

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):			
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	12,387	6,921	103,221
Comprehensive income	¥23,422	¥13,898	\$195,180
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				
	Number of Shares of Common Stock Issued	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity	
BALANCE, APRIL 1, 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							
	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, 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			10,919
Treasury stock acquired (651 shares)								(0)
Changes other than shareholders' equity								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)				
	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
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					
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)							
	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, 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			90,996
Treasury stock acquired (651 shares)								(7)
Changes other than shareholders' equity								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	Shareholders' Equity				
	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			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	4,182	2,165	34,854
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.