

# Consolidated Financial Statements

## Consolidated Balance Sheets

TAIYO YUDEN CO., LTD. and Subsidiaries  
March 31, 2014 and 2013

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
<b>Current assets:</b>			
Cash and cash equivalents (Note 3)	¥54,612	¥33,281	\$530,210
Time deposits (Note 3)	4,639	2,076	45,041
Receivables:			
Trade notes and accounts receivable (Note 3)	43,013	41,656	417,600
Allowance for doubtful receivables	(323)	(271)	(3,136)
Inventories:			
Merchandise and finished products	14,180	15,023	137,667
Work in process	13,457	11,087	130,654
Raw materials and supplies	9,928	9,833	96,385
Deferred tax assets (Note 8)	460	536	4,468
Prepaid expenses and other current assets	3,794	4,111	36,833
Total current assets	<u>143,760</u>	<u>117,332</u>	<u>1,395,722</u>
<b>Property, plant and equipment (Note 10):</b>			
Land	7,697	7,689	74,730
Buildings and structures	70,724	68,215	686,638
Machinery and equipment	226,115	212,367	2,195,293
Tools, furniture and fixtures	20,258	19,262	196,679
Construction in progress	4,481	9,358	43,505
Total	<u>329,275</u>	<u>316,891</u>	<u>3,196,845</u>
Accumulated depreciation	<u>(234,878)</u>	<u>(218,116)</u>	<u>(2,280,365)</u>
Net property, plant and equipment	<u>94,397</u>	<u>98,775</u>	<u>916,480</u>
<b>Investments and other assets:</b>			
Investment securities (Notes 3 and 4)	4,286	3,814	41,607
Investments in affiliate (Note 3)	574	546	5,574
Goodwill	601	1,201	5,831
Deferred tax assets (Note 8)	906	904	8,798
Net defined benefit asset (Note 6)	11	-	109
Other	3,388	3,702	32,891
Allowance for doubtful receivables	(326)	(282)	(3,161)
Total investments and other assets	<u>9,440</u>	<u>9,885</u>	<u>91,649</u>
<b>Total assets</b>	<u>¥247,597</u>	<u>¥225,992</u>	<u>\$2,403,851</u>

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
<b>Current liabilities:</b>			
Short-term borrowings (Notes 3 and 5)	¥10,624	¥20,242	\$103,144
Current portion of bonds payable (Notes 3 and 5)	8,000	-	77,670
Current portion of long-term borrowings (Notes 3 and 5)	12,473	4,899	121,092
Current portion of convertible bonds with stock acquisition rights (Notes 3 and 5)	365	-	3,544
Notes and accounts payable:			
Trade notes and accounts payable (Note 3)	18,598	17,950	180,562
Other (Note 3)	6,430	8,713	62,431
Income taxes payable (Notes 3 and 8)	1,160	1,049	11,258
Accrued bonuses for employees	2,746	2,981	26,664
Accrued bonuses for directors	75	75	726
Deferred tax liabilities (Note 8)	696	698	6,757
Other	7,226	7,837	70,160
Total current liabilities	<u>68,393</u>	<u>64,444</u>	<u>664,008</u>
<b>Long-term liabilities:</b>			
Bonds payable (Notes 3 and 5)	-	8,000	-
Long-term borrowings (Notes 3 and 5)	21,862	29,365	212,251
Convertible bonds with stock acquisition rights (Notes 3 and 5)	20,096	365	195,111
Accrued retirement benefits for employees (Note 6)	-	1,475	-
Net defined benefit liability (Note 6)	1,936	-	18,801
Accrued retirement benefits for directors and corporate auditors	118	126	1,139
Deferred tax liabilities (Note 8)	5,144	4,378	49,944
Negative goodwill	-	10	-
Other	1,492	2,014	14,480
Total long-term liabilities	<u>50,648</u>	<u>45,733</u>	<u>491,726</u>
Total liabilities	<u>119,041</u>	<u>110,177</u>	<u>1,155,734</u>
<b>Commitment and contingent liabilities (Note 12):</b>			
Net assets (Note 7)			
<b>Shareholders' equity:</b>			
Common stock			
Authorized - 300,000,000 shares			
Issued - 120,481,395 shares in 2014 and 2013			
	23,557	23,557	228,711
Capital surplus	41,495	41,484	402,865
Retained earnings (Note 18)	73,597	67,804	714,537
Treasury stock, at cost -			
2,733,602 shares in 2014 and 2,855,179 shares in 2013	(3,413)	(3,564)	(33,134)
Total shareholders' equity	<u>135,236</u>	<u>129,281</u>	<u>1,312,979</u>
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	980	562	9,512
Deferred gains (losses) on hedges	(32)	15	(311)
Foreign currency translation adjustments	(7,775)	(14,347)	(75,482)
Adjustment in defined benefit obligation of overseas subsidiaries	(34)	(12)	(330)
Total accumulated other comprehensive income	<u>(6,861)</u>	<u>(13,782)</u>	<u>(66,611)</u>
Stock acquisition rights (Note 14)	171	275	1,659
Minority interests	10	41	90
Total net assets	<u>128,556</u>	<u>115,815</u>	<u>1,248,117</u>
<b>Total liabilities and net assets</b>	<u>¥247,597</u>	<u>¥225,992</u>	<u>\$2,403,851</u>

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Income

TAIYO YUDEN CO., LTD. and Subsidiaries  
March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
<b>Net sales</b> (Note 16)	¥208,223	¥192,904	\$2,021,580
<b>Cost of sales</b>	160,640	155,203	1,559,613
Gross profit	47,583	37,701	461,967
<b>Selling, general and administrative expenses</b>	36,224	32,850	351,687
Operating income (Note 16)	11,359	4,851	110,280
<b>Other income (expenses)</b>			
Interest and dividend income	359	238	3,487
Interest expense	(510)	(556)	(4,952)
Interest on bonds	(74)	(74)	(715)
Equity in earnings of affiliate	25	7	240
Gain on foreign exchange	1,321	2,895	12,826
Depreciation of inactive noncurrent assets	(399)	(419)	(3,872)
Compensation expenses	(155)	(114)	(1,506)
Gain on sales of property, plant and equipment	24	905	229
Loss on disposal and sales of property, plant and equipment	(282)	(217)	(2,735)
Loss on valuation of investment securities (Note 4)	(135)	(427)	(1,306)
Impairment loss on property, plant and equipment (Note 11)	(622)	(346)	(6,044)
Business structure improvement expenses	(863)	(254)	(8,375)
Settlement package	-	(2,823)	-
Subsidy income	182	122	1,764
Life insurance dividend income	77	69	751
Bond issuance cost	(60)	-	(586)
Other	(94)	23	(916)
Other income (expenses) - net	(1,206)	(971)	(11,710)
<b>Income before income taxes and minority interests</b>	10,153	3,880	98,570
<b>Income taxes</b> (Note 8)			
Current	2,496	1,737	24,228
Deferred	680	269	6,601
Total income taxes	3,176	2,006	30,829
<b>Income before minority interests</b>	6,977	1,874	67,741
<b>Minority interests</b>	(13)	7	(119)
<b>Net income</b>	¥6,990	¥1,867	\$67,860
	Yen		U.S. Dollars (Note 1)
<b>Per share of common stock</b> (Note 17):			
Basic earnings	¥59.38	¥15.88	\$0.58
Diluted earnings	58.09	15.85	0.56
Cash dividends applicable to the year	10.00	10.00	0.10

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

TAIYO YUDEN CO., LTD. and Subsidiaries  
March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
<b>Income before minority interests</b>	¥6,977	¥1,874	\$67,741
Other comprehensive income (Note 15):			
Net unrealized holding gains (losses) on securities	418	128	4,054
Deferred gains (losses) on hedges	(47)	9	(451)
Foreign currency translation adjustments	6,572	10,291	63,801
Adjustment in defined benefit obligation of overseas subsidiaries	(22)	(91)	(215)
Total other comprehensive income	<u>6,921</u>	<u>10,337</u>	<u>67,189</u>
<b>Comprehensive income</b>	<u>¥13,898</u>	<u>¥12,211</u>	<u>\$134,930</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	¥13,911	¥12,205	\$135,049
Minority interests	(13)	6	(119)

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

TAIYO YUDEN CO., LTD. and Subsidiaries  
March 31, 2014 and 2013

	Thousands	Millions of Yen				Total Shareholders' Equity
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	
<b>BALANCE, APRIL 1, 2013</b>	120,481	¥23,557	¥41,484	¥67,804	¥(3,564)	¥129,281
Changes during the year						
Cash dividends, 10.00 yen per share				(1,177)		(1,177)
Net income				6,990		6,990
Treasury stock acquired (2,423 shares)					(3)	(3)
Treasury stock disposed (124,000 shares)			11		154	165
Change in scope of consolidation				(20)		(20)
Changes other than shareholders' equity						
Total changes	-	-	11	5,793	151	5,955
<b>BALANCE, MARCH 31, 2014</b>	120,481	¥23,557	¥41,495	¥73,597	¥(3,413)	¥135,236

	Millions of Yen							
	Accumulated Other Comprehensive Income		Adjustment in Defined Benefit Obligation of Overseas Subsidiaries	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets	
Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments						
<b>BALANCE, APRIL 1, 2013</b>	¥562	¥15	¥(14,347)	¥(12)	¥(13,782)	¥275	¥41	¥115,815
Changes during the year								
Cash dividends, 10.00 yen per share								(1,177)
Net income								6,990
Treasury stock acquired (2,423 shares)								(3)
Treasury stock disposed (124,000 shares)								165
Change in scope of consolidation								(20)
Changes other than shareholders' equity	418	(47)	6,572	(22)	6,921	(104)	(31)	6,786
Total changes	418	(47)	6,572	(22)	6,921	(104)	(31)	12,741
<b>BALANCE, MARCH 31, 2014</b>	¥980	¥(32)	¥(7,775)	¥(34)	¥(6,861)	¥171	¥10	¥128,556

	Thousands of U.S. Dollars (Note 1)				
	Shareholders' Equity				Total Shareholders' Equity
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	
<b>BALANCE, APRIL 1, 2013</b>	\$228,711	\$402,758	\$658,288	\$(34,605)	\$1,255,152
Changes during the year					
Cash dividends, 0.10 dollar per share			(11,426)		(11,426)
Net income			67,860		67,860
Treasury stock acquired (2,423 shares)				(32)	(32)
Treasury stock disposed (124,000 shares)		107		1,503	1,610
Change in scope of consolidation			(185)		(185)
Changes other than shareholders' equity					
Total changes	-	107	56,249	1,471	57,827
<b>BALANCE, MARCH 31, 2014</b>	\$228,711	\$402,865	\$714,537	\$(33,134)	\$1,312,979

	Thousands of U.S. Dollars (Note 1)							
	Accumulated Other Comprehensive Income		Adjustment in Defined Benefit Obligation of Overseas Subsidiaries	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets	
Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments						
<b>BALANCE, APRIL 1, 2013</b>	\$5,458	\$140	\$(139,283)	\$(115)	\$(133,800)	\$2,666	\$395	\$1,124,413
Changes during the year								
Cash dividends, 0.10 dollar per share								(11,426)
Net income								67,860
Treasury stock acquired (2,423 shares)								(32)
Treasury stock disposed (124,000 shares)								1,610
Change in scope of consolidation								(185)
Changes other than shareholders' equity	4,054	(451)	63,801	(215)	67,189	(1,007)	(305)	65,877
Total changes	4,054	(451)	63,801	(215)	67,189	(1,007)	(305)	123,704
<b>BALANCE, MARCH 31, 2014</b>	\$9,512	\$(311)	\$(75,482)	\$(330)	\$(66,611)	\$1,659	\$90	\$1,248,117

See accompanying notes to consolidated financial statements.

	Thousands	Millions of Yen				
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
<b>BALANCE, APRIL 1, 2012</b>	120,481	¥23,557	¥41,471	¥66,820	¥(3,625)	¥128,223
Cumulative effect of changes in accounting policies				(1)		(1)
<b>Retroactively changed BALANCE, APRIL 1, 2012</b>		23,557	41,471	66,819	(3,625)	128,222
Changes during the year						
Cash dividends, 7.50 yen per share				(882)		(882)
Net income				1,867		1,867
Treasury stock acquired (12,169 shares)					(9)	(9)
Treasury stock disposed (56,000 shares)			13		70	83
Changes other than shareholders' equity						
Total changes	-	-	13	985	61	1,059
<b>BALANCE, MARCH 31, 2013</b>	<u>120,481</u>	<u>¥23,557</u>	<u>¥41,484</u>	<u>¥67,804</u>	<u>¥(3,564)</u>	<u>¥129,281</u>

	Millions of Yen							
	Accumulated Other Comprehensive Income				Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets
Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Adjustment in Defined Benefit Obligation of Overseas Subsidiaries					
<b>BALANCE, APRIL 1, 2012</b>	¥434	¥6	¥(24,638)	¥-	¥(24,198)	¥329	¥46	¥104,400
Cumulative effect of changes in accounting policies				79	79			78
<b>Retroactively changed BALANCE, APRIL 1, 2012</b>	434	6	(24,638)	79	(24,119)	329	46	104,478
Changes during the year								
Cash dividends, 7.50 yen per share								(882)
Net income								1,867
Treasury stock acquired (12,169 shares)								(9)
Treasury stock disposed (56,000 shares)								83
Changes other than shareholders' equity	128	9	10,291	(91)	10,337	(54)	(5)	10,278
Total changes	128	9	10,291	(91)	10,337	(54)	(5)	11,337
<b>BALANCE, MARCH 31, 2013</b>	<u>¥562</u>	<u>¥15</u>	<u>¥(14,347)</u>	<u>¥(12)</u>	<u>¥(13,782)</u>	<u>¥275</u>	<u>¥41</u>	<u>¥115,815</u>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries  
March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
<b>Operating activities:</b>			
Income before income taxes and minority interests	¥10,153	¥3,880	\$98,570
Adjustments to reconcile income before income tax and minority interests to net cash provided by operating activities:			
Depreciation and amortization	20,751	19,833	201,465
Impairment loss on property, plant and equipment	622	346	6,044
Business structure improvement expense	863	254	8,375
Amortization of goodwill	601	601	5,831
Amortization of negative goodwill	(10)	(21)	(101)
Increase (decrease) in allowance for doubtful receivables	88	(13)	858
Increase (decrease) in accrued bonuses for employees	(247)	1,211	(2,400)
Increase (decrease) in accrued bonuses for directors	(1)	75	(6)
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	(11)	16	(105)
Interest and dividend income	(359)	(238)	(3,487)
Interest expense	510	556	4,952
Interest on bonds	74	74	715
Equity in earnings of affiliates	(25)	(7)	(240)
(Gain) loss on disposal and sales of property, plant and equipment	258	(688)	2,506
Loss on valuation of investment securities	135	427	1,306
Settlement package	-	2,823	-
Changes in operating assets and liabilities:			
Trade receivables	2,082	5,309	20,216
Inventories	(109)	(2,769)	(1,055)
Trade payables	(1,970)	(1,216)	(19,128)
Other	(221)	(2,889)	(2,140)
Subtotal	<u>33,184</u>	<u>27,564</u>	<u>322,176</u>
Interest and dividends received	345	299	3,346
Interest paid	(605)	(568)	(5,876)
Settlement package paid	-	(2,823)	-
Payments for business structure improvement expenses	(863)	(3,419)	(8,375)
Income taxes paid	(2,337)	(1,556)	(22,684)
Net cash provided by operating activities	<u>29,724</u>	<u>19,497</u>	<u>288,587</u>
<b>Investing activities:</b>			
Purchases of property, plant and equipment	(16,875)	(19,534)	(163,836)
Proceeds from sales of property, plant and equipment	75	1,195	724
Purchases of investment securities	(38)	(38)	(364)
Increase in time deposits	(2,223)	(566)	(21,584)
Proceeds from sales of investment securities	121	170	1,175
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	-	(44)	-
Other	(7)	659	(69)
Net cash used in investing activities	<u>(18,947)</u>	<u>(18,158)</u>	<u>(183,954)</u>
<b>Financing activities:</b>			
Net increase (decrease) in short-term borrowings	(9,904)	10,765	(96,154)
Proceeds from long-term borrowings	5,000	17,000	48,544
Repayments of long-term borrowings	(4,929)	(4,182)	(47,859)
Redemption of convertible bonds with acquisition rights	-	(19,635)	-
Proceeds from issuance of convertible bonds with acquisition rights	20,072	-	194,872
Purchase of stock from minority shareholder	-	(11)	-
Payments of cash dividends	(1,176)	(880)	(11,413)
Purchases of treasury stock	(3)	(9)	(32)
Repayments of lease obligations	(655)	(713)	(6,363)
Other	0	0	1
Net cash provided by financing activities	<u>8,405</u>	<u>2,335</u>	<u>81,596</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2,165</u>	<u>2,935</u>	<u>21,021</u>
Net increase in cash and cash equivalents	<u>21,347</u>	<u>6,609</u>	<u>207,250</u>
Cash and cash equivalents, beginning of year	33,281	26,672	323,112
Decrease in cash and cash equivalents resulting from change in scope of consolidation	(16)	-	(152)
Cash and cash equivalents, end of year	<u>¥54,612</u>	<u>¥33,281</u>	<u>\$530,210</u>

See accompanying notes to consolidated financial statements.