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Code Number: 7309
March 9, 2022

To Those Shareholders with Voting Rights

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

Notice of Convocation of the 115th Ordinary General Meeting of Shareholders

You are hereby notified that the 115th Ordinary General Meeting of Shareholders of Shimano Inc. will be held as below.

After carefully considering the situation to prevent the spread of the novel coronavirus disease (COVID-19), 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 Tuesday, March 29, 2022.

- 1. Date and Time:** 10:00 a.m. (Japan Standard Time), Wednesday, March 30, 2022
(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 115th Fiscal Year (from January 1, 2021 to December 31, 2021)
(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 4 Directors
Proposal No. 3: Election of 3 Audit & Supervisory Board Members

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 Tuesday, March 29, 2022.
- (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 Tuesday, March 29, 2022.
(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 posted 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, those who have been identified as close contacts, and those for whom 10 days have not passed since returning from overseas. Shareholders who have been identified as close contacts and for whom 10 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. The number of seats available will be 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 Tuesday, March 29, 2022
- 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 Tuesday, March 29, 2022

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 Wednesday, March 30, 2022
(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 the proposals of officer election,
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 2021 as below.

As the Company has paid an interim dividend of 117.50 yen per share, the annual dividend will amount to 235.00 yen per share.

- (1) Type of dividend property: Cash
- (2) Matters concerning the allotment of dividend property to shareholders and the total amount:
117.50 yen per share of the Company's common stock, for a total amount of 10,806,364,785 yen
- (3) Effective date of dividends from surplus:
March 31, 2022 (Thursday)

Proposal No. 2 Election of 4 Directors

The terms of office of the following 9 Directors will expire at the close of this General Meeting of Shareholders: Messrs. Yozo Shimano, Taizo Shimano, Takashi Toyoshima, Masahiro Tsuzaki, Kiyoshi Tarutani, Hiroshi Matsui, Masahiro Ohtake, Kinji Kiyotani, and Takuma Kanai. Accordingly, we request the election of 4 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	Yozo Shimano (Nov. 12, 1948) Reappointment	Mar. 1974 Joined Shimano Inc. Feb. 1986 Director and Vice President, Sales Planning Dept. Dec. 1987 Director and Vice President, Domestic Fishing Tackle Sales Dept. Sep. 1990 Director and Head of Fishing Operations Div. Jan. 1995 Representative Director and Senior Executive Vice President Mar. 2001 Representative Director and President Mar. 2021 Representative Director, Chairman and CEO (to present) Significant concurrent positions: Chairman, Shimano (Singapore) Pte. Ltd. Chairman, Shimano Components (Malaysia) Sdn. Bhd. Chairman, Japan Fishing Tackle Manufacturers Association Reasons for nomination as a candidate for Director: Having served as the head of divisions, Mr. Yozo Shimano has been responsible for the Company’s management as Representative Director and President since 2001 and Representative Director, Chairman and CEO of the Company since 2021 and has been contributing to the Company’s development. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning the Company’s management, the Company has nominated him as a candidate for Director.	702,500 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
2	Taizo Shimano (Dec. 17, 1966) <u>Reappointment</u>	<p>Sep. 1991 Joined Shimano Inc. Jul. 2004 Vice President and Factory Manager, Shimano (Kunshan) Bicycle Components Co., Ltd. Apr. 2006 Vice President, Marketing Dept., Bicycle Components Div. Jan. 2010 Head of Fishing Operations Div. Mar. 2010 Director and Head of Fishing Operations Div. Mar. 2016 Executive Vice President and Head of Fishing Operations Div. Jan. 2018 Executive Vice President, Supervising of Fishing Operations Div. and Chief of Marketing Officer, Bicycle Components Div. Jan. 2019 Executive Vice President, Head of Bicycle Components Div. and Vice President, Marketing Dept., Sales Administration Dept., Bicycle Components Div. Mar. 2019 Senior Executive Vice President, Head of Bicycle Components Div. and Vice President, Marketing Dept., Sales Administration Dept., Bicycle Components Div. Jul. 2019 Senior Executive Vice President, Head of Bicycle Components Div. and Vice President, Marketing Dept., Bicycle Components Div. Jan. 2021 Senior Executive Vice President and Head of Bicycle Components Div. Mar. 2021 Representative Director and President (to present)</p> <p>Reasons for nomination as a candidate for Director: Having served as Vice President of marketing departments and the head of divisions, Mr. Taizo Shimano has been contributing to the Company's development as Representative Director and President of the Company since 2021. 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>	108,685 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
3	Takashi Toyoshima (Jun. 12, 1956) <u>Reappointment</u>	<p>Oct. 2001 General Manager, Imaging Systems Development Dept. and General Manager, Imaging Systems Purchasing Dept., Imaging Systems Company, Olympus Optical Co., Ltd.</p> <p>Apr. 2002 Division Manager, Imaging Systems Development & Purchasing Division and General Manager, Design Office, Olympus Optical Co., Ltd.</p> <p>Oct. 2002 Managing Director, Olympus Hong Kong and China Ltd.</p> <p>Oct. 2004 Director and Division Manager, Imaging Systems Purchasing Group, General Manager, Components Business Promotion Dept., and General Manager, Imaging Systems OEM Procurement Dept., Olympus Imaging Corp.</p> <p>May 2007 Joined Shimano Inc.</p> <p>Technology Advisor, Bicycle Components Div.</p> <p>Jan. 2008 Vice President, System Engineering Dept., Bicycle Components Div.</p> <p>Mar. 2010 Director and Vice President, System Engineering Dept., Bicycle Components Div.</p> <p>Mar. 2016 Executive Vice President and Chief of Technology Officer</p> <p>Jan. 2017 Executive Vice President, Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept. and SMA (Shimano Modular Architecture) Development Dept., Bicycle Components Div.</p> <p>Jan. 2018 Executive Vice President, Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept., SMA (Shimano Modular Architecture) Development Dept. and Product R&D Dept., Bicycle Components Div.</p> <p>Jan. 2019 Executive Vice President, Head of SDM (Shimano Digital Manufacturing) Development Div., Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept., Bicycle Components Div.</p> <p>Mar. 2019 Senior Executive Vice President, Head of SDM (Shimano Digital Manufacturing) Development Div., Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept., Bicycle Components Div.</p> <p>Aug. 2019 Senior Executive Vice President, Head of SDM (Shimano Digital Manufacturing) Development Div., Vice President, Assembly Engineering Dept., SDM Development Div., Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept., Bicycle Components Div.</p> <p>Jan. 2020 Senior Executive Vice President, Head of SDM (Shimano Digital Manufacturing) Development Div., Vice President, Assembly Engineering Dept., Shimano Research Laboratories, SDM Development Div., Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept., Bicycle Components Div.</p> <p>Jan. 2021 Senior Executive Vice President, Head of SDM (Shimano Digital Manufacturing) Development Div., Vice President, Assembly Engineering Dept., Forming Technology Dept. and Information Systems Dept., SDM Development Div., Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept., Bicycle Components Div.</p> <p>Mar. 2021 Representative Director and Deputy President (to present)</p> <p>Reasons for nomination as a candidate for Director: Having served as Vice President of development departments and the head of divisions, as well as in other key posts, Mr. Takashi Toyoshima has been contributing to the Company's development as Representative Director and Deputy President of the Company since 2021. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management including the Company's technology area and fulfill duties, the Company has nominated him as a candidate for Director.</p>	2,300 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
4	Masahiro Tsuzaki (May 12, 1956) <u>Reappointment</u>	<p>Mar. 1980 Joined Shimano Inc.</p> <p>Jan. 2006 Vice President, Corporate Communications</p> <p>Jan. 2009 Vice President, Corporate Communications & Human Resources Dept., General Operations Div.</p> <p>Jan. 2010 Vice President, Corporate Communications Dept. and Human Resources Dept., General Operations Div.</p> <p>Mar. 2010 Director and Vice President, Corporate Communications Dept. and Human Resources Dept., General Operations Div.</p> <p>Mar. 2016 Executive Vice President, Chief of Human Resources and Corporate Communications Officer, General Operations Div.</p> <p>Jul. 2016 Executive Vice President, Chief of Human Resources and Corporate Communications Officer, General Operations Div. and Vice President, Corporate Communications Dept.</p> <p>Jan. 2018 Executive Vice President, Chief of Human Resources, Corporate Communications and General Affairs Officer, General Operations Div. and Vice President, Corporate Communications Dept.</p> <p>Mar. 2018 Executive Vice President, Vice President, Corporate Communications Dept., General Operations Div. and Supervising of Human Resources Dept., General Affairs Dept., and Lifestyle Gear Div.</p> <p>Mar. 2019 Executive Vice President, Vice President, Corporate Communications Dept., General Operations Div., Supervising of Human Resources Dept., General Affairs Dept., and Lifestyle Gear Div. and Chief of Internal Auditing Officer</p> <p>Jan. 2020 Executive Vice President, Head of General Operations Div., Vice President, Corporate Communications Dept., General Operations Div., Supervising of Lifestyle Gear Div. and Chief of Internal Auditing Officer</p> <p>Mar. 2020 Senior Executive Vice President and Head of General Operations Div.</p> <p>Jan. 2022 Senior Executive Vice President and Head of SDA Development Div. (to present)</p> <p>Reasons for nomination as a candidate for Director: Having served as Vice President of administration departments, including Corporate Communications and Human Resources, and in other key posts, Mr. Masahiro Tsuzaki has been contributing to the Company's development. 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>	6,300 shares

Notes:

1. No conflict of interest exists between the Company and each candidate.
2. The Company has entered into a Directors and Officers liability insurance agreement insuring each candidate with an insurance company, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The insurance policy covers damages and litigation costs incurred by the insured, arising out of claims in connection with the acts performed by the insured (including omissions) in their capacity as Directors and Officers of the Company. Insurance premiums of the insured are fully paid for by the Company.
If the candidates are elected, each of them will be covered by the insurance agreement, and the Company plans to renew the insurance agreement during their terms of office under the same terms and conditions.

Proposal No. 3 Election of 3 Audit & Supervisory Board Members

The terms of office of the following 3 Audit & Supervisory Board Members will expire at the close of this General Meeting of Shareholders: Mr. Hideo Katsuoka, Ms. Kanako Nozue, and Mr. Toshihiko Hashimoto. Accordingly, we request the election of 3 Audit & Supervisory Board Members.

The consent of the Audit & Supervisory Board has been obtained concerning this proposal.

The candidates for Audit & Supervisory Board Members are listed below. Mr. Kiyoshi Tarutani is a new candidate.

Candidate No.	Name (Date of birth)	Career summary, position, and significant concurrent positions	Number of shares of the Company held
1	Kiyoshi Tarutani (Nov. 2, 1959) <u>New candidate</u>	<p>Mar. 1982 Joined Shimano Inc. Jul. 1994 Vice President, Shimano (Kunshan) Bicycle Components Co., Ltd. Jan. 2004 Vice President, Quality Control Dept. Jan. 2008 President, Shimano (Singapore) Pte. Ltd. Mar. 2010 Director, Shimano Inc. Jan. 2013 Director and Vice President, Quality Control Dept. Jan. 2020 Director, Vice President, Quality Control Dept. and Chief of Headquarters Manufacturing Officer, Bicycle Components Div. Jan. 2021 Director, Vice President, Quality Control Dept. and Supervising of Production Dept., SIP (Sakai Intelligent Plant), Bicycle Components Div. Jan. 2022 Director (to present)</p> <p>Reasons for nomination as a candidate for Audit & Supervisory Board Member: Mr. Kiyoshi Tarutani has served in Quality Control and other departments. Considering that based on his wealth of experience and advanced knowledge in the Company's systems, he is able to supervise the Company's management as an Audit & Supervisory Board Member, the Company has nominated him as a candidate for Audit & Supervisory Board Member.</p>	2,900 shares

Candidate No.	Name (Date of birth)	Career summary, position, and significant concurrent positions	Number of shares of the Company held
2	Kanako Nozue (Aug. 17, 1969) <u>Reappointment</u>	<p>Oct. 2001 Certified as attorney-at-law Joined Kikkawa Law Firm</p> <p>May 2004 Joined Nozue Law Firm</p> <p>Aug. 2007 Joined Tsujinaka Law Firm (to present)</p> <p>Mar. 2014 Audit & Supervisory Board Member, Shimano Inc. (to present)</p> <p>Significant concurrent positions: Attorney-at-law, Tsujinaka Law Firm</p> <p>Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member: Ms. Kanako Nozue has professional experience as an attorney-at-law and outside director, and a wealth of knowledge and experience. Considering that based on her knowledge and experience, she is able to supervise the Company's management as an Outside Audit & Supervisory Board Member, the Company has nominated her as a candidate for Outside Audit & Supervisory Board Member.</p>	100 shares

Candidate No.	Name (Date of birth)	Career summary, position, and significant concurrent positions	Number of shares of the Company held
3	Toshihiko Hashimoto (Jan. 29, 1954) Reappointment	<p>Apr. 1977 Administrative Official, Ministry of Finance Jul. 2012 Deputy Director, Osaka Regional Taxation Bureau Jul. 2013 Director, Kobe Tax Office Aug. 2014 Opened Hashimoto Certified Tax Accountant Office (to present) Mar. 2018 Audit & Supervisory Board Member, Shimano Inc. (to present) Jun. 2018 Outside Auditor, JA Hyogominami (to present) Jun. 2018 Auditor, Kakogawa Sangyokaikan Co., Ltd. (to present)</p> <p>Significant concurrent positions: Certified Tax Accountant, Hashimoto Certified Tax Accountant Office Outside Auditor, JA Hyogominami Auditor, Kakogawa Sangyokaikan Co., Ltd.</p> <p>Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member: Mr. Toshihiko Hashimoto has professional experience as Director of Kobe Tax Office and a certified tax accountant, and a wealth of knowledge and experience in tax and accounting. Considering that based on his knowledge and experience, he is able to supervise the Company's management as an Outside Audit & Supervisory Board Member, the Company has nominated him as a candidate for Outside Audit & Supervisory Board Member.</p>	100 shares

Notes:

1. No conflict of interest exists between the Company and each candidate.
2. The Company has entered into a Directors and Officers liability insurance agreement insuring each candidate with an insurance company, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The insurance policy covers damages and litigation costs incurred by the insured, arising out of claims in connection with the acts performed by the insured (including omissions) in their capacity as Directors and Officers of the Company. Insurance premiums of the insured are fully paid for by the Company.
If the candidates are elected, each of them will be covered by the insurance agreement, and the Company plans to renew the insurance agreement during their terms of office under the same terms and conditions.
3. Ms. Kanako Nozue and Mr. Toshihiko Hashimoto are candidates for Outside Audit & Supervisory Board Members. (Notes on candidates for Outside Audit & Supervisory Board Member)
 - 1) Ms. Kanako Nozue is an attorney-at-law and her knowledge and experience make her an extremely valuable person for ensuring the legal compliance of the execution of the Company's business. There is no business relationship, such as an agreement for legal services, between the Company and Tsujinaka Law Firm with which Ms. Nozue is affiliated. Mr. Toshihiko Hashimoto is a certified tax accountant and his knowledge and experience make him an extremely valuable person for ensuring the legal compliance of the execution of the Company's business. There is no business relationship, such as an agreement for tax advisory services, between the Company and Hashimoto Certified Tax Accountant Office with which Mr. Hashimoto is affiliated.
 - 2) Although neither Ms. Kanako Nozue nor Mr. Toshihiko Hashimoto has experience of direct involvement in corporate management, they have ample knowledge of corporate governance for the above-stated reasons. The Company therefore believes they can appropriately execute the duties of an Outside Audit & Supervisory Board Member.
 - 3) Ms. Kanako Nozue's tenure of office as an Outside Audit & Supervisory Board Member of the Company will be 8 years at the close of this General Meeting of Shareholders. Mr. Toshihiko Hashimoto's tenure of office as an Outside Audit & Supervisory Board Member of the Company will be 4 years at the conclusion of this General Meeting of Shareholders.
 - 4) The Company has entered into limited liability contracts with Ms. Kanako Nozue and Mr. Toshihiko Hashimoto, whereby their liability is limited to the amount provided for by laws and regulations. Upon approval of the reappointment of Ms. Kanako Nozue and Mr. Toshihiko Hashimoto, the Company intends to maintain the above-mentioned limited liability contracts with them.
 - 5) The Company has filed a notification with the Tokyo Stock Exchange for Ms. Kanako Nozue and Mr. Toshihiko Hashimoto as independent officers as defined by the rules of the said exchange. Upon approval of the reappointment of Ms. Kanako Nozue and Mr. Toshihiko Hashimoto, the Company intends to continue their appointments as independent officers.

[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, 2021 to December 31, 2021)

1. Overview of the Shimano Group

(1) Review of Operations and Results

During fiscal year 2021, while restrictions on activities were eased along with the progress of the COVID-19 vaccinations around the world, with signs of changes starting to appear in people's lifestyles in the post-COVID-19 society, the pace of economic recovery varied from region to region due to tightening of global logistics, semiconductor shortages, sharp rises in raw material and energy prices, as well as uncertainties caused by the infection spread of new variants and other factors.

In Europe, while the normalization of economies progressed, with steady economic expansion led by personal consumption, slow supply of raw materials and soaring energy prices dampened consumer sentiment and purchasing activities.

In the U.S., although economic activities are on track for recovery, led by personal consumption backed by a rebound from suppressed consumption in the COVID-19 pandemic as well as economic measures, the infection spread of new variants weighed on consumer sentiment.

In Japan, signs of economic recovery began to appear amid repeated restrictions on activities and easing of them by COVID-19 measures, but the pace of recovery in personal consumption was slow.

In this environment, supply chains were disrupted, and some of the Shimano Group's factories experienced temporary shutdown due to lockdown. However, interest in and demand for bicycles and fishing continued to be high, and the Shimano Group increased production capacity at the factories in Japan and overseas. As a result, for fiscal year 2021, net sales increased 44.6% from the previous year to 546,515 million yen. Operating income increased 79.3% to 148,287 million yen, ordinary income increased 87.3% to 152,562 million yen, and net income attributable to owners of parent increased 82.7% to 115,937 million yen.

Reportable Segment Overview

Bicycle Components

Demand for mid to high-end bicycles remained at high levels due to the global cycling boom, triggered by the spread of COVID-19, but some markets began to settle down in the second half of fiscal year 2021.

In the European market, high demand for bicycles and bicycle-related products continued, backed by governments' policies to promote bicycles in response to growing environmental awareness. Market inventories of completed bicycles remained at low levels despite signs of improvement.

In the North American market, while demand for bicycles continued to be high, market inventories, centering around entry-class bicycles, began to approach appropriate levels.

In the Asian and South and Central American markets, the cycling boom showed signs of cooling off in the second half of fiscal year 2021, and market inventories of mainstay entry-class bicycles reached appropriate levels.

In the Japanese market, despite inventory shortages of new high-end road bikes and entry-class road bikes with high demand, retail sales of community bicycles stagnated, resulting in market inventories slightly higher than appropriate levels.

Under these market conditions, while the Shimano Group further increased production, order-taking was brisk for a wide range of products, including the two new high-end models of road bikes, DURA-ACE and ULTEGRA, and sport E-BIKE components, SHIMANO STEPS series.

As a result, net sales from this segment increased 49.0% from the previous year to 443,678 million yen, and operating income increased 82.7% to 125,146 million yen.

Fishing Tackle

Fishing was welcomed by a wide range of users as an activity that could avoid people crowding, and the fishing tackle market thrived and maintained high demand around the world.

In the Japanese market, although there were signs of a lull in the fishing boom, sales remained robust, led by salt lure-related products, as the situation of COVID-19 started to settle down, and consumer appetite increased, in addition to the good weather.

Overseas, in the North American market, demand remained high with firm sales, backed by stable weather

and buoyant markets.

In the European market, while demand started to cool off in some regions, sales remained solid as a result of widespread use of vaccinations and progress in online sales.

In the Asian market, sales remained favorable due to strong demand for high price range products, especially in the Chinese market where the impact of COVID-19 was small. In the Australian market, sales remained favorable, supported by strong demand, despite some regions being put under lockdown.

Under these market conditions, spinning reels BB-X TECHNIUM, ULTEGRA, and TWIN POWER SW, bait reels ANTARES DC and SLX MGL, and carp rods Tribal TX series were well-received in the market.

As a result, net sales from this segment increased 28.1% from the previous year to 102,388 million yen, and operating income increased 62.1% to 23,120 million yen.

Others

Net sales from this segment increased 25.7% from the previous year to 447 million yen and operating income of 20 million yen was recorded, following an operating loss of 57 million yen for the previous year.

1) Sales by segment

	FY2020 January 1, 2020 to December 31, 2020		FY2021 January 1, 2021 to December 31, 2021		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	297,777	78.8	443,678	81.2	145,901	49.0
Fishing Tackle	79,907	21.1	102,388	18.7	22,481	28.1
Others	356	0.1	447	0.1	91	25.7
Total	378,040	100.0	546,515	100.0	168,474	44.6

2) Situation by segment

1. Trend of sales by segment

(Millions of yen)

	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	FY2021 (115th) January 1, 2021 to December 31, 2021
Bicycle Components	277,243	290,038	297,777	443,678
Fishing Tackle	70,436	72,838	79,907	102,388
Others	355	353	356	447

2. Trend of operating income by segment

(Millions of yen)

	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	FY2021 (115th) January 1, 2021 to December 31, 2021
Bicycle Components	57,250	57,850	68,494	125,146
Fishing Tackle	8,544	10,219	14,264	23,120
Others	(107)	(59)	(57)	20

Note: Figures in parentheses indicate operating loss.

3. Trend of net sales by geographical area

(Millions of yen)

	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	FY2021 (115th) January 1, 2021 to December 31, 2021
Japan	41,180	40,734	44,992	55,181
North America	35,855	36,664	39,876	49,932
Europe	140,049	150,140	148,738	227,456
Asia	115,220	119,982	127,890	190,388
Others	15,729	15,709	16,541	23,556

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

(2) Capital Investment and Financing

Consolidated capital investment totaled 20,529 million yen during the fiscal year ended December 31, 2021. Capital investment was mainly used for reinforcing product development capabilities, increasing production capacity and improving production efficiency. By segment, capital investment totaled 15,821 million yen for bicycle components, 2,811 million yen for fishing tackle, 5 million yen for others, and 1,890 million yen for Company-wide (common). All capital investment was financed from cash flow.

(Millions of yen)

	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	FY2021 (115th) January 1, 2021 to December 31, 2021
Bicycle Components	16,139	17,046	23,295	15,821
Fishing Tackle	2,064	2,196	1,618	2,811
Others	2	16	0	5
Company-wide (common)	6,678	6,438	2,294	1,890
Total	24,884	25,698	27,209	20,529

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

	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	FY2021 (115th) January 1, 2021 to December 31, 2021
Net sales (Millions of yen)	348,035	363,230	378,040	546,515
Operating income (Millions of yen)	65,687	68,010	82,701	148,287
Ordinary income (Millions of yen)	73,588	69,471	81,471	152,562
Net income attributable to owners of parent (Millions of yen)	53,931	51,833	63,472	115,937
Basic earnings per share	581.77 yen	559.15 yen	684.71 yen	1,252.62 yen
Net assets (Millions of yen)	453,457	489,236	529,785	616,651
Total assets (Millions of yen)	503,845	538,769	590,420	705,370

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

	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	FY2021 (115th) January 1, 2021 to December 31, 2021
Net sales (Millions of yen)	204,851	221,040	218,131	311,823
Operating income (Millions of yen)	29,708	30,446	31,386	63,083
Ordinary income (Millions of yen)	38,609	35,342	70,667	64,744
Net income (Millions of yen)	30,418	27,201	64,742	47,107
Basic earnings per share	328.13 yen	293.43 yen	698.40 yen	508.96 yen
Net assets (Millions of yen)	151,611	164,551	214,127	200,912
Total assets (Millions of yen)	192,781	204,778	259,921	257,233

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

There is concern that the global economy will be weighed down by the infection spread of new, highly infectious variants, and that shortages of semiconductors and electronic components, rising prices of raw materials, tight logistics, a labor shortage, and other problems may further worsen. However, interest in

outdoor leisure activities that can avoid people crowding is expected to continue.

In Europe, while there exists concern about new variants, it is forecast that the recovery trend in personal consumption will continue, and the economy will remain on the upswing, as a result of widespread use of vaccinations and improvement in supply restrictions.

In the U.S., while the normalization of economic activities progresses, monetary policy developments and the outcome of the midterm elections may influence the economy.

In China, there is concern that the economy will slow down sharply due to worsening debt problems at certain companies, among other factors. The impact of the slowdown will spread to the world economy and drag down the economy.

In Japan, efforts to carefully strike a balance between the prevention of infection spread and economic revitalization will continue, and the pace of economic recovery is expected to remain modest.

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 of the Shimano Group

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 Operating Sites, etc. of the Shimano Group

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 of the Shimano Group

Segment	Number of employees	
Bicycle Components	9,365	(1,260)
Fishing Tackle	2,984	(462)
Others	187	(31)
Company-wide (common)	643	(56)
Total	13,179	(1,809)

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) Principal Lenders

Lender	Outstanding borrowings (Millions of yen)
MUFG Union Bank, N.A.	1,518
Mizuho Bank, Ltd.	805
Sumitomo Mitsui Banking Corporation	805

(9) Major Subsidiaries

Company name	Capital	Ownership(%)	Principal business
Shimano (Singapore) Pte. Ltd.	SS 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: 92,390,000 shares (including treasury stock of 420,938 shares)
(3) Number of shareholders: 7,447
(4) Major shareholders (Top 10)

Name of shareholder	Number of shares (Thousands of shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (trust account)	10,897	11.85
Minato Kosan Co., Ltd.	7,739	8.42
Custody Bank of Japan, Ltd. (trust account)	4,385	4.77
JP MORGAN CHASE BANK 380055	2,303	2.50
Three S Co., Ltd.	2,171	2.36
Nippon Life Insurance Company	2,098	2.28
SMBC Nikko Securities Inc.	1,995	2.17
Resona Bank, Limited.	1,711	1.86
JP MORGAN CHASE BANK 385632	1,502	1.63
MUFG Bank, Ltd.	1,497	1.63

Note: The percentage of ownership is calculated excluding treasury stock (420,938 shares).

3. Information related to Officers

- (1) Directors and Audit & Supervisory Board Members

(As of December 31, 2021)

Title	Name	Assignment	Significant concurrent positions
Chairman and CEO 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
President Representative Director	Taizo Shimano		
Deputy President Representative Director	Takashi Toyoshima		
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. Supervising of Production Dept., SIP (Sakai Intelligent Plant), 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, Overseas Sales Dept. and 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. Supervising of Procurement Dept., Bicycle Components Div.	
Director	Takuma Kanai	Vice President, Business Administration Dept., General Operations Div. 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, 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

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. Mr. Keiji Kakutani, who was Representative Director and Deputy President, retired upon expiration of his term of office at the close of the 114th Ordinary General Meeting of Shareholders held on March 30, 2021.
6. The changes made to the assignment of Directors after December 31, 2021, are as follows:

Name	Before the change	After the change	Date of change
Masahiro Tsuzaki	Senior Executive Vice President Head of General Operations Div.	Senior Executive Vice President Head of SDA Development Div.	As of January 1, 2022
Kiyoshi Tarutani	Director Vice President, Quality Control Dept. Supervising of Production Dept., SIP (Sakai Intelligent Plant), Bicycle Components Div.	Director	As of January 1, 2022
Hiroshi Matsui	Director Vice President, Corporate Planning Dept., General Operations Div. Head of Aifie Div.	Director	As of January 1, 2022
Masahiro Ohtake	Director Vice President, Human Resources Dept., General Operations Div. Supervising of General Affairs Dept., General Operations Div.	Director Supervising of Corporate Governance Administration Dept.	As of January 1, 2022
Kinji Kiyotani	Director Head of Fishing Operations Div. Vice President, Overseas Sales Dept. and Domestic Sales Dept., Fishing Operations Div.	Director Head of Fishing Operations Div. Vice President, Fishing Sales Dept. and Fishing Production Dept., Fishing Operations Div.	As of January 1, 2022

Name	Before the change	After the change	Date of change
Tamotsu Yoshida	Director 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.	Director Vice President, Global Procurement Dept. Vice President, Production Control Dept., SDM Development Div. and in charge of Overseas Factories, Bicycle Components Div. Supervising of Production Dept., SIP (Sakai Intelligent Plant), Bicycle Components Div.	As of January 1, 2022
Takuma Kanai	Director Vice President, Business Administration Dept., General Operations Div. Supervising of Accounting Dept., General Operations Div.	Director Vice President, General Affairs Administration Dept., SDA Development Div. Supervising of Accounting Dept., SDA Development Div.	As of January 1, 2022

(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) Outline of Directors and Officers Liability Insurance Agreement

1) The scope of the insured

Major executive officers such as officers and important employees at the Company and its subsidiaries

2) Outline of the insurance agreement

The insurance covers damages and litigation costs incurred by the insured, arising out of claims in connection with the acts performed by the insured (including omissions) in the course of their duties as Directors and Officers of the Company mentioned in item 1). However, any 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 covered, as measures to ensure that the insurance does not impair the appropriate execution of duties by Directors and Officers. Insurance premiums are fully paid for by the Company.

(4) Total Remuneration, etc. of Directors and Audit & Supervisory Board Members

1) Policy for determining the content of individual remuneration, etc. for Directors and Audit & Supervisory Board Members

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.

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 with an aim to enhance motivation for improving the Company's growth and profitability, 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.

The above policy was resolved by the Board of Directors following the recommendations of the Nomination and Remuneration Advisory Committee.

As the content of remuneration, etc. for individual Directors was determined following multifaceted consideration by the Nomination and Remuneration Advisory Committee, including consideration of the consistency of the draft proposal with the determination policy, the Board of Directors respects the committee's recommendations and believes that the content is in line with the determination policy.

2) Resolution of the General Meeting of Shareholders on remuneration, etc. for Directors and Audit & Supervisory Board Members

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 (including 2 Outside 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 (including 2 Outside 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.

3) Total remuneration, etc. of Directors and Audit & Supervisory Board Members

Category	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)		Number of eligible officers
		Basic remuneration	Performance-linked remuneration, etc.	
Directors (Outside Directors)	503 (36)	324 (36)	178 (-)	16 (3)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	57 (14)	57 (14)	-	4 (2)

Notes:

- Bonuses are paid to Directors as performance-linked remuneration, etc.
- Trends in net sales and operating income (selected performance indicators), including figures for the fiscal year ended December 31, 2021, are as provided in 1.(3) Summary of Assets and Profits.
- The above number of Directors and amount of remuneration of Directors include 1 Director who retired at the close of the 114th Ordinary General Meeting of Shareholders held on March 30, 2021, and the amount of his remuneration, respectively.
- The above amount of remuneration, etc. of Directors includes the provision of reserve for officer bonuses amounting to 172 million yen recorded for the fiscal year ended December 31, 2021.
- The above amounts do not include remuneration for employment by the Company and the associated payroll bonuses to Directors.
- 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 95 million yen to 1 Director who retired during the fiscal year ended December 31, 2021.

(5) Outside Officers

1) Directors

(a) Relationship between other companies/organizations where Outside Directors concurrently hold positions and the Company

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

(b) Principal activities in the fiscal year ended December 31, 2021

Category	Name	Activities
Director	Kazuo Ichijo	Attended all 13 meetings of the Board of Directors held in the fiscal year ended December 31, 2021. 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. For his expected roles, he exchanges information with Audit & Supervisory Board Members to gather information and coordinate with them. In addition, he attends meetings of the Company's Nomination and Remuneration Advisory Committee as its member and expresses his opinions from an independent and objective standpoint regarding the nomination and remuneration of Directors.
Director	Mitsuhiro Katsumaru	Attended all 13 meetings of the Board of Directors held in the fiscal year ended December 31, 2021. 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. For his expected roles, he exchanges information with Audit & Supervisory Board Members to gather information and coordinate with them. In addition, he attends meetings of the Company's Nomination and Remuneration Advisory Committee as its member and expresses his opinions from an independent and objective standpoint regarding the nomination and remuneration of Directors.
Director	Sadayuki Sakakibara	Attended all 13 meetings of the Board of Directors held in the fiscal year ended December 31, 2021. 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. For his expected roles, he exchanges information with Audit & Supervisory Board Members to gather information and coordinate with them.

2) Audit & Supervisory Board Members

(a) Relationship between other companies/organizations where Outside Audit & Supervisory Board Members concurrently hold positions and the Company

The Company has no relationships with other companies/organizations where Outside Audit & Supervisory Board Members concurrently hold positions.

(b) Principal activities in the fiscal year ended December 31, 2021

Category	Name	Activities
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, 2021. She provides mainly specialist counsel in a legal capacity. She coordinates with the Accounting Auditor, the internal audit organization, and the compliance department including participation in three-way audit report meetings and shares information with Outside Directors to build cooperative relationships. Furthermore, she holds regular meetings with executive directors including Representative Directors and department heads to gather information.

Category	Name	Activities
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, 2021. He provides mainly specialist counsel in the capacity of tax accountant. He coordinates with the Accounting Auditor, the internal audit organization, and the compliance department including participation in three-way audit report meetings and shares information with Outside Directors to build cooperative relationships. Furthermore, he holds regular meetings with executive directors including Representative Directors and department heads to gather information.

4. Accounting Auditor

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

(2) Amount of Compensation for the Accounting Auditor for the Fiscal Year Ended December 31, 2021:

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:

- 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.
- The contract between the Company and Seiryō Audit Corporation makes no distinction between auditing services, as stipulated in the Companies Act, and auditing services, as stipulated in the Financial Instruments and Exchange Act. Moreover, since no essential distinction could be made between these two categories, the amount above is the total amount for both types of audit services.
- Audit firms other than Seiryō Audit Corporation are engaged in audits of major overseas subsidiaries of the Company.

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

In the event that the Audit & Supervisory Board deems that there may be major disruptions to the audit of the Company by the Accounting Auditor, and it is impossible for the Accounting Auditor to appropriately perform its duties, or in the event that the Audit & Supervisory Board deems it to be necessary, the Audit & Supervisory Board shall determine 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 departments in charge of each business operational function shall identify operational risks relevant to them, assess the risks, and take countermeasures against them.
- (2) Certain matters including operational risks shall be deliberated, and decisions shall be made through the approval request system or by the Board of Directors.
- (3) Rules on how to handle emergencies shall be created, and organizational measures, such as the establishment of emergency response headquarters as necessary, shall be taken.
- (4) A department to oversee governance shall be established to manage risks globally.
- (5) 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 in terms of risk management 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, 2021, 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 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, 2021, unless otherwise specified.

Consolidated Balance Sheet

(As of December 31, 2021)

(Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	528,544	Current liabilities	81,528
Cash and time deposits	364,519	Accounts payable-trade	24,352
Notes and accounts receivable-trade	52,186	Short-term loans payable	3,133
Merchandise and finished goods	55,528	Lease obligations	827
Work in process	39,498	Income taxes payable	23,170
Raw materials and supplies	8,232	Accrued employee bonuses	3,467
Others	8,876	Accrued officer bonuses	172
Allowance for doubtful accounts	(298)	Others	26,402
Fixed assets	176,826	Long-term liabilities	7,191
Property, plant and equipment	139,405	Long-term loans payable	2
Buildings and structures	67,748	Lease obligations	2,298
Machinery and vehicles	21,298	Deferred income taxes	2,164
Land	13,765	Net defined benefit liability	2,104
Leased assets	4,973	Others	621
Construction in progress	26,151	Total liabilities	88,719
Others	5,466		
Intangible assets	16,128	(Net assets)	
Goodwill	3,274	Shareholders' equity	594,232
Software	6,190	Common stock	35,613
Software in progress	3,935	Capital surplus	5,640
Others	2,727	Retained earnings	566,263
Investments and other assets	21,292	Treasury stock	(13,284)
Investment securities	14,061	Accumulated other comprehensive income	21,759
Deferred income taxes	6,053	Unrealized gain (loss) on other securities	3,620
Others	1,641	Foreign currency translation adjustments	18,139
Allowance for doubtful accounts	(463)	Non-controlling interests	659
		Total net assets	616,651
Total assets	705,370	Total liabilities and net assets	705,370

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

Consolidated Statement of Income
(From January 1, 2021 to December 31, 2021)

(Millions of yen)

Accounts	Amount	
Net sales		546,515
Cost of sales		315,097
Gross profit		231,417
Selling, general and administrative expenses		83,129
Operating income		148,287
Non-operating income		
Interest and dividend income	2,238	
Others	4,056	6,294
Non-operating expenses		
Interest expenses	116	
Others	1,903	2,020
Ordinary income		152,562
Extraordinary income		
Insurance income	345	
Gain on sale of investment securities	1,282	1,627
Extraordinary losses		
Loss on factory reconstruction	461	461
Income before income taxes		153,728
Income taxes-current	37,758	
Income taxes-deferred	(162)	37,596
Net income		116,132
Net income attributable to non-controlling interests		194
Net income attributable to owners of parent		115,937

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

Consolidated Statement of Shareholders' Equity

(From January 1, 2021 to December 31, 2021)

(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	498,046	(154)	539,146
Changes of items during the year					
Cash dividends paid			(36,616)		(36,616)
Net income attributable to owners of parent			115,937		115,937
Acquisition of treasury stock				(24,235)	(24,235)
Cancellation of treasury stock		(1)	(11,103)	11,104	—
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	(1)	68,217	(13,130)	55,085
Balance at end of year	35,613	5,640	566,263	(13,284)	594,232

	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	2,458	(12,318)	(9,859)	498	529,785
Changes of items during the year					
Cash dividends paid					(36,616)
Net income attributable to owners of parent					115,937
Acquisition of treasury stock					(24,235)
Cancellation of treasury stock					—
Net changes of items other than shareholders' equity	1,161	30,457	31,618	160	31,779
Total changes of items during the year	1,161	30,457	31,618	160	86,865
Balance at end of year	3,620	18,139	21,759	659	616,651

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

Notes relating to Consolidated Financial Statements

1. Notes relating to 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 Limited
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 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 Limited
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.

(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.

Merchandise, finished goods, 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).

(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.

(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 changes in presentation method

Consolidated balance sheet

In the previous fiscal year, “provision for sales returns” (103 million yen for the fiscal year ended December 31, 2021) was reported as a separate item. As this item has become insignificant in value, it has been included in “others” under “current liabilities” for the fiscal year ended December 31, 2021.

3. Notes relating to consolidated balance sheet

Accumulated depreciation of property, plant and equipment 166,713 million yen

4. Notes relating to consolidated statement of income

(1) Selling, general and administrative expenses

Main components of selling, general and administrative expenses for the fiscal year ended December 31, 2021:

Salaries and wages	20,730 million yen
Advertising and sales promotion expenses	9,918 million yen
R&D expenses	5,080 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, 2021 14,121 million yen

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

Cost of sales (227) 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.

(5) Gain on sale of investment securities

This arose from the sale of some of the investment securities held by the Shimano Group (3 listed stocks and 2 unlisted stocks).

5. 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, 2021 92,390,000 shares

(2) Cash dividends paid during the fiscal year ended December 31, 2021

(a) Payment of cash dividends

At the Ordinary General Meeting of Shareholders held on March 30, 2021, the following resolutions were made.

• Matters concerning dividends for shares of common stock

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

(b) Payment of interim cash dividend

At the meeting of the Board of Directors on July 27, 2021, the following resolutions were made.

- Matters concerning dividends for shares of common stock

Total amount of cash dividends	10,892 million yen
Cash dividends per share	117.50 yen
Record date	June 30, 2021
Effective date	September 2, 2021

(3) Cash dividends paid after the end of the fiscal year ended December 31, 2021

At the Ordinary General Meeting of Shareholders to be held on March 30, 2022, the following resolutions are expected to be made.

- Matters concerning dividends for shares of common stock

Total amount of cash dividends	10,806 million yen
Source of dividends	Retained earnings
Cash dividends per share	117.50 yen
Record date	December 31, 2021
Effective date	March 31, 2022

6. Notes relating to financial instruments

(1) Policies on financial instruments

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

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

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

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

(2) Fair values of financial instruments

Carrying amounts, fair values and the differences between carrying amounts and fair values as of December 31, 2021, are as follows:

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and time deposits	364,519	364,519	-
(2) Notes and accounts receivable-trade	52,186	52,186	-
(3) Investment securities	11,297	11,297	-
Assets	428,002	428,002	-
(1) Accounts payable-trade	24,352	24,352	-
(2) Short-term loans payable	3,128	3,128	-
(3) Income taxes payable	23,170	23,170	-
(4) Long-term loans payable	7	7	(0)
Liabilities	50,659	50,659	(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 2021.

2. Unlisted stocks (2,764 million yen on the consolidated balance sheet) are not included in “(3) Investment securities” as it is deemed extremely difficult to determine their fair value because quoted market prices are unavailable and it is impossible to estimate future cash flows.

7. Notes relating to per share data

(1) Net assets per share 6,697.82 yen

(2) Basic earnings per share 1,252.62 yen

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

Net income attributable to owners of parent	115,937 million yen
Net income attributable to owners of parent related to common stock	115,937 million yen
Average number of shares of common stock outstanding	92,556 thousand shares

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

8. Notes relating to significant subsequent events

Cancellation of treasury stock

The Company resolved to cancel shares of treasury stock at the Board of Directors meeting held on January 18, 2022 pursuant to the provisions of Article 178 of the Companies Act. The shares of treasury stock were canceled on January 25, 2022.

(1) Class of shares canceled	Common stock of the Company
(2) Total number of shares canceled	400,000 shares (0.43% of total number of shares of common stock issued before cancellation)
(3) Total number of shares of common stock issued after cancellation	91,990,000 shares
(4) Cancellation date	January 25, 2022

<For Reference>

Consolidated Statement of Cash Flows

(From January 1, 2021 to December 31, 2021)

(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
112,439	(20,129)	(58,774)	357,773

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

Non-consolidated Balance Sheet

(As of December 31, 2021)

(Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	152,838	Current liabilities	54,857
Cash and time deposits	61,361	Accounts payable-trade	11,925
Notes receivable	1,081	Accounts payable-other	8,271
Accounts receivable-trade	38,891	Income taxes payable	14,032
Finished goods	21,362	Accrued expenses	284
Work in process	21,504	Deposit payable	18,603
Raw materials	1,406	Accrued employee bonuses	331
Supplies	243	Accrued officer bonuses	172
Accounts receivable-other	5,975	Others	1,234
Others	1,015	Long-term liabilities	1,464
Allowance for doubtful accounts	(4)	Employee retirement benefits	924
Fixed assets	104,395	Others	539
Property, plant and equipment	69,585	Total liabilities	56,321
Buildings	45,938	(Net assets)	
Structures	1,577	Shareholders' equity	198,007
Plant and machinery	7,054	Common stock	35,613
Vehicles	80	Capital surplus	5,822
Tools, equipment and furniture	2,732	Capital reserve	5,822
Land	9,703	Retained earnings	169,856
Leased assets	80	Legal reserve	3,194
Construction in progress	2,417	Other retained earnings	166,662
Intangible assets	8,913	Unappropriated retained earnings	166,662
Goodwill	170	Treasury stock	(13,284)
Industrial property	44	Valuation and translation adjustments	2,904
Software	5,169	Unrealized gain (loss) on other securities	2,904
Software in progress	3,478		
Others	49		
Investments and other assets	25,896	Total net assets	200,912
Investment securities	8,951		
Subsidiaries' and affiliates' stock	13,736	Total liabilities and net assets	257,233
Investments in capital	23		
Long-term prepaid expenses	354		
Deferred income taxes	2,278		
Others	1,009		
Allowance for doubtful accounts	(456)		
Total assets	257,233		

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

Non-consolidated Statement of Income

(From January 1, 2021 to December 31, 2021)

(Millions of yen)

Accounts	Amount	
Net sales		311,823
Cost of sales		199,287
Gross profit		112,535
Selling, general and administrative expenses		49,452
Operating income		63,083
Non-operating income		
Interest income	319	
Dividend income	1,638	
Others	1,316	3,274
Non-operating expenses		
Interest expenses	265	
Others	1,347	1,613
Ordinary income		64,744
Extraordinary income		
Insurance income	345	
Gain on sale of investment securities	657	1,003
Income before income taxes		65,747
Income taxes-current	18,149	
Income taxes-deferred	490	18,639
Net income		47,107

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

Non-consolidated Statement of Shareholders' Equity

(From January 1, 2021 to December 31, 2021)

(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				
Cancellation of treasury stock			(1)	(1)
Net changes of items other than shareholders' equity				
Total changes of items during the year	—	—	(1)	(1)
Balance at end of year	35,613	5,822	—	5,822

	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	167,274	170,468	(154)	211,750
Changes of items during the year					
Cash dividends paid		(36,616)	(36,616)		(36,616)
Net income		47,107	47,107		47,107
Acquisition of treasury stock				(24,235)	(24,235)
Cancellation of treasury stock		(11,103)	(11,103)	11,104	—
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	(611)	(611)	(13,130)	(13,743)
Balance at end of year	3,194	166,662	169,856	(13,284)	198,007

	Valuation and translation adjustments		Total net assets
	Unrealized gain (loss) on other securities	Total valuation and translation adjustments	
Balance at beginning of year	2,376	2,376	214,127
Changes of items during the year			
Cash dividends paid			(36,616)
Net income			47,107
Acquisition of treasury stock			(24,235)
Cancellation of treasury stock			—
Net changes of items other than shareholders' equity	528	528	528
Total changes of items during the year	528	528	(13,214)
Balance at end of year	2,904	2,904	200,912

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

Notes relating to Non-consolidated Financial Statements

1. Notes relating to significant accounting policies

- (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, 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.
- 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 changes in presentation method

Non-consolidated balance sheet

In the previous fiscal year, “provision for sales returns” (11 million yen for the fiscal year ended December 31, 2021) was reported as a separate item. As this item has become insignificant in value, it has been included in “others” under “current liabilities” for the fiscal year ended December 31, 2021.

3. Notes relating to non-consolidated balance sheet

(1) Short-term monetary receivables from subsidiaries and affiliates	14,708 million yen
Short-term monetary payables to subsidiaries and affiliates (excluding the amount separately presented on the balance sheet)	23,695 million yen
(2) Accumulated depreciation of property, plant and equipment	81,596 million yen

4. Notes relating to non-consolidated statement of income

(1) Transactions with subsidiaries and affiliates	
Net sales	80,231 million yen
Goods purchased	30,320 million yen
Commissions paid and storage fees	16,298 million yen
Non-operating transactions	1,814 million yen
(2) 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.	
(3) Gain on sale of investment securities	
This arose from the sale of some of the investment securities held by the Company (3 listed stocks).	

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

Number of shares of treasury stock at the end of the fiscal year ended December 31, 2021 420,938 shares

6. Notes relating to deferred tax accounting

(1) Significant components of deferred tax assets and liabilities

(Deferred tax assets)	(Millions of yen)
Excess of limit of accrued employee bonuses	102
Enterprise tax payable	762
Officer retirement benefits	114
Excess of limit of employee retirement benefits	286
Loss on revaluation of other securities	447
Loss on revaluation of golf memberships	130
Excess of limit of allowance for doubtful accounts	142
Loss on impairment	144
Book in excess of tax depreciation	288
Devaluation loss on inventories	370
Goodwill	13
Others	695
Total deferred tax assets	3,500
(Deferred tax liabilities)	
Unrealized gain on other securities	(1,222)
Total deferred tax liabilities	(1,222)
Net deferred tax assets	2,278

(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	(0.6%)
Tax credit	(2.2%)
Others	0.0%
Actual effective tax rate	28.4%

7. 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 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)	16,166	Accounts payable-trade	3,129
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)	17,515	Accounts receivable-trade	3,459
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	16,353
						Payment of interest (Note 2)	230		

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 2021 is stated above.

8. Notes relating to per share data

(1) Net assets per share 2,184.56 yen

(2) Basic earnings per share 508.96 yen

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

Net income	47,107 million yen
Net income pertaining to common shareholders	47,107 million yen
Average number of shares of common stock outstanding	92,556 thousand shares

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

9. Notes relating to significant subsequent events

Cancellation of treasury stock

Notes are omitted as the same information is provided under "Notes relating to significant subsequent events" in the notes relating to consolidated financial statements.

Report of the Independent Auditors

February 3, 2022

The Board of Directors,
Shimano Inc.

Seiryō Audit Corporation
Osaka Office
Representative and Engagement Partner
Certified Public Accountant
Yoshihito Funakoshi
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, 2021 through December 31, 2021.

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.

Emphasis of Matter

As stated in the notes relating to significant subsequent events, the Company resolved to cancel shares of treasury stock at the Board of Directors meeting held on January 18, 2022 pursuant to the provisions of Article 178 of the Companies Act, and the shares of treasury stock were canceled on January 25, 2022.

Our opinion is not modified in respect of this matter.

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 3, 2022

The Board of Directors,
Shimano Inc.

Seiry Audit Corporation
Osaka Office
Representative and Engagement Partner
Certified Public Accountant
Yoshihito Funakoshi
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 115th fiscal year from January 1, 2021 through December 31, 2021.

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.

Emphasis of Matter

As stated in the notes relating to significant subsequent events, the Company resolved to cancel shares of treasury stock at the Board of Directors meeting held on January 18, 2022 pursuant to the provisions of Article 178 of the Companies Act, and the shares of treasury stock were canceled on January 25, 2022.

Our opinion is not modified in respect of this matter.

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.

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 115th fiscal year from January 1, 2021 to December 31, 2021, 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 8, 2022

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.