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

(January 1, 2020 – June 30, 2020) [Japanese Standard] (Consolidated)

July 28, 2020

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Stock Exchange: Tokyo, First Section

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Date of filing of quarterly report to Ministry of Finance: August 12, 2020

Scheduled payment date for dividends: September 2, 2020

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 FY2020 (January 1, 2020 – June 30, 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 Half of FY2020	160,255	(11.9)	28,674	(15.8)	36,131	4.3	31,206	26.0
First Half of FY2019	181,949	4.1	34,053	(1.3)	34,644	(9.7)	24,766	(10.6)

(Note) Comprehensive income First Half of FY2020: 16,334 million yen (-8.1%) First Half of FY2019: 17,778 million yen (14.0%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Half of FY2020	336.64	—
First Half of FY2019	267.17	—

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Half of FY2020	545,652	498,380	91.3
FY2019	538,769	489,236	90.8

(Reference) Shareholders' equity First Half of FY2020: 498,219 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	—	77.50	—	—	—
FY2020 (Forecast)	—	—	—	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
FY2020	350,000	(3.6)	63,500	(6.6)	71,800	3.4	58,300	12.5	628.91

(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 Half of FY2020	92,720,000 shares	FY2019	92,720,000 shares
② Number of shares of treasury stock at period-end:	First Half of FY2020	19,569 shares	FY2019	19,272 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year):	First Half of FY2020	92,700,562 shares	First Half of FY2019	92,701,385 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, 2020.....	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
(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 2020, as the spread of the novel coronavirus (COVID-19) significantly erodes consumer sentiment, European economies deteriorated substantially due to lockdown and other factors. The U.S. economy saw a decline in salary income, resulting in a notable slowdown in personal consumption partly due to a decrease in employment caused by a measure to control the infection. The country prepared to resume economic activities, but the economy has yet to fully recover. In Japan, personal consumption significantly declined due to the government's request that people refrain from going out under the nationwide emergency declaration, and the economy decelerated as employment and income environments and other economic bases were damaged owing to stagnant economic activities.

As a result, for the first half of fiscal year 2020, net sales decreased 11.9% from the same period of the previous year to 160,255 million yen. Operating income decreased 15.8% to 28,674 million yen, ordinary income increased 4.3% to 36,131 million yen due to the recording of foreign exchange gains and other factors, and net income attributable to owners of parent increased 26.0% to 31,206 million yen.

Reportable Segment Overview

① Bicycle Components

In Europe, many bicycle retailers were forced to be closed temporarily as the novel coronavirus had spread across Europe. With the lifting of restrictions on going outside and traveling, however, demand for bicycles rapidly increased as an easy recreation and as a mode of transportation with a lower risk of infections. In addition, as subsidies and other policies to encourage the purchase of bicycles were devised in each country, distributor inventories remained at low levels from May.

In North America and China, demand for bicycles rose as in Europe, which led to low levels of distributor inventories from May. In South America, where the spread of the novel coronavirus continued, demand for bicycles was solid and distributor inventories remained at appropriate levels.

In the Japanese market, despite some increase in demand for bicycles, sales of both community bicycles and sports bicycles were weak as a whole, significantly affected by the government's request that people refrain from going outside under the emergency declaration. Meanwhile, distributor inventories remained at appropriate levels.

Under these market conditions, the new Deore MTB components were well received in the market.

As a result, net sales from this segment decreased 14.6% from the same period of the previous year to 122,613 million yen, and operating income decreased 19.7% to 22,963 million yen.

② Fishing Tackle

In the Japanese market, after the emergency declaration in April, there were demands mainly in the areas that were relatively less affected by the infection, as well as those for e-commerce sales. However, sales dropped temporarily due to a decline in consumer sentiment. After the state of emergency was lifted in late May, sales recovered rapidly owing to the fast-growing demand from consumers seeking to enjoy fishing as an outdoor leisure activity.

Overseas, outings were restricted in many countries as a measure to prevent the spread of the novel coronavirus in and after March, which impacted sales. From May onwards, fishing regained attention as an outdoor leisure activity, causing demand for fishing products to increase.

Under these conditions, in North America, sales were underpinned by e-commerce as a mode to purchase fishing tackle without going outside. With the lifting of restrictions in late April, demand for fishing products rapidly increased and sales recovered to the level of the same period of the previous year.

In Europe, sales were weak as fishing was temporarily prohibited in many countries, but a sign of recovery was seen in the entire Europe after June and sales immediately picked up.

In Asia, sales in China have regained momentum as the nation recovered from the impact of the novel coronavirus, while sales in other countries were weak as a whole.

In Australia, where the spread of the novel coronavirus infection was quickly brought under control, the market environment rapidly picked up from late April and purchases by retailers remained active.

Under these market conditions, in Japan, sales of new products, including Metanium and TWIN POWER, as well as popular price range spinning reels, remained favorable. Among overseas markets, in China, rods equipped with SPIRAL X CORE, including LUNAMIS, performed well.

As a result, net sales from this segment decreased 1.8% from the same period of the previous year to 37,487 million yen, and operating income increased 5.5% to 5,771 million yen.

③ Others

Net sales from this segment decreased 9.6% from the same period of the previous year to 154 million yen and an operating loss of 61 million yen was recorded, following an operating loss of 33 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 2020 amounted to 545,652 million yen (an increase of 6,882 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 15,250 million yen in buildings and structures, an increase of 2,882 million yen in cash and time deposits, a decrease of 6,834 million yen in construction in progress, a decrease of 2,126 million yen in notes and accounts receivable-trade, a decrease of 1,659 million yen in machinery and vehicles, and a decrease of 1,421 million yen in investment securities.

Total liabilities amounted to 47,272 million yen (a decrease of 2,261 million yen compared with the figure as of the previous fiscal year-end). The principal factor included a decrease of 2,666 million yen in short-term loans payable.

Net assets amounted to 498,380 million yen (an increase of 9,143 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 24,022 million yen in retained earnings, and a decrease of 13,958 million yen in foreign currency translation adjustments.

Cash Flows

As of the end of the first half of fiscal year 2020, cash and cash equivalents amounted to 267,550 million yen, an increase of 2,811 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 36,606 million yen compared with 31,831 million yen provided for the same period of the previous year. The main cash inflows included income before income taxes amounting to 39,635 million yen and depreciation and amortization amounting to 9,278 million yen. The main cash outflows included income taxes paid amounting to 7,790 million yen and foreign exchange losses amounting to 6,412 million yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 19,375 million yen compared with 31,338 million yen provided for the same period of the previous year. The main cash outflows included acquisition of property, plant and equipment amounting to 16,385 million yen and acquisition of intangible assets amounting to 2,316 million yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 10,138 million yen compared with 6,352 million yen used for the same period of the previous year. The main cash outflows included cash dividends to shareholders amounting to 7,186 million yen.

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

When the Company announced the “Summary of Consolidated Financial Results for the First Quarter of FY2020,” it withdrew its previous business performance forecasts for the fiscal year ending December 31, 2020 and left them as undetermined, because it was difficult to reasonably calculate the extent of the impacts that the global spread of the novel coronavirus disease would have on the Company’s business performance. The Company hereby announces business performance forecasts based on information and projections that are currently available.

Revisions to consolidated business performance forecast figures for FY2020 (January 1, 2020 – December 31, 2020)

	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)	—	—	—	—	—
Revised forecast (B)	350,000	63,500	71,800	58,300	628.91
Difference (B-A)	—	—	—	—	
Change (%)	—	—	—	—	
Full year results for FY2019	363,230	68,010	69,471	51,833	559.15

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, 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, unchanged from cash dividends in the previous year.

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

(Millions of yen)

	FY2019 As of Dec. 31, 2019	First Half of FY2020 As of Jun. 30, 2020
Assets		
Current assets		
Cash and time deposits	270,070	272,953
Notes and accounts receivable-trade	36,192	34,065
Merchandise and finished goods	39,904	39,760
Work in process	23,874	22,822
Raw materials and supplies	5,156	5,574
Others	6,336	6,609
Allowance for doubtful accounts	(345)	(472)
Total current assets	381,189	381,313
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	55,211	70,462
Machinery and vehicles (net)	21,615	19,955
Land	13,575	13,454
Leased assets (net)	3,239	3,314
Construction in progress	25,457	18,623
Others (net)	5,612	5,302
Total property, plant and equipment	124,712	131,113
Intangible assets		
Goodwill	3,886	3,677
Software	5,562	5,330
Others	4,160	5,513
Total intangible assets	13,610	14,522
Investments and other assets		
Investment securities	12,328	10,906
Deferred income taxes	5,337	5,697
Others	2,147	2,623
Allowance for doubtful accounts	(555)	(524)
Total investments and other assets	19,257	18,702
Total fixed assets	157,580	164,339
Total assets	538,769	545,652

(Millions of yen)

	FY2019 As of Dec. 31, 2019	First Half of FY2020 As of Jun. 30, 2020
Liabilities		
Current liabilities		
Accounts payable-trade	13,529	11,870
Short-term loans payable	3,167	500
Income taxes payable	7,046	8,202
Accrued employee bonuses	2,183	1,554
Accrued officer bonuses	161	79
Provision for loss on fire	10	—
Others	17,501	18,983
Total current liabilities	43,599	41,191
Long-term liabilities		
Long-term loans payable	1	0
Deferred income taxes	1,005	884
Net defined benefit liability	3,220	3,489
Others	1,706	1,704
Total long-term liabilities	5,933	6,080
Total liabilities	49,533	47,272
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,642	5,642
Retained earnings	448,941	472,963
Treasury stock	(135)	(140)
Total shareholders' equity	490,061	514,078
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	2,687	1,763
Foreign currency translation adjustments	(3,663)	(17,622)
Total accumulated other comprehensive income	(976)	(15,858)
Non-controlling interests	151	160
Total net assets	489,236	498,380
Total liabilities and net assets	538,769	545,652

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

	(Millions of yen)	
	First Half of FY2019	First Half of FY2020
	Jan. 1, 2019 to Jun. 30, 2019	Jan. 1, 2020 to Jun. 30, 2020
Net sales	181,949	160,255
Cost of sales	111,346	97,916
Gross profit	70,603	62,339
Selling, general and administrative expenses	36,549	33,665
Operating income	34,053	28,674
Non-operating income		
Interest income	2,113	1,456
Dividend income	220	254
Foreign exchange gains	—	6,758
Others	413	333
Total non-operating income	2,748	8,802
Non-operating expenses		
Interest expenses	47	66
Contribution	791	530
Foreign exchange losses	925	—
Loss on disposal of fixed assets	147	460
Others	244	288
Total non-operating expenses	2,157	1,345
Ordinary income	34,644	36,131
Extraordinary income		
Insurance income	—	3,619
Total extraordinary income	—	3,619
Extraordinary losses		
Loss on factory reconstruction	13	115
Loss on fire	265	—
Total extraordinary losses	279	115
Income before income taxes	34,365	39,635
Income taxes-current	9,819	8,406
Income taxes-deferred	(228)	3
Total income taxes	9,591	8,409
Net income	24,774	31,225
Net income attributable to non-controlling interests	7	19
Net income attributable to owners of parent	24,766	31,206

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	First Half of FY2019 Jan. 1, 2019 to Jun. 30, 2019	First Half of FY2020 Jan. 1, 2020 to Jun. 30, 2020
Net income	24,774	31,225
Other comprehensive income		
Unrealized gain (loss) on other securities	(444)	(923)
Foreign currency translation adjustments	(6,551)	(13,967)
Total other comprehensive income	(6,995)	(14,891)
Comprehensive income	17,778	16,334
(Breakdown)		
Comprehensive income attributable to owners of parent	17,778	16,324
Comprehensive income attributable to non-controlling interests	0	10

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	First Half of FY2019 Jan. 1, 2019 to Jun. 30, 2019	First Half of FY2020 Jan. 1, 2020 to Jun. 30, 2020
Cash flows from operating activities:		
Income before income taxes	34,365	39,635
Depreciation and amortization	8,907	9,278
Insurance income	—	(3,619)
Interest and dividend income	(2,334)	(1,711)
Interest expenses	47	66
Foreign exchange losses (gains)	908	(6,412)
Notes and accounts receivable	(1,094)	1,486
Inventories	(2,318)	(605)
Accounts payable	(849)	(1,255)
Net defined benefit liability	454	291
Loss on factory reconstruction	13	115
Provision for loss on fire	(223)	(10)
Loss on fire	265	—
Loss on sales and disposal of property, plant and equipment	144	445
Accrued bonuses	1,869	1,526
Others, net	(975)	675
Subtotal	39,182	39,906
Interest and dividend income received	2,392	1,903
Interest expenses paid	(53)	(62)
Insurance income received	—	2,915
Payments for fire	(46)	(265)
Income taxes paid	(9,644)	(7,790)
Net cash provided by operating activities	31,831	36,606
Cash flows from investing activities:		
Purchases of time deposits	(10,452)	(907)
Proceeds from maturities of time deposits	56,757	678
Acquisition of property, plant and equipment	(14,117)	(16,385)
Acquisition of intangible assets	(1,314)	(2,316)
Payments for loss on factory reconstruction	(8)	(155)
Others, net	474	(290)
Net cash provided by (used in) investing activities	31,338	(19,375)

(Millions of yen)

	First Half of FY2019 Jan. 1, 2019 to Jun. 30, 2019	First Half of FY2020 Jan. 1, 2020 to Jun. 30, 2020
Cash flows from financing activities:		
Short-term loans payable, net	1,381	(2,390)
Repayment of long-term loans payable	(239)	(232)
Repayments of lease obligations	(304)	(324)
Acquisition of treasury stock	(6)	(5)
Cash dividends to shareholders	(7,183)	(7,186)
Net cash used in financing activities	(6,352)	(10,138)
Effect of exchange rate changes on cash and cash equivalents	(3,903)	(4,280)
Net increase (decrease) in cash and cash equivalents	52,913	2,811
Cash and cash equivalents at beginning of period	176,392	264,738
Cash and cash equivalents at end of period	229,305	267,550

(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.

(Segment Information)

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						
Third parties	143,599	38,179	170	181,949	—	181,949
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.

First Half of FY2020 (Jan. 1, 2020 – Jun. 30, 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	122,613	37,487	154	160,255	—	160,255
Inter-segment	—	—	—	—	—	—
Total	122,613	37,487	154	160,255	—	160,255
Segment income (loss)	22,963	5,771	(61)	28,674	—	28,674

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