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Code Number: 7309
March 7, 2017

To Those Shareholders with Voting Rights

Yozo Shimano
President
SHIMANO INC.
3-77 Oimatsu-cho, Sakai-ku, Sakai City, Osaka, Japan

Notice of Convocation of the 110th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 110th Ordinary General Meeting of Shareholders of Shimano Inc.

If you are unable to attend the meeting, you can exercise your voting rights by indicating your approval or disapproval of the proposals on the enclosed ballot form and returning it or by accessing the Company's designated voting rights exercise website and exercising your voting rights by electronic means (via the Internet etc.). Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. (Japan Standard Time) on Monday, March 27, 2017.

1. **Date and Time:** 10:00 a.m. (Japan Standard Time), Tuesday, March 28, 2017
2. **Venue:** **Manufacturing Technology Center, Shimano Inc. Head Office**
3-77 Oimatsu-cho, Sakai-ku, Sakai City, Osaka
3. **Agenda:**
Matters to be reported: (1) The Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 110th Fiscal Year (from January 1, 2016 to December 31, 2016)
(2) Results of Audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
Proposals to be resolved:
Proposal No. 1: Appropriation of Surplus
Proposal No. 2: Election of 7 Directors
Proposal No. 3: Revision of the Amount of Remuneration for Directors

Instructions for the Exercise of Voting Rights

- (1) Exercise of Voting Rights by Post
Please indicate your approval or disapproval of the proposals on the enclosed ballot form and return it so that it arrives by 5:00 p.m. (Japan Standard Time) on Monday, March 27, 2017.
- (2) Exercise of Voting Rights via the Internet etc.
When exercising voting rights via the Internet etc., please refer to Procedures for Exercising Voting Rights via the Internet etc. on page 2 and exercise your voting rights by 5:00 p.m. (Japan Standard Time) on Monday, March 27, 2017.
The Company participates in the electronic voting platform for institutional investors operated by ICJ, Inc., a joint-venture company established by the Tokyo Stock Exchange Inc., etc.

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- * Shareholders who will attend the meeting are requested to submit the enclosed ballot form at the reception desk. The reception desk will open at 9:00 a.m.
 - * If any necessitating revisions are made to the contents of the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements or Consolidated Financial Statements up to the day before the General Meeting of Shareholders, revisions will be notified by posting on the Company's website (<http://www.shimano.com>).

[Procedures for Exercising Voting Rights via the Internet etc.]

When exercising your voting rights via the Internet etc., please review the matters below.

- If attending the General Meeting of Shareholders
The procedures for exercising voting rights by post (the ballot form) or for exercising voting rights via the Internet etc. are unnecessary.
 - If not attending the General Meeting of Shareholders
 - 1) If you exercise your voting rights by post, the procedure for exercising voting rights via the Internet etc. is unnecessary.
 - 2) If you exercise your voting rights via the Internet etc., the procedure for exercising voting rights by post is unnecessary.
1. It is possible to exercise your voting rights via the Internet only by using the following website for exercising voting rights designated by the Company. It is also possible to access the website using a cellular telephone.
URL of the website for exercising voting rights: <http://www.web54.net>
 2. When exercising voting rights via the Internet, after entering the voting rights code and password recorded on the enclosed ballot form, follow the instructions on the screen to record your approval or disapproval of proposals.
 3. Although the exercise of voting rights via the Internet etc. is accepted until 5:00 p.m. (Japan Standard Time) on Monday, March 27, 2017, we request that you exercise voting rights ahead of time to facilitate tabulation of voting results.
 4. In cases of duplicated exercise of voting rights by post and the Internet etc., the exercise of voting rights via the Internet etc. will be treated as the exercise of voting rights.
 5. In cases where the exercise of voting rights is completed multiple times via the Internet etc., the final exercise of voting rights will be treated as the valid exercise of voting rights.
 6. The Company shall not be responsible for any charge for a dial-up connection to an Internet service provider and any telecommunication charges (call charge, etc.) to a telephone carrier incurred when using the website for exercising voting rights.

[System Environment for Exercising Voting Rights via the Internet]

The following system environment is necessary for using the website for exercising voting rights.

- 1) Access to the Internet is necessary.
- 2) When using a personal computer to exercise voting rights, Microsoft® Internet Explorer 5.01 SP2 or later are necessary as browser software. A hardware environment in which the above Internet browser software can be used is necessary.
- 3) When using a cellular telephone to exercise voting rights, a model that supports 128-bit SSL communication is necessary. (To ensure security, only cellular telephone models that support 128-bit SSL communication (encrypted communication) are supported. Some cellular telephone models cannot be used. The full browser function of cellular telephones including smartphones may be used for exercising the voting rights. However, please note that certain cellular telephone models cannot be used for exercising the voting rights.)
(Internet Explorer is a trademark and a product of Microsoft Corporation of the United States.)

[Inquiries Concerning Exercising Voting Rights via the Internet]

If you have any questions concerning the exercise of voting rights via the Internet, please address inquiries to:

Shareholder Registry Administrator: Sumitomo Mitsui Trust Bank, Limited

Dedicated number: ☎ 0120-652-031 (available from 9:00 a.m. to 9:00 p.m. (Japan Standard Time))

Inquiries other than about exercise of voting rights: ☎ 0120-782-031 (open from 9:00 a.m. to 5:00 p.m. (Japan Standard Time) on weekdays)

BUSINESS REPORT

(From January 1, 2016 to December 31, 2016)

1. Overview of the Shimano Group

(1) Review of Operations and Results

During fiscal year 2016, the European economies were on a moderate recovery trajectory as personal consumption remained brisk and exports started to recover, despite growing pessimism following the referendum result in favor of Brexit. In the U.S., a moderate economic recovery continued owing to robust personal consumption supported by steadily improving labor market.

On the other hand, the Japanese economy lacked vigor with the negative effect of currency situation and sluggish growth of personal consumption.

In these circumstances, 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 fiscal year 2016, net sales decreased 14.7% from the previous year to 322,998 million yen. Operating income decreased 24.1% to 64,546 million yen, ordinary income decreased 30.8% to 70,002 million yen, and net income attributable to owners of parent decreased 33.1% to 50,964 million yen.

Reportable Segment Overview

Bicycle Components

In Europe, bad weather in early spring greatly undermined retail sales of completed bicycles, resulting in a continuing high level of distributor inventories. However, thanks to good weather from July onward, sales became brisk. As a result, distributor inventories were adjusted to an appropriate level.

In North America, retail sales of completed bicycles were slightly less than in the previous year. However, distributor inventories of bicycles, which had been high since the beginning of 2016, were adjusted to a lower level than in the previous year.

In China, lackluster retail sales of sports bicycles persisted from the previous year owing to the economic slowdown and bad weather, and were below the previous year's level. On the other hand, distributor inventories, which remained at a high level, started to stabilize.

As regards other major emerging markets, retail sales of sports bicycles in Southeast Asia, which had been robust, were at a level lower than the previous year. Sales in South America continued to be soft because of the economic slowdown and weak currencies.

In the Japanese market, retail sales of sports bicycles, which had been robust until the previous year, were lower than the previous year's level and distributor inventories were somewhat high. Retail sales of community bicycles remained weak, continuing from the previous year.

As a result, net sales from this segment decreased 17.4% from the previous year to 259,455 million yen, and operating income decreased 27.5% to 57,874 million yen.

Fishing Tackle

The Japanese market remained buoyant owing to relatively stable weather from the beginning of the year to Obon (mid-August). Despite the temporary negative impacts of the Kumamoto earthquakes and typhoons on the fishing environment and the consumption trend, sales in Japan exceeded the level of the previous year. This increase reflected the high evaluation in the market enjoyed by Shimano's 2017 model products, some of which were introduced earlier than the original schedule.

Overseas, sales in Asia exceeded the previous year's level partly because of an increase in orders received mainly in East Asia market that reflected the trend toward a weaker yen, despite ongoing inventory adjustments at retailers. Sales in Australia were slightly higher than the previous year's level, but sales in North America and Europe were below the previous year's level partly due to the impact of the sluggish market conditions.

As a result, net sales from this segment decreased 1.7% from the previous year to 63,143 million yen, and operating income increased 27.4% to 6,842 million yen.

Others

Net sales from this segment increased 2.4% from the previous year to 399 million yen and operating loss of 170 million yen was recorded, following operating loss of 135 million yen for the previous year.

1) Sales by segment

	FY2015 January 1, 2015 to December 31, 2015		FY2016 January 1, 2016 to December 31, 2016		Year-over-year change (Figures in parentheses indicate a decrease.)	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage change
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Bicycle Components	314,010	82.9	259,455	80.3	(54,554)	(17.4)
Fishing Tackle	64,245	17.0	63,143	19.6	(1,101)	(1.7)
Others	390	0.1	399	0.1	9	2.4
Total	378,645	100.0	322,998	100.0	(55,647)	(14.7)

2) Situation by segment

1. Trend of sales by segment

(Millions of yen)

	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014	FY2015 (109th) January 1, 2015 to December 31, 2015	FY2016 (110th) January 1, 2016 to December 31, 2016
Bicycle Components	217,263	273,955	314,010	259,455
Fishing Tackle	53,398	58,825	64,245	63,143
Others	376	387	390	399

2. Trend of operating income by segment

(Millions of yen)

	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014	FY2015 (109th) January 1, 2015 to December 31, 2015	FY2016 (110th) January 1, 2016 to December 31, 2016
Bicycle Components	39,505	62,033	79,816	57,874
Fishing Tackle	2,404	3,943	5,372	6,842
Others	(135)	(160)	(135)	(170)

Note: Figures in parentheses indicate operating loss.

3. Trend of net sales by geographical area

(Millions of yen)

	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014	FY2015 (109th) January 1, 2015 to December 31, 2015	FY2016 (110th) January 1, 2016 to December 31, 2016
Japan	31,545	33,243	34,889	37,004
North America	33,223	35,977	41,519	35,215
Europe	93,357	121,584	144,664	123,009
Asia	99,246	126,777	139,416	113,517
Others	13,664	15,585	18,155	14,251

Note: Net sales are classified by countries and regions according to customer location.

(2) Capital Investment and Financing

Consolidated capital investment totaled 31,683 million yen during the fiscal year ended December 31, 2016. Capital investment was mainly used for reinforcing product development capabilities, increasing production capacity and reducing cost of sales. By segment, capital investment totaled 20,379 million yen for bicycle components, 2,882 million yen for fishing tackle, 25 million yen for others, and 8,395 million yen for Company-wide (common). All capital investment was financed from cash flow and borrowings.

(Millions of yen)

	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014	FY2015 (109th) January 1, 2015 to December 31, 2015	FY2016 (110th) January 1, 2016 to December 31, 2016
Bicycle Components	15,628	22,534	23,956	20,379
Fishing Tackle	1,413	3,931	419	2,882
Others	10	188	8	25
Company-wide (common)	7,358	4,757	4,796	8,395
Total	24,410	31,412	29,182	31,683

Note: The amount of capital investment stated under "Company-wide (common)" concerns administrative departments.

(3) Summary of Assets and Profits

1) Assets and profits of the Shimano Group

	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014	FY2015 (109th) January 1, 2015 to December 31, 2015	FY2016 (110th) January 1, 2016 to December 31, 2016
Net sales (Millions of yen)	271,037	333,168	378,645	322,998
Ordinary income (Millions of yen)	47,549	71,019	101,110	70,002
Net income attributable to owners of parent (Millions of yen)	35,088	51,237	76,190	50,964
Basic earnings per share	378.50 yen	552.70 yen	821.87 yen	549.76 yen
Net assets (Millions of yen)	270,914	331,195	371,298	391,381
Total assets (Millions of yen)	319,223	396,967	429,080	443,954

Note: Basic earnings per share is computed based on the average number of outstanding shares during the fiscal year, excluding treasury stock.

2) Assets and profits of the Company

	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014	FY2015 (109th) January 1, 2015 to December 31, 2015	FY2016 (110th) January 1, 2016 to December 31, 2016
Net sales (Millions of yen)	205,214	253,565	292,477	181,215
Ordinary income (Millions of yen)	16,342	27,663	34,522	31,216
Net income (Millions of yen)	11,897	19,835	23,813	22,224
Basic earnings per share	128.33 yen	213.96 yen	256.88 yen	239.73 yen
Net assets (Millions of yen)	95,731	106,943	119,508	127,387
Total assets (Millions of yen)	125,252	146,582	159,013	157,594

Note: Basic earnings per share is computed based on the average number of outstanding shares during the fiscal year, excluding treasury stock.

(4) Issues to be Addressed

The moderate recovery of the European economies is expected to continue, led by domestic demand driven by personal consumption. Meanwhile, the UK will start negotiations for Brexit and presidential elections and general elections are scheduled in France, Germany, etc. Depending on the results of these elections, the tempo of economic recovery may slow. In the U.S., recovery of personal consumption is expected to continue owing to continuing improvement of the labor market. However, specific policies of the new administration and their feasibility may have an impact on economic performance.

In Japan, although corporate earnings inflated by yen depreciation will support business confidence, the impact of the world economy on the Japanese economy cannot be neglected.

In these circumstances, the Shimano Group, while closely monitoring economic trends in Japan and

overseas, is endeavoring to further enhance management efficiency. We will pursue the creation of new cycling and fishing culture.

We request your continuing support in our endeavors.

(5) Principal Business Segments

Segment	Description of main businesses
Bicycle Components	Manufacture and sale of derailleurs and other drive components, brakes and other braking components, other bicycle components and related goods
Fishing Tackle	Manufacture and sale of reels, rods and other recreational fishing gear
Others	Manufacture and sale of cold-forged products for auto-related applications; manufacture and sale of rowing-related equipment

(6) Principal Sales Offices and Factories

1) Principal operating sites of the Company

Head office		3-77 Oimatsu-cho, Sakai-ku, Sakai City, Osaka Prefecture
Factories	Sakai Factory	Sakai-ku, Sakai City, Osaka Prefecture
	Shimonoseki Factory	Shimonoseki City, Yamaguchi Prefecture
Sales offices	Saitama Sales Office	Ageo City, Saitama Prefecture
	Tokyo Sales Office	Ota-ku, Tokyo
	Nagoya Sales Office	Nakagawa-ku, Nagoya City, Aichi Prefecture
	Osaka Sales Office	Sakai-ku, Sakai City, Osaka Prefecture
	Chushikoku Sales Office	Minami-ku, Okayama City, Okayama Prefecture
	Kyushu Sales Office	Tosu City, Saga Prefecture

Note: The Sendai Sales Office was integrated with the Saitama Sales Office as of December 31, 2016.

2) Principal operating sites of subsidiaries

Domestic	Shimano Sales Co., Ltd.	Sakai-ku, Sakai City, Osaka Prefecture
	Shimano Kumamoto Co., Ltd.	Yamaga City, Kumamoto Prefecture

Overseas	Shimano (Singapore) Pte. Ltd.	Singapore
	Shimano Components (Malaysia) Sdn. Bhd.	Malaysia
	Shimano American Corporation	USA
	Shimano (Kunshan) Bicycle Components Co., Ltd.	China
	Shimano Europe Holding B.V.	The Netherlands
	DashAmerica, Inc. (Pearl Izumi USA)	USA
	Shimano Europe Bike Holding B.V.	The Netherlands
	Shimano (Tianjin) Bicycle Components Co., Ltd.	China
	Shimano Czech Republic, s.r.o.	Czech Republic

(7) Employees

Segment	Number of employees	
Bicycle Components	8,575	(1,302)
Fishing Tackle	2,602	(556)
Others	189	(44)
Company-wide (common)	542	(72)
Total	11,908	(1,974)

Notes:

- Figures refer to full-time employees (excluding any employees on assignment from the Shimano Group to other firms, but including any employees on transfer from outside the Shimano Group). Annual average numbers of part-time employees in each segment are shown in parentheses.
- “Company-wide (common)” figures refer to employees that belong to administrative departments.
- Part-time employees are defined as anyone working for the Shimano Group on anything less than a full-time basis (excluding any temporary staff).

(8) Principal Lenders

Lender	Outstanding borrowings (Millions of yen)
MUFG Union Bank, N.A.	4,251
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,086
Mizuho Bank, Ltd.	815

(9) Major Subsidiaries

Company name	Common stock	Ownership %	Principal business
Shimano (Singapore) Pte. Ltd.	S\$ 65,994 thousand	100	Manufacture and sale of bicycle components
Shimano Components (Malaysia) Sdn. Bhd.	RM18,000 thousand	100 (100)	Manufacture and sale of bicycle components and manufacture of fishing tackle
Shimano American Corporation	US\$ 14,000 thousand	92	Sale of bicycle components and fishing tackle
Shimano (Kunshan) Bicycle Components Co., Ltd.	US\$ 34,500 thousand	100 (100)	Manufacture and sale of bicycle components
Shimano Europe Holding B.V.	EUR 5,148 thousand	100	Management of sales subsidiaries in Europe
DashAmerica, Inc. (Pearl Izumi USA)	US\$ 65,696 thousand	92 (92)	Sale of bicycle components
Shimano Europe Bike Holding B.V.	EUR 18 thousand	100 (100)	Sale of bicycle components and management of bicycle components sales subsidiaries in Europe
Shimano (Tianjin) Bicycle Components Co., Ltd.	US\$ 24,000 thousand	100 (100)	Manufacture and sale of bicycle components
Shimano Sales Co., Ltd.	JPY 277 million	100	Sale of bicycle components and fishing tackle; repair and storage
Shimano Czech Republic, s.r.o.	CZK 90,100 thousand	100 (100)	Manufacture of bicycle components

Note: Figures in parentheses refer to parent company equity stakes held via indirect ownership.

2. Share-related information

- (1) Total number of shares authorized: 262,400,000 shares
(2) Total number of shares issued: 92,720,000 shares (including treasury stock of 16,902 shares)
(3) Number of shareholders: 6,702
(4) Major shareholders (Top 10)

Name of shareholder	Number of shares (Thousands of shares)	Percentage of ownership (%)
Minato Kosan Co., Ltd.	7,640	8.24
Japan Trustee Services Bank, Ltd. (trust account)	4,337	4.68
Taiyo Kogyo Co., Ltd.	4,040	4.36
The Master Trust Bank of Japan, Ltd. (trust account)	3,634	3.92
State Street Bank and Trust Company	3,105	3.35
Three S Co., Ltd.	2,171	2.34
Nippon Life Insurance Company	2,098	2.26
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,066	2.23
CBNY-Charles Schwab FBO Customer	1,720	1.86
Resona Bank, Limited.	1,711	1.85

Note: The percentage of ownership is calculated excluding treasury stock (16,902 shares).

3. Information related to Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members

(As of December 31, 2016)

Title	Name	Assignment	Significant concurrent positions
President Representative Director	Yozo Shimano	Chairman of the Board	Chairman, Shimano (Singapore) Pte. Ltd. Chairman, Shimano Components (Malaysia) Sdn. Bhd. President, Taiyo Kogyo Co., Ltd. Chairman, Japan Fishing Tackle Manufacturers Association
Senior Executive Vice President Representative Director	Keiji Kakutani	Head of General Operations Div. and Chief Internal Auditing Officer	
Senior Executive Vice President	Shinji Wada	Chief Manufacturing Officer	
Executive Vice President	Satoshi Yuasa	Head of Bicycle Components Div.	
Executive Vice President	Yoshihiro Hirata	Head of Lifestyle Gear Div.	
Executive Vice President	Taizo Shimano	Head of Fishing Operations Div.	
Executive Vice President	Masahiro Tsuzaki	Chief Human Resources and Corporate Communications Officer	
Executive Vice President	Takashi Toyoshima	Chief Technology Officer, Bicycle Components Div. Senior Vice President, System Engineering Dept., Bicycle Components Div.	
Director	Kiyoshi Tarutani	Senior Vice President, Quality Control Div.	
Director	Yasuhiro Hitomi	Senior Vice President, Engineering Dept., Fishing Operations Div.	
Director	Chia Chin Seng		President, Shimano (Singapore) Pte. Ltd. President, Shimano Components (Malaysia) Sdn. Bhd. Chairman, Shimano (Kunshan) Bicycle Components Co., Ltd. Chairman and President, Shimano (Tianjin) Bicycle Components Co., Ltd.

Title	Name	Assignment	Significant concurrent positions
Director	Hiroshi Matsui	Senior Vice President, General Operations Div. Supervising -General Affairs Dept. -Accounting Dept. In charge of -Business Administration Dept. -Corporate Planning Dept. -Aifie	
Director	Tomohiro Ohtsu	Senior Vice President, Production Engineering Div. and Shimano Research Laboratories	
Director	Kazuo Ichijo		Dean and Professor, Graduate School of International Corporate Strategy, Hitotsubashi University Adjunct Professor, International Institute for Management Development Outside Director, Information Services International-Dentsu, Ltd. Outside Director, PanaHome Corporation
Full-time Audit & Supervisory Board Member	Koichi Shimazu		
Full-time Audit & Supervisory Board Member	Hideo Katsuoka		
Audit & Supervisory Board Member	Gohei Matsumoto		Certified tax accountant, Matsumoto Certified Tax Accountant Office
Audit & Supervisory Board Member	Kanako Nozue		Attorney-at-law, Tsujinaka Law Firm Outside Director, Asanuma Corporation

Notes:

1. Mr. Kazuo Ichijo is an Outside Director as defined in Article 2, Item 15 of the Companies Act.
2. Audit & Supervisory Board Members Gohei Matsumoto and Kanako Nozue are Outside Audit & Supervisory Board Members as defined in Article 2, Item 16 of the Companies Act.
3. The Company has filed notifications with the Tokyo Stock Exchange for all of its Outside Directors and Outside Audit & Supervisory Board Members as independent officers.
4. Audit & Supervisory Board Member Gohei Matsumoto is a certified tax accountant and possesses considerable knowledge of tax and accounting matters.
5. Mr. Etsuyoshi Watarai retired from his position as Senior Executive Vice President upon expiration of his term of office at the close of the 109th Ordinary General Meeting of Shareholders held on March 29, 2016.

6. The changes made to the assignment of Directors after December 31, 2016, are as follows:

Name	Before the change	After the change	Date of change
Keiji Kakutani	Head of General Operations Div. and Chief Internal Auditing Officer	Chief Internal Auditing Officer	As of January 1, 2017
Yoshihiro Hirata	Head of Lifestyle Gear Div.	Head of General Operations Div. and Supervising of Lifestyle Gear Div.	As of January 1, 2017
Takashi Toyoshima	Chief Technology Officer, Bicycle Components Div. Senior Vice President, System Engineering Dept., Bicycle Components Div.	Chief Technology Officer, Bicycle Components Div. and Senior Vice President, Technology R&D Dept. and SMA (Shimano Modular Architecture) Development Dept., Bicycle Components Div.	As of January 1, 2017
Yasuhiro Hitomi	Senior Vice President, Engineering Dept., Fishing Operations Div.	Chief of Research & Development Dept., Fishing Operations Div.	As of January 1, 2017
Tomohiro Ohtsu	Senior Vice President, Production Engineering Div. and Shimano Research Laboratories	Senior Vice President, Production Engineering Dept., Shimano Research Laboratories, and SPC (Shimano Process Control) Development Dept.	As of January 1, 2017

(2) Outline of Limited Liability Agreements

The Company has concluded limited liability agreements with all Outside Officers under Article 423, Paragraph 1 of the Companies Act, under which the maximum contractual liability of such Outside Officers is set at the minimum figure specified in Article 425, Paragraph 1 of the same Act.

(3) Total Remuneration of Directors and Audit & Supervisory Board Members

Category	Total number of people	Total amount of remuneration for the fiscal year ended December 31, 2016 (Millions of yen)
Directors	15	534
Audit & Supervisory Board Members	4	56
Total (Outside Officers)	19 (3)	590 (24)

Notes:

- The above numbers of Directors and Audit & Supervisory Board Members and amounts of remuneration of Directors and Audit & Supervisory Board Members include 1 Director who retired at the close of the 109th Ordinary General Meeting of Shareholders held on March 29, 2016, and the amount of his remuneration, respectively.
- The above amount of remuneration of Directors includes the provision of reserve for officer bonuses amounting to 186 million yen recorded for the fiscal year ended December 31, 2016.
- The above amounts do not include remuneration for employment by the Company and the associated payroll bonuses to Directors.
- In addition to the above amounts, the Company paid officer retirement benefits amounting to 21 million yen to 1 Director in accordance with the resolution at the 105th Ordinary General Meeting of Shareholders held on March 29, 2012.

(4) Policy concerning Decisions on the Amount of Remuneration for Directors and Audit & Supervisory Board Members and the Calculation Method

The annual remuneration for Directors and Audit & Supervisory Board Members is decided within the maximum total remuneration amounts for all Directors and all Audit & Supervisory Board Members, respectively, established by resolution of the General Meeting of Shareholders.

The amount of annual remuneration for each Director is decided by the Representative Director designated by the Board of Directors in accordance with certain standards, and the amount of annual remuneration for each Audit & Supervisory Board Member is decided through discussion by the Audit & Supervisory Board.

(5) Outside Officers

- Relationship between other companies/organizations where the Outside Officers concurrently hold

positions and the Company

The Company has no relationships with other companies/organizations where the Outside Officers concurrently hold positions.

2) Principal activities in the fiscal year ended December 31, 2016

Category	Name	Activities
Director	Kazuo Ichijo	Attended all 13 meetings of the Board of Directors in the fiscal year ended December 31, 2016. He is a professor of international corporate strategy at the graduate school of Hitotsubashi University who has ample knowledge and experience in corporate management. He provides input necessary for deliberations concerning the Company's management from a long-term perspective that is based on knowledge and experience of the business world, and how that differs from the Company's existing ways of thinking.
Audit & Supervisory Board Member	Gohei Matsumoto	Attended all 13 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board in the fiscal year ended December 31, 2016. He provides mainly specialist counsel in the capacity of tax accountant.
Audit & Supervisory Board Member	Kanako Nozue	Attended all 13 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board in the fiscal year ended December 31, 2016. She provides mainly specialist counsel in a legal capacity.

4. Accounting Auditor

(1) Name of the Accounting Auditor Appointed by the Company: Seiryō Audit Corporation

(2) Amount of Compensation for the Accounting Auditor for the Fiscal Year Ended December 31, 2016:

Category	Amount paid (Millions of yen)
1) Total amount of audit fee and other fees to be paid to the Accounting Auditor by the Company	33
2) Total amount of monetary and other financial interest to be paid to the Accounting Auditor by the Company and its subsidiaries	33

Notes:

1. The Audit & Supervisory Board conducted necessary examination as to whether the content of the audit plan of the Accounting Auditor, its performance of accounting audit, and the basis for estimation of the amount of compensation are appropriate for the Company's business scale, etc. As a result, the Audit & Supervisory Board gave consent for the amount of compensation for the Accounting Auditor.
2. The contract between the Company and Seiryō Audit Corporation makes no distinction between auditing services, as stipulated in the Companies Act, and auditing services, as stipulated in the Financial Instruments and Exchange Act. Moreover, since no essential distinction could be made between these two categories, the amount above is the total amount for both types of audit services.
3. Audit firms other than Seiryō Audit Corporation are engaged in audits of major overseas subsidiaries of the Company.

(3) Policy for Determination of Dismissal or Non-reappointment of the Accounting Auditor

In the event that the Audit & Supervisory Board deems that there may be major disruptions to the audit of the Company by the Accounting Auditor, and it is impossible for the Accounting Auditor to appropriately perform its duties, or in the event that the Audit & Supervisory Board deems it to be necessary, the Audit & Supervisory Board shall determine a proposal for dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

In the event that any of the items stipulated in Article 340, Paragraph 1 of the Companies Act apply to the Accounting Auditor, the Audit & Supervisory Board may dismiss the Accounting Auditor by the unanimous consent of all Audit & Supervisory Board Members. In such event, an Audit & Supervisory Board Member, selected by the Audit & Supervisory Board shall report the dismissal of the Accounting Auditor and the reason for dismissal at the first General Meeting of Shareholders called after the dismissal.

5. Systems to Ensure the Appropriateness of Operations (Internal Control Systems) and the Status of Implementation of Such Systems

(1) Systems to Ensure the Appropriateness of Operations

In accordance with the provisions of the Companies Act, the Board of Directors has decided on the implementation of systems to ensure that the execution of duties by Directors is in compliance with laws, regulations and the Articles of Incorporation and systems to ensure the appropriateness of other operations. The Company will continue to ensure the appropriateness of management and operations and endeavor to improve the internal control systems described below, while making such alterations as may be required by changes in the business environment.

Basic Policies on Establishment of Internal Control Systems

1. System to ensure that the execution of duties by the Company's Directors is in compliance with laws and regulations and the Articles of Incorporation

The Company shall establish Compliance Regulations and various other rules and regulations and take the initiative to ensure compliance throughout the Company and its subsidiaries (hereinafter referred to as the "Shimano Group").

2. Systems governing the storage and management of information relating to the execution of duties by the Company's Directors

Any information relating to the execution of duties by Directors that requires storage shall be recorded and stored by the responsible operating department(s) of the Company in accordance with the Information Control Regulations.

3. Regulations and other systems governing management of the risk of losses

- (1) The Company recognizes the following major internal and external risks: 1) risks related to management decision-making and execution of operations, 2) risks of legal/regulatory compliance violations, 3) risks related to environmental protection, 4) risks related to product quality, 5) risks related to export/import control, 6) information security risks, and 7) disaster risks. Based on the recognition of these risks, the Company shall establish necessary rules and regulations and shall endeavor to establish systems that facilitate quick response by providing training programs aimed at improving related internal knowledge and expertise.
- (2) The internal audit organization shall perform internal audits of the status of operations in each part of the organization in accordance with the Internal Audit Regulations to assess the status. Any points that require improvement shall be noted immediately, and subsequent checks shall be made to follow up on any required changes.

4. Systems to ensure the efficient execution of duties by the Company's Directors

- (1) Regular meetings of the Board of Directors shall be convened once a month. The Board of Directors shall deliberate and decide matters contained in each meeting's agenda, which is created and managed according to the Board of Directors Regulations.
- (2) The Board of Directors shall decide statutory matters relating to business policies, laws and regulations and all other important business-related matters, and oversee the overall operation of the business.
- (3) Directors shall endeavor to manage those parts of the organization entrusted to them in accordance with the Regulations for Division of Duties and the Regulations for Clarification of Authority swiftly and efficiently so as to improve the performance of these operations.

5. Systems to ensure that the execution of duties by the Company's employees is in compliance with laws and regulations and the Articles of Incorporation

- (1) Various internal regulations, including the Compliance Regulations, shall be established to ensure that the execution of duties by employees is in full compliance with laws and regulations and the Articles of Incorporation.
- (2) The internal audit organization shall perform internal audits of the status of compliance, in accordance with the Internal Audit Regulations and other regulations mentioned above. The results shall be reported in a timely fashion to the Board of Directors and the Audit & Supervisory Board.
- (3) The Company shall conduct education and training to ensure that employees have an adequate understanding of the Compliance Regulations.

- 6. Systems for reporting of matters concerning execution of duties by subsidiaries' directors etc. to the Company**
(1) When a subsidiary makes an important management decision, it shall implement necessary measures in accordance with internal regulations, such as requesting the Company's prior approval.
(2) Subsidiaries shall periodically report their financial conditions to the Company.
- 7. Regulations and other systems governing subsidiaries' management of the risk of losses**
The Company's Directors in charge shall provide comprehensive advice and guidance concerning subsidiaries' business operations and risk management systems.
- 8. Systems to ensure efficient execution of duties by subsidiaries' directors**
Information technology shall be utilized appropriately and effectively, such as the introduction of a shared system for consolidated accounting, throughout the Shimano Group for communication of information between the Company and subsidiaries and for business processes to the extent applicable.
- 9. Systems to ensure that the execution of duties by subsidiaries' directors and employees is in compliance with laws and regulations and the Articles of Incorporation**
Each subsidiary shall establish compliance systems through the establishment of regulations similar to the Company's Compliance Regulations or other internal rules and regulations, according to each subsidiary's individual situation.
- 10. Other systems to ensure the appropriateness of operations across the Shimano Group consisting of the Company and its subsidiaries**
With the aim of instituting effective internal controls across the whole Shimano Group, the Company shall appoint managers with requisite responsibilities, assess situations of legal/regulatory compliance and risk management, and swiftly implement necessary countermeasures.
- 11. Matters concerning employees who provide assistance to Audit & Supervisory Board Members, in the case that the Company's Audit & Supervisory Board Members request that the Company assign employees as assistants to support their duties**
If deemed necessary by Audit & Supervisory Board Members, appropriate personnel shall be exclusively assigned to provide assistance to Audit & Supervisory Board Members.
- 12. Matters concerning the independence of employees mentioned in (11) above from the Company's Directors**
Employees mentioned in (11) above shall be outside the Directors' chain of command and follow instructions of the Audit & Supervisory Board Members.
- 13. Matters concerning the ensuring of effectiveness of instructions of the Company's Audit & Supervisory Board Members to employees mentioned in (11) above**
Employees mentioned in (11) above, in accordance with the instructions issued by the Audit & Supervisory Board Members, shall have authority to perform investigations.
- 14. Systems for reporting by the Company's Directors and employees to the Company's Audit & Supervisory Board Members**
Directors and employees shall swiftly report the status of performance of internal audits, as well as statutory matters, to the Company's Audit & Supervisory Board Members.
- 15. Systems for reporting by subsidiaries' directors, audit & supervisory board members and employees, or persons who received reports from such persons, to the Company's Audit & Supervisory Board Members**
Subsidiaries' directors, audit & supervisory board members and employees shall swiftly report the matters which the Company's Audit & Supervisory Board Members request, as well as statutory matters. Persons who received reports from subsidiaries' directors, audit & supervisory board members and employees shall do the same.
- 16. Other systems for reporting to the Company's Audit & Supervisory Board Members**
(1) Upon request of any Audit & Supervisory Board Member, reporting and information gathering shall be swiftly conducted, in accordance with the stipulations of the Audit & Supervisory Board.
(2) The internal audit organization shall closely collaborate with the Audit & Supervisory Board, including by means of discussion and exchange of opinions.
- 17. Systems to ensure that reporting persons mentioned in (14)-(16) above do not receive discriminate treatment as a result of such reports**
(1) Regarding persons who reported to Audit & Supervisory Board Members, the fact of such reporting and

the content of the reporting shall be kept confidential, and it is prohibited to discriminate against persons who have reported to Audit & Supervisory Board Members for that reason alone.

- (2) Regarding persons who reported to the designated internal or external point of contact for compliance matters for swift recognition of violations of laws and regulations and/or unethical behaviors, the fact of such reporting and the content of the reporting shall be kept confidential, and it is prohibited to discriminate against persons who reported to the point of contact for that reason alone.

18. Matters concerning procedures for advance payment or reimbursement of expenses incurred in the course of execution of duties by the Company's Audit & Supervisory Board Members and policies related to processing of expenses or liabilities arising from execution of duties

Audit & Supervisory Board Members may consult lawyers, certified public accountants, and/or other external experts, as necessary, and expenses incurred shall be borne by the Company.

19. Other systems to ensure effective performance of audits by the Company's Audit & Supervisory Board Members

- (1) Opportunities shall be made available for Audit & Supervisory Board Members to attend meetings of the Board of Directors and other important meetings so that Audit & Supervisory Board Members can identify important internal issues and state their views, as necessary.
- (2) Forums shall be established, as necessary, to facilitate exchanges of views between Audit & Supervisory Board and Representative Directors.

(2) Status of Implementation of the Systems to Ensure the Appropriateness of Operations

- 1) Internal workshops and seminars on basic compliance matters, for which external instructors are invited, are held in house for officers and employees of the Company and its subsidiaries, in order to instill the consciousness of compliance.
- 2) An assessment of the effectiveness of internal controls over financial reporting, based on the Financial Instruments and Exchange Act, concluded no material violations were detected in the fiscal year ended December 31, 2016, and internal control systems are appropriately implemented.
- 3) Reports on the Company's and subsidiaries' businesses are periodically made, not only at meetings of the Company's Board of Directors, but also at important internal meetings. If issues requiring improvement or problems arise, instructions are issued to the departments concerned, as necessary.

6. Basic Policy on the Control of the Company

(1) Details of the Basic Policy

The Company believes that it is necessary that the persons who control decisions on the Company's financial and business policies fully understand the Company's financial and business details and the sources of the Company's corporate value and make possible the continuous and sustained preservation and enhancement of the Company's corporate value and the common interests of the shareholders.

The Company will not repudiate even a large-scale purchase of the Company's shares, provided the purchase contributes to the Company's corporate value and the common interests of the shareholders.

However, a number of large-scale share purchases would have little value to the corporate value and the common interests of the shareholders. For instance, some large-scale share purchases, in light of their purposes, would clearly impair the corporate value and the common interests of the shareholders, pose a risk of effectively compelling shareholders to sell their shares, fail to provide the Board of Directors or shareholders of the targeted company with sufficient time or information to consider the details of the large-scale share purchase or for the Board of Directors of the targeted company to make an alternative proposal, or require the targeted company to discuss and negotiate with the purchaser to obtain more favorable terms than those offered by the purchaser.

In particular, the sources of the Shimano Group's corporate value include 1) worldwide sales bases and networks that make possible the rapid detection of customer needs; 2) highly creative planning and development capabilities and technological capabilities that satisfy customer needs; 3) a cost-competitive production structure that takes advantage of the strengths of the countries where the manufacturing bases are located and supply capacity to meet worldwide demand; 4) a global service structure; and 5) harmonious business operation among the Shimano Group companies. The factors that form the foundation of these strengths include (i) firm relationships of trust with customers, business partners, employees, and other stakeholders; (ii) the technical development capabilities and expertise of individual employees; and (iii) a corporate culture that enables individual employees to fully demonstrate those capabilities. If a person conducting a large-scale purchase of the Company's shares failed to understand not only the details of the Company's finances and business, but also these sources of the Company's corporate value, and failed to preserve and enhance them in the medium term and long term, the Company's corporate value and the common interests of the shareholders would be impaired. Also, if the Company receives a proposal for a large-scale purchase of shares from an outsider, to enable the shareholders to make the optimal choice it will be necessary for the Company to judge the affects the purchase will have on the Company's corporate value and the common interests of the shareholders after appropriately ascertaining the tangible and intangible elements that constitute the Company's corporate value and information about the purchaser and share purchase. Any large-scale purchase forcibly conducted while such information remained undisclosed would pose a risk of impairment to the Company's corporate value and the common interests of the shareholders.

The Company believes that a person conducting a large-scale purchase of shares that does not contribute to the Company's corporate value and the common interests of the shareholders would be inappropriate as a person to control decisions on the Company's financial and business policies and that it is necessary to secure the Company's corporate value and the common interests of the shareholders by adopting necessary and appropriate measures to counter a large-scale purchase by such a person.

(2) Outline of the Measures for the Realization of the Basic Policy

(A) Special Measures to Contribute to the Realization of the Basic Policy

(i) Measures for the Enhancement of Corporate Value

To maintain and further strengthen the above-mentioned sources of corporate value, the Company believes that it must continue to supply services and products that are trusted by and provide satisfaction to customers and in the coming years engage in the development and manufacture of products that respond to heightened customer interest in the environment, health, and other matters. Also, demand for bicycle components and fishing equipment, the Company's mainstay products, is increasing in emerging markets, such as China and South America. The Company intends to implement various measures so as to earn the confidence of customers also in these emerging markets. Against that backdrop, the Company will realize medium-term to long-term enhancement of corporate value by having as its basic policies 1) the reinforcement of core competences and 2) the creation of a cycling culture and fishing culture and brand reinforcement.

(ii) Reinforcement of Corporate Governance and Shareholder Returns

At the Company, supervision of the Directors' execution of duties is performed by means of 1 Independent Outside Director and an Audit & Supervisory Board that includes 2 Independent Outside Audit & Supervisory Board Members. Also, the Company has established the Internal Audit Office as an internal audit organization. It periodically audits the state of compliance and risk management and is engaged in the development and implementation of global internal control systems.

The Company regards shareholder returns as an important management priority and has a basic policy of maintaining and continuing stable dividends and allocating profits in accordance with the development of business performance. The Company has continued to pay stable dividends since it listed its shares in 1972 and, furthermore, has increased dividends in line with improvement in business performance. The Company also has been actively conducting share repurchases.

Furthermore, with regard to activities to discharge social responsibility, the Shimano Group has long actively engaged in cultural activities, participated in volunteer activities, and sponsored events in communities where it has a presence. These activities build relationships of trust with business partners, area residents, and other stakeholders.

(B) Outline of the Measures to Prevent Decisions on the Company's Financial and Business Policies from Being Controlled by Persons Viewed as Inappropriate under the Basic Policy

In the event of a large-scale purchase of the Company's shares, the Company will make appropriate responses, as necessary, including making efforts for vigorous gathering of information and appropriate disclosure, in order to secure and enhance the Company's corporate value and the common interests of the shareholders.

**(3) The Decisions of the Company's Board of Directors Concerning Specific Measures and the Reasons Thereof
Special Measures to Contribute to the Realization of the Basic Policy**

The measures for the enhancement of corporate value and measures for the reinforcement of corporate governance described in the above (2) (A) have been formulated as specific measures for the continuous and sustained preservation and enhancement of the Company's corporate value and the common interests of the shareholders and indeed contribute to realization of the Basic Policy. Accordingly, these measures are in line with the basic policy and in accordance with the common interests of the Company's shareholders and are not for the purpose of maintaining the position of the Company's corporate officers.

Notes:

1. Regarding amounts, numbers of shares, etc. presented in this business report, any fractions less than the units indicated are rounded down. However, percentages are rounded to the nearest significant digit.
2. Consumption taxes are not included in the amounts presented in this business report.
3. Figures and information in this report are as of December 31, 2016, unless otherwise specified.

Consolidated Balance Sheet

(As of December 31, 2016)

(Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	297,538	Current liabilities	44,063
Cash and time deposits	199,772	Accounts payable-trade	12,051
Notes and accounts receivable-trade	34,302	Short-term loans payable	7,477
Merchandise and finished goods	31,740	Income taxes payable	5,856
Work in process	17,218	Deferred income taxes	94
Raw materials and supplies	4,658	Accrued employee bonuses	1,781
Deferred income taxes	2,938	Accrued officer bonuses	191
Others	7,151	Provision for sales returns	228
Allowance for doubtful accounts	(244)	Others	16,383
Fixed assets	146,415	Long-term liabilities	8,509
Property, plant and equipment	112,747	Long-term loans payable	1,498
Buildings and structures	59,920	Deferred income taxes	1,079
Machinery and vehicles	23,691	Net defined benefit liability	4,031
Land	13,342	Others	1,900
Leased assets	44	Total liabilities	52,572
Construction in progress	9,280		
Others	6,467	(Net assets)	
Intangible assets	15,971	Shareholders' equity	389,023
Goodwill	5,814	Common stock	35,613
Software	4,937	Capital surplus	5,667
Software in progress	1,993	Retained earnings	347,840
Others	3,226	Treasury stock	(96)
Investments and other assets	17,696	Accumulated other comprehensive income	1,602
Investment securities	13,747	Unrealized gain (loss) on other securities	3,666
Deferred income taxes	1,304	Foreign currency translation adjustments	(2,063)
Others	3,119	Non-controlling interests	754
Allowance for doubtful accounts	(475)	Total net assets	391,381
Total assets	443,954	Total liabilities and net assets	443,954

Note: Amounts are rounded down to the nearest million yen.

Consolidated Statement of Income
(From January 1, 2016 to December 31, 2016)

(Millions of yen)

Accounts	Amount	
Net sales		322,998
Cost of sales		191,461
Gross profit		131,537
Selling, general and administrative expenses		66,991
Operating income		64,546
Non-operating income		
Interest and dividend income	1,915	
Others	5,197	7,112
Non-operating expenses		
Interest expenses	161	
Others	1,495	1,656
Ordinary income		70,002
Extraordinary losses		
Loss on impairment	869	
Loss on factory reconstruction	555	
Loss on business withdrawal	175	1,600
Income before income taxes		68,402
Income taxes-current	17,359	
Income taxes-deferred	148	17,508
Net income		50,894
Net loss attributable to non-controlling interests		(69)
Net income attributable to owners of parent		50,964

Note: Amounts are rounded down to the nearest million yen.

Consolidated Statement of Shareholders' Equity

(From January 1, 2016 to December 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	35,613	5,823	311,244	(90)	352,591
Changes of items during the year					
Cash dividends paid			(14,369)		(14,369)
Net income attributable to owners of parent			50,964		50,964
Acquisition of treasury stock				(6)	(6)
Change in equity of parent arising from transactions with non-controlling shareholders		(156)			(156)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	(156)	36,595	(6)	36,432
Balance at end of year	35,613	5,667	347,840	(96)	389,023

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of year	3,772	14,021	17,793	913	371,298
Changes of items during the year					
Cash dividends paid					(14,369)
Net income attributable to owners of parent					50,964
Acquisition of treasury stock					(6)
Change in equity of parent arising from transactions with non-controlling shareholders					(156)
Net changes of items other than shareholders' equity	(105)	(16,085)	(16,190)	(158)	(16,349)
Total changes of items during the year	(105)	(16,085)	(16,190)	(158)	20,083
Balance at end of year	3,666	(2,063)	1,602	754	391,381

Note: Amounts are rounded down to the nearest million yen.

Notes relating to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

(1) Consolidation

(a) The consolidated financial statements include the accounts of the Company and the following 53 subsidiaries.

Shimano (Singapore) Pte. Ltd.
Shimano Components (Malaysia) Sdn. Bhd.
Shimano (Kunshan) Bicycle Components Co., Ltd.
Shimano (Mersing) Sdn. Bhd.
P.T. Shimano Batam
Shimano (Philippines) Inc.
MSC Pte. Ltd.
Shimano (Cambodia) Co., Ltd.
Shimano Taiwan Co., Ltd.
PRO (Taiwan) Procurement Co., Ltd.
Shimano (Kunshan) Fishing Tackle Co., Ltd.
Shimano (Shanghai) Sales Corporation
Shimano (Tianjin) Bicycle Components Co., Ltd.
Shimano (Lianyungang) Industrial Co., Ltd.
Shimano South Asia Pvt. Ltd.
Shimano American Corporation
Shimano Canada Ltd.
G.Loomis, Inc.
DashAmerica, Inc. (Pearl Izumi USA)
Innovative Textiles, Inc.
Shimano Europe Holding B.V.
Shimano Europe Bike Holding B.V.
Shimano Europe Fishing Holding B.V.
Shimano Germany Fishing GmbH
Shimano - Pearl Izumi Softgoods Division Europe GmbH
Shimano Europe Retail Division B.V.
Bikefitting.com B.V.
Shimano Benelux B.V.
Shimano U.K. Ltd.
Shimano Italy Fishing S.R.L.
Shimano Italy Bicycle Components S.R.L.
Shimano Europe B.V.
Shimano Belgium N.V.
Lazer Sport N.V.
Shimano France Composants Cycles S.A.S.
Shimano Italia S.p.A. in liquidazione
Shimano Czech Republic, s.r.o.
Shimano Nordic Cycle AB
Shimano Nordic Cycle OY
Shimano Nordic Cycle AS
Shimano Nordic Denmark ApS
Shimano Polska Bicycle Parts Sp.z o.o.
Shimano Menat Spor Etkinlikleri Spor Malzemeleri ve Ekipmanlari Ticaret Limited Sirketi
Shimano Bisiklet Parca ve Ekipmanlari Satis Servis Ticaret Anonim Sirketi
Shimano Balikcilik Malzemeleri ve Ekipmanlari Satis Ticaret Anonim Sirketi
Shimano Australia Cycling Pty. Ltd.
Shimano Oceania Holdings Pty. Ltd.
Shimano Australia Fishing Pty. Ltd.
Shimano New Zealand Ltd.
Shimano Latin America Representacao Comercial Ltda.
Shimano Uruguay S.A.
Shimano Sales Co., Ltd.
Shimano Kumamoto Co., Ltd.

During fiscal year 2016, PRO (Taiwan) Procurement Co., Ltd. and Shimano South Asia Pvt. Ltd. were included in the scope of consolidation due to establishment and Lazer Sport N.V. and Shimano U.K. Ltd. were included in the scope of consolidation due to purchase of shares.

(b) The remaining subsidiaries including Shimano Adachi Co., Ltd. are excluded from consolidation since the aggregate amounts of the total assets, net sales, net income and retained earnings of these subsidiaries are immaterial to the comparable amounts in the accompanying consolidated financial statements.

(2) Applications of the equity method

None of the unconsolidated subsidiaries and affiliated companies (20 to 50 percent-owned companies) including Sanbo Co., Ltd. is accounted for by the equity method since the aggregate amounts of net income and retained earnings of these companies are immaterial to the comparable amounts in the accompanying consolidated financial statements.

(3) Fiscal year of the consolidated subsidiaries

The fiscal year of Shimano Italia S.p.A. in liquidazione ends on November 30 and its financial statements as of November 30 are used for preparation of the consolidated financial statements. Any material effects occurring during the period from December 1 to December 31 are adjusted in the consolidated financial statements.

(4) Summary of significant accounting policies

(a) Valuation basis and method for principal assets

Securities

Other securities (syn. Available-for-sale securities)

Other securities with market prices

Other securities with market prices are stated at closing quoted prices at the balance sheet date.

Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.

Realized gains and losses on sales of these securities are credited or charged to income, with cost determined on the moving average basis.

Other securities with no market prices

Other securities with no market prices are stated at moving average cost.

Inventories

Inventories held for sale in the ordinary course of business are stated principally at cost (the book value devaluation method based on decline in profitability).

Finished goods, merchandise, work in process and raw materials are stated principally at cost determined by the weighted average method.

Supplies are stated at the most recent purchase method.

(b) Depreciation and amortization of principal fixed assets

Property, plant and equipment

Property, plant and equipment acquired on or before March 31, 2007 (excluding leased assets)

Property, plant and equipment of the Company and its consolidated domestic subsidiaries are depreciated principally by the former declining-balance method.

Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.

Buildings (excluding building fixtures) acquired on or after April 1, 1998, are depreciated by the former straight-line method.

Depreciation of property, plant and equipment of consolidated foreign subsidiaries is principally computed by the straight-line method based on the estimated useful lives of the respective assets.

Property, plant and equipment acquired on or after April 1, 2007 (excluding leased assets)

Property, plant and equipment of the Company and its consolidated domestic subsidiaries are depreciated principally by the declining-balance method.

Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.

Buildings (including building fixtures) are depreciated by the straight-line method.

Depreciation of property, plant and equipment of consolidated foreign subsidiaries is principally computed by the straight-line method based on the estimated useful lives of the respective assets.

Property, plant and equipment acquired on or after April 1, 2016 (excluding leased assets)

Property, plant and equipment of the Company and its consolidated domestic subsidiaries are depreciated principally by the declining-balance method.

Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.

Buildings (including building fixtures) and structures are depreciated by the straight-line method.

Depreciation of property, plant and equipment of consolidated foreign subsidiaries is principally computed by the straight-line method based on the estimated useful lives of the respective assets.

Leased assets

Leased assets related to finance lease transactions with ownership transfer

Depreciation of leased assets related to finance lease transactions with ownership transfer is computed by the same depreciation method as for the depreciable assets that are owned.

Leased assets related to finance lease transactions without ownership transfer

Depreciation of leased assets related to finance lease transactions without ownership transfer is principally computed by the straight-line method based on the period of the leasing contract as the useful lives and with no residual value.

Intangible assets

Intangible assets are amortized principally by the straight-line method. Amortization of software for internal use is computed by the straight-line method over an estimated useful life (principally 5 years).

Long-term prepaid expenses

Long-term prepaid expenses are amortized primarily by the straight-line method.

(c) Provision for principal allowances and reserves

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. Such amount is computed by applying bad debt loss ratios based on past experience for general receivables and by individually reviewing collectibility for specific doubtful accounts.

Accrued employee bonuses

Accrued employee bonuses are provided in an amount corresponding to the fiscal year based on the projected amount sufficient to meet future payments of bonuses to employees.

Accrued officer bonuses

Accrued officer bonuses are provided in an amount corresponding to the fiscal year based on the projected amount sufficient to meet future payments of bonuses to officers.

Provision for sales returns

Provision for sales returns is provided in an estimated amount sufficient to cover losses on sales returns. Such amount is computed based on historical results.

- (d) Translation of assets and liabilities denominated in foreign currencies into yen
 Monetary assets and liabilities of the Company denominated in foreign currencies are translated into Japanese yen at applicable current exchange rates at the balance sheet date. However, receivables and payables denominated in foreign currencies covered by forward exchange contracts are translated at the contracted rates. Differences arising from translation are charged or credited to income. Assets and liabilities of consolidated overseas subsidiaries are translated into Japanese yen at the rate of exchange at the balance sheet date, and revenue and expense accounts are translated into Japanese yen at the average rates over the fiscal year. Differences arising from translation are included in foreign currency translation adjustments and non-controlling interest in net assets.
- (e) Accounting for hedges
 Method of hedge accounting
 With respect to receivables and payables denominated in foreign currencies covered by forward exchange contracts, appropriation accounting is applied.
 Hedging instrument and risk hedged
 Foreign exchange forward contracts are used to provide hedges against risk of fluctuation in currency exchange rates concerning foreign currency-denominated assets and liabilities and for scheduled foreign currency-denominated transactions.
 Hedging policy
 Hedging transactions are only adopted in order to appropriately control and reduce risks associated with export and import.
 Assessing the effectiveness of a hedge
 Hedge accounting is applied in accordance with the “Practical Guidelines Concerning Accounting for Financial Instruments” (The Japanese Institute of Certified Public Accountants).
- (f) Method and period of amortization of goodwill
 Goodwill is amortized by the straight-line method over a reasonable number of years within 20 years, based on judgment of individual items. Goodwill whose amount is immaterial is fully amortized as incurred.
- (g) Other significant accounting policies for preparation of consolidated financial statements
 i) Accounting for consumption taxes
 All amounts stated are exclusive of consumption and local taxes.
 ii) Accounting for employee retirement benefits
 The liability, including both the unfunded lump-sum benefit and the funded pension plan, is calculated as the difference between the expected and discounted future retirement and Shimano corporate pension payments, and the assets under the pension plan to meet such future payments. All the past service costs and actuarial gains and losses are expensed in the fiscal year in which they occur.
 In calculating retirement benefit obligation, the benefit formula basis is applied to allocate projected retirement benefits to the periods until the end of the current fiscal year.
 Certain consolidated subsidiaries use the simplified method whereby the amount that would be required to be paid if all their eligible employees voluntarily terminated their employment as of the balance sheet date is treated as retirement benefit obligation for the calculation of net defined benefit liability and retirement benefit cost.

2. Changes in significant accounting policies for preparation of consolidated financial statements

(Changes in Significant Accounting Policies)

(Adoption of “Accounting Standard for Business Combinations” and related matters)

Effective from fiscal year 2016, the Company has adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on September 13, 2013), and related matters. Accordingly, the Company has changed the accounting method to record the difference arising from changes in the Company’s ownership interests in subsidiaries over which the Company retains control as capital surplus, and acquisition-related costs as expenses for the fiscal year in which they are incurred. For business combinations occurring on or after the beginning of fiscal year 2016, the Company has changed the accounting method to record the adjustment to the provisional acquisition cost allocation amount arising from the finalization of the tentative accounting treatment in consolidated financial statements of the fiscal year in which the relevant business combination occurs. Additionally, the Company has changed the presentation of net income and other items and the presentation of minority interests to non-controlling interests.

The adoption of the Accounting Standard for Business Combinations and related matters is in line with the transitional treatment specified in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company applies these accounting standards from the beginning of fiscal year 2016 onward.

On the consolidated statement of cash flows for fiscal year 2016, cash flows pertaining to purchase or sales of shares of subsidiaries that do not result in change in scope of consolidation are presented under “cash flows from financing activities” and cash flows pertaining to expenses relating to purchase of shares of subsidiaries resulting in change in scope of consolidation or expenses relating to purchase or sales of shares of subsidiaries that do not result in change in scope of consolidation are presented under “cash flows from operating activities.”

The impact of these changes on capital surplus at the end of fiscal year 2016 is immaterial.

(Change in the depreciation method)

Following the amendment of the Corporation Tax Act, effective from fiscal year 2016, the Company and its domestic consolidated subsidiaries have adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (PITF No. 32, June 17, 2016). Accordingly, the Company and its domestic consolidated subsidiaries have changed the depreciation method applied to structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on operating income, ordinary income, and income before income taxes for fiscal year 2016 is immaterial.

(Additional Information)

(Change in the discount rate for net defined benefit liability)

The Company used the discount rate of 1.1% for calculation at the beginning of fiscal year 2016. As a result of reconsideration at the end of the second quarter of fiscal year 2016, the Company judged that the change in the discount rate would have an impact on the amount of retirement benefit obligation, and changed the discount rate to 0.4%. As a result, operating income, ordinary income, and income before

income taxes for fiscal year 2016 decreased by 1,494 million yen.

(Impact of change in corporation tax rates)

The “Act on Partial Amendment of the Income Tax Act, etc.” (Act No. 15, 2016) and the “Act on Partial Amendment, etc. of the Local Tax Act, etc.” (Act No. 13, 2016) were enacted in the Diet on March 29, 2016 and the “Act on Partial Amendment of the Act, etc. on Partial Amendment, etc. of the Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No. 85, 2016) and the “Act on Partial Amendment of the Act, etc. on Partial Amendment of the Local Tax Act and the Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No. 86, 2016) were enacted in the Diet on November 18, 2016. Following the enactment of these acts, income tax rates were reduced effective from the fiscal year beginning on or after April 1, 2016. Accordingly, the effective statutory tax rate used for calculating deferred tax assets and liabilities was changed from 33% for the prior fiscal year to 31% for the temporary differences that are expected to be eliminated in the period from January 1, 2017 to December 31, 2018 and to 30% for the temporary differences that are expected to be eliminated on or after January 1, 2019.

As a result of this change in the tax rate, deferred tax assets (net of deferred tax liabilities) decreased 35 million yen and income taxes-deferred and unrealized gain on other securities increased 206 million yen and 170 million yen, respectively.

3. Notes relating to consolidated balance sheet

Accumulated depreciation of property, plant and equipment 119,558 million yen

4. Notes relating to consolidated statement of income

(1) Selling, general and administrative expenses

Main components of selling, general and administrative expenses for the fiscal year ended December 31, 2016:

Salaries and wages 16,673 million yen
Advertising and sales promotion expenses 9,659 million yen

(2) R&D expenses

R&D expenses included in selling, general and administrative expenses and manufacturing expenses for the fiscal year ended December 31, 2016 13,188 million yen

(3) Write-down of inventories held for ordinary sales purposes due to a decline in profitability

Cost of sales 8 million yen

(4) Loss on impairment

The Shimano Group recognized loss on impairment for the following assets.

Location	Use	Category	Amount
DashAmerica, Inc. (Pearl Izumi USA)	Bicycle Components	Other intangible assets	685 million yen
Shimano Sales Co., Ltd.	Corporate assets	Others in investments and other assets	184 million yen

(Background)

In view of the fact that sales of DashAmerica, Inc. (Pearl Izumi USA) have been below the initial plan, an impairment test of the other intangible assets, which were recorded upon acquisition of DashAmerica, was conducted. As a result, the book value of the other intangible assets was reduced to the recoverable amount and the excess of the recoverable amount was recorded as loss on impairment.

Investments and other assets held by Shimano Sales Co., Ltd. are not expected to be used in the future. Thus, their entire book value was recorded as loss on impairment.

(Method of grouping)

The Shimano Group assets are grouped by reportable segment and in the minimum unit that produces cash flow.

(Method of calculation of a recoverable amount)

The recoverable amount of other intangible assets is measured by the value in use, which is the present value of the future cash flow calculated at the discount rate of 13.5%.

5. Notes relating to consolidated statement of shareholders' equity

(1) Total number of issued shares as of the fiscal year ended December 31, 2016 92,720,000 shares

(2) Cash dividends paid during the fiscal year ended December 31, 2016

(a) Payment of cash dividends

At the Ordinary General Meeting of Shareholders held on March 29, 2016, the following resolutions were made.

• Matters concerning dividends for shares of common stock

Total amount of cash dividends 7,184 million yen
Cash dividends per share 77.50 yen
Record date December 31, 2015
Effective date March 30, 2016

(b) Payment of interim cash dividend

At the meeting of the Board of Directors held on July 26, 2016, the following resolutions were made.

• Matters concerning dividends for shares of common stock

Total amount of cash dividends 7,184 million yen
Cash dividends per share 77.50 yen
Record date June 30, 2016
Effective date September 2, 2016

(3) Cash dividends paid after the end of the fiscal year ended December 31, 2016

At the Ordinary General Meeting of Shareholders to be held on March 28, 2017, the following resolutions are expected to be made.

• Matters concerning dividends for shares of common stock

Total amount of cash dividends	7,184 million yen
Source of dividends	Retained earnings
Cash dividends per share	77.50 yen
Record date	December 31, 2016
Effective date	March 29, 2017

6. Notes relating to financial instruments

(1) Policies on financial instruments

The Shimano Group restricts its fund management to deposits with financial institutions with high credit standing and raises funds mainly by means of bank loans.

The Shimano Group manages customer credit risk from notes and accounts receivable-trade on the basis of internal credit control guidelines.

Investment securities are primarily stocks and the Shimano Group monitors fair value of listed stocks on a quarterly basis.

The Shimano Group uses derivatives for the purpose of hedging risks in accordance with the internal guidelines.

(2) Fair values of financial instruments

Carrying amounts, fair values and the differences between carrying amounts and fair values as of December 31, 2016, are as follows:

(Millions of yen)			
	Carrying amount	Fair value	Difference
(1) Cash and time deposits	199,772	199,772	-
(2) Notes and accounts receivable-trade	34,302	34,302	-
(3) Investment securities	11,435	11,435	-
Assets	245,510	245,510	-
(1) Accounts payable-trade	12,051	12,051	-
(2) Short-term loans payable	6,960	6,960	-
(3) Income taxes payable	5,856	5,856	-
(4) Long-term loans payable	2,014	2,059	44
Liabilities	26,883	26,927	44
Derivatives	(7)	(7)	-

Notes:

1. Basis of determining the fair value of financial instruments and matters relating to securities and derivative transactions

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable-trade

The carrying amount of these instruments approximates fair value because of their short-term maturities.

(3) Investment securities

The fair values of stocks are stated using quoted market prices.

Liabilities

(1) Accounts payable-trade, (2) Short-term loans payable, and (3) Income taxes payable

The carrying amount of these instruments approximates fair value because of their short-term maturities.

(4) Long-term loans payable

The fair values of long-term loans payable are estimated based on their present values by applying discounted cash flow analysis using rates currently available for similar types of borrowings with similar terms and original maturities.

Derivatives

The fair values of foreign exchange forward contracts to which appropriation accounting is applied are included in the fair value of the accounts payable-trade because they are accounted for with the hedged foreign currency-denominated liabilities.

2. Unlisted stocks (2,312 million yen on the consolidated balance sheet) are not included in “(3) Investment securities” as it is deemed extremely difficult to determine their fair value because quoted market prices are unavailable and it is impossible to estimate future cash flows.

7. Notes relating to per share data

(1) Net assets per share 4,213.74 yen

(2) Basic earnings per share 549.76 yen

* The basis for calculation of the basic earnings per share is as follows:

Net income attributable to owners of parent	50,964 million yen
Net income attributable to owners of parent related to common stock	50,964 million yen
Average number of shares of common stock outstanding	92,703 thousand shares

Note: Amounts are rounded down to the nearest million yen.

<For Reference>

Consolidated Statement of Cash Flows

(From January 1, 2016 to December 31, 2016)

(Millions of yen)

Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
64,034	(34,054)	(15,536)	196,453

Note: Amounts are rounded down to the nearest million yen.

Non-consolidated Balance Sheet

(As of December 31, 2016)

(Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	58,346	Current liabilities	26,149
Cash and time deposits	11,420	Accounts payable-trade	6,829
Notes receivable	653	Accounts payable-other	5,434
Accounts receivable-trade	21,513	Income taxes payable	2,780
Finished goods	7,661	Accrued expenses	247
Work in process	9,551	Deposit payable	9,696
Raw materials	1,296	Accrued employee bonuses	287
Supplies	325	Accrued officer bonuses	186
Accounts receivable-other	2,847	Provision for sales returns	38
Deferred income taxes	710	Others	648
Others	2,424	Long-term liabilities	4,058
Allowance for doubtful accounts	(60)	Employee retirement benefits	3,400
Fixed assets	99,248	Others	658
Property, plant and equipment	64,892	Total liabilities	30,207
Buildings	38,134	(Net assets)	
Structures	1,474	Shareholders' equity	123,412
Plant and machinery	6,705	Common stock	35,613
Vehicles	68	Capital surplus	5,823
Tools, equipment and furniture	3,226	Capital reserve	5,822
Land	9,823	Other capital surplus	1
Leased assets	23	Retained earnings	82,072
Construction in progress	5,436	Legal reserve	3,194
Intangible assets	5,763	Other retained earnings	78,878
Industrial property	27	Unappropriated retained earnings	78,878
Software	3,865	Treasury stock	(96)
Software in progress	1,814	Valuation and translation adjustments	3,974
Others	55	Unrealized gain (loss) on other securities	3,974
Investments and other assets	28,593	Total net assets	127,387
Investment securities	10,361	Total liabilities and net assets	157,594
Subsidiaries' and affiliates' stock	12,513		
Investments in capital	21		
Long-term loans to subsidiaries and affiliates	3,446		
Long-term prepaid expenses	516		
Deferred income taxes	1,020		
Others	1,491		
Allowance for doubtful accounts	(778)		
Total assets	157,594		

Note: Amounts are rounded down to the nearest million yen.

Non-consolidated Statement of Income

(From January 1, 2016 to December 31, 2016)

(Millions of yen)

Accounts	Amount	
Net sales		181,215
Cost of sales		116,803
Gross profit		64,411
Selling, general and administrative expenses		37,562
Operating income		26,849
Non-operating income		
Interest income	238	
Dividend income	5,614	
Others	336	6,189
Non-operating expenses		
Interest expenses	133	
Others	1,689	1,822
Ordinary income		31,216
Extraordinary losses		
Loss on factory reconstruction	488	488
Income before income taxes		30,727
Income taxes-current	8,274	
Income taxes-deferred	229	8,503
Net income		22,224

Note: Amounts are rounded down to the nearest million yen.

Non-consolidated Statement of Shareholders' Equity

(From January 1, 2016 to December 31, 2016)

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at beginning of year	35,613	5,822	1	5,823
Changes of items during the year				
Cash dividends paid				
Net income				
Acquisition of treasury stock				
Net changes of items other than shareholders' equity				
Total changes of items during the year	—	—	—	—
Balance at end of year	35,613	5,822	1	5,823

	Shareholders' equity				
	Retained earnings			Treasury stock	Total shareholders' equity
	Legal reserve	Other retained earnings	Total retained earnings		
		Unappropriated retained earnings			
Balance at beginning of year	3,194	71,023	74,217	(90)	115,563
Changes of items during the year					
Cash dividends paid		(14,369)	(14,369)		(14,369)
Net income		22,224	22,224		22,224
Acquisition of treasury stock				(6)	(6)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	7,855	7,855	(6)	7,848
Balance at end of year	3,194	78,878	82,072	(96)	123,412

	Valuation and translation adjustments		Total net assets
	Unrealized gain (loss) on other securities	Total valuation and translation adjustments	
Balance at beginning of year	3,944	3,944	119,508
Changes of items during the year			
Cash dividends paid			(14,369)
Net income			22,224
Acquisition of treasury stock			(6)
Net changes of items other than shareholders' equity	30	30	30
Total changes of items during the year	30	30	7,878
Balance at end of year	3,974	3,974	127,387

Note: Amounts are rounded down to the nearest million yen.

Notes relating to Non-consolidated Financial Statements

1. Basis of presenting non-consolidated financial statements

(1) Valuation basis and method for principal assets

Securities

Subsidiaries' and affiliates' stocks

Subsidiaries' and affiliates' stocks are stated at moving average cost.

Other securities (syn. Available-for-sale securities)

Other securities with market prices

Other securities with market prices are stated at closing quoted prices at the balance sheet date.

Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sales of these securities are credited or charged to income, with cost determined on the moving average basis.

Other securities with no market prices

Other securities with no market prices are stated at moving average cost.

Inventories

Inventories held for sale in the ordinary course of business are stated at cost (the book value devaluation method based on decline in profitability).

Finished goods, merchandise, work in process and raw materials are stated at cost determined by the weighted average method.

Supplies are stated at the most recent purchase method.

(2) Depreciation and amortization of principal fixed assets

Property, plant and equipment

Property, plant and equipment acquired on or before March 31, 2007 (excluding leased assets)

Property, plant and equipment are depreciated principally by the former declining-balance method.

Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.

Buildings (excluding building fixtures) acquired on or after April 1, 1998, are depreciated by the former straight-line method.

Property, plant and equipment acquired on or after April 1, 2007 (excluding leased assets)

Property, plant and equipment are depreciated principally by the declining-balance method.

Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.

Buildings (including building fixtures) are depreciated by the straight-line method.

Property, plant and equipment acquired on or after April 1, 2016 (excluding leased assets)

Property, plant and equipment are depreciated principally by the declining-balance method.

Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.

Buildings (including building fixtures) and structures are depreciated by the straight-line method.

Depreciation periods of principal items of property, plant and equipment

Buildings are depreciated over a period of 7-50 years.

Plant and machinery are depreciated over a period of 9-10 years.

Leased assets

Leased assets related to finance lease transactions without ownership transfer

Depreciation of leased assets related to finance lease transactions without ownership transfer is principally computed by the straight-line method based on the period of the leasing contract as the useful lives with no residual value.

Intangible assets

Intangible assets are amortized principally by the straight-line method. Amortization of software for internal use is computed by the straight-line method over an estimated useful life of 5 years.

Long-term prepaid expenses

Long-term prepaid expenses are amortized primarily by the straight-line method.

(3) Provision for principal allowances and reserves

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. Such amount is computed by applying bad debt loss ratios based on past experience for general accounts and by individually reviewing collectibility for specific doubtful accounts.

Accrued employee bonuses

Accrued employee bonuses are provided in an amount corresponding to the fiscal year based on the projected amount sufficient to meet future payments of bonuses to employees.

Accrued officer bonuses

Accrued officer bonuses are provided in an amount corresponding to the fiscal year based on the projected amount sufficient to meet future payments of bonuses to officers.

Provision for sales returns

Provision for sales returns is provided in an estimated amount sufficient to cover losses on sales returns. Such amount is computed based on historical results.

Employee retirement benefits

The liability, including both the unfunded lump-sum benefit and the funded pension plan, is calculated as the difference between the expected and discounted future retirement and Shimano corporate pension payments, and the assets under the pension plan to meet such future payments. All the past service costs and actuarial gains and losses are expensed in the fiscal year in which they occur.

In calculating retirement benefit obligation, the benefit formula basis is applied to allocate projected retirement benefits to the periods until the end of the current fiscal year.

(Additional Information)

(Change in the discount rate for net defined benefit liability)

The Company used the discount rate of 1.1% for calculation at the beginning of fiscal year 2016. As a result of reconsideration at the end of the second quarter of fiscal year 2016, the Company judged that the change in the discount rate would have an impact on the amount of retirement benefit obligation, and changed the discount rate to 0.4%. As a result, operating income, ordinary income, and income before income taxes for fiscal year 2016 decreased by 1,494 million yen.

(4) Translation of assets and liabilities denominated in foreign currencies into yen

Monetary assets and liabilities of the Company denominated in foreign currencies are translated into Japanese yen at the rates of exchange at the balance sheet date. However, receivables and payables denominated in foreign currencies covered by forward exchange contracts are translated at the contracted rates. Differences arising from translation are charged or credited to income.

(5) Accounting for hedges

Method of hedge accounting

With respect to receivables and payables denominated in foreign currencies covered by forward exchange contracts, appropriation accounting is applied.

Hedging instrument and risk hedged

Foreign exchange forward contracts are used to provide hedges against risk of fluctuation in currency exchange rates concerning foreign currency-denominated assets and liabilities and for scheduled foreign currency-denominated transactions.

Hedging policy

Hedging transactions are only adopted in order to appropriately control and reduce risks associated with export and import.

Assessing the effectiveness of a hedge

Hedge accounting is applied in accordance with the "Practical Guidelines Concerning Accounting for Financial Instruments" (The Japanese Institute of Certified Public Accountants).

(6) Other significant accounting policies for preparation of non-consolidated financial statements

Accounting for consumption taxes

All amounts stated are exclusive of consumption and local taxes.

(7) Additional Information

Change in the method of recording sales in line with the change in overseas transactions

Concerning certain overseas transactions of bicycle components, the Company previously recorded sales and cost of sales at a gross amount. Effective from fiscal year 2016, the Company changed this method by netting off sales and cost of sales.

This was attributable to the revision to certain overseas transactions. Namely, overseas transaction contracts under which the Company procures products from overseas plants, sells the products to overseas customers and collects receivables were changed to contracts under which overseas plants directly sell products to overseas customers and collect receivables.

Accordingly, the Company reconsidered its function and regards it as intermediary. Therefore, sales are recorded at a net amount.

As a result of this change, sales and cost of sales for fiscal year 2016 were both 68,330 million yen lower compared with the amounts by the previous method of computation, but there was no impact on gross profit, operating income, ordinary income and income before income taxes.

2. Notes relating to changes in accounting policies

(Adoption of "Accounting Standard for Business Combinations" and related matters)

Effective from fiscal year 2016, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on September 13, 2013), and related matters. Accordingly, the Company has changed the accounting method to record acquisition-related costs as expenses for the fiscal year in which they are incurred. For business combinations occurring on or after the beginning of fiscal year 2016, the Company has changed the accounting method to record the adjustment to the provisional acquisition cost allocation amount arising from the finalization of the tentative accounting treatment in non-consolidated financial statements of the fiscal year in which the relevant business combination occurs.

The adoption of the Accounting Standard for Business Combinations and related matters is in line with the transitional treatment specified in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company applies these accounting standards from the beginning of fiscal year 2016 onward. There was no impact of these changes on non-consolidated financial statements.

(Change in the depreciation method)

Following the amendment of the Corporation Tax Act, effective from fiscal year 2016, the Company has adopted the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (PITF No. 32, June 17, 2016). Accordingly, the Company has changed the depreciation method applied to structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on operating income, ordinary income, and income before income taxes for fiscal year 2016 is immaterial.

3. Notes relating to non-consolidated balance sheet

- (1) Short-term monetary receivables from subsidiaries and affiliates 9,134 million yen
Short-term monetary payables to subsidiaries and affiliates 13,372 million yen
(excluding the amount separately presented on the balance sheet)
- (2) Accumulated depreciation of property, plant and equipment 60,717 million yen
- (3) Guaranteed liability

Company name	Amount	Remarks
Shimano Oceania Holdings Pty. Ltd. and Shimano New Zealand Ltd.	291 million yen (NZ\$ 3,590 thousand)	Guarantee for bank borrowings
Shimano New Zealand Ltd.	162 million yen (NZ\$ 2,000 thousand)	

4. Notes relating to non-consolidated statement of income

- (1) Transactions with subsidiaries and affiliates
- Net sales 51,288 million yen
Goods purchased 23,590 million yen
Commissions paid and storage fees 6,693 million yen
Non-operating transactions 5,376 million yen
- (2) Write-down of inventories held for ordinary sales purposes due to a decline in profitability
- Cost of sales 0 million yen

5. Notes relating to non-consolidated statement of shareholders' equity

Number of shares of treasury stock at the end of the fiscal year ended December 31, 2016 16,902 shares

6. Notes relating to deferred tax accounting

(1) Significant components of deferred tax assets and liabilities

(Deferred tax assets)	(Millions of yen)
Excess of limit of accrued employee bonuses	89
Enterprise tax payable	246
Officer retirement benefits	158
Excess of limit of employee retirement benefits	1,020
Loss on revaluation of other securities	552
Loss on revaluation of golf memberships	128
Excess of limit of allowance for doubtful accounts	252
Loss on impairment	145
Book in excess of tax depreciation	226
Devaluation loss on inventories	265
Others	348
Total deferred tax assets	3,434
(Deferred tax liabilities)	
Unrealized gain on other securities	(1,703)
Total deferred tax liabilities	(1,703)
Net deferred tax assets	1,730

(2) Reconciliation between the effective statutory tax rate and the actual effective tax rate

Effective statutory tax rate	33.0%
(Reconciliation)	
Permanent difference-expenses	0.4%
Permanent difference-income	(5.5%)
Tax credit	(3.9%)
Adjustments of previous year	2.6%
Adjustment of deferred tax assets due to change in effective statutory tax rates	0.8%
Others	0.3%
Actual effective tax rate	27.7%

(3) Impact of change in corporation tax rates

The “Act on Partial Amendment of the Income Tax Act, etc.” (Act No. 15, 2016) and the “Act on Partial Amendment, etc. of the Local Tax Act, etc.” (Act No. 13, 2016) were enacted in the Diet on March 29, 2016 and the “Act on Partial Amendment of the Act, etc. on Partial Amendment, etc. of the Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No. 85, 2016) and the “Act on Partial Amendment of the Act, etc. on Partial Amendment of the Local Tax Act and the Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No. 86, 2016) were enacted in the Diet on November 18, 2016. Following the enactment of these acts, income tax rates were reduced effective from the fiscal year beginning on or after April 1, 2016. Accordingly, the effective statutory tax rate used for calculating deferred tax assets and liabilities was changed from 33% for the prior fiscal year to 31% for the temporary differences that are expected to be eliminated in the period from January 1, 2017 to December 31, 2018 and to 30% for the temporary differences that are expected to be eliminated on or after January 1, 2019.

As a result of this change in the tax rate, deferred tax assets (net of deferred tax liabilities) decreased 24 million yen and income taxes-deferred and unrealized gain on other securities increased 195 million yen and 170 million yen, respectively.

7. Notes on related party transactions

Subsidiaries

Company name	Location	Common stock	Principal business	Ownership	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
Shimano Components (Malaysia) Sdn. Bhd.	Johor, Malaysia	RM 18,000 thousand	Manufacture and sale of bicycle components and manufacture of fishing tackle	100% (100%)	Manufacture of the Company's products Officers' posts held concurrently	Purchase of bicycle components and fishing tackle (Note 1)	11,181	Accounts payable-trade	2,631
Shimano American Corporation	California, U.S.A.	US\$ 14,000 thousand	Sale of bicycle components and fishing tackle	92%	Sale of the Company's products Officers' posts held concurrently	Sale of bicycle components and fishing tackle (Note 1)	10,123	Accounts receivable-trade	1,078
						Collection of loans	823	Loans	4,135
						Receipt of interest (Note 2)	89		

Transaction amounts do not include consumption taxes.

Figures in parentheses for the ownership refer to parent company equity stakes held via indirect ownership.

Notes:

- The terms and conditions for purchase and sale of the Company's products are determined, taking into account market prices and the cost of sales.
- Interest rates for the loans are determined on a reasonable basis, taking into account market interest rates. The Company does not have collateral for the loans.

8. Notes relating to per share data

- Net assets per share 1,374.14 yen
- Basic earnings per share 239.73 yen

* The basis for calculation of the basic earnings per share is as follows:

Net income	22,224 million yen
Net income pertaining to common shareholders	22,224 million yen
Average number of shares of common stock outstanding	92,703 thousand shares

Note: Amounts are rounded down to the nearest million yen.

Report of the Independent Auditors

February 9, 2017

The Board of Directors,
Shimano Inc.

Seiryō Audit Corporation
Representative and Engagement Partner
Certified Public Accountant
Go Kagaya
Representative and Engagement Partner
Certified Public Accountant
Yoshihito Funakoshi

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements of Shimano Inc. for the fiscal year from January 1, 2016 to December 31, 2016, that is, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of shareholders' equity, and notes relating to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to independently express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit Opinion

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position and the results of operations of the Shimano Group, which consisted of Shimano Inc. and its consolidated subsidiaries, for the fiscal period in question in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

Our firm and engagement partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

The above is a translation, for convenience only, of the original report issued in the Japanese language.

Report of the Independent Auditors

February 9, 2017

The Board of Directors,
Shimano Inc.

Seiryō Audit Corporation
Representative and Engagement Partner
Certified Public Accountant
Go Kagaya
Representative and Engagement Partner
Certified Public Accountant
Yoshihito Funakoshi

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements of Shimano Inc. for the 110th fiscal year from January 1, 2016 to December 31, 2016, that is, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of shareholders' equity, and notes relating to the non-consolidated financial statements, as well as the supplementary schedules.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines necessary to enable the preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to independently express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements and the supplementary schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit Opinion

In our opinion, the aforementioned non-consolidated financial statements and the supplementary schedules present fairly, in all material respects, the financial position and the results of operations for the fiscal period in question in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

Our firm and engagement partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit Report

Based on the audit reports prepared by each Audit & Supervisory Board Member and due deliberation of such, the Audit & Supervisory Board has prepared this audit report on the execution of duties by the Directors for the 110th fiscal year from January 1, 2016 to December 31, 2016, and hereby submits it as follows:

1. Auditing methods and nature of audit by Audit & Supervisory Board Members and the Audit & Supervisory Board

(1) Besides determining relevant auditing policies and allocation of duties and receiving reports from each Audit & Supervisory Board Member concerning audit execution status and related results, the Audit & Supervisory Board received execution status reports from Directors and the Accounting Auditor relating to their respective duties and requested explanations as necessary.

(2) Pursuant to the Audit & Supervisory Board Regulations determined by the Audit & Supervisory Board and in accordance with the auditing policies and allocation of duties, each Audit & Supervisory Board Member undertook communications with Directors, personnel of an internal audit organization, and other employees; gathered information; and contributed to the development of the auditing environment within the Company. At the same time, the Audit & Supervisory Board Members performed audits in the following methods:

1) Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings; received execution status reports from Directors and employees concerning their respective duties; requested explanations as necessary; reviewed documents that record approval of material matters; and conducted investigations regarding the status of the business operations and assets at the Company's head office and other major sites. With regard to majority-owned subsidiaries, the Audit & Supervisory Board Members undertook communications and exchanges of information with the Directors and Audit & Supervisory Board Members of these subsidiaries and received reports on their businesses, as necessary.

2) Regarding the situation of establishment and operation of internal control systems (recorded in the business report as systems necessary for ensuring that the execution of duties by Directors is in full compliance with laws and regulations and the Company's Articles of Incorporation and other systems necessary for ensuring the appropriateness of operations across the Group consisting of the Company as a Japanese joint-stock corporation and its subsidiaries in accordance with Article 100, Paragraph 1 and 3, of the Enforcement Regulations of the Companies Act), including the content of any related resolutions and decisions made by the Board of Directors, the Audit & Supervisory Board Members periodically received reports from Directors, employees, etc., requested explanations as necessary, and expressed opinions.

3) The Audit & Supervisory Board Members examined the content of the basic policy concerning control of a stock company recorded in the Company's business report (Article 118, Item 3 (i) Basic Policy and (ii) Measures of the Enforcement Regulations of the Companies Act) on the basis of the status of deliberations at meetings of the Board of Directors and other meetings.

4) Our audit involved an investigation of the independence of the Accounting Auditor and checks on the appropriateness of the financial audit performed by the Accounting Auditor. We also received execution status reports from the Accounting Auditor and requested explanations as necessary. Furthermore, we received from the Accounting Auditor a notice to the effect that its internal systems for ensuring the appropriate execution of duties (in respect of all those aspects listed in Article 131 of the Corporate Calculation Regulations pertaining to the Companies Act) were in conformity with the "Quality Control Standards for Audits" (FSA Business Accounting Council, October 28, 2005) and requested explanations as necessary.

Through the above methods, we reviewed the business report and supplementary schedules pertaining to the fiscal year in question, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of shareholders' equity, and notes relating to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of shareholders' equity, and notes relating to the consolidated financial statements) of the Company pertaining to the fiscal year in question.

2. Results of audit

(1) Results of audit of the business report, etc.

1) The business report and the supplementary schedules present fairly the financial condition of the Company, in conformity with laws and regulations and the Company's Articles of Incorporation.

2) Regarding the execution of duties by Directors, we found no instances of misconduct or material matters in violation of any laws and regulations or the Company's Articles of Incorporation.

3) We find the content of all resolutions of the Board of Directors relating to the internal control systems of the Company to be fair and reasonable. In our opinion, neither records in the business report nor matters relating to the execution of duties by the Directors vis-à-vis internal control systems require special mention.

4) In our opinion, no matters relating to the basic policy on the nature of persons who control decisions on the Company's financial and business policies recorded in the business report require special mention. We find that the measures described in the business report, set forth in Article 118, Item 3 (ii) of the Enforcement Regulations of the Corporation Law are in line with the basic policy, do not impair the common interests of the Company's shareholders, and are not for the purpose of maintaining the position of the Company's Officers.

(2) Results of audit of the non-consolidated financial statements and the supplementary schedules

In our opinion, the auditing methods and results of Seiryō Audit Corporation are fair and reasonable.

(3) Results of audit of the consolidated financial statements

In our opinion, the auditing methods and results of Seiryō Audit Corporation are fair and reasonable.

February 14, 2017

Audit & Supervisory Board, Shimano Inc.

Full-time Audit & Supervisory Board Member: Koichi Shimazu

Full-time Audit & Supervisory Board Member: Hideo Katsuoka

Outside Audit & Supervisory Board Member: Gohei Matsumoto

Outside Audit & Supervisory Board Member: Kanako Nozue

The above is a translation, for convenience only, of the original report issued in the Japanese language.

Reference Documents for the General Meeting of Shareholders

Proposal No. 1 Appropriation of Surplus

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, we propose payment of the year-end dividends for fiscal year 2016, as detailed below.

As the Company has paid an interim dividend of 77.50 yen per share, the annual dividend will amount to 155.00 yen per share.

(1) Type of dividend property: Cash

(2) Matters concerning the allotment of dividend property to shareholders and the total amount:

77.50 yen per share of the Company's common stock, for a total amount of 7,184,490,095 yen

Breakdown:

Ordinary dividend 6.25 yen

Special dividend 71.25 yen

(3) Effective date of dividends from surplus:

March 29, 2017 (Wednesday)

Proposal No. 2 Election of 7 Directors

The terms of office of the following 6 Directors will expire at the close of this General Meeting of Shareholders: Messrs. Keiji Kakutani, Shinji Wada, Satoshi Yuasa, Chia Chin Seng, Tomohiro Ohtsu, and Kazuo Ichijo. Accordingly, we request the election of 7 Directors (including 2 Outside Directors).

The candidates for Directors are listed below.

Mr. Mitsuhiro Katsumaru is a new candidate.

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions		Number of shares of the Company held
1	Keiji Kakutani (May 20, 1950)	Oct. 1974 Oct. 1996 Feb. 1997 Mar. 1998 Jan. 2001 Jan. 2005 Mar. 2005 Jan. 2006 Mar. 2010 Jan. 2013 Jan. 2016 Jan. 2017	Joined Shimano Inc. Vice President, Accounting Dept. Director and Senior Vice President, Accounting Dept. Director and Senior Vice President, Accounting and Information Systems Dept. Director and Senior Vice President, Accounting Dept. and Information Systems Dept. Director and Head of General Operations Div., Accounting Dept., and Information Systems Dept. Executive Vice President and Head of General Operations Div., Accounting Dept., and Information Systems Dept. Executive Vice President and Head of General Operations Div. Senior Executive Vice President and Head of General Operations Div. Senior Executive Vice President and Head of General Operations Div. and Internal Control Office Senior Executive Vice President and Head of General Operations Div. and Internal Auditing Office Senior Executive Vice President, Chief Internal Auditing Officer (to present)	7,800 shares
2	Shinji Wada (Mar. 31, 1952)	Mar. 1970 Oct. 1992 Feb. 2001 Jan. 2003 Mar. 2005 Mar. 2010 Mar. 2014	Joined Shimano Inc. President, Shimano (Kunshan) Bicycle Components Co., Ltd. Senior Executive Vice President, Shimano Italia S.p.A. President, Shimano Czech Republic s.r.o. Vice President, Production Dept., Shimano Inc. Director and Senior Vice President, Production Dept., Bicycle Components Div. Executive Vice President, Production, Bicycle Components Div., Production Engineering, and Global Procurement Div. Senior Executive Vice President, Chief Manufacturing Officer (to present)	3,300 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions		Number of shares of the Company held
3	Satoshi Yuasa (Apr. 21, 1954)	Mar. 1977 Dec. 1994 May 1998 Mar. 2005 Jan. 2006 Jan. 2009 Oct. 2012 Jan. 2014	Joined Shimano Inc. Senior Executive Vice President, Shimano American Corporation President, Shimano Europe Holding B.V. Director, Shimano Inc. Director and Senior Vice President, Sales Dept., Bicycle Components Div. Director and Head of Lifestyle Gear Div. Executive Vice President and Head of Lifestyle Gear Div., and Sales, Bicycle Components Div. Executive Vice President and Head of Bicycle Components Div. (to present)	400 shares
4	Chia Chin Seng (Apr. 11, 1960)	Feb. 1992 Jan. 2002 Mar. 2011 Sep. 2011 Aug. 2014	Director, Shimano Components (Malaysia) Sdn. Bhd. President, Shimano Components (Malaysia) Sdn. Bhd. Director, Shimano Inc. (to present) President, Shimano (Tianjin) Bicycle Components Co., Ltd. President, Shimano (Singapore) Pte. Ltd.; President, Shimano Components (Malaysia) Sdn. Bhd.; Chairman, Shimano (Kunshan) Bicycle Components Co., Ltd.; Chairman and President, Shimano (Tianjin) Bicycle Components Co., Ltd. (to present) Significant concurrent positions: President, Shimano (Singapore) Pte. Ltd. President, Shimano Components (Malaysia) Sdn. Bhd. Chairman, Shimano (Kunshan) Bicycle Components Co., Ltd. Chairman and President, Shimano (Tianjin) Bicycle Components Co., Ltd.	0 shares
5	Tomohiro Ohtsu (Mar. 12, 1965)	Mar. 1987 Jan. 2008 Jan. 2012 Mar. 2015 Jan. 2017	Joined Shimano Inc. Senior Vice President, Production Engineering Div. Senior Vice President, Production Engineering Div. and Shimano Research Laboratories Director and Senior Vice President, Production Engineering Div. and Shimano Research Laboratories Director and Senior Vice President, Production Engineering Dept., Shimano Research Laboratories, and SPC (Shimano Process Control) Development Dept. (to present)	200 shares
6	Kazuo Ichijo (Oct. 13, 1958)	Oct. 1993 Apr. 2000 Apr. 2001 Apr. 2003 Mar. 2005 Apr. 2007 Apr. 2014 Jun. 2015	Assistant Professor, Faculty of Social Sciences, Hitotsubashi University Assistant Professor, Graduate School of Social Sciences and Graduate School of International Corporate Strategy, Hitotsubashi University Professor, Graduate School of Social Sciences and Graduate School of International Corporate Strategy, Hitotsubashi University Adjunct Professor, International Institute for Management Development (to present) Director, Shimano Inc. (to present) Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (to present) Dean, Graduate School of International Corporate Strategy, Hitotsubashi University (to present) Outside Director, Information Services International-Dentsu, Ltd. (to present) Outside Director, PanaHome Corporation (to present) Significant concurrent positions: Dean and Professor, Graduate School of International Corporate Strategy, Hitotsubashi University Adjunct Professor, International Institute for Management Development Outside Director, Information Services International-Dentsu, Ltd. Outside Director, PanaHome Corporation	4,000 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
7	Mitsuhiro Katsumaru (Oct. 10, 1951)	Apr. 1978 Prosecutor, Tokyo District Public Prosecutors Office Jul. 1989 First Secretary, Japanese Embassy in Germany Jun. 2000 Director of the Criminal Affairs Division, Criminal Affairs Bureau, Ministry of Justice Jun. 2001 Director of the General Affairs Division, Criminal Affairs Bureau, Ministry of Justice Jan. 2003 Director of the Finance Division, Minister's Secretariat, Ministry of Justice Apr. 2005 Assistant Vice-Minister of Justice (in charge of General Policy) Dec. 2005 Chief Prosecutor, Fukui District Public Prosecutors Office Jun. 2007 Chief Prosecutor, Mito District Public Prosecutors Office Oct. 2008 Chief Prosecutor, Saitama District Public Prosecutors Office Jan. 2010 Director-General, Public Security Division, Supreme Public Prosecutors Office Apr. 2010 Adjunct Instructor, Graduate Program for Public Policy Studies, Kyoto University (to present) Dec. 2010 Superintending Prosecutor, Takamatsu High Public Prosecutors Office Apr. 2012 Adjunct Instructor, Kyoto University Law School (to present) Jun. 2012 Superintending Prosecutor, Hiroshima High Public Prosecutors Office Jul. 2014 Retired from the position of Superintending Prosecutor Oct. 2014 Registered as attorney-at-law, Of Counsel, Shiba International law offices (to present) Jun. 2015 Outside Director, TAIYO NIPPON SANJO CORPORATION (to present) Significant concurrent positions: Of Counsel, Shiba International law offices Outside Director, TAIYO NIPPON SANJO CORPORATION Adjunct Instructor, Graduate Program for Public Policy Studies, Kyoto University Adjunct Instructor, Kyoto University Law School	0 shares

Notes:

- No conflict of interest exists between the Company and the above candidates.
- Mr. Kazuo Ichijo and Mr. Mitsuhiro Katsumaru are candidates for Outside Director.
(Notes concerning the candidates for Outside Director)
 - Mr. Kazuo Ichijo is a professor at the graduate school of Hitotsubashi University. His knowledge of international business strategy makes him an extremely valuable person for ensuring the appropriateness of the execution of the Company's business.
Mr. Mitsuhiro Katsumaru held important posts at the Ministry of Justice and the Public Prosecutors Office and now practices as an attorney-at-law. His abundant experience and specialized knowledge concerning compliance make him an extremely valuable person for ensuring the legal appropriateness of the execution of the Company's business.
 - Although Mr. Kazuo Ichijo has no experience of direct involvement in corporate management, the Company believes he can appropriately execute the duties of an Outside Director because of his wide-ranging knowledge of and deep insight into international corporate strategy.
Although Mr. Mitsuhiro Katsumaru has no experience of direct involvement in corporate management, the Company believes he can appropriately execute the duties of an Outside Director because of his wide-ranging knowledge of and deep insight into compliance.
 - Mr. Kazuo Ichijo's tenure of office as an Outside Director of the Company will be 12 years at the close of this General Meeting of Shareholders.
 - The Company has entered into a limited liability contract with Mr. Kazuo Ichijo, whereby his liability is limited to the amount provided for by laws and regulations. Upon approval of the reappointment of Mr. Kazuo Ichijo, the Company intends to maintain the above-mentioned limited liability contract with him.
Upon approval of the appointment of Mr. Mitsuhiro Katsumaru, the Company intends to enter into a limited liability contract with him of the same nature as that with Mr. Kazuo Ichijo.
 - The Company has filed a notification with the Tokyo Stock Exchange for Mr. Kazuo Ichijo as an independent officer. Upon approval of the reappointment of Mr. Kazuo Ichijo, the Company intends to maintain the notification.
Upon approval of the appointment of Mr. Mitsuhiro Katsumaru, the Company intends to file a notification with the Tokyo Stock Exchange for Mr. Mitsuhiro Katsumaru as an independent officer.

[Reference] Independence Criteria for Outside Officers

The Company's Board of Directors has determined the criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members (hereinafter collectively called, "Outside Officers") as follows:

- 1) If none of the following attributes applies to an Outside Officer, the Company judges that such Outside Officer is independent from the Company. (*1)
 1. A major shareholder of the Company (holding 10% or more of the voting rights of the Company at the end of the most recent fiscal year) or an executive officer (*2) thereof
 2. A person whose major business partner (*3) is the Company or an executive officer thereof
 3. A person who is a major business partner of the Company or an executive officer thereof
 4. A person engaged in auditing of the Company or any of its consolidated subsidiaries as the Accounting Auditor of the Company or a consolidated subsidiary or as an employee thereof
 5. An attorney-at-law, judicial scrivener, patent attorney, certified public accountant, certified tax accountant, consultant, etc. who has received cash or other property exceeding 10 million yen from the Company in the most recent fiscal year other than officer remuneration (or if such person is an organization, such as a corporation or an association, a person who is affiliated with an organization whose revenue from the Company exceeds 2% of its annual revenue)
 6. A principal lender to the Company (a lender whose name is indicated in the business report for the most recent fiscal year) or an executive officer thereof
 7. A person who has received a donation exceeding 10 million yen from the Company in the most recent fiscal year (or if such person is an organization, such as a corporation or an association, an executive officer of an organization whose revenue from the Company exceeds 2% of its annual revenue)
 8. A person to whom any of 1 to 7 above applied in the most recent three fiscal years
 9. A spouse or relative within the second degree of kinship of a person to whom any of 1 to 8 above applies (only a significant person)
 10. A spouse or relative within the second degree of kinship of an executive officer of the Company or a subsidiary (if a person is an employee, only a significant person)
 11. A spouse or relative within the second degree of kinship of an executive officer of the Company or a subsidiary (if a person is an employee, only a significant person) in the most recent three fiscal years
 12. In addition to the preceding items, a person who has a special reason that prevents him/her fulfilling his/her duty as an independent Outside Officer, such as a risk of causing permanent conflict of interest with the Company
 13. Even in the case of a person to whom any of the preceding items applies, if the Company considers the person is appropriate as an independent Outside Officer in light of his/her personality and insight, etc., the Company may appoint such person as an Outside Officer, provided that the Company explains the reasons why the Company considers him/her appropriate as an Outside Officer to external parties.
- 2) An Outside Officer who is considered to be independent in accordance with the Criteria shall notify the Company immediately if he/she loses his/her independence.

*1. An investigation shall be conducted to the extent that is economical and reasonable.

*2. An executive officer is a person to whom any of the following applies.

- 1) An executive director, an executive or any other officer who executes business of a corporation etc.
- 2) An employee who executes business, a person who executes duties stipulated in Article 598, Paragraph 1 of the Companies Act, or any person with a similar role
- 3) An employee

*3. A major business partner is a person to whom sales exceed 2% of annual consolidated sales for the most recent fiscal year.

Proposal No. 3 Revision of the Amount of Remuneration for Directors

It was approved at the 104th Ordinary General Meeting of Shareholders held on March 30, 2011 that the maximum amount of remuneration for Directors of the Company shall be 600 million yen a year (including 30 million yen for Outside Directors).

Subsequently, considering that responsibilities of Directors have increased in line with change in the business environment, a need has arisen to enhance incentives for further improvement of performance. In addition, the number of Outside Directors is being increased to strengthen corporate governance.

In view of these circumstances, the Company proposes that the maximum amount of remuneration for Directors be revised to 700 million yen a year (including 40 million yen for Outside Directors).

As previously, the amount of remuneration for Directors does not include remuneration for employment by the Company and the associated payroll bonuses to Directors.

When Proposal No. 2 is approved, the Company will have 15 Directors (including 2 Outside Directors).