Consolidated Balance Sheets

TAIYO YUDEN CO., LTD. and Subsidiaries March 31, 2016 and 2015

	Millions	of Yen	Thousands of U.S. Dollars (Note 1)
ASSETS	2016	2015	2016
Current assets:			
Cash and cash equivalents (Note 3)	¥39,944	¥41,477	\$353,489
Time deposits (Note 3)	6,019	5,233	53,263
Receivables:			
Trade notes and accounts receivable (Note 3)	49,759	55,773	440,349
Allowance for doubtful receivables	(267)	(281)	(2,363)
Inventories:			
Merchandise and finished products	17,501	15,565	154,877
Work in process	18,638	16,014	164,940
Raw materials and supplies	12,550	12,555	111,060
Deferred tax assets (Note 8)	776	1,180	6,871
Prepaid expenses and other current assets	6,643	7,455	58,781
Total current assets	151,563	154,971	1,341,267
Property, plant and equipment (Note 16): Land Buildings and structures Machinery and equipment Tools, furniture and fixtures Construction in progress Total Accumulated depreciation Net property, plant and equipment	8,611 78,622 225,863 20,135 5,337 338,568 (231,521) 107,047	8,635 73,930 240,195 21,570 8,124 352,454 (254,745) 97,709	76,200 695,774 1,998,784 178,189 47,233 2,996,180 (2,048,859) 947,321
Investments and other assets: Investment securities (Notes 3 and 4) Investments in affiliate (Note 3)	4,389 1,899	8,500 572	38,842 16,802
Deferred tax assets (Note 8)	959	927	8,486
Net defined benefit asset (Note 6)	- 0.004	22	05.000
Other	2,861	3,114	25,320
Allowance for doubtful receivables	(338)	(361)	(2,990)
Total investments and other assets	9,770	12,774	86,460
Total assets	¥268,380	¥265,454	\$2,375,048

See accompanying notes to consolidated financial statements.

			Thousands of U.S. Dollars
	Millions o	U.S. Dollars (Note 1)	
LIABILITIES AND NET ASSETS	2016	2015	2016
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥11,979	¥12,366	\$106,014
Current portion of long-term borrowings (Notes 3 and 5)	6,201	5,270	54,873
Notes and accounts payable:			
Trade notes and accounts payable (Note 3)	23,430	23,900	207,345
Other (Note 3)	12,353	11,435	109,317
Income taxes payable (Notes 3 and 8)	2,340	1,709	20,713
Accrued bonuses for employees	3,391	3,249	30,008
Accrued bonuses for directors	184	109	1,630
Deferred tax liabilities (Note 8)	677	788	5,990
Other	7,975	7,893	70,573
Total current liabilities	68,530	66,719	606,463
Long-term liabilities:			
Long-term borrowings (Notes 3 and 5)	15,146	16,570	134,033
Convertible bonds with stock acquisition rights (Notes 3 and 5)	20,068	20,082	177,592
Net defined benefit liability (Note 6)	3,116	2,872	27,571
Accrued retirement benefits for directors and	•	,	•
corporate auditors	130	130	1,154
Deferred tax liabilities (Note 8)	5,907	6,290	52,274
Other	2,102	1,935	18,605
Total long-term liabilities	46,469	47,879	411,229
Total liabilities	114,999	114,598	1,017,692
Net assets (Note 7): Shareholders' equity:			
Common stock			
Authorized - 300,000,000 shares	00.557	00 557	000 474
Issued - 120,481,395 shares in 2016 and 2015	23,557	23,557	208,471
Capital surplus	41,515	41,495	367,392
Retained earnings (Note 18)	96,913	83,339	857,637
Treasury stock, at cost -	(0.000)	(0.440)	(00.440)
2,664,538 shares in 2016 and 2,734,253 shares in 2015	(3,326)	(3,413)	(29,440)
Total shareholders' equity	158,659	144,978	1,404,060
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	1,068	2,126	9,451
Deferred gains (losses) on hedges	6	7	54
Foreign currency translation adjustments	(6,123)	3,774	(54,186)
Adjustment in defined benefit obligation of overseas subsidiaries	(477)	(396)	(4,226)
Total accumulated other comprehensive income	(5,526)	5,511	(48,907)
Stock acquisition rights (Note 14)	238	228	2,109
Non-controlling interests	10	139	94
Total net assets	153,381	150,856	1,357,356
Total liabilities and net assets	¥268,380	¥265,454	\$2,375,048

See accompanying notes to consolidated financial statements.

TAIYO YUDEN Annual Report 2016

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Consolidated Statements of Income

TAIYO YUDEN CO., LTD. and Subsidiaries March 31, 2016 and 2015

	Millions of	Yen	Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Not color (Note 40)	V240 200	V227.00F	60 407 000
Net sales (Note 16)	¥240,386	¥227,095	\$2,127,308
Cost of sales	176,979	174,347	1,566,182
Gross profit	63,407	52,748	561,126
Selling, general and administrative expenses	40,037	39,595	354,311
Operating income	23,370	13,153	206,815
Other income (expenses)			
Interest and dividend income	389	420	3,445
Interest expense	(274)	(324)	(2,421)
Interest on bonds	(=)	(61)	(=, := : /
Equity in earnings of affiliate	13	8	115
Gain (loss) on foreign exchange	(1,151)	2,134	(10,190)
Depreciation of inactive noncurrent assets	(373)	(344)	(3,297)
Compensation expenses	(108)	(202)	(952)
Gain on sales of property, plant and equipment	206	34	1,825
Loss on disposal and sales of property, plant and equipment	(277)	(461)	(2,452)
Loss on valuation of investment securities (Note 4)	(1,463)	(2)	(12,945)
Impairment loss on property, plant and equipment (Note 11)	(222)	(95)	(1,966)
Business structure improvement expenses (Note 11)	(1,795)	(320)	(15,889)
Subsidy income	214	788	1,891
Gain on business transfer (Note 12)		103	-
Other	(245)	85	(2,174)
Other income (expenses) - net	(5,086)	1,763	(45,010)
	40.004	44.040	404.005
Income before income taxes	18,284	14,916	161,805
Income taxes (Note 8)	0.004	0.504	00.075
Current	3,624	3,521	32,075
Deferred Total income taxes	3,625	360 3,881	32,079
Total income taxes	3,025	3,001	32,079
Net income	14,659	11,035	129,726
Net income (loss) attributable to non-controlling interests	(92)	116	(815)
Net income attributable to owners of the parent	¥14,751	¥10,919	\$130,541
	Yer	1	U.S. Dollars (Note 1)
Per share of common stock (Note 17):	2016	2015	2016
Basic earnings	¥125.27	¥92.74	\$1.11
Diluted earnings	115.54	85.51	1.02
Cash dividends applicable to the year	15.00	10.00	0.13
			00

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

TAIYO YUDEN CO., LTD. and Subsidiaries March 31, 2016 and 2015

	Millions of \	Thousands of U.S. Dollars (Note 1)	
	2016	2015	2016
Net income	¥14,659	¥11,035	\$129,726
Other comprehensive income (Note 15):			
Net unrealized holding gains (losses) on securities	(1,058)	1,146	(9,362)
Deferred gains (losses) on hedges	(1)	39	(12)
Foreign currency translation adjustments	(9,948)	11,564	(88,030)
Adjustment in defined benefit obligation of overseas subsidiaries	(81)	(362)	(719)
Total other comprehensive income	(11,088)	12,387	(98,123)
Comprehensive income	¥3,571	¥23,422	\$31,603
Total comprehensive income attributable to:			
Owners of the parent	¥3,713	¥23,293	\$32,860
Non-controlling interests	(142)	129	(1,257)

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Changes in Net Assets

Millions of Yen

TAIYO YUDEN CO., LTD. and Subsidiaries March 31, 2016 and 2015

	Thousands			Millions of Yen				
	Number of		Si	nareholders' Equ	ity			
	Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders'		
BALANCE, APRIL 1, 2015	120,481	¥23,557	¥41,495	¥83,339	¥(3,413)	Equity ¥144,978		
Changes during the year Cash dividends, 10.00 yen per share Net income attributable to owners of the parent Treasury stock acquired (285shares)				(1,177) 14,751	(1)	(1,177) 14,751 (1)		
Treasury stock disposed (70,000shares) Change in treasury shares of parent arising			1		88	89		
from transactions with non-controlling shareholders Changes other than shareholders' equity			19			19		
Total changes			20	13,574	87	13,681		
BALANCE, MARCH 31, 2016	120,481	¥23,557	¥41,515	¥96,913	¥(3,326)	¥158,659		
				Millions of Yen				
		Accumulated	Other Comprehe	nsive Income				
				Adjustment in	Total			
	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Defined Benefit Obligation of Overseas Subsidiaries	Accumulated Other Comprehensive Income	Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
BALANCE, APRIL 1, 2015 Changes during the year	¥2,126	¥7	¥3,774	¥(396)	¥5,511	¥228	¥139	¥150,856
Cash dividends, 10.00 yen per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares)								(1,177) 14,751 (1) 89
Change in treasury shares of parent arising from transactions with non-controlling								19
shareholders		440	((2.1)			(100)	
Changes other than shareholders' equity Total changes	(1,058)	(1)	(9,897) (9,897)	(81)	(11,037)	10	(129)	(11,156) 2,525
BALANCE, MARCH 31, 2016	¥1,068	¥6	¥(6,123)	¥(477)	¥(5,526)	¥238	¥10	¥153,381
			Thousan	de of LLS Dollars	(Note 1)			
				ds of U.S. Dollars nareholders' Equ				
		Common	Si	nareholders' Equ Retained	ity Treasury Stock,	Total Shareholders'		
BALANCE, APRIL 1, 2015		Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Shareholders' Equity		
BALANCE, APRIL 1, 2015 Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent			Si	Retained Earnings \$737,516 (10,420)	ity Treasury Stock,	\$1,282,992 (10,420)		
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares)		Stock	Capital Surplus \$367,214	Retained Earnings \$737,516	Treasury Stock, at Cost \$(30,209)	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4)		
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising		Stock	Capital Surplus \$367,214	Retained Earnings \$737,516 (10,420)	Treasury Stock, at Cost \$(30,209)	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785		
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling shareholders		Stock	Capital Surplus \$367,214	Retained Earnings \$737,516 (10,420)	Treasury Stock, at Cost \$(30,209)	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4)		
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling		Stock	Capital Surplus \$367,214	Retained Earnings \$737,516 (10,420)	Treasury Stock, at Cost \$(30,209)	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785		
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling shareholders Changes other than shareholders' equity		Stock	Si Capital Surplus \$367,214	Retained Earnings \$737,516 (10,420) 130,541	Treasury Stock, at Cost \$(30,209) (4) 773	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785		
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling shareholders Changes other than shareholders' equity Total changes		\$100k \$208,471	Si Capital Surplus \$367,214 12 166 178 \$367,392	Retained Earnings \$737,516 (10,420) 130,541 120,121 \$857,637	Treasury Stock, at Cost \$(30,209) (4) 773 769 \$(29,440)	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785 166		
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling shareholders Changes other than shareholders' equity Total changes		\$208,471	Si Capital Surplus \$367,214 12 166 178 \$367,392	Retained Earnings \$737,516 (10,420) 130,541 120,121 \$857,637	Treasury Stock, at Cost \$(30,209) (4) 773 769 \$(29,440)	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785 166		
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling shareholders Changes other than shareholders' equity Total changes		\$208,471	Si Capital Surplus \$367,214 12 166 178 \$367,392	Retained Earnings \$737,516 (10,420) 130,541 120,121 \$857,637	Treasury Stock, at Cost \$(30,209) (4) 773 769 \$(29,440)	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785 166		
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling shareholders Changes other than shareholders' equity Total changes	Net Unrealized Holding Gains (Losses) on	Stock \$208,471	Si Capital Surplus \$367,214 12 166 178 \$367,392 Thousan Other Comprehe Foreign Currency Translation	Retained Earnings \$737,516 (10,420) 130,541 120,121 \$857,637 ds of U.S. Dollars nsive Income Adjustment in Defined Benefit Obligation of	Treasury Stock, at Cost \$(30,209) \$(4) 773 \$769 \$(29,440) \$ (Note 1) \$ Total Accumulated Other \$ (Note 1) \$ (N	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785 166 121,068 \$1,404,060	Non-controlling Interests	Total Net Assets
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling shareholders Changes other than shareholders' equity Total changes	Holding Gains	\$208,471 \$208,471 \$208,471 Accumulated	Sil Capital Surplus \$367,214 \$367,214 \$12 \$166 \$178 \$367,392 \$Thousan Other Compreher Currency	Retained Earnings \$737,516 (10,420) 130,541 120,121 \$857,637 ds of U.S. Dollars nsive Income Adjustment in Defined Benefit	Treasury Stock, at Cost \$(30,209) (4) 773 769 \$(29,440) s (Note 1)	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785 166 121,068 \$1,404,060		Assets
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling shareholders Changes other than shareholders' equity Total changes	Holding Gains (Losses) on	Stock \$208,471	Si Capital Surplus \$367,214 12 166 178 \$367,392 Thousan Other Comprehe Foreign Currency Translation	Retained Earnings \$737,516 (10,420) 130,541 120,121 \$857,637 ds of U.S. Dollars nsive Income Adjustment in Defined Benefit Obligation of Overseas	Treasury Stock, at Cost \$(30,209)\$ (4) 773 769 \$(29,440) s (Note 1) Total Accumulated Other Comprehensive	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785 166 121,068 \$1,404,060		
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling shareholders Changes other than shareholders' equity Total changes BALANCE, MARCH 31, 2016 BALANCE, MARCH 11, 2015 Changes during the year	Holding Gains (Losses) on Securities	Stock \$208,471 \$208,471 Accumulated Deferred Gains (Losses) on Hedges	Capital Surplus \$367,214 12 166 178 \$367,392 Thousan Other Comprehe Foreign Currency Translation Adjustments	Retained Earnings \$737,516 (10,420) 130,541 120,121 \$857,637 ds of U.S. Dollars nsive Income Adjustment in Defined Benefit Obligation of Overseas Subsidiaries	Treasury Stock, at Cost \$(30,209)\$ (4) 773 769 \$(29,440) S (Note 1) Total Accumulated Other Comprehensive Income	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785 166 121,068 \$1,404,060 Stock Acquisition Rights	Interests	Assets \$1,335,010
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling shareholders Changes other than shareholders' equity Total changes BALANCE, MARCH 31, 2016 BALANCE, MARCH 31, 2016 Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares)	Holding Gains (Losses) on Securities	Stock \$208,471 \$208,471 Accumulated Deferred Gains (Losses) on Hedges	Capital Surplus \$367,214 12 166 178 \$367,392 Thousan Other Comprehe Foreign Currency Translation Adjustments	Retained Earnings \$737,516 (10,420) 130,541 120,121 \$857,637 ds of U.S. Dollars nsive Income Adjustment in Defined Benefit Obligation of Overseas Subsidiaries	Treasury Stock, at Cost \$(30,209)\$ (4) 773 769 \$(29,440) S (Note 1) Total Accumulated Other Comprehensive Income	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785 166 121,068 \$1,404,060 Stock Acquisition Rights	Interests	\$1,335,010 (10,420) 130,541 (4)
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling shareholders Changes other than shareholders' equity Total changes BALANCE, MARCH 31, 2016 BALANCE, MARCH 31, 2016 Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in shareholders' equity of parent arising	Holding Gains (Losses) on Securities	Stock \$208,471 \$208,471 Accumulated Deferred Gains (Losses) on Hedges	Capital Surplus \$367,214 12 166 178 \$367,392 Thousan Other Comprehe Foreign Currency Translation Adjustments	Retained Earnings \$737,516 (10,420) 130,541 120,121 \$857,637 ds of U.S. Dollars nsive Income Adjustment in Defined Benefit Obligation of Overseas Subsidiaries	Treasury Stock, at Cost \$(30,209)\$ (4) 773 769 \$(29,440) S (Note 1) Total Accumulated Other Comprehensive Income	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785 166 121,068 \$1,404,060 Stock Acquisition Rights	Interests	\$1,335,010 (10,420) 130,541 (4) 785
Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in treasury shares of parent arising from transactions with non-controlling shareholders Changes other than shareholders' equity Total changes BALANCE, MARCH 31, 2016 BALANCE, MARCH 31, 2016 Changes during the year Cash dividends, 0.09 dollar per share Net income attributable to owners of the parent Treasury stock acquired (285shares) Treasury stock disposed (70,000shares) Change in shareholders' equity of parent arising from transactions with non-controlling shareholders	Holding Gains (Losses) on Securities \$18,813	\$208,471 \$208,471 Accumulated Deferred Gains (Losses) on Hedges \$66	Si Capital Surplus \$367,214 12 166 178 \$367,392 Thousan Other Comprehe Foreign Currency Translation Adjustments \$33,401	Retained Earnings \$737,516 (10,420) 130,541 120,121 \$857,637 ds of U.S. Dollars nsive Income Adjustment in Defined Benefit Obligation of Overseas Subsidiaries \$(3,507)	Treasury Stock, at Cost \$(30,209) \$(4) 773 \$769 \$(29,440) \$(5) \$(Note 1) \$(5) \$(1) \$(5) \$(1) \$(5) \$(1) \$(5) \$(1) \$(1) \$(1) \$(1) \$(1) \$(1) \$(1) \$(1	Shareholders' Equity \$1,282,992 (10,420) 130,541 (4) 785 166 121,068 \$1,404,060 Stock Acquisition Rights \$2,014	\$1,231	\$1,335,010 (10,420) 130,541 (4) 785

See accompanying notes to consolidated financial statements.

	Thousands			Millions of Yen			
	Number of	nber of Shareholders' Equity					
	Shares of Common Stock Issued	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 attributable to owners of the parent	t			10,919		10,919	
Treasury stock acquired (651 shares) Changes other than shareholders' equity					(0)	(0)	
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	d Other Compreh	ensive 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	Non- controlling Interests
BALANCE, APRIL 1, 2014	¥980	¥(32)	¥(7,775)	¥(34)	¥(6,861)	¥171	¥1
Changes during the year							
Cash dividends, 10.00 yen per share Net income attributable to owners of the parent	t						

See accompanying notes to consolidated financial statements.

Treasury stock acquired (651 shares) Changes other than shareholders' equity
Total changes

BALANCE, MARCH 31, 2015

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Consolidated Statements of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries March 31, 2016 and 2015

Depreting activities:		Millions of Yen		Thousands of U.S. Dollars (Note 1)	
Income before income taxes					
Adjustments to reconcile income before income taxes to net cash provided by operating activities: Depreciation and amortization Impairment loss on property, plant and equipment Increase (decrease) in allowance for doubtful receivables Increase (decrease) in accrued bonuses for employees Increase (decrease) in accrued bonuses for directors Increase (decrease) in accrued retirement benefits for directors Increase (decrease) in accrued retirement benefits for directors Increase (decrease) in accrued retirement benefits for directors Interest and dividend income Interest and dividend income Interest and dividend income Interest appease Interest on bonds Interest and dividend income Interest on bonds Interest and dividend income Interest on bonds Interest on bonds Interest and interest and insignation in the securities Interest on bonds Interest and dividend income Interest on bonds Interest and interest and insignation in the securities Interest on bonds Interest and interest and insignation in the securities Interest and dividend income Interest and accounts receivables Interest and accounts receivables Interest and dividends received Interest and	Operating activities:				
Depreciation and amortization 23,767 21,814 21,035 Impairment loss on property, plant and equipment 222 95 1,985 1,9	Income before income taxes	¥18,284	¥14,916	\$161,805	
Depreciation and amortization 23,767 21,814 210,33 21,834 210,33 22,85 1,96 34,96	Adjustments to reconcile income before income taxes				
Business structure improvement expense 1.985 3.20 15.88 Gain on business transfer - (103) - (103	to net cash provided by operating activities:				
Business structure improvement expense 1,795 320 15,88	·		21,814	210,330	
Gain on business transfer - (103) Amortization of goodwill - 601 Increase (decrease) in allowance for doubtful receivables (19) (36) (16) Increase (decrease) in accrued bonuses for employees 161 489 1.42 Increase (decrease) in accrued bonuses for directors 75 35 66 Increase (decrease) in accrued bonuses for directors 34 10 3 Increase (decrease) in accrued bonuses for directors 389 (420) (3.44 Increase (decrease) in accrued retirement benefits for directors 389 (420) (3.44 Interest and dividend income 274 324 2.42 Interest expense 274 324 2.42 Interest on board 389 (420) (3.44 Interest on board 389 (420) (4.47				1,966	
Amortization of goodwill	·	1,795		15,889	
Increase (decrease) in allowance for doubful receivables 161 489 1.42 Increase (decrease) in accrued bonuses for employees 161 489 1.42 Increase (decrease) in accrued bonuses for directors 75 35 66 Increase (decrease) in accrued bonuses for directors 75 35 66 Increase (decrease) in accrued retirement benefits for directors 75 35 36 Interest and dividend income 389 420 324 2.42 Interest expense 274 324 2.42 Interest expense 274 324 2.42 Interest ton bonds - 6 61 Equity in earnings of affiliates (13) (8) (11) (Gain) loss on disposal and sales of property, plant and equipment 71 427 62 Subsidy income 1.63 2 12.94 Loss on valuation of investment securities 1.463 2 12.94 Loss on valuation of investment securities 2.587 (6,372 22.88 Inventories 2.587 (6,372 22.88 Inventories 2.587 (6,372 37.98 Inventories 2.587 (6,372 37.98 Inventories 1.191 576 10.54 Subtotal 378 425 3.34 Interest and dividends received 378 425 3.34 Interest and dividends received 378 425 3.34 Interest paid (271 (447) (2.38 Payments for business structure improvement expenses (390) (119 (3.44 Income taxes paid (37.378 (18.781 (330.778		-	, ,	-	
Increase (decrease) in accrued bonuses for employees	•	(40)		(4.00)	
Increase (decrease) in accrued bonuses for directors		· ,	` '	(168)	
A 10 3 Interest and dividend income (389) (420) (3,44 Interest and dividend income (389) (420) (3,44 Interest and dividend income (389) (420) (3,44 Interest on bonds - 274 324 2,42 Interest on bonds - 61 Equity in earnings of affiliates (13) (8) (11) ((Gain) loss on disposal and sales of property, plant and equipment 71 427 62 Subsidy income (159) (691) (1,44 Loss on valuation of investment securities 1,463 2 12,94 Changes in operating assets and liabilities: Trade notes and accounts receivables 2,587 (6,372) 22,88 Inventories (7,721) (4,137) (68,32 Trade notes and accounts payables 2,587 (6,372) (4,137) (68,32 Trade notes and accounts payables 2,587 (6,372) 370,38 Interest and dividends received 378 425 3,34 Interest and dividends received 378 425 3,34 Interest and dividends received (3,283) (2,293) (2,913) Interest and dividends received (3,283) (2,293) (2,913) Interest paid (2,293) (2,933) (2,933) (2,933) (2,933) Interest paid (3,293) (2,933) (2,933) (2,933) (2,933) Interest paid (3,293) (2,933)				664	
and corporate auditors 4 10 32 Interest and dividend income (389) (420) (3.44 Interest expense 274 324 2.42 Interest on bonds - 61 Equity in earnings of affiliates (13) (8) (11 (Gain) loss on disposal and sales of property, plant and equipment 71 427 62 Subsidy income (159) (691) (1.44 Loss on valuation of investment securities 1,463 2 12,94 Changes in operating assets and liabilities: Trade notes and accounts receivables 2,587 (6,372) 22,85 Inventories (7,721) (4,137) (68,32 Trade notes and accounts payables 261 64 2,33 Interest and dividends received 41,864 27,967 370,38 Interest and dividends received 378 425 3,34 Interest and dividends received 378 425 3,34 Interest paid (271) (447) (2,38 Payments for business structure improvement expenses (390) (119) (3,44 Income taxes paid (3,293) (2,929) (29,13 Net cash provided by operating activities (38,278 24,897 338,74 Investing activities: Purchases of property, plant and equipment (37,378) (18,781) (330,77 Proceeds from sales of property, plant and equipment (160) (2,749) (1,44 Decreases (increase) in time deposits (1,413) 35 (2,585 Proceeds from sales of investment securities 1,993 254 1,22 Income from business transfer (Note 9) 1,043 263 9,23 Proceeds from sales of investments (160) (2,749) (1,44 Decreases (increase) in time deposits (1,413) 35 (2,585 Proceeds from sales of other investments (1,007) Proceeds from sales of other investments (3,035) (3,035) (3,035) Proceeds from sales of other investments (3,035) (3,035) Proceeds from sales of other investments (3,035) (3,035) (3,035) Proceeds from sales of other investments (3,035) (3,035) (3,035) Proceeds from sales of other investments (3,035) (3,035) (3,035) Proceeds from sales of other investments (3,035) (3,035) (3,035) Proceeds from sales of other investments (3,035) (3,03	,	75	33	004	
Interest and dividend income (389) (420) (3,44 Interest expense 274 324 2,42 Interest on bonds		4	10	34	
Interest expense	·			(3,445)	
Interest on bonds		, ,	, ,	2,421	
(Gain) loss on disposal and sales of property, plant and equipment 71 427 62 Subsidy income (159) (691) (1,41 Loss on valuation of investment securities 1,463 2 12,94 Changes in operating assets and liabilities:	·	-	61	· -	
Subsidy income (159) (691) (1,44) Loss on valuation of investment securities 1,463 2 12,94 Changes in operating assets and liabilities: 2,587 (6,372) 22,88 Inventories (7,721) (4,137) (68,32 Interest and execunts payables 261 64 2,30 Other 1,191 576 10,54 Subtotal 41,854 27,967 370,33 Interest and dividends received 378 425 3,34 Interest paid (271) (447) (2,38 Payments for business structure improvement expenses (390) (1119) (3,44 Income taxes paid (3293) (2,929) (29,13 Net cash provided by operating activities 38,278 24,897 38,74 Investing activities: 38,278 24,897 38,74 Investing activities: 38,278 (18,781) (330,77 Proceeds from sales of property, plant and equipment (37,378) (18,781) (330,77 Proceeds from	Equity in earnings of affiliates	(13)	(8)	(115)	
Loss on valuation of investment securities 1,463 2 12,94 Changes in operating assets and liabilities: 2,587 (6,372) 22,88 Inventories (7,721) (4,137) (68,32) Inventories 261 64 2,30 Other 1,191 576 10,54 Subtotal 41,854 27,967 370,33 Interest and dividends received 37,38 425 3,34 Interest paid (271) (447) (2,33 Payments for business structure improvement expenses (390) (119) (3,44 Income taxes paid (32,33) (2,929) (29,13) Net cash provided by operating activities 38,278 24,897 338,74 Investing activities: 279 75 2,24 Purchases of property, plant and equipment 279 75 2,4 Purchases of property, plant and equipment 279 75 2,4 Purchases of investment securities (160) (2,749) (1,41 Decrease (increase) in time depo	(Gain) loss on disposal and sales of property, plant and equipment	71	427	627	
Changes in operating assets and liabilities: 2,587 (6,372) 22,88 Trade notes and accounts receivables 2,7721 (4,137) (68,32) Trade notes and accounts payables 261 64 2,33 Other 1,191 576 10,54 Subtotal 41,854 27,967 370,38 Interest and dividends received 378 425 3,34 Interest paid (271) (447) (2,38 Payments for business structure improvement expenses (390) (119) (3,44 Income taxes paid (3,293) (2,929) (29,13 Net cash provided by operating activities 38,278 24,897 338,74 Investing activities: 7 7 75 2,24 Purchases of property, plant and equipment (37,378) (18,781) (330,77 Proceeds from sales of property, plant and equipment 279 75 2,24 Purchases of investment securities (160) (2,749) (1,41 Decrease (increase) in time deposits (1,413) 35	Subsidy income	(159)	(691)	(1,410)	
Trade notes and accounts receivables 2,587 (6,372) 22,82 Inventories (7,721) (4,137) (68,32) Trade notes and accounts payables 261 64 2,30 Other 1,191 576 10,54 Subtotal 41,854 27,967 370,35 Interest and dividends received 378 425 3,34 Interest paid (2711) (447) (2,35 Payments for business structure improvement expenses (390) (119) (3,48 Income taxes paid (32,293) (2,929) (29,12 Net cash provided by operating activities 38,278 24,897 338,74 Investing activities: 38,278 24,897 338,74 Investing activities: 29 75 2,46 Purchases of property, plant and equipment 279 75 2,46 Purchases of property, plant and equipment 279 75 2,46 Purchases of investment securities (1,413) 35 (12,55 Proceeds from sales of investment	Loss on valuation of investment securities	1,463	2	12,945	
Inventories	Changes in operating assets and liabilities:				
Trade notes and accounts payables 261 64 2,30 Other 1,191 576 10,54 Subtotal 41,854 27,967 370,33 Interest and dividends received 378 425 3,34 Interest paid (271) (447) (2,38 Payments for business structure improvement expenses (390) (1119) (3,44 Income taxes paid (3,293) (2,929) (29,13 Net cash provided by operating activities 38,278 24,897 338,74 Investing activities: Value 41,871 (30,778) (18,781) (30,777) 75 2,48 24,897 338,74 24,897 338,74 24,897 338,74 24,897 338,74 24,897 338,74 24,897 338,74 24,897 338,74 24,897 338,74 24,897 338,74 24,897 338,74 24,897 338,74 24,897 338,74 24,897 338,74 24,897 338,74 24,897 338,74 24,299 12,913 34	Trade notes and accounts receivables	2,587	(6,372)	22,898	
Other Subtotal 1,191 576 10,54 Subtotal 41,854 27,967 370,38 Interest and dividends received Interest paid 378 425 3,34 Interest paid (271) (447) (2,38 Payments for business structure improvement expenses (390) (1119) (3,44 Income taxes paid (3,293) (2,929) (29,13) Net cash provided by operating activities 38,278 24,897 338,74 Investing activities: 38,278 24,897 338,74 Purchases of property, plant and equipment (37,378) (18,781) (330,77 Proceeds from sales of property, plant and equipment 279 75 2,46 Purchases of investment securities (160) (2,749) (1,41 Decrease (increase) in time deposits (1,413) 35 (12,50 Proceeds from sales of investment securities 139 254 1,22 Income from business transfer (Note 9) 1,043 263 9,23 Proceeds from sales of other investments 1,093		* * *	* ' '	(68,324)	
Subtotal 41,854 27,967 370,39 Interest and dividends received 378 425 3,34 Interest paid (271) (447) (2,35 Payments for business structure improvement expenses (390) (119) (3,44 Income taxes paid (3,293) (2,929) (29,13 Net cash provided by operating activities 38,278 24,897 338,74 Investing activities: Purchases of property, plant and equipment (37,378) (18,781) (330,77 Proceeds from sales of property, plant and equipment 279 75 2,46 Purchases of investment securities (160) (2,749) (1,41 Decrease (increase) in time deposits (1,413) 35 (12,55 Proceeds from sales of investment securities 139 254 1,22 Income from business transfer (Note 9) 1,043 263 9,23 Proceeds from subsidy income 159 692 1,41 Purchases of other investments 1,093 2 3 7,63 Other (36,375) (20,965) (313,05 Financing activities: (47) 1,093 (41 Proceeds from long-term borrowings (47) 1,093 (41 Proceeds from long-term borrowings (5,493) (12,495) (48,61 Redemption of convertible bonds with acquisition rights (36,000) (27,400) (2	' '			2,307	
Interest and dividends received 378 425 3,34 Interest paid (271) (447) (2,35 Payments for business structure improvement expenses (390) (119) (3,44 Income taxes paid (3,293) (2,929) (29,13 Net cash provided by operating activities 38,278 24,897 338,74 Investing activities:				10,546	
Interest paid	Subtotal	41,854	27,967	370,392	
Payments for business structure improvement expenses (390) (119) (3,44 Income taxes paid (3,293) (2,929) (29,13 Income park park park park park park park park	Interest and dividends received	378	425	3,340	
Income taxes paid (3,293) (2,929) (29,13) Net cash provided by operating activities 38,278 24,897 338,74 Investing activities:	Interest paid	(271)	(447)	(2,399)	
Net cash provided by operating activities 38,278 24,897 338,74		` '	, ,	(3,448)	
Purchases of property, plant and equipment (37,378) (18,781) (330,777	•		<u> </u>	(29,139)	
Purchases of property, plant and equipment (37,378) (18,781) (330,777 Proceeds from sales of property, plant and equipment 279 75 2,46 Purchases of investment securities (160) (2,749) (1,41 Decrease (increase) in time deposits (1,413) 35 (12,50 Proceeds from sales of investment securities 139 254 1,22 Income from business transfer (Note 9) 1,043 263 9,23 Proceeds from subsidy income 159 692 1,41 Purchases of other investments - (1,007) Proceeds from sales of other investments 1,093 - 9,67 Other 863 253 7,63 Net cash used in investing activities (35,375) (20,965) (313,05 Financing activities: Net increase (decrease) in short-term borrowings (47) 1,093 (41 Proceeds from long-term borrowings (5,493) (12,495) (48,61 Redemption of convertible bonds with acquisition rights - (365) Redem	Net cash provided by operating activities	38,278	24,897	338,746	
Proceeds from sales of property, plant and equipment 279 75 2,46 Purchases of investment securities (160) (2,749) (1,41 Decrease (increase) in time deposits (1,413) 35 (12,50 Proceeds from sales of investment securities 139 254 1,22 Income from business transfer (Note 9) 1,043 263 9,23 Proceeds from subsidy income 159 692 1,41 Purchases of other investments - (1,007) Proceeds from sales of other investments 1,093 - 9,67 Other 863 253 7,63 Net cash used in investing activities (35,375) (20,965) (313,05 Financing activities: (47) 1,093 (41 Proceeds from long-term borrowings (47) 1,093 (41 Proceeds from long-term borrowings (5,493) (12,495) (48,61 Redemption of convertible bonds with acquisition rights - (8,000) Redemption of cash dividends to non-controlling interests (1) - (6 <td>Investing activities:</td> <td></td> <td></td> <td></td>	Investing activities:				
Purchases of investment securities (160) (2,749) (1,41) Decrease (increase) in time deposits (1,413) 35 (12,50) Proceeds from sales of investment securities 139 254 1,22 Income from business transfer (Note 9) 1,043 263 9,23 Proceeds from subsidy income 159 692 1,41 Purchases of other investments - (1,007) Proceeds from sales of other investments 1,093 - 9,67 Other 863 253 7,63 Net cash used in investing activities (35,375) (20,965) (313,05 Financing activities: (47) 1,093 (41 Proceeds from long-term borrowings (47) 1,093 (41 Proceeds from long-term borrowings (5,493) (12,495) (48,61 Redemption of convertible bonds with acquisition rights - (8,000) Redemption of bonds - (8,000) Payment of cash dividends to non-controlling interests (1) - (0 Purchases of treasu	Purchases of property, plant and equipment	(37,378)	(18,781)	(330,775)	
Decrease (increase) in time deposits (1,413) 35 (12,50) Proceeds from sales of investment securities 139 254 1,22 Income from business transfer (Note 9) 1,043 263 9,23 Proceeds from subsidy income 159 692 1,41 Purchases of other investments - (1,007) Proceeds from sales of other investments 1,093 - 9,67 Other 863 253 7,63 Net cash used in investing activities (35,375) (20,965) (313,05 Financing activities: Net increase (decrease) in short-term borrowings (47) 1,093 (41 Proceeds from long-term borrowings 5,000 - 44,24 Repayments of long-term borrowings (5,493) (12,495) (48,61 Redemption of convertible bonds with acquisition rights - (365) Redemption of bonds - (8,000) Payment of cash dividends to non-controlling interests (1) - (0	Proceeds from sales of property, plant and equipment	279	75	2,469	
Proceeds from sales of investment securities 139 254 1,22 Income from business transfer (Note 9) 1,043 263 9,23 Proceeds from subsidy income 159 692 1,41 Purchases of other investments - (1,007) Proceeds from sales of other investments 1,093 - 9,67 Other 863 253 7,63 Net cash used in investing activities (35,375) (20,965) (313,05 Financing activities: Net increase (decrease) in short-term borrowings (47) 1,093 (41 Proceeds from long-term borrowings 5,000 - 44,24 Repayments of long-term borrowings (5,493) (12,495) (48,61 Redemption of convertible bonds with acquisition rights - (365) Redemption of bonds - (8,000) Payment of cash dividends to non-controlling interests (1) - (0 Purchases of treasury stock (1) (0) (0	Purchases of investment securities	(160)	(2,749)	(1,416)	
Income from business transfer (Note 9)	Decrease (increase) in time deposits	(1,413)	35	(12,508)	
Proceeds from subsidy income 159 692 1,41 Purchases of other investments - (1,007) - Proceeds from sales of other investments 1,093 - 9,67 Other 863 253 7,63 Net cash used in investing activities (35,375) (20,965) (313,05) Financing activities: Net increase (decrease) in short-term borrowings (47) 1,093 (41 Proceeds from long-term borrowings 5,000 - 44,24 Repayments of long-term borrowings (5,493) (12,495) (48,61 Redemption of convertible bonds with acquisition rights - (8,000) Payment of cash dividends to non-controlling interests (1) - (6,000) Purchases of treasury stock (1) (0) (0)			254	1,229	
Purchases of other investments - (1,007) Proceeds from sales of other investments 1,093 - 9,67 Other 863 253 7,63 Net cash used in investing activities (35,375) (20,965) (313,05 Financing activities: Net increase (decrease) in short-term borrowings (47) 1,093 (41 Proceeds from long-term borrowings 5,000 - 44,24 Repayments of long-term borrowings (5,493) (12,495) (48,61 Redemption of convertible bonds with acquisition rights - (8,000) Payment of cash dividends to non-controlling interests (1) - (6 Purchases of treasury stock (1) (0) (0)	,	,		9,233	
Proceeds from sales of other investments 1,093 - 9,67 Other 863 253 7,63 Net cash used in investing activities (35,375) (20,965) (313,05 Financing activities: Net increase (decrease) in short-term borrowings (47) 1,093 (41 Proceeds from long-term borrowings 5,000 - 44,24 Repayments of long-term borrowings (5,493) (12,495) (48,61 Redemption of convertible bonds with acquisition rights - (365) Redemption of bonds - (8,000) Payment of cash dividends to non-controlling interests (1) - (0 Purchases of treasury stock (1) (0) (0	•	159		1,410	
Other 863 253 7,63 Net cash used in investing activities (35,375) (20,965) (313,05) Financing activities: Net increase (decrease) in short-term borrowings (47) 1,093 (41 Proceeds from long-term borrowings 5,000 - 44,24 Repayments of long-term borrowings (5,493) (12,495) (48,61) Redemption of convertible bonds with acquisition rights - (365) Redemption of bonds - (8,000) Payment of cash dividends to non-controlling interests (1) - (0 Purchases of treasury stock (1) (0) (0		-	(1,007)	-	
Net cash used in investing activities (35,375) (20,965) (313,05) Financing activities: Net increase (decrease) in short-term borrowings (47) 1,093 (41 Proceeds from long-term borrowings 5,000 - 44,24 Repayments of long-term borrowings (5,493) (12,495) (48,61 Redemption of convertible bonds with acquisition rights - (365) Redemption of bonds - (8,000) Payment of cash dividends to non-controlling interests (1) - (0 Purchases of treasury stock (1) (0) (0			-	9,675	
Financing activities: Net increase (decrease) in short-term borrowings Proceeds from long-term borrowings Repayments of long-term borrowings Redemption of convertible bonds with acquisition rights Redemption of bonds Payment of cash dividends to non-controlling interests Purchases of treasury stock Net increase (47) 1,093 (41) 1,093 (42) 44,24 (5,493) (12,495) (13,65) (8,000) (8,000) Purchases of treasury stock (1) (0)					
Net increase (decrease) in short-term borrowings (47) 1,093 (41) Proceeds from long-term borrowings 5,000 - 44,24 Repayments of long-term borrowings (5,493) (12,495) (48,61) Redemption of convertible bonds with acquisition rights - (365) Redemption of bonds - (8,000) Payment of cash dividends to non-controlling interests (1) - (0)	Net cash used in investing activities	(35,375)	(20,965)	(313,051)	
Proceeds from long-term borrowings 5,000 - 44,24 Repayments of long-term borrowings (5,493) (12,495) (48,61 Redemption of convertible bonds with acquisition rights - (365) Redemption of bonds - (8,000) Payment of cash dividends to non-controlling interests (1) - (0)	Financing activities:				
Repayments of long-term borrowings (5,493) (12,495) (48,61) Redemption of convertible bonds with acquisition rights - (365) Redemption of bonds - (8,000) Payment of cash dividends to non-controlling interests (1) - (0)	Net increase (decrease) in short-term borrowings	(47)	1,093	(417)	
Redemption of convertible bonds with acquisition rights Redemption of bonds Payment of cash dividends to non-controlling interests Purchases of treasury stock (365) (8,000) (1) (0)			-	44,248	
Redemption of bonds - (8,000) Payment of cash dividends to non-controlling interests (1) - (0) Purchases of treasury stock (1) (0)		(5,493)		(48,613)	
Payment of cash dividends to non-controlling interests (1) - (0) Purchases of treasury stock (1) (0)	· · · · · · · · · · · · · · · · · · ·	-		-	
Purchases of treasury stock (1) (0)		- (4)	(8,000)	- (0)	
	,		- (0)	(8)	
			, ,	(4)	
	•		* ' '	(10,403)	
			(308)	(2,951)	
Other 0 -			(04.040)	(10.147)	
				(18,147)	
				(21,108)	
	· · · · · · · · · · · · · · · · · · ·			(13,560)	
				367,049	
Cash and cash equivalents, end of year \text{\frac{ \qua	Cash and cash equivalents, end of year	¥39,944	* 41,4//	\$353,489	

See accompanying notes to consolidated financial statements.