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Code Number: 7309
March 9, 2021

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 114th Ordinary General Meeting of Shareholders

You are hereby notified that the 114th Ordinary General Meeting of Shareholders of Shimano Inc. will be held as below.

The Japanese government and prefectural governors have been urging citizens to refrain from going out to prevent the spread of the novel coronavirus disease (COVID-19). After carefully considering the situation, we have decided to hold the Ordinary General Meeting of Shareholders with appropriate infection control measures taken.

From the perspective of preventing the spread of infection, we strongly request that shareholders exercise their voting rights in advance by post or via the Internet etc., and refrain from visiting the venue on the day of the Meeting.

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 29, 2021.

1. **Date and Time:** 10:00 a.m. (Japan Standard Time), Tuesday, March 30, 2021
(The reception desk will open at 9:00 a.m.)
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 114th Fiscal Year (from January 1, 2020 to December 31, 2020)
(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 6 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 29, 2021.

(2) Exercise of Voting Rights via the Internet etc.

When exercising voting rights via the Internet etc., please refer to the Guidance for Exercising Voting Rights on pages 4 and 5 and exercise your voting rights by 5:00 p.m. (Japan Standard Time) on Monday, March 29, 2021.

(Notes)

- If you exercise your voting rights both by post and via the Internet etc., the exercise of voting rights via the Internet etc. shall prevail.
- If you exercise your voting rights via the Internet etc. multiple times, the final exercise of voting rights shall prevail.

- 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.
 - * If any necessary 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 (<https://www.shimano.com/en/ir/shareholdermeeting.html>).

[Guidance for Preventing the Spread of Infection at the Ordinary General Meeting of Shareholders]

We hereby request that shareholders take the measures below in order to prevent the spread of infectious diseases such as COVID-19.

(1) Requests for shareholders

- If you are elderly, have an underlying health condition, are pregnant, or are feeling unwell due to a cough or a fever, we strongly request that you refrain from visiting the venue on the day of the Meeting.
- If you are considering attending the Meeting, we request that you stay mindful of your health condition up to the day of the Meeting, and that you do not strain yourself in any case.
- As a means to exercise your voting rights without attending the Meeting, we request that you consider voting by post or via the Internet etc.

(2) Requests for shareholders who will visit the venue

- We request that you use the alcohol disinfectant placed near the reception desk at the venue and that you wear a face mask.
- We will take temperatures at the entrance to the venue, and we may refuse entry of those who are confirmed to have a fever (37.5 degrees Celsius or higher), those who seem to be unwell, and those for whom 14 days have not passed since returning from overseas. Shareholders for whom 14 days have not passed since returning from overseas are requested to declare themselves at the reception desk.
- Seats at the venue will be sparsely placed with more spaces in between than before. The number of seats available will be significantly fewer than usual. Accordingly, we may refuse entry even if you visit the venue on the day of the Meeting.
- If you begin to feel unwell after entry, please do not hesitate to contact the nearby operation staff.
- When you return home, from the perspective of preventing infection, we request that you sufficiently gargle and wash your hands.

(3) Measures taken by the Company

- Officers, employees, and operation staff will participate after checking their health conditions, and taking their temperatures.
- Officers, employees, and operation staff will be wearing face masks.
- Alcohol disinfectants will be placed at various locations within the venue, in addition to the reception desk.
- We will cancel the social gathering with shareholders after the conclusion of the Meeting.

In the event of significant changes to the operation of the Meeting due to future circumstances, we will notify you on the Company's website (<https://www.shimano.com/en/ir/shareholdermeeting.html>).

We would appreciate your understanding and cooperation.

[Guidance for Exercising Voting Rights]

If you are refraining from attending the General Meeting of Shareholders

- Exercising voting rights by post
Please indicate your approval or disapproval of each proposal shown on the enclosed ballot form, and mail it back to the Company.
If you do not indicate your approval or disapproval of a proposal, it will be treated as if you have indicated your approval.
Deadline for the exercise of voting rights: The ballot form must arrive no later than 5:00 p.m. (Japan Standard Time) on Monday, March 29, 2021
- Exercising voting rights with a smartphone and via the Internet
Please access the website for exercising voting rights (<https://www.web54.net>).
Please refer to the next page for details.
Deadline for the exercise of voting rights: 5:00 p.m. (Japan Standard Time) on Monday, March 29, 2021

If you are attending the General Meeting of Shareholders

- Attending the General Meeting of Shareholders
Please submit the enclosed ballot form at the reception desk.
Please bring this Notice of Convocation with you to conserve resources.
Date and time of the General Meeting of Shareholders: 10:00 a.m. (Japan Standard Time) on Tuesday, March 30, 2021 (The reception desk will open at 9:00 a.m.)

Exercising voting rights by post

*As it may take more time than usual for your mail to arrive, we request that you mail your ballot form early.

- How to fill in the ballot form
Please indicate your approval or disapproval of each proposal here.
For Proposal No. 2, for example,
if you approve all candidates → mark ○ in the 賛 column
if you disapprove all candidates → mark ○ in the 否 column
if you disapprove some of the candidates → mark ○ in the 賛 column and, in the blank column next to it, enter the candidate number for each candidate you disapprove of.
- Notes for those who will mail their ballot forms
If you have marked ○ in both the 賛 and 否 columns to indicate approval or disapproval on the ballot form, as shown in the example to the left, the vote will be invalid.
If you have accidentally marked ○ in both the 賛 and 否 columns, please cross out either one as shown on the left.

Exercising voting rights via the Internet

1) Access the website for exercising voting rights: <https://www.web54.net>

Click

2) Log in

Enter the voting rights code

3) Enter the password

Enter the password

Please follow on-screen instructions to indicate your approval or disapproval of each proposal.

Exercising voting rights on a smartphone

1) Access the website for exercising voting rights on a smartphone

Scan “the QR Code for logging into the website for exercising voting rights on a smartphone” located on the bottom right of the enclosed ballot form with your smartphone or tablet device.

* “QR Code” is a registered trademark of DENSO WAVE INCORPORATED.

2) Open the website for exercising voting rights

Please follow on-screen instructions to indicate your approval or disapproval of each proposal.

Note: If you wish to change your votes after you have exercised your voting rights, you will need to scan the QR Code again and enter the “voting rights code” and the “password” printed on the enclosed ballot form (you may also exercise your voting rights by directly accessing the website for exercising voting rights (<https://www.web54.net>) from a computer).

* The Company shall not be responsible for any charge for a dial-up connection and any telecommunication charges incurred when you use the website for exercising voting rights.

* Depending on your Internet environment, services you have subscribed to, and devices you use, the website for exercising voting rights may not be available.

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 the following point of contact.

Sumitomo Mitsui Trust

Bank Stock Transfer Agency Web Support

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

Please address inquiries concerning matters other than the exercise of voting rights to the following point of contact:

☎0120-782-031 (open from 9:00 a.m. to 5:00 p.m. on weekdays (Japan Standard Time))

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 year-end cash dividends for fiscal year 2020 as below, consisting of an ordinary dividend of 77.50 yen per share and a commemorative dividend of 200 yen per share celebrating the 100th anniversary of the Company's founding in March 2021, as an expression of the Company's gratitude for continued support from shareholders.

As the Company has paid an interim dividend of 77.50 yen per share, the annual dividend will amount to 355.00 yen per share.

- (1) Type of dividend property: Cash
- (2) Matters concerning the allotment of dividend property to shareholders and the total amount:
277.50 yen per share of the Company's common stock, for a total amount of 25,724,205,878 yen
- (3) Effective date of dividends from surplus:
March 31, 2021 (Wednesday)

Proposal No. 2 Election of 6 Directors

The terms of office of the following 7 Directors will expire at the close of this General Meeting of Shareholders: Messrs. Keiji Kakutani, Chia Chin Seng, Tomohiro Ohtsu, Tamotsu Yoshida, Kazuo Ichijo, Mitsuhiro Katsumaru, and Sadayuki Sakakibara. Accordingly, we request the election of 6 Directors (including 3 Outside Directors).

The candidates for Directors are listed below.

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
1	Chia Chin Seng (Apr. 11, 1960) <u>Reappointment</u>	<p>Feb. 1992 Director, Shimano Components (Malaysia) Sdn. Bhd.</p> <p>Jan. 2002 President, Shimano Components (Malaysia) Sdn. Bhd.</p> <p>Mar. 2011 Director, Shimano Inc.</p> <p>Sep. 2011 President, Shimano (Tianjin) Bicycle Components Co., Ltd.</p> <p>Aug. 2014 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)</p> <p>Mar. 2019 Executive Vice President, Shimano Inc. (to present)</p> <p>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.</p> <p>Reasons for nomination as a candidate for Director: Having served as manager of overseas subsidiaries, including as President of Shimano (Singapore) Pte. Ltd., Mr. Chia Chin Seng has been striving to strengthen the foundation of the Company's international business. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management and fulfill duties as a Director, the Company has nominated him as a candidate for Director.</p>	0 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
2	Tomohiro Ohtsu (Mar. 12, 1965) <u>Reappointment</u>	<p>Mar. 1987 Joined Shimano Inc.</p> <p>Jan. 2008 Senior Vice President, Production Engineering Div.</p> <p>Jan. 2012 Senior Vice President, Production Engineering Div. and Shimano Research Laboratories</p> <p>Mar. 2015 Director and Senior Vice President, Production Engineering Div. and Shimano Research Laboratories</p> <p>Jan. 2017 Director and Senior Vice President, Production Engineering Dept., Shimano Research Laboratories, and SPC (Shimano Process Control) Development Dept.</p> <p>Jan. 2019 Director and Senior Vice President, Chief of Manufacturing Officer, Bicycle Components Div., Chief of Production Engineering Officer, SDM (Shimano Digital Manufacturing) Development Div. and Shimano Research Laboratories</p> <p>Aug. 2019 Director and Senior Vice President, Chief of Manufacturing Officer, Bicycle Components Div. and Vice President, Shimano Research Laboratories</p> <p>Jan. 2020 Director and Senior Vice President, Vice President, Shimonoseki Factory and Production Dept., Shimonoseki Factory, Bicycle Components Div. (to present)</p> <p>Reasons for nomination as a candidate for Director: Having served in important posts at manufacturing bases in Japan and in Production Engineering and other departments, Mr. Tomohiro Ohtsu has been contributing to development of the Company's engineering operations. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management and fulfill duties as a Director, the Company has nominated him as a candidate for Director.</p>	400 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
3	Tamotsu Yoshida (Jun. 8, 1961) <u>Reappointment</u>	<p>Mar. 1985 Joined Shimano Inc.</p> <p>Jan. 2012 Vice President, Shimano (Kunshan) Bicycle Components Co., Ltd. and Vice President, Shimano (Tianjin) Bicycle Components Co., Ltd.</p> <p>Jan. 2017 Vice President, Global Procurement Dept., in charge of factories in China</p> <p>Jan. 2019 Vice President, Global Procurement Dept., in charge of Overseas Factories, and SPC (Shimano Process Control) Dept. of SDM (Shimano Digital Manufacturing) Development Div.</p> <p>Mar. 2019 Director and Senior Vice President, Vice President, Global Procurement Dept., in charge of Overseas Factories, and SPC (Shimano Process Control) Dept. of SDM (Shimano Digital Manufacturing) Development Div.</p> <p>May 2019 Director and Senior Vice President, Vice President, Global Procurement Dept., in charge of Overseas Factories, SPC (Shimano Process Control) Dept. of SDM (Shimano Digital Manufacturing) Development Div., and Production Control Dept., SDM Development Div.</p> <p>Aug. 2019 Director and Senior Vice President, Vice President, Global Procurement Dept. in charge of Overseas Factories and Production Control Dept., SDM Development Div.</p> <p>Jan. 2021 Director and Senior Vice President, Vice President, Global Procurement Dept., in charge of Overseas Factories, Production Control Dept., SDM Development Div., Supervising of Procurement Dept., Bicycle Components Div. (to present)</p> <p>Reasons for nomination as a candidate for Director: Having served in important posts at factories in China, Mr. Tamotsu Yoshida has been contributing to development of the Company's manufacturing operations and production control operations. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management and fulfill duties as a Director, and the Company has nominated him as a candidate for Director.</p>	3,900 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
4	Kazuo Ichijo (Oct. 13, 1958) <u>Reappointment</u>	<p>Oct. 1993 Assistant Professor, Faculty of Social Sciences, Hitotsubashi University</p> <p>Apr. 2000 Assistant Professor, Graduate School of Social Sciences and Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>Apr. 2001 Professor, Graduate School of Social Sciences and Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>Apr. 2003 Visiting Professor, International Institute for Management Development (to present)</p> <p>Mar. 2005 Director, Shimano Inc. (to present)</p> <p>Apr. 2007 Professor, Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>Apr. 2014 Dean, Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>Jun. 2015 Outside Director, Information Services International-Dentsu, Ltd. (to present)</p> <p>Jun. 2017 Outside Director, PIA Corporation (to present)</p> <p>Jan. 2018 Outside Director, World Co., Ltd. (to present)</p> <p>Apr. 2018 Professor, Dean, School of International Corporate Strategy, Hitotsubashi University Business School (to present)</p> <p>Significant concurrent positions: Professor, Dean, School of International Corporate Strategy, Hitotsubashi University Business School Visiting Professor, International Institute for Management Development Outside Director, Information Services International-Dentsu, Ltd. Outside Director, PIA Corporation Outside Director, World Co., Ltd.</p> <p>Reasons for nomination as a candidate for Outside Director: Mr. Kazuo Ichijo is a professor at Hitotsubashi University Business School. Considering that his knowledge of international business strategy makes him an extremely valuable person for ensuring the appropriateness of the execution of the Company's business, the Company nominated him as a candidate for Outside Director.</p>	4,500 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
5	Mitsuhiro Katsumaru (Oct. 10, 1951) <u>Reappointment</u>	<p>Apr. 1978 Prosecutor, Tokyo District Public Prosecutors Office</p> <p>Jul. 1989 First Secretary, Japanese Embassy in Germany</p> <p>Jun. 2000 Director of the Criminal Affairs Division, Criminal Affairs Bureau, Ministry of Justice</p> <p>Jun. 2001 Director of the General Affairs Division, Criminal Affairs Bureau, Ministry of Justice</p> <p>Jan. 2003 Director of the Finance Division, Minister's Secretariat, Ministry of Justice</p> <p>Apr. 2005 Assistant Vice-Minister of Justice (in charge of General Policy)</p> <p>Dec. 2005 Chief Prosecutor, Fukui District Public Prosecutors Office</p> <p>Jun. 2007 Chief Prosecutor, Mito District Public Prosecutors Office</p> <p>Oct. 2008 Chief Prosecutor, Saitama District Public Prosecutors Office</p> <p>Jan. 2010 Director-General, Public Security Division, Supreme Public Prosecutors Office</p> <p>Apr. 2010 Adjunct Instructor, Graduate Program for Public Policy Studies, Kyoto University (to present)</p> <p>Dec. 2010 Superintending Prosecutor, Takamatsu High Public Prosecutors Office</p> <p>Apr. 2012 Adjunct Instructor, Kyoto University Law School (to present)</p> <p>Jun. 2012 Superintending Prosecutor, Hiroshima High Public Prosecutors Office</p> <p>Jul. 2014 Retired from the position of Superintending Prosecutor</p> <p>Oct. 2014 Registered as attorney-at-law, Of Counsel, Shiba International law offices (to present)</p> <p>Jun. 2015 Outside Director, Taiyo Nippon Sanso Corporation (currently Nippon Sanso Holdings Corporation) (to present)</p> <p>Mar. 2017 Director, Shimano Inc. (to present)</p> <p>Significant concurrent positions: Of Counsel, Shiba International law offices Outside Director, Nippon Sanso Holdings Corporation Adjunct Instructor, Graduate Program for Public Policy Studies, Kyoto University Adjunct Instructor, Kyoto University Law School</p> <p>Reasons for nomination as a candidate for Outside Director: Mr. Mitsuhiro Katsumaru held important posts at the Ministry of Justice and the Public Prosecutors Office and now practices as an attorney-at-law. Considering that his wealth of 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, the Company nominated him as a candidate for Outside Director.</p>	800 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
6	Sadayuki Sakakibara (Mar. 22, 1943) <u>Reappointment</u>	<p>Apr. 1967 Joined Toyo Rayon Co., Ltd. (currently Toray Industries, Inc.)</p> <p>Jun. 1994 General Manager, Corporate Planning Department No. 1, Toray Industries, Inc.</p> <p>Jun. 1996 Vice President (Member of the Board), Toray Industries, Inc.</p> <p>Jun. 1998 Senior Vice President (Member of the Board), Toray Industries, Inc.</p> <p>Jun. 1999 Senior Vice President (Member of the Board and Member of the Executive Committee), Toray Industries, Inc.</p> <p>Jun. 2001 Executive Vice President and Representative Member of the Board, Toray Industries, Inc.</p> <p>Jun. 2002 President and Representative Member of the Board, Toray Industries, Inc.</p> <p>Jun. 2010 Chairman and Representative Member of the Board, Toray Industries, Inc.</p> <p>Jun. 2012 Outside Director, Nippon Telegraph and Telephone Corporation (to present)</p> <p>Jun. 2014 Chairman, Japan Business Federation (Keidanren)</p> <p>Jun. 2014 Chairman of the Board, Toray Industries, Inc.</p> <p>Jun. 2015 Chief Senior Adviser and Chief Senior Counselor, Toray Industries, Inc.</p> <p>Jun. 2017 Senior Adviser, Toray Industries, Inc.</p> <p>May 2018 Honorary Chair, Japan Business Federation (Keidanren) (to present)</p> <p>Jun. 2018 Special Adviser, Toray Industries, Inc.</p> <p>Mar. 2019 Director, Shimano Inc. (to present)</p> <p>May 2019 Outside Director, Nitori Holdings Co., Ltd. (to present)</p> <p>Dec. 2019 Outside Director, Chairman of the Board, Japan Investment Corporation (to present)</p> <p>Jun. 2020 Outside Director, Chairman of The Board, The Kansai Electric Power Company, Incorporated (to present)</p> <p>Significant concurrent positions: Outside Director, Nippon Telegraph and Telephone Corporation Honorary Chair, Japan Business Federation (Keidanren) Outside Director, Nitori Holdings Co., Ltd. Outside Director, Chairman of the Board, Japan Investment Corporation Outside Director, Chairman of The Board, The Kansai Electric Power Company, Incorporated</p> <p>Reasons for nomination as a candidate for Outside Director: Mr. Sadayuki Sakakibara has a wealth of experience and deep insight as a manager of international companies. Considering that he is an extremely valuable person for ensuring the appropriateness of the execution of the Company's business, the Company nominated him as a candidate for Outside Director.</p>	300 shares

Notes:

1. No conflict of interest exists between the Company and the above candidates.
2. Mr. Kazuo Ichijo, Mr. Mitsuhiro Katsumaru, and Mr. Sadayuki Sakakibara are candidates for Outside Director.
3. The Company has entered into a Directors and Officers liability insurance agreement covering all Directors, and the Company shall be compensated for damages that may arise from covered Directors bearing liabilities regarding the execution of their duties or receiving claims in relation to pursuance of such liabilities.
 However, there are exemptions including that damages arising from criminal acts of the insureds or damages arising from actions taken while the insureds were aware of being in violation of laws and regulations will not be compensated.
 If each candidate is appointed as Director, they will be covered by the said insurance agreement, and the Company plans to renew the said insurance agreement during their terms of office.
 (Notes on candidates for Outside Director)
 - (1) 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.

- (2) Mr. Kazuo Ichijo's tenure of office as an Outside Director of the Company will be 16 years at the close of this General Meeting of Shareholders. Mr. Mitsuhiro Katsumaru's tenure of office as an Outside Director of the Company will be 4 years at the close of this General Meeting of Shareholders. Mr. Sadayuki Sakakibara's tenure of office as an Outside Director of the Company will be 2 years at the close of this General Meeting of Shareholders.
- (3) The Company has entered into limited liability contracts with Mr. Kazuo Ichijo, Mr. Mitsuhiro Katsumaru, and Mr. Sadayuki Sakakibara, whereby their liability is limited to the amount provided for by laws and regulations. Upon approval of the reappointment of Mr. Kazuo Ichijo, Mr. Mitsuhiro Katsumaru, and Mr. Sadayuki Sakakibara, the Company intends to maintain the above-mentioned limited liability contracts with them.
- (4) Toray Industries, Inc., where Mr. Sadayuki Sakakibara served as Chairman of the Board, has transactions with the Company, whereby the Company purchases products of Toray Industries. However, the amount of transactions in each of the most recent three fiscal years was extremely small (less than 1%) compared with Toray Industries consolidated net sales. In addition, although the Company pays a membership fee, etc. to Japan Business Federation (Keidanren), where Mr. Sadayuki Sakakibara served as Chairman, the amount of transactions in each of the most recent three fiscal years was extremely small (less than 1%) compared with Keidanren's ordinary revenue.
- (5) It came to light that some of the diatomite products sold at stores of Nitori Holdings Co., Ltd., where Mr. Sadayuki Sakakibara served as Outside Director, and its group companies contained an amount of asbestos exceeding legal limits. Those products were recalled. Although Mr. Sadayuki Sakakibara was not aware of these facts before the incident was revealed, he had provided advice as necessary from the perspective of legal compliance and compliance management even at the ordinary times, and appropriately fulfilled his responsibilities such as by expressing his opinions on prevention of recurrence after the incident was revealed.
- (6) The Company has filed a notification with the Tokyo Stock Exchange for Mr. Kazuo Ichijo, Mr. Mitsuhiro Katsumaru, and Mr. Sadayuki Sakakibara as independent officers. Upon approval of the reappointment of Mr. Kazuo Ichijo, Mr. Mitsuhiro Katsumaru, and Mr. Sadayuki Sakakibara, the Company intends to continue their appointments.

[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.

BUSINESS REPORT

(From January 1, 2020 to December 31, 2020)

1. Overview of the Shimano Group

(1) Review of Operations and Results

During fiscal year 2020, due to the global spread of the novel coronavirus (COVID-19), economic activities were severely constrained. In each country in Europe, lockdowns and other measures were implemented in early spring as a measure to prevent the spread of infections. Although such measures were relaxed before the summer vacation season, activity restrictions were tightened once again due to an increase in the number of people infected with COVID-19, and consumer sentiment remained weak due to concerns over the outlook of the economy as there was no clear indication of when the pandemic would be brought under control.

In the U.S., employment conditions deteriorated rapidly in response to the spread of COVID-19 in the spring. While there were temporary signs of economic indicators that suggested recovery after restrictions on outings were relaxed, a full-scale recovery trend was not realized, and a trend of cutting back on consumption spread due to continued uncertainty about the future outlook.

In Japan, the economy deteriorated due to the government's request that people refrain from going out under the declaration of a state of emergency in April. After the declaration was lifted, measures to prevent the spread of infections remained in place while economic measures such as the Go To campaign were introduced to help restart the Japanese economy. However, the spread of infections has not been contained, and the pace of recovery of personal consumption remained slow.

In spite of such a business climate, interest in bicycles and fishing that can avoid closed, crowded and close-contact environment boosted demand, and for fiscal year 2020, net sales increased 4.1% from the previous year to 378,040 million yen. Operating income increased 21.6% to 82,701 million yen, ordinary income increased 17.3% to 81,471 million yen, and net income attributable to owners of parent increased 22.5% to 63,472 million yen.

Reportable Segment Overview

Bicycle Components

Demand for bicycles declined sharply in early spring due to the spread of COVID-19, but then, cycling gained attention as an easy form of recreation and exercise, as well as a mode of transportation with a lower risk of infection, leading to an increase in demand for bicycles on a global scale.

Under such circumstances, in overseas markets including Europe and North America, retail sales of bicycles and bicycle-related products remained robust, while the inability of supply to keep up with the continued strong demand resulted in persisting shortages in both distributor inventories and retail inventories in each country.

In the Japanese market, although there was no significant increase in demand for bicycles as seen in the U.S. and Europe, retail sales for cross bikes, used for recreation and as a mode of transportation, and for E-BIKE were solid, while distributor inventories remained largely at appropriate levels.

Under these market conditions, order-taking was brisk for the new Deore MTB components and a wide range of existing products overall.

As a result, net sales from this segment increased 2.7% from the previous year to 297,777 million yen, and operating income increased 18.4% to 68,494 million yen.

Fishing Tackle

Restrictions on outings such as lockdown were imposed in many countries as a measure to prevent the spread of COVID-19, and the accompanying measure to prohibit store operations impacted sales of fishing products in the first half of 2020. After the restrictions were relaxed, fishing regained attention as an outdoor leisure activity, and demand for fishing products increased.

Under these conditions, the Japanese market trended increasingly active due to an increase in the number of new customers who are outdoor-minded, resulting in favorable sales. In the fourth quarter, sales of mid-range and popular price range products were especially favorable, supported by good weather.

Overseas, in the North American market, new products were well received and sales of low and mid-

range price products were solid. In Europe, although some regions were under lockdown due to another wave of infections, sales remained strong as growth of e-commerce for fishing tackle encouraged diversification of sales channels. In Asia, sales in China remained robust as the nation recovered from COVID-19 rapidly. In Australia, where fishing season began in the fourth quarter, sales remained favorable, reflecting high demand for fishing tackle.

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

As a result, net sales from this segment increased 9.7% from the previous year to 79,907 million yen, and operating income increased 39.6% to 14,264 million yen.

Others

Net sales from this segment increased 0.8% from the previous year to 356 million yen and an operating loss of 57 million yen was recorded, following an operating loss of 59 million yen for the previous year.

1) Sales by segment

	FY2019 January 1, 2019 to December 31, 2019		FY2020 January 1, 2020 to December 31, 2020		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	290,038	79.8	297,777	78.8	7,738	2.7
Fishing Tackle	72,838	20.1	79,907	21.1	7,068	9.7
Others	353	0.1	356	0.1	2	0.8
Total	363,230	100.0	378,040	100.0	14,809	4.1

2) Situation by segment

1. Trend of sales by segment

(Millions of yen)

	FY2017 (111th) January 1, 2017 to December 31, 2017	FY2018 (112th) January 1, 2018 to December 31, 2018	FY2019 (113th) January 1, 2019 to December 31, 2019	FY2020 (114th) January 1, 2020 to December 31, 2020
Bicycle Components	270,206	277,243	290,038	297,777
Fishing Tackle	65,220	70,436	72,838	79,907
Others	373	355	353	356

2. Trend of operating income by segment

(Millions of yen)

	FY2017 (111th) January 1, 2017 to December 31, 2017	FY2018 (112th) January 1, 2018 to December 31, 2018	FY2019 (113th) January 1, 2019 to December 31, 2019	FY2020 (114th) January 1, 2020 to December 31, 2020
Bicycle Components	57,410	57,250	57,850	68,494
Fishing Tackle	7,013	8,544	10,219	14,264
Others	(72)	(107)	(59)	(57)

Note: Figures in parentheses indicate operating loss.

3. Trend of net sales by geographical area

(Millions of yen)

	FY2017 (111th) January 1, 2017 to December 31, 2017	FY2018 (112th) January 1, 2018 to December 31, 2018	FY2019 (113th) January 1, 2019 to December 31, 2019	FY2020 (114th) January 1, 2020 to December 31, 2020
Japan	38,305	41,180	40,734	44,992
North America	35,770	35,855	36,664	39,876
Europe	128,347	140,049	150,140	148,738
Asia	116,513	115,220	119,982	127,890
Others	16,863	15,729	15,709	16,541

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

(2) Capital Investment and Financing

Consolidated capital investment totaled 27,209 million yen during the fiscal year ended December 31, 2020. Capital investment was mainly used for reinforcing product development capabilities, increasing production capacity and improving production efficiency. By segment, capital investment totaled 23,295 million yen for bicycle components, 1,618 million yen for fishing tackle, 0 million yen for others, and 2,294 million yen for Company-wide (common). All capital investment was financed from cash flow. (Millions of yen)

	FY2017 (111th) January 1, 2017 to December 31, 2017	FY2018 (112th) January 1, 2018 to December 31, 2018	FY2019 (113th) January 1, 2019 to December 31, 2019	FY2020 (114th) January 1, 2020 to December 31, 2020
Bicycle Components	11,989	16,139	17,046	23,295
Fishing Tackle	1,601	2,064	2,196	1,618
Others	2	2	16	0
Company-wide (common)	1,663	6,678	6,438	2,294
Total	15,257	24,884	25,698	27,209

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

	FY2017 (111th) January 1, 2017 to December 31, 2017	FY2018 (112th) January 1, 2018 to December 31, 2018	FY2019 (113th) January 1, 2019 to December 31, 2019	FY2020 (114th) January 1, 2020 to December 31, 2020
Net sales (Millions of yen)	335,800	348,035	363,230	378,040
Operating income (Millions of yen)	64,351	65,687	68,010	82,701
Ordinary income (Millions of yen)	55,748	73,588	69,471	81,471
Net income attributable to owners of parent (Millions of yen)	38,443	53,931	51,833	63,472
Basic earnings per share	414.69 yen	581.77 yen	559.15 yen	684.71 yen
Net assets (Millions of yen)	430,465	453,457	489,236	529,785
Total assets (Millions of yen)	488,770	503,845	538,769	590,420

Note: Effective from the beginning of 113th fiscal year (FY2019), the Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), etc., and the figures presented for the 112th fiscal year (FY2018) were adjusted retrospectively in accordance with this change.

2) Assets and profits of the Company

	FY2017 (111th) January 1, 2017 to December 31, 2017	FY2018 (112th) January 1, 2018 to December 31, 2018	FY2019 (113th) January 1, 2019 to December 31, 2019	FY2020 (114th) January 1, 2020 to December 31, 2020
Net sales (Millions of yen)	191,088	204,851	221,040	218,131
Operating income (Millions of yen)	26,359	29,708	30,446	31,386
Ordinary income (Millions of yen)	31,483	38,609	35,342	70,667
Net income (Millions of yen)	23,509	30,418	27,201	64,742
Basic earnings per share	253.60 yen	328.13 yen	293.43 yen	698.40 yen
Net assets (Millions of yen)	137,233	151,611	164,551	214,127
Total assets (Millions of yen)	177,440	192,781	204,778	259,921

Note: Basic earnings per share indicated in 1) and 2) above is computed based on the average number of outstanding shares during the fiscal year, excluding treasury stock.

(4) Issues to be Addressed

Although there are some promising signs of economic recovery such as the start of vaccinations to prevent the spread of COVID-19, uncertainties remain over the full-scale recovery of economic activities. Meanwhile, with a view to preventing the spread of COVID-19, interest in outdoor leisure activities that can avoid closed,

crowded and close-contact environment is expected to continue.

In Europe, economic turmoil caused by Brexit is expected to be avoided by agreement to conclude a free trade agreement. In China, the impact of COVID-19 will ease, and the economic recovery is expected to continue, driven by personal consumption. In the U.S., the Biden administration came to power, and additional financial support by the government is expected. However, social instability due to political division may discourage economic recovery. In Japan, as infection trends directly affect consumer sentiment and concerns prevail over the impact on the holding of the Tokyo Olympic and Paralympic Games, decline in consumption will not be fully recovered and the pace of economic recovery is estimated to be moderate.

In these circumstances, the Company emphasizes not only striving to develop and manufacture “captivating products” that bring sensations to many people as a “development-oriented digital manufacturing company” of Japan origin, while closely monitoring favorable trends in demand for bicycles and fishing tackle, but also moving forward step by step as a “value creating company” that continues to create a shared value between corporations and society. We will endeavor to further enhance management efficiency and strive for sustainable corporate growth by pursuing 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 rowing-related equipment, etc.

(6) Principal Sales Offices and Factories

1) Principal operating sites of the Company

Head office		3-77 Oimatsu-cho, Sakai-ku, Sakai City, Osaka
Factories	Sakai Factory	Sakai-ku, Sakai City, Osaka
	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
	Chushikoku Sales Office	Minami-ku, Okayama City, Okayama Prefecture
	Kyushu Sales Office	Tosu City, Saga Prefecture

2) Principal operating sites of subsidiaries

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

Overseas	Shimano (Singapore) Pte. Ltd.	Singapore
	Shimano Components (Malaysia) Sdn. Bhd.	Malaysia
	Shimano Europe B.V.	The Netherlands
	Shimano North America Holding, Inc.	USA
	Shimano (Kunshan) Bicycle Components Co., Ltd.	China
	Shimano (Tianjin) Bicycle Components Co., Ltd.	China

(7) Employees

Segment	Number of employees	
Bicycle Components	8,724	(1,562)
Fishing Tackle	2,747	(502)
Others	202	(38)
Company-wide (common)	571	(73)
Total	12,244	(2,175)

Notes:

1. 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.
2. "Company-wide (common)" figures refer to employees that belong to administrative departments.
3. 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) Major Subsidiaries

Company name	Capital	Ownership	Principal business
Shimano (Singapore) Pte. Ltd.	S\$ 65,994 thousand	100	Manufacture and sale of bicycle components, sale of fishing tackle, and management of manufacturing subsidiaries in Asia
Shimano Components (Malaysia) Sdn. Bhd.	RM18,000 thousand	100 (100)	Manufacture and sale of bicycle components and manufacture of fishing tackle
Shimano Europe B.V.	EUR 5,148 thousand	100	Sale of bicycle components and fishing tackle and management of sales subsidiaries in Europe
Shimano North America Holding, Inc.	US\$ 14,000 thousand	99	Sale of bicycle components and fishing tackle and management of sales subsidiaries in North America
Shimano (Kunshan) Bicycle Components Co., Ltd.	US\$ 34,500 thousand	100 (100)	Manufacture and sale of bicycle components
Shimano Sales Co., Ltd.	JPY 277 million	100	Sale, repair and storage of bicycle components, and repair and storage of fishing tackle
Shimano (Tianjin) Bicycle Components Co., Ltd.	US\$ 24,000 thousand	100 (100)	Manufacture and sale 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 20,159 shares)
- (3) Number of shareholders: 6,155
- (4) Major shareholders (Top 10)

Name of shareholder	Number of shares (Thousands of shares)	Percentage of ownership (%)
Minato Kosan Co., Ltd.	8,487	9.16
The Master Trust Bank of Japan, Ltd. (trust account)	7,603	8.20
Custody Bank of Japan, Ltd. (trust account)	5,155	5.56
JP MORGAN CHASE BANK 380055	2,435	2.63
Three S Co., Ltd.	2,171	2.34
Nippon Life Insurance Company	2,098	2.26
MUFG Bank, Ltd.	2,066	2.23
Resona Bank, Limited.	1,711	1.85
JP MORGAN CHASE BANK 385632	1,531	1.65
STATE STREET BANK WEST CLIENT - TREATY 505234	1,243	1.34

Note: The percentage of ownership is calculated excluding treasury stock (20,159 shares).

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

(1) Directors and Audit & Supervisory Board Members

(As of December 31, 2020)

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. Chairman, Japan Fishing Tackle Manufacturers Association
Deputy President Representative Director	Keiji Kakutani		
Senior Executive Vice President	Taizo Shimano	Head of Bicycle Components Div. Vice President, Marketing Dept., Bicycle Components Div.	
Senior Executive Vice President	Takashi Toyoshima	Head of SDM (Shimano Digital Manufacturing) Development Div. Vice President, Forming Technology Dept., TIC (Technology Innovation Center) Factory, and Shimano Research Laboratories, SDM Development Div. Chief of Technology Officer, Bicycle Components Div. Vice President, Technology R&D Dept., Bicycle Components Div.	
Senior Executive Vice President	Masahiro Tsuzaki	Head of General Operations Div.	
Executive Vice President	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.
Director	Kiyoshi Tarutani	Vice President, Quality Control Dept. Chief of Headquarters Manufacturing Officer, Bicycle Components Div.	
Director	Hiroshi Matsui	Vice President, Corporate Planning Dept., General Operations Div. Head of Aifie Div.	President, Shimano North America Holding, Inc.

Title	Name	Assignment	Significant concurrent positions
Director	Tomohiro Ohtsu	Vice President, Shimonoseki Factory and Production Dept., Shimonoseki Factory, Bicycle Components Div.	
Director	Masahiro Ohtake	Vice President, Human Resources Dept., General Operations Div. Supervising of General Affairs Dept., General Operations Div.	
Director	Kinji Kiyotani	Head of Fishing Operations Div. Vice President, Domestic Sales Dept., Fishing Operations Div.	
Director	Tamotsu Yoshida	Vice President, Global Procurement Dept. in charge of Overseas Factories Vice President, Production Control Dept., SDM Development Div.	
Director	Takuma Kanai	Vice President of Business Administration Dept. Supervising of Accounting Dept., General Operations Div.	
Director	Kazuo Ichijo		Professor, Dean, School of International Corporate Strategy, Hitotsubashi University Business School Visiting Professor, International Institute for Management Development Outside Director, Information Services International-Dentsu, Ltd. Outside Director, PIA Corporation Outside Director, World Co., Ltd.
Director	Mitsuhiro Katsumaru		Of Counsel, Shiba International Law Offices Outside Director, Nippon Sanso Holdings Corporation Adjunct Instructor, Graduate Program for Public Policy Studies, Kyoto University School of Government Adjunct Instructor, Graduate School of Law, Kyoto University
Director	Sadayuki Sakakibara		Outside Director, Nippon Telegraph and Telephone Corporation Honorary Chair, Japan Business Federation (Keidanren) Outside Director, Nitoni Holdings Co., Ltd. Outside Director, Chairman of the Board, Japan Investment Corporation Outside Director, Chairman of The Board, The Kansai Electric Power Company, Incorporated

Title	Name	Assignment	Significant concurrent positions
Full-time Audit & Supervisory Board Member	Yoshihiro Hirata		
Full-time Audit & Supervisory Board Member	Hideo Katsuoka		
Audit & Supervisory Board Member	Kanako Nozue		Attorney-at-law, Tsujinaka Law Firm
Audit & Supervisory Board Member	Toshihiko Hashimoto		Certified Tax Accountant, Hashimoto Certified Tax Accountant Office Outside Auditor, JA Hyogominami Auditor, Kakogawa Sangyokaikan Co., Ltd.

Notes:

1. Directors Kazuo Ichijo, Mitsuhiro Katsumaru, and Sadayuki Sakakibara are Outside Directors as defined in Article 2, Item 15 of the Companies Act.
2. Audit & Supervisory Board Members Kanako Nozue and Toshihiko Hashimoto are Outside Audit & Supervisory Board Members as defined in Article 2, Item 16 of the Companies Act.
3. The Company has filed notifications with Tokyo Stock Exchange, Inc. for all of its Outside Directors and Outside Audit & Supervisory Board Members as independent officers.
4. Audit & Supervisory Board Member Toshihiko Hashimoto is a certified tax accountant and possesses considerable knowledge of tax and accounting matters.
5. Executive Vice President Yoshihiro Hirata retired as a Director upon expiration of his term of office at the close of the 113th Ordinary General Meeting of Shareholders held on March 26, 2020, and assumed the office of Full-time Audit & Supervisory Board Member.
6. Full-time Audit & Supervisory Board Member Koichi Shimazu retired upon expiration of his term of office at the close of the 113th Ordinary General Meeting of Shareholders held on March 26, 2020.
7. The changes made to the assignment of Directors after December 31, 2020, are as follows:

Name	Before the change	After the change	Date of change
Taizo Shimano	Head of Bicycle Components Div. Vice President, Marketing Dept., Bicycle Components Div.	Head of Bicycle Components Div.	As of January 1, 2021
Takashi Toyoshima	Head of SDM (Shimano Digital Manufacturing) Development Div. Vice President, Forming Technology Dept., TIC (Technology Innovation Center) Factory, and Shimano Research Laboratories, SDM Development Div. Chief of Technology Officer, Bicycle Components Div. Vice President, Technology R&D Dept., Bicycle Components Div.	Head of SDM (Shimano Digital Manufacturing) Development Div. Vice President, Forming Technology Dept. and Information Systems Dept., SDM Development Div. Chief of Technology Officer, Bicycle Components Div. Vice President, Technology R&D Dept., Bicycle Components Div.	As of January 1, 2021
Masahiro Tsuzaki	Head of General Operations Div.	Head of General Operations Div. Vice President, Corporate Culture Communications Dept., General Operations Div.	As of January 1, 2021
Kiyoshi Tarutani	Vice President, Quality Control Dept. Chief of Headquarters Manufacturing Officer, Bicycle Components Div.	Vice President, Quality Control Dept. Supervising of Production Dept., SIP (Sakai Intelligent Plant), Bicycle Components Div.	As of January 1, 2021
Tamotsu Yoshida	Vice President, Global Procurement Dept. in charge of Overseas Factories Vice President, Production Control Dept., SDM Development Div.	Vice President, Global Procurement Dept. in charge of Overseas Factories Vice President, Production Control Dept., SDM Development Div. Supervising of Procurement Dept., Bicycle Components Div.	As of January 1, 2021

(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, 2020 (Millions of yen)
Directors	17	486
Audit & Supervisory Board Members	5	57
Total	22	543
(Outside Officers)	(5)	(50)

Notes:

1. The above numbers of Directors and Audit & Supervisory Board Members and amounts of remuneration of Directors and Audit & Supervisory Board Members include 1 Director and 1 Audit & Supervisory Board Member who retired at the close of the 113th Ordinary General Meeting of Shareholders held on March 26, 2020, and the amounts of their remuneration, respectively.
2. The above amount of remuneration of Directors includes the provision of reserve for officer bonuses amounting to 162 million yen recorded for the fiscal year ended December 31, 2020.
3. The above amounts do not include remuneration for employment by the Company and the associated payroll bonuses to Directors.
4. The Company abolished the retirement benefit program for Directors and Audit & Supervisory Board Members at the close of the 105th Ordinary General Meeting of Shareholders held on March 29, 2012 and made a resolution to pay officer retirement benefits based on the Company's standards to each retiring Director and Audit & Supervisory Board Member upon their retirement. In accordance with this resolution, in addition to the above amounts, the Company paid officer retirement benefits amounting to 15 million yen to 1 Director who retired during the fiscal year ended December 31, 2020.

(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.

With regard to the remuneration etc. for the Company's Directors, it was resolved at the 112th Ordinary General Meeting of Shareholders held on March 26, 2019 (16 Directors subject to the resolution) that the maximum total amount of remuneration for Directors shall be 720 million yen a year (including 60 million yen for Outside Directors), provided, however, that such amount shall not include remuneration for employment.

With regard to the remuneration etc. for the Company's Audit & Supervisory Board Members, it was resolved at the 104th Ordinary General Meeting of Shareholders held on March 30, 2011 (4 Audit & Supervisory Board Members subject to the resolution) that the maximum total amount of remuneration for Audit & Supervisory Board Members shall be 70 million yen a year.

Regarding the amount of annual remuneration for each Director, the Nomination and Remuneration Advisory Committee whose members include Outside Directors examines whether the remuneration system for Directors and the level of remuneration are functioning as incentives aligned with sustainable development, and the Board of Directors resolves the determination of the amount of remuneration, with its scope of discretion being the establishment of appropriate indicators on financial performance, based on the recommendation from the said Committee.

The amount of annual remuneration for each Audit & Supervisory Board Member is decided through discussion by the Audit & Supervisory Board Members.

Remuneration of Directors (excluding Outside Directors) consists of monthly remuneration and bonuses. Monthly remuneration is based on the role and the scope of responsibilities corresponding to each position, while bonuses are paid to individual Directors, based on their level of achievement in the actual results against the target performance, for which planned net sales and operating income for the fiscal year under review are

set forth as performance indicator, as well as growth compared with previous fiscal years. The composition ratio of remuneration in a case where standard financial performance is achieved is approximately 60:40 of fixed remuneration to performance-linked remuneration. Directors (excluding foreign Directors) engaged in business execution contribute a certain amount or more from their monthly remuneration to purchase shares of the Company through the Directors' shareholding association, from the viewpoint of reflecting medium- to long-term financial performance in their remuneration. The shares purchased shall be held while the Directors remain in office.

Remuneration for Outside Directors shall not be linked with financial performance, from the viewpoint of securing their high independence and only monthly remuneration shall be paid to them.

(5) Outside Officers

1) 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, 2020

Category	Name	Activities
Director	Kazuo Ichijo	Attended all 13 meetings of the Board of Directors held in the fiscal year ended December 31, 2020. He is a professor of international corporate strategy at the Hitotsubashi University Business School 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.
Director	Mitsuhiro Katsumaru	Attended all 13 meetings of the Board of Directors held in the fiscal year ended December 31, 2020. He held important posts at the Ministry of Justice and the Public Prosecutors Office. He now practices as an attorney-at-law and has a wealth of knowledge and profound insight about compliance. He provides input necessary for deliberations concerning the Company's management from a professional and objective perspective.
Director	Sadayuki Sakakibara	Attended all 13 meetings of the Board of Directors held in the fiscal year ended December 31, 2020. He has a wealth of experience and deep insight as a manager of international companies. He provides input necessary for deliberations concerning the Company's management from an objective perspective based on his profound knowledge.
Audit & Supervisory Board Member	Kanako Nozue	Attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit & Supervisory Board in the fiscal year ended December 31, 2020. She provides mainly specialist counsel in a legal capacity.
Audit & Supervisory Board Member	Toshihiko Hashimoto	Attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit & Supervisory Board in the fiscal year ended December 31, 2020. He provides mainly specialist counsel in the capacity of tax accountant.

4. Accounting Auditor

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

(2) Amount of Compensation for the Accounting Auditor for the Fiscal Year Ended December 31, 2020:

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	42
2) Total amount of monetary and other financial interest to be paid to the Accounting Auditor by the Company and its subsidiaries	42

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 Seiry 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 Seiry 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 the content of 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, in principle. 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 discriminatory 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 the 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, 2020, 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 3 Independent Outside Directors 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, 2020, unless otherwise specified.

Consolidated Balance Sheet

(As of December 31, 2020)

(Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	423,468	Current liabilities	53,946
Cash and time deposits	305,613	Accounts payable-trade	18,727
Notes and accounts receivable-trade	38,168	Short-term loans payable	9
Merchandise and finished goods	41,134	Lease obligations	737
Work in process	27,435	Income taxes payable	10,644
Raw materials and supplies	5,934	Accrued employee bonuses	2,556
Others	5,604	Accrued officer bonuses	162
Allowance for doubtful accounts	(420)	Provision for sales returns	263
Fixed assets	166,952	Others	20,845
Property, plant and equipment	132,129	Long-term liabilities	6,688
Buildings and structures	69,040	Long-term loans payable	11
Machinery and vehicles	20,808	Lease obligations	1,597
Land	13,508	Deferred income taxes	1,483
Leased assets	4,133	Net defined benefit liability	2,872
Construction in progress	19,692	Others	722
Others	4,946	Total liabilities	60,635
Intangible assets	15,248	(Net assets)	
Goodwill	3,591	Shareholders' equity	539,146
Software	5,543	Common stock	35,613
Software in progress	3,600	Capital surplus	5,642
Others	2,512	Retained earnings	498,046
Investments and other assets	19,574	Treasury stock	(154)
Investment securities	12,901	Accumulated other comprehensive income	(9,859)
Deferred income taxes	5,545	Unrealized gain (loss) on other securities	2,458
Others	1,648	Foreign currency translation adjustments	(12,318)
Allowance for doubtful accounts	(520)	Non-controlling interests	498
		Total net assets	529,785
Total assets	590,420	Total liabilities and net assets	590,420

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

Consolidated Statement of Income
(From January 1, 2020 to December 31, 2020)

(Millions of yen)

Accounts	Amount	
Net sales		378,040
Cost of sales		224,956
Gross profit		153,083
Selling, general and administrative expenses		70,382
Operating income		82,701
Non-operating income		
Interest and dividend income	2,592	
Others	654	3,247
Non-operating expenses		
Interest expenses	106	
Others	4,370	4,476
Ordinary income		81,471
Extraordinary income		
Insurance income	3,619	3,619
Extraordinary losses		
Loss on factory reconstruction	271	271
Income before income taxes		84,820
Income taxes-current	20,738	
Income taxes-deferred	556	21,294
Net income		63,525
Net income attributable to non-controlling interests		52
Net income attributable to owners of parent		63,472

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

Consolidated Statement of Shareholders' Equity

(From January 1, 2020 to December 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	35,613	5,642	448,941	(135)	490,061
Changes of items during the year					
Cash dividends paid			(14,368)		(14,368)
Net income attributable to owners of parent			63,472		63,472
Acquisition of treasury stock				(18)	(18)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	49,104	(18)	49,085
Balance at end of year	35,613	5,642	498,046	(154)	539,146

	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	2,687	(3,663)	(976)	151	489,236
Changes of items during the year					
Cash dividends paid					(14,368)
Net income attributable to owners of parent					63,472
Acquisition of treasury stock					(18)
Net changes of items other than shareholders' equity	(228)	(8,654)	(8,882)	346	(8,536)
Total changes of items during the year	(228)	(8,654)	(8,882)	346	40,549
Balance at end of year	2,458	(12,318)	(9,859)	498	529,785

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 51 subsidiaries.

Shimano (Singapore) Pte. Ltd.
Shimano Components (Malaysia) Sdn. Bhd.
Shimano (Kunshan) Bicycle Components Co., Ltd.
Shimano (Mersing) Sdn. Bhd.
PT 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 Private Ltd.
Shimano North America Holding, Inc.
Shimano Canada Ltd.
G.Loomis, Inc.
DashAmerica, Inc. (Pearl Izumi USA)
Innovative Textiles, Inc.
Shimano Europe B.V.
Shimano Germany Fishing GmbH
Shimano - Pearl Izumi Softgoods Division Europe GmbH
Shimano Benelux B.V.
Shimano UK Ltd.
Shimano Italy Fishing S.R.L.
Shimano Italy Bicycle Components S.R.L.
Shimano Belgium N.V.
Lazer Sport N.V.
Shimano France S.A.S.
Shimano Iberia, S.L.
Shimano Italia S.p.A. in liquidazione
Shimano Czech Republic, s.r.o.
Shimano Nordic AB
Shimano Nordic OY
Shimano Nordic Cycle AS
Shimano Nordic Denmark ApS
Shimano Polska 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 Balicilik 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 Bike & Fishing Mexico, S.A. de C.V.
Shimano Latin America Representacao Comercial Ltda.
Shimano Uruguay S.A.
Shimano Argentina S.A.U.
Shimano Sales Co., Ltd.
Shimano Kumamoto Co., Ltd.

During fiscal year 2020, Shimano Bike & Fishing Mexico, S.A. de C.V. is included in the scope of consolidation due to its establishment.

(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), and their valuation methods are as follows.

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

Supplies are stated principally 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 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.

Right-of-use assets

Depreciation of right-of-use assets is computed by the straight-line method based on the useful lives of right-of-use assets or the period of the leasing contract, whichever is shorter.

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 collectability 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 serve as 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. Notes relating to consolidated balance sheet

Accumulated depreciation of property, plant and equipment	153,292 million yen
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3. 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, 2020:

Salaries and wages	17,842 million yen
Advertising and sales promotion expenses	8,590 million yen
R&D expenses	5,369 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, 2020

12,566 million yen

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

Cost of sales

2 million yen

(4) Insurance income

The Shimano Group recorded insurance income covering the fire that broke out at the Head Office Factory (Sakai-ku, Sakai City) on March 26, 2018.

4. Notes relating to consolidated statement of shareholders' equity

(1) Total number of issued shares as of the end of the fiscal year ended December 31, 2020 92,720,000 shares

(2) Cash dividends paid during the fiscal year ended December 31, 2020

(a) Payment of cash dividends

At the Ordinary General Meeting of Shareholders held on March 26, 2020, 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, 2019
Effective date	March 27, 2020

(b) Payment of interim cash dividend

At the meeting of the Board of Directors held on July 28, 2020, the following resolutions were made.

- Matters concerning dividends for shares of common stock

Total amount of cash dividends	7,184 million yen
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Cash dividends per share	77.50 yen
Record date	June 30, 2020
Effective date	September 2, 2020

(3) Cash dividends paid after the end of the fiscal year ended December 31, 2020

At the Ordinary General Meeting of Shareholders to be held on March 30, 2021, the following resolutions are expected to be made.

• Matters concerning dividends for shares of common stock

Total amount of cash dividends	25,724 million yen
Source of dividends	Retained earnings
Cash dividends per share	277.50 yen
Record date	December 31, 2020
Effective date	March 31, 2021

5. 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, 2020, are as follows:

(Millions of yen)			
	Carrying amount	Fair value	Difference
(1) Cash and time deposits	305,613	305,613	-
(2) Notes and accounts receivable-trade	38,168	38,168	-
(3) Investment securities	10,019	10,019	-
Assets	353,800	353,800	-
(1) Accounts payable-trade	18,727	18,727	-
(2) Short-term loans payable	1	1	-
(3) Income taxes payable	10,644	10,644	-
(4) Long-term loans payable	19	19	(0)
Liabilities	29,393	29,393	(0)
Derivatives	-	-	-

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

Not applicable because no derivative transactions existed at the end of fiscal year 2020.

2. Unlisted stocks (2,881 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.

6. Notes relating to per share data

(1) Net assets per share	5,709.69 yen
(2) Basic earnings per share	684.71 yen

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

Net income attributable to owners of parent	63,472 million yen
Net income attributable to owners of parent related to common stock	63,472 million yen
Average number of shares of common stock outstanding	92,700 thousand shares

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

<For Reference>

Consolidated Statement of Cash Flows
(From January 1, 2020 to December 31, 2020)

(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
91,050	(28,328)	(17,905)	300,197

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

Non-consolidated Balance Sheet

(As of December 31, 2020)

(Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	152,946	Current liabilities	43,295
Cash and time deposits	78,195	Accounts payable-trade	10,384
Notes receivable	1,022	Accounts payable-other	6,443
Accounts receivable-trade	29,097	Income taxes payable	6,396
Finished goods	17,002	Accrued expenses	252
Work in process	15,816	Deposit payable	17,818
Raw materials	1,248	Accrued employee bonuses	320
Supplies	282	Accrued officer bonuses	162
Accounts receivable-other	4,316	Provision for sales returns	185
Others	5,967	Others	1,331
Allowance for doubtful accounts	(3)	Long-term liabilities	2,499
Fixed assets	106,975	Employee retirement benefits	1,874
Property, plant and equipment	71,917	Others	624
Buildings	48,169	Total liabilities	45,794
Structures	1,699	(Net assets)	
Plant and machinery	8,212	Shareholders' equity	211,750
Vehicles	62	Common stock	35,613
Tools, equipment and furniture	2,355	Capital surplus	5,823
Land	9,703	Capital reserve	5,822
Leased assets	62	Other capital surplus	1
Construction in progress	1,650	Retained earnings	170,468
Intangible assets	8,939	Legal reserve	3,194
Goodwill	1,025	Other retained earnings	167,274
Industrial property	56	Unappropriated retained earnings	167,274
Software	4,772	Treasury stock	(154)
Software in progress	3,031	Valuation and translation adjustments	2,376
Others	53	Unrealized gain (loss) on other securities	2,376
Investments and other assets	26,118	Total net assets	214,127
Investment securities	8,504	Total liabilities and net assets	259,921
Subsidiaries' and affiliates' stock	13,654		
Investments in capital	20		
Long-term prepaid expenses	478		
Deferred income taxes	3,006		
Others	924		
Allowance for doubtful accounts	(470)		
Total assets	259,921		

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

Non-consolidated Statement of Income

(From January 1, 2020 to December 31, 2020)

(Millions of yen)

Accounts	Amount	
Net sales		218,131
Cost of sales		145,928
Gross profit		72,202
Selling, general and administrative expenses		40,816
Operating income		31,386
Non-operating income		
Interest income	316	
Dividend income	41,386	
Others	352	42,055
Non-operating expenses		
Interest expenses	253	
Others	2,520	2,774
Ordinary income		70,667
Extraordinary income		
Insurance income	3,619	3,619
Extraordinary losses		
Loss on factory reconstruction	76	76
Income before income taxes		74,210
Income taxes-current	9,269	
Income taxes-deferred	199	9,468
Net income		64,742

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

Non-consolidated Statement of Shareholders' Equity

(From January 1, 2020 to December 31, 2020)

(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	116,900	120,094	(135)	161,396
Changes of items during the year					
Cash dividends paid		(14,368)	(14,368)		(14,368)
Net income		64,742	64,742		64,742
Acquisition of treasury stock				(18)	(18)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	50,373	50,373	(18)	50,354
Balance at end of year	3,194	167,274	170,468	(154)	211,750

	Valuation and translation adjustments		Total net assets
	Unrealized gain (loss) on other securities	Total valuation and translation adjustments	
Balance at beginning of year	3,155	3,155	164,551
Changes of items during the year			
Cash dividends paid			(14,368)
Net income			64,742
Acquisition of treasury stock			(18)
Net changes of items other than shareholders' equity	(779)	(779)	(779)
Total changes of items during the year	(779)	(779)	49,575
Balance at end of year	2,376	2,376	214,127

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), and their valuation methods are as follows.

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 3-50 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.

(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 serve as 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.

2. Notes relating to non-consolidated balance sheet

(1) Short-term monetary receivables from subsidiaries and affiliates	18,294 million yen
Short-term monetary payables to subsidiaries and affiliates (excluding the amount separately presented on the balance sheet)	21,989 million yen
(2) Accumulated depreciation of property, plant and equipment	77,673 million yen

3. Notes relating to non-consolidated statement of income

(1) Transactions with subsidiaries and affiliates	
Net sales	61,471 million yen
Goods purchased	27,212 million yen
Commissions paid and storage fees	11,019 million yen
Non-operating transactions	41,595 million yen
(2) Write-down of inventories held for ordinary sales purposes due to a decline in profitability	
Cost of sales	76 million yen
(3) Insurance income	
The Company recorded insurance income covering the fire that broke out at the Head Office Factory (Sakai-ku, Sakai City) on March 26, 2018.	

4. 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, 2020 20,159 shares

5. 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	99
Enterprise tax payable	444
Officer retirement benefits	143
Excess of limit of employee retirement benefits	581
Loss on revaluation of other securities	512
Loss on revaluation of golf memberships	153
Excess of limit of allowance for doubtful accounts	146
Loss on impairment	144
Book in excess of tax depreciation	215
Devaluation loss on inventories	427
Goodwill	394
Others	792
Total deferred tax assets	4,055
(Deferred tax liabilities)	
Unrealized gain on other securities	(1,049)
Total deferred tax liabilities	(1,049)
Net deferred tax assets	3,006
(2) Reconciliation between the effective statutory tax rate and the actual effective tax rate	
Effective statutory tax rate	31.0%
(Reconciliation)	
Permanent difference-expenses	0.1%
Permanent difference-income	(16.3%)
Tax credit	(2.0%)
Others	0.0%
Actual effective tax rate	12.8%

6. Notes on related party transactions

Subsidiaries

Company name	Location	Capital	Principal business	Rate of voting rights	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
Shimano (Singapore) Pte. Ltd.	Singapore	S\$ 65,994 thousand	Manufacture and sale of bicycle components, sale of fishing tackle, and management of manufacturing subsidiaries in Asia	100.0%	Manufacture of the Company's products Officers' posts held concurrently	Dividend income	40,366	-	-
Shimano Components (Malaysia) Sdn. Bhd.	Johor, Malaysia	RM 18,000 thousand	Manufacture and sale of bicycle components and manufacture of fishing tackle	100.0% (100.0%)	Manufacture of the Company's products Officers' posts held concurrently	Purchase of bicycle components and fishing tackle (Note 1)	12,894	Accounts payable-trade	2,623
Shimano North America Holding, Inc.	California, U.S.A.	US\$ 14,000 thousand	Sale of bicycle components and fishing tackle and management of sales subsidiaries in North America	95.0%	Sale of the Company's products Officers' posts held concurrently	Receipt of interest (Note 2)	185	Loans	5,175
Shimano Europe B.V.	Eindhoven, the Netherlands	EUR 5,148 thousand	Sale of bicycle components and fishing tackle and management of subsidiaries in Europe	100.0%	Sale of the Company's products Officers' posts held concurrently	Sale of bicycle components and fishing tackle (Note 1)	12,181	Accounts receivable-trade	3,186
Shimano Sales Co., Ltd.	Sakai-ku, Sakai City, Osaka	JPY 277 million	Sale, repair and storage of bicycle components and repair and storage of fishing tackle	100.0%	Sale of the Company's products Officers' posts held concurrently	Transfer of funds (Note 3)	-	Deposits received	15,746
						Payment of interest (Note 2)	219		

Transaction amounts do not include consumption taxes.

The figure in parentheses for the rate of voting rights refers to the rate of voting rights indirectly held by the Company.

(Note 1) 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.

(Note 2) Interest rates for the loans/deposits are determined on a reasonable basis, taking into account market interest rates. The Company does not have collateral for the loans.

(Note 3) With regard to transfer of funds, since the funds are settled on a time to time basis, only the ending balance for fiscal year 2020 is stated above.

7. Notes relating to per share data

(1) Net assets per share 2,309.90 yen

(2) Basic earnings per share 698.40 yen

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

Net income	64,742 million yen
Net income pertaining to common shareholders	64,742 million yen
Average number of shares of common stock outstanding	92,700 thousand shares

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

Report of the Independent Auditors

February 4, 2021

The Board of Directors,
Shimano Inc.

Seiry Audit Corporation
Osaka Office
Representative and Engagement Partner
Certified Public Accountant
Kazuya Ishii
Engagement Partner
Certified Public Accountant
Daiki Kaji

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of shareholders' equity and the notes relating to consolidated financial statements of Shimano Inc. (the "Company") for the fiscal year from January 1, 2020 through December 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Shimano Inc., which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board 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 is necessary to enable the presentation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design

and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.

- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.

- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes relating to the consolidated financial statements in the audit report, or if the notes relating to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes relating to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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

Report of the Independent Auditors

February 4, 2021

The Board of Directors,
Shimano Inc.

Seiry Audit Corporation
Osaka Office
Representative and Engagement Partner
Certified Public Accountant
Kazuya Ishii
Engagement Partner
Certified Public Accountant
Daiki Kaji

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of shareholders' equity and the notes relating to non-consolidated financial statements, and the accompanying supplementary schedules of Shimano Inc. (the "Company") for the 114th fiscal year from January 1, 2020 through December 31, 2020.

In our opinion, the non-consolidated financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements and the Accompanying Supplementary Schedules

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 is necessary to enable the preparation and fair presentation of the non-consolidated financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the non-consolidated financial statements and the accompanying supplementary schedules from an independent standpoint

in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the non-consolidated financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.

- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the non-consolidated financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.

- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

- Determine whether it is appropriate for management to prepare the non-consolidated financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes relating to the non-consolidated financial statements and the accompanying supplementary schedules in the audit report, or if the notes relating to the non-consolidated financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the non-consolidated financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes relating to the non-consolidated financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the non-consolidated financial statements and the accompanying supplementary schedules including related notes, and whether the non-consolidated financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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

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 114th fiscal year from January 1, 2020 to December 31, 2020, 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 9, 2021

Audit & Supervisory Board, Shimano Inc.

Full-time Audit & Supervisory Board Member: Yoshihiro Hirata

Full-time Audit & Supervisory Board Member: Hideo Katsuoka

Outside Audit & Supervisory Board Member: Kanako Nozue

Outside Audit & Supervisory Board Member: Toshihiko Hashimoto

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