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Summary of Consolidated Financial Results for the First Quarter of FY2016 (Unaudited)

(January 1, 2016 – March 31, 2016) [Japanese Standard] (Consolidated)

April 26, 2016

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 Date of filing of quarterly report to Ministry of Finance: May 12, 2016 Scheduled payment date for dividends: —
 Supplemental information: Yes
 Financial results briefing: No

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

1. Consolidated financial results for the First Quarter of FY2016 (January 1, 2016 – March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Quarter of FY2016	82,169	(16.2)	16,080	(30.7)	10,472	(61.5)	6,355	(68.9)
First Quarter of FY2015	98,022	29.5	23,191	63.0	27,218	96.8	20,443	104.8

(Note) Comprehensive income First Quarter of FY2016: 260 million yen (-97.7%) First Quarter of FY2015: 11,224 million yen (84.8%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First Quarter of FY2016	68.56		—	
First Quarter of FY2015	220.53		—	

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Quarter of FY2016	419,419	364,369	86.7
FY2015	429,080	371,298	86.3

(Reference) Shareholders' equity First Quarter of FY2016: 363,493 million yen FY2015: 370,385 million yen

2. Dividend information

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	77.50	—	77.50	155.00
FY2016	—	—	—	—	—
FY2016 (Forecast)	—	77.50	—	77.50	155.00

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

3. Forecasted consolidated business performance for FY2016 (January 1, 2016 - December 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half of FY2016	165,500	(15.8)	36,200	(20.2)	30,700	(38.2)	21,360	(41.5)	230.41
FY2016	350,000	(7.6)	80,000	(5.9)	74,500	(26.3)	53,360	(30.0)	575.60

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

*Notes

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

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

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

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

(4) Number of shares of common stock issued

① Number of shares of common stock issued at period-end (including treasury stock):	First Quarter of FY2016	92,720,000 shares	FY2015	92,720,000 shares
② Number of shares of treasury stock at period-end:	First Quarter of FY2016	16,524 shares	FY2015	16,514 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year):	First Quarter of FY2016	92,703,482 shares	First Quarter of FY2015	92,704,391 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.

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

(1) Results of Operations

During the first quarter of fiscal year 2016, frequent terrorist attacks in Europe raised concerns about a possible decline in tourists from overseas and cooling of consumer sentiment, resulting in greater uncertainty concerning the economic outlook. In the U.S., while the decrease in manufacturing output which had continued from the previous year halted and the employed population steadily increased, personal consumption showed signs of diminished vigor due to unstable energy prices.

In Japan, in line with the slowing of overseas economies and appreciation of the yen since the end of the previous year, exports and production became sluggish and personal consumption weakened, with the Japanese economy continuing to be in a lull amid mounting concern about flagging 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, for the first quarter of fiscal year 2016, net sales decreased 16.2% from the same period of the previous year to 82,169 million yen. Operating income decreased 30.7% to 16,080 million yen, ordinary income decreased 61.5% to 10,472 million yen, and net income attributable to owners of parent decreased 68.9% to 6,355 million yen.

Business Segment Overview

① Bicycle Components

Both Europe and North America had a mild winter and retail sales in the first quarter of fiscal year 2016 were buoyant. Distributor inventories of bicycles in Europe remained at an appropriate level. In North America, distributor inventories, which have been accumulating relatively high, are likely to adjust to appropriate levels within the first half of fiscal year 2016.

In China, where growth in retail sales of sports bicycles slowed in the previous year, distributor inventories remained high, but adjustment to an appropriate level is gradually underway. As regards other emerging markets, whereas retail sales in Southeast Asia remained robust, those in South America were lackluster because of the economic slowdown and weak currencies.

In the Japanese market, although sales of sports bicycles maintained more or less the same level, distributor inventories were somewhat high. Retail sales of community bicycles remained weak, affected by the impact of price increases resulting from the depreciation of the yen since 2015.

In these market conditions, segment net sales for the first quarter of fiscal year 2016 achieved the initial target.

As a result, net sales from this segment decreased 20.3% from the same period of the previous year to 65,282 million yen, and operating income decreased 34.4% to 14,458 million yen.

② Fishing Tackle

The Japanese market remained robust owing to stable weather from the beginning of the year. Sales in Japan got off to a flying start and exceeded the previous year's level for the first quarter.

Overseas, on the other hand, although sales in Asia remained robust overall with the exception of China with its pronounced slowdown in economic sentiment, sales lacked momentum overall due to sluggish sales of reels and rods in North America as well as uneven economic situations among countries affecting sales results in Europe.

In these market conditions, segment net sales for the first quarter of fiscal year 2016 exceeded the levels of the previous year with the robust sales in Japan offsetting the sluggish sales overseas.

As a result, net sales from this segment increased 5.0% from the same period of the previous year to 16,796 million yen, and operating income increased 37.0% to 1,640 million yen.

③ Others

Net sales from other segments increased 6.5% from the same period of the previous year to 90 million yen and operating loss of 19 million yen was recorded, following operating loss of 37 million yen for the same period of the previous year.

(2) Financial Position

Assets, Liabilities and Net Assets

(Total assets)

Total assets as of the end of the first quarter of fiscal year 2016 amounted to 419,419 million yen (a decrease of 9,661 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 4,406 million yen in construction in progress and an increase of 1,648 million yen in notes and accounts receivable-trade, a decrease of 11,170 million yen in cash and time deposits, a decrease of 1,855 million yen in investment securities, and a decrease of 1,302 million yen in buildings and structures.

(Total liabilities)

Total liabilities as of the end of the first quarter of fiscal year 2016 amounted to 55,049 million yen (a decrease of 2,732 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 2,683 million yen in other current liabilities and a decrease of 6,463 million yen in income taxes payable.

(Net assets)

Net assets as of the end of the first quarter of fiscal year 2016 amounted to 364,369 million yen (a decrease of 6,928 million yen compared with the figure as of the previous fiscal year-end). This decrease was principally due to a decrease of 4,781 million yen in foreign currency translation adjustments and a decrease of 1,280 million yen in unrealized gain on other securities.

(3) Forecast for the Fiscal Year Ending December 31, 2016

Due to the recording of a non-operating expenses by the impact of the depreciation of the U.S. dollar in the first quarter of fiscal year 2016, the forecast for ordinary income and net income attributable to owners of parent for the first half and full year have been revised as below.

Revisions to consolidated business performance forecast figures for the first half of FY2016 (January 1, 2016 - June 30, 2016)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	165,500	36,200	36,200	26,000	280.46
Revised forecast (B)	165,500	36,200	30,700	21,360	230.41
Difference (B-A)	—	—	(5,500)	(4,640)	
Change (%)	—	—	(15.2)	(17.8)	
First half results for FY2015	196,585	45,356	49,664	36,532	394.08

Revisions to consolidated business performance forecast figures for FY2016 (January 1, 2016 – December 31, 2016)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	350,000	80,000	80,000	58,000	625.65
Revised forecast (B)	350,000	80,000	74,500	53,360	575.60
Difference (B-A)	—	—	(5,500)	(4,640)	
Change (%)	—	—	(6.9)	(8.0)	
Full year results for FY2015	378,645	85,053	101,110	76,190	821.87

2. Notes relating to Summary Information

(1) Changes in Significant Subsidiaries during the Period:

Not applicable.

(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:

(Changes in Significant Accounting Policies)

(Adoption of “Accounting Standard for Business Combinations” and related matters)

Effective from the first quarter of fiscal year 2016, the Company has adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on September 13, 2013), and related matters. Accordingly, the Company has changed the accounting method to record the difference arising from changes in the Company’s ownership interests in subsidiaries over which the Company retains control as capital surplus, and acquisition-related costs as expenses for the fiscal year in which they are incurred. For business combinations occurring on or after the beginning of the first quarter of fiscal year 2016, the Company has changed the accounting method to record the adjustment to the provisional acquisition cost allocation amount arising from the finalization of the tentative accounting treatment in quarterly consolidated financial statements of the quarter in which the relevant business combination occurs. Additionally, the Company has changed the presentation of net income and other items and the presentation of minority interests to non-controlling interests. In order to reflect these changes, the Company has reclassified the quarterly consolidated financial statements and the consolidated financial statements for the first quarter of the previous fiscal year and for the previous fiscal year, respectively.

The adoption of the Accounting Standard for Business Combinations and related matters is in line with the transitional treatment specified in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company applies these accounting standards from the beginning of the first quarter of fiscal year 2016 onward.

These changes had no impact on the quarterly consolidated financial statements for the first quarter of fiscal year 2016.

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

	(Millions of yen)	
	FY2015 As of Dec. 31, 2015	First Quarter of FY2016 As of Mar. 31, 2016
Assets		
Current assets		
Cash and time deposits	190,210	179,039
Notes and accounts receivable-trade	36,918	38,567
Merchandise and finished goods	33,635	32,751
Work in process	20,065	18,810
Raw materials and supplies	5,916	5,650
Deferred income taxes	3,556	3,123
Others	6,230	7,228
Allowance for doubtful accounts	(247)	(321)
Total current assets	296,287	284,850
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	44,081	42,778
Machinery and vehicles (net)	22,824	23,290
Land	13,409	13,336
Leased assets (net)	57	52
Construction in progress	15,735	20,141
Others (net)	5,804	5,614
Total property, plant and equipment	101,913	105,213
Intangible assets		
Goodwill	2,501	2,337
Software	4,865	4,993
Others	5,545	5,377
Total intangible assets	12,913	12,708
Investments and other assets		
Investment securities	14,058	12,203
Deferred income taxes	903	1,556
Others	3,472	3,355
Allowance for doubtful accounts	(468)	(468)
Total investments and other assets	17,966	16,646
Total fixed assets	132,793	134,569
Total assets	429,080	419,419

	(Millions of yen)	
	FY2015 As of Dec. 31, 2015	First Quarter of FY2016 As of Mar. 31, 2016
Liabilities		
Current liabilities		
Accounts payable-trade	11,392	12,252
Short-term loans payable	7,954	8,673
Income taxes payable	12,252	5,789
Deferred income taxes	126	59
Accrued employee bonuses	1,873	1,900
Accrued officer bonuses	216	54
Others	17,083	19,766
Total current liabilities	50,899	48,495
Long-term liabilities		
Long-term loans payable	2,068	1,811
Deferred income taxes	1,333	1,267
Net defined benefit liability	2,737	2,734
Others	744	740
Total long-term liabilities	6,883	6,553
Total liabilities	57,782	55,049
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,823	5,823
Retained earnings	311,244	310,415
Treasury stock	(90)	(90)
Total shareholders' equity	352,591	351,762
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	3,772	2,491
Foreign currency translation adjustments	14,021	9,239
Total accumulated other comprehensive income	17,793	11,731
Non-controlling interests	913	876
Total net assets	371,298	364,369
Total liabilities and net assets	429,080	419,419

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

	(Millions of yen)	
	First Quarter of FY2015	First Quarter of FY2016
	Jan. 1, 2015 to Mar. 31, 2015	Jan. 1, 2016 to Mar. 31, 2016
Net sales	98,022	82,169
Cost of sales	57,429	49,270
Gross profit	40,592	32,899
Selling, general and administrative expenses	17,400	16,819
Operating income	23,191	16,080
Non-operating income		
Interest income	336	328
Dividend income	82	61
Foreign exchange gains	3,653	—
Others	82	127
Total non-operating income	4,155	516
Non-operating expenses		
Interest expenses	69	42
Foreign exchange losses	—	5,886
Others	59	195
Total non-operating expenses	128	6,124
Ordinary income	27,218	10,472
Extraordinary losses		
Loss on factory reconstruction	85	8
Total extraordinary losses	85	8
Income before income taxes	27,132	10,464
Income taxes-current	6,077	3,706
Income taxes-deferred	567	382
Total income taxes	6,645	4,089
Net income	20,487	6,374
Net income attributable to non-controlling interests	43	18
Net income attributable to owners of parent	20,443	6,355

Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Quarter of FY2015 Jan. 1, 2015 to Mar. 31, 2015	First Quarter of FY2016 Jan. 1, 2016 to Mar. 31, 2016
Net income	20,487	6,374
Other comprehensive income		
Unrealized gain (loss) on other securities	983	(1,280)
Foreign currency translation adjustments	(10,246)	(4,833)
Total other comprehensive income	(9,262)	(6,113)
Comprehensive income	11,224	260
(Breakdown)		
Comprehensive income attributable to owners of parent	11,217	293
Comprehensive income attributable to non-controlling interests	7	(33)

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

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

(Segment Information)

First Quarter of FY2015 (Jan. 1, 2015 – Mar. 31, 2015)

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

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1) Third parties	81,940	15,996	85	98,022	—	98,022
2) Inter-segment	—	—	—	—	—	—
Total	81,940	15,996	85	98,022	—	98,022
Segment income (loss)	22,032	1,197	(37)	23,191	—	23,191

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

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

First Quarter of FY2016 (Jan. 1, 2016 – Mar. 31, 2016)

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

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1) Third parties	65,282	16,796	90	82,169	—	82,169
2) Inter-segment	—	—	—	—	—	—
Total	65,282	16,796	90	82,169	—	82,169
Segment income (loss)	14,458	1,640	(19)	16,080	—	16,080

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

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