Consolidated Financial Statements

Consolidated Balance Sheets

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

	Millions o	Thousands of U.S. Dollars (Note 1)	
ASSETS	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	149,256_	151,563	1,332,642
Property, plant and equipment (Note 14): Land Buildings and structures Machinery and equipment Tools, furniture and fixtures Construction in progress Total Accumulated depreciation Net property, plant and equipment	9,416 79,287 233,806 20,936 3,816 347,261 (236,165) 111,096	8,611 78,622 225,863 20,135 5,337 338,568 (231,521) 107,047	84,074 707,917 2,087,558 186,930 34,073 3,100,552 (2,108,617) 991,935
Investments and other assets:		4.000	
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	0.064	527
Other	3,330	2,861	29,735
Allowance for doubtful receivables	(336)	(338)	(3,005)
Total investments and other assets	10,797	9,770	96,401
Total assets	¥271,149	¥268,380	\$2,420,978

See accompanying notes to consolidated financial statements.

Current liabilities: Short-term borrowings (Notes 3 and 5) Current portion of long-term borrowings (Notes 3 and 5) Notes and accounts payable: Trade notes and accounts payable (Note 3) Other (Note 3) Income taxes payable (Notes 3 and 8) Accrued bonuses for employees Accrued bonuses for directors Deferred tax liabilities (Note 8) Other Total current liabilities	2017 ¥16,463 11,074 26,735 12,259 2,083 3,219 76 719	2016 ¥11,979 6,201 23,430 12,353 2,340 3,391	(Note 1) 2017 \$146,993 98,875 238,706 109,456 18,597
Current liabilities: Short-term borrowings (Notes 3 and 5) Current portion of long-term borrowings (Notes 3 and 5) Notes and accounts payable: Trade notes and accounts payable (Note 3) Other (Note 3) Income taxes payable (Notes 3 and 8) Accrued bonuses for employees Accrued bonuses for directors Deferred tax liabilities (Note 8) Other	¥16,463 11,074 26,735 12,259 2,083 3,219 76	¥11,979 6,201 23,430 12,353 2,340 3,391	\$146,993 98,875 238,706 109,456
Short-term borrowings (Notes 3 and 5) Current portion of long-term borrowings (Notes 3 and 5) Notes and accounts payable: Trade notes and accounts payable (Note 3) Other (Note 3) Income taxes payable (Notes 3 and 8) Accrued bonuses for employees Accrued bonuses for directors Deferred tax liabilities (Note 8) Other	11,074 26,735 12,259 2,083 3,219 76	6,201 23,430 12,353 2,340 3,391	98,875 238,706 109,456
Current portion of long-term borrowings (Notes 3 and 5) Notes and accounts payable: Trade notes and accounts payable (Note 3) Other (Note 3) Income taxes payable (Notes 3 and 8) Accrued bonuses for employees Accrued bonuses for directors Deferred tax liabilities (Note 8) Other	11,074 26,735 12,259 2,083 3,219 76	6,201 23,430 12,353 2,340 3,391	98,875 238,706 109,456
Notes and accounts payable: Trade notes and accounts payable (Note 3) Other (Note 3) Income taxes payable (Notes 3 and 8) Accrued bonuses for employees Accrued bonuses for directors Deferred tax liabilities (Note 8) Other	26,735 12,259 2,083 3,219 76	23,430 12,353 2,340 3,391	238,706 109,456
Trade notes and accounts payable (Note 3) Other (Note 3) Income taxes payable (Notes 3 and 8) Accrued bonuses for employees Accrued bonuses for directors Deferred tax liabilities (Note 8) Other	12,259 2,083 3,219 76	12,353 2,340 3,391	109,456
Other (Note 3) Income taxes payable (Notes 3 and 8) Accrued bonuses for employees Accrued bonuses for directors Deferred tax liabilities (Note 8) Other	12,259 2,083 3,219 76	12,353 2,340 3,391	109,456
Income taxes payable (Notes 3 and 8) Accrued bonuses for employees Accrued bonuses for directors Deferred tax liabilities (Note 8) Other	2,083 3,219 76	2,340 3,391	
Accrued bonuses for employees Accrued bonuses for directors Deferred tax liabilities (Note 8) Other	3,219 76	3,391	18 507
Accrued bonuses for directors Deferred tax liabilities (Note 8) Other	76		10,001
Deferred tax liabilities (Note 8) Other	_		28,737
Other	719	184	683
	7 10	677	6,423
Total current liabilities	7,658	7,975	68,368
	80,286	68,530	716,838
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	36,713	46,469	327,797
Total liabilities	116,999	114,999	1,044,635
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	161,752	158,659	1,444,215
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	(7,870)	(5,526)	(70,268)
Stock acquisition rights (Note 12)	268	238	2,396
Non-controlling interests	-	10	2,000
Total net assets	154,150	153,381	1,376,343
Total liabilities and net assets	¥271,149	¥268,380	\$2,420,978

See accompanying notes to consolidated financial statements.

40 • TAIYO YUDEN Annual Report 2017 •

Consolidated Statements of Income

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

	Millions of	Yen	Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Not solve (Note 44)	V000 747	V040.000	₽0.050.070
Net sales (Note 14)	¥230,717	¥240,386	\$2,059,970
Cost of sales	179,363	176,979	1,601,453
Gross profit	51,354	63,407	458,517
Selling, general and administrative expenses	38,969	40,037	347,936
Operating income	12,385	23,370	110,581
Other income (expenses)			
Interest and dividend income	317	389	2,832
Interest expense	(243)	(274)	(2,174)
Equity in earnings (losses) of affiliate	(301)	13	(2,687)
Loss on foreign exchange	(1,257)	(1,151)	(11,223)
Depreciation of inactive noncurrent assets	(474)	(373)	(4,227)
Gain on sales of property, plant and equipment	57	206	508
Loss on disposal and sales of property, plant and equipment	(672)	(277)	(6,003)
Loss on valuation of investment securities (Note 4)	(160)	(1,463)	(1,429)
Impairment loss on property, plant and equipment (Note 10)	(749)	(222)	(6,689)
Business structure improvement expenses (Notes 6 and 10)	(2,194)	(1,795)	(19,586)
Subsidy income	848	214	7,567
Gain on liquidation of subsidiaries and affiliates	40	-	354
Other	(90)	(353)	(793)
Other income (expenses) - net	(4,878)	(5,086)	(43,550)
Income before income taxes Income taxes (Note 8)	7,507	18,284	67,031
Current	3,688	3,624	32,928
Deferred	(1,611)	1	(14,381)
Total income taxes	2,077	3,625	18,547
Net income	5,430	14,659	48,484
Net income (loss) attributable to non-controlling interests	1	(92)	11
Net income attributable to owners of the parent	¥5,429	¥14,751	\$48,473
			U.S. Dollars
	Yen		(Note 1)
Per share of common stock (Note 15):	2017	2016	2017
Basic earnings	¥46.08	¥125.27	\$0.41
Diluted earnings	42.43	115.54	0.38
Cash dividends applicable to the year	20.00	15.00	0.18

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

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

	Millions of `	Yen	Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Net income	¥5,430	¥14,659	\$48,484
Other comprehensive income (Note 13):			
Net unrealized holding gains (losses) on securities	1,171	(1,058)	10,459
Deferred gains (losses) on hedges	15	(1)	135
Foreign currency translation adjustments	(3,633)	(9,948)	(32,443)
Adjustment in defined benefit obligation of overseas subsidiaries	109	(81)	975
Total other comprehensive income	(2,338)	(11,088)	(20,874)
Comprehensive income	¥3,092	¥3,571	\$27,610
Total comprehensive income attributable to:			
Owners of the parent	¥3,085	¥3,713	\$27,549
Non-controlling interests	7	(142)	61

See accompanying notes to consolidated financial statements.

42 • TAIYO YUDEN Annual Report 2017 •

Consolidated Statements of Changes in Net Assets

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

	Thousands					
	Number of		Sh	nareholders' Equ	iity	
	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 Comprehe	nsive 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	¥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					

			Thousan	ds of U.S. Dollars	s (Note 1)			
		Accumulated	Other Comprehe	ensive Income			sition Non-controlling 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	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights		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) Change in shareholders' equity of parent arising								169
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					
,	Number of		Sh	areholders' Equ	ity	
	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 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	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	Total Net Assets
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.

44 • TAIYO YUDEN Annual Report 2017 •

Consolidated Statements of Cash Flows

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

	Millions of Yen		I nousands 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:	(0.500)	0.507	(04.05.4)
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	4,000	5,000	71,177
Repayments of long-term borrowings	(6,216)	(5,493)	(55,500)
Payments from changes in ownership interests in subsidiaries	(0,210)	(3,433)	(55,500)
that do not result in change in scope of consolidation	(10)	_	(87)
Payment of cash dividends to non-controlling interests	(10)	(1)	(01)
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)
<u> </u>			
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 Cash and cash equivalents, end of year	39,944 ¥36,095	41,477 ¥39,944	356,645 \$322,275
Casil and Casil Equivalents, end of year	+30,083	+33,344	ψυΖΖ,ΖΙΌ

See accompanying notes to consolidated financial statements.