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Summary of Consolidated Financial Results for the First Quarter of FY2020 (Unaudited)

(January 1, 2020 – March 31, 2020) [Japanese Standard] (Consolidated)

April 28, 2020

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 Date of filing of quarterly report to Ministry of Finance: May 14, 2020 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 Quarter of FY2020 (January 1, 2020 – March 31, 2020)

(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 Quarter of FY2020	76,920	(12.3)	12,658	(22.3)	23,340	61.8	19,663	95.6
First Quarter of FY2019	87,714	2.9	16,285	(3.8)	14,421	(6.7)	10,050	(6.9)

(Note) Comprehensive income First Quarter of FY2020: 479 million yen (-96.4%) First Quarter of FY2019: 13,386 million yen (-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Quarter of FY2020	212.12	—
First Quarter of FY2019	108.42	—

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Quarter of FY2020	532,212	482,529	90.6
FY2019	538,769	489,236	90.8

(Reference) Shareholders' equity First Quarter of FY2020: 482,380 million yen FY2019: 489,084 million yen

2. Dividend information

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	—	77.50	—	77.50	155.00
FY2020	—	—	—	—	—
FY2020 (Forecast)	—	77.50	—	77.50	155.00

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

3. Forecasted consolidated business performance for FY2020 (January 1, 2020 – December 31, 2020)

(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 FY2020	—	—	—	—	—	—	—	—	—
FY2020	—	—	—	—	—	—	—	—	—

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

* Given the difficulty in reasonably calculating consolidated business performance forecasts at this time due to the impact of the novel coronavirus, the Company has left forecasts as undetermined. The Company will once again announce business performance forecasts as soon as the situation allows.

*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 Quarter of FY2020	92,720,000 shares	FY2019	92,720,000 shares
② Number of shares of treasury stock at period-end:	First Quarter of FY2020	19,417 shares	FY2019	19,272 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year):	First Quarter of FY2020	92,700,633 shares	First Quarter of FY2019	92,701,539 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 quarter of fiscal year 2020, owing to the global spread of the novel coronavirus (COVID-19), European economies experienced a significant downturn due to major restrictions on corporate activity, including restrictions on movement and store-closing measures in each country, and the accompanying sharp decline in personal consumption. With respect to the U.S. economy, activity restrictions were put into effect in March in response to the increasing number of people infected with the novel coronavirus, resulting in a rapid deterioration in the previously solid employment and income environments. With this, the economic outlook became increasingly uncertain, including concerns about downward pressure on personal consumption. In Japan, personal consumption declined due to the government's request that people refrain from going outside as a way to combat the spread of the novel coronavirus, resulting in growing concern about an economic recession.

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 quarter of fiscal year 2020, net sales decreased 12.3% from the same period of the previous year to 76,920 million yen. Operating income decreased 22.3% to 12,658 million yen, ordinary income increased 61.8% to 23,340 million yen due to the recording of foreign exchange gains and other factors, and net income attributable to owners of parent increased 95.6% to 19,663 million yen.

Reportable Segment Overview

① Bicycle Components

In Europe, aided by the mild winter since the beginning of year, retail sales of completed bicycles, especially E-BIKE, had been strong, but sales declined sharply from the middle of March due to the impact of the novel coronavirus, and distributor inventories of bicycles in Europe increased rapidly.

In North America, retail unit sales of completed bicycles had been strong, supported by good weather, but then plummeted in March due to the spread of the novel coronavirus. This led to high levels of distributor inventories.

In China, retail sales were sluggish due to the spread of the novel coronavirus. Meanwhile, distributor inventories generally remained at an appropriate level.

In South America, in the Brazilian market, retail sales were on a recovery trend after stagnating due to political instability, but retail sales rapidly slowed in late March due to the impact of the spread of the novel coronavirus. In the Argentine market, where currency depreciation continues, sales remained stagnant.

In the Japanese market, retail sales of community bicycles for commuting to work and school and middle- to high-end sports bicycles were weak throughout the period, but E-BIKE sales remained strong. Distributor inventories generally remained at appropriate levels.

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

As a result, net sales from this segment decreased 15.4% from the same period of the previous year to 58,868 million yen, and operating income decreased 26.1% to 10,298 million yen.

② Fishing Tackle

In the Japanese market, retail sales were steady, as demand from families was stimulated by the warm winter and stable weather conditions from the start of the year, but consumer sentiment declined in March due to the impact of the novel coronavirus.

Overseas, in the North American market, sales had been strong since the end of the previous year, but sales then weakened almost instantaneously in March, as states ordered people to stay at home and enacted other restrictive measures in response to the spread of the novel coronavirus. In Europe, sales were strong at the start of the year in each key market, but in March sales declined significantly due to the impact of the novel coronavirus. In Asia, sales in China have been recovering as the turmoil caused by the novel coronavirus begins to abate, but sales in other countries were weak. In Australia, sales were sluggish throughout the period due to the damage caused by the bushfires and flooding, as well as the impact of the spread of the novel coronavirus.

Under these market conditions, sales in Japan increased compared to the previous year as sales of new

products, including Metanium and TWIN POWER, as well as popular price range products, remained solid. Overseas, sales fell short of the previous year's level, as the novel coronavirus had a significant impact.

As a result, net sales from this segment decreased 0.3% from the same period of the previous year to 17,976 million yen, and operating income increased 1.1% to 2,391 million yen.

③ Others

Net sales from this segment decreased 2.6% from the same period of the previous year to 75 million yen and an operating loss of 30 million yen was recorded, following an operating loss of 5 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 quarter of fiscal year 2020 amounted to 532,212 million yen (a decrease of 6,557 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 15,493 million yen in buildings and structures, a decrease of 15,712 million yen in cash and time deposits, and a decrease of 7,715 million yen in construction in progress.

Total liabilities amounted to 49,683 million yen (an increase of 149 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 4,526 million yen in short-term loans payable, a decrease of 2,945 million yen in income taxes payable, and a decrease of 1,233 million yen in accounts payable-trade.

Net assets amounted to 482,529 million yen (a decrease of 6,707 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 12,479 million yen in retained earnings, and a decrease of 17,442 million yen in foreign currency translation adjustments.

(3) Forecast for the Fiscal Year Ending December 31, 2020

The global spread of the novel coronavirus disease is having a growing impact on economic activity in Japan and around the world.

With respect to the business environment surrounding the Shimano Group, corporate activities have been impacted due to factors including partial stoppages of production activities at overseas production bases as well as in-store sales and movement restrictions enacted by governments in countries where the Company's products are sold.

As the extent of these impacts remains uncertain, it is difficult for the Company to reasonably calculate business performance forecasts at this time. As a result, the Company has decided to temporarily withdraw the business performance forecasts announced on February 12, 2020, and leave them as undetermined.

The Company will once again announce business performance forecasts as soon as the situation allows.

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

(Millions of yen)

	FY2019 As of Dec. 31, 2019	First Quarter of FY2020 As of Mar. 31, 2020
Assets		
Current assets		
Cash and time deposits	270,070	254,357
Notes and accounts receivable-trade	36,192	34,343
Merchandise and finished goods	39,904	43,036
Work in process	23,874	24,372
Raw materials and supplies	5,156	5,016
Others	6,336	8,091
Allowance for doubtful accounts	(345)	(358)
Total current assets	381,189	368,859
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	55,211	70,705
Machinery and vehicles (net)	21,615	20,610
Land	13,575	13,385
Leased assets (net)	3,239	3,300
Construction in progress	25,457	17,742
Others (net)	5,612	5,626
Total property, plant and equipment	124,712	131,371
Intangible assets		
Goodwill	3,886	3,738
Software	5,562	5,514
Others	4,160	4,856
Total intangible assets	13,610	14,109
Investments and other assets		
Investment securities	12,328	9,774
Deferred income taxes	5,337	5,890
Others	2,147	2,759
Allowance for doubtful accounts	(555)	(552)
Total investments and other assets	19,257	17,872
Total fixed assets	157,580	163,353
Total assets	538,769	532,212

(Millions of yen)

	FY2019 As of Dec. 31, 2019	First Quarter of FY2020 As of Mar. 31, 2020
Liabilities		
Current liabilities		
Accounts payable-trade	13,529	12,296
Short-term loans payable	3,167	7,693
Income taxes payable	7,046	4,101
Accrued employee bonuses	2,183	2,077
Accrued officer bonuses	161	39
Provision for loss on fire	10	—
Others	17,501	17,458
Total current liabilities	43,599	43,666
Long-term liabilities		
Long-term loans payable	1	1
Deferred income taxes	1,005	1,450
Net defined benefit liability	3,220	2,963
Others	1,706	1,600
Total long-term liabilities	5,933	6,016
Total liabilities	49,533	49,683
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,642	5,642
Retained earnings	448,941	461,420
Treasury stock	(135)	(137)
Total shareholders' equity	490,061	502,538
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	2,687	949
Foreign currency translation adjustments	(3,663)	(21,106)
Total accumulated other comprehensive income	(976)	(20,157)
Non-controlling interests	151	148
Total net assets	489,236	482,529
Total liabilities and net assets	538,769	532,212

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

	(Millions of yen)	
	First Quarter of FY2019 Jan. 1, 2019 to Mar. 31, 2019	First Quarter of FY2020 Jan. 1, 2020 to Mar. 31, 2020
Net sales	87,714	76,920
Cost of sales	53,787	47,006
Gross profit	33,926	29,913
Selling, general and administrative expenses	17,641	17,254
Operating income	16,285	12,658
Non-operating income		
Interest income	1,068	874
Dividend income	80	63
Foreign exchange gains	—	10,074
Others	280	225
Total non-operating income	1,429	11,239
Non-operating expenses		
Interest expenses	22	32
Contribution	713	10
Foreign exchange losses	2,359	—
Loss on disposal of fixed assets	42	458
Others	156	56
Total non-operating expenses	3,293	558
Ordinary income	14,421	23,340
Extraordinary losses		
Loss on factory reconstruction	4	100
Loss on fire	200	—
Total extraordinary losses	205	100
Income before income taxes	14,216	23,239
Income taxes-current	4,894	2,916
Income taxes-deferred	(731)	655
Total income taxes	4,162	3,572
Net income	10,054	19,667
Net income attributable to non-controlling interests	3	3
Net income attributable to owners of parent	10,050	19,663

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	First Quarter of FY2019	First Quarter of FY2020
	Jan. 1, 2019 to Mar. 31, 2019	Jan. 1, 2020 to Mar. 31, 2020
Net income	10,054	19,667
Other comprehensive income		
Unrealized gain (loss) on other securities	(82)	(1,738)
Foreign currency translation adjustments	3,414	(17,449)
Total other comprehensive income	3,332	(19,187)
Comprehensive income	13,386	479
(Breakdown)		
Comprehensive income attributable to owners of parent	13,384	482
Comprehensive income attributable to non-controlling interests	1	(2)

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

Not applicable.

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

Not applicable.

(Segment Information)

First Quarter of FY2019 (Jan. 1, 2019 – Mar. 31, 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	69,603	18,032	77	87,714	—	87,714
Inter-segment	—	—	—	—	—	—
Total	69,603	18,032	77	87,714	—	87,714
Segment income (loss)	13,926	2,364	(5)	16,285	—	16,285

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

First Quarter of FY2020 (Jan. 1, 2020 – Mar. 31, 2020)

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	58,868	17,976	75	76,920	—	76,920
Inter-segment	—	—	—	—	—	—
Total	58,868	17,976	75	76,920	—	76,920
Segment income (loss)	10,298	2,391	(30)	12,658	—	12,658

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