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## Summary of Consolidated Financial Results for the First Half of FY2017 (Unaudited)

(January 1, 2017 – June 30, 2017) [Japanese Standard] (Consolidated)

July 25, 2017

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 Date of filing of quarterly report to Ministry of Finance: August 9, 2017 Scheduled payment date for dividends: September 4, 2017  
 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 FY2017 (January 1, 2017 – June 30, 2017)

(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 Half of FY2017	163,079	(2.0)	30,832	(9.8)	26,937	(14.8)	18,728	(18.3)
First Half of FY2016	166,428	(15.3)	34,163	(24.7)	31,630	(36.3)	22,922	(37.3)

(Note) Comprehensive income (loss) First Half of FY2017: 20,629 million yen (-%) First Half of FY2016: (8,442) million yen (-%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First Half of FY2017	202.03		—	
First Half of FY2016	247.27		—	

### (2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Half of FY2017	460,504	404,819	87.7
FY2016	443,954	391,381	88.0

(Reference) Shareholders' equity First Half of FY2017: 404,047 million yen FY2016: 390,626 million yen

### 2. Dividend information

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2016	—	77.50	—	77.50	155.00
FY2017	—	77.50	—	—	—
FY2017 (Forecast)	—	—	—	77.50	155.00

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

(Note) The cash dividend for the first half of FY2017 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
FY2017	330,000	2.2	63,000	(2.4)	58,900	(15.9)	42,100	(17.4)	454.14

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

\*Notes

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

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

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

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

(4) Number of shares of common stock issued

① Number of shares of common stock issued at period-end (including treasury stock):	First Half of FY2017	92,720,000 shares	FY2016	92,720,000 shares
② Number of shares of treasury stock at period-end:	First Half of FY2017	17,075 shares	FY2016	16,902 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year):	First Half of FY2017	92,702,998 shares	First Half of FY2016	92,703,416 shares

This quarterly financial report is outside the scope of quarterly review procedures.

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 half of fiscal year 2017, the European economies were on a recovery trajectory as business sentiment picked up in light of the recovery of exports and personal consumption was firm.

In the U.S., while the trend of policies of the Trump administration attracted attention, moderate economic expansion continued, driven by the growth of personal consumption thanks to the improvement in the labor market.

In Japan, a robust labor market supported recovery of personal consumption and the economy remained on a recovery track. However, a full-fledged recovery did not materialize due to concerns about uncertain political and economic prospects overseas.

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 2017, net sales decreased 2.0% from the same period of the previous year to 163,079 million yen. Operating income decreased 9.8% to 30,832 million yen, ordinary income decreased 14.8% to 26,937 million yen, and net income attributable to owners of parent decreased 18.3% to 18,728 million yen.

### Business Segment Overview

#### ① Bicycle Components

In Europe, although the spring season was blessed with good weather until Easter in mid-April, the weather became unsettled and continued until early May. Retail sales of completed bicycles were at the expected level for a typical first half, and distributor inventories of bicycles in Europe remained at an appropriate level.

In North America, retail sales of completed bicycles were approximately the same as the previous year's level and distributor inventories remained somewhat low.

In China, the sharp growth in bike sharing hampered a recovery of retail sales of completed bicycles, which had been lackluster since 2015. Although retail sales of low-end bicycles were particularly weak, distributor inventories were at an appropriate level.

As regards other emerging markets, retail sales in Southeast Asia and South America continued to lack vigor and remained at the same level as the previous year, but distributor inventories were at an appropriate level.

In the Japanese market, retail sales of both sports bicycles and community bicycles were lackluster, but distributor inventories remained at an appropriate level.

In these market conditions, the DEORE mountain bike components released in May 2017 and the ULTEGRA road bike components released in June 2017 were well received in the market.

As a result, net sales from this segment decreased 2.7% from the same period of the previous year to 129,080 million yen, and operating income decreased 11.5% to 27,063 million yen.

#### ② Fishing Tackle

The Japanese market was robust, benefitting from the strong results of retailers' New Year sales and stable weather around the Golden Week holiday period from the end of April to the beginning of May.

Overseas, in Asia, while sales decreased in Southeast Asia and Taiwan affected by slowing economic activity, sales in China and South Korea on the other hand continued to be robust since the previous year. In Europe, the market somewhat slowed owing to unstable weather in contrast to good weather during early spring. And while North America had generally good weather, consumer sentiment was rather weak. In Australia, consumer sentiment lacked vigor despite more favorable weather and improvement in distributor inventories.

In these market conditions, sales of lure-related products were buoyant in Japan. In addition, certain models for the second half of fiscal year 2017, which were released earlier than originally scheduled, were well received in the market. Sales in Japan were virtually unchanged from the previous year. Overseas, although sales in North America lacked vigor because of the market conditions, sales of carp reels and other products were brisk in Europe and sales of lure-related products continued to expand in China and South Korea. Thus, overseas sales exceeded the previous year's level.

As a result, net sales from this segment increased 0.6% from the same period of the previous year to 33,799 million yen, and operating income increased 4.7% to 3,831 million yen.

## ③ Others

Net sales from this segment increased 1.0% from the same period of the previous year to 198 million yen and an operating loss of 63 million yen was recorded, following an operating loss of 82 million yen for the same period of the previous year.

## (2) Financial Position

## ① Assets, Liabilities and Net Assets

## (Assets)

Total assets as of the end of the first half of fiscal year 2017 amounted to 460,504 million yen (an increase of 16,550 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 15,820 million yen in cash and time deposits, an increase of 2,025 million yen in software, an increase of 1,771 million yen in deferred income taxes of investments and other assets, an increase of 1,686 million yen in machinery and vehicles, and a decrease of 4,716 million yen in construction in progress.

## (Liabilities)

Total liabilities as of the end of the first half of fiscal year 2017 amounted to 55,684 million yen (an increase of 3,112 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 2,341 million yen in income taxes payable.

## (Net assets)

Net assets as of the end of the first half of fiscal year 2017 amounted to 404,819 million yen (an increase of 13,438 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 11,543 million yen in retained earnings and an increase of 1,580 million yen in foreign currency translation adjustments.

## ② Cash Flows

As of the end of the first half of fiscal year 2017, cash and cash equivalents amounted to 190,105 million yen, a decrease of 6,348 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 35,787 million yen compared with 30,628 million yen provided for the same period of the previous year. The main items included income before income taxes of 26,508 million yen and depreciation and amortization amounting to 9,184 million yen. Cash outlays included income taxes paid amounting to 7,963 million yen.

## (Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 30,534 million yen compared with 16,371 million yen used for the same period of the previous year. The main items included purchases of time deposits amounting to 22,374 million yen and acquisition of property, plant and equipment amounting to 8,374 million yen.

## (Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 8,811 million yen compared with 8,183 million yen used for the same period of the previous year. The main items included cash dividends to shareholders amounting to 7,180 million yen.

## (3) Forecast for the Fiscal Year Ending December 31, 2017

The forecast for the full year has been revised as below, taking into the consideration the impact of raw material cost increase and product mix changes.

Revisions to consolidated business performance forecast figures for FY2017 (January 1, 2017 – December 31, 2017)

	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)	330,000	66,000	64,000	44,000	474.63
Revised forecast (B)	330,000	63,000	58,900	42,100	454.14
Difference (B-A)	—	(3,000)	(5,100)	(1,900)	
Change (%)	—	(4.5)	(8.0)	(4.3)	
Full year results for FY2016	322,998	64,546	70,002	50,964	549.76

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 77.50 yen per share, which include special dividends of 71.25 yen, unchanged from the interim cash dividends paid in the previous year. Cash dividends for the full year are expected to amount to 155 yen per share, unchanged from cash dividends in the previous year.

## **2. Notes relating to Summary Information**

### **(1) Changes in Significant Subsidiaries during the Period:**

During the first quarter of fiscal year 2017, Shimano Europe Bike Holding B.V., which was a consolidated subsidiary, merged with Shimano Europe B.V. and Shimano Europe Retail Division B.V., which were consolidated subsidiaries. The former Shimano Europe Bike Holding B.V. remained as the surviving company and changed its name to Shimano Europe B.V. As a result, the former Shimano Europe B.V. and the former Shimano Europe Retail Division B.V. were excluded from the scope of consolidation.

### **(2) Additional Information**

(Adoption of "Implementation Guidance on Recoverability of Deferred Tax Assets")

Effective from the first quarter of fiscal year 2017, the Company has adopted the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 issued on March 28, 2016).

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

	(Millions of yen)	
	FY2016 As of Dec. 31, 2016	First Half of FY2017 As of Jun. 30, 2017
Assets		
Current assets		
Cash and time deposits	199,772	215,592
Notes and accounts receivable-trade	34,302	33,522
Merchandise and finished goods	31,740	31,561
Work in process	17,218	17,854
Raw materials and supplies	4,658	4,893
Deferred income taxes	2,938	3,319
Others	7,151	6,156
Allowance for doubtful accounts	(244)	(295)
Total current assets	297,538	312,604
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	59,920	60,958
Machinery and vehicles (net)	23,691	25,377
Land	13,342	13,925
Leased assets (net)	44	38
Construction in progress	9,280	4,563
Others (net)	6,467	6,998
Total property, plant and equipment	112,747	111,862
Intangible assets		
Goodwill	5,814	5,678
Software	4,937	6,962
Others	5,219	3,526
Total intangible assets	15,971	16,167
Investments and other assets		
Investment securities	13,747	14,277
Deferred income taxes	1,304	3,076
Others	3,119	3,013
Allowance for doubtful accounts	(475)	(498)
Total investments and other assets	17,696	19,869
Total fixed assets	146,415	147,899
Total assets	443,954	460,504

	(Millions of yen)	
	FY2016 As of Dec. 31, 2016	First Half of FY2017 As of Jun. 30, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	12,051	12,336
Short-term loans payable	7,477	5,753
Income taxes payable	5,856	8,198
Deferred income taxes	94	47
Accrued employee bonuses	1,781	1,645
Accrued officer bonuses	191	91
Others	16,611	18,321
<b>Total current liabilities</b>	<b>44,063</b>	<b>46,395</b>
<b>Long-term liabilities</b>		
Long-term loans payable	1,498	1,280
Deferred income taxes	1,079	1,000
Net defined benefit liability	4,031	4,314
Others	1,900	2,693
<b>Total long-term liabilities</b>	<b>8,509</b>	<b>9,289</b>
<b>Total liabilities</b>	<b>52,572</b>	<b>55,684</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	35,613	35,613
Capital surplus	5,667	5,667
Retained earnings	347,840	359,384
Treasury stock	(96)	(99)
<b>Total shareholders' equity</b>	<b>389,023</b>	<b>400,564</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain (loss) on other securities	3,666	3,965
Foreign currency translation adjustments	(2,063)	(483)
<b>Total accumulated other comprehensive income</b>	<b>1,602</b>	<b>3,482</b>
<b>Non-controlling interests</b>	<b>754</b>	<b>772</b>
<b>Total net assets</b>	<b>391,381</b>	<b>404,819</b>
<b>Total liabilities and net assets</b>	<b>443,954</b>	<b>460,504</b>

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

## Consolidated Statements of Income

(Millions of yen)

	First Half of FY2016 Jan. 1, 2016 to Jun. 30, 2016	First Half of FY2017 Jan. 1, 2017 to Jun. 30, 2017
Net sales	166,428	163,079
Cost of sales	98,055	95,642
Gross profit	68,373	67,437
Selling, general and administrative expenses	34,209	36,604
Operating income	34,163	30,832
Non-operating income		
Interest income	669	889
Dividend income	183	214
Others	288	122
Total non-operating income	1,141	1,226
Non-operating expenses		
Interest expenses	82	84
Foreign exchange losses	2,927	4,600
Others	664	436
Total non-operating expenses	3,674	5,121
Ordinary income	31,630	26,937
Extraordinary losses		
Loss on factory reconstruction	21	428
Total extraordinary losses	21	428
Income before income taxes	31,608	26,508
Income taxes-current	8,850	10,183
Income taxes-deferred	(169)	(2,449)
Total income taxes	8,680	7,733
Net income	22,927	18,774
Net income attributable to non-controlling interests	4	46
Net income attributable to owners of parent	22,922	18,728

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Half of FY2016 Jan. 1, 2016 to Jun. 30, 2016	First Half of FY2017 Jan. 1, 2017 to Jun. 30, 2017
Net income	22,927	18,774
Other comprehensive income		
Unrealized gain (loss) on other securities	(2,044)	298
Foreign currency translation adjustments	(29,325)	1,555
Total other comprehensive income	(31,370)	1,854
Comprehensive income	(8,442)	20,629
(Breakdown)		
Comprehensive income attributable to owners of parent	(8,310)	20,607
Comprehensive income attributable to non-controlling interests	(131)	21

## (3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	First Half of FY2016	First Half of FY2017
	Jan. 1, 2016 to Jun. 30, 2016	Jan. 1, 2017 to Jun. 30, 2017
Cash flows from operating activities:		
Income before income taxes	31,608	26,508
Depreciation and amortization	7,579	9,184
Interest and dividend income	(853)	(1,103)
Interest expenses	82	84
Foreign exchange losses	891	3,902
Notes and accounts receivable	1,006	694
Inventories	586	(592)
Accounts payable	1,848	388
Net defined benefit liability	1,468	292
Loss on factory reconstruction	21	428
Loss on sales and disposal of property, plant and equipment	112	30
Accrued bonuses	1,769	1,786
Others, net	(2,861)	996
Subtotal	43,261	42,601
Interest and dividend income received	841	1,234
Interest expenses paid	(94)	(85)
Income taxes paid	(13,379)	(7,963)
Net cash provided by operating activities	30,628	35,787
Cash flows from investing activities:		
Purchases of time deposits	(1,108)	(22,374)
Proceeds from maturities of time deposits	320	575
Acquisition of property, plant and equipment	(14,886)	(8,374)
Acquisition of intangible assets	(1,434)	(1,466)
Payments for loss on factory reconstruction	(26)	(123)
Others, net	764	1,228
Net cash used in investing activities	(16,371)	(30,534)
Cash flows from financing activities:		
Short-term loans payable, net	(758)	(1,431)
Proceeds from long-term loans payable	—	76
Repayment of long-term loans payable	(270)	(257)
Repayments of finance lease obligations	(9)	(11)
Acquisition of treasury stock	(4)	(2)
Cash dividends to shareholders	(7,179)	(7,180)
Proceeds from share issuance to non-controlling shareholders	41	—
Cash dividends to non-controlling shareholders	(3)	(3)
Net cash used in financing activities	(8,183)	(8,811)
Effect of exchange rate changes on cash and cash equivalents	(17,704)	(2,790)
Net increase (decrease) in cash and cash equivalents	(11,630)	(6,348)
Cash and cash equivalents at beginning of year	187,869	196,453
Cash and cash equivalents at end of year	176,238	190,105

- (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.

(Segment Information)

First Half of FY2016 (Jan. 1, 2016 – Jun. 30, 2016)

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	132,630	33,601	196	166,428	—	166,428
2) Inter-segment	—	—	—	—	—	—
Total	132,630	33,601	196	166,428	—	166,428
Segment income (loss)	30,586	3,659	(82)	34,163	—	34,163

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

First Half of FY2017 (Jan. 1, 2017 – Jun. 30, 2017)

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

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1) Third parties	129,080	33,799	198	163,079	—	163,079
2) Inter-segment	—	—	—	—	—	—
Total	129,080	33,799	198	163,079	—	163,079
Segment income (loss)	27,063	3,831	(63)	30,832	—	30,832

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