment	73	1,011	891
Purchases of investment securities	(200)	(125)	(2,439)
Decrease (increase) in time deposits	(123)	84	(1,499)
Proceeds from sales of investment securities	5	-	61
Other	401	(46)	4,890
Net cash used in investing activities	(28,945)	(16,595)	(352,993)
Financing activities:			
Net increase (decrease) in short-term borrowings	6,054	(2,733)	73,824
Proceeds from long-term borrowings	12,000	-	146,341
Repayments of long-term borrowings	(12,564)	(4,062)	(153,217)
Proceeds from issuance of bonds	7,959	-	97,066
Proceeds from stock issuance to minority shareholders	6	-	68
Purchase of stock from minority shareholder	(224)	-	(2,731)
Payments of cash dividends	(880)	(1,178)	(10,725)
Purchases of treasury stock	(4)	(29)	(57)
Repayments of lease obligations	(958)	(945)	(11,684)
Other	-	(1)	-
Net cash provided by (used in) financing activities	11,389	(8,948)	138,885
Effect of exchange rate changes on cash and cash equivalents	(118)	(1,316)	(1,436)
Net decrease in cash and cash equivalents	(12,140)	(1,640)	(148,050)
Cash and cash equivalents, beginning of year	38,812	40,452	473,315
Cash and cash equivalents, end of year	¥26,672	¥38,812	\$325,265

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

TAIYO YUDEN CO., LTD. and Subsidiaries

March 31, 2012 and 2011

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of TAIYO YUDEN CO., LTD. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, and partially reflect the adjustments which are necessary to conform with Japanese GAAP. The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2012, which was ¥82 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

(1) Consolidation Policies

The consolidated financial statements include the accounts of the Company and all of its subsidiaries (together the "Companies"). The Japanese accounting standards for consolidation require the control or influence concept for the consolidation scope of subsidiaries and affiliates.

As of March 31st, 2012, the number of consolidated subsidiaries and affiliates was 36 and 1. TAIYO YUDEN TRADING (THAILAND) CO., LTD. was established in the fiscal year ended March 31, 2012, and thus is 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 acquired before March 2010") is being amortized over the subsequent five-year periods. Investment in affiliate is accounted for by the equity method. Net income (loss) includes the equity in the current net earnings (losses) of such company after the elimination of unrealized intercompany profit.

(2) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposit, and short-term investments with original maturities of three months or less, that are readily convertible into known amount of cash and are so near maturity that they present negligible risk of changes in value.

(3) Foreign Currency Transactions

Short-term and long-term foreign currency monetary items are translated into Japanese yen at appropriate fiscal year-end current rates. The resulting net losses are shown as "Loss on foreign exchange" in the accompanying consolidated statements of operations.

(4) Foreign Currency Financial Statements

In translating the financial statements of foreign subsidiaries for the purpose of consolidation, all assets and liabilities are translated into Japanese yen at appropriate fiscal year-end current rates while net assets accounts are translated at historical rates.

Revenue and expense items are translated at the average rates during the fiscal year. The resulting translation differences are shown as "Foreign currency translation adjustments" in net assets at March 31, 2012 and 2011 in the accompanying consolidated balance sheets.

(5) Debt and Equity Securities

The Companies classify debt and equity securities, depending on management's intent, as follows:

(i) Held-to-maturity debt securities, for which management has the positive intent and ability to hold to maturity, are reported at amortized cost.

(ii) Available-for-sale securities represent securities not classified as either trading securities or held-to-maturity debt securities. Available-for-sale securities, which have fair value, are reported at fair value with unrealized gains, net of applicable taxes at March 31, 2012 and 2011.

Available-for-sale securities, which do not have fair value, are stated at cost using the moving-average method. Equities of limited liability partnerships for investment business and of other similar partnerships (defined as "securities" by Article 2, Section 2 of the Financial Instruments and Exchange Act) are valued at the net equity equivalents based on the recently available financial statements of the partnership corresponding to the reporting dates of the financial statements defined by the partnership agreements.

(6) Inventories

Inventories are stated primarily at cost, determined by the average method for merchandise, finished products and work in process and by the first-in, first-out (FIFO) method for raw materials and supplies, modified by the writing down below cost to net realizable value.

(7) Property, Plant and Equipment (Except for the leased assets)

Property, plant and equipment are stated at cost. For the Company and domestic consolidated subsidiaries, depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the assets, except that the straight-line method is applied to building acquired after April 1, 1998.

Useful lives of the assets and residual value of the assets are mainly estimated in consistent with the method accepted under the corporate tax law in Japan. For foreign subsidiaries, depreciation is principally computed by straight-line method.

(8) Leased Assets

(i) Leased assets, ownership of which is considered to be transferred to the lessee, are depreciated in the same manner as property, plant and equipment.

(ii) Leased assets, ownership of which is not considered to be transferred to the lessee, are depreciated over the leased term by the straight-line method with no residual value, except for finance leases commencing prior to March 31, 2008, which are accounted for in the same manner as operating leases.

(9) Allowance for Doubtful Receivables

The Company and its domestic consolidated subsidiaries provide the allowance for doubtful accounts based on the percentage of actual bad debt losses against the balance of total receivables and the amount of uncollectible receivables estimated on an individual basis. Overseas consolidated subsidiaries record the allowance based primarily on the amount of uncollectible receivables estimated on an individual basis.

(10) Accrued Retirement Benefits for Employees

Accrued retirement benefits for employees at certain consolidated subsidiaries are provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. Also, certain consolidated subsidiaries provide allowance for accrued pension and severance costs.

(11) Accrued Retirement Benefits for Directors and Corporate Auditors

Certain subsidiaries of the Company provide lump-sum severance benefits for directors and corporate auditors. The accrued retirement benefits for directors and corporate auditors are provided at the amount which would be required based on their internal regulations if all directors and corporate auditors retired at the balance sheet date.

(12) Accrued Bonuses for Employees

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.

(13) Accrued Bonuses for Directors

Allowance for bonuses to directors are provided by the estimated amounts, which are obligated to pay to directors after the fiscal year-end, based on services provided during the current period.

(14) Provision for business structure improvement

Provision for business structure improvement for certain subsidiary is provided by the estimated amounts to be incurred on business structure improvement.

(15) Income Taxes

The provision for income taxes is computed based on the pretax income for the financial reporting purposes. Deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. A valuation allowance is recorded to reduce deferred tax assets if it is not probable that deferred tax assets will be realized in the future.

(16) 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 ¥8,069 million (\$98,401 thousand) and ¥8,476 million for the years ended March 31, 2012 and 2011, respectively.

(17) Derivative and Hedging Activities

Companies are required to state derivative instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative instruments are used for hedging purposes.

The Company defers recognition of gains or losses resulting from changes in fair value of derivative instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The derivative transactions are executed and managed by the finance and accounting division in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

(18) Per Share Information

Basic net loss per share is computed by dividing net loss available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits. Basic net loss per share for the years ended March 31, 2012 and 2011 are computed in accordance with Japanese accounting standards.

Although diluted shares exist for the years ended March 31, 2012 and 2011, diluted net earnings per share are not disclosed since there is net loss per share for the periods.

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.

(19) Certain Reclassifications

Certain reclassifications of prior year's amounts have been made to conform to the presentation for 2012.

(20) Others

(i) The Company and its consolidated domestic subsidiaries obtained approval from the Japan national tax agency to file a consolidated tax return system effective from the year beginning April 1, 2012. From the fiscal year ended March 31, 2012, the Company has been adopting accounting treatments as a prerequisite to the adoption of a consolidated tax return system in accordance with "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation system (Part 1)" (ASBJ Practical Issues Task Force (PITF) No.5, initially issued on October 9, 2002 and lastly revised on March 18, 2011) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation system (Part 2)" (ASBJ PITF No.7, initially issued on February 6, 2003 and revised on June 30, 2010) (ii) Bond issuance cost is recognized as expense when it is incurred.

(21) Additional Information

The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

3. Financial instruments

(1) Qualitative information on financial instruments

a. Group policy for financial instruments

The Companies, which mainly produce and market electronic components, procure short-term operating funds with bank loans, and long-term funds for capital investment, etc. with bank loans and issuance of bonds in accordance with a capital investment plan.

Temporary surplus funds are managed as safe and secure financial funds such as short-term deposits. The Company uses derivatives to hedge risks stated below, and do not intend to use them for speculative purpose.

b. Risk management for financial instruments

Trade notes and accounts receivable which are operating receivables are exposed to consumer credit risk. Therefore, the Companies manage due dates and balance for each customer, and make efforts to early recognize concerns about collectability and reduce its risks due to deterioration in financial conditions, etc.

Investment securities consisting mainly of shares of companies with which the Company has business relationship are managed by grasping fair values and financial conditions of issuers on a regular basis.

Payment due dates of most trade notes and accounts payable which are operating payables are within one year.

The Company uses borrowings, bonds and convertible bond with stock acquisition rights mainly for the purpose of procuring funds necessary for capital investment. As long-term loans with floating interest rate are exposed to the risk of interest-rate fluctuations, the Company uses derivative transactions (interest-rate swaps) to hedge the risk.

Operating receivables in foreign currency which arise from the Company's global business development are exposed to the risk of exchange-rate fluctuations. The Company uses forward exchange contracts as hedging instruments for operating receivables in foreign currency to reduce the risk of exchange-rate fluctuations, in principle. The Company also makes forward exchange contracts to hedge risks from operating receivables in foreign currency which are surely brought about by forecasted transactions related to exports.

The Company makes derivatives transactions only with high-rated financial institutions. In accordance with the internal risk management regulations providing for trading authority, the ceiling and other matters, the finance and accounting department executes derivative transactions, and manage them by recording details of transactions and checking balances with counterparties.

A manager of finance and accounting department reports monthly results of transactions to Managing Officers of Management & Administration Headquarters, and they report the results to the Board of Directors. Consolidated subsidiaries and affiliate do not use derivatives.

The Company unifies the management of funds of the entire Group based on funding plans prepared by each group company in order to allow them to secure adequate liquidity.

c. Supplemental information on market value of financial instruments

Financial instruments without market quotations are stated at reasonably calculated value. Such a value is calculated based on variable factors. Therefore, the value may be changed depending on prerequisites to be adopted.

(2) Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheets at March 31, 2012 and 2011 are as follows;. When it is extremely difficult to measure a fair value of financial instrument, such a financial instrument is not included in the table shown below.

Millions of yen			
2012			
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥27,913	¥27,913	-
(2) Trade notes and accounts receivable	41,865	41,865	-
(3) Investment securities:			
1) Held-to-maturity debt securities	1	1	-
2) Available-for-sale securities	3,438	3,438	-
Total assets	¥73,217	¥73,217	-
(4) Trade notes and accounts payable	15,346	15,346	-
(5) Short-term borrowings	9,032	9,032	-
(6) Other accounts payable	7,593	7,593	-
(7) Income taxes payable	586	586	-
(8) Bonds payable	8,000	8,014	¥14
(9) Convertible bonds with stock acquisition rights (*1)	20,000	19,964	(36)
(10) Long-term borrowings (*2)	21,446	21,406	(40)
Total liabilities	¥82,003	¥81,941	¥(62)
(11) Derivative transactions (*3)	¥(686)	¥(686)	-
Millions of yen			
2011			
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥39,958	¥39,958	-
(2) Trade notes and accounts receivable	41,191	41,191	-
(3) Investment securities:			
1) Held-to-maturity debt securities	1	1	-
2) Available-for-sale securities	3,811	3,811	-
Total assets	¥84,961	¥84,961	-
(4) Trade notes and accounts payable	17,048	17,048	-
(5) Short-term borrowings	2,997	2,997	-
(6) Other accounts payable	10,289	10,289	-
(7) Income taxes payable	1,120	1,120	-
(8) Convertible bonds with stock acquisition rights	20,000	19,754	¥(246)
(9) Long-term borrowings (*2)	22,010	22,150	140
Total liabilities	¥73,464	¥73,358	¥(106)
(10) Derivative transactions (*3)	¥(181)	¥(181)	-
Thousands of U.S. dollars			
2012			
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	\$340,397	\$340,397	-
(2) Trade notes and accounts receivable	510,551	510,551	-
(3) Investment securities:			
1) Held-to-maturity debt securities	7	7	-
2) Available-for-sale securities	41,933	41,933	-
Total assets	\$892,888	\$892,888	-
(4) Trade notes and accounts payable	187,141	187,141	-
(5) Short-term borrowings	110,141	110,141	-
(6) Other accounts payable	92,602	92,602	-
(7) Income taxes payable	7,149	7,149	-
(8) Bonds payable	97,561	97,727	\$166
(9) Convertible bonds with stock acquisition rights (*1)	243,902	243,461	(441)
(10) Long-term borrowings (*2)	261,532	261,048	(484)
Total liabilities	\$1,000,028	\$999,269	\$(759)
(11) Derivative transactions (*3)	\$(8,367)	\$(8,367)	-

(*1) Convertible bonds with stock acquisition rights includes current portion.

(*2) Long-term borrowings includes current portion.

(*3) Derivatives transactions are stated in net of assets and liabilities. The figures in parenthesis indicate net liabilities.

Note 1: Measurement methods for fair value of financial instruments and matters concerning securities and derivative transactions

Assets:

(1) Cash, cash equivalents and time deposits and (2) Trade notes and accounts receivable

Since these are settled in short term, their fair values are close to book values. Accordingly, they are stated at book value.

(3) Investment securities

Equity securities are stated at price on exchange market, and bonds are stated at price offered by correspondent financial institutions.

Liabilities:

(4) Trade notes and accounts payable, (5) Short-term borrowings, (6) Other accounts payable and

(7) Income taxes payable

Since these are settled in short term, their fair values are close to book values. Accordingly, they are stated at book value.

(8) Bonds payable and (9) Convertible bonds with stock acquisition rights

The prices offered by correspondent financial institutions are regarded as fair values.

(10) Long-term borrowings

The fair values of long-term borrowings are measured as present values obtained by discounting total amount of principal and interest at the estimated interest rate if similar borrowings were newly made. Long-term borrowings with floating interest rates are subject to the preferential accounting method for interest-rate swaps. Their fair values are calculated by discounting the total amount of principal and interest treated together with relevant interest-rate swaps at the estimated interest rate if similar borrowings were newly made.

(11) Derivative transactions

The fair values of forward exchange contracts are stated at prices offered by financial institutions.

As derivative transactions subject to the preferential accounting method for interest-rate swaps are treated together with hedged long-term borrowings, their fair values are included in the fair values of relevant long-term borrowings.

Note 2: Financial instruments of which fair value is extremely difficult to be identified

Classification	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	Book value	Book value	Book value
Available-for-sale securities:			
Unlisted equity securities	¥177	¥77	\$2,156
Investments in affiliate	595	528	7,255
Equities of limited liability partnerships for investment business and of other similar partnerships	340	260	4,143

As for financial instruments shown above, there is no market price and future cash flow cannot be estimated. Accordingly, since it is considered very difficult to identify their fair value, they are not included in "Assets (3) 2 Available-for-sale securities".

Note 3: Planned redemption amounts after March 31, 2012 and 2011 for monetary assets and investment securities

	Millions of yen	
	2012	
	Within 1 year	Over 1 year and within 5
Cash, cash equivalents and time deposits	¥27,877	-
Trade notes and accounts receivable	41,865	-
Investment securities		
Held-to-maturity debt securities	0	¥1

	Millions of yen	
	2011	
	Within 1 year	Over 1 year and within 5
Cash, cash equivalents and time deposits	¥39,923	-
Trade notes and accounts receivable	41,191	-
Investment securities		
Held-to-maturity debt securities	-	¥1

	Thousands of U.S. dollars	
	2012	
	Within 1 year	Over 1 year and within 5
Cash, cash equivalents and time deposits	\$339,958	-
Trade notes and accounts receivable	510,551	-
Investment securities		
Held-to-maturity debt securities	2	\$5

4. DEBT AND EQUITY SECURITIES

(1) Held-to-maturity debt securities

Millions of Yen			
2012			
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bond	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bond	—	—	—
Corporate bonds	—	—	—
Other	¥1	¥1	—
Subtotal	¥1	¥1	—
Total	¥1	¥1	—

Millions of Yen			
2011			
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bond	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bond	—	—	—
Corporate bonds	—	—	—
Other	¥1	¥1	—
Subtotal	¥1	¥1	—
Total	¥1	¥1	—

Thousands of U.S. Dollars			
2012			
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bond	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bond	—	—	—
Corporate bonds	—	—	—
Other	\$7	\$7	—
Subtotal	\$7	\$7	—
Total	\$7	\$7	—

(2) Available-for-sale securities

Millions of Yen			
2012			
	Book value	Acquisition cost	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	¥2,983	¥2,232	¥751
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥2,983	¥2,232	¥751
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	¥419	¥603	¥(184)
Corporate bonds	—	—	—
Other	36	42	(6)
Subtotal	¥455	¥645	¥(190)
Total	¥3,438	¥2,877	¥561

Millions of Yen			
2011			
	Book value	Acquisition cost	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	¥2,723	¥1,852	¥871
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥2,723	¥1,852	¥871
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	¥1,054	¥1,433	¥(379)
Corporate bonds	—	—	—
Other	34	42	(8)
Subtotal	¥1,088	¥1,475	¥(387)
Total	¥3,811	¥3,327	¥484

Thousands of U.S. Dollars			
2012			
	Book value	Acquisition cost	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	\$36,381	\$27,218	\$9,163
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$36,381	\$27,218	\$9,163
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	\$5,113	\$7,355	\$(2,242)
Corporate bonds	—	—	—
Other	439	516	(77)
Subtotal	\$5,552	\$7,871	\$(2,319)
Total	\$41,933	\$35,089	\$6,844

(3) Impaired securities

For the fiscal year ended March 31, 2012, the Company recorded an impairment loss of ¥443 million (\$5,397 thousand) on "Available-for-sale securities" (¥443 million (\$5,397 thousand) on other marketable securities).

The Company posts the entire amount of impairment loss on all securities whose fair value at the end of the fiscal year is less than 50% of the acquisition cost.

For securities whose fair value at the end of the fiscal year decreases by 30 to 50% from their acquisition cost, the Company posts an impairment loss when it is judged necessary, by examining the impact and recoverability of the amount.

5. INDEBTEDNESS

Short-term borrowing at March 31, 2012 and 2011 principally consist of borrowings from banks at average annual rates of approximately 0.92% and 0.88%, respectively.

Long-term debts at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Long-term borrowings from banks and other financial institutions			
Due within one year, weighted average interest rate 1.38% at March 31, 2012, and 1.56% at March 31, 2011.	¥4,148	¥12,540	\$50,584
Due after one year, weighted average interest rate 1.19% at March 31, 2012, and 1.58% at March 31, 2011.	17,298	9,470	210,948
Euro Yen zero coupon convertible bonds due 2014			
Due within one year	19,635	–	239,451
Due after one year	365	20,000	4,451
Bonds payable	8,000	–	97,561
Lease liabilities			
Due within one year			
Lease that deem to transfer ownership to lessee, weighted average interest rate 3.22%	340	328	4,144
Lease that do not transfer ownership to lessee	373	579	4,547
Due after one year			
Lease that deem to transfer ownership to lessee weighted average interest rate 3.22%	351	691	4,279
Lease that do not transfer ownership to lessee	1,311	1,319	15,991
Total	51,821	44,927	631,956
Less current portion	(24,496)	(13,447)	(298,726)
Long-term debts, less current portion	¥27,325	¥31,480	¥333,230

The average interest rate per annum for lease that do not transfer ownership to lessee is not presented since lease liabilities are stated at the amounts before deducting interest portion which is included in total lease liabilities.

The conversion price per share of Euro Yen zero coupon convertible bonds for the years ended March 31, 2012 and 2011 was ¥3,746 (\$45.68) – fixed price.

The aggregate annual maturities of long-term debts other than lease liabilities as of March 31, 2012 are as follows:

For the year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥23,783	\$290,035
2014	4,528	55,217
2015	20,343	248,082
2016	527	6,430
2017	27	327
2018 and thereafter	238	2,904
Total	¥49,446	\$602,995

The annual maturities of lease liabilities as of March 31, 2012 are as follows:

For the year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥713	\$8,691
2014	660	8,049
2015	300	3,662
2016	297	3,621
2017	244	2,973
2018 and thereafter	161	1,965
Total	¥2,375	\$28,961

6. RETIREMENT BENEFITS

(1) Outline of retirement benefit plans

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

(2) The liability (asset) for retirement benefit plans for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefits obligation	¥2,661	¥4,741	\$32,445
Fair value of pension assets	924	1,223	11,263
Unrecognized actuarial differences	141	168	1,722
Net liability for severance and retirement benefits	1,596	3,350	19,460
Prepaid pension costs	64	50	782
Accrued retirement benefits for employees	<u>¥1,660</u>	<u>¥3,400</u>	<u>¥20,242</u>

(3) Retirement benefit costs for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥484	¥569	\$5,897
Interest cost	132	176	1,611
Expected return on plan assets	(62)	(58)	(754)
Amortization of prior service costs	2	-	28
Other	1,099	1,006	13,402
Net periodic benefit costs	<u>¥1,655</u>	<u>¥1,693</u>	<u>\$20,184</u>

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

"Other" for the years ended March 31, 2012 and 2011 mainly includes contribution to defined contribution pension plans.

The discount rates of foreign companies were from 4.00% to 6.50% for the year ended March 31, 2012.

The rates of expected return on plan assets of foreign companies are from 4.50% to 5.00% for the year ended March 31, 2012.

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 Companies Act of Japan ("the Act"), in cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve, must be set aside as additional paid-in capital or legal earnings reserve. Additional paid-in capital and legal earnings reserve are included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets. Under the Act, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act. Appropriations are not accrued in the consolidated financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders' approval has been obtained.

8. INCOME TAXES

Income taxes in Japan applicable to the Company and domestic subsidiaries for the years ended March 31, 2012 and 2011 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, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets			
Inventories	¥162	¥263	\$1,975
Retirement benefits	3,893	3,513	47,481
Enterprise tax payables	14	69	176
Accrued bonuses	587	935	7,159
Excess depreciation	2,049	2,657	24,986
Allowance for doubtful receivables	87	393	1,066
Unused tax losses	16,732	11,224	204,047
Other	2,894	2,177	35,279
Offset	(213)	(1,811)	(2,598)
Subtotal	26,205	19,420	319,571
Valuation allowance	(25,220)	(14,020)	(307,565)
Total deferred tax assets	<u>¥985</u>	<u>¥5,400</u>	<u>\$12,006</u>
Deferred tax liabilities			
Allowance for doubtful receivables	¥22	¥33	\$269
Undistributed earnings of foreign subsidiaries	1,878	1,874	22,902
Inventories	585	448	7,139
Reserves	932	1,062	11,360
Unrealized holding gains on investment securities	118	93	1,444
Other	944	1,086	11,501
Offset	(213)	(1,811)	(2,598)
Total deferred tax liabilities	<u>¥4,266</u>	<u>¥2,785</u>	<u>\$52,017</u>

Reconciliations of statutory and effective income tax rates for 2012 and 2011 are omitted because of loss before income taxes and minority interests.

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 37.75% for years beginning on or after April 1, 2012 and 35.38% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 37.75% and 35.38%, respectively, as of March 31, 2012. These changes in statutory income tax rates had no material impact on the consolidated financial statement for the year ended March 31, 2012.

9. LEASE TRANSACTIONS

(1) Finance Lease

As described in Note 2, 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, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
The amount corresponding to acquisition cost	¥638	¥1,660	\$7,785
The amount corresponding to accumulated depreciation	559	1,350	6,816
The amount corresponding to net book value	¥79	¥310	\$969

The amounts of outstanding future lease payments due at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Future lease payments			
Within one year	¥65	¥229	\$796
Over one year	14	81	173
Total	¥79	¥310	\$969

Lease payments and the amounts corresponding to depreciation for the years ended March 31, 2012 and 2011 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Lease payments	¥228	¥333	\$2,775
The amount corresponding to depreciation expense	228	333	2,775

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.

(2) Operating lease

The amounts of noncancellable future lease payments as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Future lease payments			
Within one year	¥281	¥190	\$3,429
Over one year	525	570	6,396
Total	¥806	¥760	\$9,825

10. 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, 2012 and 2011, the Companies recognized impairment loss on property, plant and equipment as follows:

For the year ended March 31, 2012

<u>Classification</u>	<u>Description</u>	<u>Location</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Machinery and Equipment, Others	Idle assets	Haruna, Gunma Nakanojo, Gunma Tamamura, Gunma Yawatabara, Gunma Tianjin, China Others	¥268	\$3,271

For the year ended March 31, 2011

<u>Classification</u>	<u>Description</u>	<u>Location</u>	<u>Millions of Yen</u>
Machinery and Equipment, Buildings and Land, Others	Recording media products production facilities, Others	Date, Fukushima	¥7,035
Machinery and Equipment, Tools, Furniture and Fixtures, Others	Idle assets	Haruna, Gunma Nakanojo, Gunma Tamamura, Gunma Yawatabara, Gunma Tianjin, China Others	300
Intangible assets	Telephone subscription rights	Shinyokohama, Kanagawa Suzaka, Nagano	8

11. CONTINGENT LIABILITIES

At March 31, 2012 and 2011, the Companies had the following contingent liabilities:

	Millions of Yen		Thousands of
	2012	2011	U.S. Dollars
As guarantor of bank loans and indebtedness	¥4	¥6	\$50

12. DERIVATIVE TRANSACTIONS

The fair values of derivatives held by the Companies as of March 31, 2012 and 2011 are summarized as follows. Fair value is computed based on quotes and others by financial institutions and others.

(1) Derivative transactions for which hedge accounting is not applied

	Millions of Yen			
	2012			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	¥11,624	-	¥(695)	¥(695)

	Millions of Yen			
	2011			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	¥16,927	-	¥(109)	¥(109)
Foreign exchange forward contracts: Buying: U.S. Dollar	¥1,651	-	¥12	¥12

	Thousands of U.S. Dollars			
	2012			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	\$141,752	-	\$(8,476)	\$(8,476)

(2) Derivative transactions for which hedge accounting is applied

		Millions of Yen		
		2012		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts: Selling: U.S. Dollar	Future transaction	¥4,528	–	¥13
Foreign exchange forward contracts: Buying: U.S. Dollar	Future transaction	¥825	–	¥(4)
Interest-rate swaps Fixed interest payment and floating interest receipt	Long-term borrowings	¥9,000	¥750	–

		Millions of Yen		
		2011		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts: Selling: U.S. Dollar	Future transaction	¥6,535	–	¥(110)
Foreign exchange forward contracts: Buying: U.S. Dollar	Future transaction	¥1,637	–	¥26
Interest-rate swaps Fixed interest payment and floating interest receipt	Long-term borrowings	¥6,000	¥3,000	–

		Thousands of U.S. Dollars		
		2012		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts: Selling: U.S. Dollar	Future transaction	\$55,215	–	\$153
Foreign exchange forward contracts: Buying: U.S. Dollar	Future transaction	\$10,056	–	\$(44)
Interest-rate swaps Fixed interest payment and floating interest receipt	Long-term borrowings	\$109,756	\$9,146	–

For the specific treatment of interest-rate swaps, because they are account for in combination with the hedged long-term borrowings, their fair value is included the fair value of the long-term borrowings.

13. 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 ¥41 million (\$508 thousand) and ¥40 million were recognized in selling, general and administrative expenses in 2012 and 2011, respectively.

For the year ended March 31, 2012, a standard option pricing model (i.e., Black–Scholes) was used to measure the fair value of stock options granted to its directors. The fair value for these options was estimated at the date of grant using a Black–Scholes option pricing model with risk-free interest rates of 0.34% in 2012, dividends per share of ¥10 (\$0.12) in 2012 and volatility factor of the expected market value of the Company's common stock of 50.7% in 2012, determined by weekly historical price for the past four years and three months and expected life of the option of 4.3 years in 2012.

A summary of the Company's stock options outstanding at March 31, 2012 is as follows:

Date of resolution	June 29, 2005	June 29, 2006	June 28, 2007	June 28, 2007
Date of grant	June 29, 2005	August 23, 2006	July 13, 2007	July 13, 2007
Number of options	26,000 shares of Common stock	29,000 shares of Common stock	32,000 shares of Common stock	46,000 shares of Common stock
Exercise price	¥1	¥1	¥1	¥1
Exercise period	From June 30, 2005 to July 31, 2025	From August 24, 2006 to August 23, 2026	From July 14, 2007 to July 13, 2027	From July 14, 2007 to July 13, 2027
Fair value (per share)	¥-	¥1,511	¥2,761	¥2,761
Options outstanding at March 31, 2011	8,000 shares	17,000 shares	23,000 shares	34,000 shares
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited/Expired	-	-	-	-
Options outstanding at March 31, 2012	8,000 shares	17,000 shares	23,000 shares	34,000 shares

Date of resolution	June 27, 2008	May 25, 2009	June 29, 2010	June 29, 2011
Date of grant	July 14, 2008	June 9, 2009	July 21, 2010	July 14, 2011
Number of options	46,000 shares of Common stock	37,000 shares of Common stock	39,000 shares of Common stock	44,000 shares of Common stock
Exercise price	¥1	¥1	¥1	¥1
Exercise period	From July 15, 2008 to July 14, 2028	From June 10, 2009 to June 9, 2029	From July 22, 2010 to July 21, 2030	From July 14, 2011 to July 13, 2031
Fair value (per share)	¥966	¥947	¥1,013	¥948
Options outstanding at March 31, 2011	34,000 shares	34,000 shares	39,000 shares	-
Granted	-	-	-	44,000 shares
Exercised	-	-	-	-
Forfeited/Expired	-	-	-	-
Options outstanding at March 31, 2012	34,000 shares	34,000 shares	39,000 shares	44,000 shares

14. COMPREHENSIVE INCOME

Reclassification and income tax effects attributable to other comprehensive income for the year ended March 31, 2012 were as follows:

	<u>Millions of Yen</u> <u>2012</u>	<u>Thousands of</u> <u>U.S. dollars</u> <u>2012</u>
Net unrealized holding gains (losses) on securities:		
Gains (losses) arising during the year	¥520	\$6,340
Reclassifications and adjustments	(443)	(5,396)
Before income tax effects	77	944
Income tax effects	(25)	(310)
Net unrealized holding gains (losses) on securities	<u>52</u>	<u>634</u>
Deferred gains (losses) on hedges:		
Gains (losses) arising during the year	(8)	(100)
Reclassifications and adjustments	100	1,228
Before income tax effects	92	1,128
Income tax effects	(37)	(453)
Deferred gains (losses) on hedges	<u>55</u>	<u>675</u>
Foreign currency translation adjustments:		
Adjustments arising during the year	(662)	(8,078)
Total other comprehensive income	<u>¥(555)</u>	<u>\$(6,769)</u>

15. LOSS ON (EARTHQUAKE) DISASTER

Loss on (earthquake) disaster for the year ended March 31, 2011 consists of the following:

	<u>Millions of Yen</u> <u>2011</u>
Loss on disposal of property, plant and equipment due to disaster	¥850
Loss on disposal of inventories due to disaster	241
Fixed costs during shutdown of facilities due to disaster	183
Repair costs for disaster-affected assets	85
Other	51
Total	<u>¥1,410</u>

16. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

The Companies recorded costs for business structure improvement of ¥4,277 million (\$52,157 thousand), including special extra retirement payment incurred in connection with the structural reform for the year ended March 31, 2012.

17. SEGMENT INFORMATION

(a) General information about reportable segments

The Companies' reportable segments are those for which separately financial information is available and regular evaluation by the Company's Board of Directors is being performed in order to decide how resources are allocated among the Companies.

The Companies consist of their business divisions, identified by the nature of the business, which are two segments of "Electronic Components" and "Optical media and others".

"Electronic Components" consists of "Capacitors", "Ferrite and Application Products", "Modules", and "Other Electronic Components".

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

(b) Basis of measurement about reported segment profit or loss, segment assets and other material items

The accounting policies of each reportable segment are consistent to those disclosed in Note 2. "Summary of significant accounting policies".

Income by reportable segments is based on operating income. Liabilities are not disclosed because they are not provided to the highest decision-making body periodically.

(c) Information about reported segment profit or loss, segment assets, segment liabilities and other material items

	Millions of Yen			
	2012			
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	¥160,852	¥22,943	-	¥183,795
Intersegment sales or transfers	-	-	-	-
Total sales	160,852	22,943	-	183,795
Segment profit (loss)	¥(6,689)	¥(1,322)	-	¥(8,011)
Segment assets	¥159,074	¥13,617	¥35,770	¥208,461
Other items:				
Depreciation and amortization	¥17,984	¥1,266	-	¥19,250
Increase in property, plant and equipment and intangible assets	26,152	612	-	26,764

	Millions of Yen			
	2011			
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	¥179,870	¥30,532	-	¥210,402
Intersegment sales or transfers	-	-	-	-
Total sales	179,870	30,532	-	210,402
Segment profit (loss)	¥12,279	¥(3,487)	-	¥8,792
Segment assets	¥155,391	¥13,461	¥52,421	¥221,273
Other items:				
Depreciation and amortization	¥16,536	¥2,774	-	¥19,310
Increase in property, plant and equipment and intangible assets	23,593	1,481	-	25,074

	Thousands of U.S. Dollars			
	2012			
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	\$1,961,606	\$279,801	-	\$2,241,407
Intersegment sales or transfers	-	-	-	-
Total sales	1,961,606	279,801	-	2,241,407
Segment profit (loss)	\$(81,576)	\$(16,118)	-	\$(97,694)
Segment assets	\$1,939,926	\$166,066	\$436,219	\$2,542,211
Other items:				
Depreciation and amortization	\$219,321	\$15,441	-	\$234,762
Increase in property, plant and equipment and intangible assets	318,933	7,460	-	326,393

(d) Reconciliation of published figures and aggregates of reportable operating segments

Total amounts of Sales, Segment profit (loss), Segment assets, and Other items in the reportable segment above match with those in the consolidated financial statements.

(e) Related information

1. Information about geographical areas

(i) Sales

Millions of Yen				
2012				
Japan	China	South Korea	Other areas	Total
¥44,825	¥54,876	¥21,002	¥63,092	¥183,795

Millions of Yen				
2011				
Japan	China	South Korea	Other areas	Total
¥48,241	¥56,935	¥29,942	¥75,284	¥210,402

Thousands of U.S. dollars				
2012				
Japan	China	South Korea	Other areas	Total
\$546,649	\$669,217	\$256,122	\$769,419	\$2,241,407

(ii) Property, plant and equipment

Millions of Yen				
2012				
Japan	China	Malaysia	Other areas	Total
¥58,605	¥11,712	¥11,043	¥12,661	¥94,021

Millions of Yen			
2011			
Japan	Malaysia	Other areas	Total
¥56,439	¥10,229	¥20,935	¥87,603

Thousands of U.S. dollars				
2012				
Japan	China	Malaysia	Other areas	Total
\$714,698	\$142,833	\$134,668	\$154,404	\$1,146,603

(f) Information about impairment loss by reportable segments

Millions of Yen				
2012				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	¥268	-	-	¥268

Millions of Yen				
2011				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	¥289	¥7,054	-	¥7,343

Thousands of U.S. dollars				
2012				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	\$3,271	-	-	\$3,271

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

	Millions of Yen			
	2012			
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	¥844	–	–	¥844
Balance	¥1,802	–	–	¥1,802
(Negative goodwill)				
Amortization	–	¥21	–	¥21
Balance	–	¥31	–	¥31

	Millions of Yen			
	2011			
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	¥844	–	–	¥844
Balance	¥2,646	–	–	¥2,646
(Negative goodwill)				
Amortization	–	¥21	–	¥21
Balance	–	¥52	–	¥52

	Thousands of U.S. dollars			
	2012			
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	\$10,297	–	–	\$10,297
Balance	\$21,973	–	–	\$21,973
(Negative goodwill)				
Amortization	–	\$253	–	\$253
Balance	–	\$379	–	\$379

(h) Information about gain on negative goodwill by reportable segments

The Companies recognized a gain on negative goodwill of ¥12 million (\$144 thousand). It was accrued from the acquisition of the stock of Chuki Seiki Co., Ltd whose business belongs to "Electronic Components".

18. NET LOSS PER SHARE

Reconciliation of the basic net loss per share ("EPS") for the years ended March 31, 2012 and 2011 were as follows:

	<u>Millions of Yen</u>	<u>Thousands of Shares</u>	<u>Yen</u>	<u>U.S. Dollars</u>
	Net Loss	Weighted Average Shares	EPS	
For the year ended March 31, 2012				
Basic EPS				
Net loss allocated to common shareholders	¥(21,600)	117,584	¥(183.70)	\$(2.24)

Although diluted shares exist for the year ended March 31, 2012, diluted net income per share is not disclosed since there is net loss per share for the period.

For the year ended March 31, 2011

Basic EPS				
Net loss allocated to common shareholders	¥(5,506)	117,600	¥(46.82)	

Although diluted shares exist for the year ended March 31, 2011, diluted net income per share is not disclosed since there is net loss per share for the period.

19. SUBSEQUENT EVENT

- (a) The following appropriations of retained earnings at March 31, 2012 were approved at the Company's shareholders' meeting held on June 28, 2012:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Cash dividend, ¥2.50 (\$0.03) per share	¥294	\$3,585

- (b) Early redemption of Euro Yen zero coupon convertible bonds due 2014

The Companies redeemed outstanding Euro Yen zero coupon convertible bonds (the "Bonds") due 2014, issued on April 27, 2007, before their maturity based on the terms and conditions of the Bonds as follows:

(1) Description of the Bonds	Euro Yen zero coupon convertible bonds due 2014
(2) Date of the early redemption	April 27, 2012
(3) Reason of the early redemption	The bondholders exercised the Put Option granted in clause 7.6 of the terms and conditions of the Bonds.
(4) Description of the early redemption	
i) Outstanding balance	¥20,000 million (\$243,902 thousand)
ii) Redeemed amount	¥19,635 million (\$239,451 thousand)
iii) Remaining outstanding balance	¥365 million (\$4,451 thousand)
(5) Impact on the business results	There is no impact on the business results.



Independent Auditor's Report

To the Board of Directors of TAIYO YUDEN Co., Ltd.:

We have audited the accompanying consolidated financial statements of TAIYO YUDEN Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TAIYO YUDEN Co., Ltd. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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 LLP

July 20, 2012
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

CONSOLIDATED SUBSIDIARIES and AFFILIATE

CONSOLIDATED 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%
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%
TAIYO YUDEN ENERGY DEVICE CO., LTD.	100.0%
Chuki Seiki Co., Ltd.	100.0%
Victor Advanced Media Co., Ltd.	65.0%
TAIYO YUDEN Mobile Technology Co., Ltd.	100.0%
TAIYO YUDEN Mobile Technology Products Co., Ltd.	100.0%
<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 COMPANY LIMITED	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%
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%
TAIYO YUDEN TRADING (THAILAND) CO., LTD	49.0%
JVC ADVANCED MEDIA U.S.A. INC.	65.0%
JVC Advanced Media EUROPE GmbH	65.0%
JVC Advanced Media (Tianjin) Co., Ltd.	65.0%

AFFILIATE

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

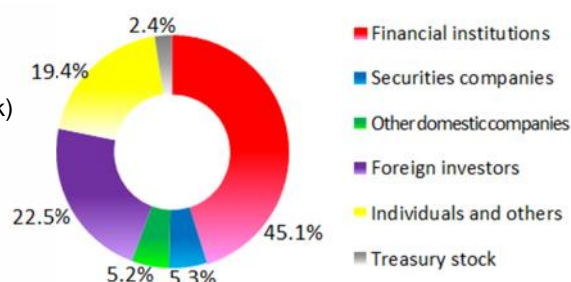
Stock Information

As of March 31, 2012

Stock Information

Common stock	(Authorized) 300,000,000 (Issued) 120,481,395 (Including 2,894,450 shares of treasury stock)
Stock exchange listing	First section of Tokyo Stock Exchange
Securities code	6976
Unit of trading	100 shares
Number of shareholders	13,121

Composition of Shareholders



*Figures have been rounded to one decimal place.

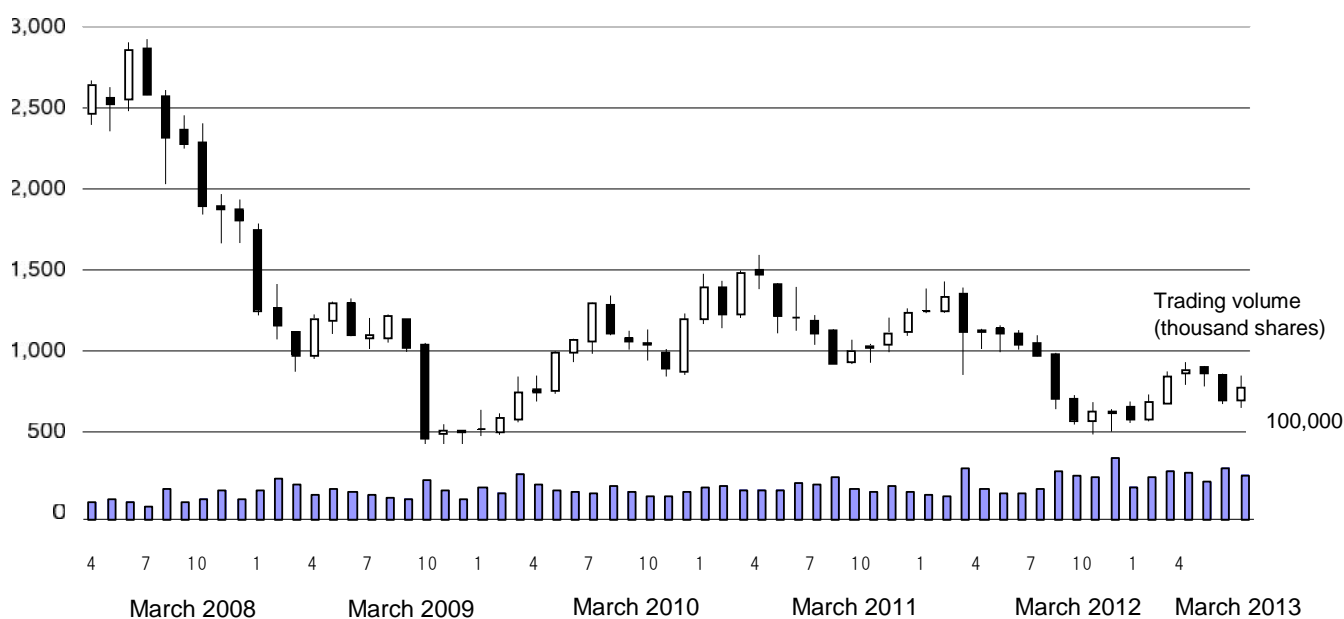
Major Shareholders

	Number of shares (Thousands)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	156,721	13.0
Japan Trustee Services Bank, Ltd. (Trust Account)	111,042	9.2
THE BANK OF NEWYORK - JASDECTREATY ACCOUNT	42,062	3.4
Sumitomo Mitsui Banking Corporation	40,000	3.3
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	32,173	2.6
The Iyo Bank, Ltd.	30,001	2.4
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	28,805	2.3
MORGANSTANLEY & CO. LLC	27,912	2.3
JPMorgan Securities Japan Co., Ltd.	24,400	2.0
Nippon Life Insurance Company	23,805	1.9

Note: The percentage of voting rights held has been calculated after subtracting the number of shares of treasury stock (2,894,450 shares).

Stock Price/Trading Volume

Stock price (yen)



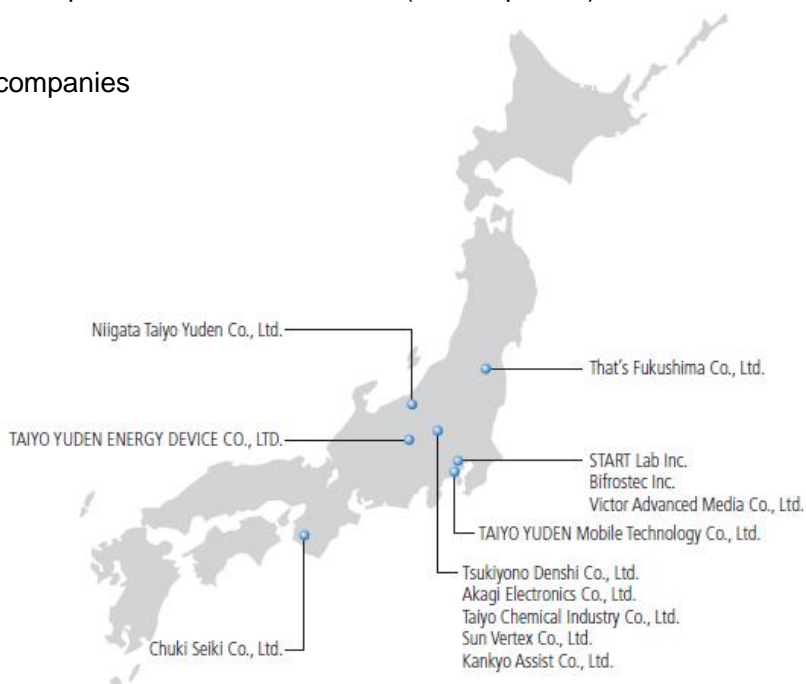
Corporate Data

As of September 1, 2012

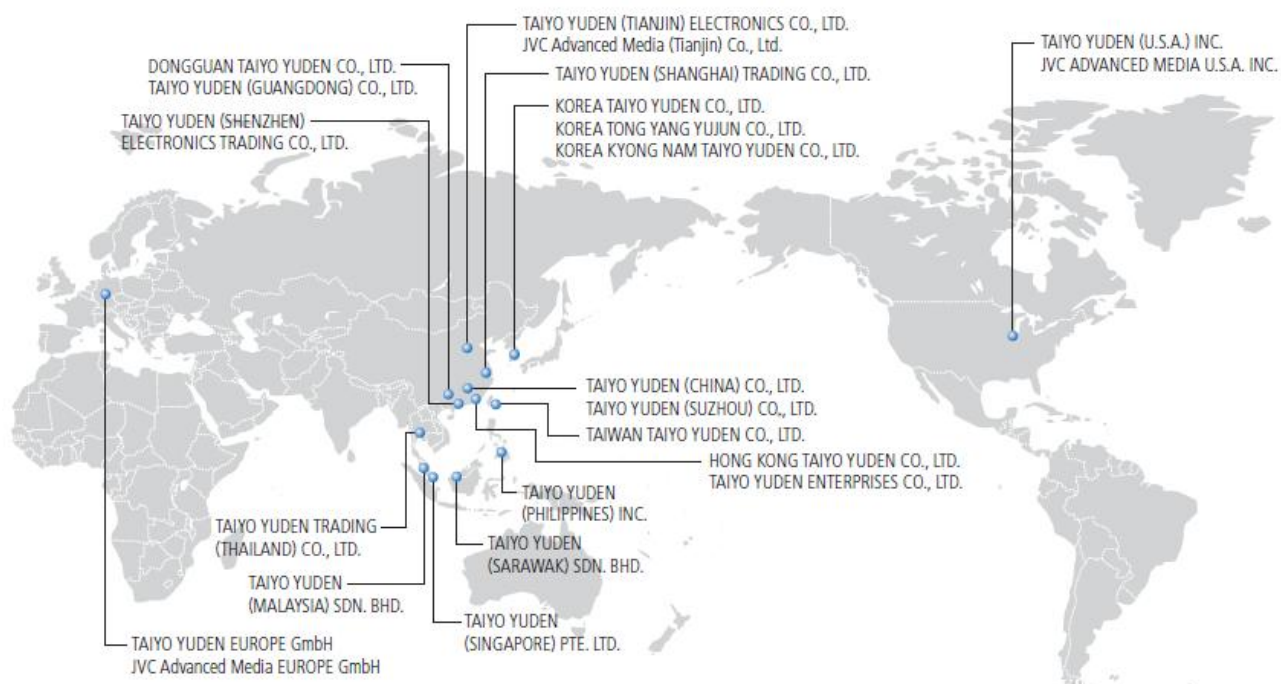
Company name	TAIYO YUDEN CO., LTD.	Number of employees	16,194 (Consolidated)
Head office	6-16-20 Ueno, Taito-ku, Tokyo 110-0005, Japan Tel +81-3-3832-0101		2,977 (Non-consolidated) (as of March 31, 2012)
President and Representative Director	Eiji Watanuki	Main products	Ceramic capacitors, inductors, modules, SAW/FBAR devices, energy devices, optical recording media, etc.
Date of establishment	March 23, 1950	URL	http://www.ty-top.com/
Paid-in capital	¥23,557 million (as of March 31, 2012)		

■ TAIYO YUDEN Group Subsidiaries and Affiliate (36 companies)

(Japan) 13 companies



(Overseas) 23 companies



TAIYO YUDEN CO., LTD.

6-16-20, Ueno, Taito-ku, Tokyo 110-0005, Japan

Tel +81-3-3832-0101

<http://www.ty-top.com/>