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

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

October 29, 2019

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 Date of filing of quarterly report to Ministry of Finance: November 7, 2019 Scheduled payment date for dividends: —
 Supplemental information: Yes
 Financial results briefing: No

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

1. Consolidated financial results for the First Nine Months of FY2019 (January 1, 2019 – September 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 Nine Months of FY2019	269,523	6.1	50,394	5.4	55,500	1.2	42,799	7.0
First Nine Months of FY2018	253,923	3.2	47,816	2.7	54,819	35.2	40,012	42.4

(Note) Comprehensive income First Nine Months of FY2019: 29,049 million yen (-12.1%) First Nine Months of FY2018: 33,057 million yen (-9.6%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Nine Months of FY2019	461.69	—
First Nine Months of FY2018	431.63	—

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Nine Months of FY2019	513,623	468,127	91.1
FY2018	503,845	453,457	90.0

(Reference) Shareholders' equity First Nine Months of FY2019: 467,983 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

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	72,000	(2.2)	55,300	2.5	596.54

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

*Notes

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

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

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

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

(4) Number of shares of common stock issued

① Number of shares of common stock issued at period-end (including treasury stock):	First Nine Months of FY2019	92,720,000 shares	FY2018	92,720,000 shares
② Number of shares of treasury stock at period-end:	First Nine Months of FY2019	19,115 shares	FY2018	18,430 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year):	First Nine Months of FY2019	92,701,262 shares	First Nine Months of FY2018	92,702,318 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 3 of the attached document. Shimano Inc. accepts no liability whatsoever for any direct or consequential loss arising from any use of this document.

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

(1) Results of Operations

During the first nine months of fiscal year 2019, the impact of intensifying trade friction between the U.S. and China resulted in greater anxiety over the future of the global economy. In Europe, the economic recovery stagnated owing to the sense of uncertainty associated with U.S.-China trade issues and the Brexit problem in the UK, despite improved employment and income environments which underpinned expanded personal consumption. The U.S. economy remained solid, backed by a firm footing in favorable employment and income environments, despite concerns about the outlook of the U.S.-China trade friction. In Japan, despite a trend toward gradual recovery in personal consumption, corporate business conditions were lackluster due to worldwide protectionist movements and the pace of economic recovery slowed down.

In these circumstances, inspired by our mission—“To promote health and happiness through the enjoyment of nature and the world around us”—the Shimano Group sought to attract consumers with a stream of captivating products designed to enrich the experience of cyclists and anglers around the world, and moreover attuned to the contemporary emphasis on well-being and the environment.

As a result, for the first nine months of fiscal year 2019, net sales increased 6.1% from the same period of the previous year, to 269,523 million yen. Operating income increased 5.4% to 50,394 million yen, ordinary income increased 1.2%, to 55,500 million yen, and net income attributable to owners of parent increased 7.0% to 42,799 million yen.

Reportable Segment Overview

① Bicycle Components

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

In North America, although total retail unit sales of completed bicycles slightly decreased, the sales amount remained at the same level as the previous year due to increased sales unit prices. Distributor inventories remained at an appropriate level.

In China, retail sales of completed bicycles remained at the same level as the previous year as the downward trend that persisted until last year has begun to slow. Distributor inventories remained at an appropriate level.

With regard to the other emerging markets, in South America, the Brazilian market saw sluggish retail sales due to the impact of political instability, and the Argentine market remained stagnant due to the effects of currency depreciation. Distributor inventories generally remained at an appropriate level except for the Argentine market.

In the Japanese market, sales of middle- to high-end sports bicycles were sluggish. Meanwhile, as the shift to sports-type cross bike and E-BIKE for commuting to work and school continued to progress further, unit sales decreased, but sales unit prices increased. Distributor inventories remained at an appropriate level.

Under these market conditions, the new Deore XT and SLX high-end MTB components, and GRX middle- to high-end gravel road components were well received in the market. Also, the SHIMANO STEPS sport E-BIKE components continued to remain favorable.

As a result, net sales from this segment increased 6.3% from the same period of the previous year to 212,640 million yen, and operating income increased 2.5% to 42,066 million yen.

② Fishing Tackle

In the Japanese market, retail sales were steady as the impact of natural disasters was not as large as the previous year.

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, sales remained on a recovery track in the UK. In Asia, sales of sports fishing-related products were favorable in China. In Australia, sales were sluggish as the market for products related to fishing swordfish and other large fish stagnated.

Under these market conditions, sales in Japan increased compared to the same period of the previous year as sales of high price-range reels, including new products, remained robust, while rods and lure-related products were also well received. Overseas, sales exceeded the previous year's level owing to strong sales of new products such as SLX DC and STRADIC.

As a result, net sales from this segment increased 5.4% from the same period of the previous year to 56,613 million yen, and operating income increased 22.9%, to 8,389 million yen.

③ Others

Net sales from this segment increased 2.1% from the same period of the previous year to 268 million yen and an operating loss of 61 million yen was recorded, following an operating loss of 63 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 nine months of fiscal year 2019 amounted to 513,623 million yen (an increase of 9,777 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 9,636 million yen in construction in progress, an increase of 6,226 million yen in cash and time deposits, and an increase of 5,726 million yen in merchandise and finished goods, and a decrease in notes and accounts receivable-trade of 5,485 million yen, a decrease of 2,609 million yen in buildings and structures, and a decrease of 2,088 million yen in others under investments and other assets.

Total liabilities amounted to 45,496 million yen (a decrease of 4,891 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 1,436 million yen in short-term loans payable, and a decrease of 3,105 million yen in income taxes payable, and a decrease of 1,610 million yen in others under long-term liabilities.

Net assets amounted to 468,127 million yen (an increase of 14,669 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 28,430 million yen in retained earnings, and a decrease of 13,551 million yen in foreign currency translation adjustments.

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

The full-year forecasted consolidated business performance will be changed as follows due to the recognition of non-operating income during the first nine months of fiscal year 2019 as a result of depreciation in Asian currencies, and the posting of extraordinary income associated with the return of public land at China Plant.

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)	362,000	67,000	67,600	49,300	531.82
Revised forecast (B)	362,000	67,000	72,000	55,300	596.54
Difference (B-A)	—	—	4,400	6,000	
Change (%)	—	—	6.5	12.2	
Full year results for FY2018	348,035	65,687	73,588	53,931	581.77

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

(Millions of yen)

	FY2018 As of Dec. 31, 2018	First Nine Months of FY2019 As of Sep. 30, 2019
Assets		
Current assets		
Cash and time deposits	242,903	249,129
Notes and accounts receivable-trade	38,989	33,503
Merchandise and finished goods	36,069	41,795
Work in process	23,002	23,101
Raw materials and supplies	4,968	5,030
Others	7,670	6,708
Allowance for doubtful accounts	(259)	(360)
Total current assets	353,343	358,909
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	57,703	55,094
Machinery and vehicles (net)	21,560	20,235
Land	13,622	13,468
Leased assets (net)	69	3,118
Construction in progress	15,088	24,725
Others (net)	5,950	5,881
Total property, plant and equipment	113,995	122,523
Intangible assets		
Goodwill	4,413	3,859
Software	6,404	5,652
Others	3,833	3,929
Total intangible assets	14,650	13,440
Investments and other assets		
Investment securities	12,185	11,745
Deferred income taxes	5,917	5,344
Others	4,294	2,205
Allowance for doubtful accounts	(541)	(545)
Total investments and other assets	21,855	18,750
Total fixed assets	150,501	154,713
Total assets	503,845	513,623

(Millions of yen)

	FY2018 As of Dec. 31, 2018	First Nine Months of FY2019 As of Sep. 30, 2019
Liabilities		
Current liabilities		
Accounts payable-trade	13,995	13,243
Short-term loans payable	602	2,038
Income taxes payable	7,097	3,992
Accrued employee bonuses	2,098	3,071
Accrued officer bonuses	186	124
Provision for loss on fire	1,609	334
Others	17,474	16,517
Total current liabilities	43,064	39,321
Long-term liabilities		
Long-term loans payable	482	118
Deferred income taxes	220	766
Net defined benefit liability	3,327	3,606
Others	3,293	1,683
Total long-term liabilities	7,323	6,174
Total liabilities	50,388	45,496
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,642	5,642
Retained earnings	411,476	439,907
Treasury stock	(121)	(132)
Total shareholders' equity	452,610	481,029
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	2,560	2,357
Foreign currency translation adjustments	(1,852)	(15,403)
Total accumulated other comprehensive income	708	(13,046)
Non-controlling interests	139	143
Total net assets	453,457	468,127
Total liabilities and net assets	503,845	513,623

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

	(Millions of yen)	
	First Nine Months of FY2018	First Nine Months of FY2019
	Jan. 1, 2018 to Sep. 30, 2018	Jan. 1, 2019 to Sep. 30, 2019
Net sales	253,923	269,523
Cost of sales	153,550	164,452
Gross profit	100,373	105,070
Selling, general and administrative expenses	52,556	54,675
Operating income	47,816	50,394
Non-operating income		
Interest income	2,571	3,110
Dividend income	596	461
Foreign exchange gains	3,203	2,203
Others	1,804	669
Total non-operating income	8,175	6,445
Non-operating expenses		
Interest expenses	153	73
Contribution	130	826
Others	887	440
Total non-operating expenses	1,172	1,340
Ordinary income	54,819	55,500
Extraordinary income		
Gain on sales of fixed assets	—	2,576
Insurance income	16	—
Total extraordinary income	16	2,576
Extraordinary losses		
Loss on factory reconstruction	73	89
Loss on fire	2,110	433
Total extraordinary losses	2,184	522
Income before income taxes	52,651	57,554
Income taxes-current	12,558	13,564
Income taxes-deferred	89	1,178
Total income taxes	12,648	14,743
Net income	40,003	42,811
Net income (loss) attributable to non-controlling interests	(9)	11
Net income attributable to owners of parent	40,012	42,799

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	First Nine Months of FY2018 Jan. 1, 2018 to Sep. 30, 2018	First Nine Months of FY2019 Jan. 1, 2019 to Sep. 30, 2019
Net income	40,003	42,811
Other comprehensive income		
Unrealized gain (loss) on other securities	(339)	(203)
Foreign currency translation adjustments	(6,606)	(13,558)
Total other comprehensive income	(6,946)	(13,761)
Comprehensive income	33,057	29,049
(Breakdown)		
Comprehensive income attributable to owners of parent	33,084	29,044
Comprehensive income attributable to non-controlling interests	(26)	4

(3) Notes relating to Consolidated Financial Statements
(Note concerning Assumption of Going Concern)

Not applicable.

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

Not applicable.

(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 Nine Months of FY2018 (Jan. 1, 2018 – Sep. 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						
Third parties	199,961	53,699	263	253,923	—	253,923
Inter-segment	—	—	—	—	—	—
Total	199,961	53,699	263	253,923	—	253,923
Segment income (loss)	41,052	6,827	(63)	47,816	—	47,816

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

First Nine Months of FY2019 (Jan. 1, 2019 – Sep. 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						
Third parties	212,640	56,613	268	269,523	—	269,523
Inter-segment	—	—	—	—	—	—
Total	212,640	56,613	268	269,523	—	269,523
Segment income (loss)	42,066	8,389	(61)	50,394	—	50,394

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