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## Summary of Consolidated Financial Results for FY2017 (Unaudited)

(January 1, 2017 – December 31, 2017) [Japanese Standard] (Consolidated)

February 13, 2018

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 Date of Shareholders' Meeting: March 27, 2018 Scheduled payment date for dividends: March 28, 2018  
 Date of filing of annual report to Ministry of Finance: March 28, 2018  
 Supplemental information: Yes  
 Financial results briefing: Yes

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

### 1. Consolidated financial results for FY2017 (January 1, 2017 – December 31, 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	%
FY2017	335,800	4.0	64,351	(0.3)	55,748	(20.4)	38,443	(24.6)
FY2016	322,998	(14.7)	64,546	(24.1)	70,002	(30.8)	50,964	(33.1)

(Note) Comprehensive income FY2017: 54,090 million yen (56.1%)

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

	Basic earnings per share	Diluted earnings per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2017	414.69	—	9.4	12.0	19.2
FY2016	549.76	—	13.4	16.0	20.0

(Reference) Equity in earnings FY2017: — million yen

FY2016: — million yen

### (2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2017	488,770	430,465	88.0	4,641.86
FY2016	443,954	391,381	88.0	4,213.74

(Reference) Shareholders' equity FY2017: 430,313 million yen

FY2016: 390,626 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
FY2017	69,265	(51,657)	(15,173)	199,762
FY2016	64,034	(34,054)	(15,536)	196,453

### 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			
FY2016	—	77.50	—	77.50	155.00	14,368	28.2	3.8
FY2017	—	77.50	—	77.50	155.00	14,368	37.4	3.5
FY2018 (Forecast)	—	77.50	—	77.50	155.00		30.4	

(Note) The year-end cash dividend for FY2017 included a special dividend of 71.25 yen.

### 3. Forecasted consolidated business performance for FY2018 (January 1, 2018 – December 31, 2018)

(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 FY2018	173,300	6.3	33,000	7.0	33,000	22.5	23,300	24.4	251.34
FY2018	350,000	4.2	67,000	4.1	67,000	20.2	47,200	22.8	509.15

\*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: None
- 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:

FY2017	92,720,000 shares	FY2016	92,720,000 shares
FY2017	17,276 shares	FY2016	16,902 shares
FY2017	92,702,907 shares	FY2016	92,703,299 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for FY2017 (January 1, 2017 – December 31, 2017)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2017	191,088	5.4	26,359	(1.8)	31,483	0.9	23,509	5.8
FY2016	181,215	(38.0)	26,849	(10.6)	31,216	(9.6)	22,224	(6.7)

  

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
FY2017	253.60		—	
FY2016	239.73		—	

(2) Non-consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2017	177,440	137,233	77.3	1,480.36
FY2016	157,594	127,387	80.8	1,374.14

(Reference) Shareholders' equity FY2017: 137,233 million yen FY2016: 127,387 million yen

This financial report is outside the scope of audit.

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 4 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. Overview of Business Results

### (1) Overview of Operations for FY2017

During fiscal year 2017, the European economies were on a recovery trajectory as companies' investment sentiment picked up in light of the increase in exports, in addition to continued improvement in the labor market and recovery of personal consumption. In the U.S., despite temporary negative effects on 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 robust labor market supported personal consumption and the economy followed a moderate recovery track, the recovery lacked 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 fiscal year 2017, net sales increased 4.0% from the previous year to 335,800 million yen. Operating income decreased 0.3% to 64,351 million yen, ordinary income decreased 20.4% to 55,748 million yen, and net income attributable to owners of parent decreased 24.6% to 38,443 million yen.

#### Reportable Segment Overview

##### Bicycle Components

In Europe, while retail sales of completed bicycles were somewhat sluggish at the beginning of the year, sales picked up from the middle of the year and were eventually at the same level as the previous year. Accordingly, distributor inventories of bicycles in Europe remained at an appropriate level.

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

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

Under these market conditions, sales of the flagship road bike component DURA-ACE DI2 (electronic shifting system) and the SHIMANO STEPS E8000 drive unit for E-MTB, for which shipments began at the end of 2016, were robust. 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 also well received in the market.

As a result, net sales from this segment increased 4.1% from the previous year to 270,206 million yen, and operating income decreased 0.8% to 57,410 million yen.

##### Fishing Tackle

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

Overseas, the North American market was severely affected by two major hurricanes directly hitting its two major markets, Texas and Florida. In Europe, distributor inventories increased, as retail sales fell into a slump in the UK, which led the market in the first half of the year, as well as in the major markets of Germany and Italy. In Australia, despite a delay in the start of the fishing season and the sluggish performance of major chain stores, sales stabilized in the second half of the year and the market was robust. On the other hand, in Asia, sales in China and South Korea continued to be robust as per the previous year, and the recovery trend of the Southeast Asian market became evident.

Under these market conditions, in Japan, lure-related products and other new products achieved robust sales. 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 on the whole exceeded the previous year's level thanks to buoyant sales in Asia.

As a result, net sales from this segment increased 3.3% from the previous year to 65,220 million yen, and operating income increased 2.5% to 7,013 million yen.

### Others

Net sales from this segment decreased 6.5% from the previous year to 373 million yen and an operating loss of 72 million yen was recorded, following an operating loss of 170 million yen for the previous year.

## (2) Overview of Financial Position for FY2017

### (Assets)

Total assets as of the end of fiscal year 2017 amounted to 488,770 million yen (an increase of 44,815 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 41,495 million yen in cash and time deposits, an increase of 2,080 million yen in merchandise and finished goods, an increase of 1,912 million yen in work in process, an increase of 1,731 million yen in software, an increase of 1,299 million yen in deferred income taxes of investments and other assets, and a decrease of 4,456 million yen in construction in progress.

### (Liabilities)

Total liabilities as of the end of fiscal year 2017 amounted to 58,304 million yen (an increase of 5,731 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 2,839 million yen in income taxes payable, an increase of 1,360 million yen in others of long-term liabilities, and an increase of 1,206 million yen in others of current liabilities.

### (Net assets)

Net assets as of the end of fiscal year 2017 amounted to 430,465 million yen (an increase of 39,084 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 24,074 million yen in retained earnings and an increase of 14,936 million yen in foreign currency translation adjustments.

## (3) Overview of Cash Flows for FY2017

Net cash provided by operating activities amounted to 69,265 million yen compared with 64,034 million yen provided for the previous year. The main cash inflows included income before income taxes amounting to 54,563 million yen, depreciation and amortization amounting to 18,805 million yen, and foreign exchange losses amounting to 10,062 million yen. The main cash outflows included income taxes paid amounting to 15,775 million yen.

Net cash used in investing activities amounted to 51,657 million yen compared with 34,054 million yen used for the previous year. The main cash inflows included proceeds from maturities of time deposits amounting to 21,940 million yen. The main cash outflows included purchases of time deposits amounting to 59,621 million yen and acquisition of property, plant and equipment amounting to 12,858 million yen.

Net cash used in financing activities amounted to 15,173 million yen compared with 15,536 million yen used for the previous year. The main cash outflows included cash dividends to shareholders amounting to 14,363 million yen.

As a result, cash and cash equivalents at the end of the year were 199,762 million yen.

Cash flow indicators are shown in the following table.

	FY2013	FY2014	FY2015	FY2016	FY2017
Equity ratio (%)	84.6	83.2	86.3	88.0	88.0
Market value equity ratio (%)	262.2	365.5	403.2	383.0	300.6
Interest-bearing debt to cash flow ratio (%)	0.20	0.23	0.13	0.15	0.14
Interest coverage ratio (times)	155.8	164.5	243.8	369.9	365.6

### (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 × 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.

#### (4) Forecast for the Future

In Europe, recovery of personal consumption is expected to continue thanks to an improvement in the employment environment, but exports, which have always been the key to economic recovery, may slow down due to the euro's appreciation. In the U.S., the economy will be upheld by a better corporate investment sentiment resulting from tax reforms and by recovery in personal consumption on the back of a good employment environment, but concerns exist that the increasing risk of global conflict and confusion in domestic politics will pour cold water on the economy.

Meanwhile, in Japan, the economy is expected to sustain a recovery tone on the back of firm domestic and overseas demand, but market turmoil resulting from rising geopolitical risks on the Korean Peninsula and in the Middle East, as well as U.S. policy developments, could have an impact on the economy, which cannot be ignored.

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, 2018 is indicated below.

(Millions of yen)

	FY2018	Change from the previous year (%)
Net sales	350,000	4.2
Operating income	67,000	4.1
Ordinary income	67,000	20.2
Net income attributable to owners of parent	47,200	22.8

Sales forecasts by segment are indicated below.

(Millions of yen)

		First half		Second half		Full year	
		Amount	%	Amount	%	Amount	%
Bicycle components	Japan	4,500	2.6	5,600	3.2	10,100	2.9
	Overseas	133,500	77.0	138,900	78.6	272,400	77.8
	Sub-total	138,000	79.6	144,500	81.8	282,500	80.7
Fishing tackle		35,000	20.2	32,000	18.1	67,000	19.2
Others		300	0.2	200	0.1	500	0.1
Total		173,300	100.0	176,700	100.0	350,000	100.0

#### (5) Dividend Policy and Cash Dividends for FY2017 and FY2018

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 2017 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 2018 (77.50 yen for interim and year-end cash dividends, respectively).

## **2. 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.

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

(Millions of yen)

	FY2016 As of Dec. 31, 2016	FY2017 As of Dec. 31, 2017
<b>Assets</b>		
Current assets		
Cash and time deposits	199,772	241,268
Notes and accounts receivable-trade	34,302	35,574
Merchandise and finished goods	31,740	33,820
Work in process	17,218	19,131
Raw materials and supplies	4,658	4,650
Deferred income taxes	2,938	3,080
Others	7,151	5,640
Allowance for doubtful accounts	(244)	(370)
Total current assets	297,538	342,795
Fixed assets		
Property, plant and equipment		
Buildings and structures	89,571	91,774
Accumulated depreciation	(29,543)	(31,437)
Accumulated impairment loss	(107)	(108)
Buildings and structures (net)	59,920	60,229
Machinery and vehicles	70,864	77,049
Accumulated depreciation	(47,064)	(52,380)
Accumulated impairment loss	(108)	(103)
Machinery and vehicles (net)	23,691	24,564
Land	13,342	13,890
Leased assets	112	122
Accumulated depreciation	(67)	(59)
Leased assets (net)	44	62
Construction in progress	9,280	4,823
Others	49,360	52,969
Accumulated depreciation	(42,882)	(46,719)
Accumulated impairment loss	(10)	(10)
Others (net)	6,467	6,240
Total property, plant and equipment	112,747	109,810
Intangible assets		
Goodwill	5,814	5,388
Software	4,937	6,668
Others	5,219	3,968
Total intangible assets	15,971	16,025
Investments and other assets		
Investment securities	13,747	15,029
Deferred income taxes	1,304	2,603
Others	3,119	3,009
Allowance for doubtful accounts	(475)	(504)
Total investments and other assets	17,696	20,138
Total fixed assets	146,415	145,974
Total assets	443,954	488,770



(Millions of yen)

	FY2016 As of Dec. 31, 2016	FY2017 As of Dec. 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	12,051	13,036
Short-term loans payable	7,477	7,571
Income taxes payable	5,856	8,696
Deferred income taxes	94	46
Accrued employee bonuses	1,781	1,976
Accrued officer bonuses	191	181
Others	16,611	17,818
<b>Total current liabilities</b>	<b>44,063</b>	<b>49,327</b>
<b>Long-term liabilities</b>		
Long-term loans payable	1,498	1,009
Deferred income taxes	1,079	646
Net defined benefit liability	4,031	4,060
Others	1,900	3,260
<b>Total long-term liabilities</b>	<b>8,509</b>	<b>8,976</b>
<b>Total liabilities</b>	<b>52,572</b>	<b>58,304</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	35,613	35,613
Capital surplus	5,667	5,642
Retained earnings	347,840	371,914
Treasury stock	(96)	(102)
<b>Total shareholders' equity</b>	<b>389,023</b>	<b>413,066</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain (loss) on other securities	3,666	4,374
Foreign currency translation adjustments	(2,063)	12,872
<b>Total accumulated other comprehensive income</b>	<b>1,602</b>	<b>17,246</b>
<b>Non-controlling interests</b>	<b>754</b>	<b>152</b>
<b>Total net assets</b>	<b>391,381</b>	<b>430,465</b>
<b>Total liabilities and net assets</b>	<b>443,954</b>	<b>488,770</b>

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

	(Millions of yen)	
	FY2016 Jan. 1, 2016 to Dec. 31, 2016	FY2017 Jan. 1, 2017 to Dec. 31, 2017
Net sales	322,998	335,800
Cost of sales	191,461	198,344
Gross profit	131,537	137,456
Selling, general and administrative expenses	66,991	73,105
Operating income	64,546	64,351
Non-operating income		
Interest income	1,402	2,190
Dividend income	513	428
Foreign exchange gains	4,622	—
Others	574	621
Total non-operating income	7,112	3,241
Non-operating expenses		
Interest expenses	161	184
Contribution	806	160
Loss on disposal of fixed assets	210	177
Foreign exchange losses	—	10,955
Others	478	365
Total non-operating expenses	1,656	11,844
Ordinary income	70,002	55,748
Extraordinary losses		
Loss on impairment	* 869	* 144
Loss on factory reconstruction	555	1,039
Loss on business withdrawal	175	—
Total extraordinary losses	1,600	1,184
Income before income taxes	68,402	54,563
Income taxes-current	17,359	18,433
Income taxes-deferred	148	(2,334)
Total income taxes	17,508	16,098
Net income	50,894	38,464
Net income (loss) attributable to non-controlling interests	(69)	21
Net income attributable to owners of parent	50,964	38,443

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2016 Jan. 1, 2016 to Dec. 31, 2016	FY2017 Jan. 1, 2017 to Dec. 31, 2017
Net income	50,894	38,464
Other comprehensive income		
Unrealized gain (loss) on other securities	(105)	707
Foreign currency translation adjustments	(16,141)	14,918
Total other comprehensive income	(16,246)	15,626
Comprehensive income	34,647	54,090
(Breakdown)		
Comprehensive income attributable to owners of parent	34,773	54,087
Comprehensive income attributable to non-controlling interests	(126)	3

## (3) Consolidated Statements of Shareholders' Equity

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
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
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

FY2017 (From January 1, 2017 to December 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	35,613	5,667	347,840	(96)	389,023
Changes of items during the year					
Cash dividends paid			(14,368)		(14,368)
Net income attributable to owners of parent			38,443		38,443
Acquisition of treasury stock				(6)	(6)
Change in equity of parent arising from transactions with non-controlling shareholders		(25)			(25)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	(25)	24,074	(6)	24,042
Balance at end of year	35,613	5,642	371,914	(102)	413,066

	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	3,666	(2,063)	1,602	754	391,381
Changes of items during the year					
Cash dividends paid					(14,368)
Net income attributable to owners of parent					38,443
Acquisition of treasury stock					(6)
Change in equity of parent arising from transactions with non-controlling shareholders					(25)
Net changes of items other than shareholders' equity	707	14,936	15,644	(602)	15,041
Total changes of items during the year	707	14,936	15,644	(602)	39,084
Balance at end of year	4,374	12,872	17,246	152	430,465

## (4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	FY2016	FY2017
	Jan. 1, 2016 to Dec. 31, 2016	Jan. 1, 2017 to Dec. 31, 2017
Cash flows from operating activities:		
Income before income taxes	68,402	54,563
Depreciation and amortization	15,534	18,805
Loss on impairment	869	144
Loss on business withdrawal	175	—
Allowance for doubtful accounts	(54)	142
Interest and dividend income	(1,915)	(2,619)
Interest expenses	161	184
Foreign exchange losses (gains)	(4,517)	10,062
Notes and accounts receivable	2,168	(707)
Inventories	3,586	(2,399)
Accounts payable	903	719
Net defined benefit liability	1,297	32
Loss on factory reconstruction	555	1,039
Loss on sales and disposal of property, plant and equipment	183	101
Others, net	(1,212)	2,579
Subtotal	86,137	82,649
Interest and dividend income received	1,713	2,580
Interest expenses paid	(173)	(189)
Income taxes paid	(23,643)	(15,775)
Net cash provided by operating activities	64,034	69,265
Cash flows from investing activities:		
Purchases of time deposits	(1,471)	(59,621)
Proceeds from maturities of time deposits	317	21,940
Acquisition of property, plant and equipment	(29,381)	(12,858)
Proceeds from sales of property, plant and equipment	2,024	1,387
Acquisition of intangible assets	(2,633)	(2,803)
Payments for loss on factory reconstruction	(484)	(533)
Acquisition of investment securities	(198)	—
Proceeds from sales of investment securities	0	209
Short-term loans receivable, net	(84)	90
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,367)	—
Others, net	1,224	531
Net cash used in investing activities	(34,054)	(51,657)

(Millions of yen)

	FY2016 Jan. 1, 2016 to Dec. 31, 2016	FY2017 Jan. 1, 2017 to Dec. 31, 2017
Cash flows from financing activities:		
Short-term loans payable, net	(415)	307
Proceeds from long-term loans payable	—	79
Repayment of long-term loans payable	(527)	(538)
Repayments of finance lease obligations	(17)	(19)
Acquisition of treasury stock	(6)	(6)
Cash dividends to shareholders	(14,365)	(14,363)
Proceeds from share issuance to non-controlling shareholders	41	—
Cash dividends to non-controlling shareholders	(4)	(3)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(240)	(627)
Net cash used in financing activities	<u>(15,536)</u>	<u>(15,173)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(5,858)</u>	<u>873</u>
Net increase (decrease) in cash and cash equivalents	<u>8,584</u>	<u>3,308</u>
Cash and cash equivalents at beginning of year	<u>187,869</u>	<u>196,453</u>
Cash and cash equivalents at end of year	<u>196,453</u>	<u>199,762</u>

## (5) Notes relating to Consolidated Financial Statements

(Note concerning Assumption of Going Concern)

Not applicable.

## (Preparation of the Consolidated Financial Statements - Significant Matters)

(Consolidation)

The consolidated financial statements include the accounts of the Company and its 51 subsidiaries.

During 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.

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.

(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.

## (Additional Information)

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

Effective from 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).

## (Notes relating to Consolidated Statements of Income)

\* 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%.



FY2017 (Jan. 1, 2017 - Dec. 31, 2017)

The Shimano Group recognized loss on impairment for the following assets.

Location	Use	Category	Amount
Innovative Textiles, Inc.	Fishing Tackle	Goodwill	144 million yen

(Background)

As a result of reviewing the profit plan of Innovative Textiles, Inc., the book value of goodwill was reduced to the recoverable amount and the amount of decline was recorded as loss on impairment 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 is measured by the value in use, which is the present value of the future cash flow calculated at the discount rate of 16.5%.

## (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.

Principle 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

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.

FY2017 (Jan. 1, 2017 - Dec. 31, 2017)

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1)Third parties	270,206	65,220	373	335,800	—	335,800
2)Inter-segment	—	—	—	—	—	—
Total	270,206	65,220	373	335,800	—	335,800
Segment income (loss)	57,410	7,013	(72)	64,351	—	64,351
Segment assets	137,005	35,071	792	172,868	315,901	488,770
Other items						
Depreciation and amortization	15,899	2,354	44	18,298	—	18,298
Amortization of goodwill	375	131	0	507	—	507
Increase in property, plant and equipment and intangible assets	11,989	1,601	2	13,593	1,663	15,257

- Notes:
1. Segment assets adjustment was 315,901 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 on loss on impairment of fixed assets by reportable segment]

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

FY2017 (Jan. 1, 2017 - Dec. 31, 2017)

(Millions of yen)

	Reportable Segment				Adjustment	Total
	Bicycle Components	Fishing Tackle	Others	Total		
Loss on impairment	—	144	—	144	—	144

[Related information]

Information by geographical area

Net Sales

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.

FY2017 (Jan. 1, 2017 - Dec. 31, 2017)

(Millions of yen)

Japan	North America	Europe	Asia	Other	Total
38,305	35,770	128,347	116,513	16,863	335,800

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

(Per Share Data)

	FY2016 Jan. 1, 2016 to Dec. 31, 2016	FY2017 Jan. 1, 2017 to Dec. 31, 2017
Net assets per share	4,213.74 yen	4,641.86 yen
Basic earnings per share	549.76 yen	414.69 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

Basic earnings per share

	FY2016 Jan. 1, 2016 to Dec. 31, 2016	FY2017 Jan. 1, 2017 to Dec. 31, 2017
Net income attributable to owners of parent (millions of yen)	50,964	38,443
Amount not attributable to common shareholders (millions of yen)	—	—
Net income attributable to owners of parent related to common stock (millions of yen)	50,964	38,443
Average number of shares of common stock outstanding (thousand shares)	92,703	92,702

(Significant Subsequent Events)

Not applicable.

#### 4. Change in Members of the Board

At the meeting of the Board of Directors held on February 13, 2018, the Company made a decision on change in members of the Board as stated below.

This change is scheduled to be approved at the 111th General Meeting of Shareholders to be held on March 27, 2018 and at the meeting of the Board of Directors to be held following the conclusion of the said General Meeting of Shareholders.

##### 1. New members of the Board of Directors

Senior Vice President,

Human Resources Dept., General Operations Div. Masahiro Ohtake

(Currently Vice President, Human Resources Dept., General Operations Div.)

Senior Vice President,

Head of Fishing Operations Div. and Fishing Tackle Production Dept. Kinji Kiyotani

(Currently Vice President, Head of Fishing Operations Div. and Fishing Tackle Production Dept.)

##### 2. New Outside Audit & Supervisory Board Member

Outside Audit & Supervisory Board Member

Toshihiko Hashimoto

(Currently Hashimoto Certified Tax Accountant Office)

##### 3. Member of the Board of Directors Resigning Post

Senior Vice President,

Chief of Research & Development Dept., Fishing Operations Div.

Yasuhiro Hitomi

##### 4. Outside Audit & Supervisory Board Member Resigning Post

Outside Audit & Supervisory Board Member

Gohei Matsumoto