

Consolidated Financial Statements

Consolidated Balance Sheets

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2017 and 2016

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Current assets:			
Cash and cash equivalents (Note 3)	¥36,095	¥39,944	\$322,275
Time deposits (Note 3)	3,975	6,019	35,487
Receivables:			
Trade notes and accounts receivable (Note 3)	53,791	49,759	480,280
Allowance for doubtful receivables	(273)	(267)	(2,439)
Inventories:			
Merchandise and finished products	17,281	17,501	154,299
Work in process	19,473	18,638	173,862
Raw materials and supplies	12,025	12,550	107,367
Deferred tax assets (Note 8)	1,084	776	9,681
Prepaid expenses and other current assets	5,805	6,643	51,830
Total current assets	<u>149,256</u>	<u>151,563</u>	<u>1,332,642</u>
Property, plant and equipment (Note 14):			
Land	9,416	8,611	84,074
Buildings and structures	79,287	78,622	707,917
Machinery and equipment	233,806	225,863	2,087,558
Tools, furniture and fixtures	20,936	20,135	186,930
Construction in progress	3,816	5,337	34,073
Total	<u>347,261</u>	<u>338,568</u>	<u>3,100,552</u>
Accumulated depreciation	(236,165)	(231,521)	(2,108,617)
Net property, plant and equipment	<u>111,096</u>	<u>107,047</u>	<u>991,935</u>
Investments and other assets:			
Investment securities (Notes 3 and 4)	5,685	4,389	50,759
Investments in affiliate (Note 3)	1,076	1,899	9,607
Deferred tax assets (Note 8)	983	959	8,778
Net defined benefit asset (Note 6)	59	-	527
Other	3,330	2,861	29,735
Allowance for doubtful receivables	(336)	(338)	(3,005)
Total investments and other assets	<u>10,797</u>	<u>9,770</u>	<u>96,401</u>
Total assets	<u>¥271,149</u>	<u>¥268,380</u>	<u>\$2,420,978</u>

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥16,463	¥11,979	\$146,993
Current portion of long-term borrowings (Notes 3 and 5)	11,074	6,201	98,875
Notes and accounts payable:			
Trade notes and accounts payable (Note 3)	26,735	23,430	238,706
Other (Note 3)	12,259	12,353	109,456
Income taxes payable (Notes 3 and 8)	2,083	2,340	18,597
Accrued bonuses for employees	3,219	3,391	28,737
Accrued bonuses for directors	76	184	683
Deferred tax liabilities (Note 8)	719	677	6,423
Other	7,658	7,975	68,368
Total current liabilities	<u>80,286</u>	<u>68,530</u>	<u>716,838</u>
Long-term liabilities:			
Long-term borrowings (Notes 3 and 5)	4,056	15,146	36,216
Convertible bonds with stock acquisition rights (Notes 3 and 5)	20,054	20,068	179,050
Net defined benefit liability (Note 6)	3,208	3,116	28,644
Accrued retirement benefits for directors and corporate auditors	126	130	1,130
Deferred tax liabilities (Note 8)	4,892	5,907	43,676
Other	4,377	2,102	39,081
Total long-term liabilities	<u>36,713</u>	<u>46,469</u>	<u>327,797</u>
Total liabilities	<u>116,999</u>	<u>114,999</u>	<u>1,044,635</u>
Net assets (Note 7):			
Shareholders' equity:			
Common stock			
Authorized - 300,000,000 shares			
Issued - 120,481,395 shares in 2017 and 2016	23,557	23,557	210,332
Capital surplus	41,519	41,515	370,705
Retained earnings (Note 16)	99,985	96,913	892,727
Treasury stock, at cost -			
2,650,804 shares in 2017 and 2,664,538 shares in 2016	(3,309)	(3,326)	(29,549)
Total shareholders' equity	<u>161,752</u>	<u>158,659</u>	<u>1,444,215</u>
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	2,239	1,068	19,995
Deferred gains (losses) on hedges	21	6	190
Foreign currency translation adjustments	(9,762)	(6,123)	(87,164)
Adjustment in defined benefit obligation of overseas subsidiaries	(368)	(477)	(3,289)
Total accumulated other comprehensive income	<u>(7,870)</u>	<u>(5,526)</u>	<u>(70,268)</u>
Stock acquisition rights (Note 12)	268	238	2,396
Non-controlling interests	-	10	-
Total net assets	<u>154,150</u>	<u>153,381</u>	<u>1,376,343</u>
Total liabilities and net assets	<u>¥271,149</u>	<u>¥268,380</u>	<u>\$2,420,978</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2017 and 2016

	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, 2016	120,481	¥23,557	¥41,515	¥96,913	¥(3,326)	¥158,659
Changes during the year						
Cash dividends, 20.00 yen per share				(2,357)		(2,357)
Net income attributable to owners of the parent				5,429		5,429
Treasury stock acquired (266shares)					(0)	(0)
Treasury stock disposed (14,000shares)			2		17	19
Change in treasury shares of parent arising from transactions with non-controlling shareholders			2			2
Changes other than shareholders' equity						
Total changes	-	-	4	3,072	17	3,093
BALANCE, MARCH 31, 2017	120,481	¥23,557	¥41,519	¥99,985	¥(3,309)	¥161,752

	Millions of Yen							
	Accumulated Other Comprehensive Income		Foreign Currency Translation Adjustments	Adjustment in Defined Benefit Obligation of Overseas Subsidiaries	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges							
BALANCE, APRIL 1, 2016	¥1,068	¥6	¥(6,123)	¥(477)	¥(5,526)	¥238	¥10	¥153,381
Changes during the year								
Cash dividends, 20.00 yen per share								(2,357)
Net income attributable to owners of the parent								5,429
Treasury stock acquired (266shares)								(0)
Treasury stock disposed (14,000shares)								19
Change in treasury shares of parent arising from transactions with non-controlling shareholders								2
Changes other than shareholders' equity	1,171	15	(3,639)	109	(2,344)	30	(10)	(2,324)
Total changes	1,171	15	(3,639)	109	(2,344)	30	(10)	769
BALANCE, MARCH 31, 2017	¥2,239	¥21	¥(9,762)	¥(368)	¥(7,870)	¥268	¥-	¥154,150

	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, 2016	\$210,332	\$370,672	\$865,294	\$(29,703)	\$1,416,595
Changes during the year					
Cash dividends, 0.18 dollar per share			(21,040)		(21,040)
Net income attributable to owners of the parent			48,473		48,473
Treasury stock acquired (266shares)				(3)	(3)
Treasury stock disposed (14,000shares)		12		157	169
Change in treasury shares of parent arising from transactions with non-controlling shareholders		21			21
Changes other than shareholders' equity					
Total changes	-	33	27,433	154	27,620
BALANCE, MARCH 31, 2017	\$210,332	\$370,705	\$892,727	\$(29,549)	\$1,444,215

	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	Non-controlling Interests	Total Net Assets
BALANCE, APRIL 1, 2016	\$9,536	\$55	\$(54,670)	\$(4,264)	\$(49,343)	\$2,128	\$95	\$1,369,475
Changes during the year								
Cash dividends, 0.18 dollar per share								(21,040)
Net income attributable to owners of the parent								48,473
Treasury stock acquired (266shares)								(3)
Treasury stock disposed (14,000shares)								169
Change in shareholders' equity of parent arising from transactions with non-controlling shareholders								21
Changes other than shareholders' equity	10,459	135	(32,494)	975	(20,925)	268	(95)	(20,752)
Total changes	10,459	135	(32,494)	975	(20,925)	268	(95)	6,868
BALANCE, MARCH 31, 2017	\$19,995	\$190	\$(87,164)	\$(3,289)	\$(70,268)	\$2,396	\$-	\$1,376,343

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, 2015	120,481	¥23,557	¥41,495	¥83,339	¥(3,413)	¥144,978
Changes during the year						
Cash dividends, 10.00 yen per share				(1,177)		(1,177)
Net income attributable to owners of the parent				14,751		14,751
Treasury stock acquired (285shares)					(1)	(1)
Treasury stock disposed (70,000shares)			1		88	89
Change in treasury shares of parent arising from transactions with non-controlling shareholders			19			19
Changes other than shareholders' equity						
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 Comprehensive Income		Foreign Currency Translation Adjustments	Adjustment in Defined Benefit Obligation of Overseas Subsidiaries	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges							
BALANCE, APRIL 1, 2015	¥2,126	¥7	¥3,774	¥(396)	¥5,511	¥228	¥139	¥150,856
Changes during the year								
Cash dividends, 10.00 yen per share								(1,177)
Net income attributable to owners of the parent								14,751
Treasury stock acquired (285shares)								(1)
Treasury stock disposed (70,000shares)								89
Change in treasury shares of parent arising from transactions with non-controlling shareholders								19
Changes other than shareholders' equity	(1,058)	(1)	(9,897)	(81)	(11,037)	10	(129)	(11,156)
Total changes	(1,058)	(1)	(9,897)	(81)	(11,037)	10	(129)	2,525
BALANCE, MARCH 31, 2016	¥1,068	¥6	¥(6,123)	¥(477)	¥(5,526)	¥238	¥10	¥153,381

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Operating activities:			
Income before income taxes	¥7,507	¥18,284	\$67,031
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	24,909	23,767	222,399
Impairment loss on property, plant and equipment	749	222	6,689
Business structure improvement expense	2,194	1,795	19,586
Increase (decrease) in allowance for doubtful receivables	(3)	(19)	(24)
Increase (decrease) in accrued bonuses for employees	(164)	161	(1,467)
Increase (decrease) in accrued bonuses for directors	(108)	75	(962)
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	(5)	4	(41)
Interest and dividend income	(317)	(389)	(2,832)
Interest expense	243	274	2,174
Equity in (earnings) losses of affiliates	301	(13)	2,687
(Gain) loss on disposal and sales of property, plant and equipment	615	71	5,495
Subsidy income	(613)	(159)	(5,471)
Loss on valuation of investment securities	160	1,463	1,429
Gain on liquidation of subsidiaries and affiliates	(40)	-	(354)
Changes in operating assets and liabilities:			
Trade notes and accounts receivables	(3,500)	2,587	(31,254)
Inventories	(1,246)	(7,721)	(11,128)
Trade notes and accounts payables	3,595	261	32,100
Other	1,191	1,191	10,625
Subtotal	35,468	41,854	316,682
Interest and dividends received	677	378	6,049
Interest paid	(240)	(271)	(2,141)
Payments for business structure improvement expenses	(2,210)	(390)	(19,734)
Income taxes paid	(4,003)	(3,293)	(35,746)
Net cash provided by operating activities	29,692	38,278	265,110
Investing activities:			
Purchases of property, plant and equipment	(31,553)	(37,378)	(281,725)
Proceeds from sales of property, plant and equipment	90	279	804
Purchases of investment securities	-	(160)	-
Decrease (increase) in time deposits	1,840	(1,413)	16,428
Proceeds from sales of investment securities	92	139	819
Income from business transfer	-	1,043	-
Proceeds from subsidy income	609	159	5,438
Proceeds from sales of other investments	-	1,093	-
Proceeds from liquidation of subsidiaries and affiliates	150	-	1,339
Other	(34)	863	(300)
Net cash used in investing activities	(28,806)	(35,375)	(257,197)
Financing activities:			
Net increase (decrease) in short-term borrowings	4,608	(47)	41,147
Proceeds from long-term borrowings	-	5,000	-
Repayments of long-term borrowings	(6,216)	(5,493)	(55,500)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(10)	-	(87)
Payment of cash dividends to non-controlling interests	-	(1)	-
Purchases of treasury stock	(0)	(1)	(3)
Payments of cash dividends	(2,351)	(1,176)	(20,994)
Repayments of lease obligations	(374)	(333)	(3,338)
Other	0	0	0
Net cash used in financing activities	(4,343)	(2,051)	(38,775)
Effect of exchange rate changes on cash and cash equivalents	(392)	(2,385)	(3,508)
Net increase (decrease) in cash and cash equivalents	(3,849)	(1,533)	(34,370)
Cash and cash equivalents, beginning of year	39,944	41,477	356,645
Cash and cash equivalents, end of year	¥36,095	¥39,944	\$322,275

See accompanying notes to consolidated financial statements.