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Summary of Consolidated Financial Results for the First Nine Months of FY2017 (Unaudited)

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

October 24, 2017

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 Date of filing of quarterly report to Ministry of Finance: November 9, 2017 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 Nine Months of FY2017 (January 1, 2017 – September 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 Nine Months of FY2017	245,969	1.8	46,550	(4.0)	40,556	(18.6)	28,104	(23.7)
First Nine Months of FY2016	241,677	(15.7)	48,487	(25.5)	49,834	(40.7)	36,825	(43.1)

(Note) Comprehensive income (loss) First Nine Months of FY2017: 36,552 million yen (-%) First Nine Months of FY2016: (1,497) million yen (-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Nine Months of FY2017	303.16	—
First Nine Months of FY2016	397.24	—

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Nine Months of FY2017	468,285	413,556	88.1
FY2016	443,954	391,381	88.0

(Reference) Shareholders' equity First Nine Months of FY2017: 412,792 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

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)	57,000	(18.6)	40,600	(20.3)	437.96

(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 Nine Months of FY2017	92,720,000 shares	FY2016	92,720,000 shares
② Number of shares of treasury stock at period-end:	First Nine Months of FY2017	17,143 shares	FY2016	16,902 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year):	First Nine Months of FY2017	92,702,958 shares	First Nine Months of FY2016	92,703,345 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 nine months of fiscal year 2017, the European economies were on a recovery trajectory owing to continued improvement in the labor market and recovery of personal consumption although appreciation of the euro caused a lull in recent improvement in manufacturing.

In the U.S., despite temporary weakening of personal consumption in the aftermath of two major hurricanes, moderate economic expansion continued, driven by the buoyant labor market and improved consumer sentiment.

In Japan, while the labor market continued to improve, a moderate recovery of the economy was evident, albeit lacking in vigor.

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 the first nine months of fiscal year 2017, net sales increased 1.8% from the same period of the previous year to 245,969 million yen. Operating income decreased 4.0% to 46,550 million yen, ordinary income decreased 18.6% to 40,556 million yen, and net income attributable to owners of parent decreased 23.7% to 28,104 million yen.

Business Segment Overview

① Bicycle Components

In Europe, retail sales of completed bicycles, which had been somewhat soft since the beginning of the year, were at the same level as the previous year for a first nine-month period despite lacking vigor, 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 continued to be somewhat low.

In China, retail sales of completed bicycles were below the previous year's level as retail sales of low-end bicycles remained lackluster, although distributor inventories were at an appropriate level.

With regard to the other emerging markets, whereas retail sales of completed bicycles in Southeast Asia remained at the same level as the previous year, retail sales of completed bicycles in South America showed signs of recovery, particularly in Brazil and Argentina. Distributor inventories were at an appropriate level both in Southeast Asia and South America.

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

In these market conditions, there are high expectations for the next season in Europe because of diversification of bicycle types, including E-bikes. Sales of both the DEORE mountain bike components released in May 2017 and the ULTEGRA road bike components released in June 2017 remained robust, and the additional ULTEGRA Di2 (electronic shifting system) and disc brakes released in August 2017 were well received in the market.

As a result, net sales from this segment increased 1.4% from the same period of the previous year to 195,626 million yen, and operating income decreased 4.9% to 41,105 million yen.

② Fishing Tackle

The Japanese market was robust, benefitting from the relatively stable weather.

Overseas, Texas and Florida, the two major markets in North America, were affected by heavy damage caused by major hurricanes in late August. In Europe, the overall market slowed somewhat, reflecting increases in distributor inventories in the UK and Germany and the impact of an extremely hot summer in Italy. On the other hand, in Asia, sales in China and South Korea continued to be robust, and the recovery trend of the Southeast Asian market, which had been affected by an economic slowdown, became clear in line with the progress of reduction in distributor inventories. In Australia, the market was robust owing to improved weather and a better economic environment.

In these market conditions, lure-related products and other new products were well received in the market and achieved robust sales growth. As a result, sales in Japan exceeded the previous year's level. Overseas, although sales in North America lacked vigor because of the market conditions, overseas sales exceeded the previous year's level thanks to buoyant sales in China and South Korea as well as in Australia and because sales in Southeast Asia were on a recovery track.

As a result, net sales from this segment increased 3.3% from the same period of the previous year to 50,058 million yen, and operating income increased 1.9% to 5,476 million yen.

③ Others

Net sales from this segment decreased 3.3% from the same period of the previous year to 284 million yen and an operating loss of 32 million yen was recorded, following an operating loss of 123 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 nine months of fiscal year 2017 amounted to 468,285 million yen (an increase of 24,331 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 21,183 million yen in cash and time deposits, an increase of 3,368 million yen in merchandise and finished goods, an increase of 1,758 million yen in software, an increase of 1,664 million yen in deferred income taxes of investments and other assets, and a decrease of 4,597 million yen in construction in progress.

(Liabilities)

Total liabilities as of the end of the first nine months of fiscal year 2017 amounted to 54,729 million yen (an increase of 2,156 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 1,090 million yen in others of long-term liabilities and an increase of 1,080 million yen in accrued employee bonuses.

(Net assets)

Net assets as of the end of the first nine months of fiscal year 2017 amounted to 413,556 million yen (an increase of 22,175 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 13,735 million yen in retained earnings and an increase of 8,179 million yen in foreign currency translation adjustments.

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

The forecast of ordinary income and net income attributable to owners of parent for the full year has been revised as below, because non-operating expenses were recorded in the third quarter owing to the depreciation of the U.S. dollar against major Asian currencies.

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	63,000	58,900	42,100	454.14
Revised forecast (B)	330,000	63,000	57,000	40,600	437.96
Difference (B-A)	—	—	(1,900)	(1,500)	
Change (%)	—	—	(3.2)	(3.6)	
Full year results for FY2016	322,998	64,546	70,002	50,964	549.76

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.

During the third quarter of fiscal year 2017, Shimano American Corporation changed its name to Shimano North America Holding, Inc. and Shimano Polska Bicycle Parts Sp. z o.o. changed its name to Shimano Polska Sp. z o.o.

(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 Nine Months of FY2017 As of Sep. 30, 2017
Assets		
Current assets		
Cash and time deposits	199,772	220,956
Notes and accounts receivable-trade	34,302	34,112
Merchandise and finished goods	31,740	35,108
Work in process	17,218	17,573
Raw materials and supplies	4,658	4,831
Deferred income taxes	2,938	3,157
Others	7,151	6,150
Allowance for doubtful accounts	(244)	(424)
Total current assets	297,538	321,466
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	59,920	60,625
Machinery and vehicles (net)	23,691	24,850
Land	13,342	13,890
Leased assets (net)	44	44
Construction in progress	9,280	4,682
Others (net)	6,467	6,707
Total property, plant and equipment	112,747	110,801
Intangible assets		
Goodwill	5,814	5,689
Software	4,937	6,696
Others	5,219	3,844
Total intangible assets	15,971	16,230
Investments and other assets		
Investment securities	13,747	14,296
Deferred income taxes	1,304	2,968
Others	3,119	3,020
Allowance for doubtful accounts	(475)	(498)
Total investments and other assets	17,696	19,787
Total fixed assets	146,415	146,819
Total assets	443,954	468,285

	(Millions of yen)	
	FY2016 As of Dec. 31, 2016	First Nine Months of FY2017 As of Sep. 30, 2017
Liabilities		
Current liabilities		
Accounts payable-trade	12,051	12,180
Short-term loans payable	7,477	7,085
Income taxes payable	5,856	5,790
Deferred income taxes	94	51
Accrued employee bonuses	1,781	2,862
Accrued officer bonuses	191	136
Others	16,611	17,178
Total current liabilities	44,063	45,286
Long-term liabilities		
Long-term loans payable	1,498	1,138
Deferred income taxes	1,079	991
Net defined benefit liability	4,031	4,321
Others	1,900	2,991
Total long-term liabilities	8,509	9,442
Total liabilities	52,572	54,729
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,667	5,667
Retained earnings	347,840	361,575
Treasury stock	(96)	(100)
Total shareholders' equity	389,023	402,755
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	3,666	3,921
Foreign currency translation adjustments	(2,063)	6,115
Total accumulated other comprehensive income	1,602	10,037
Non-controlling interests	754	764
Total net assets	391,381	413,556
Total liabilities and net assets	443,954	468,285

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	First Nine Months of FY2016 Jan. 1, 2016 to Sep. 30, 2016	First Nine Months of FY2017 Jan. 1, 2017 to Sep. 30, 2017
Net sales	241,677	245,969
Cost of sales	142,951	144,444
Gross profit	98,725	101,524
Selling, general and administrative expenses	50,237	54,974
Operating income	48,487	46,550
Non-operating income		
Interest income	1,017	1,492
Dividend income	248	315
Foreign exchange gains	371	—
Others	400	244
Total non-operating income	2,038	2,052
Non-operating expenses		
Interest expenses	118	129
Foreign exchange losses	—	7,253
Others	573	663
Total non-operating expenses	691	8,046
Ordinary income	49,834	40,556
Extraordinary losses		
Loss on factory reconstruction	440	455
Total extraordinary losses	440	455
Income before income taxes	49,394	40,100
Income taxes-current	12,424	14,152
Income taxes-deferred	163	(2,185)
Total income taxes	12,587	11,967
Net income	36,806	28,133
Net income (loss) attributable to non-controlling interests	(18)	29
Net income attributable to owners of parent	36,825	28,104

Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Nine Months of FY2016 Jan. 1, 2016 to Sep. 30, 2016	First Nine Months of FY2017 Jan. 1, 2017 to Sep. 30, 2017
Net income	36,806	28,133
Other comprehensive income		
Unrealized gain (loss) on other securities	(1,540)	254
Foreign currency translation adjustments	(36,763)	8,163
Total other comprehensive income	(38,303)	8,418
Comprehensive income	(1,497)	36,552
(Breakdown)		
Comprehensive income attributable to owners of parent	(1,326)	36,538
Comprehensive income attributable to non-controlling interests	(170)	13

- (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 Nine Months of FY2016 (Jan. 1, 2016 – Sep. 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	192,939	48,443	294	241,677	—	241,677
2) Inter-segment	—	—	—	—	—	—
Total	192,939	48,443	294	241,677	—	241,677
Segment income (loss)	43,236	5,373	(123)	48,487	—	48,487

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

First Nine Months of FY2017 (Jan. 1, 2017 – Sep. 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	195,626	50,058	284	245,969	—	245,969
2) Inter-segment	—	—	—	—	—	—
Total	195,626	50,058	284	245,969	—	245,969
Segment income (loss)	41,105	5,476	(32)	46,550	—	46,550

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