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Code Number: 7309
March 8, 2016

To Those Shareholders with Voting Rights

Yoizo Shimano
President
SHIMANO INC.
3-77 Oimatsu-cho, Sakai-ku, Sakai City, Osaka, Japan

Notice of Convocation of the 109th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 109th Ordinary General Meeting of Shareholders of Shimano Inc.

If you are unable to attend the meeting, you can exercise your voting rights by indicating your approval or disapproval of the proposals on the enclosed ballot form and returning it or by accessing the Company's designated voting rights exercise website and exercising your voting rights by electronic means (via the Internet etc.). Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. (Japan Standard Time) on Monday, March 28, 2016.

1. **Date and Time:** 10:00 a.m. (Japan Standard Time), Tuesday, March 29, 2016
2. **Venue:** **Manufacturing Technology Center, Shimano Inc. Head Office**
3-77 Oimatsu-cho, Sakai-ku, Sakai City, Osaka
3. **Agenda:**
Matters to be reported: (1) The Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 109th Fiscal Year (from January 1, 2015 to December 31, 2015)
(2) Results of Audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
Proposals to be resolved:
Proposal No. 1: Appropriation of Surplus
Proposal No. 2: Election of 8 Directors
Proposal No. 3: Election of 1 Audit & Supervisory Board Member
Proposal No. 4: Election of 1 Substitute Audit & Supervisory Board Member

Instructions for the Exercise of Voting Rights

- (1) Exercise of Voting Rights by Post
Please indicate your approval or disapproval of the proposals on the enclosed ballot form and return it so that it arrives by 5:00 p.m. (Japan Standard Time) on Monday, March 28, 2016.
- (2) Exercise of Voting Rights via the Internet etc.
When exercising voting rights via the Internet etc., please refer to Procedures for Exercising Voting Rights via the Internet etc. on page 3 and exercise your voting rights by 5:00 p.m. (Japan Standard Time) on Monday, March 28, 2016.
The Company participates in the electronic voting platform for institutional investors operated by ICJ, Inc., a joint-venture company established by the Tokyo Stock Exchange Inc., etc.

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- * Shareholders who will attend the meeting are requested to submit the enclosed ballot form at the reception desk. The reception desk will open at 9:00 a.m.
 - * If any necessitating revisions are made to the contents of the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements or Consolidated Financial Statements

up to the day before the General Meeting of Shareholders, revisions will be notified by posting on the Company's website (<http://www.shimano.com>).

[Procedures for Exercising Voting Rights via the Internet etc.]

When exercising your voting rights via the Internet etc., please review the matters below.

- If attending the General Meeting of Shareholders
The procedures for exercising voting rights by post (the ballot form) or for exercising voting rights via the Internet etc. are unnecessary.
 - If not attending the General Meeting of Shareholders
 - 1) If you exercise your voting rights by post, the procedure for exercising voting rights via the Internet etc. is unnecessary.
 - 2) If you exercise your voting rights via the Internet etc., the procedure for exercising voting rights by post is unnecessary.
1. It is possible to exercise your voting rights via the Internet only by using the following website for exercising voting rights designated by the Company. It is also possible to access the website using a cellular telephone.
URL of the website for exercising voting rights: <http://www.web54.net>
 2. When exercising voting rights via the Internet, after entering the voting rights code and password recorded on the enclosed ballot form, follow the instructions on the screen to record your approval or disapproval of proposals.
 3. Although the exercise of voting rights via the Internet etc. is accepted until 5:00 p.m. (Japan Standard Time) on Monday, March 28, 2016, we request that you exercise voting rights ahead of time to facilitate tabulation of voting results.
 4. In cases of duplicated exercise of voting rights by post and the Internet etc., the exercise of voting rights via the Internet etc. will be treated as the exercise of voting rights.
 5. In cases of the exercise of voting rights multiple times via the Internet etc., the final exercise of voting rights will be treated as the valid exercise of voting rights.
 6. The Company shall not be responsible for any charge for a dial-up connection to an Internet service provider and any telecommunication charges (call charge, etc.) to a telephone carrier incurred when using the website for exercising voting rights.

[System Environment for Exercising Voting Rights via the Internet]

The following system environment is necessary for using the website for exercising voting rights.

- 1) Access to the Internet is necessary.
- 2) When using a personal computer to exercise voting rights, Microsoft® Internet Explorer 5.01 SP2 or later are necessary as browser software. A hardware environment in which the above Internet browser software can be used is necessary.
- 3) When using a cellular telephone to exercise voting rights, a model that supports 128-bit SSL communication is necessary. (To ensure security, only cellular telephone models that support 128-bit SSL communication (encrypted communication) are supported. Some cellular telephone models cannot be used. The full browser function of cellular telephones including smartphones may be used for exercising the voting rights. However, please note that certain cellular telephone models cannot be used for exercising the voting rights.)
(Internet Explorer is a trademark and a product of Microsoft Corporation of the United States.)

[Inquiries Concerning Exercising Voting Rights via the Internet]

If you have any questions concerning the exercise of voting rights via the Internet, please address inquiries to the following point of contact.

Shareholder Registry Administrator: Sumitomo Mitsui Trust Bank, Limited

Dedicated number: ☎ 0120-652-031 (available from 9:00 a.m. to 9:00 p.m. (Japan Standard Time))

Inquiries other than about exercise of voting rights: ☎ 0120-782-031 (open from 9:00 a.m. to 5:00 p.m. (Japan Standard Time) on weekdays)

BUSINESS REPORT

(From January 1, 2015 to December 31, 2015)

1. Overview of the Shimano Group

(1) Review of Operations and Results

During fiscal year 2015, the European economies were on a moderate recovery track as consumer sentiment improved against the background of a prolonged decline in oil prices. Regarding the U.S. economy, despite little growth of exports owing to appreciation of the U.S. dollar and the slowdown of emerging economies, personal consumption remained robust, reflecting the ongoing improvement of the labor market.

In Japan, at the beginning of the year, it was expected that depreciation of the yen would stimulate the economy. However, the Japanese economy leveled off because personal consumption, exports, and production generally weakened as emerging economies lost momentum.

In these circumstances, inspired by our mission—"To create new value and 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, net sales increased 13.7% from the previous year to 378,645 million yen. Operating income increased 29.2% to 85,053 million yen, ordinary income increased 42.4% to 101,110 million yen, and net income increased 48.7% to 76,190 million yen.

Reportable Segment Overview

Bicycle Components

In Europe, although sales volume was lower than for the previous year when sales were brisk thanks to good weather, retail sales amount exceeded the previous year's level with brisk sales of high-end models centering on E-Bike. In North America, demand was little affected by the weather, and retail sales were robust. While distributor inventories in Europe remained virtually at the appropriate level, those in North America were at a somewhat high level.

In Japan, whereas retail sales volume of sports bicycles exceeded the previous year's level, retail sales volume of community bicycles remained low, greatly affected by the impact of price increases resulting from the depreciation of the yen. While distributor inventories of sports bicycles remained at an appropriate level, those of community bicycles continued to be somewhat high.

In China, retail sales volume of sports bicycles was below the previous year's level, reflecting the economic slowdown and distributor inventories were at a somewhat high level. On the other hand, growth of sales of sports bicycles in other promising emerging markets, namely, Southeast Asia and South America, continued to be robust.

In these market conditions, full model changes of DEORE XT and ACERA mountain bike components and Tiagra road bike components, which were launched during the first half, were well received. In addition, Shimano products remained relatively affordable because of continuing depreciation of the yen. This factor also contributed to brisk order-taking.

As a result, net sales from this segment increased 14.6% from the previous year to 314,010 million yen, and operating income increased 28.7% to 79,816 million yen.

Fishing Tackle

The Japanese market got off to a sluggish start partly due to bad weather from the New Year onward and because demand in the first three months of the year was much lower than that in the same period of the previous year when demand surged before the consumption tax increase in April 2014. Then, around Golden Week, the market started to move forward thanks to good weather. Although the Japanese market was somewhat affected by typhoons over the summer and in early fall, it generally improved, centering on households with young children as the weather became relatively stable from fall onward, offering plenty of opportunities to go fishing. As a result, sales turned upward and exceeded the previous year's level.

Overseas, although sales in Eastern Europe were temporarily sluggish, reflecting the slowdown of the Russian economy, total overseas sales exceeded the previous year's level because of the positive impact of favorable fishing conditions in the U.S. and in the Pan-Pacific region.

As a result, net sales from this segment increased 9.2% from the previous year to 64,245 million yen, and operating income increased 36.2% to 5,372 million yen.

Others

Net sales from this segment increased 0.8% from the previous year to 390 million yen and operating loss of 135 million yen was recorded, following operating loss of 160 million yen for the previous year.

1) Sales by segment

	FY2014 January 1, 2014 to December 31, 2014		FY2015 January 1, 2015 to December 31, 2015		Year-over-year change (Figures in parentheses indicate a decrease.)	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage change
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Bicycle Components	273,955	82.2	314,010	82.9	40,054	14.6
Fishing Tackle	58,825	17.7	64,245	17.0	5,420	9.2
Others	387	0.1	390	0.1	3	0.8
Total	333,168	100.0	378,645	100.0	45,477	13.7

2) Situation by segment

1. Trend of sales by segment

(Millions of yen)

	FY2012 (106th) January 1, 2012 to December 31, 2012	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014	FY2015 (109th) January 1, 2015 to December 31, 2015
Bicycle Components	198,190	217,263	273,955	314,010
Fishing Tackle	47,234	53,398	58,825	64,245
Others	419	376	387	390

2. Trend of operating income by segment

(Millions of yen)

	FY2012 (106th) January 1, 2012 to December 31, 2012	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014	FY2015 (109th) January 1, 2015 to December 31, 2015
Bicycle Components	39,012	39,505	62,033	79,816
Fishing Tackle	2,274	2,404	3,943	5,372
Others	(326)	(135)	(160)	(135)

Note: Figures in parentheses indicate operating loss.

3. Trend of net sales by geographical area

(Millions of yen)

	FY2012 (106th) January 1, 2012 to December 31, 2012	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014	FY2015 (109th) January 1, 2015 to December 31, 2015
Japan	29,569	31,545	33,243	34,889
North America	29,454	33,223	35,977	41,519
Europe	84,643	93,357	121,584	144,664
Asia	88,991	99,246	126,777	139,416
Others	13,184	13,664	15,585	18,155

Note: Net sales are classified by countries and regions according to customer location.

(2) Capital Investment and Financing

Consolidated capital investment totaled 29,182 million yen during the fiscal year ended December 31, 2015. Capital investment was mainly used for reinforcing product development capabilities, increasing production capacity and reducing cost of sales. By segment, capital investment totaled 23,956 million yen

for bicycle components, 419 million yen for fishing tackle, 8 million yen for others, and 4,796 million yen for Company-wide (common). All capital investment was financed from cash flow and borrowings.

(Millions of yen)

	FY2012 (106th) January 1, 2012 to December 31, 2012	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014	FY2015 (109th) January 1, 2015 to December 31, 2015
Bicycle Components	13,359	15,628	22,534	23,956
Fishing Tackle	1,550	1,413	3,931	419
Others	6	10	188	8
Company-wide (common)	7,913	7,358	4,757	4,796
Total	22,829	24,410	31,412	29,182

Note: The amount of capital investment stated under "Company-wide (common)" concerns administrative departments.

(3) Summary of Assets and Profits

1) Assets and profits of the Shimano Group

	FY2012 (106th) January 1, 2012 to December 31, 2012	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014	FY2015 (109th) January 1, 2015 to December 31, 2015
Net sales (Millions of yen)	245,843	271,037	333,168	378,645
Ordinary income (Millions of yen)	39,539	47,549	71,019	101,110
Net income (Millions of yen)	27,487	35,088	51,237	76,190
Net income per share	296.50 yen	378.50 yen	552.70 yen	821.87 yen
Net assets (Millions of yen)	216,364	270,914	331,195	371,298
Total assets (Millions of yen)	257,707	319,223	396,967	429,080

Note: Net income per share is computed based on the average number of outstanding shares during the fiscal year, excluding treasury stock.

2) Assets and profits of the Company

	FY2012 (106th) January 1, 2012 to December 31, 2012	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014	FY2015 (109th) January 1, 2015 to December 31, 2015
Net sales (Millions of yen)	191,551	205,214	253,565	292,477
Ordinary income (Millions of yen)	16,414	16,342	27,663	34,522
Net income (Millions of yen)	10,274	11,897	19,835	23,813
Net income per share	110.83 yen	128.33 yen	213.96 yen	256.88 yen
Net assets (Millions of yen)	89,246	95,731	106,943	119,508
Total assets (Millions of yen)	116,142	125,252	146,582	159,013

Note: Net income per share is computed based on the average number of outstanding shares during the fiscal year, excluding treasury stock.

(4) Issues to be Addressed

The moderate recovery of the European economies is expected to continue, supported by robust personal consumption for the time being. However, there are concerns about the possibility that the influx of refugees and slowdown of the Chinese economy and other emerging economies may lead to deterioration of economic sentiment in Europe. In the U.S. further growth of personal consumption is expected owing to improvement of the labor market and implementation of an expansionary economic policy in the run-up to the presidential election in the fall. On the other hand, the switch of the monetary policy may pose a risk of depreciation of currencies of emerging-market countries and stock-market instability.

In Japan, although personal consumption is expected to recover because of improvement of the labor market and personal incomes, if the Chinese economy performs poorly, the impact on the Japanese economy could be substantial.

In these circumstances, the Shimano Group, while closely monitoring economic trends in Japan and overseas, is endeavoring to further enhance management efficiency. We will take the lead in the creation of new cycling culture and new sport fishing culture.

We request your continuing support in our endeavors.

(5) Principal Business Segments

Segment	Description of main businesses
Bicycle Components	Manufacture and sale of derailleurs and other drive components, brakes and other braking components, other bicycle components and related goods
Fishing Tackle	Manufacture and sale of reels, rods and other recreational fishing gear
Others	Manufacture and sale of cold-forged products for auto-related applications; manufacture and sale of rowing-related equipment

(6) Principal Sales Offices and Factories

1) Principal operating sites of the Company

Head office		3-77 Oimatsu-cho, Sakai-ku, Sakai City, Osaka Prefecture
Factories	Sakai Factory	Sakai-ku, Sakai City, Osaka Prefecture
	Shimonoseki Factory	Shimonoseki City, Yamaguchi Prefecture
Sales offices	Sendai Sales Office	Miyagino-ku, Sendai City, Miyagi Prefecture
	Saitama Sales Office	Ageo City, Saitama Prefecture
	Tokyo Sales Office	Ota-ku, Tokyo
	Nagoya Sales Office	Nakagawa-ku, Nagoya City, Aichi Prefecture
	Osaka Sales Office	Sakai-ku, Sakai City, Osaka Prefecture
	Chushikoku Sales Office	Minami-ku, Okayama City, Okayama Prefecture
	Kyushu Sales Office	Tosu City, Saga Prefecture

2) Principal operating sites of subsidiaries

Domestic	Shimano Sales Co., Ltd.	Sakai-ku, Sakai City, Osaka Prefecture
	Shimano Kumamoto Co., Ltd.	Yamaga City, Kumamoto Prefecture

Overseas	Shimano (Singapore) Pte. Ltd.	Singapore
	Shimano Components (Malaysia) Sdn. Bhd.	Malaysia
	Shimano American Corporation	USA
	Shimano (Kunshan) Bicycle Components Co., Ltd.	China
	Shimano Europe Holding B.V.	The Netherlands
	DashAmerica, Inc. (Pearl Izumi USA)	USA
	Shimano Europe Bike Holding B.V.	The Netherlands
	Shimano (Tianjin) Bicycle Components Co., Ltd.	China
	Shimano Czech Republic, s.r.o.	Czech Republic

(7) Employees

Segment	Number of employees	
Bicycle Components	8,987	(1,540)
Fishing Tackle	2,749	(561)
Others	189	(46)
Company-wide (common)	515	(67)
Total	12,440	(2,214)

Notes:

1. Figures refer to full-time employees (excluding any employees on assignment from the Shimano Group to other firms, but including any employees on transfer from outside the Shimano Group). Annual average numbers of part-time employees in each segment are shown in parentheses.
2. "Company-wide (common)" figures refer to employees that belong to administrative departments.
3. Part-time employees are defined as anyone working for the Shimano Group on anything less than a full-time basis (excluding any temporary staff).

(8) Principal Lenders

Lender	Outstanding borrowings (Millions of yen)
Union Bank	2,761
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,750
Sumitomo Mitsui Trust Bank, Limited	2,625

(9) Major Subsidiaries

Company name	Common stock	Ownership %	Principal business
Shimano (Singapore) Pte. Ltd.	S\$ 65,994 thousand	100	Manufacture of bicycle components
Shimano Components (Malaysia) Sdn. Bhd.	RM18,000 thousand	100 (100)	Manufacture of bicycle components and fishing tackle
Shimano American Corporation	US\$ 14,000 thousand	92	Sale of bicycle components and fishing tackle
Shimano (Kunshan) Bicycle Components Co., Ltd.	US\$ 34,500 thousand	100 (100)	Manufacture of bicycle components
Shimano Europe Holding B.V.	EUR 5,148 thousand	100	Management of sales subsidiaries in Europe
DashAmerica, Inc. (Pearl Izumi USA)	US\$ 65,696 thousand	92 (92)	Sale of bicycle components
Shimano Europe Bike Holding B.V.	EUR 18 thousand	100 (100)	Sale of bicycle components and management of bicycle components sales subsidiaries in Europe
Shimano (Tianjin) Bicycle Components Co., Ltd.	US\$ 24,000 thousand	100 (100)	Manufacture of bicycle components
Shimano Sales Co., Ltd.	JPY 277 million	100	Sale of bicycle components and fishing tackle; repair and storage
Shimano Czech Republic, s.r.o.	CZK 90,100 thousand	100 (100)	Manufacture of bicycle components

Note: Figures in parentheses refer to parent company equity stakes held via indirect ownership.

2. Share-related information

- (1) Total number of shares authorized: 262,400,000 shares
- (2) Total number of shares issued: 92,720,000 shares (including treasury stock of 16,514 shares)
- (3) Number of shareholders: 6,616
- (4) Major shareholders (Top 10)

Name of shareholder	Number of shares (Thousands of shares)	Percentage of ownership (%)
Minato Kosan Co., Ltd.	7,400	7.98
State Street Bank and Trust Company	4,057	4.38
Taiyo Kogyo Co., Ltd	4,040	4.36
Japan Trustee Services Bank, Ltd. (trust account)	3,830	4.13
The Master Trust Bank of Japan, Ltd. (trust account)	3,180	3.43
Three S Co., Ltd.	2,171	2.34
Nippon Life Insurance Company	2,098	2.26
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,066	2.23
CBNY-Charles Schwab FBO Customer	1,879	2.03
Resona Bank, Limited.	1,711	1.85

Note: The percentage of ownership is calculated excluding treasury stock (16,514 shares).

3. Information related to Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members

(As of December 31, 2015)

Title	Name	Assignment	Significant concurrent positions
*President	Yozo Shimano	Chairman of the Board	Chairman, Shimano (Singapore) Pte. Ltd. Chairman, Shimano Components (Malaysia) Sdn. Bhd. President, Taiyo Kogyo Co., Ltd. Chairman, Japan Fishing Tackle Manufacturers Association
*Senior Executive Vice President	Keiji Kakutani	Head of General Operations Div. and Internal Control Office	
Senior Executive Vice President	Etsuyoshi Watarai	Chief Technology Officer	
Senior Executive Vice President	Shinji Wada	Chief Manufacturing Officer	
Executive Vice President	Satoshi Yuasa	Head of Bicycle Components Div.	
Executive Vice President	Yoshihiro Hirata	Head of Lifestyle Gear Div.	
Director	Taizo Shimano	Head of Fishing Operations Div.	
Director	Kiyoshi Tarutani	Senior Vice President, Quality Control Div.	
Director	Masahiro Tsuzaki	Senior Vice President, Corporate Communications Dept. and Human Resources Dept., General Operations Div.	
Director	Takashi Toyoshima	Senior Vice President, System Engineering Dept., Bicycle Components Div.	
Director	Yasuhiro Hitomi	Senior Vice President, Engineering Dept., Fishing Operations Div.	
Director	Chia Chin Seng		President, Shimano (Singapore) Pte. Ltd. President, Shimano Components (Malaysia) Sdn. Bhd. Chairman, Shimano (Kunshan) Bicycle Components Co., Ltd. Chairman and President, Shimano (Tianjin) Bicycle Components Co., Ltd.

Title	Name	Assignment	Significant concurrent positions
Director	Hiroshi Matsui	Senior Vice President, General Affairs Dept., General Operations Div., and Corporate Planning Div., and Head of Aifie	
Director	Tomohiro Ohtsu	Senior Vice President, Production Engineering Div. and Shimano Research Laboratories	
Director	Kazuo Ichijo		Professor, Graduate School of International Corporate Strategy, Hitotsubashi University Adjunct Professor, International Institute for Management Development Outside Director, Information Services International-Dentsu, Ltd. Outside Director, PanaHome Corporation
Full-time Audit & Supervisory Board Member	Koichi Shimazu		
Full-time Audit & Supervisory Board Member	Hideo Katsuoka		
Audit & Supervisory Board Member	Gohei Matsumoto		Certified tax accountant, Matsumoto Certified Tax Accountant Office
Audit & Supervisory Board Member	Kanako Nozue		Attorney-at-law, Tsujinaka Law Firm Outside Director, Asanuma Corporation

Notes:

- * Representative Director
- Mr. Kazuo Ichijo is an Outside Director as defined in Article 2, Item 15 of the Companies Act.
- Audit & Supervisory Board Members Gohei Matsumoto and Kanako Nozue are Outside Audit & Supervisory Board Members as defined in Article 2, Item 16 of the Companies Act.
- The Company has filed notifications with the Tokyo Stock Exchange for all of its Outside Directors and Outside Audit & Supervisory Board Members as independent officers.
- Audit & Supervisory Board Member Gohei Matsumoto is a certified tax accountant and possesses considerable knowledge of tax and accounting matters.
- The changes made to the assignment of Directors after December 31, 2015, are as follows:

Name	Before the change	After the change	Date of change
Keiji Kakutani	Head of General Operations Div. and Internal Control Office	Head of General Operations Div. and Internal Auditing Office	As of January 1, 2016
Hiroshi Matsui	Senior Vice President, General Affairs Dept., General Operations Div., and Corporate Planning Div., and Head of Aifie	Senior Vice President General Operations Div Supervising -General Affairs Dept -Accounting Dept In charge of -Corporate Administration Dept -Corporate Planning Div -Aifie	As of January 1, 2016

(2) Outline of Limited Liability Agreements

The Company has concluded limited liability agreements with all Outside Officers under Article 423, Paragraph 1 of the Companies Act, under which the maximum contractual liability of such Outside Officers is set at the minimum figure specified in Article 425, Paragraph 1 of the same Act.

(3) Total Remuneration of Directors and Audit & Supervisory Board Members

Category	Total number of people	Total amount of remuneration for the fiscal year ended December 31, 2015 (Millions of yen)
Directors	15	537
Audit & Supervisory Board Members	4	56
Total (Outside Officers)	19 (3)	593 (24)

Notes:

1. The above amount of remuneration of Directors includes the provision of reserve for officer bonuses amounting to 210 million yen recorded for the fiscal year ended December 31, 2015.
2. The above amounts do not include remuneration for employment by the Company and the associated payroll bonuses to Directors.

(4) Policy concerning Decisions on the Amount of Remuneration for Directors and Audit & Supervisory Board Members and the Calculation Method

The annual remuneration for Directors and Audit & Supervisory Board Members is decided within the maximum total remuneration amounts for all Directors and all Audit & Supervisory Board Members, respectively, established by resolution of the General Meeting of Shareholders.

The amount of annual remuneration for each Director is decided by the Representative Director designated by the Board of Directors in accordance with certain standards, and the amount of annual remuneration for each Audit & Supervisory Board Member is decided through discussion by the Audit & Supervisory Board.

(5) Outside Officers

- 1) Relationship between other companies/organizations where the Outside Officers concurrently hold positions and the Company

The Company has no relationships with other companies/organizations where the Outside Officers concurrently hold positions.

2) Principal activities in the fiscal year ended December 31, 2015

Category	Name	Activities
Director	Kazuo Ichijo	Attended all 13 meetings of the Board of Directors in the fiscal year ended December 31, 2015. He is a professor of international corporate strategy at the graduate school of Hitotsubashi University who has ample knowledge and experience in corporate management. He provides input necessary for deliberations concerning the Company's management from a long-term perspective that is based on knowledge and experience of the business world, and how that differs from the Company's existing ways of thinking.
Audit & Supervisory Board Member	Gohei Matsumoto	Attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit & Supervisory Board in the fiscal year ended December 31, 2015. He provides mainly specialist counsel in the capacity of tax accountant.
Audit & Supervisory Board Member	Kanako Nozue	Attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit & Supervisory Board in the fiscal year ended December 31, 2015. She provides mainly specialist counsel in a legal capacity.

4. Accounting Auditor

(1) Name of the Accounting Auditor Appointed by the Company: Seiryō Audit Corporation

(2) Amount of Compensation for the Accounting Auditor for the Fiscal Year Ended December 31, 2015:

Category	Amount paid (Millions of yen)
1) Total amount of audit fee and other fees to be paid to the Accounting Auditor by the Company	33
2) Total amount of monetary and other financial interest to be paid to the Accounting Auditor by the Company and its subsidiaries	33

Notes:

1. The Audit & Supervisory Board conducted necessary examination as to whether the content of the audit plan of the Accounting Auditor, its performance of accounting audit, and the basis for estimation of the amount of compensation are appropriate for the Company's business scale, etc. As a result, the Audit & Supervisory Board gave consent for the amount of compensation for the Accounting Auditor.
2. The contract between the Company and Seiryō Audit Corporation makes no distinction between auditing services, as stipulated in the Companies Act, and auditing services, as stipulated in the Financial Instruments and Exchange Act. Moreover, since no essential distinction could be made between these two categories, the amount above is the total amount for both types of audit services.
3. Audit firms other than Seiryō Audit Corporation are engaged in audits of major overseas subsidiaries of the Company.

(3) Policy for Determination of Dismissal or Non-reappointment of the Accounting Auditor

In the event that the Audit & Supervisory Board deems that there may be major disruptions to the audit of the Company by the Accounting Auditor, and it is impossible for the Accounting Auditor to appropriately perform its duties, or in the event that the Audit & Supervisory Board deems it to be necessary, the Audit & Supervisory Board shall determine a proposal for dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

In the event that any of the items stipulated in Article 340, Paragraph 1 of the Companies Act apply to the Accounting Auditor, the Audit & Supervisory Board may dismiss the Accounting Auditor by the unanimous consent of all Audit & Supervisory Board Members. In such event, an Audit & Supervisory Board Member, selected by the Audit & Supervisory Board shall report the dismissal of the Accounting Auditor and the reason for dismissal at the first General Meeting of Shareholders called after the dismissal.

5. Systems to Ensure the Appropriateness of Operations (Internal Control Systems) and the Status of Implementation of Such Systems

(1) Systems to Ensure the Appropriateness of Operations

In accordance with the provisions of the Companies Act, the Board of Directors has decided on the implementation of systems to ensure that the execution of duties by Directors is in compliance with laws, regulations and the Articles of Incorporation and systems to ensure the appropriateness of other operations. The Company will continue to ensure the appropriateness of management and operations and endeavor to improve the internal control systems described below, while making such alterations as may be required by changes in the business environment.

Basic Policies on Establishment of Internal Control Systems

1. System to ensure that the execution of duties by the Company's Directors is in compliance with laws and regulations and the Articles of Incorporation

The Company shall establish Compliance Regulations and various other rules and regulations and take the initiative to ensure compliance throughout the Company and its subsidiaries (hereinafter referred to as the "Shimano Group").

2. Systems governing the storage and management of information relating to the execution of duties by the Company's Directors

Any information relating to the execution of duties by Directors that requires storage shall be recorded and stored by the responsible operating department(s) of the Company in accordance with the Information Control Regulations.

3. Regulations and other systems governing management of the risk of losses

- (1) The Company recognizes the following major internal and external risks: 1) risks related to management decision-making and execution of operations, 2) risks of legal/regulatory compliance violations, 3) risks related to environmental protection, 4) risks related to product quality, 5) risks related to export/import control, 6) information security risks, and 7) disaster risks. Based on the recognition of these risks, the Company shall establish necessary rules and regulations and shall endeavor to establish systems that facilitate quick response by providing training programs aimed at improving related internal knowledge and expertise.
- (2) The internal audit organization shall perform internal audits of the status of operations in each part of the organization in accordance with the Operating Audit Regulations to assess the status. Any points that require improvement shall be noted immediately, and subsequent checks shall be made to follow up on any required changes.

4. Systems to ensure the efficient execution of duties by the Company's Directors

- (1) Regular meetings of the Board of Directors shall be convened once a month. The Board of Directors shall deliberate and decide matters contained in each meeting's agenda, which is created and managed according to the Board of Directors Regulations.
- (2) The Board of Directors shall decide statutory matters relating to business policies, laws and regulations and all other important business-related matters, and oversee the overall operation of the business.
- (3) Directors shall endeavor to manage those parts of the organization entrusted to them in accordance with the Regulations for Division of Duties and the Regulations for Clarification of Authority swiftly and efficiently so as to improve the performance of these operations.

5. Systems to ensure that the execution of duties by the Company's employees is in compliance with laws and regulations and the Articles of Incorporation

- (1) Various internal regulations, including the Compliance Regulations, shall be established to ensure that the execution of duties by employees is in full compliance with laws and regulations and the Articles of Incorporation.
- (2) The internal audit organization shall perform internal audits of the status of compliance, in accordance with the Operating Audit Regulations and other regulations mentioned above. The results shall be reported in a timely fashion to the Board of Directors and the Audit & Supervisory Board.
- (3) The Company shall conduct education and training to ensure that employees have an adequate understanding of the Compliance Regulations.

- 6. Systems for reporting of matters concerning execution of duties by subsidiaries' directors etc. to the Company**
- (1) When a subsidiary makes an important management decision, it shall implement necessary measures in accordance with internal regulations, such as requesting the Company's prior approval.
 - (2) Subsidiaries shall periodically report their financial conditions to the Company.
- 7. Regulations and other systems governing subsidiaries' management of the risk of losses**
- The Company's Directors in charge shall provide comprehensive advice and guidance concerning subsidiaries' business operations and risk management systems.
- 8. Systems to ensure efficient execution of duties by subsidiaries' directors**
- Information technology shall be utilized appropriately and effectively, such as the introduction of a shared system for consolidated accounting, throughout the Shimano Group for communication of information between the Company and subsidiaries and for business processes to the extent applicable.
- 9. Systems to ensure that the execution of duties by subsidiaries' directors and employees is in compliance with laws and regulations and the Articles of Incorporation**
- Each subsidiary shall establish compliance systems through the establishment of regulations similar to the Company's Compliance Regulations or other internal rules and regulations, according to each subsidiary's individual situation.
- 10. Other systems to ensure the appropriateness of operations across the Shimano Group consisting of the Company and its subsidiaries**
- With the aim of instituting effective internal controls across the whole Shimano Group, the Company shall appoint managers with requisite responsibilities, assess situations of legal/regulatory compliance and risk management, and swiftly implement necessary countermeasures.
- 11. Matters concerning employees who provide assistance to Audit & Supervisory Board Members, in the case that the Company's Audit & Supervisory Board Members request that the Company assign employees as assistants to support their duties**
- If deemed necessary by Audit & Supervisory Board Members, appropriate personnel shall be exclusively assigned to provide assistance to Audit & Supervisory Board Members.
- 12. Matters concerning the independence of employees mentioned in (11) above from the Company's Directors**
- Employees mentioned in (11) above shall be outside the Directors' chain of command and follow instructions of the Audit & Supervisory Board Members.
- 13. Matters concerning the ensuring of effectiveness of instructions of the Company's Audit & Supervisory Board Members to employees mentioned in (11) above**
- Employees mentioned in (11) above, in accordance with the instructions issued by the Audit & Supervisory Board Members, shall have authority to perform investigations.
- 14. Systems for reporting by the Company's Directors and employees to the Company's Audit & Supervisory Board Members**
- Directors and employees shall swiftly report the status of performance of internal audits, as well as statutory matters, to the Company's Audit & Supervisory Board Members.
- 15. Systems for reporting by subsidiaries' directors, audit & supervisory board members and employees, or persons who received reports from such persons, to the Company's Audit & Supervisory Board Members**
- Subsidiaries' directors, audit & supervisory board members and employees shall swiftly report the matters which the Company's Audit & Supervisory Board Members request, as well as statutory matters. Persons who received reports from subsidiaries' directors, audit & supervisory board members and employees shall do the same.
- 16. Other systems for reporting to the Company's Audit & Supervisory Board Members**
- (1) Upon request of any Audit & Supervisory Board Member, reporting and information gathering shall be swiftly conducted, in accordance with the stipulations of the Audit & Supervisory Board.
 - (2) The internal audit organization shall closely collaborate with the Audit & Supervisory Board, including by means of discussion and exchange of opinions.
- 17. Systems to ensure that reporting persons mentioned in (14)-(16) above do not receive discriminate treatment as a result of such reports**
- (1) Regarding persons who reported to Audit & Supervisory Board Members, the fact of such reporting and

the content of the reporting shall be kept confidential, and it is prohibited to discriminate against persons who have reported to Audit & Supervisory Board Members for that reason alone.

- (2) Regarding persons who reported to the designated internal or external point of contact for compliance matters for swift recognition of violations of laws and regulations and/or unethical behaviors, the fact of such reporting and the content of the reporting shall be kept confidential, and it is prohibited to discriminate against persons who reported to the point of contact for that reason alone.

18. Matters concerning procedures for advance payment or reimbursement of expenses incurred in the course of execution of duties by the Company's Audit & Supervisory Board Members and policies related to processing of expenses or liabilities arising from execution of duties

Audit & Supervisory Board Members may consult lawyers, certified public accountants, and/or other external experts, as necessary, and expenses incurred shall be borne by the Company.

19. Other systems to ensure effective performance of audits by the Company's Audit & Supervisory Board Members

- (1) Opportunities shall be made available for Audit & Supervisory Board Members to attend meetings of the Board of Directors and other important meetings so that Audit & Supervisory Board Members can identify important internal issues and state their views, as necessary.
- (2) Forums shall be established, as necessary, to facilitate exchanges of views between Audit & Supervisory Board and Representative Directors.

(2) Status of Implementation of the Systems to Ensure the Appropriateness of Operations

- 1) Internal workshops and seminars on basic compliance matters, for which external instructors are invited, are held in house for officers and employees of the Company and its subsidiaries, in order to instill the consciousness of compliance.
- 2) An assessment of the effectiveness of internal controls over financial reporting, based on the Financial Instruments and Exchange Act, concluded no material violations were detected in the fiscal year ended December 31, 2015, and internal control systems are appropriately implemented.
- 3) Reports on the Company's and subsidiaries' businesses are periodically made, not only at meetings of the Company's Board of Directors, but also at important internal meetings. If issues requiring improvement or problems arise, instructions are issued to the departments concerned, as necessary.

Note: The "Act on Partial Amendment of the Companies Act" (Act No. 90, 2014) and the "Ministerial Ordinance for Partial Amendment of the Enforcement Regulations of the Companies Act" (Ordinance of the Ministry of Justice No. 6, 2015) came into force on May 1, 2015. Accordingly, the Company partially amended the Basic Policies on Establishment of Internal Control Systems by resolution of the meeting of the Company's Board of Directors held on April 28, 2015. The Basic Policies stated above are the policies after the amendment. The amendment reflects reviews of the Shimano Group's systems to ensure the appropriateness of operations and systems concerning audits based on the Group's actual situations, and includes changes to make descriptions specific and clear in accordance with the revision of the laws and regulations.

6. Basic Policy on the Control of the Company

(1) Details of the Basic Policy

The Company believes that it is necessary that the persons who control decisions on the Company's financial and business policies fully understand the Company's financial and business details and the sources of the Company's corporate value and make possible the continuous and sustained preservation and enhancement of the Company's corporate value and the common interests of the shareholders.

The Company will not repudiate even a large-scale purchase of the Company's shares, provided the purchase contributes to the Company's corporate value and the common interests of the shareholders.

However, a number of large-scale share purchases would have little value to the corporate value and the common interests of the shareholders. For instance, some large-scale share purchases, in light of their purposes, would clearly impair the corporate value and the common interests of the shareholders, pose a risk of effectively compelling shareholders to sell their shares, fail to provide the Board of Directors or shareholders of the targeted company with sufficient time or information to consider the details of the large-scale share purchase or for the Board of Directors of the targeted company to make an alternative proposal, or require the targeted company to discuss and negotiate with the purchaser to obtain more favorable terms than those offered by the purchaser.

In particular, the sources of the Shimano Group's corporate value include 1) worldwide sales bases and networks that make possible the rapid detection of customer needs; 2) highly creative planning and development capabilities and technological capabilities that satisfy customer needs; 3) a cost-competitive production structure that takes advantage of the strengths of the countries where the manufacturing bases are located and supply capacity to meet worldwide demand; 4) a global service structure; and 5) harmonious business operation among the Shimano Group companies. The factors that form the foundation of these strengths include (i) firm relationships of trust with customers, business partners, employees, and other stakeholders; (ii) the technical development capabilities and expertise of individual employees; and (iii) a corporate culture that enables individual employees to fully demonstrate those capabilities. If a person conducting a large-scale purchase of the Company's shares failed to understand not only the details of the Company's finances and business, but also these sources of the Company's corporate value, and failed to preserve and enhance them in the medium term and long term, the Company's corporate value and the common interests of the shareholders would be impaired. Also, if the Company receives a proposal for a large-scale purchase of shares from an outsider, to enable the shareholders to make the optimal choice it will be necessary for the Company to judge the affects the purchase will have on the Company's corporate value and the common interests of the shareholders after appropriately ascertaining the tangible and intangible elements that constitute the Company's corporate value and information about the purchaser and share purchase. Any large-scale purchase forcibly conducted while such information remained undisclosed would pose a risk of impairment to the Company's corporate value and the common interests of the shareholders.

The Company believes that a person conducting a large-scale purchase of shares that does not contribute to the Company's corporate value and the common interests of the shareholders would be inappropriate as a person to control decisions on the Company's financial and business policies and that it is necessary to secure the Company's corporate value and the common interests of the shareholders by adopting necessary and appropriate measures to counter a large-scale purchase by such a person.

(2) Outline of the Measures for the Realization of the Basic Policy

(A) Special Measures to Contribute to the Realization of the Basic Policy

(i) Measures for the Enhancement of Corporate Value

To maintain and further strengthen the above-mentioned sources of corporate value, the Company believes that it must continue to supply services and products that are trusted by and provide satisfaction to customers and in the coming years engage in the development and manufacture of products that respond to heightened customer interest in the environment, health, and other matters. Also, demand for bicycle components and fishing equipment, the Company's mainstay products, is increasing in emerging markets, such as China and South America. The Company intends to implement various measures so as to earn the confidence of customers also in these emerging markets. Against that backdrop, the Company will realize medium-term to long-term enhancement of corporate value by having as its basic policies 1) the reinforcement of core competences and 2) the creation of a cycling culture and fishing culture and brand reinforcement.

(ii) Reinforcement of Corporate Governance and Shareholder Returns

At the Company, supervision of the Directors' execution of duties is performed by means of 1 Independent Outside Director and an Audit & Supervisory Board that includes 2 Independent Outside Audit & Supervisory Board Members. Also, the Company has established the Internal Control Office as an internal audit organization. It periodically audits the state of compliance and risk management and is engaged in the development and implementation of global internal control systems.

The Company regards shareholder returns as an important management priority and has a basic policy of maintaining and continuing stable dividends and allocating profits in accordance with the development of business performance. The Company has continued to pay stable dividends since it listed its shares in 1972 and, furthermore, has increased dividends in line with improvement in business performance. The Company also has been actively conducting share repurchases.

Furthermore, with regard to activities to discharge social responsibility, the Shimano Group has long actively engaged in cultural activities, participated in volunteer activities, and sponsored events in communities where it has a presence. These activities build relationships of trust with business partners, area residents, and other stakeholders.

(B) Outline of the Measures to Prevent Decisions on the Company's Financial and Business Policies from Being Controlled by Persons Viewed as Inappropriate under the Basic Policy

In the event of a large-scale purchase of the Company's shares, the Company will make appropriate responses, as necessary, including making efforts for vigorous gathering of information and appropriate disclosure, in order to secure and enhance the Company's corporate value and the common interests of the shareholders.

**(3) The Decisions of the Company's Board of Directors Concerning Specific Measures and the Reasons Thereof
Special Measures to Contribute to the Realization of the Basic Policy**

The measures for the enhancement of corporate value and measures for the reinforcement of corporate governance described in the above (2) (A) have been formulated as specific measures for the continuous and sustained preservation and enhancement of the Company's corporate value and the common interests of the shareholders and indeed contribute to realization of the Basic Policy. Accordingly, these measures are in line with the basic policy and in accordance with the common interests of the Company's shareholders and are not for the purpose of maintaining the position of the Company's corporate officers.

Notes:

1. Regarding amounts, numbers of shares, etc. presented in this business report, any fractions less than the units indicated are rounded down. However, percentages are rounded to the nearest significant digit.
2. Consumption taxes are not included in the amounts presented in this business report.
3. Figures and information in this report are as of December 31, 2015, unless otherwise specified.

Consolidated Balance Sheet

(As of December 31, 2015)

(Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	296,287	Current liabilities	50,899
Cash and time deposits	190,210	Accounts payable-trade	11,392
Notes and accounts receivable-trade	36,918	Short-term loans payable	7,954
Merchandise and finished goods	33,635	Income taxes payable	12,252
Work in process	20,065	Deferred income taxes	126
Raw materials and supplies	5,916	Accrued employee bonuses	1,873
Deferred income taxes	3,556	Accrued officer bonuses	216
Others	6,230	Provision for sales returns	270
Allowance for doubtful accounts	(247)	Others	16,813
Fixed assets	132,793	Long-term liabilities	6,883
Property, plant and equipment	101,913	Long-term loans payable	2,068
Buildings and structures	44,081	Deferred income taxes	1,333
Machinery and vehicles	22,824	Net defined benefit liability	2,737
Land	13,409	Others	744
Leased assets	57	Total liabilities	57,782
Construction in progress	15,735	(Net assets)	
Others	5,804	Shareholders' equity	352,591
Intangible assets	12,913	Common stock	35,613
Goodwill	2,501	Capital surplus	5,823
Software	4,865	Retained earnings	311,244
Software in progress	1,188	Treasury stock	(90)
Others	4,357	Accumulated other comprehensive income	17,793
Investments and other assets	17,966	Unrealized gain (loss) on other securities	3,772
Investment securities	14,058	Foreign currency translation adjustments	14,021
Deferred income taxes	903	Minority interests	913
Others	3,472	Total net assets	371,298
Allowance for doubtful accounts	(468)	Total liabilities and net assets	429,080
Total assets	429,080		

Note: Amounts are rounded down to the nearest million yen.

Consolidated Statement of Income
(From January 1, 2015 to December 31, 2015)

(Millions of yen)

Accounts	Amount	
Net sales		378,645
Cost of sales		224,131
Gross profit		154,514
Selling, general and administrative expenses		69,461
Operating income		85,053
Non-operating income		
Interest and dividend income	1,544	
Others	15,354	16,899
Non-operating expenses		
Interest expenses	328	
Others	513	841
Ordinary income		101,110
Extraordinary losses		
Loss on impairment	362	
Loss on factory reconstruction	348	711
Income before income taxes and minority interests		100,399
Income taxes-current	24,343	
Income taxes-deferred	(167)	24,176
Income before minority interests		76,222
Minority interests in net income		32
Net income		76,190

Note: Amounts are rounded down to the nearest million yen.

Consolidated Statement of Shareholders' Equity

(From January 1, 2015 to December 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	35,613	5,823	246,726	(71)	288,092
Cumulative effects of changes in accounting policies			379		379
Restated balance	35,613	5,823	247,105	(71)	288,471
Changes of items during the year					
Cash dividends paid			(12,051)		(12,051)
Net income			76,190		76,190
Acquisition of treasury stock				(18)	(18)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	64,139	(18)	64,120
Balance at end of year	35,613	5,823	311,244	(90)	352,591

	Accumulated other comprehensive income			Minority interests	Total net assets
	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of year	3,307	38,863	42,171	931	331,195
Cumulative effects of changes in accounting policies					379
Restated balance	3,307	38,863	42,171	931	331,574
Changes of items during the year					
Cash dividends paid					(12,051)
Net income					76,190
Acquisition of treasury stock					(18)
Net changes of items other than shareholders' equity	464	(24,842)	(24,377)	(18)	(24,396)
Total changes of items during the year	464	(24,842)	(24,377)	(18)	39,724
Balance at end of year	3,772	14,021	17,793	913	371,298

Note: Amounts are rounded down to the nearest million yen.

Notes relating to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

(1) Consolidation

(a) The consolidated financial statements include the accounts of the Company and the following 49 subsidiaries.

Shimano (Singapore) Pte. Ltd.
Shimano Components (Malaysia) Sdn. Bhd.
Shimano (Kunshan) Bicycle Components Co., Ltd.
Shimano (Mersing) Sdn. Bhd.
P.T. Shimano Batam
Shimano (Philippines) Inc.
MSC Pte. Ltd.
Shimano (Cambodia) Co., Ltd.
Shimano Taiwan Co., Ltd.
Shimano (Kunshan) Fishing Tackle Co., Ltd.
Shimano (Shanghai) Sales Corporation
Shimano (Tianjin) Bicycle Components Co., Ltd.
Shimano (Lianyungang) Industrial Co., Ltd.
Shimano American Corporation
Shimano Canada Ltd.
G.Loomis, Inc.
DashAmerica, Inc. (Pearl Izumi USA)
Innovative Textiles, Inc.
Shimano Europe Holding B.V.
Shimano Europe Bike Holding B.V.
Shimano Europe Fishing Holding B.V.
Shimano Germany Fishing GmbH
Shimano - Pearl Izumi Softgoods Division Europe GmbH
Shimano Europe Retail Division B.V.
Bikefitting.com B.V.
Shimano Benelux B.V.
Shimano Italy Fishing S.R.L.
Shimano Italy Bicycle Components S.R.L.
Shimano Europe B.V.
Shimano Belgium N.V.
Shimano France Composants Cycles S.A.S.
Shimano Italia S.p.A. in liquidazione
Shimano Czech Republic, s.r.o.
Shimano Nordic Cycle AB
Shimano Nordic Cycle OY
Shimano Nordic Cycle AS
Shimano Nordic Denmark ApS
Shimano Polska Bicycle Parts Sp.z o.o.
Shimano Menat Spor Etkinlikleri Spor Malzemeleri ve Ekipmanlari Ticaret Limited Sirketi
Shimano Bisiklet Parca ve Ekipmanlari Satis Servis Ticaret Anonim Sirketi
Shimano Balicilik Malzemeleri ve Ekipmanlari Satis Ticaret Anonim Sirketi
Shimano Australia Cycling Pty. Ltd.
Shimano Oceania Holdings Pty. Ltd.
Shimano Australia Fishing Pty. Ltd.
Shimano New Zealand Ltd.
Shimano Latin America Representacao Comercial Ltda.
Shimano Uruguay S.A.
Shimano Sales Co., Ltd.
Shimano Kumamoto Co., Ltd.

During fiscal year 2015, Shimano Uruguay S.A. was included in the scope of consolidation due to establishment and Shimano (Malaysia) Sdn. Bhd. and Shimano Oceania Ltd. were excluded from the scope of consolidation due to liquidation. Douglas Johnson & Co Limited changed its name to Shimano New Zealand Ltd.

(b) The remaining subsidiaries including Shimano Adachi Co., Ltd. are excluded from consolidation since the aggregate amounts of the total assets, net sales, net income and retained earnings of these subsidiaries are immaterial to the comparable amounts in the accompanying consolidated financial statements.

(2) Applications of the equity method

None of the unconsolidated subsidiaries and affiliated companies (20 to 50 percent-owned companies) including Sanbo Co., Ltd. is accounted for by the equity method since the aggregate amounts of net income and retained earnings of these companies are immaterial to the comparable amounts in the accompanying consolidated financial statements.

(3) Fiscal year of the consolidated subsidiaries

The fiscal year of Shimano Italia S.p.A. in liquidazione ends on November 30 and its financial statements as of November 30 are used for preparation of the consolidated financial statements. Any material effects occurring during the period from December 1 to December 31 are adjusted in the consolidated financial statements.

(4) Summary of significant accounting policies

(a) Valuation basis and method for principal assets

Securities

Other securities (syn. Available-for-sale securities)

Other securities with market prices

Other securities with market prices are stated at closing quoted prices at the balance sheet date.

Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.

Realized gains and losses on sales of these securities are credited or charged to income, with cost determined on the moving average basis.

Other securities with no market prices

Other securities with no market prices are stated at moving average cost.

Inventories

Inventories held for sale in the ordinary course of business are stated principally at cost (the book value devaluation method based on decline in profitability).

Finished goods, merchandise, work in process and raw materials are stated principally at cost determined by the weighted average method.

Supplies are stated at the most recent purchase method.

(b) Depreciation and amortization of principal fixed assets

Property, plant and equipment

Property, plant and equipment acquired on or before March 31, 2007 (excluding leased assets)

Property, plant and equipment of the Company and its consolidated domestic subsidiaries are depreciated principally by the former declining-balance method.

Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.

Buildings (excluding building fixtures) acquired on or after April 1, 1998, are depreciated by the former straight-line method.

Depreciation of property, plant and equipment of consolidated foreign subsidiaries is principally computed by the straight-line method based on the estimated useful lives of the respective assets.

Property, plant and equipment acquired on or after April 1, 2007 (excluding leased assets)

Property, plant and equipment of the Company and its consolidated domestic subsidiaries are depreciated principally by the declining-balance method.

Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.

Buildings (including building fixtures) are depreciated by the straight-line method.

Depreciation of property, plant and equipment of consolidated foreign subsidiaries is principally computed by the straight-line method based on the estimated useful lives of the respective assets.

Leased assets

Leased assets related to finance lease transactions with ownership transfer

Depreciation of leased assets related to finance lease transactions with ownership transfer is computed by the same depreciation method as for the depreciable assets that are owned.

Leased assets related to finance lease transactions without ownership transfer

Depreciation of leased assets related to finance lease transactions without ownership transfer is principally computed by the straight-line method based on the period of the leasing contract as the useful lives and with no residual value.

Intangible assets

Intangible assets are amortized principally by the straight-line method. Amortization of software for internal use is computed by the straight-line method over an estimated useful life (principally 5 years).

Long-term prepaid expenses

Long-term prepaid expenses are amortized primarily by the straight-line method.

(c) Provision for principal allowances and reserves

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. Such amount is computed by applying bad debt loss ratios based on past experience for general receivables and by individually reviewing collectibility for specific doubtful accounts.

Accrued employee bonuses

Accrued employee bonuses are provided in an amount corresponding to the fiscal year based on the projected amount sufficient to meet future payments of bonuses to employees.

Accrued officer bonuses

Accrued officer bonuses are provided in an amount corresponding to the fiscal year based on the projected amount sufficient to meet future payments of bonuses to officers.

Provision for sales returns

Provision for sales returns is provided in an estimated amount sufficient to cover losses on sales returns. Such amount is computed based on historical results.

Provision for loss on factory reconstruction

Provision is made based on the estimated amount of future expenses anticipated for the reconstruction of Sakai Factory.

(d) Translation of assets and liabilities denominated in foreign currencies into yen

Monetary assets and liabilities of the Company denominated in foreign currencies are translated into Japanese yen at applicable current exchange rates at the balance sheet date. However, receivables and payables denominated in foreign currencies covered by forward exchange contracts are translated at the contracted rates. Differences arising from translation are charged or credited to income. Assets and liabilities of consolidated overseas subsidiaries are translated into Japanese yen at the rate of exchange at the balance sheet date, and

revenue and expense accounts are translated into Japanese yen at the average rates over the fiscal year. Differences arising from translation are included in foreign currency translation adjustments and minority interest in net assets.

(e) Accounting for hedges

Method of hedge accounting

With respect to receivables and payables denominated in foreign currencies covered by forward exchange contracts, appropriation accounting is applied.

Hedging instrument and risk hedged

Foreign exchange forward contracts are used to provide hedges against risk of fluctuation in currency exchange rates concerning foreign currency-denominated assets and liabilities and for scheduled foreign currency-denominated transactions.

Hedging policy

Hedging transactions are only adopted in order to appropriately control and reduce risks associated with export and import.

Assessing the effectiveness of a hedge

Hedge accounting is applied in accordance with the “Practical Guidelines Concerning Accounting for Financial Instruments” (The Japanese Institute of Certified Public Accountants).

(f) Method and period of amortization of goodwill

Goodwill is amortized by the straight-line method over a reasonable number of years within 20 years, based on judgment of individual items. Goodwill whose amount is immaterial is fully amortized as incurred.

(g) Other significant accounting policies for preparation of consolidated financial statements

i) Accounting for consumption taxes

All amounts stated are exclusive of consumption and local taxes.

ii) Accounting for employee retirement benefits

The liability, including both the unfunded lump-sum benefit and the funded pension plan, is calculated as the difference between the expected and discounted future retirement and Shimano corporate pension payments, and the assets under the pension plan to meet such future payments. All the past service costs and actuarial gains and losses are expensed in the fiscal year in which they occur.

In calculating retirement benefit obligation, the benefit formula basis is applied to allocate projected retirement benefits to the periods until the end of the current fiscal year.

2. Changes in significant accounting policies for preparation of consolidated financial statements

(Changes in Significant Accounting Policies)

(Adoption of “Accounting Standard for Retirement Benefits” and related matters)

Effective from fiscal year 2015, the Company has adopted the provisions of the main clause of Paragraph 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 issued on May 17, 2012) and the main clause of Paragraph 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on March 26, 2015). Accordingly, the Company has reviewed the calculation method for retirement benefit obligations and service costs, and changed the method of attributing expected retirement benefits to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method of determining the discount rate from one that uses a discount rate determined by reference to the yield of bonds whose remaining maturities approximate to the expected average remaining service period of employees, to one that uses a single weighted average discount rate that reflects the estimated period for retirement benefit payments and the amount of retirement benefit payments for each estimated payment period.

The adoption of the Accounting Standard for Retirement Benefits and the Guidance is in line with the transitional treatment specified in Paragraph 37 of the Accounting Standard for Retirement Benefits, and accordingly the impact of the change in the calculation method for retirement benefit obligations and service costs has been added to or deducted from retained earnings at the beginning of fiscal year 2015.

As a result, net defined benefit liability decreased 592 million yen and retained earnings increased 379 million yen at the beginning of fiscal year 2015.

The impact of these changes on operating income, ordinary income and income before income taxes and minority interests for fiscal year 2015 is immaterial.

(Additional Information)

(Impact of change in corporation tax rates)

The “Act on Partial Amendment of the Income Tax Act, etc.” (Act No. 9, 2015) and the “Act on Partial Amendment of the Local Tax Act, etc.” (Act No. 2, 2015) were promulgated on March 31, 2015 and income tax rates were reduced effective from the fiscal year beginning on or after April 1, 2015. Accordingly, the effective statutory tax rate used for calculating deferred tax assets and liabilities was changed from 36% for the prior fiscal year to 33% for the temporary differences that are expected to be eliminated in the fiscal year beginning on January 1, 2016 and to 32% for the temporary differences that are expected to be eliminated in the fiscal year beginning on or after January 1, 2017.

As a result of this change in the tax rate, deferred tax assets (net of deferred tax liabilities) decreased 201 million yen, income taxes-deferred and unrealized gain on other securities increased 433 million yen and 232 million yen, respectively.

3. Notes relating to consolidated balance sheet

Accumulated depreciation of property, plant and equipment 117,201 million yen

4. Notes relating to consolidated statement of income

(1) Selling, general and administrative expenses

Main components of selling, general and administrative expenses for the fiscal year ended December 31, 2015:

Salaries and wages 17,539 million yen

Advertising and sales promotion expenses 9,605 million yen

(2) R&D expenses

R&D expenses included in selling, general and administrative expenses and manufacturing expenses for the fiscal year ended December 31, 2015 11,793 million yen

- (3) Write-down of inventories held for ordinary sales purposes due to a decline in profitability
 Cost of sales (83) million yen

(4) Loss on impairment

The Shimano Group recognized loss on impairment for the following assets.

Location	Use	Category	Amount
DashAmerica, Inc. (Pearl Izumi USA)	Bicycle Components	Other intangible assets	242 million yen
Shimano-Pearl Izumi Softgoods Division Europe GmbH	Bicycle Components	Goodwill	120 million yen

(Background)

In view of the fact that sales of DashAmerica, Inc. (Pearl Izumi USA) have been below the initial plan, an impairment test of the other intangible assets, which were recorded upon acquisition of DashAmerica, was conducted. As a result, the book value of the other intangible assets was reduced to the recoverable amount and the excess of the recoverable amount was recorded as loss on impairment.

As a result of reviewing the profit plan of Shimano-Pearl Izumi Softgoods Division Europe GmbH, the book value of goodwill was fully impaired because lower cash flow over the expected period was estimated.

(Method of grouping)

The Shimano Group assets are grouped by reportable segment and in the minimum unit that produces cash flow.

(Method of calculation of a recoverable amount)

The recoverable amount of other intangible assets is measured by the value in use, which is the present value of the future cash flow calculated at the discount rate of 13.5%. The full amount of an unamortized balance of goodwill was impaired and recognized as loss on impairment.

5. Notes relating to consolidated statement of shareholders' equity

- (1) Total number of issued shares as of the fiscal year ended December 31, 2015 92,720,000 shares

(2) Cash dividends paid during the fiscal year ended December 31, 2015

(a) Payment of cash dividends

At the Ordinary General Meeting of Shareholders held on March 26, 2015, the following resolutions were made.

- Matters concerning dividends for shares of common stock

Total amount of cash dividends	4,866 million yen
Cash dividends per share	52.50 yen
Record date	December 31, 2014
Effective date	March 27, 2015

(b) Payment of interim cash dividend

At the meeting of the Board of Directors held on July 28, 2015, the following resolutions were made.

- Matters concerning dividends for shares of common stock

Total amount of cash dividends	7,184 million yen
Cash dividends per share	77.50 yen
Record date	June 30, 2015
Effective date	September 4, 2015

(3) Cash dividends paid after the end of the fiscal year ended December 31, 2015

At the Ordinary General Meeting of Shareholders to be held on March 29, 2016, the following resolutions are expected to be made.

- Matters concerning dividends for shares of common stock

Total amount of cash dividends	7,184 million yen
Source of dividends	Retained earnings
Cash dividends per share	77.50 yen
Record date	December 31, 2015
Effective date	March 30, 2016

6. Notes relating to financial instruments

(1) Policies on financial instruments

The Shimano Group restricts its fund management to deposits with financial institutions with high credit standing and raises funds mainly by means of bank loans.

The Shimano Group manages customer credit risk from notes and accounts receivable-trade on the basis of internal credit control guidelines.

Investment securities are primarily stocks and the Shimano Group monitors fair value of listed stocks on a quarterly basis.

The Shimano Group uses derivatives for the purpose of hedging risks in accordance with the internal guidelines.

(2) Fair values of financial instruments

Carrying amounts, fair values and the differences between carrying amounts and fair values as of December 31, 2015, are as follows:

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and time deposits	190,210	190,210	-
(2) Notes and accounts receivable-trade	36,918	36,918	-
(3) Investment securities	11,765	11,765	-
Assets	238,894	238,894	-
(1) Accounts payable-trade	11,392	11,392	-
(2) Short-term loans payable	7,351	7,351	-
(3) Income taxes payable	12,252	12,252	-
(4) Long-term loans payable	2,671	2,726	55
Liabilities	33,667	33,722	55
Derivatives	(0)	(0)	-

Notes:

1. Basis of determining the fair value of financial instruments and matters relating to securities and derivative transactions

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable-trade

The carrying amount of these instruments approximates fair value because of their short-term maturities.

(3) Investment securities

The fair values of stocks are stated using quoted market prices.

Liabilities

(1) Accounts payable-trade, (2) Short-term loans payable, and (3) Income taxes payable

The carrying amount of these instruments approximates fair value because of their short-term maturities.

(4) Long-term loans payable

The fair values of long-term loans payable are estimated based on their present values by applying discounted cash flow analysis using rates currently available for similar types of borrowings with similar terms and original maturities.

Derivatives

The fair values of foreign exchange forward contracts to which appropriation accounting is applied are included in the fair value of the accounts payable-trade because they are accounted for with the hedged foreign currency-denominated liabilities.

2. Unlisted stocks (2,292 million yen on the consolidated balance sheet) are not included in "(3) Investment securities" as it is deemed extremely difficult to determine their fair value because quoted market prices are unavailable and it is impossible to estimate future cash flows.

7. Notes relating to per share data

(1) Net assets per share 3,995.37 yen

(2) Net income per share 821.87 yen

* The basis for calculation of the net income per share is as follows:

Net income	76,190 million yen
Net income pertaining to common shareholders	76,190 million yen
Average number of shares of common stock outstanding	92,704 thousand shares

Note: Amounts are rounded down to the nearest million yen.

<For Reference>

Consolidated Statement of Cash Flows

(From January 1, 2015 to December 31, 2015)

(Millions of yen)

Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
81,309	(26,259)	(14,508)	187,869

Note: Amounts are rounded down to the nearest million yen.

Non-consolidated Balance Sheet

(As of December 31, 2015)

(Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	73,184	Current liabilities	36,601
Cash and time deposits	18,327	Accounts payable-trade	14,141
Notes receivable	678	Accounts payable-other	5,902
Accounts receivable-trade	26,828	Income taxes payable	6,978
Finished goods	7,719	Accrued expenses	256
Work in process	11,160	Deposit payable	8,410
Raw materials	1,465	Accrued employee bonuses	282
Supplies	317	Accrued officer bonuses	210
Accounts receivable-other	3,006	Provision for sales returns	40
Deferred income taxes	1,111	Others	377
Others	2,687	Long-term liabilities	2,903
Allowance for doubtful accounts	(118)	Employee retirement benefits	2,221
Fixed assets	85,828	Others	682
Property, plant and equipment	51,506	Total liabilities	39,504
Buildings	21,744	(Net assets)	
Structures	823	Shareholders' equity	115,563
Plant and machinery	6,825	Common stock	35,613
Vehicles	68	Capital surplus	5,823
Tools, equipment and furniture	2,748	Capital reserve	5,822
Land	9,837	Other capital surplus	1
Leased assets	30	Retained earnings	74,217
Construction in progress	9,427	Legal reserve	3,194
Intangible assets	4,787	Other retained earnings	71,023
Industrial property	34	Unappropriated retained earnings	71,023
Software	3,921	Treasury stock	(90)
Software in progress	783	Valuation and translation adjustments	3,944
Others	47	Unrealized gain (loss) on other securities	3,944
Investments and other assets	29,534	Total net assets	119,508
Investment securities	10,481	Total liabilities and net assets	159,013
Subsidiaries' and affiliates' stock	12,315		
Investments in capital	24		
Long-term loans to subsidiaries and affiliates	4,778		
Long-term prepaid expenses	588		
Deferred income taxes	695		
Others	1,418		
Allowance for doubtful accounts	(767)		
Total assets	159,013		

Note: Amounts are rounded down to the nearest million yen.

Non-consolidated Statement of Income

(From January 1, 2015 to December 31, 2015)

(Millions of yen)

Accounts	Amount	
Net sales		292,477
Cost of sales		225,256
Gross profit		67,220
Selling, general and administrative expenses		37,196
Operating income		30,024
Non-operating income		
Interest income	385	
Dividend income	4,329	
Others	575	5,291
Non-operating expenses		
Interest expenses	110	
Others	682	792
Ordinary income		34,522
Extraordinary losses		
Loss on factory reconstruction	312	312
Income before income taxes		34,210
Income taxes-current	10,173	
Income taxes-deferred	222	10,396
Net income		23,813

Note: Amounts are rounded down to the nearest million yen.

Non-consolidated Statement of Shareholders' Equity

(From January 1, 2015 to December 31, 2015)

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at beginning of year	35,613	5,822	1	5,823
Cumulative effects of changes in accounting policies				
Restated balance	35,613	5,822	1	5,823
Changes of items during the year				
Cash dividends paid				
Net income				
Acquisition of treasury stock				
Net changes of items other than shareholders' equity				
Total changes of items during the year	—	—	—	—
Balance at end of year	35,613	5,822	1	5,823

	Shareholders' equity				
	Retained earnings			Treasury stock	Total shareholders' equity
	Legal reserve	Other retained earnings	Total retained earnings		
Unappropriated retained earnings					
Balance at beginning of year	3,194	58,881	62,075	(71)	103,441
Cumulative effects of changes in accounting policies		379	379		379
Restated balance	3,194	59,260	62,454	(71)	103,820
Changes of items during the year					
Cash dividends paid		(12,051)	(12,051)		(12,051)
Net income		23,813	23,813		23,813
Acquisition of treasury stock				(18)	(18)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	11,762	11,762	(18)	11,743
Balance at end of year	3,194	71,023	74,217	(90)	115,563

	Valuation and translation adjustments		Total net assets
	Unrealized gain (loss) on other securities	Total valuation and translation adjustments	
Balance at beginning of year	3,502	3,502	106,943
Cumulative effects of changes in accounting policies			379
Restated balance	3,502	3,502	107,323
Changes of items during the year			
Cash dividends paid			(12,051)
Net income			23,813
Acquisition of treasury stock			(18)
Net changes of items other than shareholders' equity	441	441	441
Total changes of items during the year	441	441	12,185
Balance at end of year	3,944	3,944	119,508

Note: Amounts are rounded down to the nearest million yen.

Notes relating to Non-consolidated Financial Statements

1. Basis of presenting non-consolidated financial statements

(1) Valuation basis and method for principal assets

Securities

Subsidiaries' and affiliates' stocks

Subsidiaries' and affiliates' stocks are stated at moving average cost.

Other securities (syn. Available-for-sale securities)

Other securities with market prices

Other securities with market prices are stated at closing quoted prices at the balance sheet date.

Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.

Realized gains and losses on sales of these securities are credited or charged to income, with cost determined on the moving average basis.

Other securities with no market prices

Other securities with no market prices are stated at moving average cost.

Inventories

Inventories held for sale in the ordinary course of business are stated at cost (the book value devaluation method based on decline in profitability).

Finished goods, merchandise, work in process and raw materials are stated at cost determined by the weighted average method.

Supplies are stated at the most recent purchase method.

(2) Depreciation and amortization of principal fixed assets

Property, plant and equipment

Property, plant and equipment acquired on or before March 31, 2007 (excluding leased assets)

Property, plant and equipment are depreciated principally by the former declining-balance method.

Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.

Buildings (excluding building fixtures) acquired on or after April 1, 1998, are depreciated by the former straight-line method.

Property, plant and equipment acquired on or after April 1, 2007 (excluding leased assets)

Property, plant and equipment are depreciated principally by the declining-balance method.

Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.

Buildings (including building fixtures) are depreciated by the straight-line method.

Depreciation periods of principal items of property, plant and equipment

Buildings are depreciated over a period of 7-50 years.

Plant and machinery are depreciated over a period of 9-10 years.

Leased assets

Leased assets related to finance lease transactions without ownership transfer

Depreciation of leased assets related to finance lease transactions without ownership transfer is principally computed by the straight-line method based on the period of the leasing contract as the useful lives with no residual value.

Intangible assets

Intangible assets are amortized principally by the straight-line method. Amortization of software for internal use is computed by the straight-line method over an estimated useful life of 5 years.

Long-term prepaid expenses

Long-term prepaid expenses are amortized primarily by the straight-line method.

(3) Provision for principal allowances and reserves

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. Such amount is computed by applying bad debt loss ratios based on past experience for general accounts and by individually reviewing collectibility for specific doubtful accounts.

Accrued employee bonuses

Accrued employee bonuses are provided in an amount corresponding to the fiscal year based on the projected amount sufficient to meet future payments of bonuses to employees.

Accrued officer bonuses

Accrued officer bonuses are provided in an amount corresponding to the fiscal year based on the projected amount sufficient to meet future payments of bonuses to officers.

Provision for sales returns

Provision for sales returns is provided in an estimated amount sufficient to cover losses on sales returns. Such amount is computed based on historical results.

Provision for loss on factory reconstruction

Provision is made based on the estimated amount of future expenses anticipated for the reconstruction of Sakai Factory.

Employee retirement benefits

The liability, including both the unfunded lump-sum benefit and the funded pension plan, is calculated as the difference between the expected and discounted future retirement and Shimano corporate pension payments, and the assets under the pension plan to meet such future payments. All the past service costs and actuarial gains and losses are expensed in the fiscal year in which they occur.

In calculating retirement benefit obligation, the benefit formula basis is applied to allocate projected retirement benefits to the periods until the end of the current fiscal year.

(Changes in Significant Accounting Policies)

(Adoption of "Accounting Standard for Retirement Benefits" and related matters)

Effective from fiscal year 2015, the Company has adopted the provisions of the main clause of Paragraph 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012) and the main clause of Paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on March 26, 2015). Accordingly, the Company has reviewed the calculation method for retirement benefit obligations and service costs, and changed the method of attributing expected retirement benefits to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method of determining the discount rate from one that uses a discount rate determined by reference to the yield of bonds whose remaining maturities approximate to the expected average remaining service period of employees, to one that uses a single weighted average discount rate that reflects the estimated period for retirement benefit payments and the amount of retirement benefit payments for each estimated payment period.

The adoption of the Accounting Standard for Retirement Benefits and the Guidance is in line with the transitional treatment specified in Paragraph 37 of the Accounting Standard for Retirement Benefits, and accordingly the impact of the change in the calculation method for retirement benefit obligations and service costs has been added to or deducted from unappropriated retained earnings at the

beginning of fiscal year 2015.

As a result, employee retirement benefits decreased 592 million yen and unappropriated retained earnings increased 379 million yen at the beginning of fiscal year 2015.

The impact of these changes on operating income, ordinary income and income before income taxes for fiscal year 2015 is immaterial.

(4) Translation of assets and liabilities denominated in foreign currencies into yen

Monetary assets and liabilities of the Company denominated in foreign currencies are translated into Japanese yen at the rates of exchange at the balance sheet date. However, receivables and payables denominated in foreign currencies covered by forward exchange contracts are translated at the contracted rates. Differences arising from translation are charged or credited to income.

(5) Accounting for hedges

Method of hedge accounting

With respect to receivables and payables denominated in foreign currencies covered by forward exchange contracts, appropriation accounting is applied.

Hedging instrument and risk hedged

Foreign exchange forward contracts are used to provide hedges against risk of fluctuation in currency exchange rates concerning foreign currency-denominated assets and liabilities and for scheduled foreign currency-denominated transactions.

Hedging policy

Hedging transactions are only adopted in order to appropriately control and reduce risks associated with export and import.

Assessing the effectiveness of a hedge

Hedge accounting is applied in accordance with the "Practical Guidelines Concerning Accounting for Financial Instruments" (The Japanese Institute of Certified Public Accountants).

(6) Other significant accounting policies for preparation of non-consolidated financial statements

Accounting for consumption taxes

All amounts stated are exclusive of consumption and local taxes.

2. Notes relating to non-consolidated balance sheet

- | | |
|---|--------------------|
| (1) Short-term monetary receivables from subsidiaries and affiliates | 10,814 million yen |
| Short-term monetary payables to subsidiaries and affiliates
(excluding the amount separately presented on the balance sheet) | 20,132 million yen |
| (2) Accumulated depreciation of property, plant and equipment | 58,612 million yen |
| (3) Guaranteed liability | |

Company name	Amount	Remarks
Shimano Oceania Holdings Pty. Ltd. and Shimano Australia Fishing Pty. Ltd.	155 million yen (AUS 1,765 thousand)	Guarantee for bank borrowings
Shimano Oceania Holdings Pty. Ltd. and Shimano New Zealand Ltd.	297 million yen (NZ\$ 3,590 thousand)	
Shimano Australia Cycling Pty. Ltd.	124 million yen (AUS 1,420 thousand)	
Shimano Australia Fishing Pty. Ltd.	527 million yen (AUS 6,000 thousand)	
Shimano New Zealand Ltd.	165 million yen (NZ\$ 2,000 thousand)	

3. Notes relating to non-consolidated statement of income

- | | |
|--|---------------------|
| (1) Transactions with subsidiaries and affiliates | |
| Net sales | 66,357 million yen |
| Goods purchased | 127,170 million yen |
| Commissions paid and storage fees | 7,857 million yen |
| Non-operating transactions | 4,176 million yen |
| (2) Write-down of inventories held for ordinary sales purposes due to a decline in profitability | |
| Cost of sales | (73) million yen |

4. Notes relating to non-consolidated statement of shareholders' equity

Number of shares of treasury stock at the end of the fiscal year ended December 31, 2015 16,514 shares

5. Notes relating to deferred tax accounting

(1) Significant components of deferred tax assets and liabilities

(Deferred tax assets)	(Millions of yen)
Excess of limit of accrued employee bonuses	93
Enterprise tax payable	518
Officer retirement benefits	175
Excess of limit of employee retirement benefits	710
Loss on revaluation of other securities	589
Book in excess of tax depreciation	0
Loss on revaluation of golf memberships	137
Excess of limit of allowance for doubtful accounts	275
Loss on impairment	200
Book in excess of tax depreciation for small sum assets	220
Devaluation loss on inventories	254
Others	486
Total deferred tax assets	<u>3,663</u>
(Deferred tax liabilities)	
Unrealized gain (loss) on other securities	<u>(1,856)</u>
Total deferred tax liabilities	<u>(1,856)</u>
Net deferred tax assets	1,807

(2) Reconciliation between the effective statutory tax rate and the actual effective tax rate

Effective statutory tax rate	36.0%
(Reconciliation)	
Permanent difference-expenses	0.5%
Permanent difference-income	(4.2%)
Tax credit	(2.8%)
Adjustments of previous year	0.1%
Adjustment of deferred tax assets due to change in effective statutory tax rates	1.2%
Others	<u>(0.4%)</u>
Actual effective tax rate	30.4%

(3) Impact of change in corporation tax rates

The “Act on Partial Amendment of the Income Tax Act, etc.” (Act No. 9, 2015) and the “Act on Partial Amendment of the Local Tax Act, etc.” (Act No. 2, 2015) were promulgated on March 31, 2015 and income tax rates were reduced effective from the fiscal year beginning on or after April 1, 2015. Accordingly, the effective statutory tax rate used for calculating deferred tax assets and liabilities was changed from 36% for the prior fiscal year to 33% for the temporary differences that are expected to be eliminated in the fiscal year beginning on January 1, 2016 and to 32% for the temporary differences that are expected to be eliminated in the fiscal year beginning on or after January 1, 2017.

As a result of this change in the tax rate, deferred tax assets (net of deferred tax liabilities) decreased 182 million yen, income taxes-deferred and unrealized gain (loss) on other securities increased 414 million yen and 232 million yen, respectively.

6. Notes on related party transactions

Subsidiaries

Company name	Location	Common stock	Principal business	Ownership	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
Shimano (Singapore) Pte. Ltd.	Singapore	S\$ 65,994 thousand	Manufacture of bicycle components	100%	Manufacture of the Company's products Officers' posts held concurrently	Purchase of bicycle components (Note 1)	42,275	Accounts payable-trade	1,557
Shimano Components (Malaysia) Sdn. Bhd.	Johor, Malaysia	RM 18,000 thousand	Manufacture of bicycle components and fishing tackle	100% (100%)	Manufacture of the Company's products Officers' posts held concurrently	Purchase of bicycle components and fishing tackle (Note 1)	62,450	Accounts payable-trade	8,012
Shimano American Corporation	California, U.S.A.	US\$ 14,000 thousand	Sale of bicycle components and fishing tackle	92%	Sale of the Company's products Officers' posts held concurrently	Sale of bicycle components and fishing tackle (Note 1)	11,898	Accounts receivable-trade	1,575
						Lending of loans	875	Loans (Note 2)	5,246
						Receipt of interest	121		

Transaction amounts do not include consumption taxes.

Figures in parentheses for the ownership refer to parent company equity stakes held via indirect ownership.

Notes:

- The terms and conditions for purchase and sale of the Company's products are determined, taking into account market prices and the cost of sales.
- Interest rates for the loans are determined on a reasonable basis, taking into account market interest rates. The Company does not have collateral for the loans.

7. Notes relating to per share data

- (1) Net assets per share 1,289.15 yen
(2) Net income per share 256.88 yen

* The basis for calculation of the net income per share is as follows:

Net income	23,813 million yen
Net income pertaining to common shareholders	23,813 million yen
Average number of shares of common stock outstanding	92,704 thousand shares

Note: Amounts are rounded down to the nearest million yen.

Report of the Independent Auditors

February 3, 2016

The Board of Directors,
Shimano Inc.

Seiry Audit Corporation
Representative and Engagement Partner
Certified Public Accountant
Go Kagaya
Representative and Engagement Partner
Certified Public Accountant
Yoshihito Funakoshi

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements of Shimano Inc. for the fiscal year from January 1, 2015 to December 31, 2015, that is, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of shareholders' equity, and notes relating to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to independently express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit Opinion

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position and the results of operations of the Shimano Group, which consisted of Shimano Inc. and its consolidated subsidiaries, for the fiscal period in question in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

Our firm and engagement partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

The above is a translation, for convenience only, of the original report issued in the Japanese language.

Report of the Independent Auditors

February 3, 2016

The Board of Directors,
Shimano Inc.

Seiry Audit Corporation
Representative and Engagement Partner
Certified Public Accountant
Go Kagaya
Representative and Engagement Partner
Certified Public Accountant
Yoshihito Funakoshi

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements of Shimano Inc. for the 109th fiscal year from January 1, 2015 to December 31, 2015, that is, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of shareholders' equity, and notes relating to the non-consolidated financial statements, as well as the supplementary schedules.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines necessary to enable the preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to independently express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements and the supplementary schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit Opinion

In our opinion, the aforementioned non-consolidated financial statements and the supplementary schedules present fairly, in all material respects, the financial position and the results of operations for the fiscal period in question in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

Our firm and engagement partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit Report

Based on the audit reports prepared by each Audit & Supervisory Board Member and due deliberation of such, the Audit & Supervisory Board has prepared this audit report on the execution of duties by the Directors for the 109th fiscal year from January 1, 2015 to December 31, 2015, and hereby submits it as follows:

1. Auditing methods and nature of audit by Audit & Supervisory Board Members and the Audit & Supervisory Board

(1) Besides determining relevant auditing policies and allocation of duties and receiving reports from each Audit & Supervisory Board Member concerning audit execution status and related results, the Audit & Supervisory Board received execution status reports from Directors and the Accounting Auditor relating to their respective duties and requested explanations as necessary.

(2) Pursuant to the Audit & Supervisory Board Regulations determined by the Audit & Supervisory Board and in accordance with the auditing policies and allocation of duties, each Audit & Supervisory Board Member undertook communications with Directors, personnel of an internal audit organization, and other employees; gathered information; and contributed to the development of the auditing environment within the Company. At the same time, the Audit & Supervisory Board Members performed audits in the following methods:

1) Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings; received execution status reports from Directors and employees concerning their respective duties; requested explanations as necessary; reviewed documents that record approval of material matters; and conducted investigations regarding the status of the business operations and assets at the Company's head office and other major sites. With regard to majority-owned subsidiaries, the Audit & Supervisory Board Members undertook communications and exchanges of information with the Directors and Audit & Supervisory Board Members of these subsidiaries and received reports on their businesses, as necessary.

2) Regarding the situation of establishment and operation of internal control systems (recorded in the business report as systems necessary for ensuring that the execution of duties by Directors is in full compliance with laws and regulations and the Company's Articles of Incorporation and other systems necessary for ensuring the appropriateness of operations across the Group consisting of the Company as a Japanese joint-stock corporation and its subsidiaries in accordance with Article 100, Paragraph 1 and 3, of the Enforcement Regulations of the Companies Act), including the content of any related resolutions and decisions made by the Board of Directors, the Audit & Supervisory Board Members periodically received reports from Directors, employees, etc., requested explanations as necessary, and expressed opinions.

3) The Audit & Supervisory Board Members examined the content of the basic policy concerning control of a stock company recorded in the Company's business report (Article 118, Item 3 (i) Basic Policy and (ii) Measures of the Enforcement Regulations of the Companies Act) on the basis of the status of deliberations at meetings of the Board of Directors and other meetings.

4) Our audit involved an investigation of the independence of the Accounting Auditor and checks on the appropriateness of the financial audit performed by the Accounting Auditor. We also received execution status reports from the Accounting Auditor and requested explanations as necessary. Furthermore, we received from the Accounting Auditor a notice to the effect that its internal systems for ensuring the appropriate execution of duties (in respect of all those aspects listed in Article 131 of the Corporate Calculation Regulations pertaining to the Companies Act) were in conformity with the "Quality Control Standards for Audits" (FSA Business Accounting Council, October 28, 2005) and requested explanations as necessary.

Through the above methods, we reviewed the business report and supplementary schedules pertaining to the fiscal year in question, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of shareholders' equity, and notes relating to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of shareholders' equity, and notes relating to the consolidated financial statements) of the Company pertaining to the fiscal year in question.

2. Results of audit

(1) Results of audit of the business report, etc.

1) The business report and the supplementary schedules present fairly the financial condition of the Company, in conformity with laws and regulations and the Company's Articles of Incorporation.

2) Regarding the execution of duties by Directors, we found no instances of misconduct or material matters in violation of any laws and regulations or the Company's Articles of Incorporation.

3) We find the content of all resolutions of the Board of Directors relating to the internal control systems of the Company to be fair and reasonable. In our opinion, neither records in the business report nor matters relating to the execution of duties by the Directors vis-à-vis internal control systems require special mention.

4) In our opinion, no matters relating to the basic policy on the nature of persons who control decisions on the Company's financial and business policies recorded in the business report require special mention. We find that the measures described in the business report, set forth in Article 118, Item 3 (ii) of the Enforcement Regulations of the Corporation Law are in line with the basic policy, do not impair the common interests of the Company's shareholders, and are not for the purpose of maintaining the position of the Company's Officers.

(2) Results of audit of the non-consolidated financial statements and the supplementary schedules

In our opinion, the auditing methods and results of Seiryō Audit Corporation are fair and reasonable.

(3) Results of audit of the consolidated financial statements

In our opinion, the auditing methods and results of Seiryō Audit Corporation are fair and reasonable.

February 9, 2016

Audit & Supervisory Board, Shimano Inc.

Full-time Audit & Supervisory Board Member: Koichi Shimazu

Full-time Audit & Supervisory Board Member: Hideo Katsuoka

Outside Audit & Supervisory Board Member: Gohei Matsumoto

Outside Audit & Supervisory Board Member: Kanako Nozue

The above is a translation, for convenience only, of the original report issued in the Japanese language.

Reference Documents for the General Meeting of Shareholders

Proposal No. 1 Appropriation of Surplus

The Company considers the return of earnings to shareholders to be one of the most important issues for management. The Company's basic policy is to continue providing stable returns which reflect the overall business performance and strategy.

In accordance with this basic policy, we propose payment of the year-end dividends for fiscal year 2015, as detailed below.

As the Company has paid an interim dividend of 77.50 yen per share, the annual dividend will amount to 155.00 yen per share.

- (1) Type of dividend property: Cash
- (2) Matters concerning the allotment of dividend property to shareholders and the total amount:
77.50 yen per share of the Company's common stock, for a total amount of 7,184,520,165 yen
Breakdown:

Ordinary dividend	6.25 yen
Special dividend	71.25 yen
- (3) Effective date of dividends from surplus:
March 30, 2016 (Wednesday)

Proposal No. 2 Election of 8 Directors

The terms of office of the following 9 Directors will expire at the close of this General Meeting of Shareholders: Messrs. Yozo Shimano, Etsuyoshi Watarai, Yoshihiro Hirata, Taizo Shimano, Kiyoshi Tarutani, Masahiro Tsuzaki, Takashi Toyoshima, Yasuhiro Hitomi, and Hiroshi Matsui. Accordingly, we request the election of 8 Directors.

The candidates for Directors are listed below.

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
1	Yozo Shimano (Nov. 12, 1948)	<p>Mar. 1974 Joined Shimano Inc. Feb. 1986 Director and Vice President, Sales Planning Dept. Dec. 1987 Director and Vice President, Domestic Fishing Tackle Sales Dept. Sep. 1990 Director and Head of Fishing Operations Div. Jan. 1995 Senior Executive Vice President Mar. 2001 President (to present)</p> <p>Significant concurrent positions: Chairman, Shimano (Singapore) Pte. Ltd. Chairman, Shimano Components (Malaysia) Sdn. Bhd. President, Taiyo Kogyo Co., Ltd. Chairman, Japan Fishing Tackle Manufacturers Association</p>	1,043,100 shares
2	Yoshihiro Hirata (Jul. 21, 1955)	<p>Mar. 1979 Joined Shimano Inc. Jan. 2002 Vice President, Sales Dept., Bicycle Components Div. Jan. 2006 Vice President, Accounting Dept. and Information Systems Dept., General Operations Div. Mar. 2006 Director and Senior Vice President, Accounting Dept. and Information Systems Dept., General Operations Div. Apr. 2007 Director and Senior Vice President, Accounting Dept., Information Systems Dept. and Internal Control Office, General Operations Div. Jan. 2013 Director and Senior Vice President, Accounting Dept. and Information Systems Dept., General Operations Div. Jan. 2014 Director and Senior Vice President, Head of Lifestyle Gear Div. Mar. 2014 Director and Executive Vice President, Head of Lifestyle Gear Div. (to present)</p>	3,800 shares
3	Taizo Shimano (Dec. 17, 1966)	<p>Sep. 1991 Joined Shimano Inc. Jul. 2004 Vice President and Factory Manager, Shimano (Kunshan) Bicycle Components Co., Ltd. Apr. 2006 Vice President, Marketing Dept., Bicycle Components Div. Jan. 2010 Head of Fishing Operations Div. Mar. 2010 Director and Head of Fishing Operations Div. (to present)</p>	107,985 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions		Number of shares of the Company held
4	Kiyoshi Tarutani (Nov. 2, 1959)	Mar. 1982 Jul. 1994 Jan. 2004 Jan. 2008 Mar. 2010 Jan. 2013	Joined Shimano Inc. Vice President, Shimano (Kunshan) Bicycle Components Co., Ltd. Vice President, Quality Control Div. President, Shimano (Singapore) Pte. Ltd. Director, Shimano Inc. Director and Senior Vice President, Quality Control Div. (to present)	2,400 shares
5	Masahiro Tsuzaki (May 12, 1956)	Mar. 1980 Jan. 2006 Jan. 2009 Jan. 2010 Mar. 2010	Joined Shimano Inc. Vice President, Corporate Communications Vice President, Corporate Communications & Human Resources Dept., General Operations Div. Vice President, Corporate Communications Dept. and Human Resources Dept., General Operations Div. Director and Senior Vice President, Corporate Communications Dept. and Human Resources Dept., General Operations Div. (to present)	5,100 shares
6	Takashi Toyoshima (Jun. 12, 1956)	Oct. 2001 Apr. 2002 Oct. 2002 Oct. 2004 May 2007 Jan. 2008 Mar. 2010	General Manager, Imaging Systems Development Dept. and General Manager, Imaging Systems Purchasing Dept., Imaging Systems Company, Olympus Optical Co., Ltd. Division Manager, Imaging Systems Development & Purchasing Division and General Manager, Design Office, Olympus Optical Co., Ltd. Managing Director, Olympus Hong Kong and China Ltd. Director and Division Manager, Imaging Systems Purchasing Group, General Manager, Components Business Promotion Dept., and General Manager, Imaging Systems OEM Procurement Dept., Olympus Imaging Corp. Joined Shimano Inc. Technology Advisor, Bicycle Components Div. Vice President, System Engineering Dept., Bicycle Components Div. Director and Senior Vice President, System Engineering Dept., Bicycle Components Div. (to present)	1,500 shares
7	Yasuhiro Hitomi (Feb. 17, 1957)	Mar. 1979 Jan. 2008 Mar. 2010	Joined Shimano Inc. Vice President, Engineering Dept., Fishing Operations Div. Director and Senior Vice President, Engineering Dept., Fishing Operations Div. (to present)	2,200 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
8	Hiroshi Matsui (Feb. 8, 1961)	<p>Mar. 2005 Managing Director, Mizuho Capital Markets (UK) Limited</p> <p>Apr. 2008 General Manager, Syndicated Finance Structuring Div., Mizuho Corporate Bank, Ltd.</p> <p>Jul. 2011 Joined Shimano Inc. Vice President, Corporate Administration Dept., General Operations Div.</p> <p>Jan. 2012 Vice President, Corporate Administration Dept. and General Affairs Dept., General Operations Div.</p> <p>Mar. 2012 Director and Senior Vice President, General Affairs Dept., General Operations Div. and Corporate Planning Div.</p> <p>Jan. 2013 Director and Senior Vice President, General Affairs Dept., General Operations Div., and Corporate Planning Div., and Head of Aifie</p> <p>Jan. 2016 Director and Senior Vice President, General Operations Div., supervising General Affairs Dept. and Accounting Dept., and in charge of Corporate Administration Dept., Corporate Planning Div. and Aifie (to present)</p>	700 shares

Note: No conflict of interest exists between the Company and the above candidates.

Proposal No. 3 Election of 1 Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Mr. Koichi Shimazu will expire at the close of this General Meeting of Shareholders. Accordingly, we request the election of 1 Audit & Supervisory Board Member.

The consent of the Audit & Supervisory Board has been obtained concerning this proposal.

The candidate for Audit & Supervisory Board Member is listed below.

Name (Date of birth)	Career summary, position, and significant concurrent positions	Number of shares of the Company held
Koichi Shimazu (Apr. 5, 1951)	<p>Jan. 1997 Deputy General Manager, London Branch, The Industrial Bank of Japan, Limited</p> <p>Apr. 1999 General Manager, International Loan Dept., The Industrial Bank of Japan, Limited</p> <p>Mar. 2000 General Manager, International Business Dept., The Industrial Bank of Japan, Limited</p> <p>Apr. 2002 General Manager, Credit Risk Management Div., Mizuho Corporate Bank, Ltd.</p> <p>Dec. 2002 Director and President, Basic Capital Management Ltd.</p> <p>Sep. 2005 Joined Shimano Inc. Advisor</p> <p>Oct. 2005 Senior Vice President, Corporate Planning Dept., Business Development Div.</p> <p>Mar. 2006 Director and Head of Business Development Div.</p> <p>Mar. 2010 Director and Senior Vice President, Corporate Planning Div.</p> <p>Mar. 2012 Full-time Audit & Supervisory Board Member (to present)</p>	0 shares

Note: No conflict of interest exists between the Company and the above candidate.

Proposal No. 4 Election of 1 Substitute Audit & Supervisory Board Member

The tenure of Substitute Audit & Supervisory Board Member Mr. Yukihiro Kondo ceases effective at the beginning of this General Meeting of Shareholders. Accordingly, to prepare for a contingency in which the number of Audit & Supervisory Board Members falls below the minimum stipulated by laws and regulations, we request the election of 1 Substitute Outside Audit & Supervisory Board Member.

The consent of the Audit & Supervisory Board has been obtained concerning this proposal.

The candidate for Substitute Audit & Supervisory Board Member is listed below.

Name (Date of birth)	Career summary and significant concurrent positions		Number of shares of the Company held
Yukihiro Kondo (Feb. 1, 1947)	Apr. 1965 Jul. 2004	Official, Ministry of Finance Deputy Assistant Regional Commissioner, First Large Enterprise Examination Dept., Osaka Regional Taxation Bureau	0 shares
	Jul. 2005 Sep. 2006	District Director, Minami Tax Office Opened certified tax accountant office (to present)	

Notes: 1. No conflict of interest exists between the Company and the above candidate.

2. Mr. Yukihiro Kondo is a candidate for Substitute Outside Audit & Supervisory Board Member.

(Notes concerning the candidate for Outside Audit & Supervisory Board Member)

- (1) Mr. Yukihiro Kondo is a certified tax accountant. His knowledge of taxation and accounting makes him an extremely valuable person for ensuring the legal compliance of the execution of the Company's business.
- (2) Although Mr. Yukihiro Kondo has no experience of direct involvement in corporate management, as a tax accountant he has advanced knowledge of taxation and accounting and has ample knowledge of corporate audit. The Company believes he can appropriately execute the duties of an Outside Audit & Supervisory Board Member.
- (3) When Mr. Yukihiro Kondo assumes the position of Audit & Supervisory Board Member, the Company intends to enter into a limited liability agreement with him, whereby his liability will be limited to the amount provided for by laws and regulations.
- (4) When Mr. Yukihiro Kondo assumes the position of Audit & Supervisory Board Member, the Company intends to file a notification with the Tokyo Stock Exchange for Mr. Yukihiro Kondo as an independent officer.