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Summary of Consolidated Financial Results for FY2018 (Unaudited)

(January 1, 2018 – December 31, 2018) [Japanese Standard] (Consolidated)

February 12, 2019

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 Vice President, Accounting: Michiyasu Hirose Scheduled payment date for dividends: March 27, 2019
 Date of Shareholders' Meeting: March 26, 2019
 Date of filing of annual report to Ministry of Finance: March 27, 2019
 Supplemental information: Yes
 Financial results briefing: Yes

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

1. Consolidated financial results for FY2018 (January 1, 2018 – December 31, 2018)

(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	%
FY2018	348,035	3.6	65,687	2.1	73,588	32.0	53,931	40.3
FY2017	335,800	4.0	64,351	(0.3)	55,748	(20.4)	38,443	(24.6)

(Note) Comprehensive income FY2018: 37,379 million yen (-30.9%)

FY2017: 54,090 million yen (56.1%)

	Basic earnings per share	Diluted earnings per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2018	581.77	—	12.2	14.8	18.9
FY2017	414.69	—	9.4	12.0	19.2

(Reference) Equity in earnings FY2018: — million yen

FY2017: — million yen

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2018	504,283	453,457	89.9	4,890.08
FY2017	488,770	430,465	88.0	4,641.86

(Reference) Shareholders' equity FY2018: 453,318 million yen

FY2017: 430,313 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
FY2018	49,593	(49,008)	(21,709)	176,392
FY2017	69,265	(51,657)	(15,173)	199,762

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			
FY2017	—	77.50	—	77.50	155.00	14,368	37.4	3.5
FY2018	—	77.50	—	77.50	155.00	14,368	26.6	3.3
FY2019 (Forecast)	—	77.50	—	77.50	155.00	—	—	—

(Note) The year-end cash dividend for FY2018 included a special dividend of 71.25 yen.

3. Forecasted consolidated business performance for FY2019 (January 1, 2019 – December 31, 2019)

(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 FY2019	177,900	1.8	34,600	0.3	34,600	(9.8)	25,600	(7.6)	276.15
FY2019	365,000	4.9	73,000	11.1	73,000	(0.8)	54,000	0.1	582.51

*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:

FY2018	92,720,000 shares	FY2017	92,720,000 shares
FY2018	18,430 shares	FY2017	17,276 shares
FY2018	92,702,150 shares	FY2017	92,702,907 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for FY2018 (January 1, 2018 – December 31, 2018)

(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	%
FY2018	204,851	7.2	29,708	12.7	38,609	22.6	30,418	29.4
FY2017	191,088	5.4	26,359	(1.8)	31,483	0.9	23,509	5.8

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
FY2018	328.13	—	—	—
FY2017	253.60	—	—	—

(2) Non-consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2018	192,781	151,611	78.6	1,635.48
FY2017	177,440	137,233	77.3	1,480.36

(Reference) Shareholders' equity FY2018: 151,611 million yen FY2017: 137,233 million yen

This financial report is outside the scope of audit by certified public accountants or audit corporations.

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 FY2018

During fiscal year 2018, the European economy was on a mild recovery trajectory with stable personal consumption backed by improvements in employment and income environments. The pace of the recovery, however, was not a little affected by growing uncertainty about the economy's future following the U.S.-China trade issues. The U.S. saw its economy grow steadily, as business conditions remained solid against the backdrop of the tax reduction policy and the buoyant employment environment fueled strong personal consumption. In Japan, the robust employment environment supported personal consumption and the economy stayed firm despite temporary declines in consumption and exports in the aftermath of a series of natural disasters such as heavy rain and typhoons,.

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 2018, net sales increased 3.6% from the previous year to 348,035 million yen. Operating income increased 2.1% to 65,687 million yen, ordinary income increased 32.0% to 73,588 million yen, and net income attributable to owners of parent increased 40.3% to 53,931 million yen.

Reportable Segment Overview

Bicycle Components

In Europe, retail sales of completed bicycles, mainly sport E-BIKE, were generally robust partly because the favorable weather continued from April through the summer season, and distributor inventories of bicycles remained relatively low.

In North America, retail unit sales of completed bicycles fell below the previous year's level, but shifting to high-end models helped retail sales amount to stay at the same level as the previous year. Distributor inventories remained at an appropriate level.

In China, retail sales of completed bicycles were below the previous year's level, but distributor inventories remained in an appropriate range.

With regard to the other emerging markets, Southeast Asia as a whole lacked vigor although retail sales of completed bicycles showed signs of a gradual recovery in Indonesia. In South America, the Brazilian market eventually bottomed out after consumption had slightly weakened, while the Argentine market remained stagnant due to the effects of currency depreciation. Distributor inventories remained at an appropriate level except for the Argentine market.

In the Japanese market, retail sales of both sports bicycles and community bicycles remained sluggish owing partly to unseasonable weather conditions, which started with the cold waves at the beginning of the year, as well as natural disasters. Nonetheless, retail sales of E-BIKE as a whole increased, and particularly, sport E-BIKE has gained more attention. Distributor inventories remained at a slightly high level within an appropriate range.

Under these market conditions, the new SHIMANO 105 Series, which is one of the high-end road bike components, and the new SHIMANO STEPS E7000/E6100 sport E-BIKE components, were well received in the market.

As a result, net sales from this segment increased 2.6% from the previous year to 277,243 million yen, and operating income decreased 0.3% to 57,250 million yen.

Fishing Tackle

In the Japanese market, retail sales were lackluster as a series of natural disasters from the beginning of the year affected the fishing environment and consumer sentiment.

Overseas, in the North American market, sales remained robust supported by the steadily expanding economy despite the east coast suffering from a hurricane disaster. In Europe, distributor inventories remained at a slightly high level in the UK, one of the major markets, but showed a sign of adjustment to an appropriate level. Australia recorded strong sales since favorable weather continued after cyclones hit the country in March. In Asia, Chinese, South Korean, and Southeast Asian markets witnessed robust sales thanks to growing popularity of sports fishing.

Under these market conditions, sales in Japan topped the previous year's level because the new lure-related products, among other products, were continuously well received in the market. Overseas, sales on the whole exceeded the previous year's level, especially as Curado DC, the new model of baitcasting reel

equipped with a digital control braking system, was highly acclaimed.

As a result, net sales from this segment increased 8.0% from the previous year to 70,436 million yen, and operating income increased 21.8% to 8,544 million yen.

Others

Net sales from this segment decreased 4.7% from the previous year to 355 million yen and an operating loss of 107 million yen was recorded, following an operating loss of 72 million yen for the previous year.

(2) Overview of Financial Position for FY2018

(Assets)

Total assets as of the end of fiscal year 2018 amounted to 504,283 million yen (an increase of 15,512 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 10,265 million yen in construction in progress, an increase of 3,871 million yen in work in process, an increase of 3,414 million yen in notes and accounts receivable-trade, and a decrease of 3,003 million yen in machinery and vehicles.

(Liabilities)

Total liabilities as of the end of fiscal year 2018 amounted to 50,825 million yen (a decrease of 7,478 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 1,609 million yen in provision for loss on fire, a decrease of 6,969 million yen in short-term loans payable, and a decrease of 1,598 million yen in income taxes payable.

(Net assets)

Net assets as of the end of fiscal year 2018 amounted to 453,457 million yen (an increase of 22,991 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 39,562 million yen in retained earnings and a decrease of 14,725 million yen in foreign currency translation adjustments.

(3) Overview of Cash Flows for FY2018

Net cash provided by operating activities amounted to 49,593 million yen compared with 69,265 million yen provided for the previous year. The main cash inflows included income before income taxes amounting to 71,224 million yen and depreciation and amortization amounting to 17,512 million yen. The main cash outflows included income taxes paid amounting to 18,676 million yen.

Net cash used in investing activities amounted to 49,008 million yen compared with 51,657 million yen used for the previous year. The main cash inflows included proceeds from maturities of time deposits amounting to 96,515 million yen. The main cash outflows included purchases of time deposits amounting to 122,008 million yen and acquisition of property, plant and equipment amounting to 22,252 million yen.

Net cash used in financing activities amounted to 21,709 million yen compared with 15,173 million yen used for the previous year. The main cash outflows included cash dividends to shareholders amounting to 14,366 million yen.

As a result, cash and cash equivalents at the end of the year were 176,392 million yen.

Cash flow indicators are shown in the following table.

	FY2014	FY2015	FY2016	FY2017	FY2018
Equity ratio (%)	83.2	86.3	88.0	88.0	89.9
Market value equity ratio (%)	365.5	403.2	383.0	300.6	285.3
Interest-bearing debt to cash flow ratio (%)	0.23	0.13	0.15	0.14	0.04
Interest coverage ratio (times)	164.5	243.8	369.9	365.6	253.4

(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

The economy in Europe threatens to decelerate if uncertainties such as the turmoil in Brexit negotiations and rising fiscal instability in Italy manifest themselves. In the U.S., vigorous personal consumption is expected to expand the economy, while there exists a concern that the pace of growth will slow down as the effect of the tax reduction fades off. In Japan, personal consumption is estimated to hold up well on the back of a good employment environment, which hopefully leads to a moderate economic recovery. However, the consumption tax increase may cast a shadow over consumer sentiment. In addition, there is a global concern over the impact of the U.S.-China trade issues on the economy.

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, 2019 is indicated below.

(Millions of yen)

	FY2019	Change from the previous year (%)
Net sales	365,000	4.9
Operating income	73,000	11.1
Ordinary income	73,000	(0.8)
Net income attributable to owners of parent	54,000	0.1

Sales forecasts by segment are indicated below.

(Millions of yen)

		First half		Second half		Full year	
		Amount	%	Amount	%	Amount	%
Bicycle components	Japan	3,800	2.2	5,600	3.0	9,400	2.6
	Overseas	137,200	77.1	146,400	78.2	283,600	77.7
	Sub-total	141,000	79.3	152,000	81.2	293,000	80.3
	Fishing tackle	36,700	20.6	34,800	18.6	71,500	19.6
	Others	200	0.1	300	0.2	500	0.1
	Total	177,900	100.0	187,100	100.0	365,000	100.0

(5) Dividend Policy and Cash Dividends for FY2018 and FY2019

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 2018 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 2019 (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)	
	FY2017	FY2018
	As of Dec. 31, 2017	As of Dec. 31, 2018
Assets		
Current assets		
Cash and time deposits	241,268	242,903
Notes and accounts receivable-trade	35,574	38,989
Merchandise and finished goods	33,820	36,069
Work in process	19,131	23,002
Raw materials and supplies	4,650	4,968
Deferred income taxes	3,080	3,060
Others	5,640	7,670
Allowance for doubtful accounts	(370)	(259)
Total current assets	342,795	356,404
Fixed assets		
Property, plant and equipment		
Buildings and structures	91,774	91,095
Accumulated depreciation	(31,437)	(33,283)
Accumulated impairment loss	(108)	(107)
Buildings and structures (net)	60,229	57,703
Machinery and vehicles	77,049	75,811
Accumulated depreciation	(52,380)	(54,147)
Accumulated impairment loss	(103)	(103)
Machinery and vehicles (net)	24,564	21,560
Land	13,890	13,622
Leased assets	122	146
Accumulated depreciation	(59)	(77)
Leased assets (net)	62	69
Construction in progress	4,823	15,088
Others	52,969	54,073
Accumulated depreciation	(46,719)	(48,113)
Accumulated impairment loss	(10)	(9)
Others (net)	6,240	5,950
Total property, plant and equipment	109,810	113,995
Intangible assets		
Goodwill	5,388	4,413
Software	6,668	6,404
Others	3,968	3,833
Total intangible assets	16,025	14,650
Investments and other assets		
Investment securities	15,029	12,185
Deferred income taxes	2,603	3,294
Others	3,009	4,294
Allowance for doubtful accounts	(504)	(541)
Total investments and other assets	20,138	19,231
Total fixed assets	145,974	147,878
Total assets	488,770	504,283

(Millions of yen)

	FY2017 As of Dec. 31, 2017	FY2018 As of Dec. 31, 2018
Liabilities		
Current liabilities		
Accounts payable-trade	13,036	13,995
Short-term loans payable	7,571	602
Income taxes payable	8,696	7,097
Deferred income taxes	46	99
Accrued employee bonuses	1,976	2,098
Accrued officer bonuses	181	186
Provision for loss on fire	—	1,609
Others	17,818	17,474
Total current liabilities	49,327	43,163
Long-term liabilities		
Long-term loans payable	1,009	482
Deferred income taxes	646	557
Net defined benefit liability	4,060	3,327
Others	3,260	3,293
Total long-term liabilities	8,976	7,661
Total liabilities	58,304	50,825
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,642	5,642
Retained earnings	371,914	411,476
Treasury stock	(102)	(121)
Total shareholders' equity	413,066	452,610
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	4,374	2,560
Foreign currency translation adjustments	12,872	(1,852)
Total accumulated other comprehensive income	17,246	708
Non-controlling interests	152	139
Total net assets	430,465	453,457
Total liabilities and net assets	488,770	504,283

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

	(Millions of yen)	
	FY2017 Jan. 1, 2017 to Dec. 31, 2017	FY2018 Jan. 1, 2018 to Dec. 31, 2018
Net sales	335,800	348,035
Cost of sales	198,344	211,463
Gross profit	137,456	136,572
Selling, general and administrative expenses	73,105	70,884
Operating income	64,351	65,687
Non-operating income		
Interest income	2,190	3,624
Dividend income	428	719
Foreign exchange gains	—	3,761
Others	621	1,155
Total non-operating income	3,241	9,261
Non-operating expenses		
Interest expenses	184	206
Contribution	160	161
Loss on disposal of fixed assets	177	154
Foreign exchange losses	10,955	—
Others	365	838
Total non-operating expenses	11,844	1,361
Ordinary income	55,748	73,588
Extraordinary income		
Gain on sales of land	—	741
Insurance income	—	*2 25
Total extraordinary income	—	766
Extraordinary losses		
Loss on impairment	*1 144	*1 266
Loss on factory reconstruction	1,039	258
Loss on fire	—	*3 2,605
Total extraordinary losses	1,184	3,130
Income before income taxes	54,563	71,224
Income taxes-current	18,433	17,273
Income taxes-deferred	(2,334)	11
Total income taxes	16,098	17,285
Net income	38,464	53,939
Net income attributable to non-controlling interests	21	7
Net income attributable to owners of parent	38,443	53,931

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2017 Jan. 1, 2017 to Dec. 31, 2017	FY2018 Jan. 1, 2018 to Dec. 31, 2018
Net income	38,464	53,939
Other comprehensive income		
Unrealized gain (loss) on other securities	707	(1,813)
Foreign currency translation adjustments	14,918	(14,745)
Total other comprehensive income	15,626	(16,559)
Comprehensive income	54,090	37,379
(Breakdown)		
Comprehensive income attributable to owners of parent	54,087	37,392
Comprehensive income attributable to non-controlling interests	3	(12)

(3) Consolidated Statements of Shareholders' Equity
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

FY2018 (From January 1, 2018 to December 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	35,613	5,642	371,914	(102)	413,066
Changes of items during the year					
Cash dividends paid			(14,368)		(14,368)
Net income attributable to owners of parent			53,931		53,931
Acquisition of treasury stock				(18)	(18)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	39,562	(18)	39,543
Balance at end of year	35,613	5,642	411,476	(121)	452,610

	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	4,374	12,872	17,246	152	430,465
Changes of items during the year					
Cash dividends paid					(14,368)
Net income attributable to owners of parent					53,931
Acquisition of treasury stock					(18)
Net changes of items other than shareholders' equity	(1,813)	(14,725)	(16,538)	(12)	(16,551)
Total changes of items during the year	(1,813)	(14,725)	(16,538)	(12)	22,991
Balance at end of year	2,560	(1,852)	708	139	453,457

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	FY2017	FY2018
	Jan. 1, 2017 to Dec. 31, 2017	Jan. 1, 2018 to Dec. 31, 2018
Cash flows from operating activities:		
Income before income taxes	54,563	71,224
Depreciation and amortization	18,805	17,512
Loss on impairment	144	266
Allowance for doubtful accounts	142	(53)
Insurance income	—	(25)
Interest and dividend income	(2,619)	(4,344)
Interest expenses	184	206
Foreign exchange losses (gains)	10,062	(6,855)
Notes and accounts receivable	(707)	(4,443)
Inventories	(2,399)	(8,526)
Accounts payable	719	1,258
Net defined benefit liability	32	(686)
Loss on factory reconstruction	1,039	258
Provision for loss on fire	—	1,609
Loss on fire	—	996
Loss on sales and disposal of property, plant and equipment	101	(685)
Others, net	2,579	(2,466)
Subtotal	82,649	65,242
Interest and dividend income received	2,580	4,023
Insurance income received	—	25
Payments for fire	—	(827)
Interest expenses paid	(189)	(195)
Income taxes paid	(15,775)	(18,676)
Net cash provided by operating activities	69,265	49,593
Cash flows from investing activities:		
Purchases of time deposits	(59,621)	(122,008)
Proceeds from maturities of time deposits	21,940	96,515
Acquisition of property, plant and equipment	(12,858)	(22,252)
Proceeds from sales of property, plant and equipment	1,387	1,637
Acquisition of intangible assets	(2,803)	(1,943)
Payments for loss on factory reconstruction	(533)	(301)
Proceeds from sales of investment securities	209	—
Short-term loans receivable, net	90	(15)
Others, net	531	(640)
Net cash used in investing activities	(51,657)	(49,008)

(Millions of yen)

	FY2017 Jan. 1, 2017 to Dec. 31, 2017	FY2018 Jan. 1, 2018 to Dec. 31, 2018
Cash flows from financing activities:		
Short-term loans payable, net	307	(6,794)
Proceeds from long-term loans payable	79	—
Repayment of long-term loans payable	(538)	(506)
Repayments of finance lease obligations	(19)	(22)
Acquisition of treasury stock	(6)	(18)
Cash dividends to shareholders	(14,363)	(14,366)
Cash dividends to non-controlling shareholders	(3)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(627)	—
Net cash used in financing activities	(15,173)	(21,709)
Effect of exchange rate changes on cash and cash equivalents	873	(2,246)
Net increase (decrease) in cash and cash equivalents	3,308	(23,370)
Cash and cash equivalents at beginning of year	196,453	199,762
Cash and cash equivalents at end of year	199,762	176,392

(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 49 subsidiaries.

During fiscal year 2018, Shimano Europe Holding B.V., which was a consolidated subsidiary, merged with Shimano Europe B.V., Shimano Europe Fishing Holding B.V., and Bikefitting.com B.V., which were consolidated subsidiaries. The former Shimano Europe 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., the former Shimano Europe Fishing Holding B.V., and the former Bikefitting.com B.V. were excluded from the scope of consolidation.

Shimano Argentina S.A.U. is included in the scope of consolidation due to its establishment.

(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.

(Notes relating to Consolidated Statements of Income)

*1 Loss on impairment

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

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

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%.

FY2018 (Jan. 1, 2018 - Dec. 31, 2018)

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

Location	Use	Category	Amount
Innovative Textiles, Inc.	Fishing Tackle	Goodwill	266 million yen

(Background)

As a result of reviewing the profit plan of Innovative Textiles, Inc., the book value of goodwill was fully written off because lower cash flow was estimated over the expected period.

(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 full amount of the unamortized balance of goodwill was written off and recognized as loss on impairment.

*2. Insurance income

The Shimano Group recorded insurance income covering the fire that broke out at the Head Office Factory (Sakai-ku, Sakai City) on March 26, 2018.

*3. Loss on fire

Loss on fire is the amount of loss incurred by the fire that broke out at the Head Office Factory (Sakai-ku, Sakai City) on March 26, 2018. The Shimano Group recognized extinguishment loss for property, plant and equipment including machinery and inventories including work in process, expenses for restoration, as well as other relevant expenses.

The loss includes the provision for loss on fire, which was recognized in the range reasonably estimable at the present time.

(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	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

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	—	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 (loss) and operating income in the consolidated statements of income.

FY2018 (Jan. 1, 2018 - Dec. 31, 2018)

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1) Third parties	277,243	70,436	355	348,035	—	348,035
2) Inter-segment	—	—	—	—	—	—
Total	277,243	70,436	355	348,035	—	348,035
Segment income (loss)	57,250	8,544	(107)	65,687	—	65,687
Segment assets	152,394	34,830	741	187,966	316,316	504,283
Other items						
Depreciation and amortization	14,552	2,432	41	17,026	—	17,026
Amortization of goodwill	370	114	—	485	—	485
Increase in property, plant and equipment and intangible assets	16,139	2,064	2	18,205	6,678	24,884

Notes: 1. Segment assets adjustment was 316,316 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 (loss) and operating income in the consolidated statements of income.

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

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

FY2018 (Jan. 1, 2018 - Dec. 31, 2018)

(Millions of yen)

	Reportable Segment				Adjustment	Total
	Bicycle Components	Fishing Tackle	Others	Total		
Loss on impairment	—	266	—	266	—	266

[Related information]

Information by geographical area

Net Sales

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.

FY2018 (Jan. 1, 2018 - Dec. 31, 2018)

(Millions of yen)

Japan	North America	Europe	Asia	Other	Total
41,180	35,855	140,049	115,220	15,729	348,035

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

(Per Share Data)

	FY2017 Jan. 1, 2017 to Dec. 31, 2017	FY2018 Jan. 1, 2018 to Dec. 31, 2018
Net assets per share	4,641.86 yen	4,890.08 yen
Basic earnings per share	414.69 yen	581.77 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

	FY2017 Jan. 1, 2017 to Dec. 31, 2017	FY2018 Jan. 1, 2018 to Dec. 31, 2018
Net income attributable to owners of parent (millions of yen)	38,443	53,931
Amount not attributable to common shareholders (millions of yen)	—	—
Net income attributable to owners of parent related to common stock (millions of yen)	38,443	53,931
Average number of shares of common stock outstanding (thousand shares)	92,702	92,702

(Significant Subsequent Events)

Not applicable.