

Consolidated Balance Sheets

TAIYO YUDEN CO., LTD. and Subsidiaries  
March 31, 2018 and 2017

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Current assets:</b>			
Cash and cash equivalents (Note 3)	¥43,838	¥36,095	\$413,564
Time deposits (Note 3)	5,862	3,975	55,304
Receivables:			
Trade notes and accounts receivable (Note 3)	56,934	53,791	537,113
Allowance for doubtful receivables	(279)	(273)	(2,628)
Inventories:			
Merchandise and finished products	19,310	17,281	182,174
Work in process	21,119	19,473	199,234
Raw materials and supplies	11,667	12,025	110,065
Deferred tax assets (Note 8)	2,831	1,084	26,704
Prepaid expenses and other current assets	5,875	5,805	55,427
<b>Total current assets</b>	<u>167,157</u>	<u>149,256</u>	<u>1,576,957</u>
<b>Property, plant and equipment (Note 14):</b>			
Land	9,422	9,416	88,889
Buildings and structures	81,603	79,287	769,836
Machinery and equipment	245,008	233,806	2,311,394
Tools, furniture and fixtures	22,662	20,936	213,789
Construction in progress	6,501	3,816	61,332
<b>Total</b>	<u>365,196</u>	<u>347,261</u>	<u>3,445,240</u>
Accumulated depreciation	(254,749)	(236,165)	(2,403,293)
<b>Net property, plant and equipment</b>	<u>110,447</u>	<u>111,096</u>	<u>1,041,947</u>
<b>Investments and other assets:</b>			
Investment securities (Notes 3 and 4)	6,357	5,685	59,974
Investments in affiliate (Note 3)	812	1,076	7,660
Deferred tax assets (Note 8)	1,183	983	11,157
Net defined benefit asset (Note 6)	-	59	-
Other	3,499	3,330	33,008
Allowance for doubtful receivables	(319)	(336)	(3,006)
<b>Total investments and other assets</b>	<u>11,532</u>	<u>10,797</u>	<u>108,793</u>
<b>Total assets</b>	<u>¥289,136</u>	<u>¥271,149</u>	<u>\$2,727,697</u>

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Current liabilities:</b>			
Short-term borrowings (Notes 3 and 5)	¥20,738	¥16,463	\$195,637
Current portion of long-term borrowings (Notes 3 and 5)	5,160	11,074	48,683
Notes and accounts payable:			
Trade notes and accounts payable (Note 3)	25,390	26,735	239,528
Other (Note 3)	12,793	12,259	120,684
Income taxes payable (Notes 3 and 8)	1,685	2,083	15,893
Accrued bonuses for employees	3,663	3,219	34,561
Accrued bonuses for directors	231	76	2,181
Deferred tax liabilities (Note 8)	688	719	6,494
Other	7,808	7,658	73,663
<b>Total current liabilities</b>	<u>78,156</u>	<u>80,286</u>	<u>737,324</u>
<b>Long-term liabilities:</b>			
Long-term borrowings (Notes 3 and 5)	8,883	4,056	83,800
Convertible bonds with stock acquisition rights (Notes 3 and 5)	20,039	20,054	189,050
Net defined benefit liability (Note 6)	2,866	3,208	27,037
Accrued retirement benefits for directors and corporate auditors	132	126	1,241
Deferred tax liabilities (Note 8)	6,324	4,892	59,658
Other	2,617	4,377	24,693
<b>Total long-term liabilities</b>	<u>40,861</u>	<u>36,713</u>	<u>385,479</u>
<b>Total liabilities</b>	<u>119,017</u>	<u>116,999</u>	<u>1,122,803</u>
<b>Net assets (Note 7):</b>			
<b>Shareholders' equity:</b>			
Common stock			
Authorized - 300,000,000 shares			
Issued - 120,481,395 shares in 2018 and 2017	23,557	23,557	222,238
Capital surplus	41,518	41,519	391,682
Retained earnings (Note 16)	113,984	99,985	1,075,323
Treasury stock, at cost - 2,645,260 shares in 2018 and 2,650,804 shares in 2017	(3,302)	(3,309)	(31,159)
<b>Total shareholders' equity</b>	<u>175,757</u>	<u>161,752</u>	<u>1,658,084</u>
<b>Accumulated other comprehensive income:</b>			
Net unrealized holding gains (losses) on securities	2,896	2,239	27,321
Deferred gains (losses) on hedges	(15)	21	(146)
Foreign currency translation adjustments	(9,029)	(9,762)	(85,176)
Adjustment in defined benefit obligation of overseas subsidiaries	168	(368)	1,583
<b>Total accumulated other comprehensive income</b>	<u>(5,980)</u>	<u>(7,870)</u>	<u>(56,418)</u>
<b>Stock acquisition rights (Note 12)</b>	<u>342</u>	<u>268</u>	<u>3,228</u>
<b>Total net assets</b>	<u>170,119</u>	<u>154,150</u>	<u>1,604,894</u>
<b>Total liabilities and net assets</b>	<u>¥289,136</u>	<u>¥271,149</u>	<u>\$2,727,697</u>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Income

TAIYO YUDEN CO., LTD. and Subsidiaries  
March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Net sales</b> (Note 14)	¥244,117	¥230,717	\$2,302,994
<b>Cost of sales</b>	182,165	179,363	1,718,539
Gross profit	61,952	51,354	584,455
<b>Selling, general and administrative expenses</b>	41,730	38,969	393,684
Operating income	20,222	12,385	190,771
<b>Other income (expenses)</b>			
Interest and dividend income	396	317	3,735
Interest expense	(239)	(243)	(2,254)
Equity in losses of affiliate	(264)	(301)	(2,491)
Loss on foreign exchange	(1,649)	(1,257)	(15,560)
Depreciation of inactive noncurrent assets	(207)	(474)	(1,949)
Gain on sales of property, plant and equipment	21	57	203
Loss on disposal and sales of property, plant and equipment	(358)	(672)	(3,377)
Loss on valuation of investment securities (Note 4)	(0)	(160)	(4)
Impairment loss on property, plant and equipment (Note 10)	(396)	(749)	(3,737)
Business structure improvement expenses (Note 6)	-	(2,194)	-
Subsidy income	2,058	848	19,416
Gain on liquidation of subsidiaries and affiliates	-	40	-
Head office transfer cost	(96)	(15)	(904)
Other	237	(75)	2,234
Other income (expenses) - net	(497)	(4,878)	(4,688)
<b>Income before income taxes</b>	19,725	7,507	186,083
<b>Income taxes</b> (Note 8)			
Current	(4,114)	3,688	(38,806)
Deferred	744	(1,611)	7,020
Total income taxes	(3,370)	2,077	(31,786)
<b>Net income</b>	16,355	5,430	154,297
<b>Net income attributable to non-controlling interests</b>	-	1	-
<b>Net income attributable to owners of the parent</b>	¥16,355	¥5,429	\$154,297

	Yen		U.S. Dollars (Note 1)
	2018	2017	2018
<b>Per share of common stock</b> (Note 15):			
Basic earnings	¥138.80	¥46.08	\$1.31
Diluted earnings	127.88	42.43	1.21
Cash dividends applicable to the year	20.00	20.00	0.19

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

TAIYO YUDEN CO., LTD. and Subsidiaries  
March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Net income</b>	¥16,355	¥5,430	\$154,297
<b>Other comprehensive income</b> (Note 13):			
Net unrealized holding gains (losses) on securities	657	1,171	6,195
Deferred gains (losses) on hedges	(36)	15	(346)
Foreign currency translation adjustments	733	(3,633)	6,921
Adjustment in defined benefit obligation of overseas subsidiaries	536	109	5,058
Total other comprehensive income	1,890	(2,338)	17,828
<b>Comprehensive income</b>	¥18,245	¥3,092	\$172,125
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	¥18,245	¥3,085	\$172,125
Non-controlling interests	-	7	-

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

TAIYO YUDEN CO., LTD. and Subsidiaries  
March 31, 2018 and 2017

Thousands	Millions of Yen					
	Shareholders' Equity					
Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity	
<b>BALANCE, APRIL 1, 2017</b>	120,481	¥23,557	¥41,519	¥99,985	¥(3,309)	¥161,752
Changes during the year						
Cash dividends, 20.00 yen per share			(2,356)			(2,356)
Net income attributable to owners of the parent			16,355			16,355
Treasury stock acquired (456shares)				(1)		(1)
Treasury stock disposed (6,000shares)		(1)		8		7
Changes other than shareholders' equity						
Total changes			(1)	7		14,005
<b>BALANCE, MARCH 31, 2018</b>	120,481	¥23,557	¥41,518	¥113,984	¥(3,302)	¥175,757

	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	Non-controlling Interests	Total Net Assets	
<b>BALANCE, APRIL 1, 2017</b>	¥2,239	¥21	¥(9,762)	¥(368)	¥(7,870)	¥268	¥-	¥154,150
Changes during the year								
Cash dividends, 20.00 yen per share								(2,356)
Net income attributable to owners of the parent								16,355
Treasury stock acquired (456shares)								(1)
Treasury stock disposed (6,000shares)								7
Changes other than shareholders' equity	657	(36)	733	536	1,890	74	-	1,964
Total changes	657	(36)	733	536	1,890	74	-	15,969
<b>BALANCE, MARCH 31, 2018</b>	¥2,896	¥(15)	¥(9,029)	¥168	¥(5,980)	¥342	¥-	¥170,119

	Thousands of U.S. Dollars (Note 1)					
	Shareholders' Equity					
Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity		
<b>BALANCE, APRIL 1, 2017</b>	\$222,238	\$391,689	\$943,259	\$ (31,222)	\$1,525,964	
Changes during the year						
Cash dividends, 0.19 dollar per share			(22,233)		(22,233)	
Net income attributable to owners of the parent			154,297		154,297	
Treasury stock acquired (456shares)				(7)	(7)	
Treasury stock disposed (6,000shares)			(7)	70	63	
Changes other than shareholders' equity						
Total changes	-	(7)	132,064	63	132,120	
<b>BALANCE, MARCH 31, 2018</b>	\$222,238	\$391,682	\$1,075,323	\$ (31,159)	\$1,658,084	

	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	
<b>BALANCE, APRIL 1, 2017</b>	\$21,126	\$200	\$(92,097)	\$(3,475)	\$(74,246)	\$2,531	\$-	\$1,454,249
Changes during the year								
Cash dividends, 0.19 dollar per share								(22,233)
Net income attributable to owners of the parent								154,297
Treasury stock acquired (456shares)								(7)
Treasury stock disposed (6,000shares)								63
Changes other than shareholders' equity	6,195	(346)	6,921	5,058	17,828	697	-	18,525
Total changes	6,195	(346)	6,921	5,058	17,828	697	-	150,645
<b>BALANCE, MARCH 31, 2018</b>	\$27,321	\$(146)	\$(85,176)	\$1,583	\$(56,418)	\$3,228	\$-	\$1,604,894

See accompanying notes to consolidated financial statements.

Thousands	Millions of Yen					
	Shareholders' Equity					
Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity	
<b>BALANCE, APRIL 1, 2016</b>	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 shareholders' equity of parent arising from transactions with non-controlling		2				2
Changes other than shareholders' equity						
Total changes			4	3,072	17	3,093
<b>BALANCE, MARCH 31, 2017</b>	120,481	¥23,557	¥41,519	¥99,985	¥(3,309)	¥161,752

	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	Non-controlling Interests	Total Net Assets	
<b>BALANCE, APRIL 1, 2016</b>	¥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 shareholders' equity of parent arising from transactions with non-controlling								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
<b>BALANCE, MARCH 31, 2017</b>	¥2,239	¥21	¥(9,762)	¥(368)	¥(7,870)	¥268	¥-	¥154,150

See accompanying notes to consolidated financial statements.

# Consolidated Financial Statements

## Consolidated Statements of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries  
 March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Operating activities:</b>			
Income before income taxes	¥19,725	¥7,507	\$186,083
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	25,590	24,909	241,411
Impairment loss on property, plant and equipment	396	749	3,737
Business structure improvement expense	-	2,194	-
Head office transfer cost	96	15	904
Increase (decrease) in allowance for doubtful receivables	(12)	(3)	(116)
Increase (decrease) in accrued bonuses for employees	439	(164)	4,144
Increase (decrease) in accrued bonuses for directors	155	(108)	1,459
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	5	(5)	49
Interest and dividend income	(396)	(317)	(3,735)
Interest expense	239	243	2,254
Equity in (earnings) losses of affiliates	264	301	2,491
(Gain) loss on disposal and sales of property, plant and equipment	336	615	3,170
Subsidy income	(1,819)	(613)	(17,156)
Loss on valuation of investment securities	0	160	4
Gain on liquidation of subsidiaries and affiliates	-	(40)	-
Changes in operating assets and liabilities:			
Trade notes and accounts receivables	(3,775)	(3,500)	(35,614)
Inventories	(3,162)	(1,246)	(29,834)
Trade notes and accounts payables	(1,453)	3,595	(13,704)
Other	1,761	1,176	16,610
Subtotal	<u>38,389</u>	<u>35,468</u>	<u>362,157</u>
Interest and dividends received	370	677	3,495
Interest paid	(241)	(240)	(2,271)
Payments for business structure improvement expenses	-	(2,210)	-
Payments for head office transfer cost	(59)	-	(552)
Income taxes paid	<u>(4,515)</u>	<u>(4,003)</u>	<u>(42,599)</u>
Net cash provided by operating activities	<u>33,944</u>	<u>29,692</u>	<u>320,230</u>
<b>Investing activities:</b>			
Purchases of property, plant and equipment	(26,550)	(31,553)	(250,468)
Proceeds from sales of property, plant and equipment	70	90	665
Decrease (increase) in time deposits	(1,840)	1,840	(17,361)
Proceeds from sales of investment securities	56	92	525
Proceeds from subsidy income	1,419	609	13,382
Proceeds from liquidation of subsidiaries and affiliates	-	150	-
Other	(73)	(34)	(691)
Net cash used in investing activities	<u>(26,918)</u>	<u>(28,806)</u>	<u>(253,948)</u>
<b>Financing activities:</b>			
Net increase (decrease) in short-term borrowings	4,457	4,608	42,045
Proceeds from long-term borrowings	10,000	-	94,340
Repayments of long-term borrowings	(11,087)	(6,216)	(104,595)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(10)	-
Purchases of treasury stock	(1)	(0)	(7)
Payments of cash dividends	(2,352)	(2,351)	(22,193)
Repayments of lease obligations	(63)	(374)	(591)
Other	0	0	0
Net cash provided by (used in) financing activities	<u>954</u>	<u>(4,343)</u>	<u>8,999</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(237)</u>	<u>(392)</u>	<u>(2,233)</u>
Net increase (decrease) in cash and cash equivalents	<u>7,743</u>	<u>(3,849)</u>	<u>73,048</u>
Cash and cash equivalents, beginning of year	<u>36,095</u>	<u>39,944</u>	<u>340,516</u>
Cash and cash equivalents, end of year	<u>¥43,838</u>	<u>¥36,095</u>	<u>\$413,564</u>

See accompanying notes to consolidated financial statements.