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Summary of Consolidated Financial Results for FY2016 (Unaudited)

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

February 14, 2017

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 Date of Shareholders' Meeting: March 28, 2017 Scheduled payment date for dividends: March 29, 2017
 Date of filing of annual report to Ministry of Finance: March 29 2017
 Supplemental information: Yes
 Financial results briefing: Yes

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

1. Consolidated financial results for FY2016 (January 1, 2016 – December 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	%
FY2016	322,998	(14.7)	64,546	(24.1)	70,002	(30.8)	50,964	(33.1)
FY2015	378,645	13.7	85,053	29.2	101,110	42.4	76,190	48.7

(Note) Comprehensive income FY2016: 34,647 million yen (-33.1%)

FY2015: 51,798 million yen (-25.1%)

	Basic earnings per share	Diluted earnings per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2016	549.76	—	13.4	16.0	20.0
FY2015	821.87	—	21.7	24.5	22.5

(Reference) Equity in earnings FY2016: — million yen

FY2015: — million yen

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2016	443,954	391,381	88.0	4,213.74
FY2015	429,080	371,298	86.3	3,995.37

(Reference) Shareholders' equity FY2016: 390,626 million yen

FY2015: 370,385 million yen

(3) Consolidated cash flow information

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY2016	64,034	(34,054)	(15,536)	196,453
FY2015	81,309	(26,259)	(14,508)	187,869

2. Dividend information

	Dividend per share					Total dividend (Annual)	Dividend payout ratio (Consolidated)	Dividend per shareholders' equity (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total			
FY2015	—	77.50	—	77.50	155.00	14,369	18.9	4.1
FY2016	—	77.50	—	77.50	155.00	14,368	28.2	3.8
FY2017 (Forecast)	—	77.50	—	77.50	155.00		30.9	

(Note) The year-end cash dividend for FY2016 included a special dividend of 71.25 yen.

3. Forecasted consolidated business performance for FY2017 (January 1, 2017 – December 31, 2017)

(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 FY2017	162,600	(2.3)	30,400	(11.0)	30,400	(3.9)	21,500	(6.2)	231.92
FY2017	330,000	2.2	66,000	2.3	66,000	(5.7)	46,500	(8.8)	501.60

*Notes

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

(2) 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 |

(3) Number of shares of common stock issued

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

FY2016	92,720,000 shares	FY2015	92,720,000 shares
FY2016	16,902 shares	FY2015	16,514 shares
FY2016	92,703,299 shares	FY2015	92,704,041 shares

Presentation concerning audit procedures

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

(1) Analysis of Consolidated Business Results

① Review of Operations

During fiscal year 2016, the European economies were on a moderate recovery trajectory as personal consumption remained brisk and exports started to recover, despite growing pessimism following the referendum result in favor of Brexit. In the U.S., a moderate economic recovery continued owing to robust personal consumption supported by steadily improving labor market.

On the other hand, the Japanese economy lacked vigor with the negative effect of currency situation and sluggish growth of personal consumption.

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

As a result, for fiscal year 2016, net sales decreased 14.7% from the previous year to 322,998 million yen. Operating income decreased 24.1% to 64,546 million yen, ordinary income decreased 30.8% to 70,002 million yen, and net income attributable to owners of parent decreased 33.1% to 50,964 million yen.

Reportable Segment Overview

Bicycle Components

In Europe, bad weather in early spring greatly undermined retail sales of completed bicycles, resulting in a continuing high level of distributor inventories. However, thanks to good weather from July onward, sales became brisk. As a result, distributor inventories were adjusted to an appropriate level.

In North America, retail sales of completed bicycles were slightly less than in the previous year. However, distributor inventories of bicycles, which had been high since the beginning of 2016, were adjusted to a lower level than in the previous year.

In China, lackluster retail sales of sports bicycles persisted from the previous year owing to the economic slowdown and bad weather, and were below the previous year's level. On the other hand, distributor inventories, which remained at a high level, started to stabilize.

As regards other major emerging markets, retail sales of sports bicycles in Southeast Asia, which had been robust, were at a level lower than the previous year. Sales in South America continued to be soft because of the economic slowdown and weak currencies.

In the Japanese market, retail sales of sports bicycles, which had been robust until the previous year, were lower than the previous year's level and distributor inventories were somewhat high. Retail sales of community bicycles remained weak, continuing from the previous year.

As a result, net sales from this segment decreased 17.4% from the previous year to 259,455 million yen, and operating income decreased 27.5% to 57,874 million yen.

Fishing Tackle

The Japanese market remained buoyant owing to relatively stable weather from the beginning of the year to Obon (mid-August). Despite the temporary negative impacts of the Kumamoto earthquakes and typhoons on the fishing environment and the consumption trend, sales in Japan exceeded the level of the previous year. This increase reflected the high evaluation in the market enjoyed by Shimano's 2017 model products, some of which were introduced earlier than the original schedule.

Overseas, sales in Asia exceeded the previous year's level partly because of an increase in orders received mainly in East Asia market that reflected the trend toward a weaker yen, despite ongoing inventory adjustments at retailers. Sales in Australia were slightly higher than the previous year's level, but sales in North America and Europe were below the previous year's level partly due to the impact of the sluggish market conditions.

As a result, net sales from this segment decreased 1.7% from the previous year to 63,143 million yen, and operating income increased 27.4% to 6,842 million yen.

Others

Net sales from this segment increased 2.4% from the previous year to 399 million yen and operating loss of 170 million yen was recorded, following operating loss of 135 million yen for the previous year.

② Forecast for the Fiscal Year Ending December 31, 2017

The moderate recovery of the European economies is expected to continue, led by domestic demand driven

by personal consumption. Meanwhile, the UK will start negotiations for Brexit and presidential elections and general elections are scheduled in France, Germany, etc. Depending on the results of these elections, the tempo of economic recovery may slow. In the U.S., recovery of personal consumption is expected to continue owing to continuing improvement of the labor market. However, specific policies of the new administration and their feasibility may have an impact on economic performance.

In Japan, although corporate earnings inflated by yen depreciation will support business confidence, the impact of the world economy on the Japanese economy cannot be neglected.

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

Forecasted consolidated business performance for the fiscal year ending December 31, 2017 is indicated below.

(Millions of yen)		
	FY2017	Change from the previous year (%)
Net sales	330,000	2.2
Operating income	66,000	2.3
Ordinary income	66,000	(5.7)
Net income attributable to owners of parent	46,500	(8.8)

Sales forecasts by segment are indicated below.

(Millions of yen)							
		First half		Second half		Full year	
		Amount	%	Amount	%	Amount	%
Bicycle components	Japan	5,200	3.2	4,400	2.6	9,600	2.9
	Overseas	123,800	76.1	130,600	78.0	254,400	77.1
	Sub-total	129,000	79.3	135,000	80.6	264,000	80.0
Fishing tackle		33,400	20.6	32,100	19.2	65,500	19.8
Others		200	0.1	300	0.2	500	0.2
Total		162,600	100.0	167,400	100.0	330,000	100.0

(2) Analysis of Consolidated Financial Position

① Assets, Liabilities and Net Assets

(Assets)

Total assets as of the end of fiscal year 2016 amounted to 443,954 million yen (an increase of 14,873 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 15,839 million yen in buildings and structures, an increase of 9,562 million yen in cash and time deposits, and a decrease of 6,455 million yen in construction in progress.

(Liabilities)

Total liabilities as of the end of fiscal year 2016 amounted to 52,572 million yen (a decrease of 5,209 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 1,293 million yen in net defined benefit liability and a decrease of 6,396 million yen in income taxes payable.

(Net assets)

Net assets as of the end of fiscal year 2016 amounted to 391,381 million yen (an increase of 20,083 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 36,595 million yen in retained earnings and a decrease of 16,085 million yen in foreign currency translation adjustments.

② Cash Flows

Net cash provided by operating activities amounted to 64,034 million yen compared with 81,309 million yen provided for the previous year. The main cash inflows included income before income taxes of 68,402 million yen and depreciation and amortization amounting to 15,534 million yen. The main cash outflows included income taxes paid amounting to 23,643 million yen.

Net cash used in investing activities amounted to 34,054 million yen compared with 26,259 million yen used for the previous year. The main cash outflows included acquisition of property, plant and equipment amounting to 29,381 million yen and purchase of shares of subsidiaries resulting in change in scope of consolidation amounting to 3,367 million yen.

Net cash used in financing activities amounted to 15,536 million yen compared with 14,508 million yen used for the previous year. The main cash outflows included cash dividends to shareholders amounting to 14,365 million yen.

As a result, cash and cash equivalents at the end of the year were 196,453 million yen.

Cash flow indicators are shown in the following table.

	FY2012	FY2013	FY2014	FY2015	FY2016
Equity ratio (%)	83.7	84.6	83.2	86.3	88.0
Market value equity ratio (%)	198.6	262.2	365.5	403.2	383.0
Interest-bearing debt to cash flow ratio (%)	0.20	0.20	0.23	0.13	0.15
Interest coverage ratio (times)	115.4	155.8	164.5	243.8	369.9

(Notes)

1. Each indicator is calculated using the consolidated results based on the formula indicated below:

Equity ratio:	Shareholders' equity / Total assets
Market value equity ratio:	Total market capitalization / Total assets
Interest-bearing debt to cash flow ratio:	Interest-bearing debt / Operating cash flow
Interest coverage ratio:	Operating cash flow / Interest paid

2. Total market capitalization is calculated by:

Closing stock price on the last day of the fiscal year x The number of shares of common stock issued and outstanding at the end of the fiscal year, less treasury stock.

3. Interest-bearing debt covers all debt in the consolidated balance sheet for which interest is paid.

4. Cash flows from operating activities and the amount of interest payments stated in the consolidated statements of cash flows are used as operating cash flow and interest paid.

(3) Dividend Policy and Cash Dividends for FY2016 and FY2017

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.

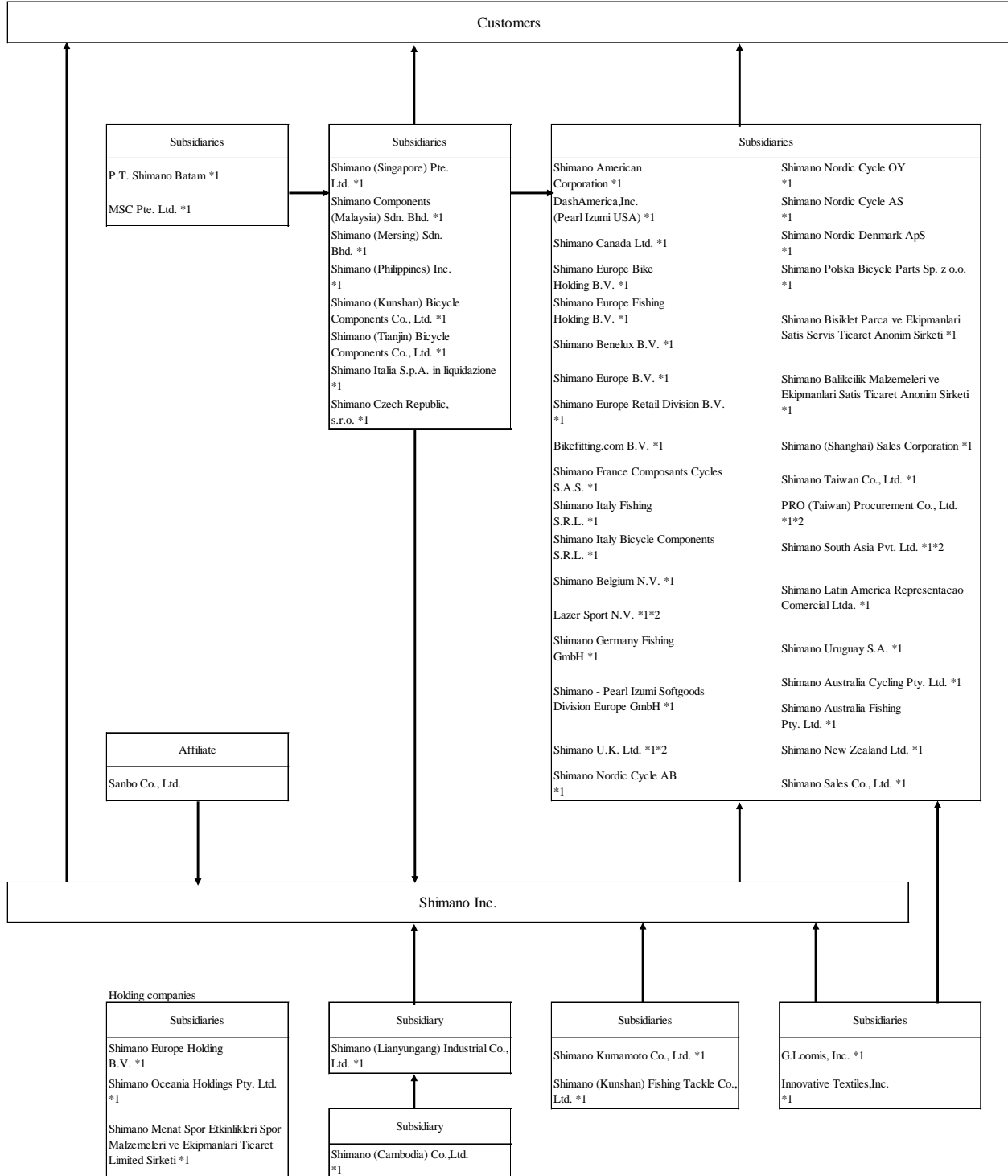
In accordance with the above policy, the Company intends to pay out year-end cash dividends of 77.50 yen per share, which include a special dividend of 71.25 yen, unchanged from the amount paid for the previous year. As a result, cash dividends for the full year of fiscal year 2016 will amount to 155 yen per share, unchanged from the amount paid for the previous year.

The Company intends to pay out cash dividends of 155 yen per share for fiscal year 2017 (77.50 yen for interim and year-end cash dividend, respectively).

2. Outline of the Group

The Shimano Group consists of Shimano Inc. and 53 consolidated subsidiaries and affiliates. The Group is mainly engaged in manufacturing and sales of bicycle components and fishing tackle.

Business relationships among the Shimano Group companies are indicated below.



*1: Consolidated subsidiaries

*2: Newly consolidated subsidiary in fiscal year 2016

3. Business Policy

(1) Business Policy of the Shimano Group

The mission of the Shimano Group is “To promote health and happiness through the enjoyment of nature and the world around us.” In both the bicycle components business and the fishing tackle business we continue unceasing efforts to offer innovative products with superior functions so as to contribute to the physical and mental well-being of people.

We are focusing on the following four business policies:

- We strive to provide quality products and services that are reliable and trustworthy.
- We pledge to continually increase corporate value and to ensure corporate management worthy of the trust placed in us.
- We strive to provide a fair and vibrant work environment where all can share in the pleasure and satisfaction that comes with achievement.
- We pledge to be a good corporate citizen by preserving the environment and contributing to the prosperity of our community.

(2) Medium- to Long-term Management Strategies

In accordance with the Shimano Group’s mission, “To promote health and happiness through the enjoyment of nature and the world around us,” we are implementing the following three key strategies to realize our vision, that is, to be a “Value Creating Company.”

- ① Strengthening core competence and focus on the market
Continue to refine the ability to conceive outstanding ideas, technical ability, design ability, and manufacturing ability to commercialize actual products and implement marketing by setting clear targets.
- ② Creating new bicycle and fishing cultures and enhance the brand power
Position cycling and fishing as aspects of culture offering values that enrich people's lifestyle, rather than hobbies or sporty leisure pursuits, and work to raise the social recognition of cycling and fishing. This will lead to an increase presence of Shimano and enhancement of the value of Shimano brand.
- ③ Increasing corporate value
Maintain a positive cycle of ever higher corporate value for all stakeholders, including shareholders, customers, and Team Shimano members through continuous offering of captivating products.

Major initiatives we have conducted continuously from a long-term perspective based on these three key strategies included dramatic improvement of development efficiency by the introduction of digital devices, construction of state-of-the-art factories at Sakai and Shimonoseki to reinforce manufacturing capabilities in Japan, and establishment of new factories overseas and expansion of overseas factories to meet expanding demand for sports bicycles worldwide. We have engaged in vigorous investment focused on the objective of each initiative.

Going forward, mindful of our core value as a development-oriented manufacturer, we will position growth as a value creating company that continues to propose captivating products as the basis of management, enhance the competitiveness that constitutes the bedrock of Shimano, and conduct sustainable business activities.

(3) Issues to be Addressed

The Shimano Group as development-oriented manufacturer based in Japan, considers it important that making continuous effort to create the common value for society and company as well as developing captivating product that inspires people’s excitement.

- Technological development capabilities
As a development-oriented manufacturer, we will reinforce systems for developing high-performance components offering unique functions and promote reform of attitudes and values so as to strengthen technological development capabilities.
- Cost competitiveness
In addition to the maximum utilization of the facilities in which we invested in order to strengthen manufacturing capabilities, we will promote improvement of production processes and elimination of inherent waste step by step to strengthen cost competitiveness.
- Corporate governance
We are preparing for the appointment of two or more independent outside directors in order to strengthen management decision-making and supervising functions. In view of the globalization of operations, in order to integrate the values to be shared by the Shimano Group, the Group has established the Code of

Conduct as principles to be observed by the Group's employees in all business activities. We will strive to inculcate the Code of Conduct throughout the Group so as to ensure thorough compliance.

4. Basic Approach to the Selection of Accounting Standards

The Shimano Group prepares consolidated financial statements in conformity with the generally accepted accounting principles in Japan (Japanese GAAP), taking into consideration comparability of consolidated financial statements over time and comparability among companies. The Shimano Group will take into consideration the domestic and international situations for appropriate adoption of the IFRS in the future.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	FY2015 As of Dec. 31, 2015	FY2016 As of Dec. 31, 2016
Assets		
Current assets		
Cash and time deposits	190,210	199,772
Notes and accounts receivable-trade	36,918	34,302
Merchandise and finished goods	33,635	31,740
Work in process	20,065	17,218
Raw materials and supplies	5,916	4,658
Deferred income taxes	3,556	2,938
Others	6,230	7,151
Allowance for doubtful accounts	(247)	(244)
Total current assets	296,287	297,538
Fixed assets		
Property, plant and equipment		
Buildings and structures	72,653	89,571
Accumulated depreciation	(28,426)	(29,543)
Accumulated impairment loss	(145)	(107)
Buildings and structures (net)	44,081	59,920
Machinery and vehicles	68,881	70,864
Accumulated depreciation	(45,932)	(47,064)
Accumulated impairment loss	(124)	(108)
Machinery and vehicles (net)	22,824	23,691
Land	13,409	13,342
Leased assets	124	112
Accumulated depreciation	(67)	(67)
Leased assets (net)	57	44
Construction in progress	15,735	9,280
Others	48,591	49,360
Accumulated depreciation	(42,775)	(42,882)
Accumulated impairment loss	(11)	(10)
Others (net)	5,804	6,467
Total property, plant and equipment	101,913	112,747
Intangible assets		
Goodwill	2,501	5,814
Software	4,865	4,937
Others	5,545	5,219
Total intangible assets	12,913	15,971
Investments and other assets		
Investment securities	* 14,058	* 13,747
Deferred income taxes	903	1,304
Others	3,472	3,119
Allowance for doubtful accounts	(468)	(475)
Total investments and other assets	17,966	17,696
Total fixed assets	132,793	146,415
Total assets	429,080	443,954

(Millions of yen)

	FY2015 As of Dec. 31, 2015	FY2016 As of Dec. 31, 2016
Liabilities		
Current liabilities		
Accounts payable-trade	11,392	12,051
Short-term loans payable	7,954	7,477
Income taxes payable	12,252	5,856
Deferred income taxes	126	94
Accrued employee bonuses	1,873	1,781
Accrued officer bonuses	216	191
Others	17,083	16,611
Total current liabilities	50,899	44,063
Long-term liabilities		
Long-term loans payable	2,068	1,498
Deferred income taxes	1,333	1,079
Net defined benefit liability	2,737	4,031
Others	744	1,900
Total long-term liabilities	6,883	8,509
Total liabilities	57,782	52,572
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,823	5,667
Retained earnings	311,244	347,840
Treasury stock	(90)	(96)
Total shareholders' equity	352,591	389,023
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	3,772	3,666
Foreign currency translation adjustments	14,021	(2,063)
Total accumulated other comprehensive income	17,793	1,602
Non-controlling interests	913	754
Total net assets	371,298	391,381
Total liabilities and net assets	429,080	443,954

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

	(Millions of yen)			
	FY2015		FY2016	
	Jan. 1, 2015 to Dec. 31, 2015		Jan. 1, 2016 to Dec. 31, 2016	
Net sales		378,645		322,998
Cost of sales	*2	224,131	*2	191,461
Gross profit		154,514		131,537
Selling, general and administrative expenses	*1,*2	69,461	*1,*2	66,991
Operating income		85,053		64,546
Non-operating income				
Interest income		1,199		1,402
Dividend income		345		513
Foreign exchange gains		14,586		4,622
Others		768		574
Total non-operating income		16,899		7,112
Non-operating expenses				
Interest expenses		328		161
Contribution		181		806
Loss on disposal of fixed assets		172		210
Others		158		478
Total non-operating expenses		841		1,656
Ordinary income		101,110		70,002
Extraordinary losses				
Loss on impairment	*3	362	*3	869
Loss on factory reconstruction		348		555
Loss on business withdrawal		—		175
Total extraordinary losses		711		1,600
Income before income taxes		100,399		68,402
Income taxes-current		24,343		17,359
Income taxes-deferred		(167)		148
Total income taxes		24,176		17,508
Net income		76,222		50,894
Net income (loss) attributable to non-controlling interests		32		(69)
Net income attributable to owners of parent		76,190		50,964

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2015 Jan. 1, 2015 to Dec. 31, 2015	FY2016 Jan. 1, 2016 to Dec. 31, 2016
Net income	76,222	50,894
Other comprehensive income		
Unrealized gain (loss) on other securities	464	(105)
Foreign currency translation adjustments	(24,889)	(16,141)
Total other comprehensive income	(24,424)	(16,246)
Comprehensive income	51,798	34,647
(Breakdown)		
Comprehensive income attributable to owners of parent	51,812	34,773
Comprehensive income attributable to non-controlling interests	(14)	(126)

(3) Consolidated Statements of Shareholders' Equity

FY2015 (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 attributable to owners of parent			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			Non-controlling 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 attributable to owners of parent					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

FY2016 (From January 1, 2016 to December 31, 2016)

(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	311,244	(90)	352,591
Cumulative effects of changes in accounting policies					—
Restated balance	35,613	5,823	311,244	(90)	352,591
Changes of items during the year					
Cash dividends paid			(14,369)		(14,369)
Net income attributable to owners of parent			50,964		50,964
Acquisition of treasury stock				(6)	(6)
Change in equity of parent arising from transactions with non-controlling shareholders		(156)			(156)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	(156)	36,595	(6)	36,432
Balance at end of year	35,613	5,667	347,840	(96)	389,023

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of year	3,772	14,021	17,793	913	371,298
Cumulative effects of changes in accounting policies					—
Restated balance	3,772	14,021	17,793	913	371,298
Changes of items during the year					
Cash dividends paid					(14,369)
Net income attributable to owners of parent					50,964
Acquisition of treasury stock					(6)
Change in equity of parent arising from transactions with non-controlling shareholders					(156)
Net changes of items other than shareholders' equity	(105)	(16,085)	(16,190)	(158)	(16,349)
Total changes of items during the year	(105)	(16,085)	(16,190)	(158)	20,083
Balance at end of year	3,666	(2,063)	1,602	754	391,381

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	FY2015 Jan. 1, 2015 to Dec. 31, 2015	FY2016 Jan. 1, 2016 to Dec. 31, 2016
Cash flows from operating activities:		
Income before income taxes	100,399	68,402
Depreciation and amortization	15,565	15,534
Loss on impairment	362	869
Loss on business withdrawal	—	175
Allowance for doubtful accounts	53	(54)
Interest and dividend income	(1,544)	(1,915)
Interest expenses	328	161
Foreign exchange gains	(11,616)	(4,517)
Notes and accounts receivable	(948)	2,168
Inventories	4,945	3,586
Accounts payable	(4,176)	903
Net defined benefit liability	76	1,297
Provision for loss on factory reconstruction	(44)	—
Loss on factory reconstruction	348	555
Loss on sales and disposal of property, plant and equipment	151	183
Others, net	(1,164)	(1,212)
Subtotal	102,739	86,137
Interest and dividend income received	1,527	1,713
Interest expenses paid	(333)	(173)
Income taxes paid	(22,623)	(23,643)
Net cash provided by operating activities	81,309	64,034
Cash flows from investing activities:		
Purchases of time deposits	(2,131)	(1,471)
Proceeds from maturities of time deposits	4,286	317
Acquisition of property, plant and equipment	(26,905)	(29,381)
Proceeds from sales of property, plant and equipment	942	2,024
Acquisition of intangible assets	(2,276)	(2,633)
Payments for loss on factory reconstruction	(310)	(484)
Acquisition of investment securities	(424)	(198)
Proceeds from sales of investment securities	—	0
Short-term loans receivable, net	21	(84)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(3,367)
Others, net	538	1,224
Net cash used in investing activities	(26,259)	(34,054)

	(Millions of yen)	
	FY2015 Jan. 1, 2015 to Dec. 31, 2015	FY2016 Jan. 1, 2016 to Dec. 31, 2016
Cash flows from financing activities:		
Short-term loans payable, net	(1,484)	(415)
Proceeds from long-term loans payable	2	—
Repayment of long-term loans payable	(938)	(527)
Repayments of finance lease obligations	(16)	(17)
Acquisition of treasury stock	(18)	(6)
Cash dividends to shareholders	(12,046)	(14,365)
Proceeds from share issuance to non-controlling shareholders	—	41
Cash dividends to non-controlling shareholders	(6)	(4)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(240)
Net cash used in financing activities	(14,508)	(15,536)
Effect of exchange rate changes on cash and cash equivalents	(5,605)	(5,858)
Net increase (decrease) in cash and cash equivalents	34,935	8,584
Cash and cash equivalents at beginning of year	152,934	187,869
Cash and cash equivalents at end of year	* 187,869	* 196,453

(5) Notes relating to Consolidated Financial Statements

(Note concerning Assumption of Going Concern)

Not applicable.

(Preparation of the Consolidated Financial Statements - Significant Matters)

1. Consolidation

The consolidated financial statements include the accounts of the Company and the 53 subsidiaries whose names are stated in “2. Outline of the Group” on Page 5 of the Attachment.

During fiscal year 2016, PRO (Taiwan) Procurement Co., Ltd. and Shimano South Asia Pvt. Ltd. were included in the scope of consolidation due to establishment and Lazer Sport N.V. and Shimano U.K. Ltd. were included in the scope of consolidation due to purchase of shares.

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.

Since no significant changes have been made to the information in the recent securities report (submitted on March 30, 2016) for items other than the above 1 and 3, disclosure of other items has been omitted.

(Changes in Significant Accounting Policies)

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

Effective from 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 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 consolidated financial statements of the fiscal year 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 consolidated financial statements for the previous fiscal year.

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 fiscal year 2016 onward.

On the consolidated statement of cash flows for fiscal year 2016, cash flows pertaining to purchase or sales of shares of subsidiaries that do not result in change in scope of consolidation are presented under “cash flows from financing activities” and cash flows pertaining to expenses relating to purchase of shares of subsidiaries resulting in change in scope of consolidation or expenses relating to purchase or sales of shares of subsidiaries that do not result in change in scope of consolidation are presented under “cash flows from operating activities.”

The impact of these changes on capital surplus at the end of fiscal year 2016 is immaterial.

(Change in the Depreciation Method)

Following the amendment of the Corporation Tax Act, effective from fiscal year 2016, the Company and its domestic consolidated subsidiaries have adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (PITF No. 32, June 17, 2016). Accordingly, the Company and its domestic consolidated subsidiaries have changed the depreciation method applied to structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on operating income, ordinary income, and income before income taxes for fiscal year 2016 is immaterial.

(Notes relating to Consolidated Balance Sheets)

* The following pertains to non-consolidated subsidiaries and affiliates

	FY2015 (As of Dec. 31, 2015)	FY2016 (As of Dec. 31, 2016)
Investment securities	1,904 million yen	1,939 million yen

(Notes relating to Consolidated Statements of Income)

*1 Main components of selling, general and administrative expenses

	FY2015 Jan. 1, 2015 to Dec. 31, 2015	FY2016 Jan. 1, 2016 to Dec. 31, 2016
Salaries and wages	17,539 million yen	16,673 million yen
Advertising and sales promotion expenses	9,605 million yen	9,659 million yen

*2 R&D expenses included in selling, general and administrative expenses and manufacturing expenses

	FY2015 Jan. 1, 2015 to Dec. 31, 2015	FY2016 Jan. 1, 2016 to Dec. 31, 2016
	11,793 million yen	13,188 million yen

*3 Loss on impairment

FY2015 (Jan. 1, 2015 - Dec. 31, 2015)

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.

FY2016 (Jan. 1, 2016 - Dec. 31, 2016)

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	685 million yen
Shimano Sales Co., Ltd.	Corporate assets	Others in investments and other assets	184 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.

Investments and other assets held by Shimano Sales Co., Ltd. are not expected to be used in the future. Thus, their entire book value was recorded as loss on impairment.

(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%.

(Notes relating to Consolidated Statements of Shareholders' Equity)

FY2015 (From Jan. 1, 2015 - Dec. 31, 2015)

1. Total number of issued shares

(Thousand shares)

Class of shares	Balance as of January 1, 2015	Increase	Decrease	Balance as of December 31, 2015
Common stock	92,720	—	—	92,720

2. Treasury stock

(Thousand shares)

Class of shares	Balance as of January 1, 2015	Increase	Decrease	Balance as of December 31, 2015
Common stock	15	1	—	16

(Details of the change)

Details of the increase in the number of shares are as follows:

Acquisition of fractional shares 1 thousand shares

3. Dividends

(1) Payment of cash dividends

Resolution	Class of shares	Total amount of cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
General Meeting of Shareholders held on March 26, 2015	Common stock	4,866	52.50	Dec. 31, 2014	Mar. 27, 2015
Meeting of the Board of Directors held on July 28, 2015	Common stock	7,184	77.50	Jun. 30, 2015	Sep. 4, 2015

(2) Dividends with record date within the current fiscal year and effective in the next fiscal year

Resolution	Class of shares	Source of dividends	Total amount of cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
General Meeting of Shareholders held on March 29, 2016	Common stock	Retained earnings	7,184	77.50	Dec. 31, 2015	Mar. 30, 2016

FY2016 (From Jan. 1, 2016 - Dec. 31, 2016)

1. Total number of issued shares

(Thousand shares)

Class of shares	Balance as of January 1, 2016	Increase	Decrease	Balance as of December 31, 2016
Common stock	92,720	—	—	92,720

2. Treasury stock

(Thousand shares)

Class of shares	Balance as of January 1, 2016	Increase	Decrease	Balance as of December 31, 2016
Common stock	16	0	—	16

(Details of the change)

Details of the increase in the number of shares are as follows:

Acquisition of fractional shares 0 thousand shares

3. Dividends

(1) Payment of cash dividends

Resolution	Class of shares	Total amount of cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
General Meeting of Shareholders held on March 29, 2016	Common stock	7,184	77.50	Dec. 31, 2015	Mar. 30, 2016
Meeting of the Board of Directors held on July 26, 2016	Common stock	7,184	77.50	Jun. 30, 2016	Sep. 2, 2016

(2) Dividends with record date within the current fiscal year and effective in the next fiscal year

Resolution	Class of shares	Source of dividends	Total amount of cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
General Meeting of Shareholders held on March 28, 2017	Common stock	Retained earnings	7,184	77.50	Dec. 31, 2016	Mar. 29, 2017

(Notes relating to Consolidated Statements of Cash Flows)

* Reconciliation between cash and cash equivalents at the end of the year and the accounts in the consolidated balance sheets

	FY2015 Jan. 1, 2015 to Dec. 31, 2015	FY2016 Jan. 1, 2016 to Dec. 31, 2016
Cash and time deposits	190,210 million yen	199,772 million yen
Time deposits with maturities exceeding three months	(2,340) million yen	(3,318) million yen
Cash and cash equivalents	187,869 million yen	196,453 million yen

(Notes relating to Securities)

FY2015 (As of Dec. 31, 2015)

Other securities

(Securities for which the amount recorded on the consolidated balance sheet exceeds acquisition cost)

Item	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Stock	10,757	4,733	6,023
Subtotal	10,757	4,733	6,023

(Securities for which the amount recorded on the consolidated balance sheet does not exceed acquisition cost)

Item	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Stock	1,008	1,284	(275)
Subtotal	1,008	1,284	(275)

The book value of securities whose market value declines to 50% or less of the acquisition cost during the fiscal year is written down.

FY2016 (As of Dec. 31, 2016)

Other securities

(Securities for which the amount recorded on the consolidated balance sheet exceeds acquisition cost)

Item	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Stock	10,500	4,733	5,767
Subtotal	10,500	4,733	5,767

(Securities for which the amount recorded on the consolidated balance sheet does not exceed acquisition cost)

Item	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Stock	934	1,284	(349)
Subtotal	934	1,284	(349)

The book value of securities whose market value declines to 50% or less of the acquisition cost during the fiscal year is written down.

(Notes relating to Deferred Tax Accounting)

1. Significant components of deferred tax assets and liabilities

	FY2015 (As of Dec. 31, 2015)	FY2016 (As of Dec. 31, 2016)
(Deferred tax assets)		
Excess of limit of accrued employee bonuses	236 million yen	239 million yen
Enterprise tax payable	562 million yen	272 million yen
Officer retirement benefits	175 million yen	179 million yen
Excess of limit of net defined benefit liability	834 million yen	1,135 million yen
Book in excess of tax depreciation	213 million yen	219 million yen
Unrealized gain of inventories	1,363 million yen	1,302 million yen
Loss on revaluation of other securities	754 million yen	707 million yen
Loss on revaluation of golf memberships	137 million yen	128 million yen
Excess of limit of allowance for doubtful accounts	288 million yen	273 million yen
Loss on impairment	200 million yen	229 million yen
Book in excess of tax depreciation for small sum assets	232 million yen	233 million yen
Devaluation loss on inventories	813 million yen	685 million yen
Others	920 million yen	723 million yen
Sub-total deferred tax assets	6,733 million yen	6,331 million yen
Valuation allowance	(167) million yen	(139) million yen
Total deferred tax assets	6,566 million yen	6,192 million yen
(Deferred tax liabilities)		
Undistributed earnings of consolidated subsidiaries	(85) million yen	(66) million yen
Reserve for special depreciation	(1,596) million yen	(1,251) million yen
Unrealized gain on other securities	(1,876) million yen	(1,705) million yen
Others	(6) million yen	(98) million yen
Total deferred tax liabilities	(3,565) million yen	(3,122) million yen
Net deferred tax assets	3,000 million yen	3,069 million yen

2. Reconciliation between the effective statutory tax rate and the actual effective tax rate.

	FY2015 (As of Dec. 31, 2015)	FY2016 (As of Dec. 31, 2016)
Effective statutory tax rate	36.0 %	33.0 %
(Reconciliation)		
Permanent difference-expenses	0.6 %	0.4 %
Permanent difference-income	(3.4) %	(1.7) %
Tax credit	(1.0) %	(1.8) %
Differences in tax rates for foreign subsidiaries	(9.0) %	(6.5) %
Adjustments of previous year	0.1 %	1.2 %
Adjustment of deferred tax assets due to change in effective statutory tax rates	0.4 %	0.4 %
Valuation allowance	0.2 %	0.0 %
Other	0.2 %	0.6 %
Actual effective tax rate	24.1 %	25.6 %

(Segment Information)

[Segment Information]

1. Overview of reportable segments

The reportable segments of the Company are those units for which separate financial information is available, and which are regularly examined by the Board of Directors concerning decisions on the allocation of management resources and for assessing business performance.

The Company operates through the three divisions of Bicycle Components, Fishing Tackle and Others.

Principal products of each reportable segment are listed below.

Reportable segment	Principal products
Bicycle Components	Freewheels, front gears, derailleurs, brakes, etc.
Fishing Tackle	Reels, rods, etc.
Others	Cold forged products, rowing-related equipment, etc.

2. Basis for calculating sales, income (loss), assets, liabilities and other items by reportable segment

Accounting methods applied for calculation of sales, income (loss), assets, liabilities, and other items by reportable segment correspond to information presented under "Preparation of the Consolidated Financial Statements - Significant Matters." Segment income is based on operating income.

3. Information on sales, income (loss), assets, liabilities and other items by reportable segment

FY2015 (Jan. 1, 2015 - Dec. 31, 2015)

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1)Third parties	314,010	64,245	390	378,645	—	378,645
2)Inter-segment	—	—	—	—	—	—
Total	314,010	64,245	390	378,645	—	378,645
Segment income (loss)	79,816	5,372	(135)	85,053	—	85,053
Segment assets	148,330	32,051	877	181,259	247,821	429,080
Other items						
Depreciation and amortization	13,407	1,856	46	15,310	0	15,310
Amortization of goodwill	118	136	—	255	—	255
Increase in property, plant and equipment and intangible assets	23,956	419	8	24,385	4,796	29,182

Notes: 1. Segment assets adjustment was 247,821 million yen, the main items of which were surplus funds (cash and deposits) and corporate assets. The expenses, such as depreciation and amortization related to property, plant and equipment and intangible assets classified in Adjustment, have been allocated to each reportable segment.

2. There is no difference between total segment income and operating income in the consolidated statements of income.

FY2016 (Jan. 1, 2016 - Dec. 31, 2016)

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1)Third parties	259,455	63,143	399	322,998	—	322,998
2)Inter-segment	—	—	—	—	—	—
Total	259,455	63,143	399	322,998	—	322,998
Segment income (loss)	57,874	6,842	(170)	64,546	—	64,546
Segment assets	143,894	34,178	852	178,925	265,028	443,954
Other items						
Depreciation and amortization	13,266	1,901	47	15,214	—	15,214
Amortization of goodwill	194	125	—	319	—	319
Increase in property, plant and equipment and intangible assets	20,379	2,882	25	23,287	8,395	31,683

Notes: 1. Segment assets adjustment was 265,028 million yen, the main items of which were surplus funds (cash and deposits) and corporate assets. The expenses, such as depreciation and amortization related to property, plant and equipment and intangible assets classified in Adjustment, have been allocated to each reportable segment.

2. There is no difference between total segment income and operating income in the consolidated statements of income.

[Information for loss on impairment of fixed assets by reportable segment]

FY2015 (Jan. 1, 2015 - Dec. 31, 2015)

(Millions of yen)

	Reportable Segment				Adjustment	Total
	Bicycle Components	Fishing Tackle	Others	Total		
Loss on impairment	362	—	—	362	—	362

FY2016 (Jan. 1, 2016 - Dec. 31, 2016)

(Millions of yen)

	Reportable Segment				Adjustment	Total
	Bicycle Components	Fishing Tackle	Others	Total		
Loss on impairment	685	—	—	685	184	869

[Related information]

Information by geographical area

FY2015 (Jan. 1, 2015 - Dec. 31, 2015)

(Millions of yen)

Japan	North America	Europe	Asia	Other	Total
34,889	41,519	144,664	139,416	18,155	378,645

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

FY2016 (Jan. 1, 2016 - Dec. 31, 2016)

(Millions of yen)

Japan	North America	Europe	Asia	Other	Total
37,004	35,215	123,009	113,517	14,251	322,998

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

(Per Share Data)

	FY2015 Jan. 1, 2015 to Dec. 31, 2015	FY2016 Jan. 1, 2016 to Dec. 31, 2016
Net assets per share	3,995.37 yen	4,213.74 yen
Basic earnings per share	821.87 yen	549.76 yen

Notes: 1. Diluted earnings per share is not presented because there were no securities with dilutive effect.
2. Basis for calculation of basic earnings per share per share

Basic earnings per share

	FY2015 Jan. 1, 2015 to Dec. 31, 2015	FY2016 Jan. 1, 2016 to Dec. 31, 2016
Net income attributable to owners of parent (millions of yen)	76,190	50,964
Amount not attributable to common shareholders (millions of yen)	—	—
Net income attributable to owners of parent related to common stock (millions of yen)	76,190	50,964
Average number of shares of common stock outstanding (thousand shares)	92,704	92,703

Disclosure of notes relating to derivative transactions, lease transactions, financial instruments, employee retirement benefits, business combinations, asset retirement obligations and immovable property has been omitted because such disclosure in the Summary of Financial Results is considered to be unnecessary. Stock options or related party transactions are not applicable.

(Significant Subsequent Events)

Not applicable.

6. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

	(Millions of yen)	
	FY2015	FY2016
	As of Dec. 31, 2015	As of Dec. 31, 2016
Assets		
Current assets		
Cash and time deposits	18,327	11,420
Notes receivable	678	653
Accounts receivable-trade	26,828	21,513
Finished goods	7,719	7,661
Work in process	11,160	9,551
Raw materials	1,465	1,296
Supplies	317	325
Accounts receivable-other	3,006	2,847
Deferred income taxes	1,111	710
Others	2,687	2,424
Allowance for doubtful accounts	(118)	(60)
Total current assets	73,184	58,346
Fixed assets		
Property, plant and equipment		
Buildings	21,744	38,134
Structures	823	1,474
Plant and machinery	6,825	6,705
Vehicles	68	68
Tools, equipment and furniture	2,748	3,226
Land	9,837	9,823
Leased assets	30	23
Construction in progress	9,427	5,436
Total property, plant and equipment	51,506	64,892
Intangible assets		
Industrial property	34	27
Software	3,921	3,865
Software in progress	783	1,814
Others	47	55
Total intangible assets	4,787	5,763
Investments and other assets		
Investment securities	10,481	10,361
Subsidiaries' and affiliates' stock	12,315	12,513
Investments in capital	24	21
Long-term loans to subsidiaries and affiliates	4,778	3,446
Long-term prepaid expenses	588	516
Deferred income taxes	695	1,020
Others	1,418	1,491
Allowance for doubtful accounts	(767)	(778)
Total investments and other assets	29,534	28,593
Total fixed assets	85,828	99,248
Total assets	159,013	157,594

	(Millions of yen)	
	FY2015	FY2016
	As of Dec. 31, 2015	As of Dec. 31, 2016
Liabilities		
Current liabilities		
Accounts payable-trade	14,141	6,829
Accounts payable-other	5,902	5,434
Income taxes payable	6,978	2,780
Accrued expenses	256	247
Deposit payable	8,410	9,696
Accrued employee bonuses	282	287
Accrued officer bonuses	210	186
Provision for sales returns	40	38
Others	377	648
Total current liabilities	36,601	26,149
Long-term liabilities		
Employee retirement benefits	2,221	3,400
Others	682	658
Total long-term liabilities	2,903	4,058
Total liabilities	39,504	30,207
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus		
Capital reserve	5,822	5,822
Other capital surplus	1	1
Total capital surplus	5,823	5,823
Retained earnings		
Legal reserve	3,194	3,194
Other retained earnings		
Unappropriated retained earnings	71,023	78,878
Total retained earnings	74,217	82,072
Treasury stock	(90)	(96)
Total shareholders' equity	115,563	123,412
Valuation and translation adjustments		
Unrealized gain (loss) on other securities	3,944	3,974
Total valuation and translation adjustments	3,944	3,974
Total net assets	119,508	127,387
Total liabilities and net assets	159,013	157,594

(2) Non-consolidated Statements of Income

(Millions of yen)

	FY2015 Jan. 1, 2015 to Dec. 31, 2015	FY2016 Jan. 1, 2016 to Dec. 31, 2016
Net sales	292,477	181,215
Cost of sales	225,256	116,803
Gross profit	67,220	64,411
Selling, general and administrative expenses	37,196	37,562
Operating income	30,024	26,849
Non-operating income		
Interest income	385	238
Dividend income	4,329	5,614
Others	575	336
Total non-operating income	5,291	6,189
Non-operating expenses		
Interest expenses	110	133
Others	682	1,689
Total non-operating expenses	792	1,822
Ordinary income	34,522	31,216
Extraordinary losses		
Loss on factory reconstruction	312	488
Total extraordinary losses	312	488
Income before income taxes	34,210	30,727
Income taxes-current	10,173	8,274
Income taxes-deferred	222	229
Total income taxes	10,396	8,503
Net income	23,813	22,224

(3) Non-consolidated Statements of Shareholders' Equity

FY2015 (From January 1, 2015 to December 31, 2015)

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital surplus			Legal reserve	Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings	Total retained earnings
Balance at beginning of year	35,613	5,822	1	5,823	3,194	58,881	62,075
Cumulative effects of changes in accounting policies						379	379
Restated balance	35,613	5,822	1	5,823	3,194	59,260	62,454
Changes of items during the year							
Cash dividends paid						(12,051)	(12,051)
Net income						23,813	23,813
Acquisition of treasury stock							
Net changes of items other than shareholders' equity							
Total changes of items during the year	—	—	—	—	—	11,762	11,762
Balance at end of year	35,613	5,822	1	5,823	3,194	71,023	74,217

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on other securities	Total valuation and translation adjustments	
Balance at beginning of year	(71)	103,441	3,502	3,502	106,943
Cumulative effects of changes in accounting policies		379			379
Restated balance	(71)	103,820	3,502	3,502	107,323
Changes of items during the year					
Cash dividends paid		(12,051)			(12,051)
Net income		23,813			23,813
Acquisition of treasury stock	(18)	(18)			(18)
Net changes of items other than shareholders' equity			441	441	441
Total changes of items during the year	(18)	11,743	441	441	12,185
Balance at end of year	(90)	115,563	3,944	3,944	119,508

FY2016 (From January 1, 2016 to December 31, 2016)

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital surplus			Retained earnings		
		Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings Unappropriated retained earnings	Total retained earnings
Balance at beginning of year	35,613	5,822	1	5,823	3,194	71,023	74,217
Cumulative effects of changes in accounting policies							
Restated balance	35,613	5,822	1	5,823	3,194	71,023	74,217
Changes of items during the year							
Cash dividends paid						(14,369)	(14,369)
Net income						22,224	22,224
Acquisition of treasury stock							
Net changes of items other than shareholders' equity							
Total changes of items during the year	—	—	—	—	—	7,855	7,855
Balance at end of year	35,613	5,822	1	5,823	3,194	78,878	82,072

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on other securities	Total valuation and translation adjustments	
Balance at beginning of year	(90)	115,563	3,944	3,944	119,508
Cumulative effects of changes in accounting policies		—			—
Restated balance	(90)	115,563	3,944	3,944	119,508
Changes of items during the year					
Cash dividends paid		(14,369)			(14,369)
Net income		22,224			22,224
Acquisition of treasury stock	(6)	(6)			(6)
Net changes of items other than shareholders' equity			30	30	30
Total changes of items during the year	(6)	7,848	30	30	7,878
Balance at end of year	(96)	123,412	3,974	3,974	127,387

(4) Notes relating to Non-consolidated Financial Statements

(Note concerning Assumption of Going Concern)

Not applicable.

(Additional Information)

(Change in the method of recording sales in line with the change in overseas transactions)

Concerning certain overseas transactions of bicycle components, the Company previously recorded sales and cost of sales at a gross amount. Effective from fiscal year 2016, the Company changed this method by netting off sales and cost of sales.

This was attributable to the revision to certain overseas transactions. Namely, overseas transaction contracts under which the Company procures products from overseas plants, sells the products to overseas customers and collects receivables were changed to contracts under which overseas plants directly sell products to overseas customers and collect receivables.

Accordingly, the Company regards its function as intermediary and sales are recorded at a net amount.

As a result of this change, sales and cost of sales for fiscal year 2016 were both 68,330 million yen lower compared with the amounts by the previous method of computation, but there was no impact on gross profit, operating income, ordinary income and income before income taxes.

(Notes relating to Deferred Tax Accounting)

1. Significant components of deferred tax assets and liabilities

	FY2015 (As of Dec. 31, 2015)	FY2016 (As of Dec. 31, 2016)
(Deferred tax assets)		
Excess of limit of accrued employee bonuses	93 million yen	89 million yen
Enterprise tax payable	518 million yen	246 million yen
Officer retirement benefits	175 million yen	158 million yen
Excess of limit of employee retirement benefits	710 million yen	1,020 million yen
Loss on revaluation of other securities	589 million yen	552 million yen
Loss on revaluation of golf memberships	137 million yen	128 million yen
Excess of limit of allowance for doubtful accounts	275 million yen	252 million yen
Loss on impairment	200 million yen	145 million yen
Book in excess of tax depreciation	220 million yen	226 million yen
Devaluation loss on inventories	254 million yen	265 million yen
Others	486 million yen	348 million yen
Total deferred tax assets	3,663 million yen	3,434 million yen
(Deferred tax liabilities)		
Unrealized gain on other securities	(1,856) million yen	(1,703) million yen
Total deferred tax liabilities	(1,856) million yen	(1,703) million yen
Net deferred tax assets	1,807 million yen	1,730 million yen

2. Reconciliation between the effective statutory tax rate and the actual effective tax rate

	FY2015 (As of Dec. 31, 2015)	FY2016 (As of Dec. 31, 2016)
Effective statutory tax rate	36.0 %	33.0 %
(Reconciliation)		
Permanent difference-expenses	0.5 %	0.4 %
Permanent difference-income	(4.2) %	(5.5) %
Tax credit	(2.8) %	(3.9) %
Adjustments of previous year	0.1 %	2.6 %
Adjustment of deferred tax assets due to change in effective statutory tax rates	1.2 %	0.8 %
Others	(0.4) %	0.3 %
Actual effective tax rate	30.4 %	27.7 %

7. Change in Members of the Board

At the meeting of the Board of Directors held on February 14, 2017, the Company made a decision on change in members of the Board as stated below.

This change is scheduled to be approved at the 110th General Meeting of Shareholders to be held on March 28, 2017 and at the meeting of the Board of Directors to be held following the conclusion of the said General Meeting of Shareholders.

1. New candidate for director

Outside Director

Mitsuhiro Katsumaru

(Currently Attorney, Shiba International law offices)

2. Change in a director with a title

Deputy President and Representative Director

Keiji Kakutani

(Currently Senior Executive Vice President and Representative Director, Chief Internal Auditing Officer)

3. Changes of executive officers' areas of responsibilities

Executive Vice President and Head of General Operations Division,

Supervising of Lifestyle Gear Division, Chief Internal Auditing Officer

Yoshihiro Hirata

(Currently Executive Vice President and Head of General Operations Division, Supervising of Lifestyle Gear Division)