

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Summary of Consolidated Financial Results for the First Half of FY2019 (Unaudited)

(January 1, 2019 – June 30, 2019) [Japanese Standard] (Consolidated)

July 29, 2019

Company Name: Shimano Inc. Stock Exchange: Tokyo, First Section
 Code Number: 7309 URL: <https://www.shimano.com>
 President: Yozo Shimano
 Vice President, Accounting: Michiyasu Hirose Telephone: +81-72-223-3254
 Date of filing of quarterly report to Ministry of Finance: August 8, 2019 Scheduled payment date for dividends: September 3, 2019
 Supplemental information: Yes
 Financial results briefing: Yes

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

1. Consolidated financial results for the First Half of FY2019 (January 1, 2019 – June 30, 2019)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Half of FY2019	181,949	4.1	34,053	(1.3)	34,644	(9.7)	24,766	(10.6)
First Half of FY2018	174,731	7.1	34,512	11.9	38,350	42.4	27,718	48.0

(Note) Comprehensive income First Half of FY2019: 17,778 million yen (14.0%) First Half of FY2018: 15,588 million yen (-24.4%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Half of FY2019	267.17	—
First Half of FY2018	299.00	—

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Half of FY2019	515,593	464,044	90.0
FY2018	503,845	453,457	90.0

(Reference) Shareholders' equity First Half of FY2019: 463,905 million yen FY2018: 453,318 million yen

(Note) Effective from the beginning of the first quarter of FY 2019, the Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), etc., and the figures presented for the FY 2018 were adjusted retrospectively in accordance with this change.

2. Dividend information

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	—	77.50	—	77.50	155.00
FY2019	—	77.50	—	—	—
FY2019 (Forecast)	—	—	—	77.50	155.00

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

(Note) The cash dividend for the first half of FY2019 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
FY2019	362,000	4.0	67,000	2.0	67,600	(8.1)	49,300	(8.6)	531.82

(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):
- ② Number of shares of treasury stock at period-end:
- ③ Average number of shares during the period (cumulative from the beginning of the fiscal year):

First Half of FY2019	92,720,000 shares	FY2018	92,720,000 shares
First Half of FY2019	18,836 shares	FY2018	18,430 shares
First Half of FY2019	92,701,385 shares	First Half of FY2018	92,702,485 shares

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

○Table of contents of the attached document

1. Qualitative Information on Consolidated Financial Performance for the Period under Review	2
(1) Results of Operations	2
(2) Financial Position	3
(3) Forecast for the Fiscal Year Ending December 31, 2019.....	4
2. Consolidated Financial Statements and Primary Notes	5
(1) Consolidated Balance Sheets.....	5
(2) Consolidated Statements of Income and Comprehensive Income.....	7
(3) Consolidated Statements of Cash Flows	9
(4) Notes relating to Consolidated Financial Statements	11
(Note concerning Assumption of Going Concern)	11
(Note on Significant Change in the Amount of Shareholders' Equity).....	11
(Additional Information)	11
(Segment Information)	11

1. Qualitative Information on Consolidated Financial Performance for the Period under Review

(1) Results of Operations

During the first half of fiscal year 2019, the impact of trade friction between the U.S. and China led to growing concern of a worldwide economic slowdown. The European economy stayed firm owing to improved employment and income environments which underpinned expanded personal consumption, despite an increasing sense of uncertainty with the economic outlook associated with U.S.-China trade issues and the prolonged Brexit problem in the UK. The U.S. economy remained solid, backed by a firm footing in favorable employment and income environments, although the U.S.-China trade issues were a cause of growing uncertainties for the future. In Japan, despite a trend toward gradual expansion in personal consumption, uncertainty about the economy's future became apparent and corporate business conditions were lackluster due to worldwide protectionist movements.

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 half of fiscal year 2019, net sales increased 4.1% from the same period of the previous year, to 181,949 million yen. Operating income decreased 1.3% to 34,053 million yen, ordinary income decreased 9.7%, to 34,644 million yen, and net income attributable to owners of parent decreased 10.6% to 24,766 million yen.

Reportable Segment Overview

① Bicycle Components

In Europe, good weather conditions from the beginning of spring supported favorable retail sales of completed bicycles, mainly sport E-BIKE, and distributor inventories of bicycles in Europe remained at an appropriate level.

In North America, although total retail unit sales of completed bicycles had been sluggish from the start of the year, the sales amount remained at the same level as the previous year due to improved weather from the latter half of March and also owing to a favorable sales environment, mainly for high-end bicycles. Distributor inventories remained at an appropriate level.

In China, retail sales of completed bicycles showed no clear signs of recovery, and sales continued to lack vigor. Meanwhile, distributor inventories remained at an appropriate level.

With regard to the other emerging markets, in South America, the Brazilian market continued to recover, 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, despite overall good weather conditions, sales of high-end sports bicycles were sluggish. Meanwhile, as the shift to sports-type cross bike and E-BIKE for commuting to work and school further progressed, unit sales decreased, but sales unit prices increased. Distributor inventories were slightly high.

Under these market conditions, disc brake components for high-end road bikes and the SHIMANO STEPS sport E-BIKE components were well received in the market in continuation from the previous year.

As a result, net sales from this segment increased 4.1% from the same period of the previous year to 143,599 million yen, and operating income decreased 3.0% to 28,613 million yen.

② Fishing Tackle

In the Japanese market, sales remained solid as the warm and stable weather conditions from the start of the year continued, during Golden Week as well, and led to an increase in the number of visitors to retailers.

Overseas, in the North American market, sales were solid as the firm economy provided support. In Europe, although sales were sluggish in countries on the continent, in the UK the market picked up and sales were favorable. In Asia, particularly in China, sales were favorable thanks to the continued high popularity of sports fishing. In Australia, good overall weather led to growth in sales, mainly at mass retailers.

Under these market conditions, sales in Japan increased compared to the previous year as sales of high price-range reels, including new products, remained robust. Overseas, sales on the whole exceeded the previous year's level owing to strong lure-related product sales.

As a result, net sales from this segment increased 4.2% from the same period of the previous year to 38,179 million yen, and operating income increased 8.0%, to 5,473 million yen.

③ Others

Net sales from this segment decreased 6.0% from the same period of the previous year to 170 million yen and an operating loss of 33 million yen was recorded, following an operating loss of 64 million yen for the same period of the previous year.

(2) Financial Position

Assets, Liabilities and Net Assets

Total assets as of the end of the first half of fiscal year 2019 amounted to 515,593 million yen (an increase of 11,748 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 6,917 million yen in construction in progress, an increase of 5,708 million yen in cash and time deposits, and an increase of 3,135 million yen in leased assets, and a decrease in others under investments and other assets of 2,038 million yen, a decrease of 1,541 million yen in buildings and structures, and a decrease of 1,051 million yen in others under current assets.

Total liabilities amounted to 51,548 million yen (an increase of 1,160 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 1,338 million yen in short-term loans payable, and an increase of 1,008 million yen in others under long-term liabilities, and a decrease of 1,255 million yen in accounts payable-trade.

Net assets amounted to 464,044 million yen (an increase of 10,587 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 17,582 million yen in retained earnings, and a decrease of 6,543 million yen in foreign currency translation adjustments.

Cash Flows

As of the end of the first half of fiscal year 2019, cash and cash equivalents amounted to 229,305 million yen, an increase of 52,913 million yen compared with the figure as of the previous fiscal year-end.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 31,831 million yen compared with 24,771 million yen provided for the same period of the previous year. The main cash inflows included income before income taxes amounting to 34,365 million yen and depreciation and amortization amounting to 8,907 million yen. The main cash outflows included income taxes paid amounting to 9,644 million yen.

(Cash Flows from Investing Activities)

Net cash provided by investing activities amounted to 31,338 million yen compared with 27,068 million yen used for the same period of the previous year. The main cash inflows included proceeds from maturities of time deposits amounting to 56,757 million yen. The main cash outflows included acquisition of property, plant and equipment amounting to 14,117 million yen, and purchases of time deposits amounting to 10,452 million yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 6,352 million yen compared with 8,785 million yen used for the same period of the previous year. The main cash outflows included cash dividends to shareholders amounting to 7,183 million yen.

(3) Forecast for the Fiscal Year Ending December 31, 2019

The full-year forecasted consolidated business performance will be changed as follows due to expected increases in expenses for new product launch and costs to increase the production of products receiving favorable orders and to improve the manufacturing process, while reflecting the decrease in non-operating expenses during the first half of fiscal year 2019 as a result of depreciation in Asian currencies.

Revisions to consolidated business performance forecast figures for FY2019 (January 1, 2019 – December 31, 2019)

	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)	365,000	73,000	71,100	51,900	559.86
Revised forecast (B)	362,000	67,000	67,600	49,300	531.82
Difference (B-A)	△3,000	△6,000	△3,500	△2,600	
Change (%)	△0.8	△8.2	△4.9	△5.0	
Full year results for FY2018	348,035	65,687	73,588	53,931	581.77

The Company considers the return of earnings to shareholders to be one of the most important issues for management. The Company's basic policy is to continue providing stable returns reflecting overall business performance and strategy.

In accordance with the above policy, the Company intends to pay out interim cash dividends of 77.50 yen per share, which include special dividends of 71.25 yen, unchanged from the interim cash dividends paid in the previous year. Cash dividends for the full year are expected to amount to 155 yen per share, which include special dividends of 142.50 yen, unchanged from cash dividends in the previous year.

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

(Millions of yen)

	FY2018 As of Dec. 31, 2018	First Half of FY2019 As of Jun. 30, 2019
Assets		
Current assets		
Cash and time deposits	242,903	248,611
Notes and accounts receivable-trade	38,989	39,589
Merchandise and finished goods	36,069	36,733
Work in process	23,002	23,048
Raw materials and supplies	4,968	5,396
Others	7,670	6,618
Allowance for doubtful accounts	(259)	(289)
Total current assets	353,343	359,709
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	57,703	56,162
Machinery and vehicles (net)	21,560	21,476
Land	13,622	13,521
Leased assets (net)	69	3,204
Construction in progress	15,088	22,006
Others (net)	5,950	5,917
Total property, plant and equipment	113,995	122,289
Intangible assets		
Goodwill	4,413	4,078
Software	6,404	6,038
Others	3,833	3,588
Total intangible assets	14,650	13,705
Investments and other assets		
Investment securities	12,185	11,431
Deferred income taxes	5,917	6,746
Others	4,294	2,255
Allowance for doubtful accounts	(541)	(543)
Total investments and other assets	21,855	19,890
Total fixed assets	150,501	155,884
Total assets	503,845	515,593

(Millions of yen)

	FY2018 As of Dec. 31, 2018	First Half of FY2019 As of Jun. 30, 2019
Liabilities		
Current liabilities		
Accounts payable-trade	13,995	12,740
Short-term loans payable	602	1,940
Income taxes payable	7,097	6,721
Accrued employee bonuses	2,098	1,790
Accrued officer bonuses	186	84
Provision for loss on fire	1,609	1,386
Others	17,474	17,928
Total current liabilities	43,064	42,591
Long-term liabilities		
Long-term loans payable	482	233
Deferred income taxes	220	643
Net defined benefit liability	3,327	3,778
Others	3,293	4,301
Total long-term liabilities	7,323	8,957
Total liabilities	50,388	51,548
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,642	5,642
Retained earnings	411,476	429,059
Treasury stock	(121)	(128)
Total shareholders' equity	452,610	470,185
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	2,560	2,116
Foreign currency translation adjustments	(1,852)	(8,396)
Total accumulated other comprehensive income	708	(6,279)
Non-controlling interests	139	139
Total net assets	453,457	464,044
Total liabilities and net assets	503,845	515,593

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

	(Millions of yen)	
	First Half of FY2018	First Half of FY2019
	Jan. 1, 2018 to Jun. 30, 2018	Jan. 1, 2019 to Jun. 30, 2019
Net sales	174,731	181,949
Cost of sales	104,818	111,346
Gross profit	69,913	70,603
Selling, general and administrative expenses	35,401	36,549
Operating income	34,512	34,053
Non-operating income		
Interest income	1,621	2,113
Dividend income	223	220
Foreign exchange gains	2,477	—
Others	550	413
Total non-operating income	4,872	2,748
Non-operating expenses		
Interest expenses	105	47
Contribution	129	791
Foreign exchange losses	—	925
Others	799	391
Total non-operating expenses	1,034	2,157
Ordinary income	38,350	34,644
Extraordinary losses		
Loss on factory reconstruction	55	13
Loss on fire	2,186	265
Total extraordinary losses	2,241	279
Income before income taxes	36,108	34,365
Income taxes-current	8,801	9,819
Income taxes-deferred	(412)	(228)
Total income taxes	8,388	9,591
Net income	27,719	24,774
Net income attributable to non-controlling interests	1	7
Net income attributable to owners of parent	27,718	24,766

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	First Half of FY2018	First Half of FY2019
	Jan. 1, 2018 to Jun. 30, 2018	Jan. 1, 2019 to Jun. 30, 2019
Net income	27,719	24,774
Other comprehensive income		
Unrealized gain (loss) on other securities	(600)	(444)
Foreign currency translation adjustments	(11,530)	(6,551)
Total other comprehensive income	(12,131)	(6,995)
Comprehensive income	15,588	17,778
(Breakdown)		
Comprehensive income attributable to owners of parent	15,600	17,778
Comprehensive income attributable to non-controlling interests	(12)	0

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	First Half of FY2018 Jan. 1, 2018 to Jun. 30, 2018	First Half of FY2019 Jan. 1, 2019 to Jun. 30, 2019
Cash flows from operating activities:		
Income before income taxes	36,108	34,365
Depreciation and amortization	8,768	8,907
Interest and dividend income	(1,844)	(2,334)
Interest expenses	105	47
Foreign exchange losses (gains)	(6,129)	908
Notes and accounts receivable	(1,897)	(1,094)
Inventories	(2,101)	(2,318)
Accounts payable	400	(849)
Net defined benefit liability	(23)	454
Loss on factory reconstruction	55	13
Provision for loss on fire	1,565	(223)
Loss on fire	621	265
Loss on sales and disposal of property, plant and equipment	138	144
Accrued bonuses	1,823	1,869
Others, net	(3,924)	(975)
Subtotal	33,666	39,182
Interest and dividend income received	1,668	2,392
Interest expenses paid	(114)	(53)
Payments for fire	(359)	(46)
Income taxes paid	(10,089)	(9,644)
Net cash provided by operating activities	24,771	31,831
Cash flows from investing activities:		
Purchases of time deposits	(57,187)	(10,452)
Proceeds from maturities of time deposits	42,268	56,757
Acquisition of property, plant and equipment	(10,753)	(14,117)
Acquisition of intangible assets	(1,074)	(1,314)
Payments for loss on factory reconstruction	(67)	(8)
Others, net	(252)	474
Net cash used in investing activities	(27,068)	31,338

(Millions of yen)

	First Half of FY2018 Jan. 1, 2018 to Jun. 30, 2018	First Half of FY2019 Jan. 1, 2019 to Jun. 30, 2019
Cash flows from financing activities:		
Short-term loans payable, net	(1,336)	1,381
Repayment of long-term loans payable	(253)	(239)
Repayments of finance lease obligations	(8)	(304)
Acquisition of treasury stock	(5)	(6)
Cash dividends to shareholders	(7,181)	(7,183)
Net cash used in financing activities	(8,785)	(6,352)
Effect of exchange rate changes on cash and cash equivalents	(2,883)	(3,903)
Net increase (decrease) in cash and cash equivalents	(13,965)	52,913
Cash and cash equivalents at beginning of period	199,762	176,392
Cash and cash equivalents at end of period	185,796	229,305

(4) Notes relating to Consolidated Financial Statements

(Note concerning Assumption of Going Concern)

Not applicable.

(Note on Significant Change in the Amount of Shareholders' Equity)

Not applicable.

(Additional Information)

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

Effective from the beginning of the first quarter of fiscal year 2019, the Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), etc., whereby deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under long-term liabilities.

(Segment Information)

First Half of FY2018 (Jan. 1, 2018 – Jun. 30, 2018)

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	137,918	36,631	181	174,731	—	174,731
2)Inter-segment	—	—	—	—	—	—
Total	137,918	36,631	181	174,731	—	174,731
Segment income (loss)	29,506	5,069	(64)	34,512	—	34,512

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

First Half of FY2019 (Jan. 1, 2019 – Jun. 30, 2019)

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	143,599	38,179	170	181,949	—	181,949
2)Inter-segment	—	—	—	—	—	—
Total	143,599	38,179	170	181,949	—	181,949
Segment income (loss)	28,613	5,473	(33)	34,053	—	34,053

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