

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Summary of Consolidated Financial Results for the First Half of FY2014 (Unaudited)

(January 1, 2014 – June 30, 2014) [Japanese Standard] (Consolidated)

July 29, 2014

Company Name: Shimano Inc. Stock Exchange: Tokyo, First Section
 Code Number: 7309 URL: <http://www.shimano.com>
 President: Yoizo Shimano
 Vice President, Accounting: Nobuhiro Inoue Telephone: +81-72-223-3254
 Date of filing of quarterly report to Ministry of Finance: August 7, 2014 Scheduled payment date for dividends: September 4, 2014
 Supplemental information: Yes
 Financial results briefing: Yes

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

1. Consolidated financial results for the First Half of FY2014 (January 1, 2014 – June 30, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Half of FY2014	156,322	17.4	30,397	43.2	29,115	18.0	20,784	16.9
First Half of FY2013	133,106	7.7	21,229	(3.0)	24,681	13.8	17,782	16.6

(Note) Comprehensive income First Half of FY2014: 15,533 million yen (-53.8%) First Half of FY2013: 33,631 million yen (107.6%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Half of FY2014	224.20	—
First Half of FY2013	191.81	—

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Half of FY2014	333,770	282,455	84.3
FY2013	319,223	270,914	84.6

(Reference) Shareholders' equity First Half of FY2014: 281,489 million yen FY2013: 269,995 million yen

2. Dividend information

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2013	—	43.50	—	43.50	87.00
FY2014	—	52.50	—	—	—
FY2014 (Forecast)	—	—	—	52.50	105.00

(Note) Change in forecasted dividend during the period: Yes

(Note) The year-end cash dividend for the first half of FY2014 included a special dividend of 46.25 yen.

3. Forecasted consolidated business performance for FY2014 (January 1, 2014 - December 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2014	310,000	14.4	58,000	38.8	57,000	19.9	41,000	16.8	442.26

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

*Notes

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

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

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

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

(4) Number of shares of common stock issued

① Number of shares of common stock issued at the end of the period (including treasury stock):

② Number of shares of treasury stock at the end of the period:

③ Average number of shares during the period (cumulative from the beginning of the fiscal year):

As of June 30, 2014	92,720,000 shares	As of December 31, 2013	92,720,000 shares
As of June 30, 2014	14,851 shares	As of December 31, 2013	14,538 shares
First half of the year ending December 31, 2014	92,705,280 shares	First half of the year ended December 31, 2013	92,706,404 shares

Presentation concerning quarterly review procedures

This quarterly financial report is outside the scope of quarterly review procedures pursuant to the Financial Instruments and Exchange Act and procedures for review of quarterly financial statements pursuant to the Financial Instruments and Exchange Act were not completed as of the disclosure of this quarterly financial report.

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

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

○Table of contents of the attached document

1. Qualitative Information on Consolidated Financial Performance for the Period under Review	2
(1) Consolidated Results of Operations	2
(2) Consolidated Financial Position	3
(3) Forecast for the Fiscal Year Ending December 2014	3
2. Notes relating to Summary Information	4
(1) Changes in Significant Subsidiaries during the Period	4
(2) Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements	4
(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement	4
3. Consolidated Financial Statements	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Income and Comprehensive Income	7
(3) Consolidated Statements of Cash Flows	9
(4) Notes relating to Consolidated Financial Statements	10
(Note concerning Assumption of Going Concern)	10
(Note on Significant Change in the Amount of Shareholders' Equity)	10
(Additional Information)	10
(Segment Information)	10

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

(1) Consolidated Results of Operations

During the first half of the fiscal year ending December 31, 2014, European economies were on a moderate recovery track, led by domestic demand centering on personal consumption. In June, however, a slowdown of growth in the manufacturing sector became apparent, reflecting concerns about the situation in Ukraine and an increase in oil prices, in addition to appreciation of the euro. In the U.S., personal consumption expanded in line with the quantitative improvement of employment and recovery of business activities spread to medium and small-sized enterprises.

In Japan, although the dip in demand in reaction to last-minute demand before the consumption tax increase in April was smaller than expected, business sentiment deteriorated for the first time in six quarters.

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, for the first half of fiscal year 2014, net sales increased 17.4% from the same period of the previous year to 156,322 million yen. Operating income increased 43.2% to 30,397 million yen, ordinary income increased 18.0% to 29,115 million yen, and net income increased 16.9% to 20,784 million yen.

Business Segment Overview

① Bicycle Components

In Europe, despite a temporary decrease in sales owing to unsettled weather in May, retail sales remained buoyant during the first half because of brisk sales during the winter thanks to a mild winter. In the U.S., which experienced an extremely harsh winter, despite a delay in the commencement of sales, retail sales during the first half were comparable to the level in a typical year. In Japan, despite a severe winter, retail sales of sports bicycles and mid-range and high-grade community bicycles were buoyant and remained robust even after the consumption tax increase. Sales of sports bicycles continued to grow strongly in China, and sales growth in other emerging markets was also robust.

Distributor and retailer inventories were relatively low or in an appropriate range in all regions.

In these market conditions, against a backdrop of rising expectations in view of promising market trends looking forward, order-taking was brisk as Shimano products were relatively affordable because of the depreciation of the yen. Moreover, sales of new models, including Alivio mountain bike components, Tourney XT entry-level mountain bike components, and 105 road bike components, were buoyant. Segment sales for the first half fulfilled the forecast.

As a result, sales from this segment increased 18.5% from the same period of the previous year to 125,709 million yen, and operating income increased 38.7% to 28,167 million yen.

② Fishing Tackle

In the Japanese market, despite a temporary reluctance among consumers to purchase premium-priced items following the consumption tax increase, consumption tended to recover centering on basic products as good weather in May and June brought about good catching in various locations. Shimano exceeded the previous year's sales result because demand for Shimano products, centering on spinning reels, remained robust in the market.

Overseas, brisk sales to retailers continued in Europe and North America as well as in Oceania, partly due to the impact of the introduction of new products.

As a result, sales from this segment increased 13.4% from the same period of the previous year to 30,404 million yen, and operating income increased 125.7% to 2,237 million yen.

③ Others

Sales from this segment increased 8.4% from the same period of the previous year to 207 million yen and an operating loss of 7 million yen was recorded, following an operating loss of 65 million yen for the same period of the previous year.

(2) Consolidated Financial Position

① Assets, Liabilities and Net Assets

(Total assets)

Total assets as of the end of the first half of fiscal year 2014 amounted to 333,770 million yen (an increase of 14,546 million yen compared with the figure as of the previous fiscal year-end). This increase was primarily due to an increase of 6,061 million yen in buildings and structures, an increase of 2,369 million yen in cash and time deposits, an increase of 2,367 million yen in work in process, and an increase of 2,175 million yen in other current assets.

(Total liabilities)

Total liabilities as of the end of the first half of fiscal year 2014 amounted to 51,314 million yen (an increase of 3,005 million yen compared with the figure as of the previous fiscal year-end). This increase was primarily due to an increase of 1,683 million yen in income taxes payable and an increase of 1,251 million yen in other current liabilities.

(Net assets)

Net assets as of the end of the first half of fiscal year 2014 amounted to 282,455 million yen (an increase of 11,540 million yen compared with the figure as of the previous fiscal year-end). This increase was primarily due to an increase of 16,752 million yen in retained earnings and a decrease of 5,016 million yen in foreign currency translation adjustments.

② Cash Flows

As of the end of the first half of fiscal year 2014, cash and cash equivalents amounted to 129,277 million yen, an increase of 3,410 million yen compared with the figure as of the previous fiscal year-end.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 26,563 million yen compared with 24,196 million yen for the same period of the previous year. This increase was primarily attributable to income before income taxes and minority interests of 28,373 million yen and depreciation and amortization amounting to 6,260 million yen. Cash outlays included income taxes paid amounting to 6,034 million yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 15,143 million yen compared with 12,296 million yen for the same period of the previous year. The main items included acquisition of property, plant and equipment amounting to 12,750 million yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 4,297 million yen compared with 2,878 million yen for the same period of the previous year. The main items included cash dividends to shareholders amounting to 4,033 million yen.

(3) Forecast for the Fiscal Year Ending December 2014

Although the European economies is trending upward led by exports and capital investment, the pace of economic improvement is expected to be moderate because of the sluggish southern European economies. Whereas Asian economies are forecasted to expand moderately, China's economy is projected to continue decelerating because of the impact of the correction of excessive investment. The U.S. economy is expected to remain robust with expanding employment.

In Japan, a decline in economic sentiment in reaction to the consumption tax increase is viewed as temporary as the Japanese economy is supported by the government's economic policies and robust consumption by the household sector. Although exports are trending upward against the backdrop of recovery of overseas economies and depreciation of the yen, a decisive recovery of exports is unlikely.

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.

The company has revised the forecast of consolidated business performance announced on April 22, 2014, for the fiscal year ending December 31, 2014. The revised forecast is as follows: net sales of 310,000 million yen, operating income of 58,000 million yen, ordinary income of 57,000 million yen and net income of 41,000 million yen.

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 reflecting overall business performance and strategy.

In accordance with the above policy, the Company intends to pay out interim cash dividends of 52.50 yen per share, including special dividends of 46.25 yen, an increase of 9 yen per share compared with the interim cash dividends paid in the previous year. Cash dividends for the full year are expected to amount to 105 yen per share, an increase of 18 yen compared with cash dividends in the previous year.

2. Notes relating to Summary Information

(1) Changes in Significant Subsidiaries during the Period:

Not applicable.

Changes in subsidiaries other than significant subsidiaries

During the first half of the fiscal year ending December 31, 2014, the following companies have become included in the scope of consolidation: Shimano Menat Spor Etkinlikleri Spor Malzemeleri ve Ekipmanlari Ticaret Limited Sirketi and Shimano Bisiklet Parca ve Ekipmanlari Satis Servis Ticaret Anonim Sirketi due to establishment and Douglas Johnson & Co Limited due to acquisition of shares.

(2) Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements:

Not applicable.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement:

Not applicable.

3. Consolidated Financial Statements
 (1) Consolidated Balance Sheets

	(Millions of yen)	
	FY2013 As of Dec. 31, 2013	First Half of FY2014 As of Jun. 30, 2014
Assets		
Current assets		
Cash and time deposits	128,796	131,165
Notes and accounts receivable-trade	30,899	31,866
Merchandise and finished goods	28,293	28,530
Work in process	17,145	19,512
Raw materials and supplies	4,718	5,105
Deferred income taxes	2,718	2,527
Others	3,464	5,639
Allowance for doubtful accounts	(296)	(241)
Total current assets	215,740	224,106
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	29,988	36,049
Machinery and vehicles (net)	16,844	15,909
Land	11,814	12,638
Leased assets (net)	30	42
Construction in progress	11,283	9,584
Others (net)	4,836	5,185
Total property, plant and equipment	74,798	79,411
Intangible assets		
Goodwill	3,997	4,340
Software	2,834	2,848
Others	5,604	5,504
Total intangible assets	12,437	12,693
Investments and other assets		
Investment securities	12,361	11,890
Deferred income taxes	1,280	1,774
Others	3,071	4,390
Allowance for doubtful accounts	(465)	(495)
Total investments and other assets	16,247	17,559
Total fixed assets	103,482	109,664
Total assets	319,223	333,770

	FY2013 As of Dec. 31, 2013	First Half of FY2014 As of Jun. 30, 2014
Liabilities		
Current liabilities		
Accounts payable-trade	11,935	12,869
Short-term loans payable	6,130	5,848
Income taxes payable	5,593	7,277
Deferred income taxes	315	261
Accrued employee bonuses	1,524	1,397
Accrued officer bonuses	184	91
Provision for loss on factory reconstruction	596	44
Others	14,278	15,529
Total current liabilities	40,559	43,318
Long-term liabilities		
Long-term loans payable	3,159	2,791
Deferred income taxes	1,051	985
Employee retirement benefits	2,710	3,478
Others	827	741
Total long-term liabilities	7,749	7,996
Total liabilities	48,308	51,314
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,822	5,823
Retained earnings	204,388	221,140
Treasury stock	(58)	(62)
Total shareholders' equity	245,765	262,514
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	3,080	2,842
Foreign currency translation adjustments	21,149	16,132
Total accumulated other comprehensive income	24,229	18,974
Minority interests	919	966
Total net assets	270,914	282,455
Total liabilities and net assets	319,223	333,770

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	First Half of FY2013 Jan. 1, 2013 to Jun. 30, 2013	First Half of FY2014 Jan. 1, 2014 to Jun. 30, 2014
Net sales	133,106	156,322
Cost of sales	84,907	95,596
Gross profit	48,198	60,725
Selling, general and administrative expenses	26,968	30,328
Operating income	21,229	30,397
Non-operating income		
Interest income	436	457
Dividend income	131	681
Foreign exchange gains	3,058	—
Others	215	444
Total non-operating income	3,841	1,583
Non-operating expenses		
Interest expenses	158	168
Foreign exchange losses	—	2,040
Others	231	656
Total non-operating expenses	390	2,865
Ordinary income	24,681	29,115
Extraordinary losses		
Loss on factory reconstruction	334	742
Total extraordinary losses	334	742
Income before income taxes and minority interests	24,346	28,373
Income taxes-current	6,495	7,787
Income taxes-deferred	10	(239)
Total income taxes	6,505	7,548
Income before minority interests	17,840	20,824
Minority interests in net income	58	40
Net income	17,782	20,784

Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Half of FY2013 Jan. 1, 2013 to Jun. 30, 2013	First Half of FY2014 Jan. 1, 2014 to Jun. 30, 2014
Income before minority interests	17,840	20,824
Other comprehensive income		
Unrealized gain (loss) on other securities	1,451	(238)
Foreign currency translation adjustments	14,338	(5,053)
Total other comprehensive income	15,790	(5,291)
Comprehensive income	33,631	15,533
(Breakdown)		
Comprehensive income attributable to owners of the parent	33,473	15,529
Comprehensive income attributable to minority interests	157	3

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	First Half of FY2013	First Half of FY2014
	Jan. 1, 2013 to Jun. 30, 2013	Jan. 1, 2014 to Jun. 30, 2014
Cash flows from operating activities:		
Income before income taxes and minority interests	24,346	28,373
Depreciation and amortization	5,948	6,260
Interest and dividend income	(568)	(1,138)
Interest expenses	158	168
Foreign exchange gains/losses	(1,492)	1,415
Notes and accounts receivable	946	(1,287)
Inventories	1,570	(3,844)
Accounts payable	61	1,117
Employee retirement benefits	77	781
Provision for loss on factory reconstruction	—	(552)
Loss on factory reconstruction	334	742
Loss on sales/disposal of fixed assets	70	34
Accrued employee bonuses	1,545	1,412
Others, net	(1,618)	(1,360)
Subtotal	31,380	32,122
Interest and dividend income received	583	647
Interest expenses paid	(158)	(170)
Income taxes paid	(7,608)	(6,034)
Net cash provided by operating activities	24,196	26,563
Cash flows from investing activities:		
Purchases of time deposits	—	(416)
Proceeds from maturities of time deposits	—	1,315
Acquisition of property, plant and equipment	(11,301)	(12,750)
Acquisition of intangible assets	(1,168)	(1,618)
Payments for loss on factory reconstruction	(210)	(1,074)
Payments for acquisition of newly consolidated subsidiaries	—	(943)
Others, net	384	344
Net cash used in investing activities	(12,296)	(15,143)
Cash flows from financing activities:		
Increase in short-term bank loans	2,029	761
Repayment of long-term loans payable	(1,418)	(1,065)
Repayments of finance lease obligations	(6)	(5)
Acquisition of treasury stock	(6)	(4)
Cash dividends to shareholders	(3,476)	(4,033)
Proceeds from share issuance to minority shareholders	—	48
Others, net	(0)	1
Net cash used in financing activities	(2,878)	(4,297)
Effect of exchange rate changes on cash and cash equivalents	8,881	(3,712)
Net increase (decrease) in cash and cash equivalents	17,903	3,410
Cash and cash equivalents at beginning of the period	94,809	125,867
Cash and cash equivalents at end of the period	112,712	129,277

- (4) Notes relating to Consolidated Financial Statements
 (Note concerning Assumption of Going Concern)
 Not applicable.

(Note on Significant Change in the Amount of Shareholders' Equity)
 Not applicable.

(Additional Information)

(Changes in the discount rate for provision for employee retirement benefits)

The discount rate applied for calculation at the beginning of the period was 2.0%. As a result of reconsideration at the end of the period, it was determined that the change of the discount rate would have an impact on the amount of retirement benefit obligation and the discount rate was changed to 1.5%. As a result of this change, operating income, ordinary income, and income before income taxes and minority interests for the first half of the fiscal year ending December 31, 2014, decreased by 1,055 million yen, respectively. The impact on the reportable segment is stated in the relevant section.

(Segment Information)

First Half of FY2013 (Jan. 1, 2013 - Jun. 30, 2013)

1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
(1) Third parties	106,096	26,818	191	133,106	—	133,106
(2) Inter-segment	—	—	—	—	—	—
Total	106,096	26,818	191	133,106	—	133,106
Segment income (loss)	20,304	991	(65)	21,229	—	21,229

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

2. Information regarding impairment loss on fixed assets, goodwill and negative goodwill, etc. by reportable segment
 Not applicable.

First Half of FY2014 (Jan. 1, 2014 - Jun. 30, 2014)

1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
(1) Third parties	125,709	30,404	207	156,322	—	156,322
(2) Inter-segment	—	—	—	—	—	—
Total	125,709	30,404	207	156,322	—	156,322
Segment income (loss)	28,167	2,237	(7)	30,397	—	30,397

Notes: 1. There is no difference between total segment income (loss) and operating income in the consolidated statements of income.

2. As stated in Additional Information, the Company changed the discount rate for provision for employee retirement benefits at the end of the first half of the fiscal year ending December 31, 2014. As a result of this change, segment income for the first half of the fiscal year ending December 31, 2014 of the Bicycle Components segment and the Fishing Tackle segment decreased by 745 million yen and 282 million yen, respectively, and segment loss of the Others segment increased by 27 million yen.

2. Information regarding impairment loss on fixed assets, goodwill and negative goodwill, etc. by reportable segment
 Not applicable.