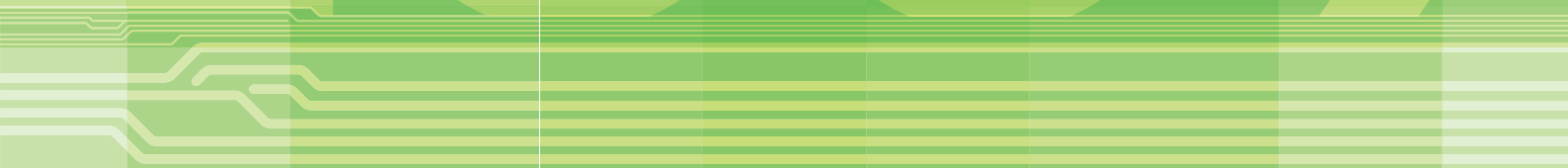


TAIYO YUDEN Annual Report 2009
Fiscal Year Ended March 31, 2009



CHANGE + CHALLENGE

Founded in 1950, Taiyo Yuden has created foundations for advancement through efforts to develop and mass produce state-of-the-art products that meet the most current needs of our customers. Our first products were titanium-oxide ceramic capacitors when we founded the company. Currently, we conduct R&D, production and supply activities for a multitude of high technology electronic components. Our product offerings include capacitors, inductors, circuit modules and optical recording media that include CD-Rs, DVD-Rs and BD-Rs. These products support markets in Information Technology and electronics industries throughout the world and provide top level quality and the most sophisticated electronic component solutions to these markets.

Our management philosophy focuses on "employee well-being," "betterment of local communities" and "responsibility to provide returns to shareholders." To achieve these objectives, we need to ensure the ongoing supply of products to customers worldwide at a guaranteed level of quality with the highest level of technology available and drive enduring and stable corporate advancement.

We always aim to be a trusted partner through further strengthening relationships with all of our stakeholders.

Taiyo Yuden Annual Report 2009

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Notes

· Period covered by report: from April 1, 2008 to March 31, 2009
 · The *Bluetooth*® word mark and logos are registered trademarks owned by Bluetooth SIC, Inc. Taiyo Yuden has been granted approval to use these trademarks.

Disclaimer

This Annual Report is intended to provide information about the business performance and strategies of the Taiyo Yuden Group. It is not intended as an inducement to purchase or sell stock in Taiyo Yuden or any Taiyo Yuden Group company. Statements in this report that are not historical fact are forward-looking statements based on the current beliefs, estimates and expectations of Taiyo Yuden Group Management. As these beliefs, estimates and expectations are subject to a number of risks, uncertainties and assumptions, actual results may differ materially. Taiyo Yuden undertakes no obligation to update any forward-looking statements, and shall in no event be liable for any damages arising out of the use or interpretation of this material. Please refrain from copying or disseminating this material without the prior consent of Taiyo Yuden.

Financial Highlights

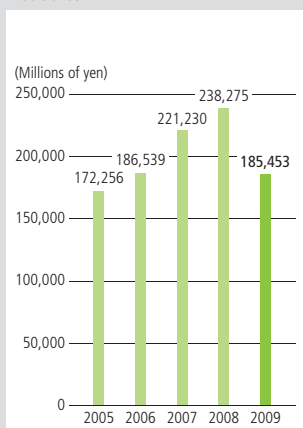
Taiyo Yuden Co., Ltd. and Subsidiaries
Years Ended March 31 and as of March 31

	Millions of Yen		Thousands of U.S. Dollars
	(Rounded off to the nearest million)		(Rounded off to the nearest thousand)
	2009	2008	2009
Net sales	¥ 185,453	¥ 238,275	\$ 1,892,373
Capacitors	79,360	109,348	809,794
Ferrite and applied products	28,468	35,159	290,488
Modules	33,451	37,400	341,341
Optical media products	31,169	31,838	318,047
Other electronic components	13,005	24,531	132,703
Operating income (loss)	(12,756)	21,304	(130,161)
Net income (loss)	(14,333)	10,634	(146,252)
Net assets	139,436	167,767	1,422,815
Total assets	225,451	271,605	2,300,523
	Yen	Yen	U.S. Dollars
Net assets per share	¥1,181.28	¥1,403.24	\$ 12.05
Basic net income (loss) per share	(121.51)	89.22	(1.24)
Diluted net income per share	–	82.06	–
Cash dividends per share	10.00	10.00	0.10
	%		
Equity ratio	61.6	61.6	
Return on Equity (ROE)	(9.4)	6.3	
Return on Assets (ROA)	(5.1)	7.2	
	Millions of Yen		Thousands of U.S. Dollars
R&D expenses	¥ 8,464	¥ 8,888	\$ 86,364
Capital investment	27,019	44,584	275,701
Depreciation expenses	27,851	23,294	284,190
Number of employees	17,478	20,117	

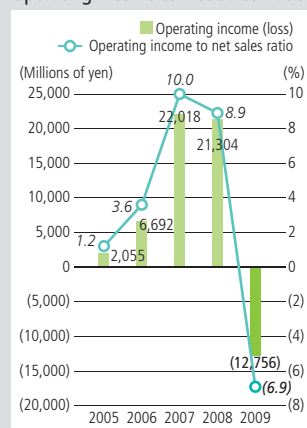
Notes: 1. U.S. dollar amounts are translated solely for convenience at the rate of ¥98 = US\$1.
(See Note 1 of the Notes to Consolidated Financial Statements.)

2. ROE = Net income/Net assets (yearly average, excluding stock acquisition rights and minority interests) x 100
ROA = Ordinary income/Total assets (yearly average) x 100

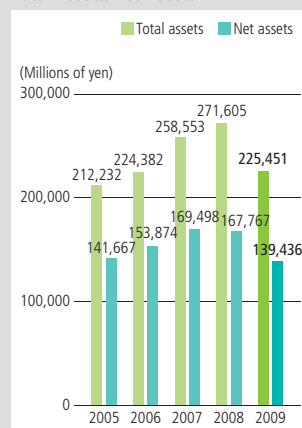
Net Sales



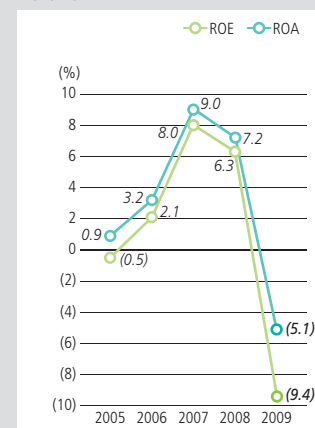
Operating Income (Loss)/
Operating Income to Net Sales Ratio



Total Assets/Net Assets



ROE/ROA





Yoshiro Kanzaki
President & Chief Executive Officer

Aiming to be a Trusted Partner

Since our founding in 1950, Taiyo Yuden has developed operations based on a “customer-first” principle and the belief that product commercialization should begin with development of quality materials. As ceramic capacitors became mainstream, we have expanded business into areas such as inductors, circuit modules and optical recording media. Presently, the Taiyo Yuden Group consists of 35 Group companies* worldwide.

Taiyo Yuden aims to be a trusted partner to all stakeholders, including shareholders, customers, employees and local communities. We aspire to be recognized as an excellent company by our shareholders by increasing corporate value, reinforcing our governance structure and promoting management transparency; to be viewed as a reliable partner to customers by delivering products at the appropriate quality, price, availability and timing of delivery; and to be a company that employees are proud of and that society respects.

Taiyo Yuden develops “green products” as the bedrock of our

business activities. These products are not just free from containing any harmful substances, but also we design these products from various viewpoints, such as occupational health and safety, product quality and environmental safety. As a result, we successfully eliminated overburden, inconsistency and waste from the production processes at Taiyo Yuden. This also resulted in minimizing energy consumption and harmful emissions.

The key to creating such products has been a strong commitment to technological development through acquisitions and R&D activities since our earliest days. We have built up a wealth of experience and know-how, particularly in material and production technologies over the years. We will continue to focus on these R&D activities with an emphasis on technology and equipment trends. We will always seek to devise products that are state-of-the-art and a half of a step ahead in the markets we compete in.

*34 consolidated subsidiaries and one affiliate

Overview of the Fiscal Year Ended March 31, 2009

Taiyo Yuden posted significant decreases in sales and profits on a year-on-year basis for the fiscal year ended March 2009. The financial crisis spread rapidly to a global scale, and starting with the instability of the financial and banking industries in the United States in September 2008, there was a huge impact on the real economy as well. The economy came to a virtual standstill as corporate performance deteriorated and personal spending weakened amid continued employment adjustments. Downward large-scale production adjustments for key electronics equipment that incorporate Taiyo Yuden products, including personal computers, mobile phones and televisions, culminated in a broad decrease in orders received at an unprecedented pace.

As a result, consolidated net sales contracted 22% compared with the previous fiscal year to ¥185.5 billion and the Company recorded an operating loss and net loss for the twelve month period ended March 2009.

Taiyo Yuden views the return of profit to shareholders as a critical management challenge. We are currently prioritizing investment in the development of new products and technologies to boost profitability in the future.

We will continue with our policy of providing an annual cash dividend of ¥10.0 per share for the foreseeable future. As such, we will maintain this policy despite current performance and provide annual cash dividends at this amount for the fiscal year ended March 2009.

Initiatives to Improve Performance and Strengthen Financial Position

The fiscal year under review was a very difficult year, and the economic outlook for the fiscal year ending March 2010 remains unclear. From long-term point of view, however, we expect continued growth in demand for electronic components in the electronics industry. We also expect increased global competition in the market, and therefore, we consider that establishing a foundation for high profitability and enhancing the business structure is a key management challenge.

With this in mind, we accomplished several key financial

objectives during the fiscal year ended March 31, 2009, including the reduction of inventories by up to ¥10.0 billion. These actions improve performance and strengthen our financial position.

In the fiscal year ending March 2010, we will work to enhance productivity by further cutting costs, enhancing labor productivity and boosting our yield rates. We also plan to reduce fixed costs by ¥20.0 billion on a year-on-year basis. We strive to restore profitability and achieve positive free cash flow in the fiscal year ending March 2010.

New Mid-term Management Plan: Change and Challenge!

As previously mentioned, Taiyo Yuden promotes business activities with the objective of becoming a trusted partner with our stakeholders. To achieve this goal, it is essential to realize strong foundations for profitable operations as well as sustainable growth. We formulated a Mid-term Management Plan starting in the fiscal year ending March 2010 aimed at establishing foundations for growth.

The Mid-term Management Plan's theme is "Change and Challenge!" The Taiyo Yuden Group has constantly challenged itself over the years. Under today's adverse circumstances, it is imperative that we continue to make changes and set challenges in the face of new global objectives and goals.

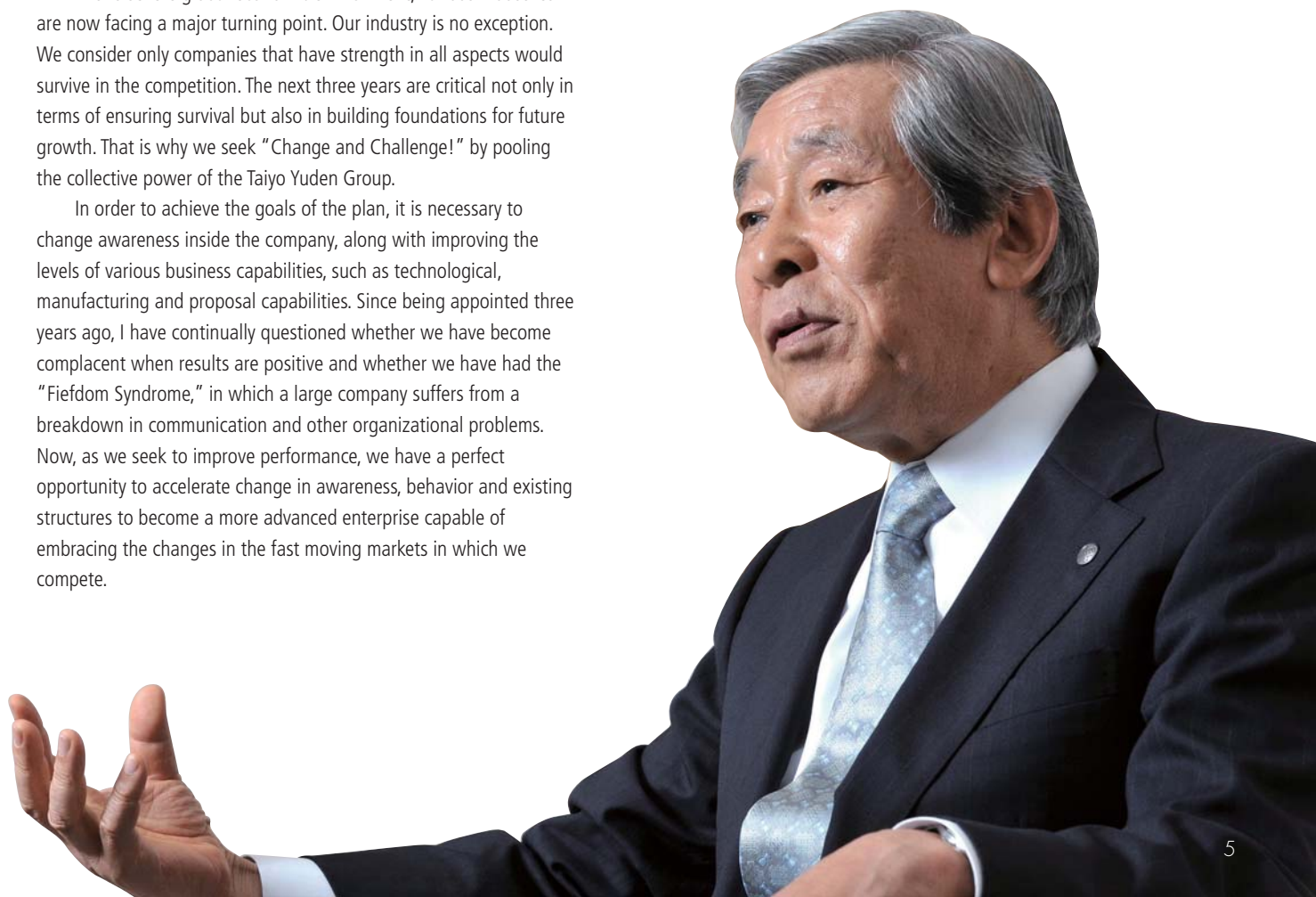
In this severe global economic environment, various industries are now facing a major turning point. Our industry is no exception. We consider only companies that have strength in all aspects would survive in the competition. The next three years are critical not only in terms of ensuring survival but also in building foundations for future growth. That is why we seek "Change and Challenge!" by pooling the collective power of the Taiyo Yuden Group.

In order to achieve the goals of the plan, it is necessary to change awareness inside the company, along with improving the levels of various business capabilities, such as technological, manufacturing and proposal capabilities. Since being appointed three years ago, I have continually questioned whether we have become complacent when results are positive and whether we have had the "Fiefdom Syndrome," in which a large company suffers from a breakdown in communication and other organizational problems. Now, as we seek to improve performance, we have a perfect opportunity to accelerate change in awareness, behavior and existing structures to become a more advanced enterprise capable of embracing the changes in the fast moving markets in which we compete.

Looking back throughout our history, Taiyo Yuden has overcome many crises through keeping pace with the changing times, taking a step ahead in technological innovations, and building close relationships with our customers. We will once again bring our challenging spirit to the forefront of our actions and traverse a path to further growth. We ask for the continued understanding and support of our shareholders and investors from a long-term perspective.

June 2009

(Please refer to pages 6-7 for details of the Mid-term Management Plan)



Mid-term Management Plan

(April 1, 2009 to March 31, 2012)

The Taiyo Yuden Group initiated a new Mid-term Management Plan in April 2009. Under our long-term vision, we aim to be a trusted partner through the creation of strong foundations to generate profits and realization of sustainable growth.

We will set aggressive mid-term targets and promote concrete measures to achieve our vision.

Mid-term Management Policy

Change and Challenge!

- Comprehensively strengthen *gemba* (on-site) capabilities throughout the organization and promote a quantum leap in the standards that drive our business operations
- Establish foundations for growth by creating new products

Targeting ¥220 billion in Net Sales and ¥20 billion in Operating Income in the Fiscal Year Ending March 2012

We have set quantitative targets for the fiscal year ending March 2012, the final year of the plan, of ¥220.0 billion in net sales and ¥20.0 billion in operating income. We are also aiming for return on equity (ROE) of 8% towards creating a solid foundation to generate profits within the three-year period with greatly enhanced shareholder value.

With regard to the business environment, we used to treat our

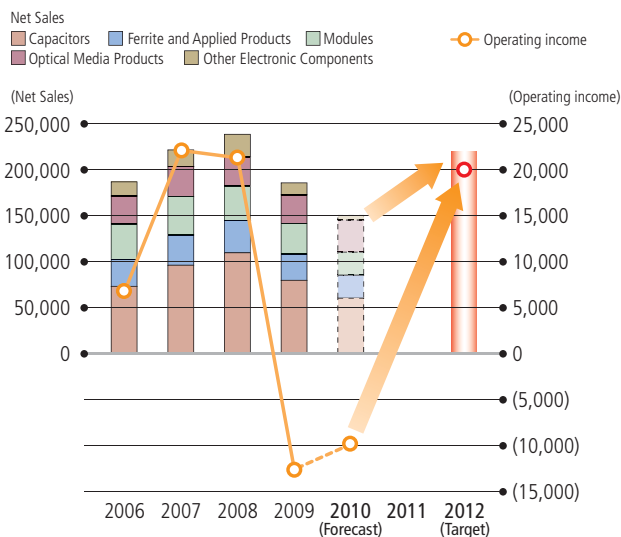
market segments individually, for instance, information equipment such as PCs, communications equipment such as mobile phones and consumer products such as flat-panel TVs. In recent years, however, these segments have started merging and it has become more difficult to forecast and predict where these markets are headed. We are already witnessing the convergence of information and communications systems, particularly with netbook PCs and sophisticated mobile handsets known as smartphones, and we expect this convergence to gather momentum going forward. In consumer products, we can expect further progress in multi-functionality through advancements in digitalization and wireless capability, and convergence with home servers. Meanwhile, the automotive field continues to shift from a focus on mechatronics to electronics.

The electronics industry is continually evolving and at the heart of this change is the integrated circuit (IC). Taiyo Yuden will press ahead with the development of electronic components incorporating ICs by leveraging our unique technologies.

In line with this environment, Taiyo Yuden aims to bolster cost competitiveness and strengthen the Company's foundation to generate profits by reinforcing supply chain management, and increasing on-site capabilities, notably boosting productivity by promoting cost-cutting measures and raising labor productivity and production yield rates.

Sales and Operating Income Targets

(Millions of yen)



Initiatives by Product Segment

Capacitors

The capacitors segment will be the driving force behind the Taiyo Yuden Group's growth during the three-year period of the Mid-term Management Plan. In line with the evolution of the IC, demand for multilayer ceramic capacitors (MLCCs) with capacitance of 100 μF is expected to increase. In response, Taiyo Yuden will continuously focus on small, high-capacitance MLCCs. At the same time, we will enrich MLCCs lineup towards high-capacitance domain and expand the market by taking advantage of charge-discharge characteristics of MLCCs. We will also focus on developing highly reliable, high-voltage capacitors and work towards full-scale entry into the car electronics market.

Elsewhere, we will push ahead with new product development in energy-related devices such as PAS* capacitors and lithium ion capacitors.

*PAS (Polyacenic Semiconductor): A conductive polymer, synthesized through special thermal condensation of phenolic resin

Ferrite and Applied Products

As with multilayer ceramic capacitors, we will accelerate the market introduction of small, high-current inductors to keep pace with advancements in ICs. By expanding our lineup of inductors to meet the diverse needs of our customers, we can both increase sales and achieve high profitability.

Modules

To realize product differentiation in the growing wireless market, Taiyo Yuden developed and released EOMIN™, which is a component embedded circuit board with a 3D ultra-high-density structure. We aim to boost profitability by expanding products with distinctive features.

Strengthen Corporate Governance Framework

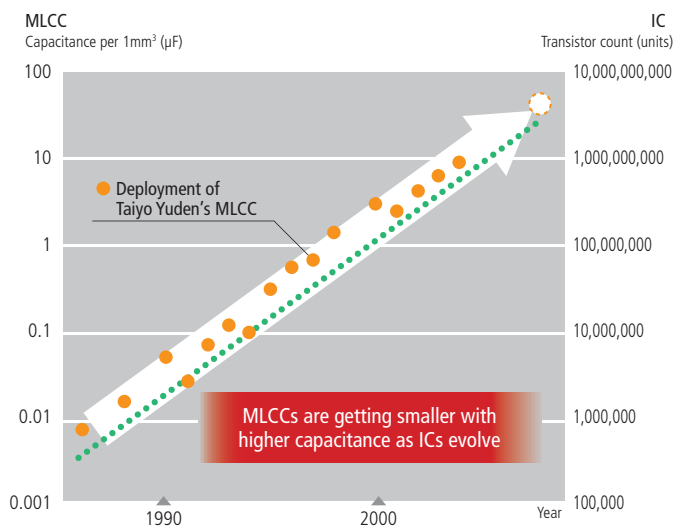
The Taiyo Yuden Group is working to strengthen corporate governance and bolster and expand Group functions and controls to lay the foundations to achieve our vision and further enhance our position as a trusted partner to our stakeholders.

Initiatives to strengthen corporate governance include shortening the term for the directors from two years to one year and increasing the number of outside directors. We also seek to raise management transparency by separating business supervision and executive functions, increasing the level of information disclosure and reinforcing internal control functions and our risk management system.

Bolster Group Functions

The Taiyo Yuden Group is comprised of 35 Group companies in Japan and overseas. Each company functions as regional headquarters, manufacturing base, sales office or R&D facility. We are planning to take various group-wide measures to bolster group functions, such as

Miniaturization and Increased Capacitance Trends in Multilayer Ceramic Capacitors



..... Moore's Law states that "the transistor density of integrated circuits (ICs) doubles every 18-24 months," as observed by Gordon Moore, co-founder of Intel Corporation, a semiconductor chipmaker based in the United States.

Optical Media Products

Since the successful development of the world's first CD-R in 1988, the storage capacity of optical recording media has increased by almost 40 times in 20 years. In addition to our mainstay products of CD-Rs and DVD-Rs, we aim to steadily catch up with the high-growth-potential market for BD-Rs and launch high value-added products that enable us to boost profits. We will continually strive to be the leader in the optical recording media industry by continuously providing high-quality products.

managing global supply chain more efficiently, streamlining the production network, fostering human resources and optimizing group cash management. In addition, we will increase business efficiency through a focus on return on invested capital (ROIC) in business expansion.

Policy on Shareholder Return

We consider that increasing returns to shareholders is a critical management challenge. Our current policy is to maintain an annual cash dividend of ¥10.0 per share for the foreseeable future.

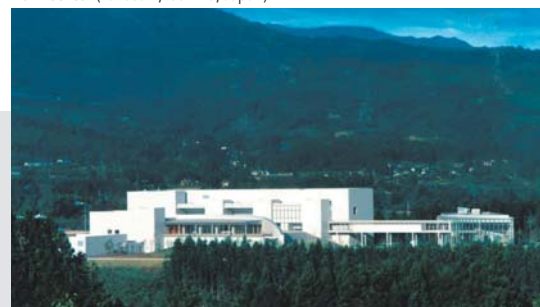
In consideration of our cash flow position, we recognize that at this stage it is necessary to increase internal reserves and repay interest-bearing debt. In the future, we will review our shareholder returns policy once we have strengthened our cash flow position. In addition to cash dividend, we will also consider to purchase our own stock when possible to achieve our long-term target of 30% total return ratio ([payment of cash dividends + purchase of treasury stock] / net income). We devote continuous effort to increasing our corporate value.

Research & Development

The Taiyo Yuden Group conducts new product development with the objective of creating global standards with materials and electronics through a dedication to technological acquisitions and R&D activities. We make ceaseless efforts, based on a fundamental venture spirit, to refine our state-of-the-art technologies and to create new products which are highly valued by customers.

We advance R&D activities at facilities led by our R&D Center in accordance with the following four policies.

R&D Center (Takasaki, Gunma, Japan)



1. Be a leader in technology

Promote technological development ahead of product development and be a global leader in technology

2. Devise general-purpose technologies

Devise technologies that can be applied not only to specific products but also to other areas

3. Develop economic and environment-compatible technologies

Develop technologies which can be economically applicable to our manufacturing process and meet critical environmental standards

4. Create No.1 technologies

Be dedicated to making the world's best technologies that are first to the market

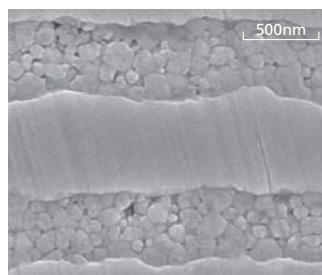
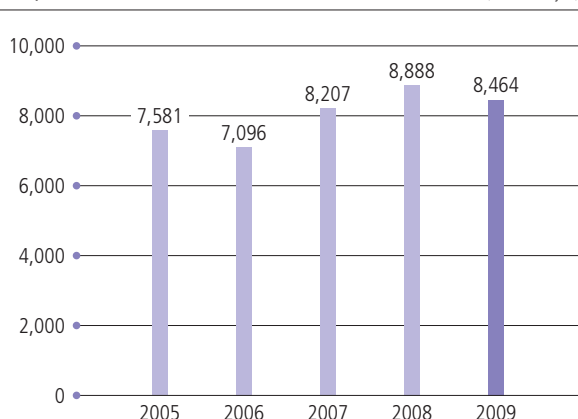
During the fiscal year ended March 2009, the Taiyo Yuden Group focused R&D efforts on our elemental technologies, including material technologies beginning with controlling barium titanate (for multilayer ceramic capacitors) at the molecular level, production technologies facilitating stable supply of high-quality products using production machinery and facilities designed in-house, and process and design technologies. Based on these elemental technologies, we pushed ahead with new product development aimed at meeting customer demand for products that are smaller, lower profile, more integrated and more functional.

For capacitors, we will work to further decrease size and increase capacitance, voltage resistance and reliability for multilayer

ceramic types while pushing forward with R&D in the energy-related device field, particularly PAS capacitors and lithium ion capacitors. In ferrite and applied products, we are developing technologies in inductors that meet customer needs for more compact, lower profile and high current products. In modules, we are conducting R&D into ultra miniaturized circuit module products that utilize our own newly developed EOMIN™ technology. In optical media products, we are pursuing R&D into products of high quality that boast advanced compatibility, stability and storage capacity, such as BD-Rs, a market which has potential for growth.

R&D expenses for the fiscal year ended March 2009 amounted to ¥8,464 million on a group-wide basis.

R&D Expenses (Millions of yen)



Internal structure of a multilayer ceramic capacitor



Barium titanate molecule

Business Highlights

Strengthened Foundations of Optical Media Products Business

In October 2008, Taiyo Yuden acquired a 65% stake in Victor Advanced Media Co., Ltd., a new company established following a spin-off from the recordable media business by Victor Company of Japan, Limited, and made it a consolidated subsidiary. Over the years, Taiyo Yuden has worked to strengthen the optical media business

structure as a means of stable expansion in this area. By integrating the accumulated technologies and know-how of the two companies by way of the joint venture, we aim to further strengthen the business structure.

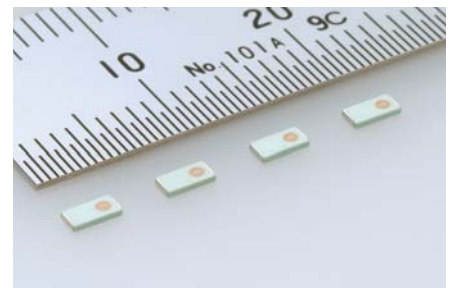
Launched a Succession of High-performance Products that Meet Customer Needs

■ **3225 Size Power Inductors Offer Industry's Highest Rated Current for Size**
Taiyo Yuden successfully developed and commercialized the BR series of wire-wound chip power inductors, which realize the highest rated current for their size in the industry. In designing the series, Taiyo Yuden optimized the core shape and electrode structure of the conventional inductor to eliminate all wasted space. This enables a high current rating while maintaining a compact shape. Mass production of the series commenced as new products for high-current-use devices such as digital still cameras, portable game devices and hard disk drives.



BR series power inductors in 3225 size

■ **Achieved Industry's Thinnest 2.4GHz Chip Antenna at 0.5mm**
Taiyo Yuden launched the industry's thinnest 2.4GHz chip antenna at 0.5mm made for use in rapidly expanding Bluetooth® and wireless LAN applications in compact mobile devices. This product achieves a profile that is 1.1mm lower than the previous Taiyo Yuden product for a volume space saving of 60%. As mobile phones become more multi-functional, conventional voice communication has come to be joined by global positioning system (GPS), camera, digital mobile TV reception, email, wireless connectivity and many other functions. As a result, there is strong pressure in the market to make internal components thinner and more compact. Taiyo Yuden aims to further develop this technology toward commercialization and delivery to our customers of even more compact, thinner antennas.



2.4GHz chip antennas

Showcased Product Quality and Performance at Exhibitions Worldwide

Taiyo Yuden showcased its product quality and technological capability at exhibitions in Japan and overseas during the year. These included CEATEC JAPAN 2008 (September 30 to October 4 in Chiba), which featured displays from 804 companies and organizations



CEATEC JAPAN 2008

from around the world. Taiyo Yuden showed its creativity with easy-to-understand experiential demonstrations for the general public aimed at boosting awareness of the company as a developer of technologies centered on electronic components that affect us all.

Principal Exhibitions

• 2008 •

April

TECHNO-FRONTIER 2008 (Chiba)

September

CEATEC JAPAN 2008 (Chiba)

October

ELEXCON 2008 (Shenzhen, Guangdong, China)
KES 2008 (Goyang, Gyeonggi-do, South Korea)
eMEX 2008 (Suzhou, Jiangsu, China)

December

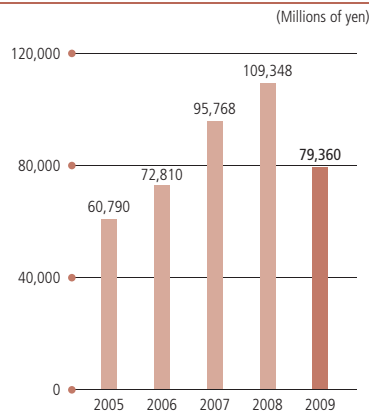
TRONSHOW 2009 (Tokyo)

Review of Operations

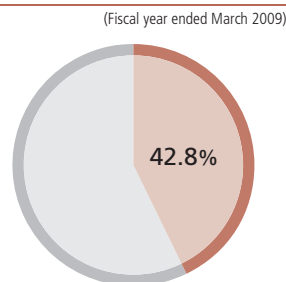
Taiyo Yuden Co., Ltd. and Subsidiaries
Years Ended March 31

Capacitors

Net Sales



Percentage of Total Net Sales



Main Products

Multilayer ceramic capacitors
Axial leaded ceramic capacitors
PAS capacitors

Consolidated net sales in this segment for the fiscal year ended March 2009 decreased 27.4% year-on-year to ¥79,360 million due to a decline in sales for all applications, including for consumer products, information equipment, communication equipment and components.

In our mainstay multilayer ceramic capacitors, we strengthened the business structure by increasing production capacity of high-end products, promoting cost-reduction measures chiefly through the improvement of productivity and expanding sales through market cultivation. We have successfully established mass-production technologies, which enable us to keep a dielectric layer thickness at the sub-micron level (less than 1 μ m) thanks to technological advancements in such areas as dielectric material technology, thin-film technology and high capacitance technology. As a result, we augmented our lineup with the industry's smallest temperature compensating capacitor at the 0402 case size (0.4mm x 0.2mm) as well as the B (X5R) characteristics capacitor for compact mobile devices. We also expanded production volume of compact, high-value, state-of-the-art capacitors in line with strong market demand, namely, capacitors with capacitance of 47 μ F at 1212 case size (2.0mm x 1.25mm) and others with capacitance of 4.7 μ F at the 1005 case size (1.0mm x 0.5mm).

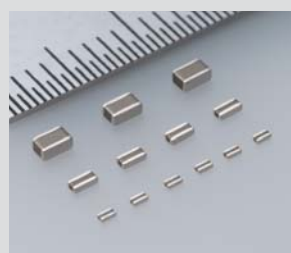
In coin type PAS capacitors mainly used for backup purposes in mobile phones and digital still cameras, we succeeded in mass production of the PAS311 series, which boast the industry's smallest size at 3.8mm Φ x1.1mm. We also started mass production of cylinder-type PAS capacitors capable of rapid charge/discharge for more than 100,000 times at ampere order. In addition, we succeeded in the development of a lithium ion capacitor with enhanced energy density through the addition of lithium ion to the negative electrode, applying the principle of electric double-layer capacitors.

Taiyo Yuden will continue to promote product development based on precise comprehension of market needs and bolster business expansion, particularly for high-end multilayer ceramic capacitors. We will also seek cost reductions through further improving labor productivity and yield rates.

Main Products



Multilayer ceramic capacitors



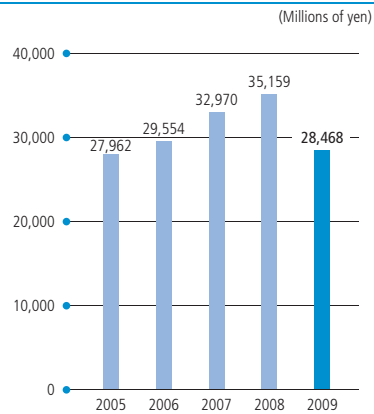
LW reversal decoupling capacitors (LWDC™)



Coin type PAS capacitors

Ferrite and Applied Products

Net Sales



As with Capacitors, sales in all applications in this segment decreased year-on-year. Consolidated net sales were down 19.0% to ¥28,468 million.

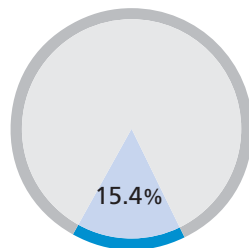
During the period, we worked to expand sales and ensure a stable supply of wire-wound power inductors used in the power circuits of digital equipment. We developed choke coils for DC-DC converters and are pushing forward with commercialization of compact 5mm square types to complement existing 6mm square types for use in flat-panel TVs (LCD, plasma). Meanwhile, Taiyo Yuden started mass production of choke coils with DC bias characteristics in 3mm square and 2.4mm square sizes for mobile devices.

In multilayer chip inductors, we focused on further expanding our lineup of compact, low profile choke coils for DC-DC converters used in mobile equipment, a growth market. We started mass production of the 2016 case size (2.0mm x 1.6mm) in addition to the conventional 2520 case size (2.5mm x 2.0mm), and promoted activities toward commercialization of the 1012 case size (2.0mm x 1.25mm). We also worked on the development of multilayer chip inductors for high frequency with a vastly improved internal structure to raise the Q (quality) factor for use in the high-frequency circuits of mobile phones. As a result of our R&D efforts, we successfully launched products featuring industry-leading characteristics.

Going forward, we will advance development of products that match market needs, such as commercialization of more compact, lower profile items, while executing further cost-cutting measures that include improving labor productivity.

Percentage of Total Net Sales

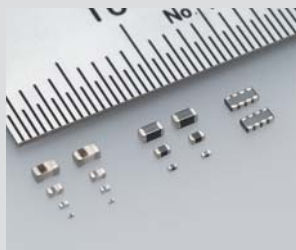
(Fiscal year ended March 2009)



Main Products

- Multilayer chip inductors
- Wire-wound chip inductors
- Power inductors
- Common mode choke coils

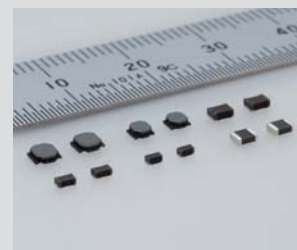
Main Products



Multilayer chip inductors



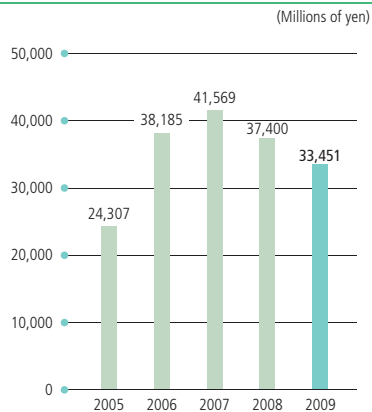
Wire-wound chip inductors



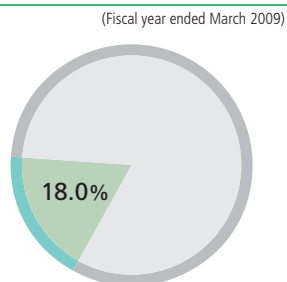
Power inductors

Modules

Net Sales



Percentage of Total Net Sales



Main Products

Inverter modules for backlights
 Bluetooth® modules
 Wireless LAN modules

Consolidated net sales in this segment declined 10.6% year-on-year to ¥33,451 million. The decrease in sales was realized in all product ranges, including inverter modules for the backlights of LCD TVs, Bluetooth® modules and wireless LAN modules.

During the fiscal year ended March 2009, we introduced differentiated products, inverter modules featuring power-saving functions for multiple backlights, in response to strong market demand. We will continue to develop energy-saving products, as well as multi-functional modules that are compact, low profile and highly efficient. We aim to expand application of inverter technology, control technology and electric power technology to help power conservation and energy reuse, while enhancing our competitiveness and expanding product lineup.

In short-range wireless communication modules such as Bluetooth® modules and wireless LAN modules, we accelerated efforts to increase product appeal. For the mobile device market, we introduced an ultra miniaturized circuit module. For the notebook PC and consumer products markets, we offered a circuit module product incorporating antenna device developed in-house. To meet market needs for greater functionality, we are developing compact modules that integrate Bluetooth® with FM radio and wireless LAN capabilities. We will continue pursuing R&D by making full use of our distinctive technologies such as the development of ultra miniaturized modules that employ our unique EOMIN™ technology.

Main Products



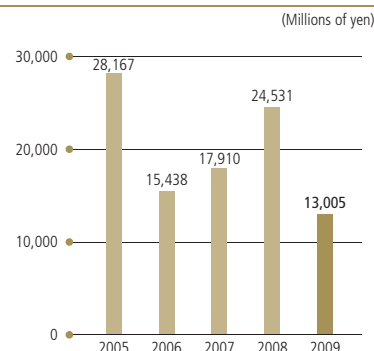
Inverter modules for backlights



Short-range wireless communication modules

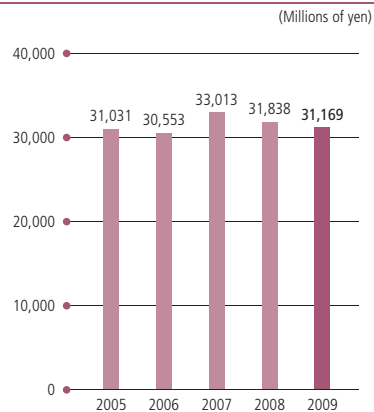
Other Electronic Components

Net Sales

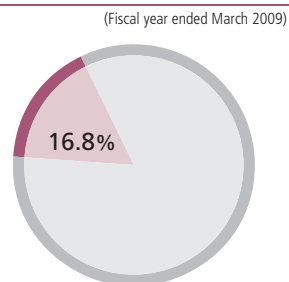


Optical Media Products

Net Sales



Percentage of Total Net Sales



Main Products

CD-Rs
DVD-Rs
BD-Rs

Consolidated net sales in this segment amounted to ¥31,169 million, down 2.1% from the previous fiscal year due to a decrease in sales of CD-Rs and DVD-Rs.

During the fiscal year ended March 2009, we focused on the development of recordable Blue-ray Discs (BD-R LTH, BD-RE). We completed development of a BD-R LTH disc for 4x recording speed and are working on the development of a version for 6x recording speed and a BD-RE disc for 2x recording speed.

For DVD-Rs, we are focusing on further improvement on our high value-added product of Watershield™, high image quality inkjet printable media featuring a water-resistant surface. We also completed development of a disc for the CSS* download business and we are creating infrastructure in line with plans to start the business shortly.

Taiyo Yuden will focus on Japan-made, top-quality products with excellent compatibility, stability and storage capacity that provide the highest degree of reliability. We will also continue to offer unique new products that meet our customers' needs. At the same time, we will reduce costs and further improve our business structure.

*CSS (Content Scrambling System) is a technology that prevents illegal duplication of DVDs.

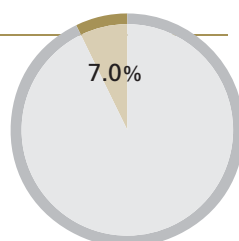
Main Products



DVD-Rs, BD-Rs, CD-Rs

Percentage of Total Net Sales

(Fiscal year ended March 2009)



Main Products

Ceramic chip antennas, filters, baluns
Varistors

Other Electronic Components include high-frequency components and varistors, and businesses at Group companies. Consolidated net sales in this segment, which mainly consist of sales from our business done at a subsidiary, decreased 47.0% year-on-year to ¥13,005 million.

Taiyo Yuden is expanding its lineup for high-frequency component products such as high-frequency multilayer filters and chip antennas for wireless telecommunications equipment and products for One-Seg (a terrestrial digital broadcast service) application, driven by multilayer technology, material technology and other elemental technologies. We will strive to develop products for the new wireless market, enhance product performance and boost productivity.

Initiatives to Enhance Management Transparency

Strengthening corporate governance is one of the most critical management objectives for the Taiyo Yuden Group. We strive to increase transparency in management through appropriate information disclosure and the reinforcement of compliance systems to facilitate swift decision-making and business execution, and ensure proper supervision, audits and internal controls.

Governance Framework

Taiyo Yuden has adopted the corporate auditor system and has a Board of Directors, Board of Corporate Auditors and an independent auditor. To enhance the function of business audits, we established an Internal Audit Office under the direct control of the Company's president that handles internal audits from a compliance standpoint. Consolidated subsidiaries are also included within the scope of internal audits. Corporate auditors, the Internal Audit Office and independent auditor exchange information on a regular basis and as required to ensure the accuracy of audits.

The Board of Directors is responsible for formulating management policy, making appropriate management decisions and overseeing business operations for the Taiyo Yuden Group. The Company's directors (excluding outside directors) are tasked with both supervision and oversight of operations. Each Board of Director member is assigned specific areas of operation. In addition, an operating officer system serves as a means to support the business execution of directors.

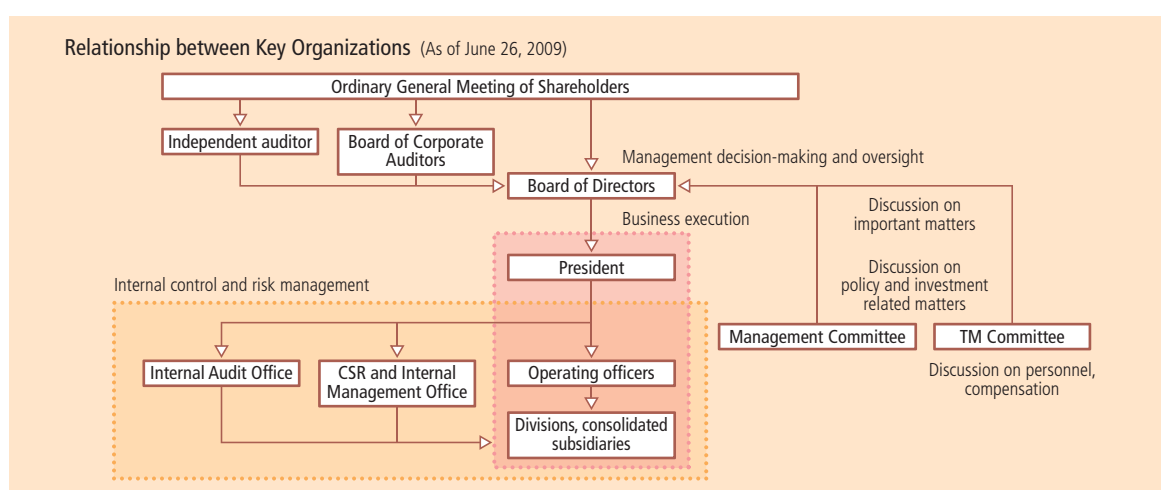
Corporate auditors, including outside auditors, are responsible for monitoring and assuring that the Company's directors are executing their duties appropriately. We have a system in place to ensure the independence of corporate auditors in terms of carrying out auditing functions. The independent auditor works to ensure the appropriateness and accuracy of financial reporting.

We employ outside directors to further enhance corporate governance. Outside directors attend the Board of Directors meetings and give advice from an objective and specialist viewpoint to facilitate decision-making.

Further, in order to enhance management supervisory and monitoring functions aimed at realizing more transparent management, the directors' term of service has been shortened from two years to one year and one outside director has been added at the Ordinary General Meeting of Shareholders held on June 27, 2008. Through such measures, we will further strengthen corporate governance.

Meetings of the Management Committee, in which various corporate issues, including policy and investment related matters, are discussed and reported with the participation of directors and corporate auditors, are held to support the Board of Directors meetings. Matters of importance are discussed and subsequently decided at the meeting of the Board of Directors.

Taiyo Yuden also has a Top Management (TM) Committee, comprising the Company president, executive directors, director in charge of personnel administration and one corporate auditor, in which matters related to personnel and compensation are discussed. In this case as well, matters of importance are discussed and subsequently decided by the Company's Board of Directors.



Compensation Paid to Directors

Compensation for directors is determined via a performance-based system. In June 2004, Taiyo Yuden abolished its traditional fixed compensation retirement benefits system for directors that was not

linked to corporate results and introduced a stock-option compensation plan with the objective of enhancing motivation and morale to improve business performance and long-term stock price.

Initiatives Related to Corporate Social Responsibility

Since its foundation, the Taiyo Yuden Group has implemented a management philosophy that focuses on “employee well-being,” “betterment of local communities” and “responsibility to provide returns to shareholders.” Over the years, we have strived to build strong relationships with all stakeholders, beginning with the Company’s shareholders, and to enhance corporate value.

Based on our CSR Charter (Taiyo Yuden Group’s Social Responsibility) formulated in 2005, we promote group-wide efforts for safety and environmental issues, and ensuring harmonious co-existence with local communities as a global corporate citizen.

CSR Charter (Taiyo Yuden Group’s Social Responsibility)

To win the trust and goodwill of society, the Taiyo Yuden Group will respect human rights, keep abreast of and comply with laws and international rules and regulations, and take a socially conscious course of action based on the highest ethical standards.

Business

- The Taiyo Yuden Group will win our clients’ confidence by developing and providing high value-added products and services for which safety is thoroughly considered.
- The Taiyo Yuden Group will pursue global environmental preservation by reducing environmental impacts caused by our business activities.
- The Taiyo Yuden Group will engage in fair, open and free competition while maintaining sound relationships with governmental/administrative bodies, citizens and organizations.

People

- The Taiyo Yuden Group will respect the dignity and individuality of each person based on recognition of people’s diverse backgrounds and characteristics.
- The Taiyo Yuden Group will strive to create safe work environments that ensure our employees are able to perform their duties with a sense of reassurance.

Society

- The Taiyo Yuden Group will actively participate in social contribution efforts while valuing co-existence with local and international communities.
- The Taiyo Yuden Group will promote widespread communication with society and disclose corporate information on a timely basis in an appropriate manner.

Compliance and Risk Management System

Taiyo Yuden’s CSR and internal control activities form an integral part of the management framework and enterprise risk management (ERM) to ensure accurate reporting of financial results, compliance with laws and regulations, protection of assets and effective and efficient execution of business operations. Securing the effectiveness of internal controls is a top level important management challenge at Taiyo Yuden.

We have created a compliance and risk management system to ensure adherence to laws, the Company’s articles of incorporation, company regulations and corporate ethics pursuant to the CSR Charter and CSR Code of Conduct, and to implement risk avoidance activities and crisis management. Training is provided by the CSR and Internal Management Office so that all employees behave in an appropriate manner.

We also have a Compliance and Risk Management Committee that maintains the compliance and risk management system, and creates compliance and risk management systems for all Group companies. The committee regularly reviews risks that could have a significant impact on the Company and promotes the development of systems facilitating standardized management among Group companies. In particular, the committee establishes disaster recovery measures to minimize losses and damages in case of unforeseen circumstances, such as a natural disaster, an epidemic or an act of terrorism, in accordance with company-wide provisions for business continuity and risk countermeasures.



Compliance and Risk Management Committee meeting

Initiatives Related to Safety and the Environment

The Taiyo Yuden Group Safety and Environment Charter was formulated as a standard for all Group companies around the world. On this basis, we created an Occupational Health and Safety System and an Environmental Management System.

We strive to reduce the environmental impact of our business activities and the risk of accidents. We constantly make improvements to all business processes, such as development and manufacturing. In addition, we provide a safe and secure work environment and promote activities to realize our management philosophy.

Initiatives for Health and Safety

We set a goal for each operating site in the Group-wide Mid-term plan and carry out initiatives to prevent work-related accidents and create a safe and comfortable work environment.

• Hazard Prediction Training

In order to create an environment that enables people to work with peace-of-mind, we continuously provide training tailored to employees' skills, duties and roles so that each employee is aware of occupational health and safety and can anticipate the potential danger in different situations and act accordingly.

During the fiscal year ended March 2009, we provided training to increase knowledge and raise awareness of unsafe situations, unsafe work practices and how to eliminate workplace hazards. We also gave training sessions to supervisors on how to coach employees on critical workplace risks and preventive measures.



Hazard prediction training

• Initiatives to Prevent Lifestyle-related Diseases

Taiyo Yuden consistently takes steps to increase prevention of lifestyle-related diseases based on THP (Total Health Promotion Plan) guidelines issued by Japan's Ministry of Health, Labour and Welfare.

In the fiscal year ended March 2009, we provided specific medical examinations in addition to our standard periodic health checks. Guidance is given to individuals as required based on the results of the exams by health and clinical nurses, who provide advice in line with the characteristics and needs of each business location.



Nutritional guidance

Environmental Initiatives

Taiyo Yuden analyzes the environmental impact of its business activities and takes various actions to reduce CO₂, waste and chemical substance emissions and to encourage recycling at all business levels. We also place concerted emphasis on environmental education.

• Wastewater Treatment Education

In order to improve manufacturing and facilities management techniques on preventing water contamination, we conducted training to the operators who are in charge of drainage control in the manufacturing processes. The quality of wastewater changes every day, so we provide practical exercises on basic principles to ensure appropriate management in accordance with such changes.



Wastewater treatment education

• Cooling Buildings with Rooftop Sprinklers

Taiyo Chemical Industry Co., Ltd. has set up sprinklers on the roof of its Fujioka Plant to reduce power consumed by air conditioning units in summer. The sprinklers come on automatically when the temperature rises above a certain level. This has resulted in a 10% reduction in air conditioning power consumption on a year-on-year basis.

In addition, Chuki Seiki Co., Ltd. introduced a system to reuse reverse osmosis (RO) wastewater generated in the production of purified water for the rooftop sprinklers, which has reduced air conditioning power consumption by 11% year-on-year.



Rooftop sprinklers at Taiyo Chemical Industry Fujioka Plant

Please refer to the Safety & Environmental Report posted on the Taiyo Yuden website for details on our safety and environmental initiatives.

URL <http://www.yuden.co.jp/us/company/report.html>

Social Contribution Activities

Taiyo Yuden addresses a variety of activities at each operating site for the purpose of protecting the surrounding environment and preserving forests as well as reducing the environmental impact from business operations. We also support social and cultural activities with the objective of strengthening communication with local communities.

Environmental Preservation Activities

Taiyo Yuden strives for harmonious co-existence with society through environmental preservation activities.

- **Volunteer Forestry Maintenance Activities**

Taiyo Yuden has been conducting volunteer forestry maintenance activities in Gunma Prefecture since 2007. In October 2008, employees and their families gathered to cut underbrush and thin trees in the forest. This forest has been named the Forest of the Sun after our company name "Taiyo," which means "sun" in Japanese.

We will continue to protect the environment, and plan to promote activities to make the forest a place of recreation and relaxation for employees and their families.



Community Interaction

Taiyo Yuden actively participates in events in the regions where it operates plants and business sites. Efforts are made to deepen interaction with the community, including inviting the public for factory tours to build awareness of company activities.

- **Monozukuri Class**

Taiyo Yuden took part in kids' workshops sponsored by the Takasaki Youth Science Center in Gunma Prefecture to encourage children to take an interest in *monozukuri* (manufacturing) and foster the human resources of tomorrow. Taiyo Yuden Group employees took the role of teachers in the workshops.

A total of 139 children have participated in three different workshops. The participants enjoyed making a line-tracing car kit which automatically follows black lines drawn on a sheet of paper.



- **Taiyo Yuden Women's Softball Team**

Established in 1985, the Taiyo Yuden Women's Softball Team is registered in the first division of the Japan Softball League. Pitcher Hiroko Sakai and infielder Megu Hirose were members of the Japanese national team who won the gold medal at the Beijing Olympics in August 2008. Apart from being great publicity for the company, we also contribute to the local community and increase the popularity of softball through participating in softball workshops and lectures held across the country and donating softball equipment to other countries.



For the Betterment of Local Communities

In addition to volunteer activities, Taiyo Yuden has made donations over many years.

- **Donating to Local Communities**

The Taiyo Yuden Group donated around 300,000 yuan (approx. ¥4.5 million) to assist victims of the Sichuan Earthquake that struck China in May 2008.

Every year, domestic business sites of the Taiyo Yuden Group donate to health and welfare institutes in Gunma Prefecture and to The Sato Foundation Welfare Fund for Children of Traffic Accident Victims. Also, Korea Taiyo Yuden Co., Ltd. provides scholarship support twice a year through the Korea Taiyo Yuden Foundation for Orphans from Automobile Accidents.



Directors, Auditors and Operating Officers

As of July 21, 2009



Yoshiro Kanzaki

President & Chief Executive Officer,
Corporate-Planning Headquarters



Shoichi Tosaka

Senior Executive Director,
Electronic Components Headquarters,
Quality Assurance Office,
Research & Development Laboratory



Katsumi Yanagisawa

Executive Director, Sales Headquarters



Takashi Tomaru

Executive Director,
Management & Administration
Headquarters,
CSR & Internal Management Office



Eiji Watanuki

Director, Integrated Module Business
Headquarters



Akihiko Mochizuki

Director, Recording Media Product
Headquarters



Yuji Iwanaga

Outside Director



Hisaji Agata

Outside Director



Norio Osakabe

Corporate Auditor



Mamoru Yamaki

Corporate Auditor



Toshinobu Inada

Outside Auditor



Tomonori Akisaka

Outside Auditor

Operating Officer, Corporate-Planning Headquarters

Operating Officer, Corporate-Planning Headquarters, Management & Administration Headquarters

Operating Officer, Research & Development Laboratory, Quality Assurance Office

Operating Officer, Electronic Components Headquarters

Operating Officer, Electronic Components Headquarters

Operating Officer, Greater China Area

Operating Officer, Management & Administration Headquarters, CSR & Internal Management Office

Kazuya Umezawa

Osamu Takahashi

Hirokazu Chazono

Shinji Masuyama

Shunji Murai

Seiichi Tsutsumi

Toshio Mishuku

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Financial Section

Financial Review

Taiyo Yuden Co., Ltd. and Subsidiaries
Years Ended March 31 and as of March 31

Financial Results

In the fiscal year ended March 2009, the Taiyo Yuden Group confronted a harsh operating environment. Downward production adjustment in its principal operating markets including PCs, mobile phones, TVs and components resulted in a substantial year-on-year decline in new orders.

Under these circumstances, the Taiyo Yuden Group undertook specific measures across each of its four business segments as indicated below.

Capacitors

For its mainstay multilayer product lineup, Taiyo Yuden worked to reduce costs focusing mainly on enhancing productivity and increased manufacturing capacity of high-end products. At the same time, the Company expanded sales by bolstering its structure and systems including efforts to cultivate new markets.

Ferrite and Applied Products

In this segment, the Company took steps to increase sales and secure a stable supply of wire-wound inductors for power circuits used in digital equipment.

Modules

In this segment, Taiyo Yuden accelerated efforts to boost the competitiveness of its lineup of *Bluetooth*®, wireless LAN and other modules.

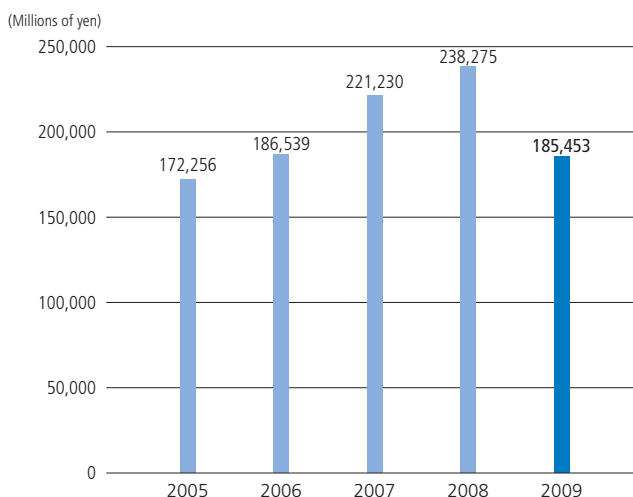
Optical Media Products

In this segment, the Company continued to improve productivity, quality and reliability while maintaining a stable supply and further reducing costs.

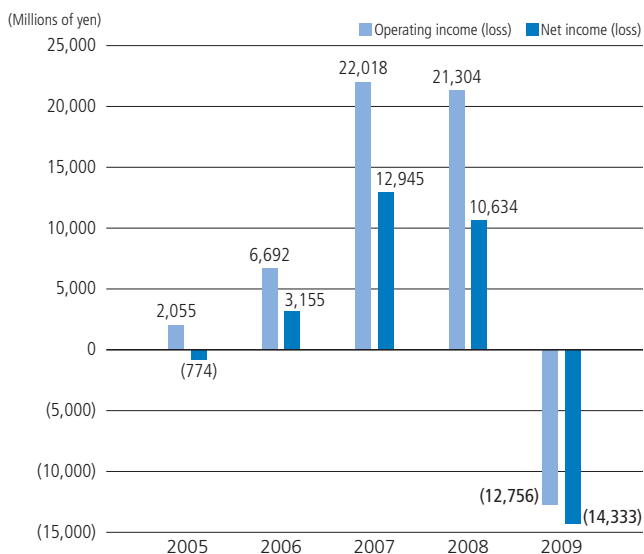
Despite these efforts, the Taiyo Yuden Group was unable to fully offset the impact of a difficult business environment. In the year ended March 31, 2009, consolidated net sales contracted 22.2% compared to the previous fiscal year to ¥185,453 million. The Company reported an operating loss of ¥12,756 million compared to operating income of ¥21,304 million in the previous fiscal year and a net loss of ¥14,333 million compared to net income of ¥10,634 million in the previous fiscal year.

The average foreign exchange rate for the fiscal year under review was ¥100.79 to the U.S. dollar, reflecting an appreciation of the yen of ¥14.86 compared to ¥115.65 in the previous fiscal year.

Net Sales



Operating Income (Loss)/Net Income (Loss)



■ Sales

<Net Sales by Product Segment>

[Capacitors]

Segment sales declined across all applications, falling 27.4% as compared to the previous fiscal year to ¥79,360 million.

[Ferrite and Applied Products]

Net sales in this segment were down 19.0% from the previous fiscal year to ¥28,468 million due to lower sales in all applications.

[Modules]

On a year-on-year basis, segment sales declined across the board. Module sales were ¥33,451 million, down 10.6%.

[Optical Media Products]

Sales in this segment edged down 2.1% year on year to ¥31,169 million. This was mainly attributable to lower sales of CD-Rs and DVD-Rs.

[Other Electronic Components]

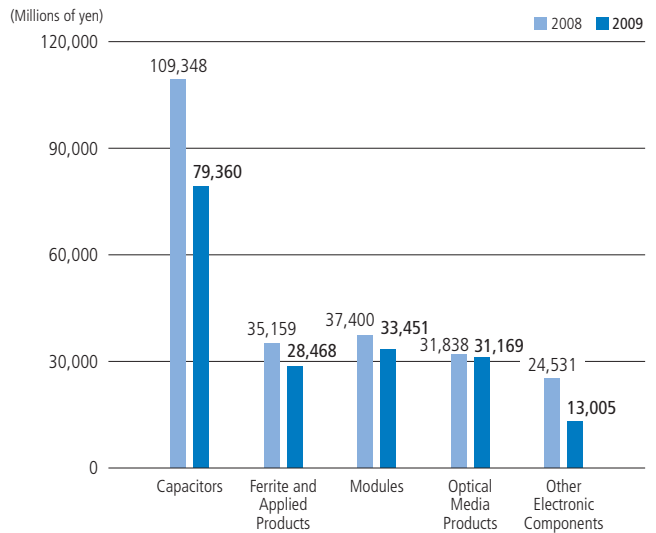
The vast majority of sales in this segment came from the mounting business of a subsidiary. Total segment sales dropped 47.0% year-on-year to ¥13,005 million.

<Sales of Electronic Components by Market Sector>

*Excludes Optical Media Products

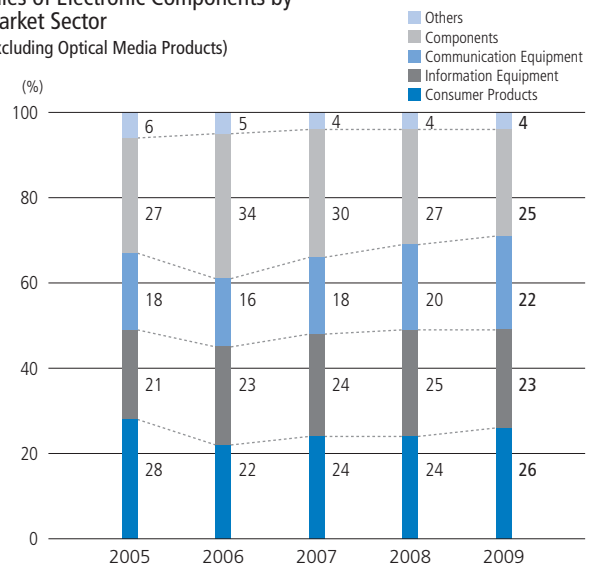
The breakdown of sales by market sector for the fiscal year ended March 2009 is as follows: consumer products 26%, information equipment 23%, communication equipment 22%, components 25% and others 4%. Sales in all applications were down compared to the previous fiscal year due to a sharp decline in orders caused by major production adjustments in all equipment categories, notably PCs, mobile phones and flat-panel TVs in line with rapid deterioration in the macro-environment since autumn 2008. Sales for consumer products, which include flat-panel TVs and digital still cameras, decreased 15% compared to the previous fiscal year. Sales for information equipment, led by PCs, were down 26%, and sales for communication equipment, notably mobile phones, decreased 18%. Sales for components decreased 29%.

Net Sales by Product Segment



Sales of Electronic Components by Market Sector

(Excluding Optical Media Products)



<Foreign Net Sales>

The overseas net sales ratio was 68.4% for the fiscal year ended March 2009, down 1.4 percentage points compared to 69.8% in the previous fiscal year. In terms of sales by region, Asia accounted for 56.1%, North America 6.6%, Europe 5.4% and other regions 0.3%. This represented a 23.2% decrease in Asia, particularly greater China, a 32.8% decrease in North America and a 17.4% decrease in Europe.

<Results by Geographic Area>

Net sales in Japan amounted to ¥187,060 million, down 21.6% year-on-year, and operating loss was ¥17,358 million compared to operating income of ¥15,727 million in the previous fiscal year. In Asia, net sales totaled ¥164,258 million, down 19.3%, and operating income was ¥1,978 million, down 19.2%. In other regions, net sales were ¥24,405 million, down 33.4%, and operating income was ¥664 million, down 68.2%.

■ Selling, General and Administrative (SG&A) Expenses

SG&A expenses amounted to ¥34,788 million, down ¥2,803 million year-on-year, a 7.5% reduction. This was mainly attributable to a decrease in the provision for accrued bonuses for employees and a decrease in shipping costs and commission.

■ Other Income (Expenses)

Net of other expenses amounted to ¥3,651 million, down ¥467 million year-on-year, due to gain on foreign exchange for the period as opposed to loss on foreign exchange in the previous fiscal year, and the recording of ¥3,758 million in gain on sales of property, plant and equipment.

Financial Position

■ Assets

Total assets at fiscal year-end were valued at ¥225,451 million, a decrease of ¥46,154 million compared to the previous fiscal year-end. Current assets decreased ¥34,291 million due mainly to a decrease of ¥19,844 million in trade notes and accounts receivable and a decrease of ¥10,174 million in inventories. Fixed assets decreased ¥11,863 million due mainly to a decrease of ¥11,475 million in property, plant and equipment.

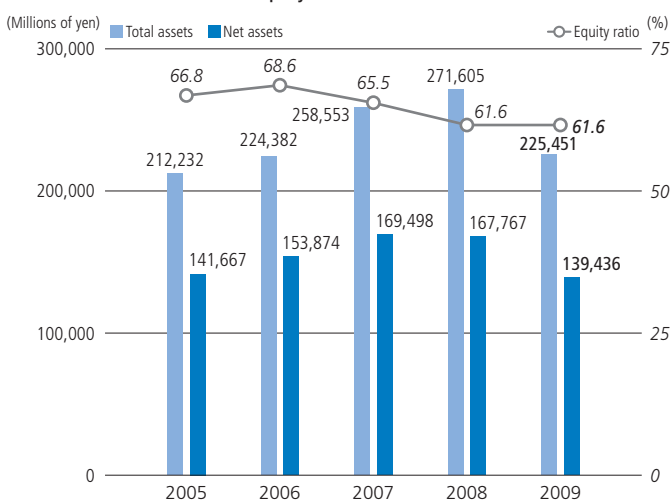
■ Liabilities

Total liabilities at fiscal year-end were ¥86,015 million, down ¥17,823 million compared to the previous fiscal year-end. This was due primarily to a decrease of ¥15,980 million in trade notes and accounts payable, an increase of ¥13,554 million in long-term borrowings and a decrease of ¥6,707 million in current portion of convertible bonds.

■ Net Assets

Total net assets at fiscal year-end were ¥139,436 million, down ¥28,331 million compared to the previous fiscal year-end due mainly to a decrease of ¥15,630 million in retained earnings owing to the recording of a net loss and to a decrease of ¥10,029 million in foreign currency translation adjustments.

Total Assets/Net Assets/Equity Ratio



Cash Flows

Net cash provided by operating activities was ¥15,696 million, down 47.3% year-on-year. Principal components were net loss before income taxes and minority interests of ¥16,407 million, depreciation and amortization of ¥27,851 million and a decrease in trade receivables of ¥17,758 million.

Net cash used in investing activities amounted to ¥25,665 million, down 41.4%. The principal cash outflow was purchases of property, plant and equipment of ¥27,019 million.

Net cash provided by financing activities was ¥9,780 million, a decline of 23.9% compared to the previous fiscal year. Major components included proceeds from long-term borrowings of ¥20,500 million, payments for the redemption of convertible bonds totaling ¥6,703 million and purchases of treasury stock amounting to ¥2,043 million.

As a result, cash and cash equivalents at end of year was ¥33,111 million, a decrease of ¥2,291 million compared to the previous fiscal year-end.

Financing

The Taiyo Yuden Group practices consolidated management of Group funds with the objective of increasing the efficiency of funding operations. We collect surplus funds from subsidiaries to supply necessary funds to other subsidiaries, while procuring funds externally to cover any shortfalls. We have adopted a Cash Management System (CMS) to minimize external interest-bearing debt.

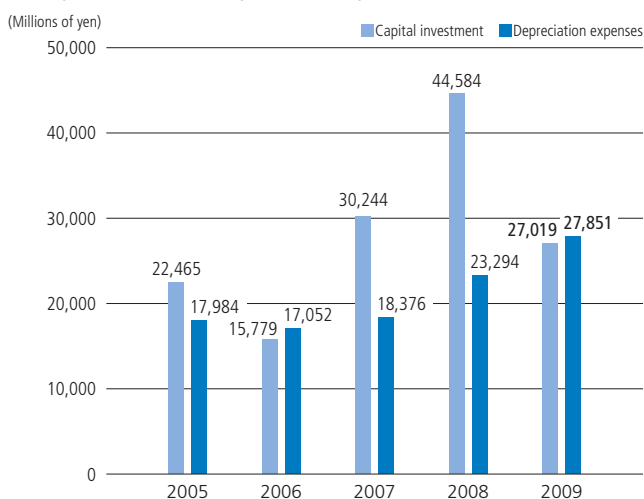
Interest-bearing debt at fiscal year-end consisted of short-term borrowings of ¥13,868 million, current portion of long-term borrowings of ¥6,925 million, long-term borrowings of ¥20,115 million and convertible bonds with stock acquisition rights of ¥20,000 million. Borrowings are made in Japan at fixed interest rates. We have also set a commitment line of ¥10 billion effective for three years to ensure financial stability. We renewed this commitment line in March 2009 in case of emergency. The Company has not used any of this commitment line as of the fiscal year-end.

The Taiyo Yuden Group has the ability to generate cash flow through a sound financial position and operating activities, enabling us to procure operating capital and funds for capital investment required for the future to maintain growth on a group-wide basis.

Capital Investment

Capital investment during fiscal 2009 amounted to ¥27,019 million. This consisted mainly of investments to reinforce production capacity for capacitors at our subsidiary, Niigata Taiyo Yuden Co., Ltd., which commenced operations in April 2008.

Capital Investment/Depreciation Expenses



Consolidated Financial Statements

Consolidated Balance Sheets

Taiyo Yuden Co., Ltd. and Subsidiaries
March 31, 2009 and 2008

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Current assets:			
Cash and cash equivalents	¥ 33,111	¥ 35,402	\$ 337,867
Time deposits	3,995	2,903	40,764
Receivables:			
Trade notes and accounts receivable	32,785	52,629	334,539
Allowance for doubtful receivables	(192)	(228)	(1,959)
Inventories			
Finished products	10,630	14,646	108,466
Work in process	9,475	13,161	96,679
Raw materials and supplies	10,181	12,651	103,884
Deferred tax assets (Note 9)	654	2,631	6,677
Prepaid expenses and other current assets	6,186	7,321	63,139
Total current assets	<u>106,825</u>	<u>141,116</u>	<u>1,090,056</u>
Property, plant and equipment (Note 11):			
Land	7,854	7,961	80,140
Buildings and structures	63,219	64,121	645,091
Machinery and equipment	184,246	174,519	1,880,058
Tools, furniture and fixtures	18,514	16,928	188,921
Construction in progress	6,472	14,202	66,038
Total	<u>280,305</u>	<u>277,731</u>	<u>2,860,248</u>
Accumulated depreciation	<u>(173,628)</u>	<u>(159,579)</u>	<u>(1,771,709)</u>
Net property, plant and equipment	<u>106,677</u>	<u>118,152</u>	<u>1,088,539</u>
Investments and other assets:			
Investment securities (Note 4)	2,968	4,677	30,287
Investments in affiliates	542	489	5,532
Goodwill	731	975	7,461
Deferred tax assets (Note 9)	4,290	3,140	43,774
Other	3,715	3,067	37,900
Allowance for doubtful receivables	(297)	(11)	(3,026)
Total investments and other assets	<u>11,949</u>	<u>12,337</u>	<u>121,928</u>
Total assets	<u>¥225,451</u>	<u>¥271,605</u>	<u>\$2,300,523</u>

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Current liabilities:			
Short-term borrowings (Note 5)	¥ 13,868	¥ 13,003	\$ 141,512
Current portion of long-term borrowings (Note 5)	6,925	36	70,659
Current portion of convertible bonds (Note 5)	–	6,707	–
Payables:			
Trade notes and accounts payable	7,831	23,811	79,911
Accrued amount payable	3,001	8,974	30,623
Income taxes payable	1,328	3,406	13,555
Accrued bonuses for employees	1,022	2,938	10,426
Accrued bonuses for directors and corporate auditors	–	82	–
Deferred tax liabilities (Note 9)	525	10	5,361
Other	5,828	7,047	59,462
Total current liabilities	40,328	66,014	411,509
Long-term liabilities:			
Long-term borrowings (Note 5)	20,115	6,561	205,260
Convertible bonds with stock acquisition rights (Note 5)	20,000	20,000	204,082
Accrued retirement benefits for employees (Note 6)	1,515	1,889	15,463
Accrued retirement benefits for directors and corporate auditors	117	179	1,191
Deferred tax liabilities (Note 9)	2,358	8,068	24,064
Negative goodwill	120	–	1,227
Other	1,462	1,127	14,912
Total long-term liabilities	45,687	37,824	466,199
Total liabilities	86,015	103,838	877,708
Commitment and contingent liabilities (Notes 10 and 12):			
Net assets (Note 7)			
Shareholders' equity:			
Common stock			
Authorized—300,000,000 shares			
Issued —120,481,395 shares in 2009 and 120,478,119 shares in 2008	23,557	23,555	240,380
Capital surplus	41,451	41,449	422,966
Retained earnings (Note 17)	97,840	113,470	998,369
Treasury stock, at cost—2,910,398 shares in 2009 and 1,281,821 shares in 2008	(3,643)	(1,600)	(37,178)
Total shareholders' equity	159,205	176,874	1,624,537
Valuation, translation adjustments and others:			
Net unrealized holding gains (losses) on securities	(551)	108	(5,622)
Deferred gains (losses) on hedges	(7)	13	(69)
Foreign currency translation adjustments	(19,762)	(9,734)	(201,656)
Total valuation, translation adjustments and others	(20,320)	(9,613)	(207,347)
Stock acquisition rights (Note 14):	303	259	3,098
Minority interests:	248	247	2,527
Total net assets	139,436	167,767	1,422,815
Total liabilities and net assets	¥225,451	¥271,605	\$2,300,523

Consolidated Statements of Changes in Net Assets

Taiyo Yuden Co., Ltd. and Subsidiaries
March 31, 2009 and 2008

	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, MARCH 31, 2008	120,478	¥23,555	¥41,449	¥113,470	¥(1,600)	¥176,874
Effect of change in accounting policies applied to foreign subsidiaries				(113)		(113)
Changes during the year						
Issuance of new shares	3	2	2			4
Cash dividends, ¥10.00 per share				(1,184)		(1,184)
Net loss				(14,333)		(14,333)
Treasury stock acquired (1,628,577 shares)					(2,043)	(2,043)
Changes other than shareholders' equity						
Total changes	3	2	2	(15,517)	(2,043)	(17,556)
BALANCE, MARCH 31, 2009	120,481	¥23,557	¥41,451	¥ 97,840	¥(3,643)	¥159,205

	Millions of Yen						
	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Valuation, Translation Adjustments and Others	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, MARCH 31, 2008	¥ 108	¥13	¥ (9,734)	¥ (9,613)	¥259	¥247	¥167,767
Effect of change in accounting policies applied to foreign subsidiaries							(113)
Changes during the year							
Issuance of new shares							4
Cash dividends, ¥10.00 per share							(1,184)
Net loss							(14,333)
Treasury stock acquired (1,628,577 shares)							(2,043)
Changes other than shareholders' equity	(659)	(20)	(10,028)	(10,707)	44	1	(10,662)
Total changes	(659)	(20)	(10,028)	(10,707)	44	1	(28,218)
BALANCE, MARCH 31, 2009	¥(551)	¥ (7)	¥(19,762)	¥(20,320)	¥303	¥248	¥139,436

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
BALANCE, MARCH 31, 2008	\$240,359	\$422,946	\$1,157,857	\$(16,329)	\$1,804,833
Effect of change in accounting policies applied to foreign subsidiaries					(1,155)
Changes during the year					
Issuance of new shares		21	20		41
Cash dividends, \$0.10 per share					(12,081)
Net loss					(146,252)
Treasury stock acquired (1,628,577 shares)				(20,849)	(20,849)
Changes other than shareholders' equity					
Total changes		21	20	(158,333)	(179,141)
BALANCE, MARCH 31, 2009	\$240,380	\$422,966	\$ 998,369	\$(37,178)	\$1,624,537

	Thousands of U.S. Dollars (Note 1)						
	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Valuation, Translation Adjustments and Others	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, MARCH 31, 2008	\$ 1,098	\$136	\$(99,323)	\$(98,089)	\$2,645	\$2,516	\$1,711,905
Effect of change in accounting policies applied to foreign subsidiaries							(1,155)
Changes during the year							
Issuance of new shares							41
Cash dividends, \$0.10 per share							(12,081)
Net loss							(146,252)
Treasury stock acquired (1,628,577 shares)							(20,849)
Changes other than shareholders' equity	(6,720)	(205)	(102,333)	(109,258)	453	11	(108,794)
Total changes	(6,720)	(205)	(102,333)	(109,258)	453	11	(287,935)
BALANCE, MARCH 31, 2009	\$(5,622)	\$(69)	\$(201,656)	\$(207,347)	\$3,098	\$2,527	\$1,422,815

See accompanying Notes to Consolidated Financial Statements.

Financial Section

	Thousands	Millions of Yen				Total Shareholders' Equity
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	
BALANCE, MARCH 31, 2007	120,424	¥23,522	¥41,416	¥104,047	¥(1,480)	¥167,505
Changes during the year						
Issuance of new shares	54	33	33			66
Cash dividends, ¥10.00 per share				(1,192)		(1,192)
Contribution to overseas subsidiary employee welfare fund				(19)		(19)
Net income				10,634		10,634
Treasury stock acquired (50,944 shares)					(120)	(120)
Changes other than shareholders' equity						
Total changes	54	33	33	9,423	(120)	9,369
BALANCE, MARCH 31, 2008	120,478	¥23,555	¥41,449	¥113,470	¥(1,600)	¥176,874

	Millions of Yen						
	Net Unrealized Holding Gains on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Valuation, Translation Adjustments and Others	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, MARCH 31, 2007	¥1,163	¥(12)	¥ 771	¥ 1,922	¥ 44	¥ 27	¥169,498
Changes during the year							
Issuance of new shares							66
Cash dividends, ¥10.00 per share							(1,192)
Contribution to overseas subsidiary employee welfare fund							(19)
Net income							10,634
Treasury stock acquired (50,944 shares)							(120)
Changes other than shareholders' equity	(1,055)	25	(10,505)	(11,535)	215	220	(11,100)
Total changes	(1,055)	25	(10,505)	(11,535)	215	220	(1,731)
BALANCE, MARCH 31, 2008	¥ 108	¥ 13	¥(9,734)	¥(9,613)	¥259	¥247	¥167,767

Consolidated Statements of Cash Flows

Taiyo Yuden Co., Ltd. and Subsidiaries
March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Operating activities:			
Income (loss) before income taxes and minority interests	¥(16,407)	¥17,186	\$(167,419)
Adjustments to reconcile income (loss) before income tax and minority interests to net cash provided by operating activities:			
Depreciation and amortization	27,851	23,294	284,190
Impairment loss on property, plant and equipment	162	175	1,648
Amortization of goodwill	244	248	2,487
Amortization of negative goodwill	(13)	–	(136)
Increase (decrease) in allowance for doubtful receivables	278	(64)	2,833
Increase (decrease) in accrued bonuses for employees	(1,934)	125	(19,736)
Interest and dividend income	(666)	(1,256)	(6,797)
Interest expense	629	417	6,422
Equity in earnings of affiliates	(104)	(96)	(1,059)
(Gain) loss on disposal and sales of property, plant and equipment	(3,059)	687	(31,213)
Loss on valuation of investment securities	1,701	232	17,357
Decrease in payable for obligations of change in retirement benefit plan	–	(721)	–
Settlement package	3,569	–	36,420
Changes in operating assets and liabilities:			
Trade receivables	17,758	(94)	181,203
Inventories	10,143	(10,133)	103,498
Trade payables	(16,319)	5,418	(166,523)
Others	(1,063)	703	(10,825)
Subtotal	22,770	36,121	232,350
Interest and dividends received	749	1,939	7,642
Interest paid	(620)	(449)	(6,325)
Settlement package paid	(2,705)	–	(27,600)
Income taxes paid	(4,498)	(7,820)	(45,902)
Net cash provided by operating activities	15,696	29,791	160,165
Investing activities:			
Purchase of investment in subsidiaries (Note 8):	–	(269)	–
Purchases of property, plant and equipment	(27,019)	(44,584)	(275,701)
Proceeds from sales of property, plant and equipment	3,248	632	33,148
Purchases of investment securities	(687)	(443)	(7,013)
(Increase) decrease in time deposits	(2,041)	639	(20,831)
Proceeds from purchases of investments in subsidiaries resulting in change in scope of consolidation (Note 8):	1,219	–	12,435
Others	(385)	257	(3,928)
Net cash used in investing activities	(25,665)	(43,768)	(261,890)
Financing activities:			
Net increase (decrease) in short-term borrowings	(763)	3,790	(7,781)
Proceeds from long-term borrowings	20,500	–	209,184
Repayments of long-term borrowings	(58)	(9,550)	(587)
Proceeds from issuance of convertible bonds with stock acquisition rights	–	19,934	–
Redemption of convertible bonds	(6,703)	–	(68,398)
Proceeds from stock issuance to minority shareholders	12	–	125
Payments of cash dividends	(1,184)	(1,192)	(12,081)
Purchases of treasury stock	(2,043)	(120)	(20,849)
Others	19	(6)	186
Net cash provided by financing activities	9,780	12,856	99,799
Effect of exchange rate changes on cash and cash equivalents	(2,102)	(2,913)	(21,448)
Net increase (decrease) in cash and cash equivalents	(2,291)	(4,034)	(23,374)
Cash and cash equivalents, beginning of year	35,402	39,436	361,241
Cash and cash equivalents, end of year	¥33,111	¥35,402	\$337,867

Notes to Consolidated Financial Statements

Taiyo Yuden Co., Ltd. and Subsidiaries
March 31, 2009 and 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Taiyo Yuden Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As described in Note 3.a., the accounts of consolidated overseas subsidiaries for the year ended March 31, 2009 are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98 to U.S.\$1. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation Policies

The consolidated financial statements include the accounts of Taiyo Yuden Co., Ltd. (the "Company") and all of its subsidiaries (together the "Companies"). The Japanese accounting standards for consolidation requires the control or influence concept for the consolidation scope of subsidiaries and affiliates.

Victor Advanced Media Co., Ltd. became consolidated subsidiary due to the acquisition of stocks in the current fiscal year, and thus is included in the scope of consolidation.

JVC ADVANCED MEDIA U.S.A. INC. and JVC Advanced Media EUROPE GmbH were established in the current fiscal year, and thus are included in the scope of consolidation.

Significant intercompany accounts, transactions and unrealized profits have been eliminated in consolidation.

The difference between cost of the Company's investments in subsidiaries and its equity in their net assets at the dates of acquisition ("goodwill" or "negative goodwill") is being amortized over the subsequent five-year periods. Investment in affiliate is accounted for by the equity method.

Net income (loss) includes the equity in the current net earnings (losses) of such company after the elimination of unrealized intercompany profit.

b. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposit, and short-term investments with original maturities of three months or less, that are readily convertible into known amount of cash and are so near maturity that they present negligible risk of changes in value.

c. Translation of Foreign Currency Items in the Company's and Domestic Subsidiaries' Balance Sheets

Short-term and long-term foreign currency monetary items are translated into Japanese yen at appropriate fiscal year-end current rates. The resulting net gains (losses) are shown as "Gain (loss) on foreign exchange" in the accompanying consolidated statements of operations.

d. Translation of Financial Statements of Foreign Consolidated Subsidiaries

In translating the financial statements of foreign subsidiaries for the purpose of consolidation, all assets and liabilities are translated into Japanese yen at appropriate fiscal year-end current rates while net assets accounts are translated at historical rates.

Revenue and expense items are translated at the average rates during the fiscal year. The resulting translation differences are shown as "Foreign currency translation adjustments - net" in net assets at March 31, 2009 and 2008 in the accompanying consolidated balance sheets.

e. Debt and Equity Securities

The Companies classify debt and equity securities, depending on management's intent, as follows:

- (l) Held-to-maturity debt securities, for which management has the positive intent and ability to hold to maturity, are reported at amortized cost.

- (II) Available-for-sale securities represent securities not classified as either trading securities or held-to-maturity debt securities. Available-for-sale securities, which have market value, are reported with unrealized gains and losses, net of applicable assets at March 31, 2009 and 2008, respectively. Available-for-sale securities, which do not have market value, are stated at cost using the moving-average method.
- (III) Equities of limited liability partnerships for investment business and of other similar partnerships (defined as "securities" by Article 2, Section 2 of the Financial Instruments and Exchange Law) are valued at the net equity equivalents based on the recently available financial statements of the partnership corresponding to the reporting dates of the financial statements defined by the partnership agreements.

f. Inventories

Inventories are stated primarily at cost, determined by the average method for finished products and work in process and by the first-in, first-out (FIFO) method for raw materials and supplies, modified by the writing down below cost to net realizable value.

(Change in accounting policies)

Effective from this fiscal year, the Companies adopted the "Accounting Standard for Measurement of Inventories" (Statement No. 9, issued by Accounting Standards Board of Japan on July 5, 2006). Under this standard, inventories held for sale in the ordinary course of business in principle, shall be carried at the acquisition cost on the balance sheet. However, in the case that the net realizable value falls below the acquisition cost at the end of the period, inventories shall be carried at the net realizable value on the balance sheet, regarded as decreased profitability of assets.

Consequently, compared to the amounts that would have been reported under the previous accounting method, the operating loss increased by ¥4,748 million (\$48,448 thousand), and the loss before income taxes and minority interests increased by ¥6,287 million (\$64,155 thousand) for the year ended March 31, 2009. The effect of the change on the segment information is described in Note 15.

g. Property, Plant and Equipment (Except for the leased assets)

Property, plant and equipment are stated at cost. For the Company and domestic consolidated subsidiaries, depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the assets, except that the straight-line method is applied to building acquired after April 1, 1998. Useful lives of the assets and salvage value of the assets are mainly estimated consistent with the method accepted under the corporate tax law in Japan. For foreign subsidiaries, depreciation is principally

computed by the straight-line method.

(Additional information)

Effective from this fiscal year, the Company and its domestic consolidated subsidiaries have changed the useful lives of assets based on the reassessment of the useful lives in light of the change in the Corporation Tax Law. Consequently, compared to the amounts that would have been reported under the previous useful lives, the operating loss increased by ¥980 million (\$9,998 thousand), and the loss before income taxes and minority interests increased by ¥1,076 million (\$10,979 thousand) for the year ended March 31, 2009. The effect of the change on the segment information is described in Note 15.

h. Leased Assets

- (I) Leased assets, ownership of which is considered to be transferred to the lessee, are depreciated in the same manner as property, plant and equipment.
- (II) Leased assets, ownership of which is not considered to be transferred to the lessee, are depreciated over the leased term by the straight-line method with no residual value, except for finance leases commencing prior to March 31, 2008, which are accounted for in the same manner as operating leases.

i. Allowance for Doubtful Receivables

The Company and its domestic consolidated subsidiaries provide the allowance for doubtful accounts based on the percentage of actual bad debt losses against the balance of total receivables and the amount of uncollectible receivables estimated on an individual basis. Overseas consolidated subsidiaries record the allowance based primarily on the amount of uncollectible receivables estimated on an individual basis.

j. Accrued Retirement Benefits for Employees

Accrued Retirement Benefits for Employees at certain consolidated subsidiaries is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. Also, certain domestic consolidated subsidiaries provide allowance for accrued pension and severance costs.

k. Accrued Retirement Benefits for Directors and Corporate Auditors

Certain subsidiaries of the Company provide lump-sum severance benefits for directors and corporate auditors. While the subsidiaries have no legal obligation, they make lump-sum payments to directors and corporate auditors upon retirement. Annual provisions are made in the accounts for the estimated costs of this termination plan, which is not fully funded.

I. Accrued Bonuses for Employees

Allowance for bonuses to employees are provided by the estimated amounts, which are obligated to pay to employees after the fiscal year-end, based on services provided during the current period.

m. Accrued Bonuses for Directors and Corporate Auditors

Allowance for bonuses to directors and corporate auditors are provided by the estimated amounts, which are obligated to pay to directors and corporate auditors after the fiscal year-end, based on services provided during the current period.

n. Income Taxes

The provision for income taxes is computed based on the pretax income for the financial reporting purposes. Deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. A valuation allowance is recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

o. Research and Development Costs

Expenditures by the Company and certain subsidiaries for development of specified new products are charged to income as incurred and were ¥8,464 million (\$86,364 thousand) and ¥8,888 million for the years ended March 31, 2009 and 2008, respectively.

p. Derivative and Hedging Activities

The Company defers recognition of gains or losses resulting from changes in fair value of derivative instruments until the related losses or gains on the hedged items are recognized. However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner,

- (I) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivables,
 - (1) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable translated using the spot rate at the inception date of the contract and the book value of the receivable is recognized in the income statement in the period which includes the inception date, and
 - (2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

- (II) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The derivative transactions are executed and managed by the finance and accounting division in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

q. Per Share Information

Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if stock acquisition rights were exercised or convertible bonds are converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of out standing stock acquisition rights. Basic net income and diluted net income per share for the years ended March 31, 2009 and 2008 are computed in accordance with Japanese accounting standards.

Cash dividends per share consist of interim and year-end dividends and are accounted for in the year they are declared rather than in the year in which they are actually paid.

r. Certain Reclassifications

Certain reclassifications of prior year's amounts have been made to conform to the presentation for 2009.

3. CHANGES IN ACCOUNTING STANDARDS

a. Practical Solution on Unification of Accounting Policies Applies to Foreign Subsidiaries for Consolidated Financial Statements

On March 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No.18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

- (a) Goodwill not subject to amortization
- (b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
- (c) Capitalized expenditures for research and development activities
- (d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
- (e) Retrospective treatment of a change in accounting policies
- (f) Accounting for net income attributable to minority interests

There were no material effects as a result of the adoption of PITF No. 18 on the consolidated financial statements for the year ended March 31, 2009.

b. Accounting Standard for Lease Transactions

Prior to April 1, 2008, the Company and consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information in the notes to the consolidated financial statements.

On March 30, 2007, the Accounting Standards Board of Japan issued Statement No. 13, "Accounting Standard for Lease Transactions" and Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions". The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

There were no material effects as a result of the adoption of the new accounting standard on the consolidated financial statements for the year ended March 31, 2009.

c. Gain on Sales of By-products

Sales of by-products had been included in other income (expenses) section. Effective from the year ended March 31, 2009, after revision of the nature of transaction, those sales are included in net sales.

Consequently, compared to the amounts that would have been reported under the previous accounting method, the net sales and the gross profit increased by ¥274 million (\$2,798 thousand), and the operating loss decreased by the same amount for the year ended March 31, 2009.

The effect of the change on the segment information is described in Note 15.

4. DEBT AND EQUITY SECURITIES

(1) Available-for-sale securities which have market value

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2009				
Equity securities	¥3,299	¥144	¥677	¥2,766
Other	42	–	13	29
Total	¥3,341	¥144	¥690	¥2,795

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2008				
Equity securities	¥4,482	¥943	¥892	¥4,533
Other	42	3	–	45
Total	¥4,524	¥946	¥892	¥4,578

	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2009				
Equity securities	\$33,656	\$1,474	\$6,912	\$28,218
Other	432	–	132	300
Total	\$34,088	\$1,474	\$7,044	\$28,518

(2) Available-for-sale and held-to-maturity securities which do not have market value

	Carrying Values		Thousands of U.S. Dollars
	Millions of Yen		
	2009	2008	
Securities classified as:			
Available-for-sale:			
Unlisted equity securities	¥ 16	¥17	\$ 170
Equity of limited liability partnerships	155	80	1,583
Held-to-maturity:			
Other	2	2	16
Total	¥173	¥99	\$1,769

(3) The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity

	Carrying Values		Thousands of U.S. Dollars
	Millions of Yen		
	2009	2008	
Due in 1 year or less	¥0	–	\$ 1
Due after 1 year through 5 years	2	¥2	15
Total	¥2	¥2	\$16

5. SHORT-TERM BORROWINGS, LONG-TERM BORROWINGS AND LEASE OBLIGATIONS

Short-term borrowing at March 31, 2009 and 2008 are consisted principally of borrowings from banks at average annual rates of approximately 1.32% and 1.77%, respectively.

Long-term debts at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Long-term borrowings from banks and other financial institutions			
(Borrowings due within one year, weighted average interest rate 1.61%)	¥ 6,925	¥ 36	\$ 70,659
(Borrowings due after one year, weighted average interest rate 1.55%)	20,115	6,561	205,260
1.15% convertible bonds due 2008	–	6,707	–
Euro Yen zero coupon convertible bonds due 2014	20,000	20,000	204,082
Lease obligations			
Due within one year	3	–	31
Due after one year	15	–	156
Total	47,058	33,304	480,188
Less current portion	(6,928)	(6,743)	(70,690)
Long-term debts, less current portion	¥40,130	¥26,561	\$409,498

The average interest rate per annum for lease obligations is not presented since lease obligations are stated at the amounts before deducting interest portion which is included in total lease obligations.

The conversion price per share of Euro Yen zero coupon convertible bonds for the year ended March 31, 2009 was ¥3,746 (\$38.22)—fixed price.

The aggregate annual maturities of long-term debts other than lease obligations as of March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
For the year ending March 31		
2010	¥ 6,925	\$ 70,659
2011	4,065	41,476
2012	12,544	128,001
2013	1,603	16,362
2014	1,533	15,646
2015 and thereafter	20,370	207,857
Total	¥47,040	\$480,001

The annual maturities of lease obligations as of March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
For the year ending March 31		
2010	¥ 3	\$ 31
2011	6	60
2012	3	35
2013	3	30
2014	2	21
2015 and thereafter	1	10
Total	¥18	\$187

6. RETIREMENT BENEFITS

(1) Outline of retirement benefit plans

The Company and certain domestic subsidiaries have a defined contribution pension plan, prepaid retirement plan and lump-sum payments at the time of termination. Certain foreign subsidiaries mainly adopted lump-sum payments at the time of termination.

(2) Retirement benefit obligation for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Retirement benefits obligation	¥2,483	¥128	\$25,332
Unrecognized actuarial losses	6	–	58
Fair value of pension assets	997	–	10,170
Net liability for severance and retirement benefits	1,480	128	15,104
Prepaid pension costs	35	–	359
Accrued retirement benefits for employees	¥1,515	¥128	\$15,463

Certain domestic consolidated subsidiaries adopted the simplification method to calculate retirement benefit obligation. In addition to the above accrued retirement benefits for employees cost, ¥1,760 million were incurred by certain foreign subsidiaries in accordance with the accounting standards of each country for the year ended March 31, 2008.

Also, ¥28 million of prepaid pension cost incurred by them were included in “Investments and other assets - other” in the consolidated balance sheet as of March 31, 2008.

(3) Retirement benefit costs for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	¥ 488	¥ 47	\$ 4,976
Interest cost	153	–	1,565
Expected return on plan assets	(68)	–	(691)
Contribution to defined contribution pension plan	–	988	–
Other	933	–	9,521
Net periodic benefit costs	¥1,506	¥1,035	\$15,371

Retirement benefit costs incurred by the domestic consolidated subsidiaries that adopted the simplification method were recorded as service cost.

“Other” for the year ended March 31, 2009 mainly includes contribution to a defined contribution pension plan.

In addition to the above retirement benefit costs, ¥666 million were incurred by certain foreign subsidiaries in accordance with the accounting standards of each country for the years ended March 31, 2008.

The discount rate was 2.25% to 8.63% for the year ended March 31, 2009. The rates of expected return on plan assets was 2.25% to 6.00% for the year ended March 31, 2009. The estimated amounts of all retirement benefits to be paid at the future retirement dates are allocated to each service year using the benefit formula or equally using the estimated number of total service years. Consolidated overseas subsidiaries have adopted the corridor approach for the amortization of actuarial differences.

7. NET ASSETS

Under the Corporate Law ("the Law"), in cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve, must be set aside as additional paid-in capital or legal earnings reserve. Additional paid-in capital and legal earnings reserve is included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets. Under the Law, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law. Appropriations are not accrued in the consolidated financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders' approval has been obtained.

8. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Summary of net assets (assets and liabilities) and net payment for (net receipt from) the acquisition of shares of companies newly included is as follows:

March 31, 2009

Victor Advanced Media Co., Ltd.	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 5,240	\$ 53,472
Non-current assets	63	645
Current liabilities	(4,790)	(48,880)
Non-current liabilities	0	0
Negative goodwill	(133)	(1,363)
Minority interests	(180)	(1,833)
Acquisition cost	200	2,041
Cash and cash equivalents of Victor Advanced Media Co., Ltd.	(1,419)	(14,476)
Proceeds from acquisition of investments in Victor Advanced Media Co., Ltd.	¥ 1,219	\$ 12,435

March 31, 2008

Chuki Seiki Co., Ltd.	Millions of Yen
Current assets	¥1,342
Non-current assets	884
Current liabilities	(387)
Non-current liabilities	(84)
Minority interests	(208)
Carrying value of investment in Chuki Seiki Co., Ltd. under equity method at the time that the Company acquired majority of voting rights	(878)
Acquisition cost	669
Cash and cash equivalents of Chuki Seiki Co., Ltd.	(400)
Payment for the acquisition of investments in Chuki Seiki Co., Ltd.	¥ 269

9. INCOME TAXES

Income taxes in Japan applicable to the Company and domestic subsidiaries for the years ended March 31, 2009 and 2008 were comprised of (1) a corporation tax at the rates of 30.0% on taxable income, (2) enterprise tax of approximately 7% on taxable income and (3) prefectural and residence taxes of approximately 21% of the amount of the corporation tax. Enterprise tax is deductible for income tax purposes when paid. Income taxes of foreign subsidiaries are generally based on tax rates applicable in the country of incorporation.

Significant components of the deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets			
Inventories	¥ 47	¥ 722	\$ 485
Retirement benefits	3,069	3,265	31,315
Enterprise tax payables	22	300	226
Accrued bonuses	303	1,018	3,094
Foreign tax credits carry forwards	–	1,326	–
Net unrealized holding losses on securities	–	52	–
Excess depreciation	179	83	1,828
Net operating loss	8,155	–	83,218
Other	1,767	1,588	18,015
Offset	(1,114)	(1,134)	(11,368)
Subtotal	12,428	7,220	126,813
Valuation allowance	(7,484)	(1,449)	(76,362)
Total deferred tax assets	¥ 4,944	¥ 5,771	\$ 50,451
Deferred tax liabilities			
Allowance for doubtful receivables	¥ 3	¥ 9	\$ 32
Undistributed earnings of foreign subsidiaries	2,021	7,743	20,630
Inventories	516	–	5,267
Reserves	1,167	1,185	11,906
Other	290	275	2,958
Offset	(1,114)	(1,134)	(11,368)
Total deferred tax liabilities	¥ 2,883	¥ 8,078	\$ 29,425

Reconciliation of the normal income tax rates to the effective income tax rates were as follows:

	2009	2008
Statutory tax rate	–	40.4 %
Differences in statutory tax rates of consolidated subsidiaries	–	2.7
Undistributed earnings of foreign subsidiaries	–	(4.8)
Impact of consolidation elimination of dividends from foreign subsidiaries	–	7.2
Foreign tax credit	–	(10.6)
Valuation allowance	–	6.3
Tax credit for research and development costs	–	(4.1)
Others - net	–	0.9
Effective income tax rate	–	38.0 %

Reconciliation of statutory and effective income tax rates for 2009 is omitted because of loss before income taxes and minority interests.

10. LEASE TRANSACTIONS

As described in Notes 2 and 3, finance lease contracts commencing after April 1, 2008 are capitalized.

Information of finance lease contracts commencing prior to March 31, 2008, which are accounted for in the same manner as operating leases, was as follows:

The amounts corresponding to acquisition cost, accumulated depreciation, and net book value at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
The amount corresponding to acquisition cost	¥2,521	¥2,296	\$25,726
The amount corresponding to accumulated depreciation	1,598	1,207	16,305
The amount corresponding to net book value	¥ 923	¥1,089	\$ 9,421

The amounts of outstanding future lease payments due at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Future lease payments			
Within one year	¥378	¥ 393	\$3,863
Over one year	545	696	5,558
Total	¥923	¥1,089	\$9,421

Lease payments and the amounts corresponding to depreciation for the years ended March 31, 2009 and 2008 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Lease payments	¥323	¥372	\$3,293
The amount corresponding to depreciation expense	323	372	3,293

The imputed interest expense portion is included in the above future lease payments under finance leases.

The amount corresponding to depreciation expense was calculated by the straight-line method over the lease term with no residual value.

11. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

The Companies categorize their business assets by segmentation for management accounting, and idle assets by individual asset. Property, plant and equipment such as the head office and laboratories are categorized as common assets.

For the idle assets with no specific utilization plan or low profitability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss on property, plant and equipment.

For the years ended March 31, 2009 and 2008, the Companies recognized impairment loss on property, plant and equipment as follows:

March 31, 2009

Classification	Description	Location	Millions of Yen	Thousands of U.S. Dollars
Building	Idle asset	Haruna, Gunma, Japan Sannokura, Gunma	¥ 7	\$ 71
Machinery and Equipment	Idle asset	Haruna, Gunma Sannokura, Gunma Nakanojo, Gunma Tamamura, Gunma Yawatabara, Gunma Other	151	1,539
Other	Idle asset	Egi, Gunma Haruna, Gunma Sannokura, Gunma Nakanojo, Gunma Tamamura, Gunma Yawatabara, Gunma	4	38

March 31, 2008

Classification	Description	Location	Millions of Yen
Building	Idle asset	Haruna, Gunma, Japan Sannokura, Gunma	¥ 8
Machinery and Equipment	Idle asset	Haruna, Gunma Sannokura, Gunma Nakanojo, Gunma R&D center, Gunma Tamamura, Gunma Yawatabara, Gunma	159
Other	Idle asset	Haruna, Gunma Sannokura, Gunma Nakanojo, Gunma R&D center, Gunma	6

12. CONTINGENT LIABILITIES

At March 31, 2009 and 2008, the Companies had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
As guarantor of bank loans and indebtedness	¥13	¥24	\$130

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into interest rate swaps as interest rate-related derivatives and forward foreign exchange contracts as currency related derivatives. The Company utilizes derivatives solely for the purpose of hedging its exposure of financial liabilities to interest rate risk and exposure of underlying assets generated in the actual trades to foreign currency exchange risk, and does not intend to execute speculative dealings as a matter of policy. Hedged items are receivables denominated in foreign currencies and forecasted foreign-currency-denominated transactions, and interest on loan payables. Hedging instruments are forward foreign exchange contracts and interest rate swaps which forward exchange contracts and interest rate risk exposed to interest rate swaps are minimized, since all of these derivatives are intended to avoid market risk. In addition, the management considers that counterparty risk is extremely minimized since the Company enters into such derivative contracts with financial institutions with high credit ratings. The financing and accounting division is responsible for the management of derivatives in accordance with the internal rules defined for trading authorities, trading limits, reporting and others. The division manager reports operating officer of Management and Administration Headquarters about the performance and the related risks connected with derivatives, and the operating officer reports these information to the board of directors of the Company.

The disclosure of fair value of outstanding derivative financial instruments was omitted as they were accounted for as hedges.

14. STOCK OPTION PLAN

The Company grants stock options to its directors in line with resolutions of the Board of Directors meetings.

Expenses for stock options amounting to ¥44 million (\$453 thousand) and ¥215 million were recognized in selling, general and administrative expenses in 2009 and 2008, respectively.

For the years ended March 31, 2009 and 2008, a standard option pricing model (i.e., Black-Scholes) was used to measure the fair value of stock options granted to its directors. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with risk-free interest rates of 1.63% in 2009 and 1.97% in 2008, dividends per share of ¥10 (\$0.10) in both years and volatility factor of the expected market value of the Company's common stock of 49.6% in 2009 and 50.8% in 2008, determined by daily historical prices for the past ten years and a expected life of the option of 10 years in both years.

A summary of the Company's stock options outstanding at March 31, 2009 is as follows:

Date of resolution	June 29, 2005	June 29, 2006	June 28, 2007	June 28, 2007	June 27, 2008
Date of grant	June 29, 2005	August 23, 2006	July 13, 2007	July 13, 2007	July 14, 2008
Number of options	26,000 shares of Common stock	29,000 shares of Common stock	32,000 shares of Common stock	46,000 shares of Common stock	46,000 shares of Common stock
Exercise price	¥1	¥1	¥1	¥1	¥1(\$0.01)
Exercise period	From June 30, 2005 to July 31, 2025	From August 24, 2006 to August 23, 2026	From July 14, 2007 to July 13, 2027	From July 14, 2007 to July 13, 2027	From July 15, 2008 to July 14, 2028
Fair value (per share)	–	¥1,511	¥2,761	¥2,761	¥966(\$9.86)
Options outstanding at March 31, 2007	16,000	29,000	–	–	–
Granted	–	–	32,000	46,000	–
Exercised	–	–	–	–	–
Forfeited/Expired	–	–	–	–	–
Options outstanding at March 31, 2008	16,000	29,000	32,000	46,000	–
Granted	–	–	–	–	46,000
Exercised	–	–	–	–	–
Forfeited/Expired	–	–	–	–	–
Options outstanding at March 31, 2009	16,000	29,000	32,000	46,000	46,000

15. SEGMENT INFORMATION

For the years ended March 31, 2009 and 2008

(1) Industry Segment Information

The Companies conduct manufacturing operations predominantly in the electronic parts industry. The sales and operating income (loss) from such operations and related assets exceeded 90% of the total of each segment of sales, operating income and assets. Therefore, the disclosure of industry segment information was omitted.

(2) Geographic Segment Information

March 31, 2009	Millions of Yen					Consolidated
	Japan	Asia	Other	Total	Elimination and Corporate	
Sales:						
Customers	¥ 65,523	¥96,822	¥23,108	¥185,453	–	¥185,453
Intersegment	121,537	67,436	1,297	190,270	¥(190,270)	–
Total	187,060	164,258	24,405	375,723	(190,270)	185,453
Operating expenses	204,418	162,280	23,741	390,439	(192,230)	198,209
Operating income (loss)	¥ (17,358)	¥ 1,978	¥ 664	¥ (14,716)	¥ 1,960	¥ (12,756)
Assets	¥186,850	¥92,629	¥ 7,571	¥287,050	¥ (61,599)	¥225,451

March 31, 2008	Millions of Yen					Consolidated
	Japan	Asia	Other	Total	Elimination and Corporate	
Sales:						
Customers	¥ 79,838	¥123,683	¥34,754	¥238,275	–	¥238,275
Intersegment	158,613	79,791	1,864	240,268	¥(240,268)	–
Total	238,451	203,474	36,618	478,543	(240,268)	238,275
Operating expenses	222,724	201,025	34,533	458,282	(241,311)	216,971
Operating income	¥ 15,727	¥ 2,449	¥ 2,085	¥ 20,261	¥ 1,043	¥ 21,304
Assets	¥217,178	¥112,581	¥10,140	¥339,899	¥ (68,294)	¥271,605

Thousands of U.S. Dollars

March 31, 2009	Japan	Asia	Other	Total	Elimination and Corporate	Consolidated
Sales:						
Customers	\$ 668,606	\$987,976	\$235,791	\$1,892,373	–	\$1,892,373
Intersegment	1,240,170	688,131	13,231	1,941,532	\$(1,941,532)	–
Total	1,908,776	1,676,107	249,022	3,833,905	(1,941,532)	1,892,373
Operating expenses	2,085,896	1,655,928	242,248	3,984,072	(1,961,538)	2,022,534
Operating income (loss)	\$ (177,120)	\$ 20,179	\$ 6,774	\$ (150,167)	\$ 20,006	\$ (130,161)
Assets	\$1,906,628	\$945,197	\$ 77,252	\$2,929,077	\$ (628,554)	\$2,300,523

(a) The above segments are classified geographically.

(b) Main countries or areas other than Japan:

Asia Taiwan, Hong Kong, Korea, China, Malaysia, Singapore

Other U.S.A., Germany

(c) Corporate assets were ¥11,082 million (\$113,080 thousand) and ¥14,184 million at March 31, 2009 and 2008, respectively.

They are principally comprised of cash and cash equivalents and investments of the Company.

(d) Due to the change in accounting standard for inventories stated at accompanying Note 2, the operating loss for the year ended March 31, 2009 increased by ¥3,478 million (\$35,487 thousand) in Japan, and the operating income for the year ended March 31, 2009 decreased ¥1,238 million (\$12,633 thousand) and ¥32 million (\$328 thousand) in Asia and Other, respectively.

(e) Due to the change in accounting standard for sales of by-products stated at accompanying Note 3, the net sales for the year ended March 31, 2009 increased by ¥2 million (\$19 thousand) and ¥272 million (\$2,779 thousand) in Japan and Asia respectively.

The operating loss for the year ended March 31, 2009 decreased by the same amounts in Japan, and the operating income for the year ended March 31, 2009 increased by the same amounts in Asia.

(f) Due to the revised useful lives for property, plant and equipment stated at accompanying Note 2, the operating loss for the year ended March 31, 2009 increased ¥980 million (\$9,998 thousand) in Japan.

(3) Foreign Sales Information

March 31, 2009	Millions of Yen				
	Asia	North America	Europe	Other	Total
Foreign sales	¥103,997	¥12,303	¥10,055	¥582	¥126,937
Consolidated sales					¥185,453
Percentage of foreign sales in proportion to consolidated sales	56.1%	6.6%	5.4%	0.3%	68.4%

March 31, 2008	Millions of Yen				
	Asia	North America	Europe	Other	Total
Foreign sales	¥135,416	¥18,306	¥12,176	¥337	¥166,235
Consolidated sales					¥238,275
Percentage of foreign sales in proportion to consolidated sales	56.8%	7.7%	5.1%	0.2%	69.8%

March 31, 2009	Thousands of U.S. Dollars				
	Asia	North America	Europe	Other	Total
Foreign sales	\$1,061,195	\$125,537	\$102,606	\$5,941	\$1,295,279
Consolidated sales					\$1,892,373

(a) The above segments are classified geographically.

(b) Main countries or areas other than Japan:

Asia Taiwan, Hong Kong, Korea, China, Malaysia, Singapore

North America U.S.A., Canada, Mexico

Europe Germany, U.K., Finland, Sweden, France, Italy

Other South America, the Middle East

(c) Foreign sales are the total of export sales of the Company and its subsidiaries to countries and regions outside of Japan.

(d) Due to the change in accounting standard for sales of by-products stated at accompanying Note 3, sales for the year ended March 31, 2009 increased by ¥272 million (\$2,779 thousand) in Asia.

16. NET INCOME (LOSS) PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income (Loss)	Weighted Average Shares	EPS	
For the year ended March 31, 2009				
Basic EPS				
Net loss allocated to common shareholders	<u>¥(14,333)</u>	<u>117,950</u>	<u>¥(121.51)</u>	<u>\$(1.24)</u>

Although diluted shares exist for the year ended March 31, 2009, diluted net income per share is not calculated since there is net loss per share for the period.

For the year ended March 31, 2008

Basic EPS			
Net income allocated to common shareholders	¥10,634	119,195	¥89.22
Effect of dilutive securities			
Convertible bonds	47	5,517	–
Convertible bonds with stock acquisition rights	–	5,339	–
Stock acquisition rights	–	103	–
Diluted EPS			
Net income for computation	<u>¥10,681</u>	<u>130,154</u>	<u>¥82.06</u>

17. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2009 were approved at the Company's shareholders' meeting held on June 26, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividend, ¥5.00 (\$0.05) per share	¥588	\$5,999

Independent Auditors' Report



Independent Auditors' Report

To the Board of Directors of Taiyo Yuden Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Taiyo Yuden Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Taiyo Yuden Co., Ltd. and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 2.f. to the consolidated financial statements, effective for the year ended March 31, 2009, Taiyo Yuden Co., Ltd. and consolidated subsidiaries adopted Accounting Standard for Measurement of Inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 26, 2009

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law, is the Japan member firm of KPMG International, a Swiss cooperative.

Subsidiaries and Affiliate

SUBSIDIARIES

Domestic (Japan)	Ownership
Taiyo Chemical Industry Co., Ltd.	100.0%
Tsukiyono Denshi Co., Ltd.	100.0%
Akagi Electronics Co., Ltd.	100.0%
Taiyo Fukushi Co., Ltd.	100.0%
Sun Vertex Co., Ltd.	100.0%
That's Fukushima Co., Ltd.	100.0%
Kankyo Assist Co., Ltd.	100.0%
Bifrostec Inc.	57.1%
Niigata Taiyo Yuden Co., Ltd.	100.0%
Shoei Electronics Co., Ltd.	100.0%
Chuki Seiki Co., Ltd.	88.1%
Victor Advanced Media Co., Ltd.	65.0%

Overseas	Ownership
TAIWAN TAIYO YUDEN CO., LTD.	100.0%
KOREA TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (SINGAPORE) PTE LTD	100.0%
HONG KONG TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (U.S.A.) INC.	100.0%
TAIYO YUDEN EUROPE GmbH	100.0%
KOREA TONG YANG YUJUN CO., LTD.	100.0%
TAIYO YUDEN (PHILIPPINES) INC.	100.0%
TAIYO YUDEN ENTERPRISES CO., LTD.	100.0%
DONGGUAN TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (SARAWAK) SDN. BHD.	100.0%
TAIYO YUDEN (MALAYSIA) SDN. BHD.	53.3%
TAIYO YUDEN (GUANGDONG) CO., LTD.	100.0%
KOREA KYONG NAM TAIYO YUDEN CO., LTD.	100.0%
TRDA INC.	100.0%
TAIYO YUDEN (SHANGHAI) TRADING CO., LTD.	100.0%
TAIYO YUDEN (TIANJIN) ELECTRONICS CO., LTD.	100.0%
TAIYO YUDEN (SHENZHEN) ELECTRONICS TRADING CO., LTD.	100.0%
TAIYO YUDEN (CHINA) CO., LTD.	100.0%
TAIYO YUDEN (SUZHOU) CO., LTD.	100.0%
JVC ADVANCED MEDIA U.S.A. INC.	65.0%
JVC Advanced Media EUROPE GmbH	65.0%

AFFILIATE

Domestic (Japan)	Ownership
START Lab Inc.	49.9%

Five-Year Financial Summary

Taiyo Yuden Co., Ltd. and Subsidiaries
Years Ended March 31 and as of March 31

	Millions of yen				
	(Rounded off to the nearest million)				
	2005	2006	2007	2008	2009
Net sales	¥ 172,256	¥ 186,539	¥ 221,230	¥ 238,275	¥ 185,453
Capacitors	60,790	72,810	95,768	109,348	79,360
Ferrite and applied products	27,962	29,554	32,970	35,159	28,468
Modules	24,307	38,185	41,569	37,400	33,451
Optical media products	31,031	30,553	33,013	31,838	31,169
Other electronic components	28,167	15,438	17,910	24,531	13,005
Operating income (loss)	2,055	6,692	22,018	21,304	(12,756)
Net income (loss)	(774)	3,155	12,945	10,634	(14,333)
Net assets	141,667	153,874	169,498	167,767	139,436
Total assets	212,232	224,382	258,553	271,605	225,451
Cash flows from operating activities	5,854	20,056	28,980	29,791	15,696
Cash flows from investing activities	(19,601)	(15,290)	(33,781)	(43,768)	(25,665)
Cash flows from financing activities	3,387	(2,806)	7,586	12,856	9,780
Cash and cash equivalents at end of year	31,245	35,672	39,436	35,402	33,111
	Yen				
Net assets per share	¥1,187.69	¥1,290.00	¥1,421.45	¥1,403.24	¥1,181.28
Basic net income (loss) per share	(6.58)	26.00	108.58	89.22	(121.51)
Diluted net income per share	–	25.21	104.09	82.06	–
Cash dividends per share	10.00	10.00	10.00	10.00	10.00
	%				
Equity ratio	66.8	68.6	65.5	61.6	61.6
Return on Equity (ROE)	(0.5)	2.1	8.0	6.3	(9.4)
Return on Assets (ROA)	0.9	3.2	9.0	7.2	(5.1)
	Millions of yen				
R&D expenses	¥ 7,581	¥ 7,096	¥ 8,207	¥ 8,888	¥ 8,464
Capital investment	22,465	15,779	30,244	44,584	27,019
Depreciation expenses	17,984	17,052	18,376	23,294	27,851
Number of employees	17,577	19,656	20,387	20,117	17,478

Note: ROE = Net income/Net assets (yearly average, excluding stock acquisition rights and minority interests) x 100
ROA = Ordinary income/Total assets (yearly average) x 100

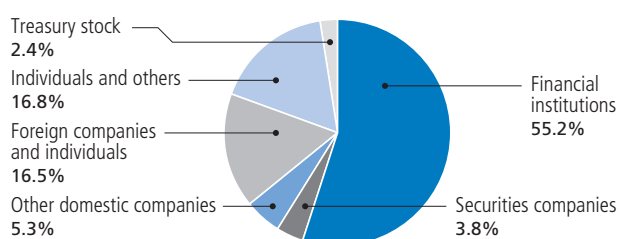
Investor Information

Taiyo Yuden Co., Ltd.
As of March 31, 2009

Stock Information

Common stock	(Authorized) 300,000,000 (Issued) 120,481,395 (Including 2,910,398 shares of treasury stock)
Stock exchange listing	First section of Tokyo Stock Exchange
Securities code	6976
Unit of trading	1,000 shares
Number of shareholders	10,357

Composition of Shareholders

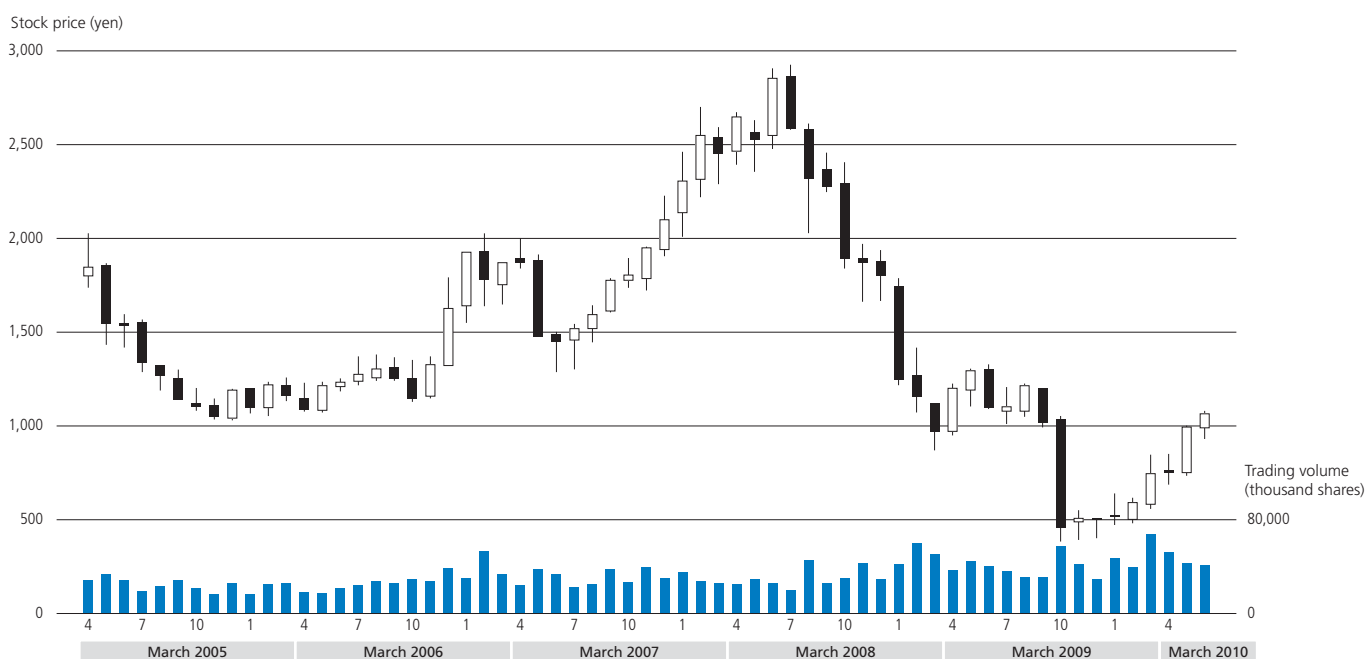


Major Shareholders

	Number of shares (Thousands)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,418	13.9
Japan Trustee Services Bank, Ltd. (Trust Account)	16,413	13.9
Japan Trustee Services Bank, Ltd. (Trust Account 4)	9,078	7.7
Sumitomo Mitsui Banking Corporation	4,000	3.4
The Iyo Bank, Ltd.	3,000	2.5
JPMorgan Securities Japan Co., Ltd.	2,784	2.3
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,514	2.1
Nippon Life Insurance Company	2,380	2.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,967	1.6
The Sato Foundation Welfare Fund for Children of Traffic Accident Victims	1,916	1.6

Note: The percentage of voting rights held has been calculated after subtracting the number of shares of treasury stock (2,910,398 shares).

Stock Price/Trading Volume



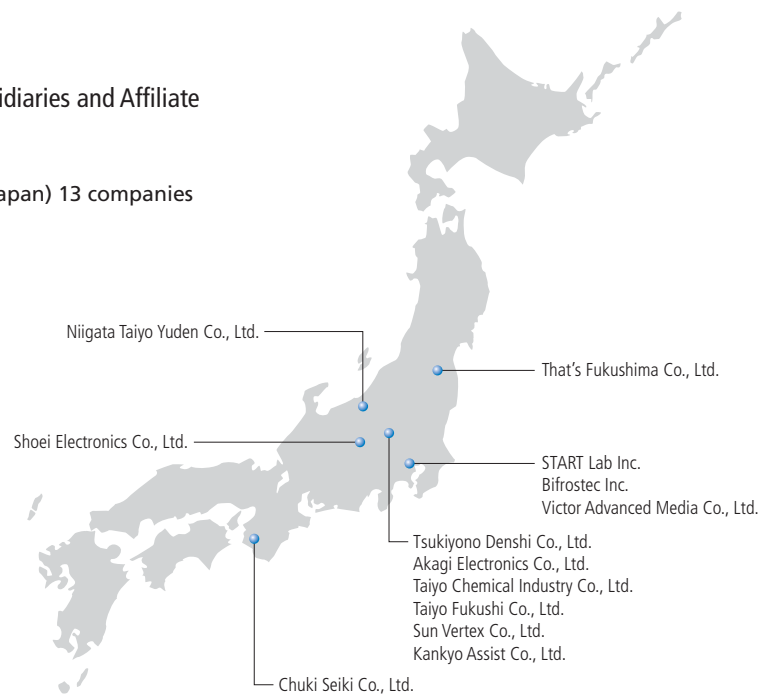
Corporate Data

Taiyo Yuden Co., Ltd.
As of March 31, 2009

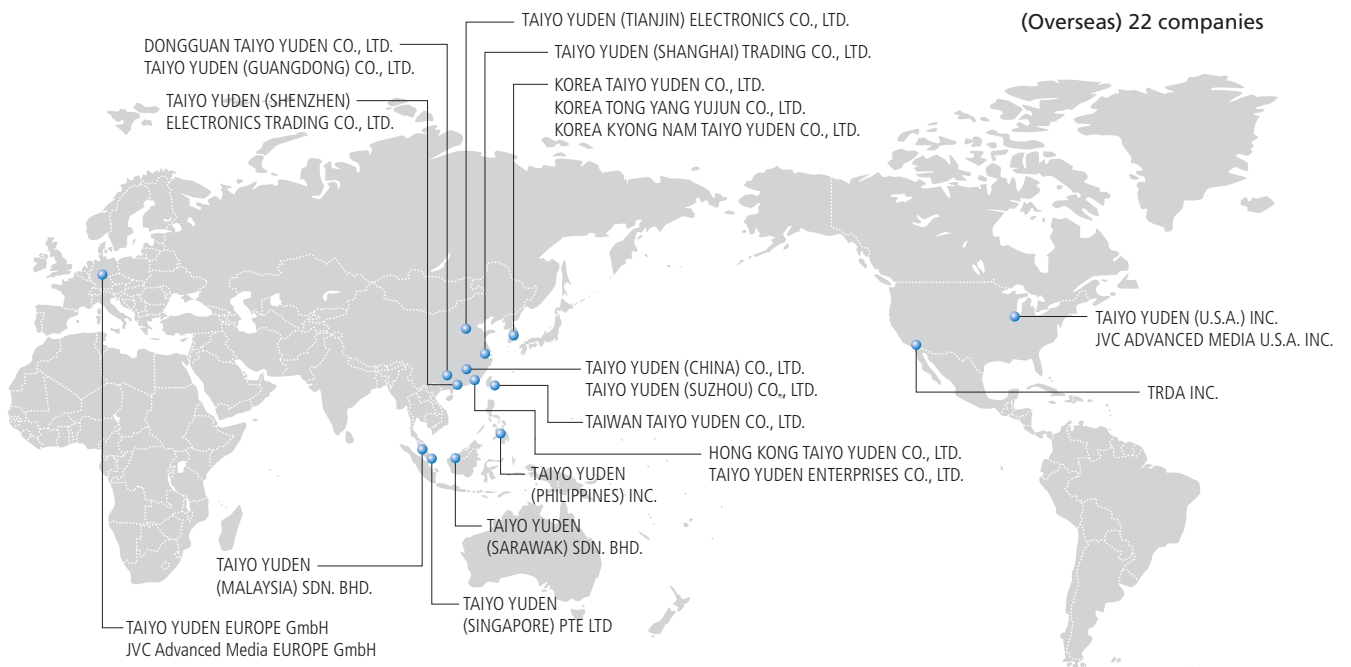
Company name	Taiyo Yuden Co., Ltd.
Head office	6-16-20 Ueno, Taito-ku, Tokyo 110-0005, Japan Tel +81-3-3832-0101
President & Chief Executive Officer	Yoshiro Kanzaki
Date of establishment	March 23, 1950
Paid-in capital	¥23,557 million
Number of employees	17,478 (Consolidated) 2,918 (Non-consolidated)
Main products	Ceramic capacitors; Inductors; Circuit modules (for power supply, high frequency); Optical recording media; Ceramic chip antennas, filters, baluns; Varistors; NTC thermistors
URL	http://www.ty-top.com/

Taiyo Yuden Group Subsidiaries and Affiliate (35 companies)

(Japan) 13 companies



(Overseas) 22 companies



<http://www.ty-top.com/>



This brochure is printed on FSC-certified paper using 100% vegetable oil-based ink and waterless printing at an ISO 14001-certified factory. The printing plates were prepared using the computer-to-plate (CTP) method that does not require the production of films.

TYAR0909-1200E