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

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

October 27, 2020

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Date of filing of quarterly report to Ministry of Finance: November 12, 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 Nine Months of FY2020 (January 1, 2020 – September 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 Nine Months of FY2020	264,174	(2.0)	54,300	7.7	58,678	5.7	47,231	10.4
First Nine Months of FY2019	269,523	6.1	50,394	5.4	55,500	1.2	42,799	7.0

(Note) Comprehensive income First Nine Months of FY2020: 34,171 million yen (17.6%) First Nine Months of FY2019: 29,049 million yen (-12.1%)

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
First Nine Months of FY2020	509.51	—	—	—
First Nine Months of FY2019	461.69	—	—	—

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Nine Months of FY2020	561,848	509,018	90.6
FY2019	538,769	489,236	90.8

(Reference) Shareholders' equity First Nine Months of FY2020: 508,851 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	370,000	1.9	77,000	13.2	81,700	17.6	64,300	24.1	693.63

(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 Nine Months of FY2020	92,720,000 shares	FY2019	92,720,000 shares
First Nine Months of FY2020	20,001 shares	FY2019	19,272 shares
First Nine Months of FY2020	92,700,426 shares	First Nine Months of FY2019	92,701,262 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 2020, due to the global spread of the novel coronavirus (COVID-19), economic activities were severely constrained. In Europe, although lockdown regulations and such were relaxed before the summer vacation season, as there was no clear indication of when the pandemic would be over, concerns over the outlook of the economy remained deep, and consumer sentiment remained weak. In the U.S., while there were temporary signs of economic indicators that suggested recovery, a complete switch to a recovery trend was not realized, and the economy leveled off. In Japan, the economy deteriorated due to the government's request that people refrain from going out. Although personal consumption had been recovering after the request was lifted, due to concerns over another wave of infections, personal consumption became sluggish once again, and the pace of economic recovery remained slow.

In spite of such a business climate, for the first nine months of fiscal year 2020, net sales decreased 2.0% from the same period of the previous year to 264,174 million yen. Operating income increased 7.7% to 54,300 million yen, ordinary income increased 5.7% to 58,678 million yen, and net income attributable to owners of parent increased 10.4% to 47,231 million yen.

Reportable Segment Overview

① Bicycle Components

Amid restrictions on the activities of corporations and people due to the spread of COVID-19, global demand for bicycles began to rapidly increase from early spring, as cycling is an easy form of recreation and exercise, as well as a mode of transportation with a lower risk of infection. In addition, centering around Europe, subsidies to encourage the purchase of bicycles and policies to build infrastructure such as bike lanes have contributed to the cycling boom.

Under such circumstances, in overseas markets including that of Europe, North America and China, retail sales of bicycles and bicycle-related products recovered dramatically and were robust. As the inability of supply to keep up with the rapid increase in demand continued, each country saw trends of shortages in distributor inventories.

In the Japanese market, although there were no evident signs of a large cycling boom, as retail sales for cross bikes, used for recreation and as a mode of transportation, and for E-BIKE were solid, distributor inventories remained largely at appropriate levels.

Under these market conditions, the new Deore MTB components continued to be well-received in the market.

As a result, net sales from this segment decreased 3.8% from the same period of the previous year to 204,499 million yen, and operating income increased 4.9% to 44,131 million yen.

② Fishing Tackle

Outings were restricted in many countries as a measure to prevent the spread of COVID-19, which impacted sales of fishing products. However, after the restrictions were relaxed, fishing regained attention as an outdoor leisure activity, and demand for fishing products increased.

Under these conditions, in the Japanese market, after the state of emergency was lifted, fishing garnered attention as an outdoor leisure activity. As a result, centering around families, the number of new customers increased, and sales of mid-range and popular price range products were especially favorable.

Overseas, on the back of a rapid increase in demand for fishing products, demand for mid- and high-range price products grew in North America, while sales performed well in both the U.K. and Italy, which are major markets in Europe, owing to strong demand. In Asia, sales in Southeast Asian countries showed signs of a recovery. In Australia, although some regions are under lockdown due to the second wave of COVID-19, sales are gradually recovering.

Under these market conditions, orders for new products were favorable, while ZODIAS (rods equipped with HI-POWER X) as well as the spinning reels VANFORD and SARAGOSA SW were well-received in the market.

As a result, net sales from this segment increased 5.0% from the same period of the previous year to 59,425 million yen, and operating income increased 22.3% to 10,263 million yen.

③ Others

Net sales from this segment decreased 7.5% from the same period of the previous year to 248 million yen and an operating loss of 95 million yen was recorded, following an operating loss of 61 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 2020 amounted to 561,848 million yen (an increase of 23,078 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 23,566 million yen in cash and time deposits, an increase of 14,466 million yen in buildings and structures, a decrease of 7,061 million yen in construction in progress, a decrease of 4,438 million yen in notes and accounts receivable-trade, and a decrease of 3,025 million yen in merchandise and finished goods.

Total liabilities amounted to 52,829 million yen (an increase of 3,296 million yen compared with the figure as of the previous fiscal year-end). The principal factor included an increase of 3,307 million yen in others under current liabilities.

Net assets amounted to 509,018 million yen (an increase of 19,782 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 32,862 million yen in retained earnings, and a decrease of 12,344 million yen in foreign currency translation adjustments.

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

Regarding full-year business performance forecasts for the fiscal year ending December 31, 2020, amid restrictions on daily activities due to the spread of COVID-19, the forecasts have been revised as follows based on factors including greater utilization of bicycles as an easy form of exercise and a mode of transportation with a low risk of infection, fishing garnering attention as a form of outdoor leisure with the rising popularity of fishing leading to greater demand, and the appreciation of Asian currencies during the third quarter of FY2020 resulting in a decrease in non-operating income.

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)	350,000	63,500	71,800	58,300	628.91
Revised forecast (B)	370,000	77,000	81,700	64,300	693.63
Difference (B-A)	20,000	13,500	9,900	6,000	
Change (%)	5.7	21.3	13.8	10.3	
Full year results for FY2019	363,230	68,010	69,471	51,833	559.15

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

(Millions of yen)

	FY2019 As of Dec. 31, 2019	First Nine Months of FY2020 As of Sep. 30, 2020
Assets		
Current assets		
Cash and time deposits	270,070	293,636
Notes and accounts receivable-trade	36,192	31,753
Merchandise and finished goods	39,904	36,878
Work in process	23,874	25,534
Raw materials and supplies	5,156	5,341
Others	6,336	5,152
Allowance for doubtful accounts	(345)	(485)
Total current assets	381,189	397,811
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	55,211	69,678
Machinery and vehicles (net)	21,615	20,255
Land	13,575	13,480
Leased assets (net)	3,239	3,775
Construction in progress	25,457	18,396
Others (net)	5,612	5,117
Total property, plant and equipment	124,712	130,703
Intangible assets		
Goodwill	3,886	3,636
Software	5,562	5,210
Others	4,160	6,030
Total intangible assets	13,610	14,876
Investments and other assets		
Investment securities	12,328	11,813
Deferred income taxes	5,337	5,267
Others	2,147	1,900
Allowance for doubtful accounts	(555)	(524)
Total investments and other assets	19,257	18,456
Total fixed assets	157,580	164,037
Total assets	538,769	561,848

(Millions of yen)

	FY2019 As of Dec. 31, 2019	First Nine Months of FY2020 As of Sep. 30, 2020
Liabilities		
Current liabilities		
Accounts payable-trade	13,529	15,198
Short-term loans payable	3,167	116
Income taxes payable	7,046	7,305
Accrued employee bonuses	2,183	2,888
Accrued officer bonuses	161	115
Provision for loss on fire	10	—
Others	17,501	20,809
Total current liabilities	43,599	46,432
Long-term liabilities		
Long-term loans payable	1	0
Deferred income taxes	1,005	996
Net defined benefit liability	3,220	3,301
Others	1,706	2,097
Total long-term liabilities	5,933	6,396
Total liabilities	49,533	52,829
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,642	5,642
Retained earnings	448,941	481,804
Treasury stock	(135)	(150)
Total shareholders' equity	490,061	522,909
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	2,687	1,950
Foreign currency translation adjustments	(3,663)	(16,008)
Total accumulated other comprehensive income	(976)	(14,057)
Non-controlling interests	151	167
Total net assets	489,236	509,018
Total liabilities and net assets	538,769	561,848

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

	(Millions of yen)	
	First Nine Months of FY2019	First Nine Months of FY2020
	Jan. 1, 2019 to Sep. 30, 2019	Jan. 1, 2020 to Sep. 30, 2020
Net sales	269,523	264,174
Cost of sales	164,452	158,873
Gross profit	105,070	105,300
Selling, general and administrative expenses	54,675	50,999
Operating income	50,394	54,300
Non-operating income		
Interest income	3,110	1,802
Dividend income	461	311
Foreign exchange gains	2,203	3,578
Others	669	490
Total non-operating income	6,445	6,184
Non-operating expenses		
Interest expenses	73	84
Contribution	826	856
Loss on disposal of fixed assets	191	490
Others	249	374
Total non-operating expenses	1,340	1,805
Ordinary income	55,500	58,678
Extraordinary income		
Gain on sales of fixed assets	2,576	—
Insurance income	—	3,619
Total extraordinary income	2,576	3,619
Extraordinary losses		
Loss on factory reconstruction	89	135
Loss on fire	433	—
Total extraordinary losses	522	135
Income before income taxes	57,554	62,163
Income taxes-current	13,564	14,390
Income taxes-deferred	1,178	503
Total income taxes	14,743	14,894
Net income	42,811	47,268
Net income attributable to non-controlling interests	11	36
Net income attributable to owners of parent	42,799	47,231

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	First Nine Months of FY2019 Jan. 1, 2019 to Sep. 30, 2019	First Nine Months of FY2020 Jan. 1, 2020 to Sep. 30, 2020
Net income	42,811	47,268
Other comprehensive income		
Unrealized gain (loss) on other securities	(203)	(736)
Foreign currency translation adjustments	(13,558)	(12,360)
Total other comprehensive income	(13,761)	(13,097)
Comprehensive income	29,049	34,171
(Breakdown)		
Comprehensive income attributable to owners of parent	29,044	34,153
Comprehensive income attributable to non-controlling interests	4	17

(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 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.

First Nine Months of FY2020 (Jan. 1, 2020 – Sep. 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	204,499	59,425	248	264,174	—	264,174
Inter-segment	—	—	—	—	—	—
Total	204,499	59,425	248	264,174	—	264,174
Segment income (loss)	44,131	10,263	(95)	54,300	—	54,300

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