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Summary of Consolidated Financial Results for the First Half of FY2023 (JGAAP)

(January 1, 2023 – June 30, 2023) [Japanese Standard] (Consolidated)

July 25, 2023



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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 FY2023 (January 1, 2023 – June 30, 2023)

(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 FY2023	263,250	(13.3)	53,908	(33.4)	68,409	(25.7)	50,378	(26.5)
First half of FY2022	303,686	14.7	80,909	15.7	92,123	24.7	68,558	22.4

(Note) Comprehensive income First half of FY2023: 94,648 million yen (-26.8%) First half of FY2022: 129,308 million yen (71.2%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First half of FY2023	556.81		—	
First half of FY2022	750.68		—	

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First half of FY2023	890,633	817,908	91.7
FY2022	826,413	741,095	89.6

(Reference) Shareholders' equity First half of FY2023: 816,724 million yen FY2022: 740,108 million yen

2. Dividend information

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen				
FY2022	—	117.50	—	142.50	260.00
FY2023	—	142.50	—	—	—
FY2023 (Forecast)	—	—	—	142.50	285.00

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

3. Forecasted consolidated business performance for FY2023 (January 1, 2023 – December 31, 2023)

(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
FY2023	450,000	(28.4)	70,000	(58.6)	93,000	(47.3)	69,000	(46.2)	763.24

(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 half of FY2023	90,460,000 shares	FY2022	91,160,100 shares
First half of FY2023	56,289 shares	FY2022	531,034 shares
First half of FY2023	90,478,026 shares	First half of FY2022	91,329,328 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.

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

(1) Results of Operations

During the first half of fiscal year 2023, the prolonged turmoil in Ukraine, interest rate hikes by the central banks of various countries to tame inflation, financial uncertainty in the U.S. and other factors exerted downward pressure on the global economy.

In Europe, inflation rates slowed down as energy prices fell, and consumer confidence started to pick up although at a low level.

In the U.S., while a default of the U.S. national debt was avoided, personal consumption was sluggish due to uncertainty against a backdrop of political ferment.

In China, normalization of economic activities progressed since the lifting of restrictions on activities.

In Japan, the social situation saw progress in its normalization, as seen in the increased foreign tourists, and economic recovery was supported by wage raise, public spending and continued easing of monetary policies, among others.

In this environment, demand for bicycles and fishing tackle continued to be weak, and for the first half of fiscal year 2023, net sales decreased 13.3% from the same period of the previous year to 263,250 million yen. Operating income decreased 33.4% to 53,908 million yen, ordinary income decreased 25.7% to 68,409 million yen, and net income attributable to owners of parent decreased 26.5% to 50,378 million yen.

Reportable Segment Overview

① Bicycle Components

Although the strong interest in bicycles cooled down, interest in bicycles continued as a long-term trend. On the other hand, market inventories generally remained high, despite ongoing supply and demand adjustments.

Overseas, in the European market, retail sales of completed bicycles were somewhat low, partly due to the impacts from unfavorable weather conditions in early spring. Market inventories generally remained at high levels.

In the North American market, retail sales of completed bicycles remained weak and market inventories were at a consistently high level.

In the Asian, Oceanian and Central and South American markets, although interest in bicycles was firm, sales remained somewhat sluggish due to cooling consumer confidence on account of rising inflation. However, in the Chinese market, sales remained strong, especially for road bikes, owing to the continued popularity of outdoor sports cycling.

In the Japanese market, sales were sluggish as affected by the soaring price of completed bicycles due to yen depreciation and other factors and market inventories remained somewhat high.

Under these market conditions, the Shimano Group received a favorable reception for high-end models for road bikes as a whole, including SHIMANO 105, and sport e-bike components, SHIMANO STEPS series and other products.

As a result, net sales from this segment decreased 17.7% from the same period of the previous year to 204,986 million yen, and operating income decreased 39.5% to 42,093 million yen.

② Fishing Tackle

Although the global high demand for fishing tackle cooled down, interest in fishing continued, having gained recognition again as an outdoor leisure activity.

In the Japanese market, willingness to buy new products was strong among long-time fishing enthusiasts, and demand for high-priced products remained firm.

Overseas, while sales in the North American market softened as demand cooled down, in the European market, sales remained strong backed by stable demand.

In the Asian market, sales continued to be favorable supported by the spread of fishing culture and strong interest in fishing, and coupled with the resumption of economic activity, there arose growing momentum for fishing trips.

In the Australian market, the year started with favorable market conditions, however, sales became somewhat stagnant due to slowing demand.

Under these market conditions, order-taking was brisk for the new spinning reels VANQUISH and the highest-end model lure fishing rods WORLD SHAULA LIMITED, and other products.

As a result, net sales from this segment increased 7.0% from the same period of the previous year to 58,027 million yen, and operating income increased 4.5% to 11,843 million yen.

③ Others

Net sales from this segment decreased 4.9% from the same period of the previous year to 236 million yen and operating loss of 28 million yen was recorded, following an operating loss of 7 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 2023 amounted to 890,633 million yen, an increase of 64,219 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 61,219 million yen in cash and time deposits, an increase of 7,758 million yen in merchandise and finished goods, and a decrease of 7,218 million yen in notes and accounts receivable-trade.

Total liabilities amounted to 72,724 million yen, a decrease of 12,593 million yen compared with the figure as of the previous fiscal year-end. The principal factors included a decrease of 6,892 million yen in income taxes payable and a decrease of 6,484 million yen in accounts payable-trade.

Net assets amounted to 817,908 million yen, an increase of 76,812 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 43,060 million yen in foreign currency translation adjustments, an increase of 21,033 million yen in retained earnings, and an increase of 11,588 million yen in treasury stock.

Cash Flows

As of the end of the first half of fiscal year 2023, cash and cash equivalents amounted to 484,638 million yen, an increase of 67,371 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 57,401 million yen compared with 48,615 million yen provided for the same period of the previous year. The main cash inflows included income before income taxes amounting to 68,086 million yen and depreciation and amortization amounting to 11,526 million yen. The main cash outflows included income taxes paid amounting to 26,021 million yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 5,018 million yen compared with 13,698 million yen used for the same period of the previous year. The main cash inflows included proceeds from maturities of time deposits amounting to 9,624 million yen. The main cash outflows included acquisition of property, plant and equipment amounting to 8,473 million yen, purchases of time deposits amounting to 2,966 million yen, and acquisition of intangible assets amounting to 2,776 million yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 19,361 million yen compared with 36,339 million yen used for the same period of the previous year. The main cash outflows included cash dividends to shareholders amounting to 12,926 million yen and acquisition of treasury stock amounting to 4,897 million yen.

(3) Forecast for the Fiscal Year Ending December 31, 2023

The consolidated business performance forecasts have been revised as follows in light of current trends in the first half of fiscal year 2023 where market inventories remain at a high level. Against this backdrop, retail sales got off to a slow start due to unfavorable weather conditions in the European market in early spring, which is expected to cause delay in recovery in demand for the Company's products in the second half of the year. Moreover, production cutbacks at factories are making it difficult for us to absorb the rise in manufacturing cost ratio. Meanwhile, other factors, such as the recording of non-operating income associated with the depreciation of Asian currencies caused by the ongoing U.S. dollar's appreciation, have been also taken into account.

Revisions to consolidated business performance forecast figures for FY2023 (January 1, 2023 – December 31, 2023)

	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)	460,000	83,000	96,500	69,500	768.79
Revised forecast (B)	450,000	70,000	93,000	69,000	763.24
Difference (B-A)	(10,000)	(13,000)	(3,500)	(500)	
Change (%)	(2.2)	(15.7)	(3.6)	(0.7)	
Full year results for FY2022	628,909	169,158	176,568	128,178	1,408.22

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 142.50 yen per share, an increase of 25 yen per share from the interim cash dividends paid in the previous year. The year-end cash dividends for fiscal year 2023 will also be 142.50 yen per share. As a result, cash dividends for the full year are expected to amount to 285 yen per share.

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

(Millions of yen)

	FY2022 As of Dec. 31, 2022	First half of FY2023 As of Jun. 30, 2023
Assets		
Current assets		
Cash and time deposits	430,429	491,648
Notes and accounts receivable-trade	55,201	47,982
Merchandise and finished goods	79,966	87,725
Work in process	42,733	36,531
Raw materials and supplies	8,209	7,474
Others	12,523	13,780
Allowance for doubtful accounts	(310)	(409)
Total current assets	628,754	684,733
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	77,239	78,175
Machinery and vehicles (net)	25,600	27,602
Land	13,936	14,190
Leased assets (net)	5,205	5,563
Construction in progress	18,749	20,300
Others (net)	6,513	6,747
Total property, plant and equipment	147,244	152,579
Intangible assets		
Goodwill	3,065	3,107
Software	10,059	10,406
Others	6,716	7,465
Total intangible assets	19,841	20,979
Investments and other assets		
Investment securities	19,694	21,694
Deferred income taxes	6,728	6,242
Net defined benefit asset	2,645	2,529
Others	1,941	2,314
Allowance for doubtful accounts	(436)	(439)
Total investments and other assets	30,573	32,340
Total fixed assets	197,659	205,899
Total assets	826,413	890,633

(Millions of yen)

	FY2022 As of Dec. 31, 2022	First half of FY2023 As of Jun. 30, 2023
Liabilities		
Current liabilities		
Accounts payable-trade	20,595	14,110
Short-term loans payable	2,151	1,304
Income taxes payable	21,899	15,007
Accrued employee bonuses	3,682	2,698
Accrued officer bonuses	198	99
Others	30,081	31,947
Total current liabilities	78,608	65,168
Long-term liabilities		
Deferred income taxes	2,522	3,040
Net defined benefit liability	1,210	1,376
Others	2,976	3,139
Total long-term liabilities	6,709	7,556
Total liabilities	85,318	72,724
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,640	5,640
Retained earnings	638,141	659,174
Treasury stock	(12,909)	(1,320)
Total shareholders' equity	666,485	699,107
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	3,537	4,470
Foreign currency translation adjustments	70,085	113,145
Total accumulated other comprehensive income	73,623	117,616
Non-controlling interests	986	1,183
Total net assets	741,095	817,908
Total liabilities and net assets	826,413	890,633

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	First half of FY2022 Jan. 1, 2022 to Jun. 30, 2022	First half of FY2023 Jan. 1, 2023 to Jun. 30, 2023
Net sales	303,686	263,250
Cost of sales	175,735	159,819
Gross profit	127,951	103,431
Selling, general and administrative expenses	47,041	49,523
Operating income	80,909	53,908
Non-operating income		
Interest income	1,137	8,397
Dividend income	330	443
Foreign exchange gains	10,473	6,618
Others	452	421
Total non-operating income	12,393	15,881
Non-operating expenses		
Interest expenses	69	115
Contribution	746	616
Voluntary recall expenses	194	503
Others	168	144
Total non-operating expenses	1,179	1,379
Ordinary income	92,123	68,409
Extraordinary losses		
Impairment loss	611	—
Subsidiary restructuring loss	474	—
Loss on sales of shares of subsidiaries	90	—
Loss on factory reconstruction	664	323
Total extraordinary losses	1,840	323
Income before income taxes	90,282	68,086
Income taxes-current	23,006	17,159
Income taxes-deferred	(1,401)	444
Total income taxes	21,604	17,604
Net income	68,678	50,482
Net income attributable to non-controlling interests	119	103
Net income attributable to owners of parent	68,558	50,378

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	First half of FY2022	First half of FY2023
	Jan. 1, 2022 to Jun. 30, 2022	Jan. 1, 2023 to Jun. 30, 2023
Net income	68,678	50,482
Other comprehensive income		
Unrealized gain (loss) on other securities	355	933
Foreign currency translation adjustments	60,274	43,233
Total other comprehensive income	60,630	44,166
Comprehensive income	129,308	94,648
(Breakdown)		
Comprehensive income attributable to owners of parent	129,057	94,372
Comprehensive income attributable to non-controlling interests	250	276

(3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	First half of FY2022	First half of FY2023
	Jan. 1, 2022 to Jun. 30, 2022	Jan. 1, 2023 to Jun. 30, 2023
Cash flows from operating activities:		
Income before income taxes	90,282	68,086
Depreciation and amortization	10,231	11,526
Impairment loss	611	—
Interest and dividend income	(1,468)	(8,840)
Interest expenses	69	115
Foreign exchange losses (gains)	(8,204)	(4,947)
Notes and accounts receivable	(7,076)	9,179
Inventories	(13,355)	6,098
Accounts payable	(804)	(7,132)
Net defined benefit asset	—	116
Net defined benefit liability	(309)	24
Loss on factory reconstruction	664	323
Subsidiary restructuring loss	474	—
Loss (gain) on sales of shares of subsidiaries	90	—
Loss on sales and disposal of property, plant and equipment	26	2
Accrued bonuses	1,868	1,898
Others, net	425	(1,190)
Subtotal	73,525	75,259
Interest and dividend income received	1,147	8,291
Interest expenses paid	(76)	(128)
Income taxes paid	(25,981)	(26,021)
Net cash provided by operating activities	48,615	57,401
Cash flows from investing activities:		
Purchases of time deposits	(3,678)	(2,966)
Proceeds from maturities of time deposits	194	9,624
Acquisition of property, plant and equipment	(8,395)	(8,473)
Acquisition of intangible assets	(3,349)	(2,776)
Payments for loss on factory reconstruction	(211)	(389)
Acquisition of investment securities	(3,000)	(265)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	4,867	—
Others, net	(126)	228
Net cash used in investing activities	(13,698)	(5,018)

(Millions of yen)

	First Half of FY2022 Jan. 1, 2022 to Jun. 30, 2022	First half of FY2023 Jan. 1, 2023 to Jun. 30, 2023
Cash flows from financing activities:		
Short-term loans payable, net	(3,346)	(973)
Repayments of long-term loans payable	(5)	—
Repayments of lease obligations	(495)	(546)
Acquisition of treasury stock	(21,685)	(4,897)
Cash dividends to shareholders	(10,804)	(12,926)
Cash dividends to non-controlling shareholders	(2)	(74)
Others, net	1	55
Net cash used in financing activities	(36,339)	(19,361)
Effect of exchange rate changes on cash and cash equivalents	50,276	34,349
Net increase (decrease) in cash and cash equivalents	48,853	67,371
Cash and cash equivalents at beginning of period	357,773	417,266
Cash and cash equivalents at end of period	406,627	484,638

(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)

(Acquisition of treasury stock)

The Company acquired 227,600 shares of common stock on March 14, 2023 through Off-auction Own Share Repurchase Trading (ToSTNeT-3) on the Tokyo Stock Exchange, based on the resolution of the Board of Directors meeting held on April 26, 2022. As a result, treasury stock increased by 4,897 million yen during the first half of fiscal year 2023, including the increase due to acquisition of fractional shares.

(Cancellation of treasury stock)

The Company canceled 700,100 shares of treasury stock on May 2, 2023 based on the resolution of the Board of Directors meeting held on April 25, 2023. As a result, retained earnings and treasury stock decreased by 16,429 million yen and 16,429 million yen, respectively, during the first half of fiscal year 2023.

(Segment Information)

First half of FY2022 (Jan. 1, 2022 – Jun. 30, 2022)

Information on net sales and income (loss) by reportable segment and disaggregation of revenue

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated statements of income
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
Goods to be transferred at a point in time	249,203	54,235	248	303,686	—	303,686
Goods to be transferred over a period of time	—	—	—	—	—	—
Revenue from contracts with customers	249,203	54,235	248	303,686	—	303,686
Third parties	249,203	54,235	248	303,686	—	303,686
Inter-segment	—	—	—	—	—	—
Total	249,203	54,235	248	303,686	—	303,686
Segment income (loss)	69,581	11,335	(7)	80,909	—	80,909

Notes: 1. There is no difference between total segment income (loss) and operating income in the consolidated statements of income.

2. Net sales includes revenue from contracts with customers and other revenue; however, most of the revenue is generated from contracts with customers, therefore other revenue is not deemed important and is thus not displayed separately.

First half of FY2023 (Jan. 1, 2023 – Jun. 30, 2023)

Information on net sales and income (loss) by reportable segment and disaggregation of revenue

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated statements of income
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
Goods to be transferred at a point in time	204,986	58,027	236	263,250	—	263,250
Goods to be transferred over a period of time	—	—	—	—	—	—
Revenue from contracts with customers	204,986	58,027	236	263,250	—	263,250
Third parties	204,986	58,027	236	263,250	—	263,250
Inter-segment	—	—	—	—	—	—
Total	204,986	58,027	236	263,250	—	263,250
Segment income (loss)	42,093	11,843	(28)	53,908	—	53,908

Notes: 1. There is no difference between total segment income (loss) and operating income in the consolidated statements of income.

2. Net sales includes revenue from contracts with customers and other revenue; however, most of the revenue is generated from contracts with customers, therefore other revenue is not deemed important and is thus not displayed separately.