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Summary of Consolidated Financial Results for the First Nine Months of FY2018 (Unaudited)

(January 1, 2018 – September 30, 2018) [Japanese Standard] (Consolidated)

October 23, 2018

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 Date of filing of quarterly report to Ministry of Finance: November 8, 2018 Scheduled payment date for dividends: —
 Supplemental information: Yes
 Financial results briefing: No

(Amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for the First Nine Months of FY2018 (January 1, 2018 – September 30, 2018)

(1) Consolidated income information (The percentages represent the rates of increase (decrease) compared to the corresponding prior period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Nine Months of FY2018	253,923	3.2	47,816	2.7	54,819	35.2	40,012	42.4
First Nine Months of FY2017	245,969	1.8	46,550	(4.0)	40,556	(18.6)	28,104	(23.7)

(Note) Comprehensive income First Nine Months of FY2018: 33,057 million yen (-9.6 %) First Nine Months of FY2017: 36,552 million yen (— %)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Nine Months of FY2018	431.63	—
First Nine Months of FY2017	303.16	—

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Nine Months of FY2018	501,213	449,140	89.6
FY2017	488,770	430,465	88.0

(Reference) Shareholders' equity First Nine Months of FY2018: 449,014 million yen FY2017: 430,313 million yen

2. Dividend information

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2017	—	77.50	—	77.50	155.00
FY2018	—	77.50	—	—	—
FY2018 (Forecast)	—	—	—	77.50	155.00

(Note) Change in forecasted dividend during the period: None

3. Forecasted consolidated business performance for FY2018 (January 1, 2018 – December 31, 2018)

(The percentages represent the rates of increase (decrease) compared to the corresponding prior period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2018	345,000	2.7	64,500	0.2	71,500	28.3	52,300	36.0	564.17

(Note) Change in forecasted consolidated business performance during the period: Yes

*Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries due to changes in scope of consolidation): None

(2) Application of accounting treatment specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

- ① Changes in accounting policies in accordance with revision of accounting standards: None
- ② Changes in accounting policies other than ① above: None
- ③ Changes in accounting estimates: None
- ④ Retrospective restatement: None

(4) Number of shares of common stock issued

- ① Number of shares of common stock issued at period-end (including treasury stock):
- ② Number of shares of treasury stock at period-end:
- ③ Average number of shares during the period (cumulative from the beginning of the fiscal year):

First Nine Months of FY2018	92,720,000 shares	FY2017	92,720,000 shares
First Nine Months of FY2018	18,126 shares	FY2017	17,276 shares
First Nine Months of FY2018	92,702,318 shares	First Nine Months of FY2017	92,702,958 shares

This quarterly financial report is outside the scope of quarterly review procedures by certified public accountants or audit corporations.

Explanation regarding the appropriate use of forecasts of business performance and other special items

The forecasts of consolidated business performance and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that management believes reasonable and actual business performance may differ materially from those described in such statements due to various factors. For details of assumptions for the forecasts and other related items, please refer to Page 3 of the attached document. Shimano Inc. accepts no liability whatsoever for any direct or consequential loss arising from any use of this document.

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1. Qualitative Information on Consolidated Financial Performance for the Period under Review

(1) Results of Operations

During the first nine months of fiscal year 2018, in Europe, moderate economic expansion continued with firm personal consumption backed by improvements in employment and income environments. In the U.S., the economy grew steadily, boosted by strong business confidence among companies against the backdrop of solid business conditions as well as a strong consumer sentiment due to an improved employment environment and the income tax reduction policy. In Japan, despite weakening of exports and production activities in the aftermath of disasters such as heavy rain, the overall economy remained on a gradual recovery track as personal consumption has continuously recovered owing to improvements in employment and income environments.

In these circumstances, inspired by our mission—“To promote health and happiness through the enjoyment of nature and the world around us”—the Shimano Group sought to attract consumers with a stream of captivating products designed to enrich the experience of cyclists and anglers around the world, and moreover attuned to the contemporary emphasis on well-being and the environment.

As a result, for the first nine months of fiscal year 2018, net sales increased 3.2% from the same period of the previous year to 253,923 million yen. Operating income increased 2.7% to 47,816 million yen, ordinary income increased 35.2% to 54,819 million yen, and net income attributable to owners of parent increased 42.4% to 40,012 million yen.

Reportable Segment Overview

① Bicycle Components

In Europe, with the stable weather continuing through the summer season, retail sales of completed bicycles, mainly sport E-BIKE, stayed robust and distributor inventories of bicycles remained at a slightly lower level, though they were in an appropriate range.

In North America, retail sales of completed bicycles were on par with an average year, and distributor inventories remained at an appropriate level.

In China, retail sales of completed bicycles remained feeble and retail sales of low-end and middle-range bicycles continued to be sluggish. On the other hand, bike sharing is facing a period of realignment and the number of products supplied to the market has stabilized, thereby distributor inventories remained at an appropriate level.

With regard to the other emerging markets, Southeast Asia as a whole lacked vigor although retail sales of completed bicycles showed signs of a gradual recovery in Indonesia. In South America, consumption showed signs of slowdown due to the effects of continuing currency depreciation and political instability in Brazil and Argentina. Distributor inventories were at an appropriate level both in Southeast Asia and South America.

In the Japanese market, although retail sales of sports bicycles and community bicycles remained sluggish owing partly to the unseasonable weather conditions persisting since the beginning of the year, sales of E-BIKE as a whole increased, and particularly, sport E-BIKE has gained more attention. Distributor inventories remained at an appropriate level.

Under these market conditions, the new 105 Series, which is one of the high-end road bike components, were well received in the market.

As a result, net sales from this segment increased 2.2% from the same period of the previous year to 199,961 million yen, and operating income decreased 0.1% to 41,052 million yen.

② Fishing Tackle

In the Japanese market, retail sales were sluggish due mainly to heavy rains and typhoons since summer. Overseas, in the North American market, sales remained robust supported by a steady economic expansion despite the non-negligible impacts of the hurricane hitting the east coast. Distributor inventories remained at an appropriate level. Sales in Europe are recovering steadily while distributor inventories remained at a slightly higher level in the UK, one of the major markets. Sales in Asia continued to be robust, driven by further growing popularity of sports fishing. In Australia, the market was booming and sales remained strong since favorable weather continued.

Under these market conditions, sales in Japan exceeded the previous year's level due partly to contributions from the new lure-related products, which were continuously well received in the market. Overseas, the new model of baitcasting reel, Curado DC was highly acclaimed, particularly in North America, where sales exceeded the previous year's level. Overseas sales on the whole exceeded the previous year's level with sales in Europe and Australia on par with the previous year and sales in Asia as

well as in North America exceeding the previous year's level.

As a result, net sales from this segment increased 7.3% from the same period of the previous year to 53,699 million yen, and operating income increased 24.7% to 6,827 million yen.

③ Others

Net sales from this segment decreased 7.4% from the same period of the previous year to 263 million yen and an operating loss of 63 million yen was recorded, following an operating loss of 32 million yen for the same period of the previous year.

(2) Financial Position

① Assets, Liabilities and Net Assets

(Assets)

Total assets as of the end of the first nine months of fiscal year 2018 amounted to 501,213 million yen (an increase of 12,443 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 5,637 million yen in construction in progress, an increase of 4,422 million yen in cash and time deposits, an increase of 4,009 million yen in merchandise and finished goods, an increase of 3,789 million yen in work in process, a decrease of 3,191 million yen in notes and accounts receivable-trade, a decrease of 2,575 million yen in machinery and vehicles, and a decrease of 1,414 million yen in buildings and structures.

(Liabilities)

Total liabilities as of the end of the first nine months of fiscal year 2018 amounted to 52,073 million yen (a decrease of 6,230 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 1,400 million yen in provision for loss on fire, an increase of 1,090 million yen in accrued employee bonuses, a decrease of 4,306 million yen in income taxes payable and a decrease of 2,182 million yen in short-term loans payable.

(Net assets)

Net assets as of the end of the first nine months of fiscal year 2018 amounted to 449,140 million yen (an increase of 18,674 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 25,643 million yen in retained earnings and a decrease of 6,589 million yen in foreign currency translation adjustments.

(3) Forecast for the Fiscal Year Ending December 31, 2018

The forecasts for the full year 2018 have been revised as below, in light of non-operating income recorded owing to relative weakness of major Asian currencies along with the progression of the U.S. dollar's appreciation during the third quarter, as well as the factor that the normalization of delivery time is carried over to the next fiscal year due to the shortage of supply for the products of which orders received are favorable.

Revisions to consolidated business performance forecast figures for FY2018 (January 1, 2018 – December 31, 2018)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	350,000	67,000	70,900	49,300	531.70
Revised forecast (B)	345,000	64,500	71,500	52,300	564.17
Difference (B-A)	(5,000)	(2,500)	600	3,000	
Change (%)	(1.4)	(3.7)	0.8	6.1	
Full year results for FY2017	335,800	64,351	55,748	38,443	414.69

2. Consolidated Financial Statements and Primary Notes**(1) Consolidated Balance Sheets**

(Millions of yen)

	FY2017 As of Dec. 31, 2017	First Nine Months of FY2018 As of Sep. 30, 2018
Assets		
Current assets		
Cash and time deposits	241,268	245,690
Notes and accounts receivable-trade	35,574	32,383
Merchandise and finished goods	33,820	37,830
Work in process	19,131	22,920
Raw materials and supplies	4,650	4,789
Deferred income taxes	3,080	2,704
Others	5,640	7,910
Allowance for doubtful accounts	(370)	(236)
Total current assets	342,795	353,992
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	60,229	58,814
Machinery and vehicles (net)	24,564	21,989
Land	13,890	13,737
Leased assets (net)	62	51
Construction in progress	4,823	10,461
Others (net)	6,240	6,113
Total property, plant and equipment	109,810	111,167
Intangible assets		
Goodwill	5,388	4,941
Software	6,668	6,258
Others	3,968	3,687
Total intangible assets	16,025	14,887
Investments and other assets		
Investment securities	15,029	14,365
Deferred income taxes	2,603	2,952
Others	3,009	4,400
Allowance for doubtful accounts	(504)	(551)
Total investments and other assets	20,138	21,166
Total fixed assets	145,974	147,221
Total assets	488,770	501,213

(Millions of yen)

	FY2017 As of Dec. 31, 2017	First Nine Months of FY2018 As of Sep. 30, 2018
Liabilities		
Current liabilities		
Accounts payable-trade	13,036	13,030
Short-term loans payable	7,571	5,388
Income taxes payable	8,696	4,389
Deferred income taxes	46	69
Accrued employee bonuses	1,976	3,067
Accrued officer bonuses	181	150
Provision for loss on fire	—	1,400
Others	17,818	16,298
Total current liabilities	49,327	43,794
Long-term liabilities		
Long-term loans payable	1,009	617
Deferred income taxes	646	576
Net defined benefit liability	4,060	3,821
Others	3,260	3,262
Total long-term liabilities	8,976	8,279
Total liabilities	58,304	52,073
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,642	5,642
Retained earnings	371,914	397,558
Treasury stock	(102)	(116)
Total shareholders' equity	413,066	438,696
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	4,374	4,034
Foreign currency translation adjustments	12,872	6,283
Total accumulated other comprehensive income	17,246	10,318
Non-controlling interests	152	125
Total net assets	430,465	449,140
Total liabilities and net assets	488,770	501,213

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

	(Millions of yen)	
	First Nine Months of FY2017	First Nine Months of FY2018
	Jan. 1, 2017 to Sep. 30, 2017	Jan. 1, 2018 to Sep. 30, 2018
Net sales	245,969	253,923
Cost of sales	144,444	153,550
Gross profit	101,524	100,373
Selling, general and administrative expenses	54,974	52,556
Operating income	46,550	47,816
Non-operating income		
Interest income	1,492	2,571
Dividend income	315	596
Foreign exchange gains	—	3,203
Others	244	1,804
Total non-operating income	2,052	8,175
Non-operating expenses		
Interest expenses	129	153
Foreign exchange losses	7,253	—
Others	663	1,018
Total non-operating expenses	8,046	1,172
Ordinary income	40,556	54,819
Extraordinary income		
Insurance income	—	16
Total extraordinary income	—	16
Extraordinary losses		
Loss on factory reconstruction	455	73
Loss on fire	—	2,110
Total extraordinary losses	455	2,184
Income before income taxes	40,100	52,651
Income taxes-current	14,152	12,558
Income taxes-deferred	(2,185)	89
Total income taxes	11,967	12,648
Net income	28,133	40,003
Net income (loss) attributable to non-controlling interests	29	(9)
Net income attributable to owners of parent	28,104	40,012

Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Nine Months of FY2017 Jan. 1, 2017 to Sep. 30, 2017	First Nine Months of FY2018 Jan. 1, 2018 to Sep. 30, 2018
Net income	28,133	40,003
Other comprehensive income		
Unrealized gain (loss) on other securities	254	(339)
Foreign currency translation adjustments	8,163	(6,606)
Total other comprehensive income	8,418	(6,946)
Comprehensive income	36,552	33,057
(Breakdown)		
Comprehensive income attributable to owners of parent	36,538	33,084
Comprehensive income attributable to non-controlling interests	13	(26)

(3) Notes relating to Consolidated Financial Statements

(Note concerning Assumption of Going Concern)

Not applicable.

(Note on Significant Change in the Amount of Shareholders' Equity)

Not applicable.

(Changes in Significant Subsidiaries during the Period)

During the first quarter of fiscal year 2018, Shimano Europe Holding B.V., which was a consolidated subsidiary, merged with Shimano Europe B.V., Shimano Europe Fishing Holding B.V. and Bikefitting.com B.V., which were consolidated subsidiaries. The former Shimano Europe Holding B.V. remained as the surviving company and changed its name to Shimano Europe B.V. As a result, the former Shimano Europe B.V., the former Shimano Europe Fishing Holding B.V. and the former Bikefitting.com B.V. were excluded from the scope of consolidation.

During the third quarter of fiscal year 2018, Shimano Argentina S.A.U. was included in the scope of consolidation due to its establishment.

(Segment Information)

First Nine Months of FY2017 (Jan. 1, 2017 – Sep. 30, 2017)

Information on net sales and income (loss) by reportable segment (Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1)Third parties	195,626	50,058	284	245,969	—	245,969
2)Inter-segment	—	—	—	—	—	—
Total	195,626	50,058	284	245,969	—	245,969
Segment income (loss)	41,105	5,476	(32)	46,550	—	46,550

Note: There is no difference between total segment income (loss) and operating income in the consolidated statements of income.

First Nine Months of FY2018 (Jan. 1, 2018 – Sep. 30, 2018)

Information on net sales and income (loss) by reportable segment (Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1)Third parties	199,961	53,699	263	253,923	—	253,923
2)Inter-segment	—	—	—	—	—	—
Total	199,961	53,699	263	253,923	—	253,923
Segment income (loss)	41,052	6,827	(63)	47,816	—	47,816

Note: There is no difference between total segment income (loss) and operating income in the consolidated statements of income.