



## Consolidated Earnings Report for the First Quarter of Fiscal 2015 [Japanese GAAP]

July 29, 2014

Company Name:	<b>KOITO MANUFACTURING CO., LTD.</b>
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	7276
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Filing of Quarterly Securities Report:	August 1, 2014
Scheduled Payment of Dividends:	—
Supplementary explanatory materials prepared:	None
Explanatory meeting:	None

(¥ millions are rounded down)

### 1. Consolidated Results for the First Quarter of Fiscal 2015 (April 1, 2014 to June 30, 2014)

(1) Consolidated Operating Results (¥millions; percentage figures represent year-on-year changes)

First Quarter,	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2015	154,569	20.1%	10,196	47.0%	10,603	32.1%	5,808	9.3%
Fiscal 2014	128,701	14.0%	6,934	△14.3%	8,025	2.7%	5,316	81.5%

Note: Comprehensive income or loss: June 30, 2014: ¥7,470 million (△40.1%), June 30, 2013: ¥12,473 million (—%)

First Quarter,	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2015	36.14	—
Fiscal 2014	33.08	—

(2) Consolidated Financial Position

(¥millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
June 30, 2014	480,321	259,839	46.3	1,384.59
March 31, 2014	483,093	256,072	45.5	1,368.72

Note: Equity: June 30, 2014: ¥222,495million; March 31, 2014: ¥219,945million

### 2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2014	—	12.00	—	14.00	26.00
Fiscal 2015	—	—	—	—	—
Fiscal 2015(forecast)	—	—	—	—	—

Notes: 1. Revisions to recent dividend forecasts: None

2. The dividend record dates are September 30 and March 31, as prescribed by Koito's Articles of Incorporation; the dividend forecast for the September 30, 2014 and March 31, 2015 record date are currently undecided.

### 3. Forecast of Consolidated Results for Fiscal 2015(April 1, 2014 to March 31, 2015)

(¥millions; percentage figures represent year-on-year changes)

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	307,000	14.9%	21,700	33.0%	22,500	29.2%	11,300	11.3%	70.32
Full year	639,000	6.9%	53,200	7.5%	55,000	6.0%	28,800	34.7%	179.22

Note: Revisions to recent consolidated business forecasts: Yes

**\*Notes**

- (1) Changes to important subsidiaries during the first quarter (changes in specified subsidiaries resulting in revised scope of consolidation): None
- (2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, accounting estimates and restatements
  - ① Changes in accounting policies in conjunction with revisions to accounting standards: Yes
  - ② Other changes: None
  - ③ Changes in accounting estimates: None
  - ④ Restatements: None

(Note) For details, please refer to (3) Changes in Accounting Principles, Accounting Estimates and Restatements under 2. Summary Information (Notes) on page 4 of the supplementary materials.

(4) Number of shares issued (common stock)

① Number of shares issued (including treasury stock):	Fiscal 2015, 1Q	160,789,436	Fiscal 2014	160,789,436
② Number of treasury shares:	Fiscal 2015, 1Q	95,079	Fiscal 2014	95,079
③ Average number of shares during the first quarter:	Fiscal 2015, 1Q	160,694,357	Fiscal 2014, 1Q	160,697,754

**\*Explanations concerning status of quarterly review procedures**

This quarterly earnings report is not subject to the review procedures for quarterly reporting based on the Financial Instruments and Exchange Act. At the time of issue of this report, the review procedures for quarterly reporting based on the Financial Instruments and Exchange Act were being carried out.

《 For Reference Only 》

**Forecast of Non-consolidated Result for Fiscal 2015 (April 1, 2014 to March 31, 2015)**

(¥millions; percentage figures represent year-on-year changes)

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	116,000	1.8%	7,800	13.4%	15,300	8.6%	10,600	△2.5%	65.96
Full year	240,000	△2.2%	16,300	△9.9%	27,800	△6.9%	17,600	31.7%	109.52

Note: Revisions to recent non-consolidated business forecasts: Yes

\*Explanations concerning proper use of business forecasts and other noteworthy matters

The above forecasts are based on information available, and certain assumptions that are judged to be reasonable, at the time of the release of this report. Koito is not promising that the Company will achieve these forecasts. Actual results could differ from forecasts due to a variety of factors.

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## 1. Qualitative Information Concerning Quarterly Financial Statements and Other Matters

### (1) Explanation Regarding Consolidated Operating Results

During the first quarter of fiscal 2015, the period under review, the Japanese economy stagnated as a consequence of domestic demand that was lackluster in the wake of last-minute demand prior to an increase in the consumption tax rate, and external demand waning after growth slowed in the emerging markets and corrections from the yen's appreciation ran their course. Growth in the world economy remained strong, underscored mainly by recovery in the U.S. economy and economic restoration in Europe, despite lingering instability in Ukraine and the political situation in Thailand.

In the Japanese auto industry, production volume increased year on year as a result of back orders from last-minute demand prior to an increase in the consumption tax rate, and the introduction of new models, among other positive impacts. Overseas, production worldwide increased year on year, as expansion of production in North America, China and other countries, outweighed the impact of production cuts in Thailand and other Southeast Asian countries.

In this climate, the Koito Group reported first-quarter consolidated net sales of ¥154.5 billion, up 20.1% year on year, due to a sales growth in the mainstay automotive lighting equipment segment.

Results by geographical segment are outlined as follows.

#### **[Japan]**

Sales in Japan increased 6.7% to ¥62.2 billion. This reflected higher automobile production due to back orders from last-minute demand prior to an increase in the consumption tax rate, and the introduction of new models, among other positive impacts.

#### **[North America]**

Sales in North America increased 33.3% to ¥28.6 billion mainly due to an increase in Japanese automobile production accompanying the recovery in automobile demand, and to increased orders for local automobile manufacturers.

#### **[China]**

Sales in China rose 32.8% to ¥42.0 billion. This increase was mainly due to increased orders from local automobile manufacturers amid growing demand for automobiles, and contributions from operations at a new plant.

#### **[Asia]**

Sales in Asia rose 4.3% to ¥14.8 billion. Sales growth was driven mainly by an increase in orders from motorcycle and automobile production in Indonesia, which more than offset decreasing automobile production in Thailand, mainly as a consequence of the unstable political situation.

#### **[Europe]**

Sales in Europe increased 134.8% to ¥6.6 billion due to an increase in orders amid strong automobile production in the region accompanying a restoration in the European economy.

On the earnings front, operating income was ¥10.1 billion, up 47.0% year on year. The gain was mainly attributable to revenues rising in step with increased automobile production in Japan, as well as in North America, China and Europe, and contributions from the operation of new factories overseas. Recurring profit increased 32.1% to ¥10.6 billion. Net income amounted to ¥5.8 billion, up 9.3% year on year. This increase was impeded in part by the absence of gain on sales of investment securities recorded in the previous fiscal year.

### (2) Explanation Regarding Consolidated Financial Position

#### -1. Analysis of assets, liabilities and net assets

Total assets decreased ¥2.7 billion from March 31, 2014 to ¥480.3 billion. This was mainly due to decreases in current assets such as trade notes and accounts receivable.

Total liabilities decreased ¥6.5 billion from March 31, 2014 to ¥220.4 billion, reflecting a decrease in trade notes and accounts payable and repayment of debt.

Total net assets increased ¥3.7 billion from March 31, 2014 to ¥259.8 billion. This increase was mainly due to an increase in retained earnings from net income.

-2. Analysis of cash flows

Operating activities provided net cash of ¥19.8 billion after payment of taxes, mainly reflecting income before income taxes of ¥10.4 billion and depreciation of ¥5.4 billion.

Investing activities used net cash of ¥13.6 billion, mainly reflecting acquisition of property and equipment of ¥8.8 billion.

Financing activities used net cash of ¥5.4 billion, the result mainly of ¥2.9 billion in repayment of debt and ¥2.5 billion in dividends paid.

As a result, cash and cash equivalents as of June 30, 2014 were ¥28.2 billion, ¥0.4 billion higher than on March 31, 2014.

**(3) Explanation Regarding Forecast of Consolidated Results for Fiscal 2015 and Other Future Projections**

As regards Koito's business outlook for fiscal 2015, the fiscal year ending March 31, 2015, net sales are projected to increase over the previous fiscal year because increased orders are expected from the U.S. and higher overseas automobile production is expected in emerging markets such as China, despite downsides including a fall in domestic demand in the wake of an increase in the consumption tax rate.

On the earnings front, operating income, recurring profit and net income are expected to increase from the previous year mainly due to contributions from the commencement of full-scale operations at new plants overseas and improvements in productivity, in addition to the impact of increased sales.

The outlooks (both consolidated and non-consolidated) for the first half of fiscal 2015 (the six month period ending September 30, 2014) and for the full-year of fiscal 2015 that were announced in the Consolidated Earnings Report for Fiscal 2014 on April 25, 2014, have been revised in the following manner based on recent business performance trends.

Forecast of Consolidated Results for the Second Quarter of Fiscal 2015 (April 1, 2014 to September 30, 2014)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously Announced forecast (A)	294,000	18,500	19,500	9,500	59.12
Revised forecast (B)	307,000	21,700	22,500	11,300	70.32
Difference (B-A)	13,000	3,200	3,000	1,800	—
Change (%)	4.4	17.3	15.4	18.9	—
(Reference) Actual results for the second quarter of fiscal 2014	267,229	16,315	17,410	10,156	63.21

(Reference)

Forecast of Non-Consolidated Results for the Second Quarter of Fiscal 2015 (April 1, 2014 to September 30, 2014)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously Announced forecast (A)	112,000	7,000	14,000	9,000	56.01
Revised forecast (B)	116,000	7,800	15,300	10,600	65.96
Difference (B-A)	4,000	800	1,300	1,600	—
Change (%)	3.6	11.4	9.3	17.8	—
(Reference) Actual results for the second quarter of fiscal 2014	113,974	6,876	14,089	10,867	67.63

## Forecast of Consolidated Results for Fiscal 2015 (April 1, 2014 to March 31, 2015)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously Announced forecast (A)	626,000	50,000	52,000	27,000	168.02
Revised forecast (B)	639,000	53,200	55,000	28,800	179.22
Difference (B-A)	13,000	3,200	3,000	1,800	—
Change (%)	2.1	6.4	5.8	6.7	—
(Reference) Actual results for fiscal 2014	597,502	49,506	51,895	21,378	133.04

## (Reference) Forecast of Non-Consolidated Results for Fiscal 2015 (April 1, 2014 to March 31, 2015)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously Announced forecast (A)	236,000	15,500	26,500	16,000	99.57
Revised forecast (B)	240,000	16,300	27,800	17,600	109.52
Difference (B-A)	4,000	800	1,300	1,600	—
Change (%)	1.7	5.2	4.9	10.0	—
(Reference) Actual results for fiscal 2014	245,412	18,085	29,857	13,364	83.17

**2. Summary Information (Notes)**

## (1) Changes to Important Subsidiaries during the First Quarter:

None

## (2) Application of Special Accounting Methods in the Preparation of Quarterly Consolidated Financial Statements:

None

## (3) Changes in Accounting Principles, Accounting Estimates and Restatements:

## Change in Accounting Principle

(Application of accounting standard for retirement benefits)

With regard to Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter the "Retirement Benefits Accounting Standard") and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter the "Retirement Benefits Guidance") the Company has adopted the provisions of Article 35 of the Retirement Benefits Accounting Standard and Article 67 of the Retirement Benefits Guidance from the first quarter ended June 30, 2014. As a result, the Company revised its calculation method of retirement benefit obligations, and changed its method for attributing estimated retirement benefits to accounting periods from the straight-line method to the benefits formula method. At the same time, the method for determining the discount rate was changed.

As a result, the Company marked up the starting balance of net defined liability for retirement benefits by ¥1,203 million, and marked down retained earnings by ¥735 million, in the first quarter ended June 30, 2014. The effect of this change on earnings was negligible.

**3. Quarterly Consolidated Financial Statements**  
**(1) Quarterly Consolidated Balance Sheets**

(¥ millions)

	Fiscal 2014 As of March 31, 2014	First Quarter of Fiscal 2015 As of June 30, 2014
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	95,018	99,082
Trade notes and accounts receivable	105,236	89,480
Electronically recorded monetary claims-operating	6,236	6,912
Marketable securities	1,847	2,697
Inventories	52,046	52,406
Accrued income	16,255	15,631
Deferred income tax assets	3,565	3,968
Other current assets	26,774	29,949
Less: Allowance for doubtful accounts	△13,103	△13,346
<b>Total current assets</b>	293,878	286,782
<b>Fixed assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures (net)	34,262	35,517
Machinery and transportation equipment (net)	39,649	41,015
Fixtures, equipment and tools (net)	13,257	13,980
Land	13,821	13,805
Construction in progress	13,089	11,615
<b>Total property, plant and equipment</b>	114,080	115,935
<b>Intangible fixed assets</b>	1,039	1,179
<b>Investments and other assets:</b>		
Investment securities	71,695	73,971
Long-term loans	29	25
Deferred income tax assets	1,000	968
Other investments	1,520	1,610
Less: Allowance for doubtful accounts	△152	△152
<b>Total investments and other assets</b>	74,093	76,423
<b>Total fixed assets</b>	189,214	193,538
<b>Total assets</b>	483,093	480,321



(¥ millions)

	Fiscal 2014 As of March 31, 2014	First Quarter of Fiscal 2015 As of June 30, 2014
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade notes and accounts payable	105,326	98,875
Short-term loans	38,269	34,955
Accrued expenses	17,969	21,746
Income taxes payable	8,506	5,347
Allowance for employees' bonuses	4,546	4,991
Reserve for product warranties	2,151	2,151
Other current liabilities	8,558	10,522
<b>Total current liabilities</b>	<b>185,328</b>	<b>178,589</b>
<b>Non-current liabilities:</b>		
Long-term debt	5,241	5,117
Deferred income tax liabilities	582	704
Allowance for employees' retirement benefits	26,141	27,227
Allowance for directors' and corporate auditors' retirement benefits	353	346
Allowance for expenses for damages	2,589	1,596
Reserve for product warranties	4,841	4,841
Allowance for environmental strategies	246	246
Other non-current liabilities	1,694	1,812
<b>Total non-current liabilities</b>	<b>41,692</b>	<b>41,892</b>
<b>Total liabilities</b>	<b>227,020</b>	<b>220,482</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Common stock	14,270	14,270
Additional paid-in capital	17,108	17,108
Retained earnings	158,109	160,932
Treasury common stock, at cost	△84	△84
<b>Total shareholders' equity</b>	<b>189,404</b>	<b>192,227</b>
<b>Accumulated other comprehensive income:</b>		
Valuation adjustment on investment securities	18,532	19,918
Translation adjustments	8,665	7,551
Adjustments in defined benefit plans	3,343	2,797
<b>Total accumulated other comprehensive income</b>	<b>30,541</b>	<b>30,267</b>
<b>Non-controlling interests</b>	<b>36,127</b>	<b>37,343</b>
<b>Total net assets</b>	<b>256,072</b>	<b>259,839</b>
<b>Total liabilities and net assets</b>	<b>483,093</b>	<b>480,321</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**  
(First quarter, for the three months ended June 30)

(¥ millions)

	First Quarter of Fiscal 2014 April 1, 2013 to June 30, 2013	First Quarter of Fiscal 2015 April 1, 2014 to June 30, 2014
<b>Net sales</b>	128,701	154,569
Cost of sales	111,128	132,832
<b>Gross profit</b>	17,573	21,737
Selling, general and administrative expenses	10,639	11,541
<b>Operating income</b>	6,934	10,196
Non-operating income:		
Interest income	531	448
Dividends	296	444
Equity in earnings of affiliates	3	7
Foreign exchange gains	375	—
Other non-operating income	176	131
Total non-operating income	1,382	1,032
Non-operating expenses:		
Interest expenses	192	214
Foreign exchange losses	—	337
Aircraft business safety measure expenses	73	51
Other non-operating expenses	25	22
Total non-operating expenses	291	625
<b>Recurring profit</b>	8,025	10,603
Extraordinary gains:		
Gain on sales of property and equipment	3	2
Gain on sales of investment securities	985	—
Total extraordinary gains	988	2
Extraordinary losses:		
Loss on sales and disposal of property and equipment	102	184
Other extraordinary losses	—	0
Total extraordinary losses	102	184
<b>Income before income taxes</b>	8,910	10,420
Income taxes	2,312	3,309
Income tax adjustment	310	△488
Total income taxes	2,622	2,821
Income before non-controlling interests	6,288	7,599
Non-controlling interests in consolidated subsidiaries	971	1,791
<b>Net income</b>	5,316	5,808

(¥ millions)

	First Quarter Fiscal 2014 April 1, 2013 to June 30, 2013	First Quarter Fiscal 2015 April 1, 2014 to June 30, 2014
Non-controlling interests	971	1,791
Income before non-controlling interests	6,288	7,599
Accumulated other comprehensive income		
Valuation adjustment on marketable securities	3,317	1,505
Translation adjustments	2,867	△1,472
Adjustments in defined benefit plans	—	△162
Total other comprehensive income	6,184	△129
Comprehensive income	12,473	7,470
(Break down)		
Attributable to shareholders of the parent company	10,536	5,534
Attributable to non-controlling interests	1,936	1,935

### (3) Quarterly Consolidated Statements of Cash Flows

(¥ millions)

	First Quarter of Fiscal 2014 April 1, 2013 to June 30, 2013	First Quarter of Fiscal 2015 April 1, 2014 to June 30, 2014
<b>Cash flows from operating activities</b>		
Income before income taxes	8,910	10,420
Depreciation	5,061	5,428
Equity in earnings of affiliated companies	△3	△7
Provision for allowance for doubtful accounts	289	253
Provision for accrued retirement benefits	249	—
Net defined liability for retirement benefits	—	△377
Provision for reserve for bonuses	316	446
Interest and dividends received	△827	△892
Interest payments	192	214
Gain on sale of marketable and investment securities	△985	△5
Loss on sale of property and equipment	99	90
Decrease in trade notes and accounts receivable	11,120	14,049
Increase in inventories	△2,357	△815
Increase in other current assets	△1,373	△2,830
Decrease in trade notes and accounts payable	△2,574	△5,562
Increase in accrued expenses and other current liabilities	4,899	3,905
Others	56	1,957
Sub total	23,072	26,274
Interest and dividends received	827	892
Interest paid	△192	△214
Damages paid	△1,814	△993
Administrative monetary penalty paid	△3,428	—
Income taxes paid	△6,458	△6,108
<b>Net cash provided by operating activities</b>	12,007	19,851
<b>Cash flows from investing activities</b>		
Payments into time deposits	△18,562	△15,780
Proceeds from time deposits	10,355	11,327
Payments for purchase of marketable and investment securities	△4	△4
Proceeds from sale of marketable and investment securities	8,211	15
Acquisition of property and equipment	△7,813	△8,818
Proceeds from sale and disposal of property and equipment	△28	182
Payments for new loans	△7	△0
Proceeds from loan repayments	6	4
Others	433	△572
<b>Net cash used in investing activities</b>	△7,409	△13,646

(¥ millions)

	First Quarter of Fiscal 2014 April 1, 2013 to June 30, 2013	First Quarter of Fiscal 2015 April 1, 2014 to June 30, 2014
<b>Cash flows from financing activities</b>		
Increase or decrease in short-term loans	1,001	△2,909
Increase in long-term debt	487	38
Repayment of long-term debt	△186	△68
Payments for repurchase of treasury stock	△0	—
Dividends paid by parent company	△1,778	△2,004
Dividends paid to non-controlling shareholders	△459	△509
<b>Net cash provided by or used in financing activities</b>	<b>△935</b>	<b>△5,452</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>478</b>	<b>△257</b>
<b>Increase in cash and cash equivalents</b>	<b>4,141</b>	<b>496</b>
<b>Cash and cash equivalents at beginning of quarter</b>	<b>21,992</b>	<b>27,750</b>
<b>Cash and cash equivalents at end of quarter</b>	<b>26,133</b>	<b>28,246</b>

#### (4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

None

(Note Regarding Significant Changes in Shareholders' Equity)

None

(Segment Information)

(Segment Information)

I. First Quarter of fiscal 2014 (April 1, 2013 to June 30, 2013)

Information Concerning Net Sales and Operating Income or Loss for Each Segment

(¥ millions)

	Japan	North America	China	Asia	Europe	Total	Adjustment (Note 1)	Amount recorded on quarterly consolidated financial statements
Net sales								
Sales to outside customers	58,391	21,486	31,708	14,289	2,826	128,701	—	128,701
Inter-segment sales and transfers	26,651	—	679	993	3,611	31,936	(31,936)	—
Total	85,042	21,486	32,387	15,283	6,437	160,638	(31,936)	128,701
Segment operating income or loss	4,429	397	1,448	1,606	△345	7,536	(602)	6,934

Notes: 1. The ¥△602million adjustment in segment operating income includes ¥363million in intersegment eliminations and ¥△965million in unallocated expenses. Unallocated expenses comprise expenses related to management divisions such as administrative and accounting divisions of the head office of the parent company.

2. The breakdown of countries and regions other than Japan and China is as follows:

(1) North America: United States, Mexico

(2) Asia: Thailand, Indonesia, Taiwan and India

(3) Europe: Belgium, United Kingdom and Czech Republic

3. Segment operating income or loss is adjusted to operating income in the quarterly consolidated financial statements.

II. First Quarter of fiscal 2015 (April 1, 2014 to June 30, 2014)

Information Concerning Net Sales and Operating Income or Loss for Each Segment

(¥ millions)

	Japan	North America	China	Asia	Europe	Total	Adjustment (Note 1)	Amount recorded on quarterly consolidated financial statements
Net sales								
Sales to outside customers	62,290	28,644	42,099	14,899	6,636	154,569	—	154,569
Inter-segment sales and transfers	28,750	—	973	1,263	6,532	37,519	(37,519)	—
Total	91,041	28,644	43,072	16,163	13,168	192,088	(37,519)	154,569
Segment operating income or loss	5,489	843	2,748	1,365	484	10,931	(735)	10,196

Notes: 1. The ¥△735million adjustment in segment income (operating income) includes ¥432million in intersegment eliminations and ¥△1,168million in unallocated expenses. Unallocated expenses comprise expenses related to management divisions such as administrative and accounting divisions of the head office of the parent company.

2. The breakdown of countries and regions other than Japan and China is as follows:

(1) North America: United States, Mexico

(2) Asia: Thailand, Indonesia, Taiwan and India

(3) Europe: Belgium, United Kingdom and Czech Republic

3. Segment operating income or loss is adjusted to operating income in the quarterly consolidated financial statements.