

Annual Report 2015

At the Frontier of Technology

TAIYO YUDEN

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.

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Notes

- Period covered by this report: From April 1, 2014 to March 31, 2015. The figures in this report omit amounts less than hundred million yen and 1 million yen and displays it.
- The following convention has been applied as regards the labeling of fiscal years in graphs: "The fiscal year ended March 2015," for example, has been shortened to "2015." 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.
- 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 contents of this Annual Report are correct as of June 26, 2015.

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.

The TAIYO YUDEN Group's business activities center on the development, manufacture, and sales of electronic components.

Capacitors

Capacitors are used in a wide variety of electronic equipment to temporarily store electricity and remove electronic noise. TAIYO YUDEN excels in producing small, high-capacitance multilayer ceramic capacitors, which are best suited to cutting-edge compact, ultrathin digital devices. Large numbers of smartphones, tablet devices, and other devices use these products.

Main products:

Multilayer ceramic capacitors



Ferrite and Applied Products

The main products of the Ferrite and Applied Products segment are inductors used in electronic equipment power and high-frequency circuits for blocking alternating current while allowing direct current to pass through.

Main products:

Wire-wound chip inductors, multilayer chip inductors, ferrite chip beads, common-mode choke coils

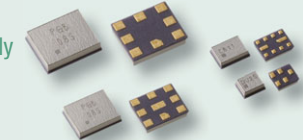


Integrated Modules & Devices

The Integrated Modules & Devices segment's main products are FBAR/SAW devices for mobile communications, frontend modules, and power supply modules. The FBAR/SAW devices are used primarily in smartphones to enable high-speed data communications and high-quality voice communications.

Main products:

FBAR/SAW devices for mobile communications, power supply modules, high-frequency modules, embedded-parts multilayer wiring substrates



Other Electronic Components

The Other Electronic Components segment develops and brings to market a variety of energy devices used as backup power equipment for smart meters and other similar products, and peak current assistance for LED flashes.

Main products:

Lithium ion capacitors, polyacene capacitors



Optical Media Products

The Optical Media Products segment produces CD-Rs, DVD-Rs and BD-Rs.

Main products:

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



Others

The Other segment primarily involves the design and mounting of print circuit boards done at a subsidiary company.



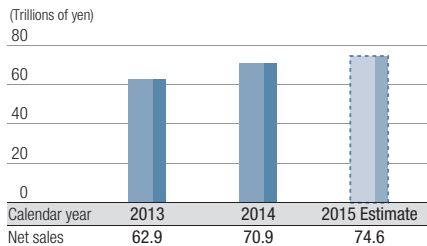
Within the electronics field, we are targeting markets where we anticipate growth.

Market Conditions for Electronic Components and Devices

Electronic components and devices

¥74.6 trillion

Electronic Components and Devices Market Size



Note: Figures from 2014 Production Forecasts for the Global Electronics and Information Technology Industries, Japan Electronics and Information Technology Industries Association (JEITA); the electronic components and devices category is as defined in JEITA's statistical breakdown of global electronic component shipments

Electronic devices

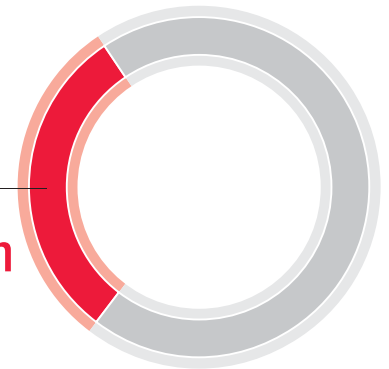
Devices that apply functions of electrons to perform active tasks such as amplification



General electronic components

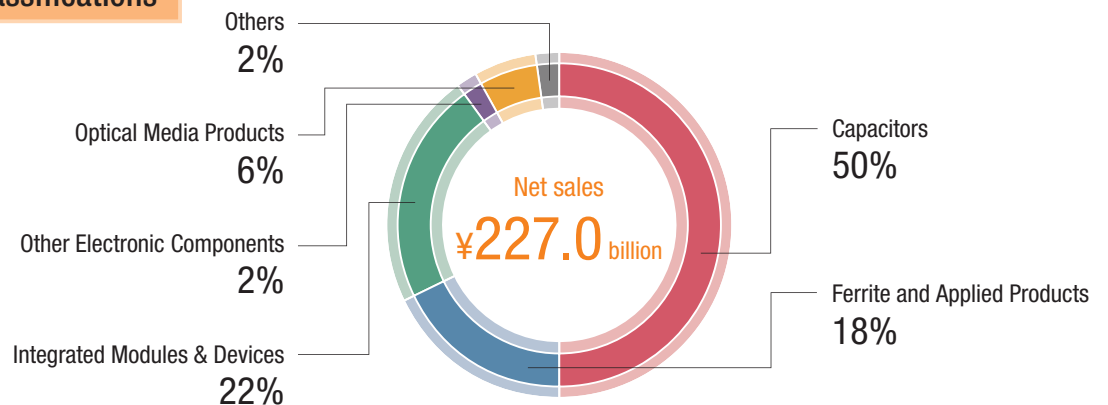
Components that work with and supplement electronic devices

¥22.5 trillion



Business Development

Sales by product classifications



Demand continues to grow for our capacitors, inductors, and devices for mobile communications in line with the proliferation of smartphones and increasing use of automotive electronics.

(TAIYO YUDEN's business domains are in red bold background or letters.)

Semiconductor devices, integrated circuits, electron tubes, etc.

Passive components

These devices store, control, separate, and perform other tasks on the flow of electrons supplied.

Capacitors, inductors, resistors, transformers, and others

Connecting components

These devices connect, switch, and perform other tasks on electronic circuits and systems

Switches, connectors, and others

Transducers

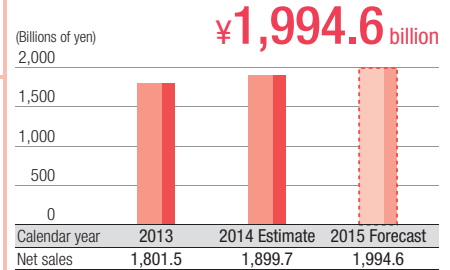
These devices create sounds, torques, magnetic flux, and others

Electro-acoustic transducers, compact motors, and others

Other electronic components

High-frequency components, mobile communication devices (FBAR/SAW), and power-supply components

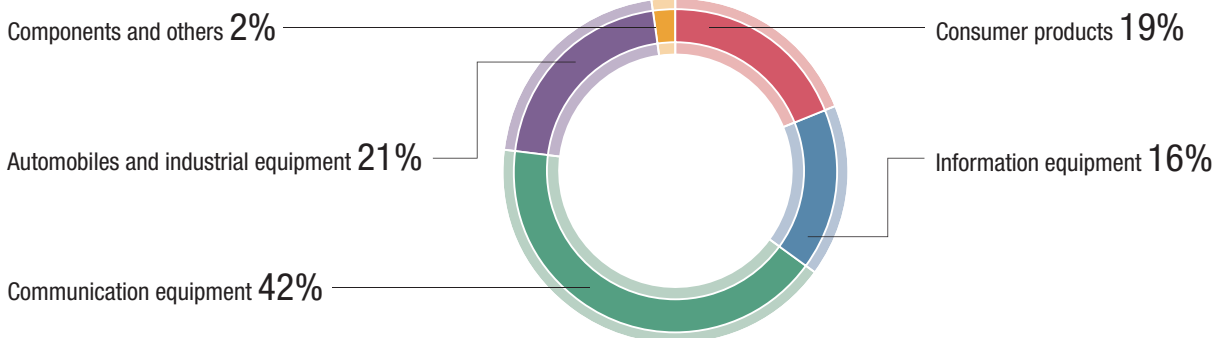
Capacitor Market Size



Source: Annual of Electronic Devices & Components 2015, Chunichisha Co., Ltd.

(Year ended March 31, 2015)

Sales of electronic components by market sector



TAIYO YUDEN presents various solutions with passive components

TAIYO YUDEN provides solutions for a wide array of fields such as communications equipment and automobiles with passive components like capacitors, inductors, and communication devices.



Communication equipment / Smartphones
Mobile phones

Passive components and

Multilayer ceramic capacitors

Inductors



Automobiles / Navigation systems
Telematics
Engine control units



Industrial equipment / Surveillance cameras
Smart meters



Information equipment / Tablet devices
PCs



Consumer products / Flat-screen TVs
Digital cameras
Game machines

other electronic components

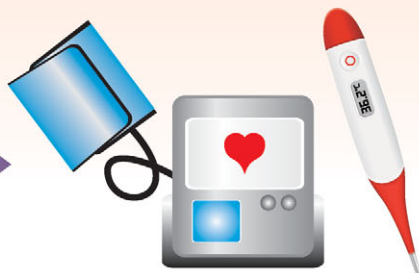
FBAR/SAW devices

Circuit modules

Energy devices



Environmental and Energy / Solar power generators
Electric bicycles
Electric vehicles



Medical and Healthcare / Blood pressure meters
Patient bed sensors
Health check-ups

Optical media products



We will continue using the superior innovation and high reliability of our products to expand our businesses.

1

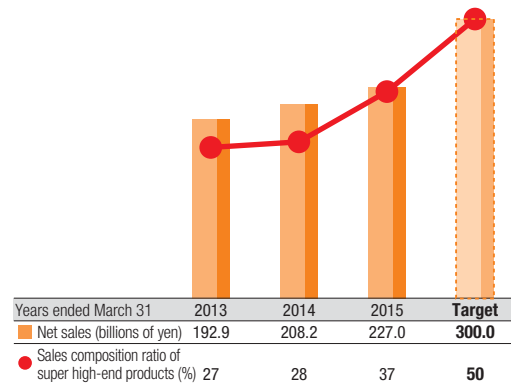
Development of Super High-end Products

The Company's super high-end products are developed using our market leading technical expertise and capabilities. We have advanced these products to mass production ahead of our competitors. The steadfast development of our super high-end products for growth markets and focus markets is essential to the Company's profitable business growth.

Definition of a super high-end product	
1	Product that obtains the top position in the global market
2	Product that only 2.5 suppliers can develop in the field
3	Product that provides solutions for growth markets
4	Products that sustains a strong competitive edge

Sales Ratio of Super High-end Products

50%



2

Product for Focus Markets

Computerization and the use of electronic components are rapidly advancing in markets showing relatively steady demand. Markets such as automobiles, industrial equipment, medical and healthcare products, as well as environmental and energy applications demand a continuous stream of TAIYO YUDEN's products. We are expanding TAIYO YUDEN's high reliable electronic components' lineup and bringing to markets high temperature resistance, long life, and high quality products as well as promoting use of our products as core design components in our customer's products. Our strategy continuously opens new sales routes and opportunities that address market needs.



Automobiles

Navigation systems
Telematics, Engine control units



Industrial Equipment

Surveillance cameras
Smart meters



Medical and Healthcare

Blood pressure meters
Patient bed sensors, Health check-ups

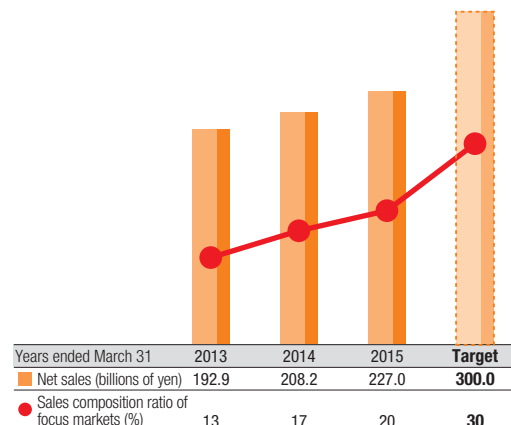


Environmental and Energy

Solar power generators
Electric bicycles, Electric vehicles

Sales Ratio of Focus Markets

30%

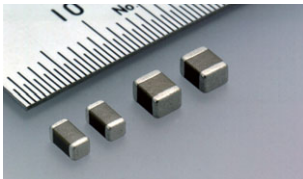


Our key strengths are our early-mover global expansion and technological capabilities to keep creating world-first products.

1 The Technological Knowhow to Develop and Bring to Market World-leading Innovative Products

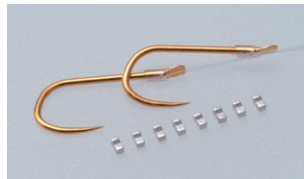
Since its founding, TAIYO YUDEN has followed a credo of starting from material development to complete end products. Our research and development activities have been producing numerous world-first innovations and products for many years.

1984



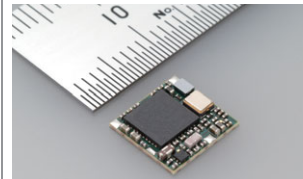
Commercialized the world's first nickel-electrode high-capacity multilayer ceramic capacitor

2004



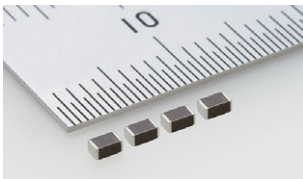
Achieved the world's best inductance value for high-frequency, EIA 0201-size multilayer chip inductors

2006



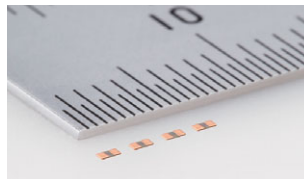
World's first mass production of the groundbreaking EOMIN™ embedded-parts multilayer wiring substrate with a copper core

2013



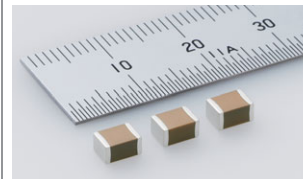
Commercialized the world's first multilayer metal power inductor

2014



Achieved the world's thinnest (0.11 mm) multilayer ceramic capacitor

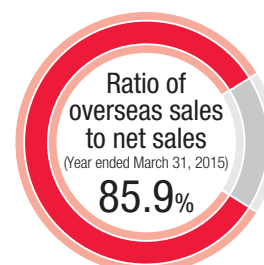
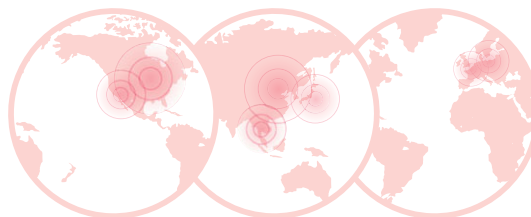
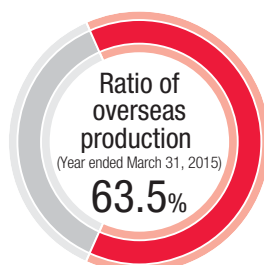
2014



Achieved the world's first 470µF multilayer ceramic capacitor

2 Global Production and Extensive Sales Network

TAIYO YUDEN began its global expansion in 1967 with a subsidiary in Taiwan and has continued developing operations focused on North America, Europe, and East Asia. This led to its current development, production, and sales network spanning 16 countries and regions worldwide, including Japan. Today, the Company continually works to improve its reach throughout world markets. In particular, regarding its production activities, the Company is stepping up the development of high-end products abroad to make maximize use of its overseas bases as it has put into place the optimal global production network of bases in Japan and around the world.



Financial Highlights

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

(Millions of yen)

Fiscal year	2011	2012	2013	2014	2015
Net sales	¥ 210,401	¥ 183,795	¥ 192,903	¥ 208,222	¥ 227,095
Operating income (loss)	8,792	(8,010)	4,850	11,358	13,153
Ordinary income (loss)	6,740	(9,070)	7,118	12,192	15,653
Net income (loss)	(5,506)	(21,599)	1,867	6,989	10,919
Total assets	221,272	208,461	225,991	247,596	265,454
Net assets	127,626	104,400	115,814	128,556	150,856
Cash flows from operating activities	25,219	5,534	19,496	29,724	24,896
Cash flows from investing activities	(16,594)	(28,945)	(18,157)	(18,947)	(20,964)
Free cash flows	8,625	(23,411)	1,339	10,777	3,932
Cash flows from financing activities	(8,948)	11,388	2,334	8,404	(21,249)
Cash and cash equivalents at end of year	38,811	26,671	33,280	54,611	41,476
R&D expenses	8,475	8,068	6,840	7,353	8,237
Capital investment	17,519	26,764	20,702	19,126	18,773
Depreciation and amortization	19,309	19,250	19,832	20,750	21,813

Net Sales

¥227,095 million
+9.1%
(YoY)

Net Income

¥10,919 million
+56.2%
(YoY)

ROE

7.8%
+2.1 point
(YoY)

Per share data (yen)

Net assets per share	¥ 1,080.61	¥ 884.70	¥ 981.92	¥ 1,090.26	¥ 1,278.07
Basic net income (loss) per share	(46.82)	(183.70)	15.88	59.38	92.74
Diluted net income per share	—	—	15.85	58.09	85.51
Cash dividends per share	10.00	5.00	10.00	10.00	10.00

Financial ratios (%)

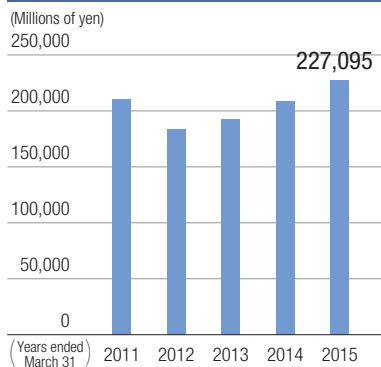
Equity ratio	57.4	49.9	51.1	51.8	56.7
Return on Equity [ROE]	(4.1)	(18.7)	1.7	5.7	7.8
Return on Assets [ROA]	2.9	(4.2)	3.3	5.1	6.1

Other information

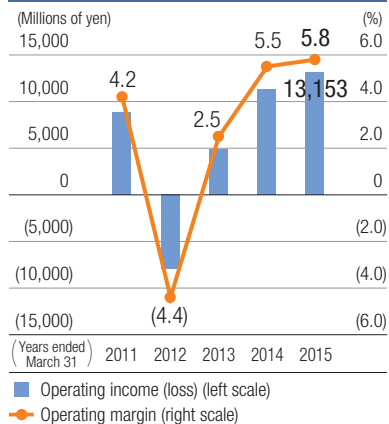
Number of employees [consolidated]	17,267	16,194	15,915	16,435	18,262
Number of employees [non-consolidated]	2,988	2,977	2,632	2,572	2,577

Note: ROE = Net income/Shareholders' equity (yearly average) x 100
ROA = Ordinary income/Total assets (yearly average) x 100

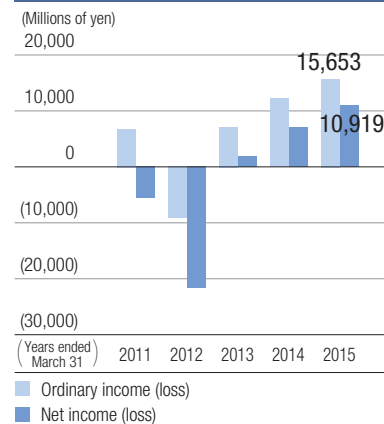
Net sales



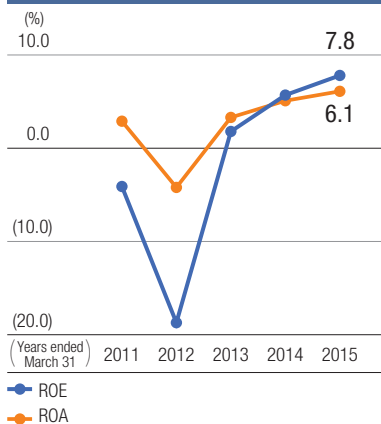
Operating income (loss)/Operating margin



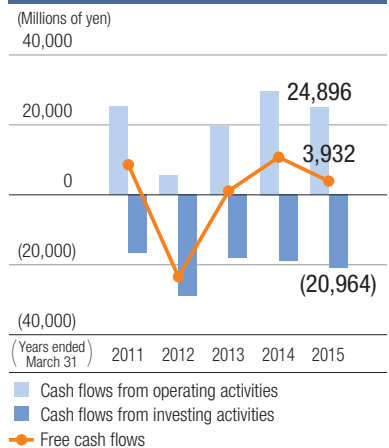
Ordinary income (loss)/Net income (loss)



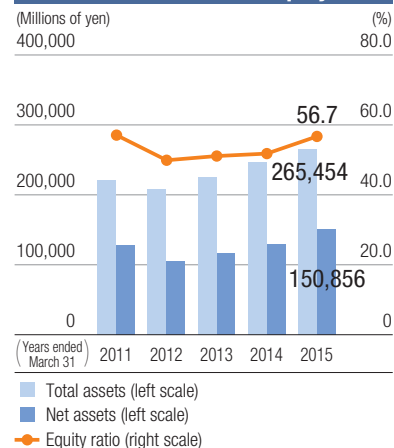
ROE/ROA



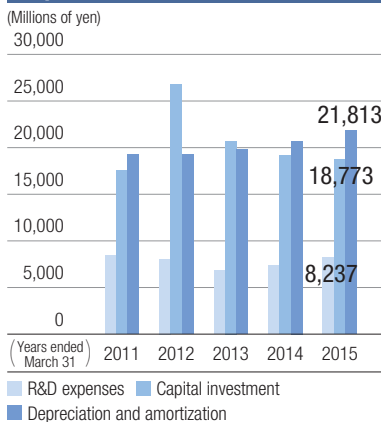
Cash flows



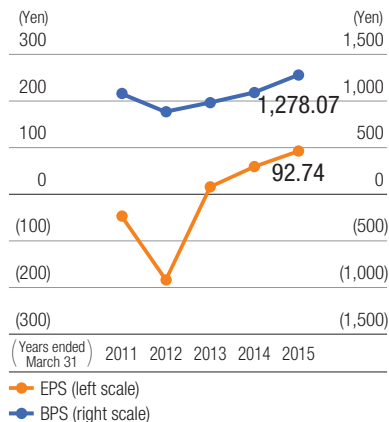
Total assets/Net assets/Equity ratio



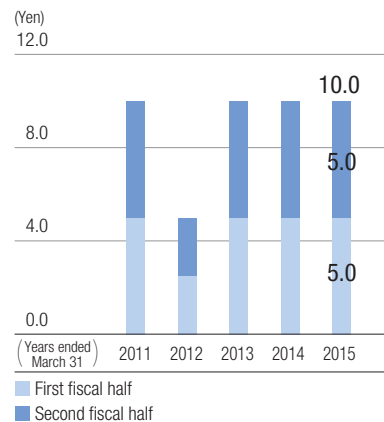
R&D expenses/Capital investment/Depreciation and amortization



EPS/BPS



Cash dividends per share



Our growth strategies are making steady progress as we position the TAIYO YUDEN Group for another major leap forward.

In the fiscal year ended March 2015, we achieved significant progress towards meeting our growth strategies. We made substantial advances with a vast improvement in the Company's sales composition by making our super high-end products a greater part of what we provide to the market. This is particularly true with our smartphone components, and through increased sales in the automobile, industrial equipment, and other focus markets.

The growth of our super high-end products as part of the total sales composition is in line with our overall strategy, which is to develop, manufacture and sell products that closely align with our customers and the markets we serve. We also realized an additional boost in results from a favorable yen rate.

As a result, the Company achieved increases in both sales and profit in the consolidated fiscal year ended March 2015, with net sales rising 9.1% year on year to ¥227.0 billion, operating income increasing 15.8% to ¥13.1 billion, and net income increasing 56.2% to ¥10.9 billion.

The Company continues to see opportunities and we are working diligently to build on these successes and take the next major step forward to ensure the best possible results by strengthening our supply capabilities. To realize this potential, we will shift to a more aggressive stance on capital investment to ensure we take full advantage of growing demand in the end markets we serve, such as smartphones and other equipment, and to help effectively respond to the trends in the automotive electronics market.

We appreciate the continuing support and guidance from our stakeholders as we seek to build from these results and carry that momentum as we position the Group for further growth.

President and Chief Executive Officer
Eiji Watanuki



Interview with the President

Q1

What are the Company's basic strategies and medium-term targets as they relate to the previous growth strategies and initiatives implemented to improve the corporate structure?

A1

We are strengthening our five bases and implementing three initiatives with the goal of reaching net sales above ¥300 billion, generating record-high operating income, and raising ROE above 10%.

The TAIYO YUDEN Group will continue to advance actions to strengthen our position across our market, product, customer, and finance bases. To fortify the market base, we will diversify our market base and rebalance our product offerings to help avoid the highly volatile changes in demand we continue to see in the markets for consumer, information, and communications products. We are developing business not only in growth devices like smartphones but also in new fields such as automobiles and industrial equipment. To strengthen the product base, we will build our supply system for high-reliability automotive electronic components. Our actions will make us first-to-market with super high-end products in the rapidly evolving device segment. To bolster the customer base, we will work to ensure the Company is the preferred strategic partner of our customers. To reinforce the finance base, we will continue to improve our positive net

cash*1 while stepping up ambitious investments to support our growth.

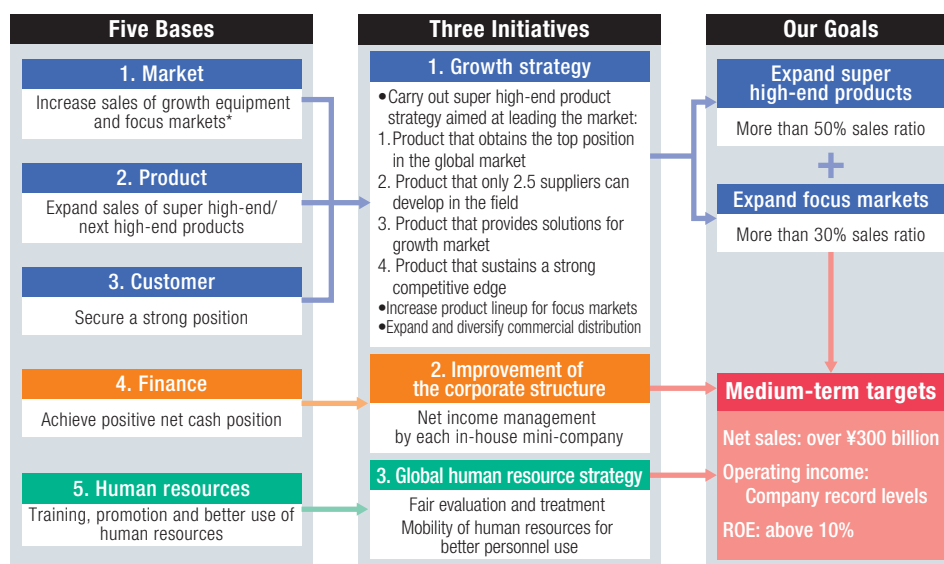
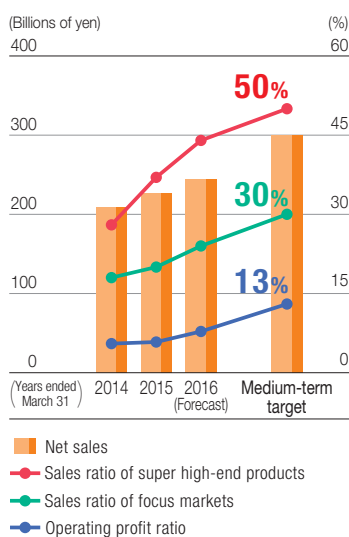
This year we have added human resources as the fifth base to be strengthened. We have initiated a global human resources initiative, increasing our force of field application engineers (FAEs) from 120 to 180. This will augment our market-oriented product development efforts and grow sales.

These efforts are key in assuring we achieve our goals for sales of super high-end products to comprise over 50% of total sales and focus market sales over 30%. This will provide the necessary foundation for attaining our medium-term targets of over ¥300 billion in net sales, record-high operating income*2, and ROE above 10%.

*1. Net cash is cash and deposits minus interest-bearing debts.

*2. The current record is ¥35.3 billion in operating income in the fiscal year ended March 2001.

Basic Strategies for Achieving Medium-term Target



*Focus markets: Automobiles, Industrial equipment, Healthcare, Environmental and Energy

Q2

What are the targets for the ¥100 billion in capital investment planned for the next three years?

A2

We see substantial business opportunity in the high-end smartphone and automotive electronics markets.

Growth in smartphone sales worldwide is expected to expand by double digits in 2015. Although this pace will not continue indefinitely, we expect unit production of high-performance handsets for the long-term evolution (LTE) protocol to be 2.5 times the 2014 level in 2017. In addition, higher frequencies and narrow adjacent bandwidths are becoming increasingly important as devices become more sophisticated and communication volume increases. This will drive demand for our FBAR and SAW filters* higher. In addition, development of increasingly high-performance, thinner, and more energy-efficient CPUs will also mean growing demand for ultra-compact, thin, and high-capacity multilayer ceramic capacitors (MLCCs) and compact, large-current inductors.

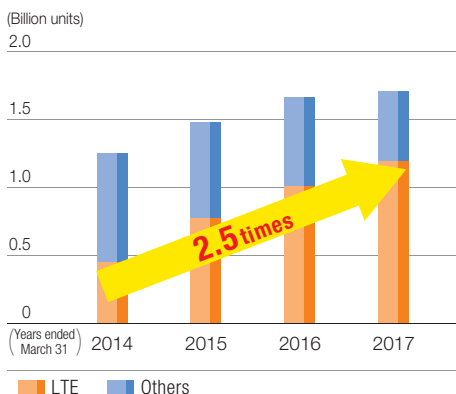
For our automotive electronic components, we have built on our foundation of high quality products and filled out our lineup of highly reliable products meeting requirements for high temperature resistance and long operating life. We

are currently stepping up efforts to expand this business, leveraging our position as an approved supplier for Tier 1 automotive electronics makers. While automobile shipment volume is expected to grow 4–5% annually, the increasing use of electronic circuitry and the shift to electric and fuel cell vehicles are projected to expand the automotive electronics market by 70% from 2012 to ¥30 trillion in 2020. Going forward, we will work to capture a healthy portion of the opportunities created by these major trends in smartphones and automotive electronic components based on standards we have set for investment returns, with the aim of increasing our supply capabilities for super high-end products to maximize earnings.

* Film bulk acoustic resonator (FBAR) and surface acoustic wave (SAW) filters are used in mobile communications devices to filter the electrical signals of band frequencies and allow the reception and transmission of specific frequencies. FBAR filters provide better performance characteristics for higher frequencies than SAW filters.

Two Major Trends Surrounding Our Business

Smartphones driving electronics industry —Growing adoption of LTE protocol—



- Multi-banding
- Higher CPU performance

Expansion in automotive electronics market —Projected 70% growth via greater electronics adoption on 5% unit vehicle growth—

¥18 trillion (CY2012) → ¥30 trillion (CY2020)

Infotainment: 1.7 times

Body: 1.6 times



Safety: 1.9 times

Power-train: 1.7 times

Source: JEITA (December 2013)

Q₃

What are the specific strategies for each product?

A₃

The general approach will be to apply our leading technologies to meet market needs with the aim of boosting sales of our super high-end MLCCs, inductors, and products for communications devices.



Our product strategies are based on tracking the direction of technology trends and providing products that meet the needs of our customers. We have formulated detailed product strategies for our MLCCs, MCOIL™ metal power inductors, and FBAR/SAW filters for communications devices.

The trend in MLCCs is for smaller, thinner, and larger capacity components. We have already started mass production of the world's smallest capacitors, the 008004 size (0.25 mm × 0.125 mm), and are now focused on launching the world's thinnest 90 μm capacitors. In high-capacitance MLCCs, we are mass producing EIA 1812 size (4.5 mm × 3.2 mm) capacitors with the world's highest capacitance at 470 μF, with the goal of bringing this the next step forward in 2016 with the start of mass production of capacitors with 1,000 μF capacitance and promoting the replacement of electrolytic capacitors with high-capacitance MLCCs.

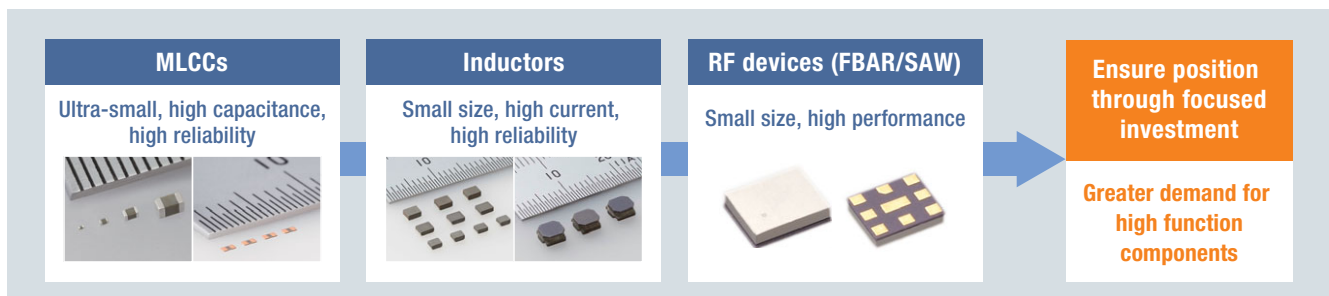
We are rounding out our lineup of MCOIL™ metal power inductors based on our world-leading materials

and wire-wound, multilayer process technologies, ranging from standard units to those designed to emphasize high current, compactness and thinness, high specs, and high cost performance features. A supply structure is also in place for several other products such as large power inductors meeting the high temperature resistance requirements of the automotive electronics market.

In communications devices, we plan to leverage our strengths as a developer and producer of both FBAR and SAW filters as we strive to differentiate our products for their compactness and their performance in meeting the growing need in the market for responding to higher frequencies and narrow adjacent bandwidths.

We are also developing products for what we have identified as focus markets. For example, we are commercializing energy regeneration systems, such as for use in power-assisted bicycles, and wireless surveillance systems for industrial photovoltaic power stations.

Acceleration of Super High-end Usage



Q4

Please describe the Company's growth investment strategies.

A4

We will aggressively invest in super high-end products and high-reliability products for automotive and industrial equipment markets while also increasing R&D investment.

We held capital investment below the level of depreciation and amortization during the three fiscal years up to March 2015. In the year ending in March 2016, we plan to invest ¥40 billion as part of ¥100 billion in funds earmarked for investment in the next three years. The first year's investment is more than double the amount invested in the previous year. Our focus will be on super high-end products and high-reliability products for the automotive and industrial equipment markets.

Our strategy to meet growing demand for ultra-small, high capacitance MLCCs is to expand our production lines and replace older equipment with state-of-the-art facilities to increase production capacity and enhance productivity. We plan to increase MLCC production capacity by 10% or so in the year ending in March 2016. We also plan to complete construction of the new plant at NIIGATA TAIYO YUDEN CO., LTD. with the aim of commencing operations there in March 2016.

In our inductors business, we are preparing to increase production capacity for MCOIL™ and high-frequency multilayer chip inductors at plants in Japan and overseas and reinforce our supply structure. For MCOIL™ inductors in

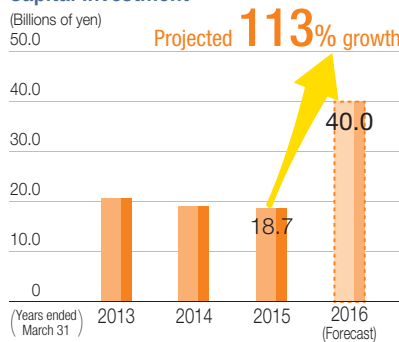
particular, we plan to improve our ability to meet demand by raising monthly production capacity by 50% from 400 million units to 600 million units.

The strategy for FBAR and SAW filters for communication devices includes continuing to reorganize and optimize subsidiary TAIYO YUDEN Mobile Technology Co., Ltd. in Ome, Tokyo, which serves as the development and production center for communication devices. Efforts are underway to improve the operating efficiency of the Ome center and at the subsidiary's plant in Tokorozawa, Saitama, Japan, where we will focus on constructing a platform for increasing production. In particular, we plan to double production capacity from the previous fiscal year for FBAR filters to meet growing demand in the market.

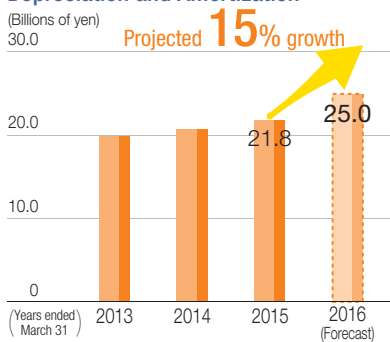
As we proceed toward executing these investments, we will seek clarity on future demand trends and carefully assess whether we can swiftly recoup our investments before moving forward. At the same time, we are deeply aware that our lifelines are new technologies and new products and plan to increase R&D spending by 9% from the previous fiscal year to ¥9 billion to accelerate key development initiatives.

Strategies for Capital Investment and R&D to Support Growth

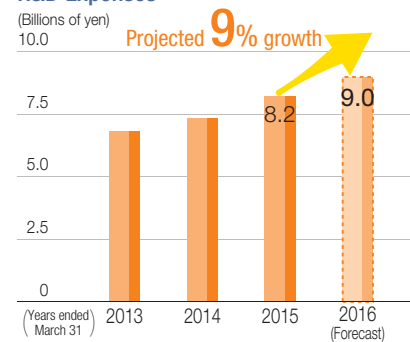
Capital Investment



Depreciation and Amortization



R&D Expenses





Q5

Based on the medium-term targets and action plan, what are the Company's earnings forecasts and plan for returning profits to shareholders in the fiscal year ending in March 2016?

A5

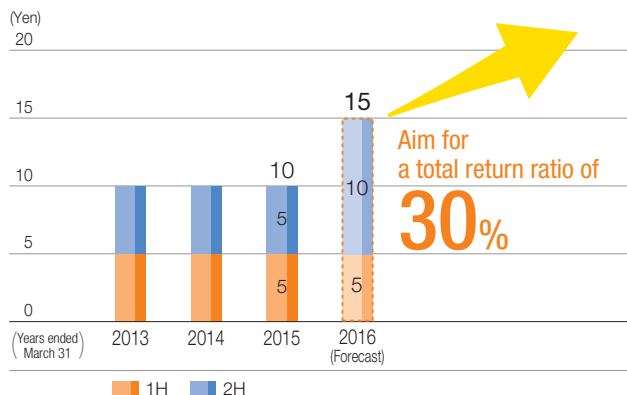
We will further augment the profitability of super high-end products by improving the product mix. We plan to increase the annual dividend payment to enhance shareholder return.

The initial performance targets for the fiscal year ending in March 2016, based on an assumed average exchange rate of ¥118 to the U.S. dollar during the term, are for year-on-year increases of 7.4% in net sales to ¥244 billion, 44.5% in operating income to ¥19 billion, and 9.9% in net income attributable to the owners of parent company to ¥12 billion. Although the increased capital investment will raise depreciation and amortization, we project higher operating income from increased adoption of super high-end products along with the anticipated increase in sales volume, improved product mix, and further cost reductions.

Returning profits to shareholders is a management priority, and we plan to raise our dividend payment to reflect our earnings forecast. The previous fiscal year, prioritizing the establishment of a stable and sustainable earnings structure

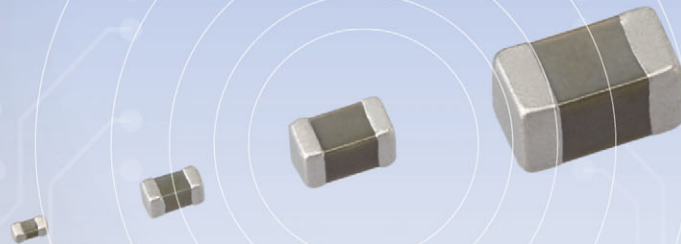
and improvement of our financial position, the Company kept total dividends at ¥10 per share, despite the earnings growth achieved during the year. For the fiscal year ending in March 2016, we will continue to fortify our financial foundation to maintain a positive net cash position while making the necessary investments for growth. Management has decided the time is right for raising the dividend payment to maintain our target for a 30% total return ratio. Thus we plan to raise our annual dividend per share to ¥15, comprising an interim dividend payment of ¥5 and year-end dividend payment of ¥10.

Cash Dividends per Share



Special
feature

Pioneering the Future of Ultra-small, High-capacitance, High-voltage-resistant MLCCs



Multilayer ceramic capacitors (MLCCs) are key components used in electronic devices such as smartphones, PCs, and TVs, and increasingly in automotive components and industrial equipment. The recent trend in the market showing increasing demand for MLCCs is expected to continue through the foreseeable future. In this feature, we look at the current state of the MLCC market and describe our strengths and growth strategies.

Yoshiyuki Takahashi

Deputy General Manager,
Sales Planning Department,
Strategic Planning
Managing Department



Atsushi Ishinari

Senior General Manager,
Electronic Components
Planning Department





What do multilayer ceramic capacitors do and what is their market potential?

Ubiquitous in electronics and electric devices, MLCCs continue to generate volume growth

TAIYO YUDEN's core MLCCs are a class of electronic components used in all common electric and battery-run devices, including mobile devices, household appliances and automobiles.

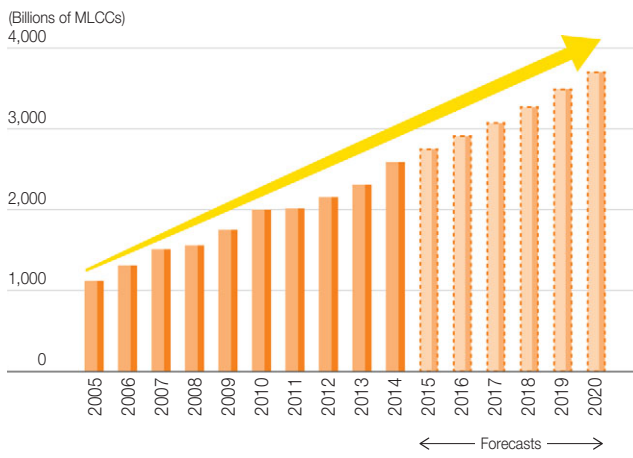
Capacitors are used in electronic circuits for temporary storage of electric charges and for noise suppression that eliminates unnecessary signals. Capacitors vary based on materials, design structures, and other factors. While there are different types of capacitors such as electrolytic capacitors and film capacitors, MLCCs are the most common and are constructed with alternating extremely fine ceramic dielectric and electrode layers.

With global annual shipments of MLCCs currently estimated at 2.5 trillion units, this market is worth ¥650-700 billion annually and continues to grow rapidly. Demand for

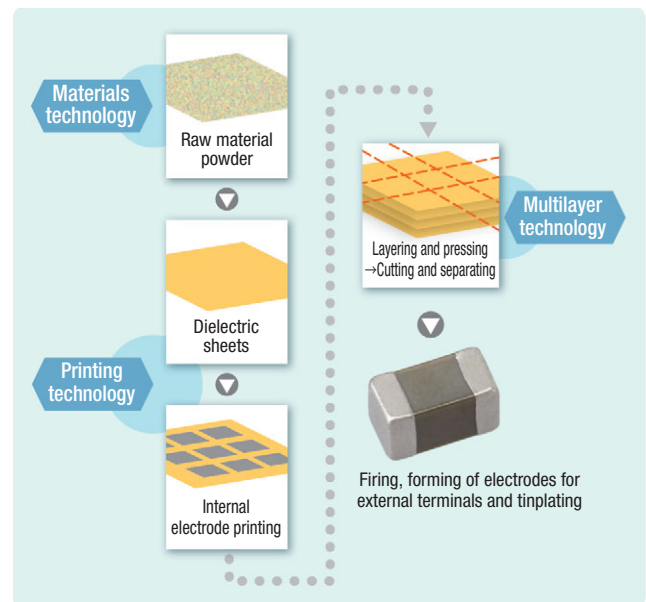
electronics and electrical devices with higher performance and greater functionality is creating the need for an increasing number of capacitors in each end-product. For example, in 2006, high-end mobile phones contained about 300 MLCCs when they started being equipped with camera and TV functions. Today, however, compact, multifunction smartphones use as many as 600 to 800 MLCCs per handset. In that time, MLCCs have become smaller with higher capacitance. This was done to meet the need to have a large number of capacitors in a very limited space with greater functionality.

In our focus markets of automobile electronics, industrial equipment, medical and healthcare, environmental and energy, high-quality and high-reliability products are required amid the growing needs for high functionality and high value-added features.

MLCC Demand Trends



Stages of MLCC Production





How does TAIYO YUDEN differentiate its MLCC product offering to stand out versus competing products?

Our super high-end product strategy leverages our state of the art technological capabilities

Of TAIYO YUDEN's fifteen "super high-end products," five types of MLCCs are categorized as super high-end products. We have leveraged our high-level technological capabilities and brought these super high-end products first to the market in mass production and we are leading the market with new product introductions. We will continue to expand the super high-end product lineup and plan to add product lines. This is consistent with our strategy to introduce the

next high-end product lines, which will add significant value for our company and its stakeholders.

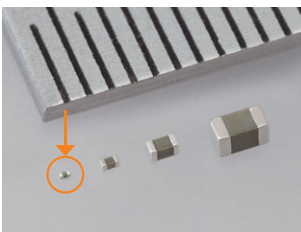
Our capacitor business has three distinctive elements

TAIYO YUDEN's capacitor business has three distinctive elements. First, we are one of very few makers of capacitors that create our products from the ground up—from developing raw materials onwards. Second, our highly advanced precision printing and multi-layering technologies, along with our materials technologies, give us the ability to consistently produce industry-leading ultra-small, ultra-thin, ultra-high-capacitance products. The third element is our global production structure in Japan (Niigata and Gunma prefectures), Malaysia, China, and Korea, that gives us an optimal manufacturing solution and a highly stable supply system. We constantly aim to be No. 1 in the market by harnessing these strengths and by applying super high-end technologies to realize ultra-small, ultra-thin, ultra-high capacitance products.

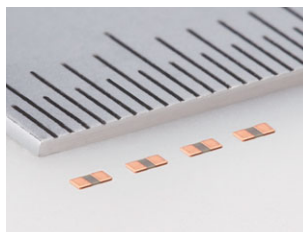
Definition of a super high-end product

1. Product that obtains the top position in the global market
2. Product that only 2.5 suppliers can develop in the field
3. Product that provides solutions for growth markets
4. Products that sustains a strong competitive edge

Advances in MLCCs



World's smallest:
ultra-small MLCC
008004 size (0.25 x 0.125 mm)



World's thinnest:
ultra-thin MLCC
Just 0.11 mm thick (1.0 x 0.5 mm)

MLCC Production Sites



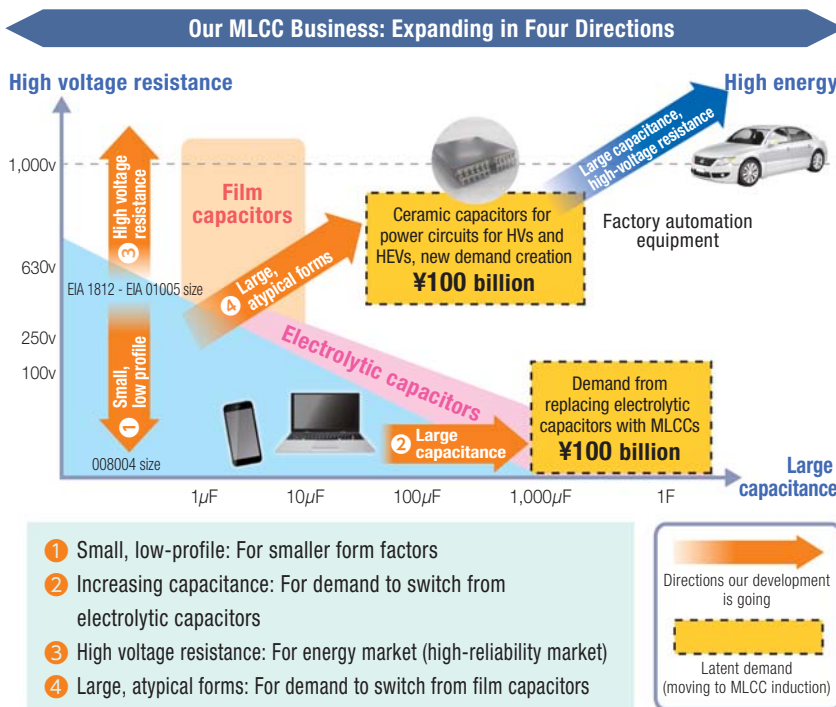


How will the Company develop its MLCC business in the future?

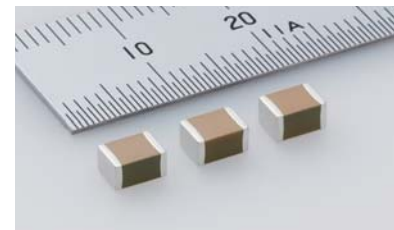
Global MLCC sales volume is projected to approach 4 trillion units annually by 2020. As mobile devices continue to become smaller with more sophisticated functions, capacitors will also need to become smaller while providing higher capacitance. The increasing use of electronics in automobiles and industrial equipment will also increase demand for highly reliable products. MLCCs are ideally suited to meet these demands. They deliver superior compactness and thinness versus electrolytic capacitors and film capacitors, and they provide high reliability and longer product life.

Our strategy for the MLCC business goes beyond growing

in line with the MLCC volume growth that is required to realize higher performance for electronics and electric devices. In addition to foreseen market growth, we will also apply our world-leading technological capabilities to actively develop new products and stimulate latent demand by positioning MLCCs to supplant electrolytic and film capacitors. This strategy will create a broader demand base for our MLCC products and generate new demand.



MLCC Super High-end Technologies: an Example



Industry-first 470µF MLCC, the high-capacitance world-leader

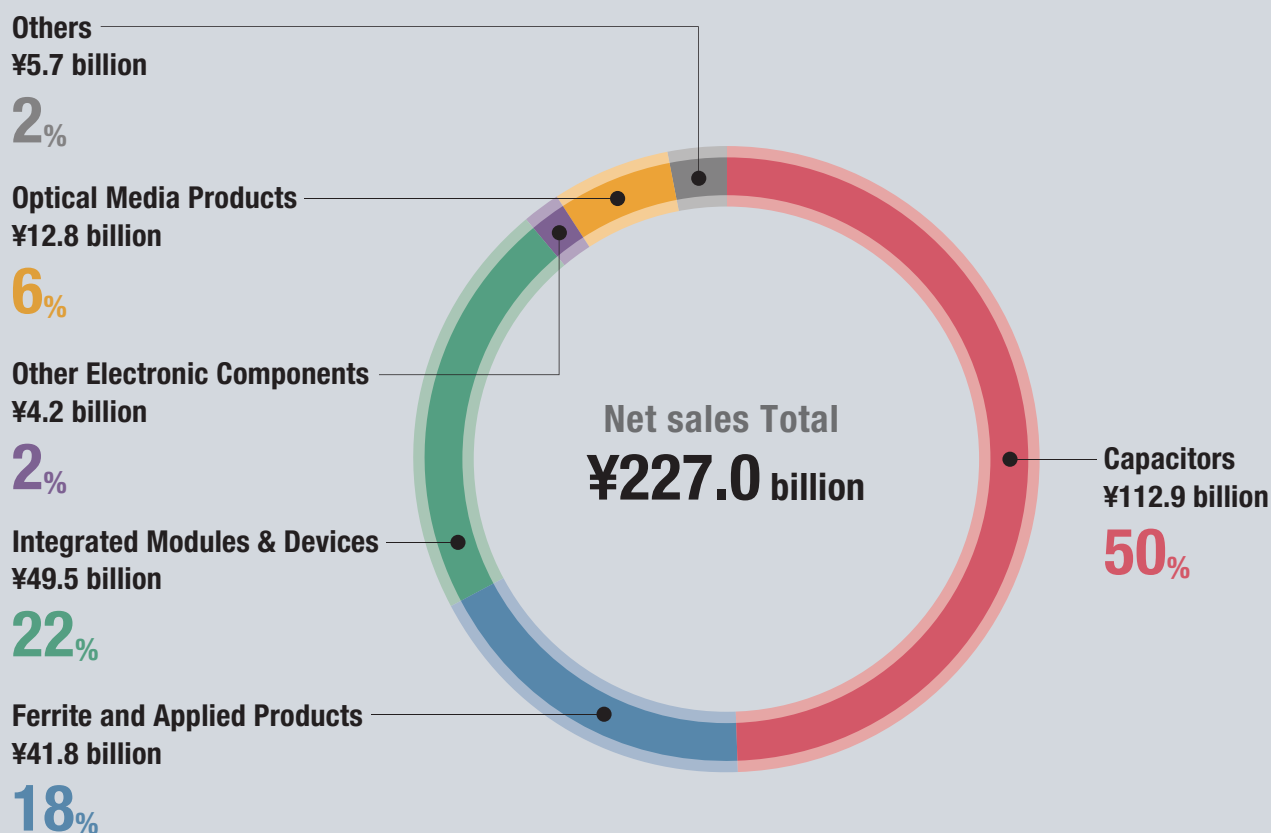
A thousand-layer-plus structure of ultra-thin sheets of a submicron order

One micron (micro-meter) equals 1/1,000 millimeter

Relevant comparisons: human hair has a thickness of 70-90 microns and pollen has a diameter of 30 microns.

Net sales breakdown by product classifications

Year ended March 31, 2015



Change in product classification

Up to the fiscal year ended in March 2015

Product Classification	Main Products
Capacitors	Multilayer ceramic capacitors
Ferrite and applied products	Wire-wound inductors, Multilayer chip inductors
Integrated modules & devices	FBAR/SAW device for mobile communications, Circuit modules (for power supply, high frequency), Embedded-parts multilayer wiring substrates
Other electronic components	Energy devices, Varistors
Optical media products	CD-R, DVD-R, BD-R
Others	Mounting of print circuit boards done at a subsidiary company and others



From the fiscal year ending in March 2016

Product Classification	Main Products
Capacitors	Multilayer ceramic capacitors, Varistors
Ferrite and applied products	Wire-wound inductors, Multilayer chip inductors
Integrated modules & devices	FBAR/SAW device for mobile communications, Circuit modules (for power supply, high frequency), Embedded-parts multilayer wiring substrates, Mounting of print circuit boards done at a subsidiary company
Others	Energy devices, CD-R, DVD-R, BD-R, and others

The Capacitors segment is the Group's core operation, develops high-value-added capacitors, with a focus on super high-end and high-reliability products for a wide variety of electronic devices.

Business Performance in the Year Ended March 2015

Net sales at the segment rose 8.3% year on year to ¥112,903 million supported by rising sales for consumer products, information equipment, communications equipment, automotive electronics, and industrial equipment.

Key Initiatives in the Year Ended March 2015

For multilayer ceramic capacitors, the Group is a leader in advancing dielectric materials technologies, thin-film and high-capacitance technologies, production technologies for ultra-small capacitors, and it established stable mass-production technology for dielectric layers at submicron levels of thinness (less than a micron).

Moreover, the Group has developed multilayering technology capable of over 1,000 layers and achieved mass-production of EIA 1812 size capacitors (4.5 mm × 3.2 mm) with 470 μF capacitance as replacement products for the electrolytic capacitor market. In applications for smartphones and other growth device markets, it mass produces leading-edge capacitors of various sizes and capacitance, including EIA 01005 size capacitors (0.4 mm × 0.2 mm) with 0.22 μF capacitance, EIA 0201 size (0.6 mm × 0.3 mm) with 2.2 μF , EIA 0402 size (1.0 mm × 0.5 mm) with 22 μF , and EIA 0603 size (1.6 mm × 0.8 mm) capacitors with 47 μF .

With a focus on ultra-miniaturization and ultra-low-profile capacitors, we commenced mass production of 008004 size

capacitors (0.25 mm × 0.125 mm), EIA 0201 size at 0.15 mm thinness, and EIA 0402 size at 0.11 mm thinness.

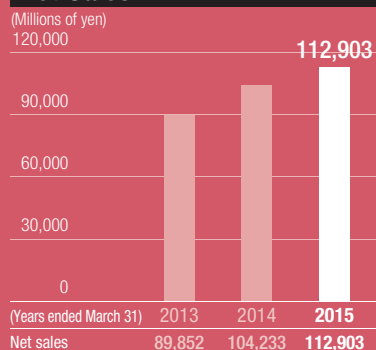
Future Initiatives

The Capacitors segment seeks to strengthen its lineup of ultra-small and ultra-low-profile multilayer ceramic capacitors and cutting-edge super high-end products for growth device markets such as smartphones.

It is also bolstering its lineup of high-quality, high-reliability products for focus markets such as automobile electronics, industrial equipment, healthcare, and environmental and energy. In the 100 μF -plus high-capacitance zone, we will continue aggressively pushing out replacements for electrolytic capacitors to drive further growth for multilayer ceramic capacitors.

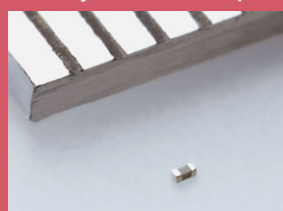
The production structure, soon to be augmented by the construction of a new plant at NIIGATA TAIYO YUDEN CO., LTD., will make the most of TAIYO YUDEN's overseas bases while stepping up the ongoing overseas expansion of high-end products produced in Japan. In addition, the necessary investments will be made to enhance production efficiency with the aim of achieving high production efficiency across all production sites in Japan and overseas. We are working to reconfigure the production structure to meet rising demand for smartphones and other growth devices and in focus markets such as automotive electronics.

Net Sales

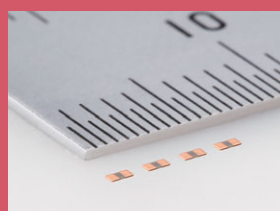


Main Products

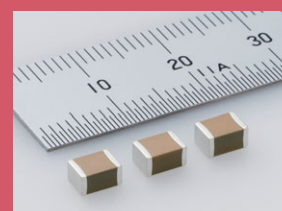
Multilayer ceramic capacitors



008004 size (0.25 mm × 0.125 mm) ultra-small multilayer ceramic capacitors



EIA 0402 size (1.0 mm × 0.5 mm) low-profile multilayer ceramic capacitors with 0.11 mm thickness



EIA 1812 size (4.5 mm × 3.2 mm) small high-capacitance multilayer ceramic capacitors with 470 μF capacitance

The Ferrite and Applied Products segment focuses on developing the MCOIL™ line of metal power inductors and high frequency inductors.

Business Performance in the Year Ended March 2015

Net sales at the segment rose 20.4% year on year to ¥41,834 million on sales growth for products for information, communications, automobiles, and industrial equipment while sales declined for consumer products.

Key Initiatives in the Year Ended March 2015

In multilayer chip inductors, we are reinforcing our lineup of MCOIL™ metal power inductors used in DC-DC converters for smartphones and other devices. In EIA 0603 size (1.6 mm × 0.8 mm) and EIA 0805 size (2.0 mm × 1.25 mm) inductors, mass production commenced of inductors with double the rated current of previous models and ultra-thin low-profile inductors at a thinness of 0.6 mm.

In high-frequency multilayer inductors for mobile device high-frequency circuits, the business started mass-production of EIA 0201 size (0.6 mm × 0.3 mm) and EIA 01005 size (0.4 mm × 0.2 mm) inductors with enhanced Q-values, while continuing to improve inductance values. We are also developing our EIA 0202 size (0.65 mm × 0.55 mm) small common-mode choke coils for noise suppression components in smartphones.

For our lineup of wire-wound inductors, we worked to

expand our MCOIL™ to lineup as well as to develop and commercialize the MA series of high-spec inductors for compact, larger rated current needs. In pace with the trend for low inductance products, we also improved and broadened our offerings of 1 μ H and under products.

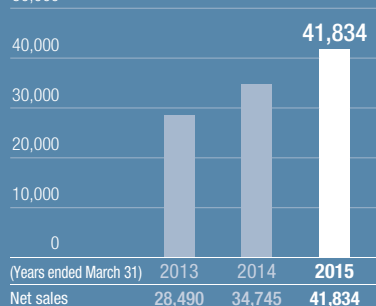
Future Initiatives

We will accelerate development of super high-end products in line with customer needs for multilayer chip and wire-wound inductors. In power inductors, the business will strengthen its lineup of MCOIL™ products based on metallic materials that are more compact with higher rated currents, introduce uses for strategic markets, and expand production capacity. It will also enhance its lineups of high frequency, multilayer high-Q chip inductors and ultra-small multilayer chip inductors.

The production system will put overseas production bases to full use while working to achieve high production efficiency across all production sites in Japan and overseas. We are also working to reconfigure our production structure to meet rising demand for smartphones and other growth devices and in target markets such as automobile electronics.

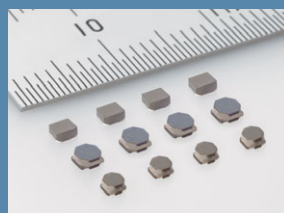
Net Sales

(Millions of yen)



Main Products

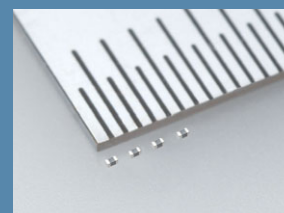
MCOIL™ metal power inductors, wire-wound inductors, multilayer chip inductors, and many other types of inductors



MCOIL™ metal power inductors



High-Q multilayer chip inductors for high frequency applications



Ultra-small multilayer chip inductors

At the Integrated Modules & Devices segment demand for our communication devices is growing on the spread of smartphones and other mobile communications tools and faster data transmission speeds.

Business Performance in the Year Ended March 2015

Net sales at the segment increased 16.8% year on year to ¥49,510 million on higher sales of FBAR/SAW devices for mobile communications even as sales declined for power supply and high-frequency modules.

Key Initiatives in the Year Ended March 2015

In devices for mobile communications, core components for smartphone, products with SAW and LTCC as their core technologies were developed. As a response to rapid growth in use of long-term evolution (LTE) protocols, the business developed and marketed applications for compact, low energy-consumption filter devices and front-end modules with matching circuits. Developing products using FBAR technologies was also a focus.

In mixed-function modules, it progressed with the construction of power supply modules and mixed-function modules meeting strong demand for modules that are energy saving, smaller, and thinner, introducing many differentiated products. In particular, EOMIN™, an in-house developed embedded-parts wiring board, contributed substantially to making smaller and thinner camera modules for smartphones.

In wireless communication modules, compact, low-profile modules for the growing near field wireless communication

market along with various products, such as in-house developed modules with built-in antennas, meeting a wide range of needs were developed. Efforts were particularly focused on developing combination modules integrating Bluetooth®, wireless LAN, and other differing wireless communications standards into a unified module for rollout as products.

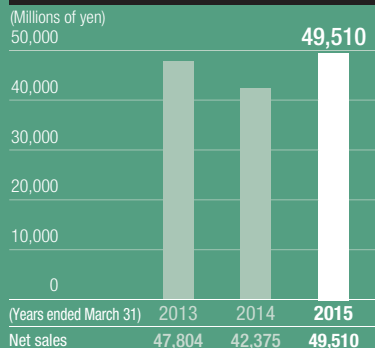
Moreover, to devise marketable solutions for new communication markets such as the digital consumer electronics and healthcare fields, modules with software support were developed and packaged into products.

Future Initiatives

Among the initiatives we are moving forward with are a high-frequency module business centered on FBAR/SAW technologies, active rollout of super high-end products using EOMIN™, an embedded-parts wiring board born of the Group's original technology, and reinforcement of the power supply business with products for the energy market such as energy regeneration systems.

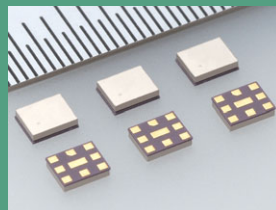
In FBAR/SAW devices for mobile communications, we are working to construct a production system that keeps pace with the rising built-in component count that has accompanied the spread of LTE, the main next-generation protocol.

Net Sales

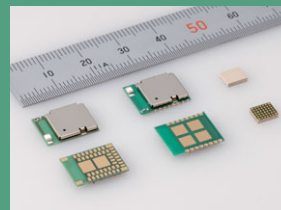


Main Products

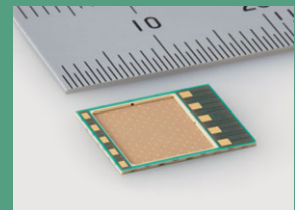
FBAR/SAW devices for mobile communications, power supply modules, high frequency modules and embedded-parts multilayer wiring substrate EOMIN™



FBAR/SAW devices for mobile communications



High frequency modules



Embedded-parts multilayer wiring substrate EOMIN™

The Other Electronic Components segment develops lithium-ion capacitors, polyacene capacitors, and other electronic components.

Business Performance in the Year Ended March 2015

Net sales at the segment declined 19.0% year on year to ¥4,278 million.

Key Initiatives in the Year Ended March 2015

The segment expanded production of cylinder-type lithium-ion capacitors with electric double-layer capacitor and lithium-ion battery characteristics for the high reliability product market and continued its sampling activities for large lithium-ion capacitors. Sales of cylinder-type polyacene capacitors also increased.

Future Initiatives

The segment is developing product applications for advanced technology fields and expanding sales in the energy field. For large lithium-ion capacitors, marketing activities aimed mainly at the high reliability product market will also continue.

The capital and business alliance with ELNA Co., Ltd., which started in November 2014 and spans joint efforts in development, production, and materials procurement, will proceed as we work to improve our competitiveness and expand our businesses.

* Energy devices will be categorized in the "Others" product classification beginning in the fiscal year ending in March 2016.

The Optical Media Products segment develops and produces optical media. The Others segment primarily comprises the mounting business of a subsidiary company.

Optical Media Products

Business Performance in the Year Ended March 2015

Net sales at the segment declined 9.6% year on year to ¥12,859 million.

Future Initiatives

Despite significant efforts to improve the profitability of this business, the Company has determined the greater-than-anticipated market contraction, steep rises in raw material prices, and other factors will make it virtually impossible to achieve further improvement. As such, it has decided to completely withdraw from the optical media products business as of the end of December 2015.

* Optical media products will be categorized in the "Others" product classification beginning in the fiscal year ending in March 2016.

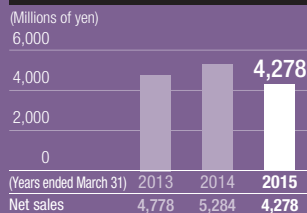
Others

Business Performance in the Year Ended March 2015

Net sales at the segment declined 22.3% year on year to ¥5,708 million.

* The mounting business of a subsidiary will be categorized in the Integrated Modules & Devices product classification beginning in the fiscal year ending in March 2016.

Net Sales

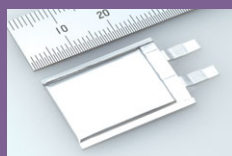


Main Products

Energy devices



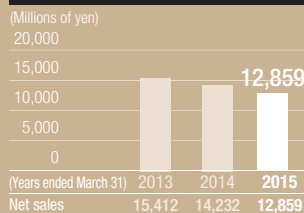
Cylinder type lithium ion capacitors



Thin-type polyacene capacitors

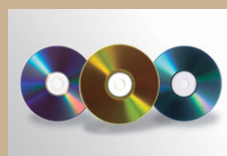
Optical Media Products

Net Sales



Main Products

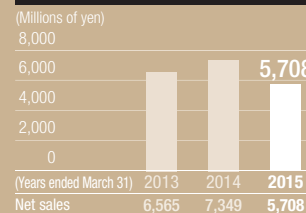
CD-R, DVD-R, BD-R



DVD-R, BD-R, CD-R

Others

Net Sales

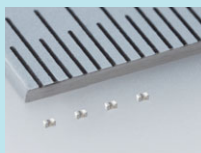


Topics

June 24, 2014

Expanded Lineup of EIA 01005 Size High-Frequency Multilayer High-Q Chip Inductors

Our ultra-small EIA 01005 size (0.4 mm x 0.2 mm) inductors achieved the world's best inductance value, accelerating the changeover from EIA 0201 size (0.6 mm x 0.3 mm) inductors in compact, thin digital electronics.



July 1, 2014

Relocation of TAIYO YUDEN Mobile Technology Headquarters

Communication device production and development at TAIYO YUDEN Mobile Technology Co., Ltd. (head office in Ome, Tokyo) switched to a dual-site structure with these functions split between the Tokorozawa Plant and the center in Ome. The new structure enhances efficiency and product quality and strengthens the subsidiary's ability to quickly respond to strong demand.



July 29, 2014

Wireless Monitoring System Facilitates Efficient Operation of Mega Solar Facilities

A wireless system for measuring and monitoring solar power generation status in each string* has been rolled out as a product. The system significantly lowers installation costs by not requiring external power sources but allowing for their installation later.

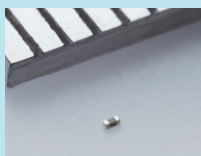
*Photovoltaic modules are generally connected together in a series to produce "strings" that increase voltage.



September 24, 2014

Commercialization of World's Smallest 008004 Size Multilayer Ceramic Capacitor

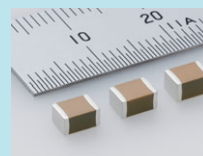
TAIYO YUDEN has been able to move the world's smallest 008004 size (0.25 mm x 0.125 mm) multilayer ceramic capacitors into mass production. This will contribute to smaller and thinner electronics such as smartphones and wearable devices.



September 25, 2014

Commercialization of World-First 470 μ F Multilayer Ceramic Capacitor

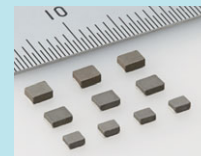
TAIYO YUDEN's ongoing advances in materials, sheet thin-films, and multilayering technologies enabled the creation of a ceramic capacitor with over 1,200 layers and 470 μ F capacitance. The latter is a world-first achievement.



September 30, 2014

High-spec Additions to MCOIL™ MA Series Line of Metal Power Inductors

The new products improve DC-bias characteristics by approximately 24% over TAIYO YUDEN's existing products and will contribute to improving performance of digital electronics such as smartphones and tablets as these become smaller, thinner, and higher performance.



Active Participation in Exhibitions in Focus Markets

TAIYO YUDEN actively participated in exhibitions in its focus markets in the automotive, industrial equipment, environment and energy, and medical and healthcare fields, including CEATEC JAPAN 2014, one of Asia's largest cutting-edge, all-around IT & electronics exhibitions. With the aim of supporting

expansion in sales of our products and technologies, we opened exhibits in many other industry shows, including the Automotive Engineering Exposition, PV Japan 2014 (focused on photovoltaics), and Infra-Main Tech exhibition (focused on testing, maintenance, and management of social infrastructure).



TAIYO YUDEN Group's Research and Development Activities

The Foundation of Our Research and Development Activities

Hikohachi Sato, the founder of TAIYO YUDEN, was a researcher in ceramic materials. Since its establishment, TAIYO YUDEN has believed that product commercialization should start from the development of materials. This has been one of the strengths of TAIYO YUDEN, and has resulted in us creating many products that have been “world firsts.”

The TAIYO YUDEN Group's research and 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 many elemental technologies that have been built up since its foundation. In particular, we are focusing on the development of super high-end products.

Research and Development Principles

“Innovative advance”

Technology precedence

Promote leading edge technological development as the precursory to innovative product development and become a global leader in technology

Reproducibility

Logically verify the reproducibility of the technology we develop

Technological applicability

Develop technologies that are feasible and applicable economically to our manufacturing process and that meet critical environmental standards

Environmental consideration

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

Achievement of our Vision through Development of “Green Products”

The TAIYO YUDEN Group has effective methods available that resolve the dilemma of how to both respond to customer demands for more advanced electronic devices and reduce environmental burdens on society as a whole and the communities we serve. Our core objective using these methods is to make electronic components that are incorporated inside a final product possess higher and higher performance levels and values.

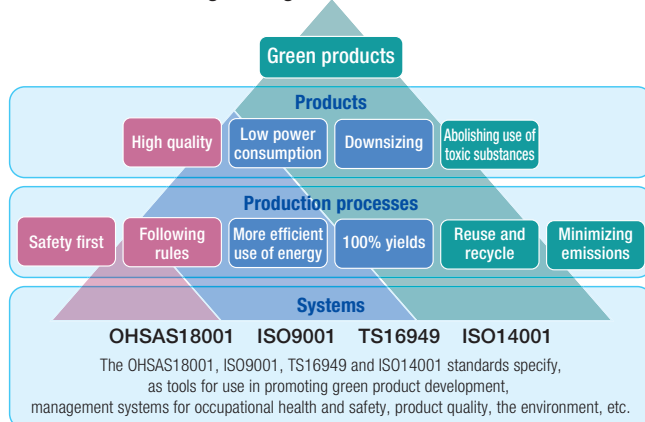
Electronic components with high performance levels manifest improvements such as compactness (leading to

reduction in the parts and materials used) and enhanced power efficiency (leading to lower energy consumed). Consequently, the TAIYO YUDEN Group continues to support the implementation of higher performance in all devices, and to achieve reductions in the environmental burden. We also consider our products as being beneficial for society as they are useful for a wide variety of producers that use electric power and, most importantly, our products enhance the quality of life of our customers.

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. The green products that the Group has on its development horizon reflect environmental considerations applied throughout the product life cycle, not only at the products' end use, but also at all stages from design through production, sales, and incorporation into the final product right up to final disposal. We eliminate what in Japanese are called the three M's—*muda* (wastefulness), *mura* (inconsistency), and *muri* (overburden)—over the entire life cycle of products to add value for customers and local communities we serve as well as our employees.

We are confident that our R&D activities aimed at creating a higher standard of green products will enable us to realize our vision to “become an excellent company that enjoys the trust and highest regard from our customers.”

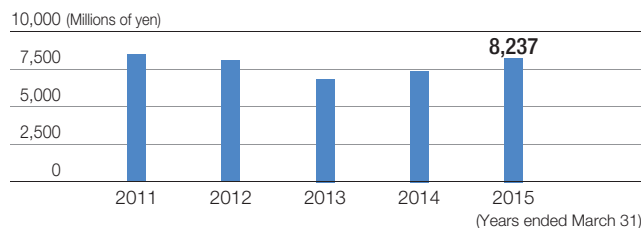
To be an excellent company that enjoys the trust and highest regard from our customers



R&D Expenses

We recognize that continuing innovations and advancement in our technologies through R&D is the foundation for the Group to create the future. With this belief, we will continue to invest in R&D activities and the future development of our products.

R&D expenses



R&D Center, TAIYO YUDEN's Research Facility (Takasaki City, Gunma Prefecture)

As we were committed to continuing to create the world's best products and uphold our claim to be "the TAIYO YUDEN of technology and the TAIYO YUDEN of development," we opened the R&D Center in 1998. In 2003, we established an Anechoic Chamber Test Facility in the same complex, and accelerated our proactive R&D activities in the field of radio communication. Currently, the R&D Center of the TAIYO YUDEN Group drives development and technological progress and takes a role of a foundation of creativity focusing on the future.



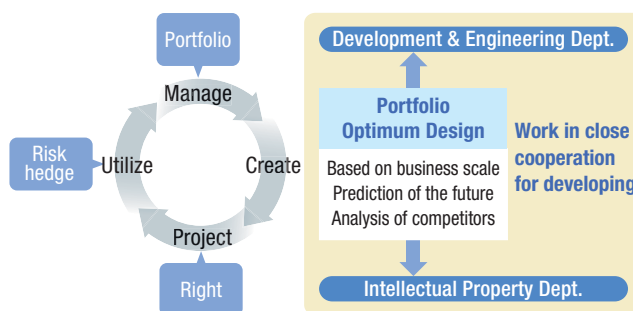
Activities on Intellectual Property Rights

Basic Policy

We, the TAIYO YUDEN Group, endeavor to obtain, maintain and protect intellectual property rights for proper use, and also to respect the intellectual property rights of third parties, in accordance with our CSR Code of Conduct.

Protection of Intellectual Property Rights

At TAIYO YUDEN, the Intellectual Property Department and the Development and Engineering Department work in close cooperation with each other from the early stages of developing new technologies and obtaining intellectual property rights. We have our own management system to create, protect and utilize the intellectual property rights that are suitable for each of our businesses.



Intellectual Property Strategy

Intellectual Property Department: Our Mission Is to Stimulate Development

Since its founding, TAIYO YUDEN has been dedicated to applying its proprietary technologies to create "world-first" products. This element of our corporate culture is reflected in the decision to locate the Intellectual Property Department, despite it belonging to a management function, in the R&D Center so it can work closely with development teams. Together with development and engineering department, we promote the creation of new and original technologies and see our basic mission as raising the level of activity in development.

TAIYO YUDEN submits about 200 patent applications in Japan every year. We work closely with developers based on two perspectives: a) activities aimed at anticipating what the future will look like, and b) activities aimed at looking out a step ahead of what is now required in our R&D efforts. Rather than focusing on the number of patent filings, however, we put a greater emphasis on quality in light of the direction our R&D policies have set. We are especially careful to protect the technologies we have patented that are used in our high value-added products, centering on our super high-end products. Beyond that, we also manage our patents on general-use technologies to generate licensing income and secure cross-licensing arrangements with other companies.



Iwao Fujikawa
General Manager,
Intellectual Property
Department

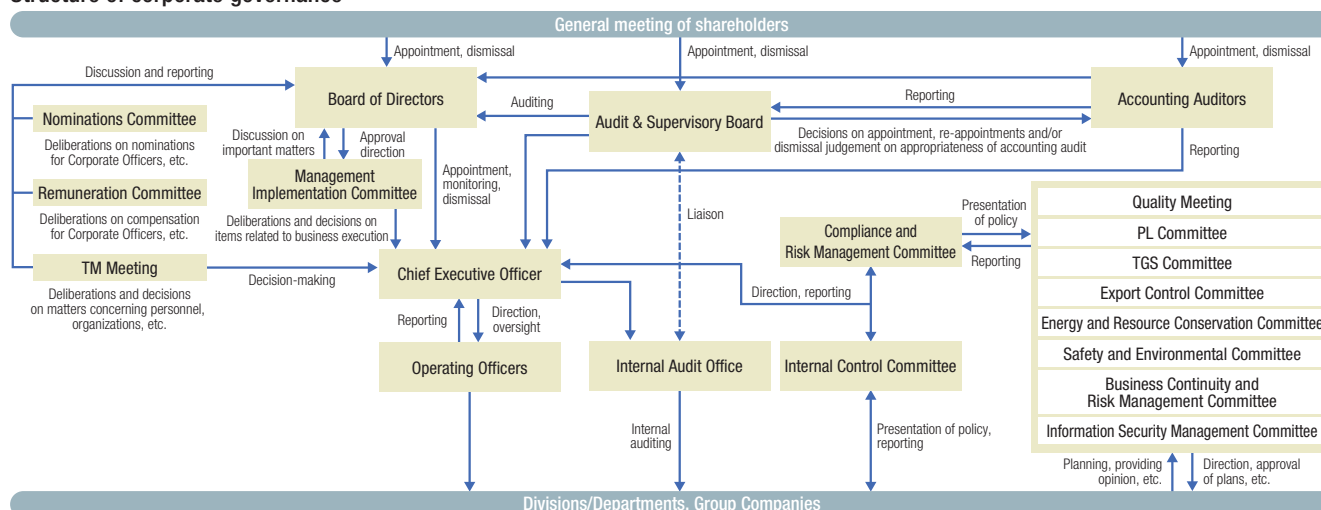
Corporate Governance

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 positive relationships with all stakeholders, beginning with the Company’s shareholders, with a strong focus on enhancing corporate value.

Based on this policy, the Company emphasizes management transparency and fairness as well as information disclosure, and reviews its systems and mechanisms, as appropriate, to ensure rapid decision-making and operational execution aimed at enhancing competitiveness. In these ways, we strive to increase our corporate value continuously through excellent business activities.

Structure of corporate governance



Structure of Corporate Governance

Overview of Corporate Governance Structure, Reasons for Adoption

The Company has adopted the corporate auditor system, and has a board of directors, an audit & supervisory board and an accounting auditor. Furthermore, we select candidates who meet our standards for independence and who are deemed as unlikely to have any conflicts of interest with general shareholders for nomination to serve as outside directors and outside audit & supervisory board members. Through a governance system that promotes close collaboration with the Audit & Supervisory Board and internal auditing department, the Company works to enable audit & supervisory board members to perform their roles effectively and strengthen their supervisory function vis-à-vis management.

Board of Directors

1. From a long-term perspective, the Board of Directors shall secure sufficient time to discuss and make decisions on significant matters, such as overall management policy, management strategies, management plans, capital policy and matters concerning internal controls, covering the Group as a whole, with the aim of increasing the Company’s corporate value continuously.
2. The Board of Directors shall strengthen management systems for risk factors facing operations and always monitor operational execution.
3. To ensure meetings are conducted impartially and to strengthen management supervisory functions, the Board

of Directors meetings shall be chaired by the Chairperson of the Board (or an outside director in the event the Chairperson is absent or has an accident).

4. To ensure efficient decision-making by the Board of Directors, there shall be discussions in advance on policy matters pertaining to operational execution by Group management at meetings of the Management Implementation Committee, and on matters pertaining to the entire Group’s personnel, organizational, and remuneration systems, etc. at meetings of the Top Management (TM) Meeting. Matters delegated by the Board of Directors shall be discussed and determined by these two committees.
5. The Company appoints operating officers for the purpose of further clarifying the roles and responsibilities of those who supervise and execute operations. Based on management policies and strategies determined by the Board of Directors, and under the supervision of the Chief Executive Officer, operating officers shall run operations flexibly and speedily as persons responsible for execution at their respective departments.

Directors

1. The Company has eight directors, at present. Two of them are appointed as independent outside directors.
2. To clarify management responsibilities during a given fiscal year and increase shareholders’ confidence, directors’ term of office is one year.

3. The reason for the selection of directors is disclosed by taking into account knowledge, experience, history of achievement and other factors.
4. In electing outside directors, to ensure transparency in the authority of management oversight, the Company has established rigorous “Standards for the Independence of outside directors/outside audit & supervisory board members” as requirements for their appointment by reference to other standards for independence established by financial instrument exchanges and organizations advising the exercise of voting rights, including the “Securities Listing Regulations” set forth by the Tokyo Stock Exchange.
5. Except for outside directors, the directors concurrently serve as operating officers who are in charge of both oversight and the execution of operations. Directors shall report with emphasis on the business performance and oversight operations of the divisions/departments they are in charge of to the Board of Directors.

Audit & Supervisory Board, Audit & Supervisory Board Members

1. The Company has adopted an audit & supervisory board members system. The Audit & Supervisory Board meeting is held monthly, in principle.
2. The Company has four audit & supervisory board members including outside audit & supervisory board members. Two of them are appointed as independent outside audit & supervisory board members.
3. To raise the effectiveness of audits, each audit & supervisory board member attends Board of Directors meetings and attends meetings related to the execution

of business operations and other important meetings by sharing the tasks with each other. Moreover, audit & supervisory board members strive to strengthen the auditing system through frequent communications with the accounting auditor and the internal audit department by meeting regularly, witnessing accounting audits as observers and conducting joint audits with the internal audit department.

4. The Audit & Supervisory Board has its own dedicated staff to smoothly conduct auditing operations such as information communications and data management.

Voluntary Advisory Panels

1. For the purpose of conducting “highly transparent and fair management,” the Company has established the Nominations Committee and the Remuneration Committee.
2. Both committees consist of directors with a rank of executive operating officer or higher, outside directors and one audit & supervisory board member. They are chaired by independent outside directors to ensure objectivity of each deliberated matter.
3. The Nominations Committee deliberates matters such as the designation of candidates for corporate officers to be elected/dismissed, the draft on nominating or dismissing officer positions and disciplinary actions. The Remuneration Committee deliberates systems of remuneration to corporate officers, as well as details of remuneration to each corporate officer. The matters deliberated at the respective committees are discussed at the Board of Directors for determination.

Policy on Roles of Outside Directors/Outside Audit & Supervisory Board Members and Their Selection and Nomination

1. Two of our outside directors fulfill our standards for independence. These individuals work to strengthen their supervisory function vis-à-vis management from a standpoint of objectivity. Specifically, they fulfill a role that is important to the decision-making process, providing opinions from the perspective of either technical experts or shareholders independent of management, based on a broad view that leverages their knowledge of legal affairs related to companies or their experience as corporate managers.
2. Two of our outside audit & supervisory board members

meet our standards for independence. They cooperate with each other to monitor the state of internal controls over operations on a daily basis. Specifically, the audit & supervisory board members are responsible for investigating and verifying whether directors are discharging their responsibilities in compliance with pertinent laws. In addition to possessing technical and practical knowledge in the fields of law and accounting, they objectively monitor the actions of directors from an independent standpoint.

Reasons for Selection as Independent Outside Directors

Yuji Iwanaga, Independent Outside Director

Based on his experience serving as a senior manager at multiple companies and his knowledge and experience as an attorney specializing in corporate legal practices, Mr. Yuji Iwanaga stimulates deliberation at meetings of the Board of Directors by assertively contributing his frank opinions and ideas and thereby fulfilling his role as an independent outside director. He objectively supervises business operations as chairperson of the Board of Directors and chairperson of the Nominations Committee. On these grounds, he was selected as an independent outside director.

Hisaji Agata, Independent Outside Director

Mr. Hisaji Agata is an expert in early-stage investment and business incubation aimed at forming a highly transparent and sound business structure, and has a long record of achievement and proven insight as a business manager. Providing assertive and constructive opinions at meetings of the Board of Directors, he has fulfilled his role as an independent outside director. He objectively supervises business operations as chairperson of the Remuneration Committee. On these grounds, he was selected as an independent outside director.

Reasons for Selection as Outside Audit & Supervisory Board Members

Tomonori Akisaka, Independent Outside Audit & Supervisory Board Member

Mr. Tomonori Akisaka has extensive finance and accounting knowledge as a university professor with a research specialization in corporate law and as a certified public accountant. With the expectation he could provide guidance and recommendations to ensure the appropriateness of the Board of Directors' activities and present valuable insight in auditing management, Mr. Akisaka was selected as an independent outside audit & supervisory board member.

Kazuhiro Yamakawa, Independent Outside Audit & Supervisory Board Member

Mr. Kazuhiro Yamakawa is well versed in general legal affairs, including corporate legal practices, and has ample insight into auditing management based on his abundant experience as a public prosecutor, attorney, and university professor. After becoming an independent outside audit & supervisory board member, he has examined whether there are any blind spots unique to the Company in its internal controls and risk management system and has audited business judgments made by the Board of Directors and the discharge of responsibilities by directors. On these grounds, he was selected as an independent outside audit & supervisory board member.

Policies Determining Remuneration Paid to Corporate Officers and Details Thereof

The following are policies we have established to determine the remuneration paid to corporate officers.

1. Based on quantitative rules, remuneration with a basis in transparency and fairness shall be paid.
2. The level of remuneration shall be determined by assessing appropriateness after fully examining levels at sector peer companies and economic and social circumstances in general.
3. The remuneration system shall be designed to focus on incentives linked to business results with the aim of improving business performance.

Based on such policies, the Remuneration Committee has been set up as an advisory body to the Board of Directors to ensure transparency and fairness in the process of determining

remuneration paid to corporate officers. Chaired by an independent outside director, the Remuneration Committee deliberates on policies, systems, calculation methods for the remuneration of corporate officers, and the specifics of individual compensation, etc. and prepares and submits reports thereon.

Specific remuneration amounts are calculated based on company rules within the range approved at shareholders' meetings, and then presented in a report based on deliberations by the Remuneration Committee. Once the Board of Directors reviews the report, the Board decides the remuneration of directors, and the Audit & Supervisory Board decides the remuneration of its members.

Total remuneration paid to Directors and Audit & Supervisory Board Members for the fiscal year ended in March, 2015

	Total remuneration paid and number of persons		Total remuneration paid by type of compensation					
			Monthly remuneration		Director bonus		Stock options	
	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)
Directors	8	255	8	172	6	49	6	33
Audit & Supervisory Board Members	4	60	4	60	—	—	—	—
Total	12	316	12	233	6	49	6	33
Of which, Outside Directors and Outside Audit & Supervisory Board Members	(4)	(33)	(4)	(33)	(—)	(—)	(—)	(—)

Notes: 1. The "Number of persons" refers to the number of persons subject to remuneration for the fiscal year ended in March 2015, not the number of persons in office.
2. The limit of remunerations paid to Directors was resolved to be ¥450 million or less per year at the 66th Ordinary General Meeting of Shareholders held on June 28, 2007. The limit of remunerations paid to audit & supervisory board members was resolved to be ¥6 million or less per month at the 52nd Ordinary General Meeting of Shareholders held on June 29, 1993.

Independent
Outside Director
Message
1

Facilitating Active Deliberations to Enable the Board of Directors to Reach Proper Resolutions

Yuji Iwanaga, Independent Outside Director

I think an outside director is supposed to offer opinions at meetings of the Board of Directors from the perspective of how much can we increase corporate value while considering the interests of shareholders and various other stakeholders, and thereby facilitate active deliberation to enable the Board to reach proper resolutions.

I feel the Company currently has an environment that would allow outside directors to better fulfill such a role. Under internal rules, I serve as chairperson of the Board of Directors, and another outside director, Mr. Hisaji Agata, stands in for me when I am not available.

Furthermore, the two outside directors are members of the Nominations Committee and the Remuneration Committee. I chair the former and Mr. Agata chairs the latter. All the full-time directors listen to the opinions of outside directors with sincerity, and the Board has never forcibly pushed for a vote without paying attention to our opinions.

I often make comments on CSR, corporate governance, compliance, and risk management from the viewpoint of an attorney. My experience as an outside director at a U.S. company helps me in this regard. I also present my opinions on capital investment, personnel, financial problems, M&A, etc. based on my experience as a senior manager at multiple companies. However, in principle, I always try to respect the opinions of people on the frontlines with regards to technological matters.



Independent
Outside Director
Message
2

Participating in Management Decision-making to Properly Protect Stakeholders' Interests

Hisaji Agata, Independent Outside Director

On June 1, 2015, the Corporate Governance Code came into effect for listed companies. It seeks to bolster monitoring of corporate initiatives to improve corporate value and foster an expansive dialogue with shareholders via enhanced management transparency. Above all, however, I believe it is intended to improve ROE.

Compared with U.S. and European companies, the ROE of Japanese companies has remained at low levels for years due to weak profitability.

To foster innovation, a source of corporate growth, our operating departments must boldly take on challenges while trying to minimize risks, and summon up a strong determination to commit to delivering such results.

Drawing on my management experience at a corporate investment incubator, I continue to participate in management decision-making as an independent outside director for the purpose of properly protecting the interests of stakeholders.



CSR Activities

Basic Stance Regarding CSR Activities

The TAIYO YUDEN Group's management philosophy is to support employee well-being, support the betterment of local communities, and accept responsibility to provide returns to shareholders. The fulfillment of these responsibilities is the basis of management at TAIYO YUDEN.

Business enterprises can not develop all alone, but they evolve along with local communities. At the time of our founding, our business involvement with local communities was confined to Japanese society, but now it has spread worldwide. By this change, we have obtained more opportunities to expand our business and to increase the economic value of our products. At the same time, however, the range of our stakeholders has broadened, and their requirements and expectations are growing bigger and deeper.

As we turn these opportunities into results which incorporate an increase in economic value, we will also enhance our social value by responding to stakeholders' requirements and expectations, and by fulfilling our social responsibilities. To accomplish this goal, we take responsibility not only for the safety and quality of our products, but also for our activities within the Company that are related with labor and human rights, safety and health, the environment, and ethics.

CSR Charter

To present the management philosophy of the TAIYO YUDEN Group more clearly to stakeholders, in 2005 the CSR Charter (TAIYO YUDEN Group's Charter on Social Responsibility) was established. To win the trust and goodwill of society, the TAIYO YUDEN Group will respect human rights, keep abreast of and comply with laws and international rules and regulations, and take a socially conscious course of action based on high ethical standards.

Business

- The TAIYO YUDEN Group will win our clients' confidence by developing and providing high value-added products and services for which safety is thoroughly considered.
- The TAIYO YUDEN Group will pursue global environmental preservation by reducing environmental impacts caused by our business activities.
- The TAIYO YUDEN Group will engage in fair, open, and free competition while maintaining sound relationships with governmental/administrative bodies, citizens and organizations.

People

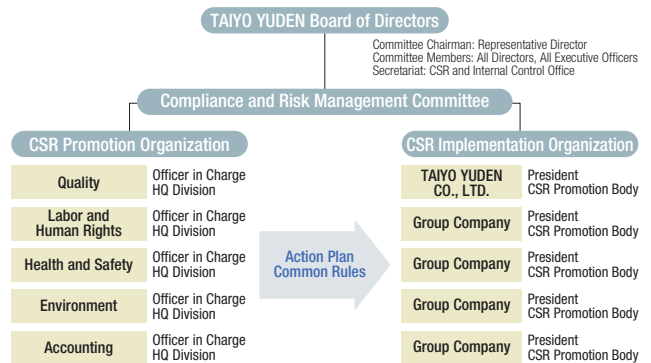
- The TAIYO YUDEN Group will respect the dignity and individuality of each person based on recognition of people's diverse backgrounds and characteristics.
- The TAIYO YUDEN Group will strive to create safe work environments that ensure our employees are able to perform their duties with a sense of reassurance.

Society

- The TAIYO YUDEN Group will actively participate in social contribution efforts while valuing co-existence with local and international communities.
- The TAIYO YUDEN Group will promote widespread communication with society and disclose corporate information on a timely basis in an appropriate manner.

CSR Activities Promotion Framework

In the Group's CSR activities, overall management is provided by the Compliance and Risk Management Committee, chaired by the President and attended by all directors. The promotion organization is comprised of officers in charge and HQ divisions appointed for each provision of the Code of Conduct and each applicable risk, and management is carried out according to a system (the Compliance and Risk Management System) implemented by each group company in accordance with the activity policy and rules in common established by the promotion organization.

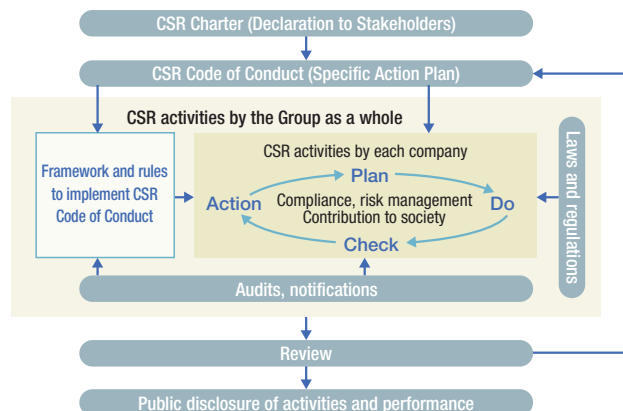


CSR Management System

The TAIYO YUDEN Group has built a CSR management system to achieve the goals set forth in our CSR Charter and assure compliance with the CSR Code of Conduct.

In carrying out CSR activities, we follow the provisions of our Code of Conduct and comply with laws and regulations as a matter of course. We also have a framework and rules in place for promoting proper conduct and all of our group sites employ a management system based on the plan-do-check-act (PDCA) cycle.

These activities are checked through internal audits and a notification system. An annual review of CSR performance is conducted and activities are continually being improved.



Environmental Activities

TAIYO YUDEN receives awards overseas

TAIYO YUDEN (SARAWAK) SDN. BHD. received the Chief Minister's Environmental Award in Sarawak, Malaysia, in recognition of the environmental protection activities that it conducts as part of its business operations. TAIYO YUDEN (PHILIPPINES), INC. was recognized with a special contribution award from the Department of Environment and Natural Resources for compliance with laws and standards and contribution to the environment.



Water usage reduced with wastewater recycling

The TAIYO YUDEN's Nakanojo Plant and TAIYO YUDEN CHEMICAL TECHNOLOGY CO., LTD. installed filters to enable the reuse of wastewater from the cutting process of its metal machining operations. The systems reduced annual water usage by 535 tons in the fiscal year ended in March 2015.



Contributing to Society

Manufacturing workshops

The TAIYO YUDEN Group seeks to spur interest in science by inviting elementary school students to join in manufacturing workshops and experience using electronics. TAIYO YUDEN and the Takasaki Youth Science Center conducted workshops for students to make "robots that do not fall" and WAKAYAMA TAIYO YUDEN CO., LTD. held workshops to make fuel cell cars that run on salt water.

Support for social welfare activities

The TAIYO YUDEN Group supports social welfare activities as one part of its social contribution activities and is particularly active in supporting children who have lost their parents in traffic accidents. The Group's domestic businesses contribute to Gunma Prefecture and the Sato Traffic Orphan Welfare Fund, and KOREA TAIYO YUDEN CO., LTD. administers a fund to pay school tuition fees for children who were orphaned as a result of traffic accidents.

Health and Safety Activities

Forklift training and laser safety classes

As part of its health and safety activities, TAIYO YUDEN invited instructors to lead forklift training at Company sites. Forklift driving lessons were accompanied by a session on actual accidents and verifying inspection methods. Its laser safety classes teach participants about the dangers of lasers and safety measures to help protect against injury stemming from workplace equipment that use lasers.



Chemical substance leak training

TAIYO YUDEN Mobile Technology Co., Ltd. held an emergency scenario training event for a hazardous gas leak as part of its regular training on risks such as unexpected accidents and disasters. The training included practice quickly putting on air respirators and entering the worksite to save others.

For further details on our CSR activities, please visit at <http://www.yuden.co.jp/or/company/csr/>

Directors and Audit & Supervisory Board Members

Directors



Representative Director Eiji Watanuki

Joined TAIYO YUDEN in 1971 and served many years in the sales and marketing divisions in Japan and overseas, including as President of a subsidiary in Singapore and as President of the Western Japan Branch. Appointed Senior Operating Officer in 2003, and Director in 2006. In charge of the Integrated Module Business from 2007, and appointed President and Representative Director in June 2011.



Director Shoichi Tosaka

Joined TAIYO YUDEN in 1979, and was mainly engaged in materials development and technological development. Appointed Senior Operating Officer in 2003. Subsequently, in charge of the Electronic Components business, R&D/engineering, and quality assurance. Appointed Director in June 2006.



Director Katsushige Nakano

After working at Fujitsu Ltd. in accounting and finance in the Communication business in Japan and overseas, was appointed President and Representative Director of Fujitsu Media Devices Ltd. in 2009. Following the latter company's transfer of the Communication Device business to TAIYO YUDEN in 2010, joined TAIYO YUDEN in April 2013, was appointed Director in June and was in charge of mainly financial strategy as Chief of Management Planning Headquarters.



Director Seiichi Tsutsumi

Joined TAIYO YUDEN in 1977 and was engaged in sales and marketing for many years. Appointed President of a subsidiary in Singapore in 2000. Appointed Managing Officer and in charge of product marketing and planning at Sales Headquarters in 2007. In charge of the Greater China Area from 2009. Appointed Director in June 2010. Appointed Chief of Integrated Module & Device Business Headquarters in 2011.



Director Shinji Masuyama

Joined TAIYO YUDEN in 1980 and was engaged in production technology and system development of electronic components and optical media products for many years. Appointed Managing Officer in 2004, and in charge of the Electronic Components business centered on the Capacitor Product business and Ferrite Application Product business. Appointed Director in June 2013.



Director Osamu Takahashi

Joined TAIYO YUDEN in 1980. Assigned to quality assurance and materials technology divisions, he was subsequently engaged in sales promotion and marketing. Since 1992, has been involved in production planning, corporate planning and financial divisions. Appointed Operating Officer in 2003. Appointed Director in June 2011. Appointed Chief of New Business Planning Development Headquarters in 2014.



Outside, Independent Director Yuji Iwanaga

As a certified attorney, Mr. Iwanaga was admitted to the Japan Federation of Bar Association in 1981, after working at Tohato Inc. and General Aircon Co., Ltd. In 1984, he was admitted to the State Bar of California and joined Lillick, McHose & Charles, currently Pillsbury Winthrop Shaw Pittman LLP, becoming a partner. He has served as an Outside, Independent Director for the Company since 2006.



Outside, Independent Director Hisaji Agata

After working Nomura Securities Co., Ltd., from 1974 to 1981, Mr. Agata joined the Japan Associated Finance Co., Ltd., currently JAFCO Co., Ltd., where he served as Director, Managing Director, and Executive Managing Officer. He has served as an Outside, Independent Director for the Company since 2008. He has also served as a Special Adviser of HIBIKI Partners Co., Ltd. since 2008 and as an Outside Auditor of RaQualia Pharma Inc. since 2010.

Audit & Supervisory Board Members



**Audit & Supervisory Board Member
Norio Osakabe**



**Audit & Supervisory Board Member
Takashi Tomaru**



**Outside Audit & Supervisory Board Member
Tomonori Akisaka**



**Outside Audit & Supervisory Board Member
Kazuhiro Yamakawa**

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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 figure in the following text differs slightly from the equivalent figure in the financial statements.

11-year Summary

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

Fiscal year	2005	2006	2007	2008
Net sales	¥ 172,256	¥ 186,539	¥ 221,229	¥ 238,274
Operating income (loss)	2,055	6,691	22,018	21,304
Ordinary income (loss)	1,973	6,997	21,641	19,141
Net income (loss)	(774)	3,155	12,944	10,634
Total assets	212,231	224,381	258,552	271,605
Net assets	141,667	153,875	169,497	167,766
Cash flows from operating activities	5,853	20,054	28,979	29,791
Cash flows from investing activities	(19,601)	(15,290)	(33,780)	(43,768)
Free cash flows	(13,748)	4,764	(4,801)	(13,977)
Cash flows from financing activities	3,386	(2,805)	7,586	12,855
Cash and cash equivalents at end of year	31,245	35,672	39,435	35,401
R&D expenses	7,581	7,096	8,207	8,888
Capital investment	22,464	15,778	30,244	44,584
Depreciation and amortization	17,984	17,052	18,376	23,294

Per share data (yen)

Net assets per share	¥ 1,187.69	¥ 1,290.00	¥ 1,421.45	¥ 1,403.24
Basic net income (loss) per share	(6.58)	26.00	108.58	89.22
Diluted net income per share	—	25.21	104.09	82.06
Cash dividends per share	10.00	10.00	10.00	10.00

Financial ratios (%)

Equity ratio	66.8	68.6	65.5	61.6
Return on Equity [ROE]	(0.5)	2.1	8.0	6.3
Return on Assets [ROA]	0.9	3.2	9.0	7.2

Other information

Number of employees [consolidated]	17,577	19,656	20,387	20,117
Number of employees [non-consolidated]	2,669	2,592	2,686	2,905

Note: ROE = Net income/Shareholders' equity (yearly average) x 100
ROA = Ordinary income/Total assets (yearly average) x 100

(Millions of yen)

2009	2010	2011	2012	2013	2014	2015
¥ 185,452	¥ 195,690	¥ 210,401	¥ 183,795	¥ 192,903	¥ 208,222	¥ 227,095
(12,755)	4,203	8,792	(8,010)	4,850	11,358	13,153
(12,601)	1,966	6,740	(9,070)	7,118	12,192	15,653
(14,332)	(680)	(5,506)	(21,599)	1,867	6,989	10,919
225,451	236,361	221,272	208,461	225,991	247,596	265,454
139,435	139,263	127,626	104,400	115,814	128,556	150,856
15,696	25,662	25,219	5,534	19,496	29,724	24,896
(25,665)	(8,918)	(16,594)	(28,945)	(18,157)	(18,947)	(20,964)
(9,969)	16,744	8,625	(23,411)	1,339	10,777	3,932
9,780	(8,775)	(8,948)	11,388	2,334	8,404	(21,249)
33,110	40,451	38,811	26,671	33,280	54,611	41,476
8,463	7,698	8,475	8,068	6,840	7,353	8,237
27,018	9,352	17,519	26,764	20,702	19,126	18,773
27,850	23,922	19,309	19,250	19,832	20,750	21,813

¥ 1,181.28	¥ 1,179.82	¥ 1,080.61	¥ 884.70	¥ 981.92	¥ 1,090.26	¥ 1,278.07
(121.51)	(5.78)	(46.82)	(183.70)	15.88	59.38	92.74
—	—	—	—	15.85	58.09	85.51
10.00	10.00	10.00	5.00	10.00	10.00	10.00

61.6	58.7	57.4	49.9	51.1	51.8	56.7
(9.4)	(0.5)	(4.1)	(18.7)	1.7	5.7	7.8
(5.1)	0.9	2.9	(4.2)	3.3	5.1	6.1

17,478	17,836	17,267	16,194	15,915	16,435	18,262
2,918	2,957	2,988	2,977	2,632	2,572	2,577

Outline of Business Performance

The business environment surrounding the TAIYO YUDEN Group during the fiscal year ended in March 2015 was in line with the trend of the world economy as a whole, which showed signs of recovery thanks to the steady economic conditions in the United States and major advanced countries in Europe, although sluggishness was observed in some areas.

We have been carrying out measures for improving earnings, placing emphasis both on implementing our growth strategy and promoting structural reform.

Under our growth strategy, we are endeavoring to increase sales of the super high-end products with competitive advantage in such field as smartphones, which are expected to bring about further growth. A subsidiary, TAIYO YUDEN Mobile Technology Co., Ltd., moved its headquarters to Ome City, Tokyo in July 2014 and built an increased production system for communication devices. Another subsidiary, NIIGATA TAIYO YUDEN CO., LTD., which manufactures capacitors, is planning to complete a new plant in December 2015. Having decided to focus on markets for automotive electric equipment and industrial equipment, as well as equipment relating to healthcare, the environment and energy, we have promoted the sale of highly-reliable goods, strengthened proposals on system solutions, and endeavored to expand and diversify distribution channels.

In the meantime, as measures for structural reform, we have introduced a mini-company system to manage net income and have continued efforts to improve the corporate structure, thereby trying to lower our break-even point and increase profits.

As a result, net sales for the fiscal year ended in March 2015 increased by 9.1% from the previous fiscal year to reach ¥227,095 million.

• Selling and General Administrative Expenses

Selling and general administrative expenses for the fiscal year ended in March 2015 increased by ¥3,371 million from the

previous fiscal year to ¥39,595 million. Such total increase was mainly caused by an increase in employee bonus and allowances and in R&D expenses. Operating income also increased, up by 15.8% from the previous fiscal year, to ¥13,153 million.

• Other Income (Expenses)

In the fiscal year ended March 31, 2015, other income came to ¥1,763 million on a net increase of ¥2,969 million from the other expense of ¥1,206 million in the previous fiscal year. This mainly reflected year-on-year increases of ¥813 million in gains on foreign exchange and of ¥606 million in subsidy income together with decreases of ¥543 million in business structure improvement expenses and of ¥527 million in impairment loss on property, plant and equipment.

As a result, net income rose 56.2% from the previous fiscal year to ¥10,919 million.

Financial Conditions

• Assets

Total asset as of March 31, 2015 was ¥265,454 million, up by ¥17,857 million from the end of the previous fiscal year. Current assets increased by ¥11,211 million, mainly due to an increase of ¥12,760 million in trade notes and accounts receivable. Fixed assets increase by ¥6,645 million, mainly due to an increase of ¥3,311 million in property, plant and equipment and an increase of ¥4,030 million in investments and other assets.

• Liabilities

Total liabilities as of March 31, 2015 was ¥114,597 million, down by ¥4,442 million from the end of the previous fiscal year. This was mainly caused by a decrease of ¥8,000 million in current portion of bonds payable, a decrease of ¥7,202 million in current portion of long-term borrowings, an increase of ¥5,301 million in trade notes and accounts payable and an increase of ¥5,005 million in accrued amounts payable.

• Net Assets

The net asset as of March 31, 2015 was ¥150,856 million, up by ¥22,300 million from the end of the previous fiscal year. The major causes were an increase of ¥10,919 million in net income and an increase of ¥11,548 million by foreign currency translation adjustments.

Status of Cash Flows

Net cash provided by operating activities in the fiscal year ended in March 2015 generated income of ¥24,896 million, down by 16.2% from the previous fiscal year. Major factors were income before income taxes and minority interests of ¥14,915 million, depreciation and amortization of ¥21,813 million, an increase of ¥6,372 million in trade receivables, and an increase of ¥4,137 million in inventories.

Net cash used in investing activities increased by 10.6% from the previous fiscal year, recording expenses of ¥20,964 million. Major factors were expenses of ¥18,780 million for the utilized for purchases of property, plant and equipment and expenses of ¥2,749 million for the purchases of investment securities.

Net cash used in financing activities recorded expenses of ¥21,249 million, although there was income of ¥8,404 million in the previous fiscal year. Major factors were expenses of ¥12,494 million for the repayments of long-term borrowings and expenses of ¥8,000 million for the redemption of convertible bonds.

As a result, cash and cash equivalents at the end of March 31, 2015 amounted to ¥41,476 million, decreased by ¥13,135 million from the end of the previous fiscal year.

Financial

The TAIYO YUDEN Group conducts centralized management of Group funds to enhance the efficiency of funding operations. The Group collects surplus funds from affiliated companies and allocates funds to affiliated companies as necessary. External sources are utilized when additional funds are needed. The Cash Management System (CMS) is utilized to minimize interest-bearing debt from external sources.

Financing from external sources at the March 31, 2015, fiscal year-end consisted of ¥12,366 million in short-term borrowings, ¥5,269 million in the current portion of long-term borrowings, ¥20,082 million in convertible bonds with stock acquisition rights, and ¥16,569 million in long-term borrowings. In principle, borrowings are secured within Japan at fixed interest rates. To ensure financial stability, the Company has also established a commitment line of ¥10,000 million effective for three years. The commitment line was renewed in December 2014 for security in an emergency situation. The Company has not utilized the commitment line as of the March 31, 2015, fiscal year-end.

The Group is capable of generating cash flow through its sound financial position and operating activities. Management believes it is capable of procuring the operating capital and funds for capital investment for future activities that may be required in the future to maintain the Group's growth.

Overview of Capital Investment

For the fiscal year ended March 2015, a total of ¥18,780 million was appropriated for capital investment. Major focus was placed on investments for improving productivity of the electronic components business and investments in R&D facilities, spending a total of ¥18,611 million.

Consolidated Financial Statements

Consolidated Balance Sheets

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2015 and 2014

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
Current assets:			
Cash and cash equivalents (Note 3)	¥41,477	¥54,612	\$345,638
Time deposits (Note 3)	5,233	4,639	43,609
Receivables:			
Trade notes and accounts receivable (Note 3)	55,773	43,013	464,775
Allowance for doubtful receivables	(281)	(323)	(2,343)
Inventories:			
Merchandise and finished products	15,565	14,180	129,705
Work in process	16,014	13,457	133,451
Raw materials and supplies	12,555	9,928	104,627
Deferred tax assets (Note 8)	1,180	460	9,832
Prepaid expenses and other current assets	7,455	3,794	62,134
Total current assets	<u>154,971</u>	<u>143,760</u>	<u>1,291,428</u>
Property, plant and equipment (Note 10):			
Land	8,635	7,697	71,961
Buildings and structures	73,930	70,724	616,082
Machinery and equipment	240,195	226,115	2,001,628
Tools, furniture and fixtures	21,570	20,258	179,749
Construction in progress	8,124	4,481	67,695
Total	<u>352,454</u>	<u>329,275</u>	<u>2,937,115</u>
Accumulated depreciation	<u>(254,745)</u>	<u>(234,878)</u>	<u>(2,122,876)</u>
Net property, plant and equipment	<u>97,709</u>	<u>94,397</u>	<u>814,239</u>
Investments and other assets:			
Investment securities (Notes 3 and 4)	8,500	4,286	70,831
Investments in affiliate (Note 3)	572	574	4,764
Goodwill	-	601	-
Deferred tax assets (Note 8)	927	906	7,728
Net defined benefit asset (Note 6)	22	11	184
Other	3,114	3,388	25,948
Allowance for doubtful receivables	(361)	(326)	(3,005)
Total investments and other assets	<u>12,774</u>	<u>9,440</u>	<u>106,450</u>
Total assets	<u>¥265,454</u>	<u>¥247,597</u>	<u>\$2,212,117</u>

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥12,366	¥10,624	\$103,054
Current portion of bonds payable (Notes 3 and 5)	-	8,000	-
Current portion of long-term borrowings (Notes 3 and 5)	5,270	12,473	43,914
Current portion of convertible bonds with stock acquisition rights (Notes 3 and 5)	-	365	-
Notes and accounts payable:			
Trade notes and accounts payable (Note 3)	23,900	18,598	199,164
Other (Note 3)	11,435	6,430	95,296
Income taxes payable (Notes 3 and 8)	1,709	1,160	14,238
Accrued bonuses for employees	3,249	2,746	27,078
Accrued bonuses for directors	109	75	909
Deferred tax liabilities (Note 8)	788	696	6,569
Other	7,893	7,226	65,771
Total current liabilities	<u>66,719</u>	<u>68,393</u>	<u>555,993</u>
Long-term liabilities:			
Long-term borrowings (Notes 3 and 5)	16,570	21,862	138,083
Convertible bonds with stock acquisition rights (Notes 3 and 5)	20,082	20,096	167,351
Net defined benefit liability (Note 6)	2,872	1,936	23,935
Accrued retirement benefits for directors and corporate auditors	130	118	1,080
Deferred tax liabilities (Note 8)	6,290	5,144	52,417
Other	1,935	1,492	16,124
Total long-term liabilities	<u>47,879</u>	<u>50,648</u>	<u>398,990</u>
Total liabilities	<u>114,598</u>	<u>119,041</u>	<u>954,983</u>
Commitment and contingent liabilities (Note 12):			
Net assets (Note 7):			
Shareholders' equity:			
Common stock			
Authorized - 300,000,000 shares			
Issued - 120,481,395 shares in 2015 and 2014	23,557	23,557	196,310
Capital surplus	41,495	41,495	345,793
Retained earnings (Note 19)	83,339	73,597	694,495
Treasury stock, at cost - 2,734,253 shares in 2015 and 2,733,602 shares in 2014	(3,413)	(3,413)	(28,447)
Total shareholders' equity	<u>144,978</u>	<u>135,236</u>	<u>1,208,151</u>
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	2,126	980	17,716
Deferred gains (losses) on hedges	7	(32)	62
Foreign currency translation adjustments	3,774	(7,775)	31,453
Adjustment in defined benefit obligation of overseas subsidiaries	(396)	(34)	(3,303)
Total accumulated other comprehensive income	<u>5,511</u>	<u>(6,861)</u>	<u>45,928</u>
Stock acquisition rights (Note 15)	228	171	1,896
Minority interests	139	10	1,159
Total net assets	<u>150,856</u>	<u>128,556</u>	<u>1,257,134</u>
Total liabilities and net assets	<u>¥265,454</u>	<u>¥247,597</u>	<u>\$2,212,117</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
Net sales (Note 17)	¥227,095	¥208,223	\$1,892,462
Cost of sales	174,347	160,640	1,452,893
Gross profit	52,748	47,583	439,569
Selling, general and administrative expenses	39,595	36,224	329,961
Operating income (Note 17)	13,153	11,359	109,608
Other income (expenses)			
Interest and dividend income	420	359	3,497
Interest expense	(324)	(510)	(2,700)
Interest on bonds	(61)	(74)	(511)
Equity in earnings of affiliate	8	25	63
Gain on foreign exchange	2,134	1,321	17,785
Depreciation of inactive noncurrent assets	(344)	(399)	(2,866)
Compensation expenses	(202)	(155)	(1,681)
Gain on sales of property, plant and equipment	34	24	287
Loss on disposal and sales of property, plant and equipment	(461)	(282)	(3,842)
Loss on valuation of investment securities (Note 4)	(2)	(135)	(17)
Impairment loss on property, plant and equipment (Note 11)	(95)	(622)	(790)
Business structure improvement expenses	(320)	(863)	(2,669)
Subsidy income	788	182	6,566
Life insurance dividend income	70	77	584
Bond issuance cost	-	(60)	-
Gain on business transfer (Note 13)	103	-	855
Other	15	(94)	128
Other income (expenses) - net	1,763	(1,206)	14,689
Income before income taxes and minority interests	14,916	10,153	124,297
Income taxes (Note 8)			
Current	3,521	2,496	29,340
Deferred	360	680	2,998
Total income taxes	3,881	3,176	32,338
Income before minority interests	11,035	6,977	91,959
Minority interests	116	(13)	963
Net income	¥10,919	¥6,990	\$90,996

Per share of common stock (Note 18):	Yen		U.S. Dollars (Note 1)
	2015	2014	2015
Basic earnings	¥92.74	¥59.38	\$0.77
Diluted earnings	85.51	58.09	0.71
Cash dividends applicable to the year	10.00	10.00	0.08

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥11,035	¥6,977	\$91,959
Other comprehensive income (Note 16):			
Net unrealized holding gains (losses) on securities	1,146	418	9,551
Deferred gains (losses) on hedges	39	(47)	328
Foreign currency translation adjustments	11,564	6,572	96,361
Adjustment in defined benefit obligation of overseas subsidiaries	(362)	(22)	(3,019)
Total other comprehensive income	<u>12,387</u>	<u>6,921</u>	<u>103,221</u>
Comprehensive income	<u>¥23,422</u>	<u>¥13,898</u>	<u>\$195,180</u>
Total comprehensive income attributable to:			
Owners of the parent	¥23,293	¥13,911	\$194,098
Minority interests	129	(13)	1,082

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2015 and 2014

	Thousands	Millions of Yen				Total Shareholders' Equity
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	
BALANCE, APRIL 1, 2014	120,481	¥23,557	¥41,495	¥73,597	¥(3,413)	135,236
Changes during the year						
Cash dividends, 10.00 yen per share				(1,177)		(1,177)
Net income				10,919		10,919
Treasury stock acquired (651 shares)					(0)	(0)
Changes other than shareholders' equity						
Total changes	-	-	-	9,742	(0)	9,742
BALANCE, MARCH 31, 2015	120,481	¥23,557	¥41,495	¥83,339	¥(3,413)	¥144,978

	Millions of Yen							Total Net Assets
	Accumulated Other Comprehensive Income				Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	
Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Adjustment in Defined Benefit Obligation of Overseas Subsidiaries					
BALANCE, APRIL 1, 2014	¥980	¥(32)	¥(7,775)	¥(34)	¥(6,861)	¥171	¥10	¥128,556
Changes during the year								
Cash dividends, 10.00 yen per share								(1,177)
Net income								10,919
Treasury stock acquired (651 shares)								(0)
Changes other than shareholders' equity	1,146	39	11,549	(362)	12,372	57	129	12,558
Total changes	1,146	39	11,549	(362)	12,372	57	129	22,300
BALANCE, MARCH 31, 2015	¥2,126	¥7	¥3,774	¥(396)	¥5,511	¥228	¥139	¥150,856

	Thousands of U.S. Dollars (Note 1)					Total Shareholders' Equity
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost		
BALANCE, APRIL 1, 2014	\$196,310	\$345,793	\$613,311	\$(28,440)		\$1,126,974
Changes during the year						
Cash dividends, 0.08 dollar per share			(9,812)			(9,812)
Net income			90,996			90,996
Treasury stock acquired (651 shares)				(7)		(7)
Changes other than shareholders' equity	-	-	81,184	(7)		81,177
Total changes	-	-	81,184	(7)		81,177
BALANCE, MARCH 31, 2015	\$196,310	\$345,793	\$694,495	\$(28,447)		\$1,208,151

	Thousands of U.S. Dollars (Note 1)							Total Net Assets
	Accumulated Other Comprehensive Income				Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	
Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Adjustment in Defined Benefit Obligation of Overseas Subsidiaries					
BALANCE, APRIL 1, 2014	\$8,165	\$(266)	\$(64,789)	\$(284)	\$(57,174)	\$1,423	\$77	\$1,071,300
Changes during the year								
Cash dividends, 0.08 dollar per share								(9,812)
Net income								90,996
Treasury stock acquired (651 shares)								(7)
Changes other than shareholders' equity	9,551	328	96,242	(3,019)	103,102	473	1,082	104,657
Total changes	9,551	328	96,242	(3,019)	103,102	473	1,082	185,834
BALANCE, MARCH 31, 2015	\$17,716	\$62	\$31,453	\$(3,303)	\$45,928	\$1,896	\$1,159	\$1,257,134

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
BALANCE, APRIL 1, 2013	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
BALANCE, MARCH 31, 2014	120,481	¥23,557	¥41,495	¥73,597	¥(3,413)	¥135,236

	Millions of Yen							
	Accumulated Other Comprehensive Income							
	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Adjustment in Defined Benefit Obligation of Overseas Subsidiaries	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, APRIL 1, 2013	¥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
BALANCE, MARCH 31, 2014	¥980	¥(32)	¥(7,775)	¥(34)	¥(6,861)	¥171	¥10	¥128,556

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
Operating activities:			
Income before income taxes and minority interests	¥14,916	¥10,153	\$124,297
Adjustments to reconcile income before income tax and minority interests to net cash provided by operating activities:			
Depreciation and amortization	21,814	20,751	181,780
Impairment loss on property, plant and equipment	95	622	790
Business structure improvement expense	320	863	2,669
Gain on business transfer	(103)	-	(855)
Amortization of goodwill	601	601	5,005
Amortization of negative goodwill	-	(10)	-
Increase (decrease) in allowance for doubtful receivables	(36)	88	(302)
Increase (decrease) in accrued bonuses for employees	489	(247)	4,073
Increase (decrease) in accrued bonuses for directors	35	(1)	294
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	10	(11)	79
Interest and dividend income	(420)	(359)	(3,497)
Interest expense	324	510	2,700
Interest on bonds	61	74	511
Equity in earnings of affiliates	(8)	(25)	(63)
(Gain) loss on disposal and sales of property, plant and equipment	427	258	3,555
Subsidy income	(691)	-	(5,757)
Loss on valuation of investment securities	2	135	17
Changes in operating assets and liabilities:			
Trade notes and accounts receivables	(6,372)	2,082	(53,099)
Inventories	(4,137)	(109)	(34,474)
Trade notes and accounts payables	64	(1,970)	536
Other	576	(221)	4,798
Subtotal	<u>27,967</u>	<u>33,184</u>	<u>233,057</u>
Interest and dividends received	425	345	3,537
Interest paid	(447)	(605)	(3,727)
Payments for business structure improvement expenses	(119)	(863)	(989)
Income taxes paid	<u>(2,929)</u>	<u>(2,337)</u>	<u>(24,407)</u>
Net cash provided by operating activities	<u>24,897</u>	<u>29,724</u>	<u>207,471</u>
Investing activities:			
Purchases of property, plant and equipment	(18,781)	(16,875)	(156,506)
Proceeds from sales of property, plant and equipment	75	75	625
Purchases of investment securities	(2,749)	(38)	(22,909)
Decrease (increase) in time deposits	35	(2,223)	295
Proceeds from sales of investment securities	254	121	2,113
Income from business transfer (Note 9)	263	-	2,190
Proceeds from subsidy income	692	-	5,765
Purchases of other investments	(1,007)	-	(8,392)
Other	253	(7)	2,112
Net cash used in investing activities	<u>(20,965)</u>	<u>(18,947)</u>	<u>(174,707)</u>
Financing activities:			
Net increase (decrease) in short-term borrowings	1,093	(9,904)	9,112
Proceeds from long-term borrowings	-	5,000	-
Repayments of long-term borrowings	(12,495)	(4,929)	(104,122)
Redemption of convertible bonds with acquisition rights	(365)	-	(3,042)
Redemption of bonds	(8,000)	-	(66,667)
Proceeds from issuance of convertible bonds with acquisition rights	-	20,072	-
Purchases of treasury stock	(0)	(3)	(7)
Payments of cash dividends	(1,174)	(1,176)	(9,784)
Repayments of lease obligations	(308)	(655)	(2,567)
Other	-	0	-
Net cash provided by (used in) financing activities	<u>(21,249)</u>	<u>8,405</u>	<u>(177,077)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>4,182</u>	<u>2,165</u>	<u>34,854</u>
Net increase (decrease) in cash and cash equivalents	<u>(13,135)</u>	<u>21,347</u>	<u>(109,459)</u>
Cash and cash equivalents, beginning of year	54,612	33,281	455,097
Decrease in cash and cash equivalents resulting from change in scope of consolidation	-	(16)	-
Cash and cash equivalents, end of year	<u>¥41,477</u>	<u>¥54,612</u>	<u>\$345,638</u>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2015 and 2014

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, 2015, which was 120 yen to 1 U.S. dollar. 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 equity-method affiliates. As of March 31, 2015 and 2014, the numbers of consolidated subsidiaries were 30 and 33, respectively. The number of equity-method affiliate is 1, unchanged during the current 2 fiscal years. Significant intercompany accounts, transactions and unrealized profits have been eliminated in consolidation.

DONGGUAN TAIYO YUDEN CO., LTD., which was a wholly-owned subsidiary of the Company, has been merged into TAIYO YUDEN (GUANGDONG) CO., LTD., which is a subsidiary of the Company, in the fiscal year ended March 31, 2015.

TAIYO YUDEN ENTERPRISES COMPANY LIMITED has been eliminated from the scope of consolidation due to completion of liquidation.

TAIYO YUDEN (SUZHOU) CO., LTD. has been eliminated from the scope of consolidation due to a share transfer to a third party in the fiscal year ended March 31, 2015.

Bifrostec Inc. was eliminated from the scope of consolidation due to allocation of new shares to a third party in the fiscal year ended March 31, 2014. The exclusion of Bifrostec Inc. would not have a material effect on the total consolidated amount of net income and retained earnings as well as on the overall consolidated financial statements.

The difference between cost of the Company's investment securities 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 gains are shown as "Gain on foreign exchange" in the accompanying consolidated statements of income.

(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, 2015 and 2014 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.

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 on and 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) Net Defined Benefit

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 defined 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

Accrued 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

Accrued 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) 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.

The Company and certain domestic subsidiaries adopt a consolidated tax return system.

(15) 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 8,237 million yen (68,645 thousand dollar) and 7,353 million yen for the years ended March 31, 2015 and 2014, respectively.

(16) 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 department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

(17) Per Share Information

Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits. Basic earnings per share for the years ended March 31, 2015 and 2014 are computed in accordance with Japanese accounting standards.

Diluted earnings per share reflects the potential dilution that could occur if stock acquisition rights were exercised or convertible bonds are converted into common stock. Diluted earnings per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding stock acquisition rights. Diluted earnings per share for the years ended March 31, 2015 and 2014 are computed in accordance with Japanese accounting standards.

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.

(18) Certain Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the presentation of the current year. These reclassifications have no significant impact on previously reported results of operations or retained earnings.

(19) New Accounting Standards Not Yet Applied

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013)

"Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013)

"Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013)

"Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, revised on September 13, 2013)

"Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised on September 13, 2013)

"Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, revised on September 13, 2013)

a. Outline

These accounting standards and guidance for them have been mainly revised accounting treatments currently applied in terms of followings:

- i Change in interest in controlled subsidiary in which a parent continues to control such as in a case of acquiring additional interest of the subsidiary
- ii Accounting treatment of acquisition related cost
- iii Change in presentation of net income, and change of shareholders' equity in terminology from minority interests to non-controlling interests.
- iv Change in accounting for transitional accounting in business combination

b. Scheduled date of adoption

The Company plans to apply these standards and guidance from the beginning of the fiscal year ending March 31, 2016. However change in accounting for transitional accounting in business combination will be applied from business combination on and after the beginning of the fiscal year ending March 31, 2016.

c. Impact of adoption of these accounting standards and guidance

At the time of preparation of the accompanying the consolidated financial statements, the impact of application of these standards is currently under assessment.

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 Companies have 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 a Chief of Headquarters in charge, and he/she reports 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 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, 2015 and 2014 are as follows. When it is extremely difficult to measure a fair value of financial instrument, such financial instrument is not included in the table shown below.

	Millions of yen		
	2015		
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥46,710	¥46,710	—
(2) Trade notes and accounts receivable	55,773	55,773	—
(3) Investment securities:			
1) Held-to-maturity debt securities	0	0	—
2) Available-for-sale securities	8,218	8,218	—
Total assets	¥110,701	¥110,701	—
(4) Trade notes and accounts payable	23,900	23,900	—
(5) Short-term borrowings	12,366	12,366	—
(6) Other accounts payable	11,435	11,435	—
(7) Income taxes payable	1,709	1,709	—
(8) Bonds payable	—	—	—
(9) Convertible bonds with stock acquisition rights	20,082	22,600	¥2,518
(10) Long-term borrowings (*2)	21,840	21,766	(74)
Total liabilities	¥91,332	¥93,776	¥2,444
(11) Derivative transactions (*3)	¥(187)	¥(187)	—

	Millions of yen		
	2014		
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥59,251	¥59,251	—
(2) Trade notes and accounts receivable	43,013	43,013	—
(3) Investment securities:			
1) Held-to-maturity debt securities	0	0	—
2) Available-for-sale securities	3,912	3,912	—
Total assets	¥106,176	¥106,176	—
(4) Trade notes and accounts payable	18,598	18,598	—
(5) Short-term borrowings	10,624	10,624	—
(6) Other accounts payable	6,430	6,430	—
(7) Income taxes payable	1,160	1,160	—
(8) Bonds payable	8,000	8,019	¥19
(9) Convertible bonds with stock acquisition rights (*1)	20,461	21,312	851
(10) Long-term borrowings (*2)	34,335	34,169	(166)
Total liabilities	¥99,608	¥100,312	¥704
(11) Derivative transactions (*3)	¥(7)	¥(7)	—

	Thousands of U.S. dollars		
	2015		
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	\$389,247	\$389,247	—
(2) Trade notes and accounts receivable	464,775	464,775	—
(3) Investment securities:			
1) Held-to-maturity debt securities	2	2	—
2) Available-for-sale securities	68,480	68,480	—
Total assets	\$922,504	\$922,504	—
(4) Trade notes and accounts payable	199,164	199,164	—
(5) Short-term borrowings	103,054	103,054	—
(6) Other accounts payable	95,296	95,296	—
(7) Income taxes payable	14,238	14,238	—
(8) Bonds payable	—	—	—
(9) Convertible bonds with stock acquisition rights	167,351	188,333	\$20,982
(10) Long-term borrowings (*2)	181,997	181,384	(613)
Total liabilities	\$761,100	\$781,469	\$20,369
(11) Derivative transactions (*3)	\$(1,554)	\$(1,554)	—

(*1) Bonds payable and convertible bonds with stock acquisition rights include 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

	Millions of yen		Thousands of
	2015	2014	U.S. dollars
	Book value	Book value	2015
Available-for-sale securities:			Book value
Unlisted equity securities	¥10	¥12	\$84
Investments in affiliate	572	574	4,764
Equities of limited liability partnerships for investment business and of other similar partnerships	272	362	2,267

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, 2015 and 2014 for monetary assets and investment securities

	Millions of yen	
	2015	
	Within 1 year	Over 1 year and within 5 year
Cash, cash equivalents and time deposits	¥46,631	-
Trade notes and accounts receivable	55,773	-
Investment securities		
Held-to-maturity debt securities	0	-

	Millions of yen	
	2014	
	Within 1 year	Over 1 year and within 5 year
Cash, cash equivalents and time deposits	¥59,171	-
Trade notes and accounts receivable	43,013	-
Investment securities		
Held-to-maturity debt securities	0	¥0

	Thousands of U.S. dollars	
	2015	
	Within 1 year	Over 1 year and within 5 year
Cash, cash equivalents and time deposits	\$388,591	-
Trade notes and accounts receivable	464,775	-
Investment securities		
Held-to-maturity debt securities	2	-

4. DEBT AND EQUITY SECURITIES

(1) Held-to-maturity debt securities
Information as of March 31, 2015 and 2014 is not shown as it is immaterial.

(2) Available-for-sale securities

Millions of Yen			
2015			
Book value	Acquisition cost	Unrealized Gain/loss	
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	¥5,536	¥2,651	¥2,885
Corporate bonds	-	-	-
Other	72	43	29
Subtotal	¥5,608	¥2,694	¥2,914
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	¥2,610	¥2,749	(¥139)
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	¥2,610	¥2,749	¥(139)
Total	¥8,218	¥5,443	¥2,775
Millions of Yen			
2014			
Book value	Acquisition cost	Unrealized Gain/loss	
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	¥3,622	¥2,355	¥1,267
Corporate bonds	-	-	-
Other	53	42	11
Subtotal	¥3,675	¥2,397	¥1,278
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	¥237	¥269	¥(32)
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	¥237	¥269	¥(32)
Total	¥3,912	¥2,666	¥1,246
Thousands of U.S. Dollars			
2015			
Book value	Acquisition cost	Unrealized Gain/loss	
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	\$46,135	\$22,092	\$24,043
Corporate bonds	-	-	-
Other	595	353	242
Subtotal	\$46,730	\$22,445	\$24,285
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	\$21,750	\$22,909	\$(1,159)
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	\$21,750	\$22,909	\$(1,159)
Total	\$68,480	\$45,354	\$23,126

(3) Impaired securities

For the years ended March 31, 2015 and 2014, the Company recorded an impairment loss on "Available-for-sale securities". The Company omits the detail about the fiscal year ended March 2015, since the amount of loss is immaterial, as though 135 million yen (all the loss is on other marketable securities) in the fiscal year ended March 2014.

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, 2015 and 2014 principally consist of borrowings from banks at average annual rates of approximately 0.64% and 0.71%, respectively.

Long-term debts at March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Long-term borrowings from banks and other financial institutions			
Due within one year, weighted average interest rate 0.84% at March 31, 2015, and 1.12% at March 31, 2014	¥5,270	¥12,473	\$43,914
Due after one year, weighted average interest rate 0.86% at March 31, 2015, and 0.86% at March 31, 2014	16,570	21,862	138,083
Euro Yen zero coupon convertible bonds due 2014			
Due within one year	-	365	-
Due after one year	-	-	-
Euro Yen zero coupon convertible bonds due 2021			
Due within one year	-	-	-
Due after one year	20,000	20,000	166,667
Bonds payable			
Due within one year	-	8,000	-
Due after one year	-	-	-
Lease liabilities			
Due within one year			
Lease that deem to transfer ownership to lessee	-	-	-
Lease that do not transfer ownership to lessee	319	303	2,660
Due after one year			
Lease that deem to transfer ownership to lessee	-	-	-
Lease that do not transfer ownership to lessee	486	736	4,052
Total	42,645	63,739	355,376
Less current portion	(5,589)	(21,141)	(46,574)
Long-term debts, less current portion	¥37,056	¥42,598	\$308,802

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 due 2014 for the year ended March 31, 2014 was 3,746 yen (31.22 dollar) - fixed price.

The conversion price per share of Euro Yen zero coupon convertible bonds due 2021 for the years ended March 31, 2015 and 2014 were 2,069 yen (17.24 dollar) - fixed price.

The aggregate annual maturities of long-term debts other than lease liabilities as of March 31, 2015 are as follows:

For the year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥5,270	\$43,914
2017	5,769	48,077
2018	10,644	88,702
2019	19	157
2020	18	151
2021 and thereafter	20,120	167,662
Total	¥41,840	\$348,663

The annual maturities of lease liabilities as of March 31, 2015 are as follows:

For the year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥319	\$2,660
2017	268	2,232
2018	160	1,329
2019	44	370
2020	6	51
2021 and thereafter	8	70
Total	¥805	\$6,712

6. RETIREMENT BENEFITS

Outline of retirement benefit plans

The Company and certain domestic subsidiaries have defined contribution pension plans, prepaid retirement plans.

Certain overseas subsidiaries mainly adopted lump-sum retirement benefit plans.

Overseas subsidiaries have applied International Financial Reporting Standards ("IFRS"). "Employee Benefits" ("IAS" No. 19 amended on June 16, 2011) became effective from the fiscal year beginning on and after January 1, 2013. Effective from the fiscal year ended March 31, 2014, certain overseas subsidiaries have adopted the standard.

a. Defined benefit pension plans

- (1) The reconciliation of defined benefit obligation for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Defined benefit obligation at beginning of year	¥3,141	¥2,323	\$26,178
Service costs	654	610	5,450
Interest cost	120	76	996
Actuarial (gain) loss	517	22	4,310
Benefits paid	(299)	(466)	(2,495)
Other	339	576	2,831
Defined benefit obligation at end of year	<u>¥4,472</u>	<u>¥3,141</u>	<u>\$37,270</u>

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

- (2) The reconciliation of plan assets for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Fair value of plan assets at beginning of year	¥1,216	¥978	\$10,134
Interest income	49	37	409
Actuarial gain (loss)	13	11	108
Employer's contribution	205	101	1,709
Benefits paid	(26)	(244)	(217)
Other	165	333	1,376
Fair value of plan assets at end of year	<u>¥1,622</u>	<u>¥1,216</u>	<u>\$13,519</u>

- (3) Reconciliation between the balances of defined benefits obligation and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded defined benefits obligation	¥2,035	¥1,552	\$16,964
Plan assets	(1,622)	(1,216)	(13,519)
	413	336	3,445
Unfunded defined benefits obligation	2,437	1,589	20,306
Total net liability (asset) for retirement benefit	<u>¥2,850</u>	<u>¥1,925</u>	<u>\$23,751</u>
Net defined benefit liability	¥2,872	¥1,936	\$23,935
Net defined benefit asset	(22)	(11)	(184)
Total net liability (asset) for retirement benefit	<u>¥2,850</u>	<u>¥1,925</u>	<u>\$23,751</u>

- (4) Components of retirement benefit costs for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service costs	¥654	¥610	\$5,450
Net interest	70	39	587
Amortization of actuarial differences	10	9	83
Total retirement benefit cost for the fiscal year	¥734	¥658	\$6,120

The company applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No.18).

Accordingly, the total amounts of actuarial differences have been amortized by a certain period of fixed years within average expected future service years.

- (5) Adjustments in defined benefit obligation of overseas subsidiaries, excluding the income tax effect accounting, for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Actuarial differences	¥(459)	¥2	\$(3,825)

- (6) Accumulated amounts of adjustments in defined benefit obligation of overseas subsidiaries, excluding the income tax effect, as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized actuarial differences	¥(515)	¥(57)	\$(4,296)

- (7) Plan assets

(i) The proportions of plan assets as of March 31, 2015 and 2014 were as follows:

	2015	2014	
	Debt securities	70	
Cash and deposit with bank	22	20	
Other	8	3	
Total	100	100	%

79% and 99% of plan assets are retirement benefit trusts established for lump-sum retirement plans as of March 31, 2015 and 2014, respectively.

(ii) Rates of expected return

The rates of expected return are not set since the overseas subsidiaries applied the IAS No. 19.

- (8) Actuarial assumptions

	2015		2014	
Discount rates (overseas subsidiaries)	3.50 - 5.07	%	2.80 - 5.01	%
Expected rate of salary increase	0.85 - 5.25	%	0.85 - 5.00	%

- b. Defined contribution pension plans

The required contribution amounts to the defined contribution pension plans by the Companies were 1,213 million yen (10,109 thousand dollar) and 1,197 million yen as of March 31, 2015 and 2014, respectively.

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, 2015 and 2014 were comprised of (1) a corporation tax at the rate of 25.5% and 28% on taxable income, respectively, (2) enterprise tax of approximately 7% on taxable income and (3) prefectural and residence taxes of approximately 19% 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, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets			
Inventories	¥1,224	¥487	\$10,198
Accrued expenses	329	290	2,742
Retirement benefits	2,010	2,339	16,752
Net defined benefit liability	593	483	4,944
Enterprise tax payables	134	95	1,116
Accrued bonuses	1,039	927	8,655
Investment securities	296	319	2,468
Excess depreciation	1,155	1,577	9,629
Lump-sum depreciable assets	151	116	1,262
Allowance for doubtful receivables	107	181	893
Unused tax loss carry-forward	15,918	19,206	132,647
Other	1,643	1,698	13,685
Offset	(90)	(145)	(750)
Subtotal	24,509	27,573	204,241
Valuation allowance	(22,402)	(26,207)	(186,681)
Total deferred tax assets	¥2,107	¥1,366	\$17,560
Deferred tax liabilities			
Undistributed earnings of foreign subsidiaries	¥3,489	¥2,942	\$29,076
Inventories	746	660	6,218
Reserves	781	874	6,504
Unrealized holding gains on investment securities	740	291	6,167
Other	1,412	1,218	11,771
Offset	(90)	(145)	(750)
Total deferred tax liabilities	¥7,078	¥5,840	\$58,986

Main items of the reconciliations of the normal income tax rate to the effective income tax rates are as follows:

	2015	2014
Statutory tax rate	35.4 %	37.8 %
(Reconciliations)		
Differences in statutory tax rates of foreign subsidiaries	(11.3)	(15.7)
Undistributed earnings of foreign subsidiaries	4.2	5.1
Valuation allowance	(10.5)	1.3
Foreign tax	4.5	0.6
Unrealized profit included in inventories	2.1	(1.3)
Amortization of goodwill	1.4	2.2
Decrease of deferred tax assets and liabilities due to income tax rates change	(1.4)	0.3
Others - net	1.6	1.0
Effective income tax rate	26.0 %	31.3 %

The "Act on Partial Revision of the Income Tax Act (Act No.9 of 2015)" and the "Act on Partial Revision of the Local Income Tax Act (Act No.2 of 2015)" were promulgated on March 31, 2015 and the effective statutory tax rate utilized for the measurements of deferred tax assets and deferred tax liabilities was changed from 35.4% for the fiscal year ended March 31, 2015 to 32.8% in connection with temporary differences expected to be settled or realized in the fiscal year beginning on April 1, 2015, and to 32.1% for temporary differences expected to be settled or realized in the fiscal year beginning on April 1, 2016 and thereafter.

As a result, deferred tax assets, deferred tax liabilities, income taxes - deferred, net unrealized holding gains (losses) on securities<net of taxes>, and deferred gains (losses) on hedges<net of taxes>, decreased by 16 million yen (131 thousand dollars), 296 million yen (2,463 thousand dollars), 203 million yen (1,691 thousand dollars), increased by 77 million yen (639 thousand dollars) and 0 million yen (2 thousand dollars), respectively.

9. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Summary of net assets (liabilities) and net payment for the business transfer is as follows:

March 31, 2015

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥824	\$6,871
Non-current assets	1,373	11,446
Current liabilities	(447)	(3,729)
Long-term liabilities	(122)	(1,018)
Foregin currency translation adjustments	(188)	(1,564)
Gain on business transfer	103	855
Consideration for business transfer	1,543	12,861
Cash and cash equivalents of alienated company	(237)	(1,977)
Less: Income from business transfer	1,306	10,884
Balance of accrued amounts receivable from business transfer	(1,043)	(8,694)
Less: Income from business transfer	¥263	\$2,190

10. LEASE TRANSACTIONS

Operating Lease

The amounts of noncancellable future lease payments as of March 31, 2015 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Future lease payments			
Within one year	¥211	¥278	\$1,762
Over one year	320	339	2,664
Total	¥531	¥617	\$4,426

11. 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 recoverable amount and such reduction was recorded as impairment loss on property, plant and equipment. The companies use memorandum value as the recoverable amount for the applicable assets.

For the years ended March 31, 2015 and 2014, the Companies recognized impairment loss on property, plant and equipment as follows:

For the year ended March 31, 2015

Classification	Description	Location	Millions of Yen	Thousands of U.S. Dollars
Machinery and Equipment, Others	Idle assets	Tamamura, Gunma Nakanajo, Gunma Chuo, Tokyo Tongyeong, Korea Others	¥95	\$790

For the year ended March 31, 2014

Classification	Description	Location	Millions of Yen
Machinery and Equipment, Others	Idle assets	Tamamura, Gunma Haruna, Gunma Nakanajo, Gunma Date, Fukushima Yawatabara, Gunma Others	¥622

12. CONTINGENT LIABILITIES

At March 31, 2015, the Companies had no contingent liabilities.

At March 31, 2014, the Companies had the following contingent liabilities:

	Millions of Yen 2014
As guarantor of bank loans and indebtedness	¥1

13. NOTES TO CONSOLIDATED STATEMENTS OF INCOME

Gain on business transfer for the year ended March 31, 2015 consists of the followings:

	Millions of Yen 2015	Thousands of U.S. Dollars 2015
Gain on sales of affiliated company's share	¥472	\$3,931
Special redevelopment support cost	(166)	(1,387)
Inventory evaluation loss	(82)	(680)
Loss on disposal of property, plants, equipments	(60)	(503)
Others	(61)	(506)
Total	¥103	\$855

14. DERIVATIVE TRANSACTIONS

The fair values of derivatives held by the Companies as of March 31, 2015 and 2014 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 2015			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	¥16,593	-	¥(205)	¥(205)
Foreign exchange forward contracts: Buying: U.S. Dollar	¥593	-	¥7	¥7

	Millions of Yen 2014			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	¥12,874	-	¥15	¥15
Foreign exchange forward contracts: Buying: U.S. Dollar	¥1,532	-	¥11	¥11

	Thousands of U.S. Dollars 2015			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts: Selling: U.S. Dollar	\$138,272	-	\$(1,709)	\$(1,709)
Foreign exchange forward contracts: Buying: U.S. Dollar	\$4,939	-	\$62	\$62

(2) Derivative transactions for which hedge accounting is applied

		Millions of Yen		
		2015		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts: Selling: U.S. Dollar	Future transaction	¥6,606	-	¥13
Foreign exchange forward contracts: Buying: U.S. Dollar	Future transaction	¥602	-	(¥2)
Interest-rate swaps: Fixed interest payment and floating interest receipt	Long-term borrowings	¥10,800	¥10,500	-

		Millions of Yen		
		2014		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts: Selling: U.S. Dollar	Future transaction	¥6,130	-	(¥41)
Foreign exchange forward contracts: Buying: U.S. Dollar	Future transaction	¥1,534	-	¥9
Interest-rate swaps: Fixed interest payment and floating interest receipt	Long-term borrowings	¥17,550	¥6,750	-

		Thousands of U.S. Dollars		
		2015		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts: Selling: U.S. Dollar	Future transaction	\$55,051	-	\$105
Foreign exchange forward contracts: Buying: U.S. Dollar	Future transaction	\$5,013	-	(\$13)
Interest-rate swaps: Fixed interest payment and floating interest receipt	Long-term borrowings	\$90,000	\$87,500	-

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 in the fair value of the long-term borrowings.

15. STOCK OPTION PLAN

The Company grants stock options to its directors and operating officers in line with resolutions of the board of directors meetings.

Expenses for stock options amounting to 57 million yen (473 thousand dollar) and 62 million yen were recognized in selling, general and administrative expenses in 2015 and 2014, respectively.

For the years ended March 31, 2015 and 2014, a standard option pricing model (i.e., Black-Scholes) was used to measure the fair value of stock options granted to its directors and operating officers.

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 0.37% in 2015, 0.16% and 0.71% in 2014, dividends per share of 10 yen (0.83 dollar) in 2015, 10 yen in 2014, and volatility factor of the expected market value of the Company's common stock of 48.4% in 2015, 47.2% and 47.8% in 2014, determined by weekly historical price for the past 8.2 years in 2015, 3.3 years and 8.1 years in 2014, which is the same period as expected life of the option.

A summary of the Company's stock options outstanding at March 31, 2015 is as follows:

Date of resolution	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009
Date of grant	July 13, 2007	July 13, 2007	July 14, 2008	June 9, 2009
Number of options	32,000 shares of Common stock	46,000 shares of Common stock	46,000 shares of Common stock	37,000 shares of Common stock
Exercise price	¥1	¥1	¥1	¥1
Exercise period	From July 14, 2007 to July 13, 2027	From July 14, 2007 to July 13, 2027	From July 15, 2008 to July 14, 2028	From June 10, 2009 to June 9, 2029
Fair value (per share)	¥2,761	¥2,761	¥966	¥947
Options outstanding at March 31, 2014 (share)	6,000	10,000	10,000	10,000
Granted (share)	-	-	-	-
Exercised (share)	-	-	-	-
Forfeited/Expired (share)	-	-	-	-
Options outstanding at March 31, 2015 (share)	6,000	10,000	10,000	10,000
Date of resolution	June 29, 2010	June 29, 2011	April 25, 2012	May 24, 2013
Date of grant	July 21, 2010	July 14, 2011	May 11, 2012	June 10, 2013
Number of options	39,000 shares of Common stock	44,000 shares of Common stock	38,000 shares of Common stock	10,000 shares of Common stock
Exercise price	¥1	¥1	¥1	¥1
Exercise period	From July 22, 2010 to July 21, 2030	From July 14, 2011 to July 13, 2031	From May 11, 2012 to May 10, 2032	From June 10, 2013 to June 9, 2033
Fair value (per share)	¥1,013	¥948	¥739	¥1,625
Options outstanding at March 31, 2014 (share)	14,000	22,000	23,000	6,000
Granted (share)	-	-	-	-
Exercised (share)	-	-	-	-
Forfeited/Expired (share)	-	-	-	-
Options outstanding at March 31, 2015 (share)	14,000	22,000	23,000	6,000
Date of resolution	June 27, 2013	June 27, 2014		
Date of grant	July 12, 2013	July 14, 2014		
Number of options	31,000 shares of Common stock	55,000 shares of Common stock		
Exercise price	¥1	¥1		
Exercise period	From July 12, 2013 to July 11, 2033	From July 14, 2014 to July 13, 2034		
Fair value (per share)	¥1,476	¥1,032		
Options outstanding at March 31, 2014 (share)	31,000	-		
Granted (share)	-	55,000		
Exercised (share)	-	-		
Forfeited/Expired (share)	-	-		
Options outstanding at March 31, 2015 (share)	31,000	55,000		

16. COMPREHENSIVE INCOME

Reclassification and income tax effects attributable to other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized holding gains (losses) on securities:			
Gains (losses) arising during the year	¥1,595	¥565	\$13,290
Reclassifications and adjustments	-	-	-
Before income tax effects	1,595	565	13,290
Income tax effects	(449)	(147)	(3,739)
Net unrealized holding gains (losses) on securities	1,146	418	9,551
Deferred gains (losses) on hedges:			
Gains (losses) arising during the year	(452)	(167)	(3,768)
Reclassifications and adjustments	495	112	4,127
Before income tax effects	43	(55)	359
Income tax effects	(4)	8	(31)
Deferred gains (losses) on hedges	39	(47)	328
Foreign currency translation adjustments:			
Adjustments arising during the year	11,813	6,572	98,435
Reclassifications and adjustments	(249)	-	(2,074)
Foreign currency translation adjustments	11,564	6,572	96,361
Adjustment in defined benefit obligation of overseas subsidiaries:			
Gains (losses) arising during the year	(469)	(7)	(3,908)
Reclassifications and adjustments	10	9	83
Before income tax effects	(459)	2	(3,825)
Income tax effects	97	(24)	806
Adjustment in defined benefit obligation of overseas subsidiaries	(362)	(22)	(3,019)
Total other comprehensive income	¥12,387	¥6,921	\$103,221

17. SEGMENT INFORMATION

(1) 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 two segments identified by the nature of the business, including "Electronic Components" and "Optical media and others".

"Electronic Components" consists of "Capacitors," "Ferrite and Applied Products," "Integrated Modules and Devices," and "Other Electronic Components".

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

(2) Basis of measurement about reportable segment income 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.

(3) The Companies' reportable segments consist of "Electronic Components" and "Optical media and others". However, the disclosure of segment information for the years ended March 31, 2015 and 2014 has been omitted, since "Optical media and others" are immaterial to the segment total.

(4) Transactions by geographical areas
(i) Sales

Millions of Yen			
2015			
Japan	China	Other areas	Total
¥32,038	¥90,596	¥104,461	¥227,095

Millions of Yen			
2014			
Japan	China	Other areas	Total
¥36,885	¥70,821	¥100,517	¥208,223

Thousands of U.S. dollars			
2015			
Japan	China	Other areas	Total
\$266,989	\$754,966	\$870,507	\$1,892,462

We omit the disclosure about sales to Korea from this fiscal year since the sales amounts become immaterial. Also, we disclose previous fiscal year result with reflecting the above change and reclassification.

(ii) Property, plant and equipment

Millions of Yen				
2015				
Japan	China	Malaysia	Other areas	Total
¥53,914	¥16,980	¥14,055	¥12,760	¥97,709

Millions of Yen				
2014				
Japan	China	Malaysia	Other areas	Total
¥52,732	¥15,913	¥13,183	¥12,569	¥94,397

Thousands of U.S. dollars				
2015				
Japan	China	Malaysia	Other areas	Total
\$449,283	\$141,501	\$117,125	\$106,330	\$814,239

(5) Information about impairment loss on property, plant and equipment by reportable segments

Millions of Yen				
2015				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	¥85	¥10	-	¥95

Millions of Yen				
2014				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	¥122	¥500	-	¥622

Thousands of U.S. dollars				
2015				
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	\$705	\$85	-	\$790

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

Millions of Yen				
2015				
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	¥601	-	-	¥601
Balance	-	-	-	-
(Negative goodwill)				
Amortization	-	-	-	-
Balance	-	-	-	-

Millions of Yen				
2014				
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	¥601	-	-	¥601
Balance	¥601	-	-	¥601
(Negative goodwill)				
Amortization	-	¥10	-	¥10
Balance	-	-	-	-

Thousands of U.S. dollars				
2015				
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	\$5,005	-	-	\$5,005
Balance	-	-	-	-
(Negative goodwill)				
Amortization	-	-	-	-
Balance	-	-	-	-

18. EARNINGS PER SHARE

Reconciliation of the basic and diluted earnings per share ("EPS") for the years ended March 31, 2015 and 2014 were as follows:

For the year ended March 31, 2015

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Earnings	Weighted Average Shares	EPS	
Basic EPS				
Earnings allocated to common shareholders	¥10,919	117,747	¥92.74	\$0.77
Effect of dilutive securities				
Convertible bonds	-	-	-	-
Convertible bonds with stock acquisition rights	(9)	9,667	-	-
Stock acquisition rights	-	178	-	-
Diluted EPS				
Earnings for computation	¥10,910	127,592	¥85.51	\$0.71

For the year ended March 31, 2014

	Millions of Yen	Thousands of Shares	Yen
	Net Earnings	Weighted Average Shares	EPS
Basic EPS			
Earnings allocated to common shareholders	¥6,990	117,711	¥59.38
Effect of dilutive securities			
Convertible bonds	-	-	-
Convertible bonds with stock acquisition rights	(3)	2,416	-
Stock acquisition rights	-	154	-
Diluted EPS			
Earnings for computation	¥6,987	120,281	¥58.09

19. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2015 were approved at the Company's shareholders' meeting held on June 26, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividend, 5.00 yen (0.04 dollar) per share	¥589	\$4,906

CONSOLIDATED SUBSIDIARIES and EQUITY-METHOD AFFILIATE

CONSOLIDATED SUBSIDIARIES

Domestic (Japan)	Ownership
TAIYO YUDEN CHEMICAL TECHNOLOGY CO., LTD. (Former Taiyo Chemical Industry Co., Ltd.)	100.0%
TAIYO YUDEN TECHNO SOLUTIONS CO., LTD. (Former Akagi Electronics Co., Ltd.)	100.0%
Sun Vertex Co., Ltd.	100.0%
FUKUSHIMA TAIYO YUDEN CO., LTD. (Former That's Fukushima Co., Ltd.)	100.0%
Kankyo Assist Co., Ltd.	100.0%
Niigata Taiyo Yuden Co., Ltd.	100.0%
TAIYO YUDEN ENERGY DEVICE CO., LTD.	100.0%
WAKAYAMA TAIYO YUDEN CO., LTD. (Former Chuki Seiki Co., Ltd.)	100.0%
Victor Advanced Media Co., Ltd.	65.0%
TAIYO YUDEN Mobile Technology Co., Ltd.	100.0%
Overseas	Ownership
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 (SARAWAK) SDN. BHD.	100.0%
TAIYO YUDEN (MALAYSIA) SDN. BHD.	100.0%
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%
JVC ADVANCED MEDIA U.S.A. INC.	65.0%
JVC Advanced Media EUROPE GmbH	65.0%
JVC Advanced Media (Tianjin) Co., Ltd.	65.0%
TAIYO YUDEN TRADING (THAILAND) CO., LTD	49.0%

EQUITY-METHOD AFFILIATE

Domestic (Japan)	Ownership
START Lab Inc.	49.9%



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, 2015 and 2014, and the consolidated statements of income and 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, 2015 and 2014, 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, 2015 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 LLC

July 13, 2015
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.

TAIYO YUDEN's History

1950s

1950.03

TAIYO YUDEN CO., LTD. was established

Founder Hikohachi Sato and the first office in Chiyoda Ward, Tokyo



1950.09

Sales of Rutilcon, barium titanate ceramic capacitors, began



1954.09

Production of Ferrit Cores, small ferrite cores, began

1960s

1964.09

Established the technical research laboratory

1965

Sales of inductors using in-house ferrite cores began



1967.05

Established our first overseas subsidiary TAIWAN TAIYO YUDEN CO., LTD. in Taipei

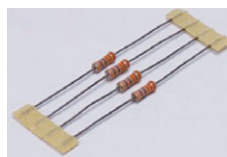
1970s

1970.03

Listed on the Second Section of the Tokyo Stock Exchange. In 1973, moved to the First Section.

1976.07

The world's first sales of axial leaded ceramic capacitors began



1977.04

Sales of axial leaded inductors began

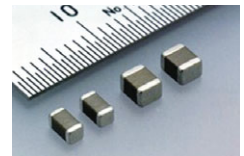
1977.10

Developed world's first tubular chip type ceramic capacitors

1980s

1984.07

The world's first sales of nickel electrode high-capacitance multilayer ceramic capacitors began



1986.06

Established the EMC Center

1988.09

Announced the release of the world's first recordable CD-R compact disks



1990s

1998.06

Sales of the LB Series of wire-wound chip inductors for power circuits began

1998.11

Established the R&D Center



2000s

2000

Established four production bases abroad simultaneously

2001.04

Acquired the world's first Bluetooth® standard version 1.1 qualification for Bluetooth® full modules

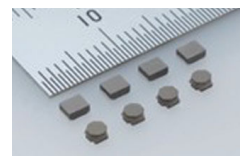
2010s

2010.03

Acquired TAIYO YUDEN Mobile Technology Co., Ltd.

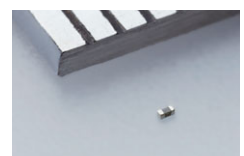
2012.05

Sales of MCOIL™, metal power inductors, began



2014.09

Sales of 008004 size multilayer ceramic capacitors began



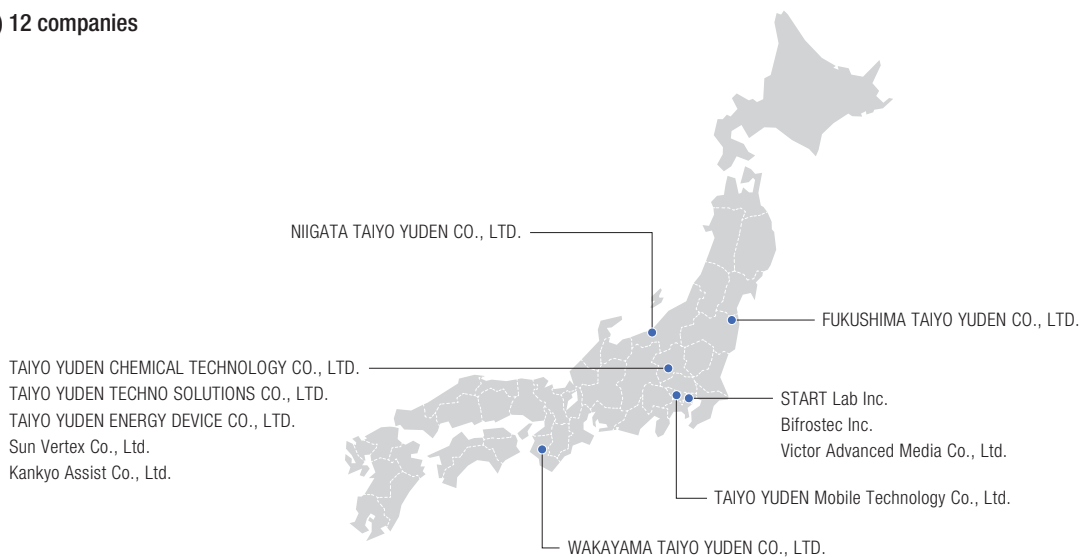
Corporate Data

As of July 1, 2015

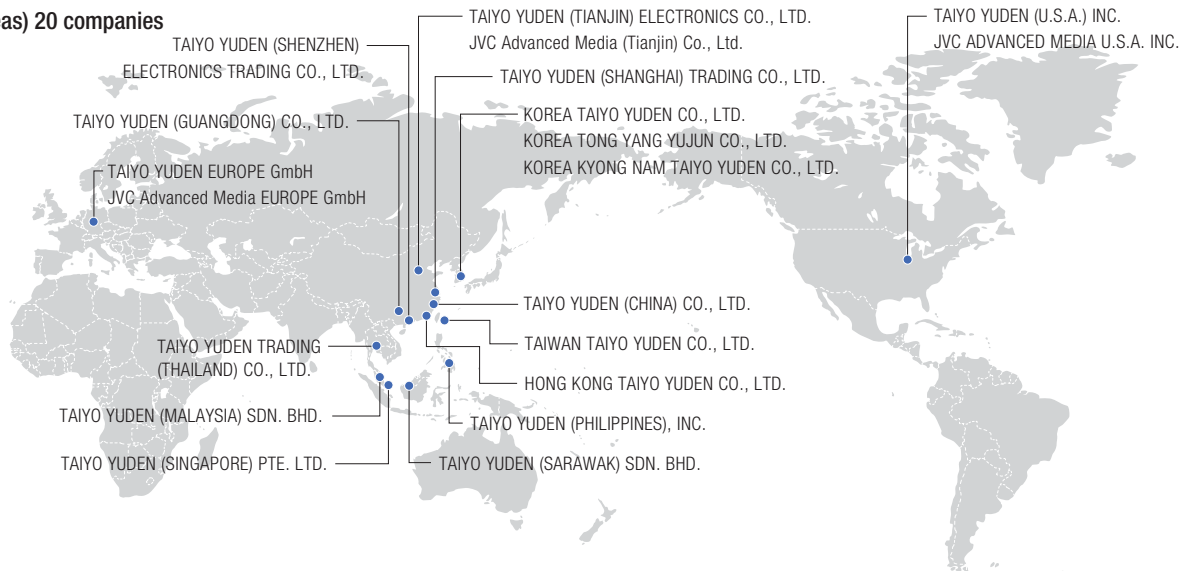
Company name	TAIYO YUDEN CO., LTD.	Paid-in capital	¥23,557 million (as of March 31, 2015)
Head office	6-16-20, Ueno, Taito-ku, Tokyo 110-0005, Japan Tel: +81-3-3832-0101	Number of employees	18,262 (Consolidated) 2,577 (Non-consolidated) (as of March 31, 2015)
President and Chief Executive Officer	Eiji Watanuki	Main products	Ceramic capacitors, inductors, FBAR/SAW devices for mobile communications, functional modules, energy devices, optical recording media, etc.
Date of establishment	March 23, 1950		
URL	http://www.ty-top.com/		

TAIYO YUDEN Group Subsidiaries and Affiliate (32 companies)

(Japan) 12 companies



(Overseas) 20 companies



Stock Information

As of March 31, 2015

Stock Information

Common stock Authorized: 300,000,000
 Issued: 120,481,395
 (Including 2,734,253 shares of treasury stock)

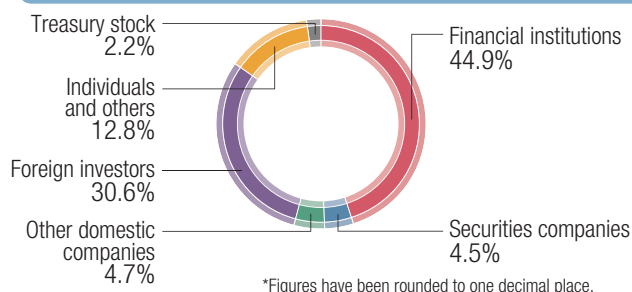
Stock exchange listing: First section of Tokyo Stock Exchange

Securities code: 6976

Unit of trading: 100 shares

Number of shareholders: 11,321

Composition of Shareholders



Major Shareholders

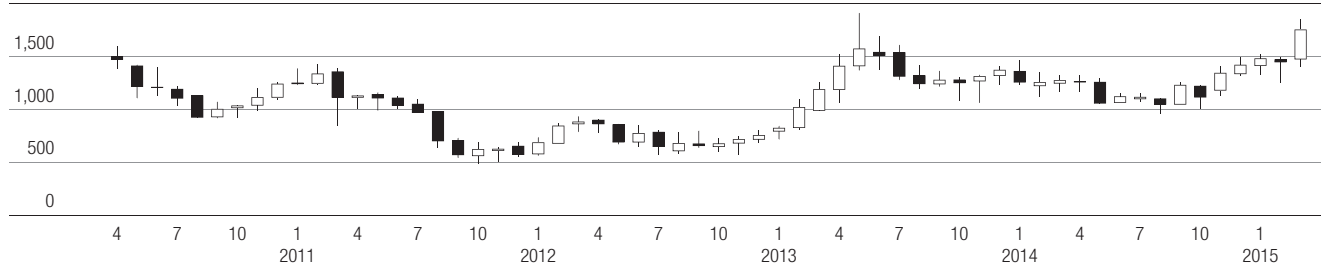
Name	Number of shares (hundreds)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	185,676	15.41
Japan Trustee Services Bank, Ltd. (Trust Account)	97,381	8.08
STATE STREET BANK AND TRUST COMPANY	44,958	3.73
Sumitomo Mitsui Banking Corporation	40,000	3.32
BNP Paribas Securities (Japan) Ltd.	30,372	2.52
The Iyo Bank, Ltd.	30,001	2.49
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	22,950	1.90
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	21,610	1.79
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	19,222	1.59
Sato Traffic Orphan Welfare Fund	19,166	1.59

Notes: 1. The Company holds 2,734,253 shares of treasury stock; however, this is excluded from the above-mentioned major shareholders.
 2. The figures in this table are rounded down.

Stock Price/Trading Volume

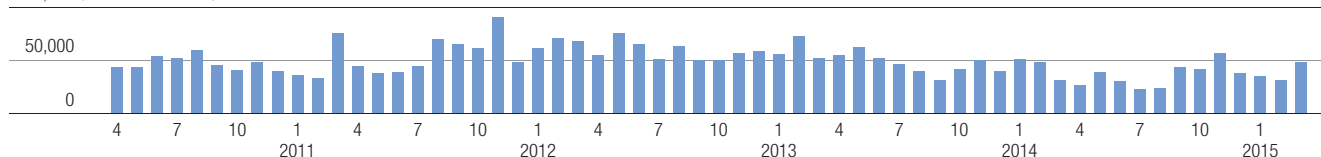
Stock price

2,000 (Yen)



Trading volume

100,000 (Thousand shares)



TAIYO YUDEN CO., LTD.

6-16-20, Ueno, Taito-ku, Tokyo 110-0005, Japan
Tel +81-3-3832-0101
<http://www.ty-top.com/>