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Summary of Consolidated Financial Results for the First Nine Months of FY2021 (Unaudited)

(January 1, 2021 – September 30, 2021) [Japanese Standard] (Consolidated)

October 26, 2021

Company Name: Shimano Inc.

Stock Exchange: Tokyo, First Section

Code Number: 7309

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Date of filing of quarterly report to Ministry of Finance: November 11, 2021 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 FY2021 (January 1, 2021 – September 30, 2021)

(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 FY2021	395,187	49.6	106,973	97.0	113,724	93.8	86,024	82.1
First Nine Months of FY2020	264,174	(2.0)	54,300	7.7	58,678	5.7	47,231	10.4

(Note) Comprehensive income First Nine Months of FY2021: 105,388 million yen (208.4%) First Nine Months of FY2020: 34,171 million yen (17.6%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First Nine Months of FY2021	928.36		—	
First Nine Months of FY2020	509.51		—	

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Nine Months of FY2021	662,940	587,400	88.5
FY2020	590,420	529,785	89.6

(Reference) Shareholders' equity First Nine Months of FY2021: 586,778 million yen FY2020: 529,287 million yen

2. Dividend information

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen				
FY2020	—	77.50	—	277.50	355.00
FY2021	—	117.50	—	—	—
FY2021 (Forecast)	—	—	—	117.50	235.00

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

The year-end dividend for FY2020 was 277.50 yen per share, including a commemorative dividend of 200 yen for the 100th anniversary of the Company's foundation and an ordinary dividend of 77.50 yen per share.

3. Forecasted consolidated business performance for FY2021 (January 1, 2021 – December 31, 2021)

(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
FY2021	515,000	36.2	135,500	63.8	142,300	74.7	103,700	63.4	1,119.11

(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 FY2021	92,720,000 shares	FY2020	92,720,000 shares
② Number of shares of treasury stock at period-end:	First Nine Months of FY2021	350,740 shares	FY2020	20,159 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year):	First Nine Months of FY2021	92,662,886 shares	First Nine Months of FY2020	92,700,426 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 2021, while restrictions on activities were eased along with the progress of the COVID-19 vaccinations around the world, with signs of changes starting to appear in people's lifestyles in the post-COVID society, the pace of economic recovery varied from region to region.

In Europe, the trend of resuming economic activities spread in line with widespread use of vaccinations against a resurgence in new cases of infections caused by variants, leading to a solid recovery in personal consumption.

In the U.S., widespread use of vaccinations normalized economic activities, and the economy continued to recover led by personal consumption, backed by suppressed consumption and economic measures in the COVID-19 pandemic.

In Japan, the declaration of a state of emergency continued to be issued in response to a significant spread of infections caused by variants, and uncertainty over the future economic outlook remained strong and personal consumption weakened.

In this environment, some of the Shimano Group's factories experienced tightening of global logistics and temporary shutdown due to lockdown. However, interest in and demand for bicycles and fishing continued to be high, and the Shimano Group increased production capacity at the factories in Japan and overseas. As a result, for the first nine months of fiscal year 2021, net sales increased 49.6% from the same period of the previous year to 395,187 million yen. Operating income increased 97.0% to 106,973 million yen, ordinary income increased 93.8% to 113,724 million yen, and net income attributable to owners of parent increased 82.1% to 86,024 million yen.

Reportable Segment Overview

① Bicycle Components

Strong demand for bicycles remained at high levels in all markets, against a backdrop of the global cycling boom, triggered by the spread of COVID-19.

In Europe, demand for bicycles and bicycle-related products continued to be high and market inventories remained at low levels, backed by active support from governments, including bicycle lane building to realize a decarbonized society.

In the markets of North America, South and Central America, and Oceania, although there were signs of a lull in the cycling boom, market inventories remained at low levels due to strong demand. In Asia, while demand for mid to high-end bicycles remained solid, demand for entry-level bicycles appeared to have settled down and market inventories approached appropriate levels.

In the Japanese market, as retail sales for cross bikes used for recreation and as a mode of transportation for commuting to work and school, for entry-level road bikes, and for E-BIKE remained solid, market inventories remained largely at appropriate levels.

Under these market conditions, while production was further increased in response to high demand, two top-end models of the fully redesigned road bike components, DURA-ACE and ULTEGRA, were enormously well-received by customers.

As a result, net sales from this segment increased 56.0% from the same period of the previous year to 319,007 million yen, and operating income increased 103.4% to 89,764 million yen.

② Fishing Tackle

As vaccinations to prevent the spread of COVID-19 have progressed worldwide, people's lives are gradually returning to normal. In the midst of this trend, fishing remained popular and the market continued to thrive.

In the Japanese market, although there were signs of a lull in the fishing boom and impacts from the declaration of a state of emergency and heavy rain events, sales remained robust, supported by favorable performance of reels, rods, and salt lure-related products, centering around mid-range and popular price range products.

Overseas, in the North American market, demand for fishing tackle showed no sign of slowing down, and sales remained robust, boosted by the thriving market.

In Europe, while there were restrictions on movements in some countries, such as lockdowns, sales remained solid, supported by progress in online sales, in addition to over-the-counter sales in the regions where vaccinations were widespread.

In Asia, sales remained favorable, led by strong demand for high price range products. In Australia, sales remained favorable, supported by strong demand.

Under these market conditions, in addition to new products, spinning reels VANFORD and STRADIC, bait reels CURADO series, and rods SLX series continued to be well-received in the market.

As a result, net sales from this segment increased 27.6% from the same period of the previous year to 75,850 million yen, and operating income increased 67.6% to 17,198 million yen.

③ Others

Net sales from this segment increased 32.5% from the same period of the previous year to 329 million yen and operating income of 11 million yen was recorded, following an operating loss of 95 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 2021 amounted to 662,940 million yen, an increase of 72,519 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 38,030 million yen in cash and time deposits, an increase of 9,982 million yen in work in process, an increase of 7,917 million yen in merchandise and finished goods, an increase of 7,019 million yen in notes and accounts receivable-trade, an increase of 3,057 million yen in construction in progress, and an increase of 2,013 million yen in investment securities.

Total liabilities amounted to 75,540 million yen, an increase of 14,905 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 5,522 million yen in income taxes payable, an increase of 5,489 million yen in others under current liabilities, and an increase of 2,009 million yen in accounts payable-trade.

Net assets amounted to 587,400 million yen, an increase of 57,614 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 49,408 million yen in retained earnings and an increase of 17,613 million yen in foreign currency translation adjustments.

(3) Forecast for the Fiscal Year Ending December 31, 2021

The consolidated business performance forecast for fiscal year 2021 has been revised as follows, based on the fact that both net sales and income during the first nine months of fiscal year 2021 exceeded the previous forecast, thanks to favorable sales in the major markets of Europe and the U.S., and emerging markets, as well as the effect of a lower cost of sales ratio through increased production.

Revisions to consolidated business performance forecast figures for FY2021 (January 1, 2021 – December 31, 2021)

	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)	500,000	124,500	128,600	93,700	1,010.79
Revised forecast (B)	515,000	135,500	142,300	103,700	1,119.11
Difference (B-A)	15,000	11,000	13,700	10,000	
Change (%)	3.0	8.8	10.7	10.7	
Full year results for FY2020	378,040	82,701	81,471	63,472	684.71

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

(Millions of yen)

	FY2020 As of Dec. 31, 2020	First Nine Months of FY2021 As of Sep. 30, 2021
Assets		
Current assets		
Cash and time deposits	305,613	343,643
Notes and accounts receivable-trade	38,168	45,187
Merchandise and finished goods	41,134	49,051
Work in process	27,435	37,418
Raw materials and supplies	5,934	7,595
Others	5,604	6,919
Allowance for doubtful accounts	(420)	(335)
Total current assets	423,468	489,480
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	69,040	67,976
Machinery and vehicles (net)	20,808	20,969
Land	13,508	13,664
Leased assets (net)	4,133	5,009
Construction in progress	19,692	22,749
Others (net)	4,946	5,592
Total property, plant and equipment	132,129	135,963
Intangible assets		
Goodwill	3,591	3,359
Software	5,543	6,052
Others	6,113	7,210
Total intangible assets	15,248	16,621
Investments and other assets		
Investment securities	12,901	14,914
Deferred income taxes	5,545	4,805
Others	1,648	1,643
Allowance for doubtful accounts	(520)	(488)
Total investments and other assets	19,574	20,875
Total fixed assets	166,952	173,459
Total assets	590,420	662,940

(Millions of yen)

	FY2020 As of Dec. 31, 2020	First Nine Months of FY2021 As of Sep. 30, 2021
Liabilities		
Current liabilities		
Accounts payable-trade	18,727	20,737
Short-term loans payable	9	7
Income taxes payable	10,644	16,167
Accrued employee bonuses	2,556	3,775
Accrued officer bonuses	162	124
Others	21,846	27,335
Total current liabilities	53,946	68,148
Long-term liabilities		
Long-term loans payable	11	6
Deferred income taxes	1,483	1,872
Net defined benefit liability	2,872	2,480
Others	2,320	3,033
Total long-term liabilities	6,688	7,392
Total liabilities	60,635	75,540
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,642	5,642
Retained earnings	498,046	547,454
Treasury stock	(154)	(11,275)
Total shareholders' equity	539,146	577,434
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	2,458	4,048
Foreign currency translation adjustments	(12,318)	5,295
Total accumulated other comprehensive income	(9,859)	9,343
Non-controlling interests	498	622
Total net assets	529,785	587,400
Total liabilities and net assets	590,420	662,940

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

	(Millions of yen)	
	First Nine Months of FY2020 Jan. 1, 2020 to Sep. 30, 2020	First Nine Months of FY2021 Jan. 1, 2021 to Sep. 30, 2021
Net sales	264,174	395,187
Cost of sales	158,873	227,609
Gross profit	105,300	167,578
Selling, general and administrative expenses	50,999	60,604
Operating income	54,300	106,973
Non-operating income		
Interest income	1,802	1,010
Dividend income	311	578
Foreign exchange gains	3,578	5,297
Others	490	1,164
Total non-operating income	6,184	8,050
Non-operating expenses		
Interest expenses	84	88
Contribution	856	976
Loss on disposal of fixed assets	490	121
Others	374	113
Total non-operating expenses	1,805	1,299
Ordinary income	58,678	113,724
Extraordinary income		
Insurance income	3,619	345
Total extraordinary income	3,619	345
Extraordinary losses		
Loss on factory reconstruction	135	187
Total extraordinary losses	135	187
Income before income taxes	62,163	113,882
Income taxes-current	14,390	27,044
Income taxes-deferred	503	668
Total income taxes	14,894	27,713
Net income	47,268	86,168
Net income attributable to non-controlling interests	36	143
Net income attributable to owners of parent	47,231	86,024

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	First Nine Months of FY2020 Jan. 1, 2020 to Sep. 30, 2020	First Nine Months of FY2021 Jan. 1, 2021 to Sep. 30, 2021
Net income	47,268	86,168
Other comprehensive income		
Unrealized gain (loss) on other securities	(736)	1,589
Foreign currency translation adjustments	(12,360)	17,630
Total other comprehensive income	(13,097)	19,220
Comprehensive income	34,171	105,388
(Breakdown)		
Comprehensive income attributable to owners of parent	34,153	105,228
Comprehensive income attributable to non-controlling interests	17	160

(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)

The Company acquired 330,000 shares of common stock on September 10, 2021 through Off-auction Own Share Repurchase Trading (ToSTNeT-3) on the Tokyo Stock Exchange, based on the resolution of the Board of Directors held on July 27, 2021. As a result, treasury stock increased by 11,120 million yen to 11,275 million yen during the first nine months of fiscal year 2021, including the increase due to acquisition of fractional shares.

(Segment Information)

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.

First Nine Months of FY2021 (Jan. 1, 2021 – Sep. 30, 2021)

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	319,007	75,850	329	395,187	—	395,187
Inter-segment	—	—	—	—	—	—
Total	319,007	75,850	329	395,187	—	395,187
Segment income (loss)	89,764	17,198	11	106,973	—	106,973

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