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Code Number: 7309
March 8, 2023

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 116th Ordinary General Meeting of Shareholders

You are hereby notified that the 116th Ordinary General Meeting of Shareholders of Shimano Inc. will be held as below.

In convening this General Meeting of Shareholders, the Company takes measures for electronic provision and posts the matters subject to the measures for electronic provision on the Company's website on the Internet as the "Notice of Convocation of the 116th Ordinary General Meeting of Shareholders" in accordance with the provisions of Article 325-3 of the Companies Act.

In the event that you are unable to view the matters subject to measures for electronic provision on the Company's website, please access the Tokyo Stock Exchange website (Listed Company Search), perform a search by entering the "Issue name (company name)" (Shimano) or "Code" (7309), select "Basic information" and "Documents for public inspection/PR information," and view the information of "Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting."

< Company's website >

URL: <https://www.shimano.com/en/ir/shareholdermeeting.html>

<Tokyo Stock Exchange website (Tokyo Stock Exchange Listed Company Search)>

URL: <https://www2.jpx.co.jp/tseHpFront/JJK020030Action.do>

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 posted on the matters subject to the measures for electronic provision and exercise your voting rights by 5:00 p.m. (Japan Standard Time) on Tuesday, March 28, 2023.

1. Date and Time: 10:00 a.m. (Japan Standard Time), Wednesday, March 29, 2023
(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 116th Fiscal Year (from January 1, 2022 to December 31, 2022)
(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: Partial Amendments to the Articles of Incorporation

Proposal No. 3: Election of 5 Directors

Proposal No. 4: Determination of Remuneration for the Allotment of Restricted Stock Remuneration to Directors (Excluding Outside Directors and Foreign Directors)

Instructions for the Exercise of Voting Rights

(1) Exercise of Voting Rights by Post

Please indicate your approval or disapproval of the proposals on the enclosed ballot form and return it so that it arrives by 5:00 p.m. (Japan Standard Time) on Tuesday, March 28, 2023. If you do not indicate your approval or disapproval for a proposal, your vote for the proposal shall be counted as approval.

(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 28, 2023.

(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 matters subject to the measures for electronic provision up to the day before the General Meeting of Shareholders, revisions will be posted on each website described on the previous page.

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

We hereby inform the following 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 actively consider voting by post or via the Internet etc.

### (2) Requests for shareholders who will visit the venue

- We request that you use the alcohol disinfectant placed near the reception desk at the venue and that you wear a face mask.
- We will take temperatures at the entrance to the venue, and we may refuse entry of those who are confirmed to have a fever (37.5 degrees Celsius or higher), those who seem to be unwell, and those who have been identified as close contacts. Shareholders who have been identified as close contacts 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 28, 2023**
- 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 28, 2023**

### 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 29, 2023**  
**(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 filling in the ballot form  
If you have marked ○ in both the 賛 and 否 columns to indicate approval or disapproval on the ballot form the vote will be invalid.  
If you have accidentally marked ○ in both the 賛 and 否 columns, please cross out either one.

**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. (excluding Saturday, Sunday and public holidays)  
(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 2022 as below.

As the Company has paid an interim dividend of 117.50 yen per share, the annual dividend will amount to 260.00 yen per share.

- (1) Type of dividend property: Cash
- (2) Matters concerning the allotment of dividend property to shareholders and the total amount:  
142.50 yen per share of the Company's common stock, for a total amount of 12,914,641,905 yen
- (3) Effective date of dividends from surplus:  
March 30, 2023 (Thursday)

**Proposal No. 2 Partial Amendments to the Articles of Incorporation**

1. Reasons for amendments

The amended provisions stipulated in the proviso to Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) came into force on September 1, 2022. Accordingly, in response to the introduction of the system for electronic provision of materials for general meetings of shareholders, the Company proposes to amend its Articles of Incorporation as follows.

- (1) Article 13, Paragraph 3 of the current Articles of Incorporation previously underwent deemed amendment, in accordance with laws and regulations, to provide that information contained in the Reference Documents for the General Meeting of Shareholders, etc. will be provided electronically, and the Company proposes to transfer this provision to Article 16, Paragraph 1.
- (2) The purpose of the proposed Article 16, Paragraph 2, is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
- (3) The provisions related to the internet disclosure and deemed provision of the Reference Documents for the General Meeting of Shareholders, etc. (Article 16 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.

2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

| Current Articles of Incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Proposed Amendments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Article 13 (Convocation of the General Meeting of Shareholders)<br/>The Ordinary General Meeting of Shareholders of the Company shall be held in March each year.<br/>2. In addition, Extraordinary General Meetings of Shareholders shall be held as necessary.<br/><u>3. The Company shall, when convening a General Meeting of Shareholders, provide information contained in the Reference Documents for the General Meeting of Shareholders, etc. electronically.</u></p> <p><u>Article 16 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u><br/><u>The Company may, when convening a General Meeting of Shareholders, deem that it has provided information to shareholders pertaining to matters to be described or indicated in the Reference Documents for the General Meeting of Shareholders, business report, non-consolidated financial statements, and consolidated financial statements, by disclosing such information through the internet in accordance with the provisions provided in the Ordinance of the Ministry of Justice.</u></p> <p>&lt;Newly established&gt;</p> | <p>Article 13 (Convocation of the General Meeting of Shareholders)<br/>The Ordinary General Meeting of Shareholders of the Company shall be held in March each year.<br/>2. In addition, Extraordinary General Meetings of Shareholders shall be held as necessary.<br/>&lt;Transferred to Article 16, Paragraph 1&gt;</p> <p>&lt;Deleted&gt;</p> <p><u>Article 16 (Measures for Electronic Provision, Etc.)</u><br/><u>The Company shall, when convening a General Meeting of Shareholders, provide information contained in the Reference Documents for the General Meeting of Shareholders, etc. electronically.</u><br/><u>2. Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p> |

**Proposal No. 3 Election of 5 Directors**

The terms of office of the following 4 Directors will expire at the close of this General Meeting of Shareholders: Messrs. Chia Chin Seng, Kazuo Ichijo, Mitsuhiro Katsumaru, and Sadayuki Sakakibara. Accordingly, we request the election of 5 Directors (including 4 Outside Directors).

The candidates for Directors are listed below. Ms. Hiromi Wada is a new candidate for Outside Director.

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



| Candidate No. | Name<br>(Date of birth)                                          | Career summary, position, assignment, and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Number of shares of the Company held |
|---------------|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 2             | Kazuo Ichijo<br>(Oct. 13, 1958)<br><br>Male<br><br>Reappointment | <p>Oct. 1993      Assistant Professor, Faculty of Social Sciences, Hitotsubashi University</p> <p>Apr. 2000      Assistant Professor, Graduate School of Social Sciences and Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>Apr. 2001      Professor, Graduate School of Social Sciences and Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>Apr. 2003      Visiting Professor, International Institute for Management Development</p> <p>Mar. 2005      Director, Shimano Inc. (to present)</p> <p>Apr. 2007      Professor, Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>Apr. 2014      Dean, Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>Jun. 2015      Outside Director, Information Services International-Dentsu, Ltd. (to present)</p> <p>Jun. 2017      Outside Director, PIA Corporation (to present)</p> <p>Jan. 2018      Outside Director, World Co., Ltd. (to present)</p> <p>Apr. 2018      Professor, Dean, School of International Corporate Strategy, Hitotsubashi University Business School</p> <p>Mar. 2022      Professor, International Institute for Management Development (to present)</p> <p>Significant concurrent positions:<br/>           Professor, International Institute for Management Development<br/>           Outside Director, Information Services International-Dentsu, Ltd.<br/>           Outside Director, PIA Corporation<br/>           Outside Director, World Co., Ltd.</p> <p>Reasons for nomination as a candidate for Outside Director and expected roles:<br/>           Mr. Kazuo Ichijo has been studying and teaching international business strategy for many years, and has a wealth of experience and a high level of expertise and insight in this field.<br/>           Although, he has not been involved in corporate management other than as an Outside Officer, he has achievements of making proactive and necessary comments, proposals, and advice from an independent and objective standpoint as an Outside Director of the Company for its management decision-making. Considering that he is able to fully demonstrate his ability to supervise the execution of business and provide professional advice and proposals, which the Company expects from an Outside Director, the Company renominated him as a candidate for Outside Director.</p> | 4,700 shares                         |

| Candidate No. | Name (Date of birth)                                                       | Career summary, position, assignment, and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Number of shares of the Company held |
|---------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 3             | Mitsuhiro Katsumaru (Oct. 10, 1951)<br><u>Male</u><br><u>Reappointment</u> | <p>Apr. 1978 Prosecutor, Tokyo District Public Prosecutors Office</p> <p>Jul. 1989 First Secretary, Japanese Embassy in Germany</p> <p>Jun. 2000 Director of the Criminal Affairs Division, Criminal Affairs Bureau, Ministry of Justice</p> <p>Jun. 2001 Director of the General Affairs Division, Criminal Affairs Bureau, Ministry of Justice</p> <p>Jan. 2003 Director of the Finance Division, Minister's Secretariat, Ministry of Justice</p> <p>Apr. 2005 Assistant Vice-Minister of Justice (in charge of General Policy)</p> <p>Dec. 2005 Chief Prosecutor, Fukui District Public Prosecutors Office</p> <p>Jun. 2007 Chief Prosecutor, Mito District Public Prosecutors Office</p> <p>Oct. 2008 Chief Prosecutor, Saitama District Public Prosecutors Office</p> <p>Jan. 2010 Director-General, Public Security Division, Supreme Public Prosecutors Office</p> <p>Apr. 2010 Adjunct Instructor, Graduate Program for Public Policy Studies, Kyoto University (to present)</p> <p>Dec. 2010 Superintending Prosecutor, Takamatsu High Public Prosecutors Office</p> <p>Apr. 2012 Adjunct Instructor, Kyoto University Law School (to present)</p> <p>Jun. 2012 Superintending Prosecutor, Hiroshima High Public Prosecutors Office</p> <p>Jul. 2014 Retired from the position of Superintending Prosecutor</p> <p>Oct. 2014 Registered as attorney-at-law, Of Counsel, Shiba International law offices (to present)</p> <p>Jun. 2015 Outside Director, Taiyo Nippon Sanso Corporation (currently Nippon Sanso Holdings Corporation) (to present)</p> <p>Mar. 2017 Director, Shimano Inc. (to present)</p> <p>Significant concurrent positions:<br/>Of Counsel, Shiba International law offices<br/>Outside Director, Nippon Sanso Holdings Corporation<br/>Adjunct Instructor, Graduate Program for Public Policy Studies, Kyoto University<br/>Adjunct Instructor, Kyoto University Law School</p> <p>Reasons for nomination as a candidate for Outside Director and expected roles:<br/>Mr. Mitsuhiro Katsumaru held important posts at the Ministry of Justice and the Public Prosecutors Office and now practices as an attorney-at-law. He has a wealth of experience and profound insight in the field of compliance. Although, he has not been involved in corporate management other than as an Outside Officer, he has achievements of making proactive and necessary comments, advice and proposals from an independent and objective standpoint as an Outside Director of the Company for its management decision-making. Considering that he is able to fully demonstrate his ability to supervise the execution of business and provide professional advice and proposals, which the Company expects from an Outside Director, the Company renominated him as a candidate for Outside Director.</p> | 1,100 shares                         |

| Candidate No. | Name<br>(Date of birth)                                                 | Career summary, position, assignment, and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Number of shares of the Company held |
|---------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 4             | Sadayuki Sakakibara<br>(Mar. 22, 1943)<br><br>Male<br><br>Reappointment | <p>Apr. 1967      Joined Toyo Rayon Co., Ltd. (currently Toray Industries, Inc.)</p> <p>Jun. 1994      General Manager, Corporate Planning Department No. 1, Toray Industries, Inc.</p> <p>Jun. 1996      Vice President (Member of the Board), Toray Industries, Inc.</p> <p>Jun. 1998      Senior Vice President (Member of the Board), Toray Industries, Inc.</p> <p>Jun. 1999      Senior Vice President (Member of the Board and Member of the Executive Committee), Toray Industries, Inc.</p> <p>Jun. 2001      Executive Vice President and Representative Member of the Board, Toray Industries, Inc.</p> <p>Jun. 2002      President and Representative Member of the Board, Toray Industries, Inc.</p> <p>Jun. 2010      Chairman and Representative Member of the Board, Toray Industries, Inc.</p> <p>Jun. 2012      Outside Director, Nippon Telegraph and Telephone Corporation</p> <p>Jun. 2014      Chairman, Japan Business Federation (Keidanren)</p> <p>Jun. 2014      Chairman of the Board, Toray Industries, Inc.</p> <p>Jun. 2015      Chief Senior Adviser and Chief Senior Counselor, Toray Industries, Inc.</p> <p>Jun. 2017      Senior Adviser, Toray Industries, Inc.</p> <p>May 2018      Honorary Chair, Japan Business Federation (Keidanren) (to present)</p> <p>Jun. 2018      Special Adviser, Toray Industries, Inc.</p> <p>Mar. 2019      Director, Shimano Inc. (to present)</p> <p>May 2019      Outside Director, Nitori Holdings Co., Ltd.</p> <p>Dec. 2019      Outside Director, Chairman of the Board, Japan Investment Corporation (to present)</p> <p>Jun. 2020      Outside Director, Chairman of The Board, The Kansai Electric Power Company, Incorporated (to present)</p> <p>Dec. 2022      Chairman (Representative Director), Nippon Professional Baseball Organization (to present)</p> <p>Significant concurrent positions:<br/>Honorary Chair, Japan Business Federation (Keidanren)<br/>Outside Director, Chairman of the Board and Investment Committee<br/>Chairman, Japan Investment Corporation<br/>Outside Director, Chairman of The Board, The Kansai Electric Power Company, Incorporated<br/>Chairman (Representative Director), Nippon Professional Baseball Organization</p> <p>Reasons for nomination as a candidate for Outside Director and expected roles:<br/>Mr. Sadayuki Sakakibara held important posts in a number of companies and now serves as Honorary Chair of Japan Business Federation (Keidanren). He has a wealth of experience and profound insight in corporate management.<br/>He has many achievements in making proactive and necessary comments, advice and proposals from an independent and objective standpoint as an Outside Director of the Company for its management decision-making.<br/>Considering that he is able to fully demonstrate his ability to supervise the execution of business and provide professional advice and proposals, which the Company expects from an Outside Director, the Company renominated him as a candidate for Outside Director.</p> | 800 shares                           |

| Candidate No. | Name<br>(Date of birth)                                           | Career summary, position, assignment, and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Number of shares of the Company held |
|---------------|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 5             | Hiromi Wada<br>(Jul. 24, 1960)<br><br>Female<br><br>New candidate | <p>Apr. 1983      Joined Matsushita Electric Industrial Co., Ltd.</p> <p>Mar. 2016      Board member, The Linux Foundation Non-profit standards body</p> <p>Aug. 2020      Advisor, Development Division, Automotive Company, Panasonic Corporation</p> <p>Jun. 2021      Outside Director, Imasen Electric Industrial Co., Ltd. (to present)</p> <p>Jun. 2021      Outside Director, Sakai Chemical Industry Co., Ltd. (to present)</p> <p>Apr. 2022      Advisor, R&amp;D Planning Center, Panasonic Automotive Systems Co., Ltd.</p> <p>Jun. 2022      Representative Director, i-Golf Studio Co., Ltd. (to present)</p> <p>Oct. 2022      Outside Advisor, Panasonic Automotive Systems Co., Ltd. (to present)</p> <p>Significant concurrent positions:<br/>Part-time Advisor, Panasonic Automotive Systems Co., Ltd.<br/>Outside Director, Imasen Electric Industrial Co., Ltd.<br/>Outside Director, Sakai Chemical Industry Co., Ltd.<br/>Representative Director, i-Golf Studio Co., Ltd.</p> <p>Reasons for nomination as a candidate for Outside Director and expected roles:<br/>Ms. Hiromi Wada held important posts in the non-profit organization related to IT technology and in companies related to technology development. She now serves as an Outside Director of other companies and has a wealth of experience and profound insight in IT and digital fields. Considering that her advice and proposals from an independent and objective standpoint based on her experience and insight will contribute to the decision-making of the Company's management, and considering that she is able to fully demonstrate her ability to supervise the execution of business and provide professional advice and proposals, which the Company expects from an Outside Director, the Company nominated her as a candidate for Outside Director.</p> | 0 shares                             |

Notes:

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

(Notes on candidates for Outside Director)

- (1) Mr. Kazuo Ichijo's tenure of office as an Outside Director of the Company will be 18 years at the close of this General Meeting of Shareholders. Mr. Mitsuhiro Katsumaru's tenure of office as an Outside Director of the Company will be 6 years at the close of this General Meeting of Shareholders. Mr. Sadayuki Sakakibara's tenure of office as an Outside Director of the Company will be 4 years at the close of this General Meeting of Shareholders.
- (2) The Company has entered into limited liability contracts with Mr. Kazuo Ichijo, Mr. Mitsuhiro Katsumaru, and Mr. Sadayuki Sakakibara, whereby their liability is limited to the amount provided for by laws and regulations. Upon approval of the reappointment of Mr. Kazuo Ichijo, Mr. Mitsuhiro Katsumaru, and Mr. Sadayuki Sakakibara, the Company intends to maintain the above-mentioned limited liability contracts with them. Upon approval of the appointment of Ms. Hiromi Wada, the Company also intends to enter into the above-mentioned limited liability contract with her.
- (3) The amount of transactions between Toray Industries, Inc., where Mr. Sadayuki Sakakibara served as Chairman of the Board, and the Company, in each of the most recent three fiscal years was not more than 1% of the consolidated net sales of Toray Industries and the Company. In addition, the amount of transactions between Japan Business Federation (Keidanren), where Mr. Sadayuki Sakakibara served as Chairman, and the Company, in each of the most recent three fiscal years was not more than 1% of the ordinary revenue of Keidanren and consolidated net sales of the Company. The amount of transactions between Panasonic Automotive Systems Co., Ltd. and the group company to which Panasonic Automotive Systems Co., Ltd. belongs, where Ms. Hiromi Wada served as an employee, in each of the most recent three fiscal years was not more than 1% of the consolidated net sales of the group company and the Company.
- (4) It came to light that some of the diatomite products sold at stores of Nitori Holdings Co., Ltd., where Mr. Sadayuki Sakakibara had served as Outside Director until October 1, 2022, and its group companies during his tenure contained an amount of asbestos exceeding legal limits. Those products were recalled. Although Mr. Sadayuki Sakakibara was not aware of these facts before the incident was revealed, he had provided advice as necessary from the perspective of legal compliance and compliance management even at the ordinary times, and appropriately fulfilled his responsibilities such as by expressing his opinions on prevention of recurrence after the incident was revealed.  
In addition, it came to light that customer information of retail electricity suppliers other than The Kansai Electric Power Company, Incorporated, where Mr. Sadayuki Sakakibara serves as an Outside Director, which was managed by its subsidiary, Kansai Transmission and Distribution, Inc., was leaked to employees of The Kansai Electric Power Company, Incorporated, and they inappropriately viewed and used the information. Although Mr. Sadayuki Sakakibara was not aware of these facts before the incident was revealed, he had provided advice as necessary from the perspective of legal compliance and compliance management even at the ordinary times, and appropriately fulfilled his responsibilities such as by actively expressing his opinions on prevention of recurrence after the incidents were revealed.
- (5) The Company has filed a notification with the Tokyo Stock Exchange for Mr. Kazuo Ichijo, Mr. Mitsuhiro Katsumaru, and Mr. Sadayuki Sakakibara as independent officers. Upon approval of the reappointment of Mr. Kazuo Ichijo, Mr. Mitsuhiro Katsumaru, and Mr. Sadayuki Sakakibara, the Company intends to continue their appointments. The Company also intends to file such notification with the Tokyo Stock Exchange for Ms. Hiromi Wada, on the premise of the approval of this proposal.

## [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 as a principal lender 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 above 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.

**[Reference] Skills Matrix of Directors of the Company (Scheduled after the Ordinary General Meeting of Shareholders on March 29, 2023)**

If all the candidates listed in this Notice of the Ordinary General Meeting of Shareholders are elected as originally proposed, the expertise and experience of each Director will be as follows:

| Name                          | Corporate management Management strategy | Manufacturing/ Technology R&D | Marketing Sales | Finance/ Accounting | Legal affairs | General affairs/ Human resources | IT/ Digital | Risk management | Global |
|-------------------------------|------------------------------------------|-------------------------------|-----------------|---------------------|---------------|----------------------------------|-------------|-----------------|--------|
| Yozo Shimano                  | ●                                        | ●                             | ●               |                     |               |                                  |             |                 | ●      |
| Taizo Shimano                 | ●                                        | ●                             | ●               |                     |               |                                  | ●           |                 | ●      |
| Takashi Toyoshima             |                                          | ●                             |                 |                     |               |                                  | ●           |                 | ●      |
| Masahiro Tsuzaki              |                                          |                               | ●               |                     |               | ●                                |             | ●               | ●      |
| Chia Chin Seng                |                                          | ●                             |                 | ●                   |               |                                  |             |                 | ●      |
| Kazuo Ichijo (Outside)        | ●                                        |                               |                 |                     |               |                                  | ●           |                 | ●      |
| Mitsuhiro Katsumaru (Outside) |                                          |                               |                 |                     | ●             |                                  |             | ●               | ●      |
| Sadayuki Sakakibara (Outside) | ●                                        | ●                             |                 |                     |               |                                  |             |                 | ●      |
| Hiromi Wada (Outside)         |                                          | ●                             |                 |                     |               |                                  | ●           |                 | ●      |

#### **Proposal No. 4 Determination of Remuneration for the Allotment of Restricted Stock Remuneration to Directors (Excluding Outside Directors and Foreign Directors)**

Remuneration, etc. for Directors of the Company not exceeding 720 million yen per annum (including up to 60 million yen for Outside Directors; not including remuneration and bonuses received in the capacity of an employee, for Directors who serve concurrently as employees) was approved at the 112th Ordinary General Meeting of Shareholders held on March 26, 2019.

As part of a review of the officer remuneration system, we propose to allot shares of the Company's common stock (hereinafter referred to as "Restricted Stock"), subject to certain conditions such as a transfer restriction period and cause for the acquisition of such shares by the Company for no consideration, to Directors of the Company (excluding Outside Directors and foreign Directors; hereinafter referred to as "Eligible Directors"), with the aim of providing an incentive to strive for the sustainable enhancement of the Company's corporate value and further promoting shared value between Eligible Directors and all shareholders, as detailed below.

Accordingly, upon comprehensive consideration of a range of matters, including the level of contribution made to the Company by Eligible Directors, we propose to establish a total maximum amount of monetary remuneration claims of 80 million yen per annum to be granted as remuneration, etc. for the delivery of Restricted Stock to Eligible Directors, in addition to the existing remuneration limit for Directors, described above. We believe that the details of the allotment of Restricted Stock are appropriate as they have been determined upon comprehensive consideration of a range of matters, including the level of contribution made to the Company by Eligible Directors, and because they will result in an insignificant dilution ratio, with the maximum number of shares of Restricted Stock to be allotted each fiscal year, as determined in 2. below, equivalent to approximately 0.008% of the total number of issued shares. (Even over a period of ten years, the maximum number of shares of Restricted Stock to be allotted is equivalent to approximately 0.08% of the total number of issued shares.)

At a meeting held on February 14, 2023, the Company's Board of Directors resolved to amend the policy for determining the content of individual remuneration, etc. for Directors as presented in [Reference] below, subject to the approval of this proposal as originally proposed. We believe that the content of this proposal is appropriate as it is in line with the amended policy.

The Company currently has 8 Directors (including 3 Outside Directors and 1 foreign Director). If Proposal No. 3 is approved, then the Company will have 9 Directors (including 4 Outside Directors and 1 foreign Director).

Details and upper limits of the allotment of Restricted Stock to Eligible Directors

##### **1. Allotment and payment of Restricted Stock**

The Company shall grant monetary remuneration claims to Eligible Directors, within the annual limits specified above, as remuneration, etc. for Restricted Stock, in accordance with a resolution of the Company's Board of Directors. Each Eligible Director shall then receive an allotment of shares of Restricted Stock through the contribution in kind of all the aforementioned monetary remuneration claims.

The paid-in amount of the shares of Restricted Stock shall be determined by the Company's Board of Directors on the basis of the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Company's Board of Directors regarding the issuance or disposition of the said shares of Restricted Stock (or, if no trades are recorded on that day, the closing price on the immediately preceding trading day), within a range that does not especially advantage the Eligible Director(s) subscribing to the said shares.

The monetary remuneration claims described above shall be granted to Eligible Directors upon the condition that they agree to make a contribution in kind, as described above, and conclude a restricted stock allotment agreement including the content prescribed under 3. below.

##### **2. Total number of shares of Restricted Stock**

The total number of shares of Restricted Stock allotted to Eligible Directors shall be 7,500 shares. This shall be the maximum total number of shares to be allotted each fiscal year.

However, should the Company's common shares undergo a share split (including a gratis allotment of the Company's common shares), consolidation of shares, or other cause necessitating adjustment to the total number of shares of restricted stock to be allotted, on or after the date of the resolution on this proposal, the total number of shares of Restricted Stock may be adjusted as necessary within a reasonable range.

##### **3. Content of restricted stock allotment agreements**

The restricted stock allotment agreements to be concluded between the Company and Eligible Directors receiving the allotment of shares of Restricted Stock, for the purpose of restricted stock allotment, in accordance with a resolution of the Company's Board of Directors, shall include the following content.

###### **(1) Details of the transfer restrictions**

An Eligible Director who has received an allotment of shares of Restricted Stock may not transfer these shares (hereinafter referred to as the "Allotted Shares") to a third party, or make them subject to a pledge, mortgage, inter vivos gift, bequest, or any other act of disposition, during the period beginning from the day on which the shares of Restricted Stock are delivered and ending on the day when the Eligible Director retires from all service as a director or executive officer of the Company (hereinafter referred to as the "Transfer Restriction Period"). (These restrictions are hereinafter referred to as the "Transfer Restrictions.")

###### **(2) Acquisition of Restricted Stock for no consideration**

Where an Eligible Director who has received an allotment of shares of Restricted Stock retires from all service as a director or executive officer of the Company on or after the date of the commencement of the Transfer Restriction Period and prior to the date of the first subsequent Ordinary General Meeting of Shareholders of the Company, the Company may rightfully acquire the Allotted Shares for no consideration, except where there is a cause deemed proper by the Company's Board of Directors.

Moreover, where, at the expiration of the Transfer Restriction Period set forth in (1) above, the Transfer Restrictions pertaining to any Allotted Shares have not been removed in accordance with the grounds for removing Transfer Restrictions set forth in (3) below, the Company may rightfully acquire these shares for no consideration.

###### **(3) Removal of the Transfer Restrictions**

The Company shall remove the Transfer Restrictions pertaining to all Allotted Shares at the expiration of the Transfer Restriction Period, upon the condition that the Eligible Director who received the allotment of Restricted Stock has served continuously as a director or executive officer of the Company from the date of the commencement of the Transfer Restriction Period to the date of the first subsequent Ordinary General Meeting of Shareholders of the Company.

However, where the said Eligible Director has retired from all service as a director or executive officer of the Company on or after the date of the commencement of the Transfer Restriction Period and prior to the date of the first subsequent Ordinary General Meeting of Shareholders of the Company, for a cause deemed proper by the Company's Board of Directors, the number of Allotted



Shares for which Transfer Restrictions are to be removed, and the timing of the removal of Transfer Restrictions, shall be adjusted as necessary, within a reasonable range.

(4) Treatment in the case of organizational restructuring, etc.

Where a proposal for a merger agreement with the Company as the non-surviving company, a share exchange agreement where the Company becomes a wholly-owned subsidiary, a share transfer plan, or other organizational restructuring, etc. is approved by the Company's General Meeting of Shareholders (or the Company's Board of Directors, for organizational restructuring, etc. that does not require the approval of the General Meeting of Shareholders) during the Transfer Restriction Period, the Transfer Restrictions shall be removed before the effective date of the organizational restructuring, etc. by a resolution of the Board of Directors, for a number of the Allotted Shares to be determined reasonably on the basis of the length of the period from the date of the commencement of the Transfer Restriction Period to the date when the organizational restructuring, etc. were approved.

In this case, the Company may rightfully acquire, for no consideration, the remaining Allotted Shares for which the Transfer Restrictions have not been removed immediately subsequent to the removal of the Transfer Restrictions under the provisions above.

[Reference] Policy for determining the content of individual remuneration, etc. for Directors and Audit & Supervisory Board Members

The Board of Directors has resolved on the policy set forth below, subject to the approval of Proposal No. 4 by this General Meeting of Shareholders.

The Company intends to similarly allot shares of Restricted Stock to executive officers of the Company after the conclusion of this General Meeting of Shareholders.

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, bonuses, and stock remuneration (foreign Directors are not eligible for stock remuneration). 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. Stock remuneration is delivered through the issuance of new shares or the disposition of treasury stock in return for the contribution in kind of monetary remuneration claims granted by the Company, within the total maximum amount of stock remuneration established by resolution of the General Meeting of Shareholders, from the viewpoint of reflecting medium- to long-term financial performance. This stock remuneration is delivered as shares of the Company with transfer restrictions, of a number corresponding to a certain basic amount of remuneration reflecting position and calculated on the basis of the Company's share price on the business day immediately preceding the date of the decision by the Board of Directors regarding the amount of the said remuneration. The date of the removal of transfer restrictions shall be the date of retirement from all service as a director or executive officer of the Company. The composition ratio of remuneration in a case where standard financial performance is achieved is approximately 5:4:1 of fixed remuneration to performance-linked remuneration to stock 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.

## BUSINESS REPORT

(From January 1, 2022 to December 31, 2022)

### **1. Overview of the Shimano Group**

#### **(1) Review and Results of Operations**

During fiscal year 2022, while restrictions on activities to tackle the spread of the novel coronavirus (COVID-19) were eased, the outlook for the global economy remained uncertain due to soaring resource and commodity prices caused by the prolonged situation in Ukraine and monetary tightening measures aimed at curbing inflation taken by central banks in various countries, among other factors.

In Europe, consumer sentiment was sluggish against a backdrop of concerns about resource and energy supply, rising prices, the prolonged high inflation and other factors, which increased fears of an economic slowdown.

In the U.S., while rises in policy rates to tame high inflation put downward pressure on economy, personal consumption remained firm backed by a solid employment environment.

In China, intermittent restrictions on economic activities under the zero-COVID policy slowed down a pickup in personal consumption, and economic recovery remained lackluster.

In Japan, rising prices caused by soaring resource prices and the depreciation of the yen put downward pressure on personal consumption, but signs of a gradual recovery in economy were seen as the normalization of economic activities progressed under the with-COVID policy.

In this environment, demand for bicycles and fishing tackle remained firm, although showing signs of cooling down, and for fiscal year 2022, net sales increased 15.1% from the previous year to 628,909 million yen. Operating income increased 14.1% to 169,158 million yen, ordinary income increased 15.7% to 176,568 million yen, and net income attributable to owners of parent increased 10.6% to 128,178 million yen.

#### **Reportable Segment Overview**

##### *Bicycle Components*

Although the strong interest in bicycles during the COVID-19 pandemic showed signs of cooling down, demand for bicycles remained above the pre-COVID-19 levels. In terms of market inventories of completed bicycles, those of high-end class bicycles remained at a low level. Meanwhile, inventory levels of middle-class bicycles rose, following those of entry-class bicycles.

Overseas, in the European market, sales of bicycles and bicycle-related products remained firm, partly backed by strong interest in bicycles. Despite shortages in inventories of completed bicycles, especially e-bikes and high-end class road bikes, market inventories remained somewhat high.

In the North American market, although demand for bicycles was firm, market inventories remained higher than appropriate levels due to the supply adjustment of completed bicycles.

In the Asian and South and Central American markets, consumer sentiment declined due to high inflation and interest in bicycles cooled off. However, in the Chinese market, market inventories of sport bikes remained at a low level, with a growing interest in cycling under the zero-COVID policy, especially in road bikes.

In the Japanese market, although demand for sport bikes and e-bikes remained firm, market inventories of general completed bicycles remained high.

Under these market conditions, order-taking was brisk for a wide range of products, including the new product SHIMANO 105 that is a high-end model for road bikes, and sport e-bike components, SHIMANO STEPS series.

As a result, net sales from this segment increased 16.6% from the previous year to 517,436 million yen, and operating income increased 15.9% to 144,994 million yen.

##### *Fishing Tackle*

While interest in fishing that had grown globally showed signs of cooling down, robust demand for fishing tackle was seen in some areas.

In the Japanese market, sales of mid- to high-priced products remained strong with fishing styles going diversified, although sales of popularly priced products for families and beginners slowed down.

Overseas, in the North American market, demand for fishing tackle showed signs of cooling down as a whole. However, demand for saltwater products remained firm and sales remained strong.

In the European market, while high inflation and other factors caused a sense of stagnation in the market in the U.K., sales remained strong in the areas of Southern and Eastern Europe.

In the Asian market, sales were favorable in tandem with market growth fueled by robust demand for fishing tackle. In the Chinese market, there remained impacts from stringent lockdown measures. However, after the lifting of restrictions, vigorous movements were seen in demand for fishing tackle.

In the Australian market, demand for fishing tackle remained strong and sales remained firm, despite some impacts from unfavorable weather conditions.

Under these market conditions, new products such as spinning reels MIRAVEL were well-received in the market. In addition, spinning reels STELLA and ULTEGRA XTE, as well as electric reels BEASTMASTER MD and other products continued to earn popularity.

As a result, net sales from this segment increased 8.4% from the previous year to 110,993 million yen, and operating income increased 4.5% to 24,163 million yen.

#### Others

Net sales from this segment increased 7.2% from the previous year to 479 million yen and operating income of 1 million yen was recorded, following an operating income of 20 million yen for the previous year.

#### 1) Sales by segment

|                    | FY2021<br>January 1, 2021<br>to December 31, 2021 |                        | FY2022<br>January 1, 2022<br>to December 31, 2022 |                        | Year-over-year change<br>(Figures in parentheses<br>indicate a decrease.) |                      |
|--------------------|---------------------------------------------------|------------------------|---------------------------------------------------|------------------------|---------------------------------------------------------------------------|----------------------|
|                    | Amount                                            | Percentage<br>of total | Amount                                            | Percentage<br>of total | Amount                                                                    | Percentage<br>change |
|                    | Millions of yen                                   | %                      | Millions of yen                                   | %                      | Millions of yen                                                           | %                    |
| Bicycle Components | 443,678                                           | 81.2                   | 517,436                                           | 82.3                   | 73,757                                                                    | 16.6                 |
| Fishing Tackle     | 102,388                                           | 18.7                   | 110,993                                           | 17.6                   | 8,604                                                                     | 8.4                  |
| Others             | 447                                               | 0.1                    | 479                                               | 0.1                    | 32                                                                        | 7.2                  |
| Total              | 546,515                                           | 100.0                  | 628,909                                           | 100.0                  | 82,394                                                                    | 15.1                 |

#### 2) Situation by segment

##### 1. Trend of sales by segment

(Millions of yen)

|                    | FY2019<br>(113th)<br>January 1, 2019<br>to December 31, 2019 | FY2020<br>(114th)<br>January 1, 2020<br>to December 31, 2020 | FY2021<br>(115th)<br>January 1, 2021<br>to December 31, 2021 | FY2022<br>(116th)<br>January 1, 2022<br>to December 31, 2022 |
|--------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Bicycle Components | 290,038                                                      | 297,777                                                      | 443,678                                                      | 517,436                                                      |
| Fishing Tackle     | 72,838                                                       | 79,907                                                       | 102,388                                                      | 110,993                                                      |
| Others             | 353                                                          | 356                                                          | 447                                                          | 479                                                          |

##### 2. Trend of operating income by segment

(Millions of yen)

|                    | FY2019<br>(113th)<br>January 1, 2019<br>to December 31, 2019 | FY2020<br>(114th)<br>January 1, 2020<br>to December 31, 2020 | FY2021<br>(115th)<br>January 1, 2021<br>to December 31, 2021 | FY2022<br>(116th)<br>January 1, 2022<br>to December 31, 2022 |
|--------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Bicycle Components | 57,850                                                       | 68,494                                                       | 125,146                                                      | 144,994                                                      |
| Fishing Tackle     | 10,219                                                       | 14,264                                                       | 23,120                                                       | 24,163                                                       |
| Others             | (59)                                                         | (57)                                                         | 20                                                           | 1                                                            |

Note: Figures in parentheses indicate operating loss.

### 3. Trend of net sales by geographical area (Millions of yen)

|               | FY2019<br>(113th)<br>January 1, 2019<br>to December 31, 2019 | FY2020<br>(114th)<br>January 1, 2020<br>to December 31, 2020 | FY2021<br>(115th)<br>January 1, 2021<br>to December 31, 2021 | FY2022<br>(116th)<br>January 1, 2022<br>to December 31, 2022 |
|---------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Japan         | 40,734                                                       | 44,992                                                       | 55,181                                                       | 54,383                                                       |
| North America | 36,664                                                       | 39,876                                                       | 49,932                                                       | 57,643                                                       |
| Europe        | 150,140                                                      | 148,738                                                      | 227,456                                                      | 299,934                                                      |
| Asia          | 119,982                                                      | 127,890                                                      | 190,388                                                      | 191,479                                                      |
| Others        | 15,709                                                       | 16,541                                                       | 23,556                                                       | 25,468                                                       |

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

### (2) Capital Investment and Financing

Consolidated capital investment totaled 27,762 million yen during the fiscal year ended December 31, 2022. Capital investment was mainly used for reinforcing product development capabilities, increasing production capacity and improving production efficiency. By segment, capital investment totaled 19,209 million yen for bicycle components, 5,582 million yen for fishing tackle, 2 million yen for others, and 2,968 million yen for Company-wide (common). All capital investment was financed from cash flow.

(Millions of yen)

|                       | FY2019<br>(113th)<br>January 1, 2019<br>to December 31, 2019 | FY2020<br>(114th)<br>January 1, 2020<br>to December 31, 2020 | FY2021<br>(115th)<br>January 1, 2021<br>to December 31, 2021 | FY2022<br>(116th)<br>January 1, 2022<br>to December 31, 2022 |
|-----------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Bicycle Components    | 17,046                                                       | 23,295                                                       | 15,821                                                       | 19,209                                                       |
| Fishing Tackle        | 2,196                                                        | 1,618                                                        | 2,811                                                        | 5,582                                                        |
| Others                | 16                                                           | 0                                                            | 5                                                            | 2                                                            |
| Company-wide (common) | 6,438                                                        | 2,294                                                        | 1,890                                                        | 2,968                                                        |
| Total                 | 25,698                                                       | 27,209                                                       | 20,529                                                       | 27,762                                                       |

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

|                                                                                                  | FY2019<br>(113th)<br>January 1, 2019<br>to December 31, 2019 | FY2020<br>(114th)<br>January 1, 2020<br>to December 31, 2020 | FY2021<br>(115th)<br>January 1, 2021<br>to December 31, 2021 | FY2022<br>(116th)<br>January 1, 2022<br>to December 31, 2022 |
|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Net sales <span style="float: right;">(Millions of yen)</span>                                   | 363,230                                                      | 378,040                                                      | 546,515                                                      | 628,909                                                      |
| Operating income <span style="float: right;">(Millions of yen)</span>                            | 68,010                                                       | 82,701                                                       | 148,287                                                      | 169,158                                                      |
| Ordinary income <span style="float: right;">(Millions of yen)</span>                             | 69,471                                                       | 81,471                                                       | 152,562                                                      | 176,568                                                      |
| Net income attributable to owners of parent <span style="float: right;">(Millions of yen)</span> | 51,833                                                       | 63,472                                                       | 115,937                                                      | 128,178                                                      |
| Basic earnings per share                                                                         | 559.15 yen                                                   | 684.71 yen                                                   | 1,252.62 yen                                                 | 1,408.22 yen                                                 |
| Net assets <span style="float: right;">(Millions of yen)</span>                                  | 489,236                                                      | 529,785                                                      | 616,651                                                      | 741,095                                                      |
| Total assets <span style="float: right;">(Millions of yen)</span>                                | 538,769                                                      | 590,420                                                      | 705,370                                                      | 826,413                                                      |

Note: Effective from the beginning of 116th fiscal year (FY2022), the Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020), etc., and the major management indicators, etc. for the 116th fiscal year (FY2022) have been calculated after the adoption of the said accounting standard, etc.

## 2) Assets and profits of the Company

|                          |                   | FY2019<br>(113th)<br>January 1, 2019<br>to December 31, 2019 | FY2020<br>(114th)<br>January 1, 2020<br>to December 31, 2020 | FY2021<br>(115th)<br>January 1, 2021<br>to December 31, 2021 | FY2022<br>(116th)<br>January 1, 2022<br>to December 31, 2022 |
|--------------------------|-------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Net sales                | (Millions of yen) | 221,040                                                      | 218,131                                                      | 311,823                                                      | 368,070                                                      |
| Operating income         | (Millions of yen) | 30,446                                                       | 31,386                                                       | 63,083                                                       | 75,017                                                       |
| Ordinary income          | (Millions of yen) | 35,342                                                       | 70,667                                                       | 64,744                                                       | 85,199                                                       |
| Net income               | (Millions of yen) | 27,201                                                       | 64,742                                                       | 47,107                                                       | 63,920                                                       |
| Basic earnings per share |                   | 293.43 yen                                                   | 698.40 yen                                                   | 508.96 yen                                                   | 702.25 yen                                                   |
| Net assets               | (Millions of yen) | 164,551                                                      | 214,127                                                      | 200,912                                                      | 209,751                                                      |
| Total assets             | (Millions of yen) | 204,778                                                      | 259,921                                                      | 257,233                                                      | 268,115                                                      |

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 global supply chains will be disrupted by supply constraints and heightened political tension caused by geopolitical risks that have emerged, such as the prolonged situation in Ukraine, and that high inflation dragging on and tight monetary policies adopted globally may put downward pressure on economy.

In Europe, there is concern that soaring resource and energy prices and supply constraints that may restrain economic activities, as well as prolonged high inflation, may slow down economic recovery.

In the U.S., there is concern that high inflation and rises in policy rates may put downward pressure on economy.

In China, there is concern that economic recovery will slow down due to stagnation in economic activities caused by the spread of COVID-19 and a deterioration in the real estate market.

In Japan, it is expected that economy will pick up due to the normalization of economic activities. Meanwhile, economic downturns overseas and a decline in consumer sentiment caused by rising prices may influence the economy.

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 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        |
| Research center | Tokyo Office            | Chuo-ku Tokyo                                 |
| 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    | 7,772               | (2,715) |
| Fishing Tackle        | 2,659               | (899)   |
| Others                | 267                 | (40)    |
| Company-wide (common) | 666                 | (69)    |
| Total                 | 11,364              | (3,723) |

Notes:

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

(8) Principal Lenders

| Lender                              | Outstanding borrowings (Millions of yen) |
|-------------------------------------|------------------------------------------|
| MUFG Union Bank, N.A.               | 981                                      |
| Mizuho Bank, Ltd.                   | 583                                      |
| Sumitomo Mitsui Banking Corporation | 583                                      |

(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<br>(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<br>(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<br>(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: 91,160,100 shares (including treasury stock of 531,034 shares)  
(3) Number of shareholders: 10,288  
(4) Major shareholders (Top 10)

| Name of shareholder                                  | Number of shares<br>(Thousands of shares) | Percentage of ownership<br>(%) |
|------------------------------------------------------|-------------------------------------------|--------------------------------|
| The Master Trust Bank of Japan, Ltd. (trust account) | 10,335                                    | 11.40%                         |
| Minato Kosan Co., Ltd.                               | 7,864                                     | 8.68%                          |
| Custody Bank of Japan, Ltd. (trust account)          | 5,443                                     | 6.01%                          |
| JP MORGAN CHASE BANK 380055                          | 2,287                                     | 2.52%                          |
| Three S Co., Ltd.                                    | 2,171                                     | 2.40%                          |
| Nippon Life Insurance Company                        | 1,801                                     | 1.99%                          |
| Resona Bank, Limited.                                | 1,711                                     | 1.89%                          |
| PICTET AND CIE (EUROPE) SA, LUXEMBOURG REF: UCITS    | 1,691                                     | 1.87%                          |
| SMBC Nikko Securities Inc.                           | 1,467                                     | 1.62%                          |
| JP MORGAN CHASE BANK 385632                          | 1,350                                     | 1.49%                          |

Note: The percentage of ownership is calculated excluding treasury stock (531,034 shares).

## 3. Information related to Officers

- (1) Directors and Audit & Supervisory Board Members

(As of December 31, 2022)

| Title                                          | Name                          | Assignment            | Significant concurrent positions                                                                                                                                                                                                                                            |
|------------------------------------------------|-------------------------------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chairman and CEO<br>Representative<br>Director | Yozo Shimano<br>[Male]        | Chairman of the Board | Chairman, Shimano (Singapore) Pte. Ltd.<br>Chairman, Shimano Components (Malaysia) Sdn. Bhd.                                                                                                                                                                                |
| President<br>Representative<br>Director        | Taizo Shimano<br>[Male]       |                       |                                                                                                                                                                                                                                                                             |
| Deputy President<br>Representative<br>Director | Takashi Toyoshima<br>[Male]   |                       |                                                                                                                                                                                                                                                                             |
| Deputy President<br>Representative<br>Director | Masahiro Tsuzaki<br>[Male]    |                       |                                                                                                                                                                                                                                                                             |
| Executive Vice<br>President                    | Chia Chin Seng<br>[Male]      |                       | President, Shimano (Singapore) Pte. Ltd.<br>President, Shimano Components (Malaysia) Sdn. Bhd.                                                                                                                                                                              |
| Director                                       | Kazuo Ichijo<br>[Male]        |                       | Professor, International Institute for Management Development<br>Outside Director, Information Services International-Dentsu, Ltd.<br>Outside Director, PIA Corporation<br>Outside Director, World Co., Ltd.                                                                |
| Director                                       | Mitsuhiro Katsumaru<br>[Male] |                       | Of Counsel, Shiba International Law Offices<br>Outside Director, Nippon Sanso Holdings Corporation<br>Adjunct Instructor, Graduate Program for Public Policy Studies, Kyoto University School of Government<br>Adjunct Instructor, Graduate School of Law, Kyoto University |



| Title                                      | Name                          | Assignment | Significant concurrent positions                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------|-------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director                                   | Sadayuki Sakakibara<br>[Male] |            | Honorary Chair, Japan Business Federation (Keidanren)<br>Outside Director, Chairman of the Board, Investment Committee Chairman, Japan Investment Corporation<br>Outside Director, Chairman of The Board, The Kansai Electric Power Company, Incorporated<br>Chairman (Representative Director), Nippon Professional Baseball Organization |
| Full-time Audit & Supervisory Board Member | Yoshihiro Hirata<br>[Male]    |            |                                                                                                                                                                                                                                                                                                                                            |
| Full-time Audit & Supervisory Board Member | Kiyoshi Tarutani<br>[Male]    |            |                                                                                                                                                                                                                                                                                                                                            |
| Audit & Supervisory Board Member           | Kanako Nozue<br>[Female]      |            | Attorney-at-law, Tsujinaka Law Firm                                                                                                                                                                                                                                                                                                        |
| Audit & Supervisory Board Member           | Toshihiko Hashimoto<br>[Male] |            | Certified Tax Accountant, Hashimoto Certified Tax Accountant Office<br>Outside Auditor, JA Hyogominami<br>Auditor, Kakogawa Sangyokaikan Co., Ltd.                                                                                                                                                                                         |

Notes:

- Directors Kazuo Ichijo, Mitsuhiro Katsumaru, and Sadayuki Sakakibara are Outside Directors as defined in Article 2, Item 15 of the Companies Act.
- 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.
- 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.
- Audit & Supervisory Board Member Toshihiko Hashimoto is a certified tax accountant and possesses considerable knowledge of tax and accounting matters.
- At the close of the 115th Ordinary General Meeting of Shareholders held on March 30, 2022, Mr. Kiyoshi Tarutani, Mr. Hiroshi Matsui, Mr. Masahiro Ohtake, Mr. Kinji Kiyotani, and Mr. Takuma Kanai, who were Directors, retired upon expiration of their terms of office, and Mr. Tomohiro Ohtsu and Mr. Tamotsu Yoshida, who were Directors, resigned from the office of Directors. At the close of the same General Meeting of Shareholders, Mr. Kiyoshi Tarutani was appointed Full-time Audit & Supervisory Board Member.
- Mr. Hideo Katsuoka, who was a Full-time Audit & Supervisory Board Member, retired upon expiration of his term of office at the close of the 115th Ordinary General Meeting of Shareholders held on March 30, 2022.

## (2) Outline of Limited Liability Agreements

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded limited liability agreements with all Outside Officers under Article 423, Paragraph 1 of the same Act. The maximum contractual liability of such Outside Officers under these agreements 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 or bonuses.

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.<br>(Millions of yen) | Total amount of remuneration, etc. by type<br>(Millions of yen) |                                       | Number of eligible officers |
|----------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------|-----------------------------|
|                                                                                  |                                                         | Basic remuneration                                              | Performance-linked remuneration, etc. |                             |
| Directors<br>(Outside Directors)                                                 | 550<br>(36)                                             | 292<br>(36)                                                     | 258<br>(-)                            | 15<br>(3)                   |
| Audit & Supervisory Board Members<br>(Outside Audit & Supervisory Board Members) | 57<br>(14)                                              | 57<br>(14)                                                      | -                                     | 5<br>(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, 2022, are as provided in 1.(3) Summary of Assets and Profits.
- The above number of Directors and amount of remuneration of Directors include 7 Directors and 1 Audit & Supervisory Board Member who retired at the close of the 115th Ordinary General Meeting of Shareholders held on March 30, 2022, and the amount of their remuneration, respectively.
- The above amount of remuneration, etc. of Directors includes the provision of reserve for officer bonuses amounting to 198 million yen recorded for the fiscal year ended December 31, 2022.
- 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 5 million yen to 1 Director who retired during the fiscal year ended December 31, 2022.

(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, 2022

| Category | Name                | Activities and summary of duties performed related to the expected roles of Outside Directors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director | Kazuo Ichijo        | Attended all 13 meetings of the Board of Directors held in the fiscal year ended December 31, 2022.<br>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.<br>For his expected roles, he exchanges information with Audit & Supervisory Board Members (in July and November for 2022) 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, 2022.<br>He provides input necessary for deliberations concerning the Company's management from a professional and objective perspective as an expert in the compliance field.<br>For his expected roles, he exchanges information with Audit & Supervisory Board Members (in July and November for 2022) 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, 2022.<br>He provides input necessary for deliberations concerning the Company's management from an objective perspective based on his wealth of experience and deep insight as a manager of international companies.<br>For his expected roles, he exchanges information with Audit & Supervisory Board Members (in July and November for 2022) 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, 2022

| 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, 2022.<br>She provides mainly specialist counsel in a legal capacity.<br>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 (in July and November for 2022) to build cooperative relationships. Furthermore, she holds regular meetings with Directors, executive officers 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, 2022.<br>He provides mainly specialist counsel in the capacity of tax accountant.<br>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 (in July and November for 2022) to build cooperative relationships. Furthermore, he holds regular meetings with Directors, executive officers 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, 2022:

| Category                                                                                                                          | Amount paid<br>(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 advised 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 important 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 such as requesting the Company's prior approval in accordance with internal regulations.
  - (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 comprehensively provide 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, 2022, 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.

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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, 2022, unless otherwise specified.

## Consolidated Balance Sheet

(As of December 31, 2022)

(Millions of yen)

| Accounts                            | Amount         | Accounts                                   | Amount         |
|-------------------------------------|----------------|--------------------------------------------|----------------|
| (Assets)                            |                | (Liabilities)                              |                |
| Current assets                      | 628,754        | Current liabilities                        | 78,608         |
| Cash and time deposits              | 430,429        | Accounts payable-trade                     | 20,595         |
| Notes and accounts receivable-trade | 55,201         | Short-term loans payable                   | 2,151          |
| Merchandise and finished goods      | 79,966         | Lease obligations                          | 928            |
| Work in process                     | 42,733         | Income taxes payable                       | 21,899         |
| Raw materials and supplies          | 8,209          | Accrued employee bonuses                   | 3,682          |
| Others                              | 12,523         | Accrued officer bonuses                    | 198            |
| Allowance for doubtful accounts     | (310)          | Others                                     | 29,153         |
| Fixed assets                        | 197,659        | Long-term liabilities                      | 6,709          |
| Property, plant and equipment       | 147,244        | Lease obligations                          | 2,298          |
| Buildings and structures            | 77,239         | Deferred income taxes                      | 2,522          |
| Machinery and vehicles              | 25,600         | Net defined benefit liability              | 1,210          |
| Land                                | 13,936         | Others                                     | 678            |
| Leased assets                       | 5,205          | <b>Total liabilities</b>                   | <b>85,318</b>  |
| Construction in progress            | 18,749         |                                            |                |
| Others                              | 6,513          | (Net assets)                               |                |
| Intangible assets                   | 19,841         | Shareholders' equity                       | 666,485        |
| Goodwill                            | 3,065          | Common stock                               | 35,613         |
| Software                            | 10,059         | Capital surplus                            | 5,640          |
| Software in progress                | 4,970          | Retained earnings                          | 638,141        |
| Others                              | 1,745          | Treasury stock                             | (12,909)       |
| Investments and other assets        | 30,573         | Accumulated other comprehensive income     | 73,623         |
| Investment securities               | 19,694         | Unrealized gain (loss) on other securities | 3,537          |
| Deferred income taxes               | 6,728          | Foreign currency translation adjustments   | 70,085         |
| Net defined benefit asset           | 2,645          | Non-controlling interests                  | 986            |
| Others                              | 1,941          |                                            |                |
| Allowance for doubtful accounts     | (436)          | <b>Total net assets</b>                    | <b>741,095</b> |
| <b>Total assets</b>                 | <b>826,413</b> | <b>Total liabilities and net assets</b>    | <b>826,413</b> |

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

**Consolidated Statement of Income**  
(From January 1, 2022 to December 31, 2022)

(Millions of yen)

| Accounts                                             | Amount |         |
|------------------------------------------------------|--------|---------|
| Net sales                                            |        | 628,909 |
| Cost of sales                                        |        | 363,264 |
| Gross profit                                         |        | 265,645 |
| Selling, general and administrative expenses         |        | 96,486  |
| Operating income                                     |        | 169,158 |
| Non-operating income                                 |        |         |
| Interest and dividend income                         | 6,628  |         |
| Others                                               | 4,393  | 11,022  |
| Non-operating expenses                               |        |         |
| Interest expenses                                    | 154    |         |
| Others                                               | 3,457  | 3,612   |
| Ordinary income                                      |        | 176,568 |
| Extraordinary losses                                 |        |         |
| Impairment loss                                      | 733    |         |
| Subsidiary restructuring loss                        | 491    |         |
| Loss on sales of shares of subsidiaries              | 98     |         |
| Loss on factory reconstruction                       | 1,132  | 2,456   |
| Income before income taxes                           |        | 174,112 |
| Income taxes-current                                 | 46,494 |         |
| Income taxes-deferred                                | (818)  | 45,676  |
| Net income                                           |        | 128,436 |
| Net income attributable to non-controlling interests |        | 257     |
| Net income attributable to owners of parent          |        | 128,178 |

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

## **Consolidated Statement of Shareholders' Equity**

(From January 1, 2022 to December 31, 2022)

(Millions of yen)

|                                                      | Shareholders' equity |                 |                   |                |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                      | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of year                         | 35,613               | 5,640           | 566,263           | (13,284)       | 594,232                    |
| Changes of items during the year                     |                      |                 |                   |                |                            |
| Cash dividends paid                                  |                      |                 | (21,515)          |                | (21,515)                   |
| Net income attributable to owners of parent          |                      |                 | 128,178           |                | 128,178                    |
| Acquisition of treasury stock                        |                      |                 |                   | (34,412)       | (34,412)                   |
| Disposal of treasury stock                           |                      | 1               |                   | 0              | 1                          |
| Cancellation of treasury stock                       |                      | (1)             | (34,786)          | 34,787         | —                          |
| Net changes of items other than shareholders' equity |                      |                 |                   |                |                            |
| Total changes of items during the year               | —                    | —               | 71,877            | 375            | 72,252                     |
| Balance at end of year                               | 35,613               | 5,640           | 638,141           | (12,909)       | 666,485                    |

|                                                      | Accumulated other comprehensive income     |                                          |                                              | Non-controlling interests | Total net assets |
|------------------------------------------------------|--------------------------------------------|------------------------------------------|----------------------------------------------|---------------------------|------------------|
|                                                      | Unrealized gain (loss) on other securities | Foreign currency translation adjustments | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of year                         | 3,620                                      | 18,139                                   | 21,759                                       | 659                       | 616,651          |
| Changes of items during the year                     |                                            |                                          |                                              |                           |                  |
| Cash dividends paid                                  |                                            |                                          |                                              |                           | (21,515)         |
| Net income attributable to owners of parent          |                                            |                                          |                                              |                           | 128,178          |
| Acquisition of treasury stock                        |                                            |                                          |                                              |                           | (34,412)         |
| Disposal of treasury stock                           |                                            |                                          |                                              |                           | 1                |
| Cancellation of treasury stock                       |                                            |                                          |                                              |                           | —                |
| Net changes of items other than shareholders' equity | (82)                                       | 51,945                                   | 51,863                                       | 327                       | 52,191           |
| Total changes of items during the year               | (82)                                       | 51,945                                   | 51,863                                       | 327                       | 124,444          |
| Balance at end of year                               | 3,537                                      | 70,085                                   | 73,623                                       | 986                       | 741,095          |

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 48 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.  
Innovative Textiles, Inc.  
Shimano Europe B.V.  
Shimano Germany Fishing GmbH  
Shimano Benelux B.V.  
Shimano UK Ltd.  
Shimano Italia 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 Balikcilik Malzemeleri ve Ekipmanlari Satis Ticaret Anonim Sirketi  
Shimano Australia Cycling Pty. Ltd.  
Shimano Oceania Holdings Pty. Ltd.  
Shimano Australia Fishing Pty. Ltd.  
Shimano New Zealand 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.

During the fiscal year ended December 31, 2022, DashAmerica, Inc. (Pearl Izumi USA) was excluded from the scope of consolidation due to the transfer of all its shares, and Shimano - Pearl Izumi Softgoods Division Europe GmbH was also excluded from the scope of consolidation due to liquidation. Moreover, the consolidated subsidiary Shimano Italy Fishing S.R.L. was excluded from the scope of consolidation due to a merger between the consolidated subsidiary Shimano Italy Fishing S.R.L. and the consolidated subsidiary Shimano Italy Bicycle Components S.R.L., with the latter as the surviving company. Shimano Italy Bicycle Components S.R.L. was renamed Shimano Italia S.R.L.

(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 except for shares, etc. with no market prices

Other securities except for shares, etc. with no market prices are stated at the market value method.

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.

Shares, etc. with no market prices

Shares, etc. 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) Revenue and expenses

The Shimano Group is mainly engaged in the manufacture and sale of bicycle components and fishing tackle.

Performance obligations are considered to be satisfied at the time of delivery of products or merchandise under sales contracts with customers, and revenue from the sale of products or merchandise is recognized in the amount expected to be received in return for the products or merchandise. The Group applies the alternative treatment set forth in Paragraph 98 of the Implementation Guidance on

Accounting Standard for Revenue Recognition, recognizing revenue from products or merchandise sold within Japan at the time of shipment, as there is a normal period of time between shipment and delivery. For chargeable supplied transactions where the Group carries the obligation of buying back the supplied items, the disposal of the supplied items is not recognized.

(e) 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.

(f) 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).

(g) 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.

(h) Other significant accounting policies for preparation of consolidated financial statements

Accounting for employee retirement benefits

Net defined benefit liability (or net defined benefit asset, in cases where the amount of pension assets exceeds the retirement benefit obligation), 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 accounting policies

(Adoption of the Accounting Standard for Revenue Recognition, etc.)

The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. at the beginning of fiscal year ended December 31, 2022. Accordingly, the Company recognized revenue at an amount it expected to receive in exchange for a promised good or service at a time when control over such good or service was transferred to a customer.

As a result, with regard to chargeable supplied transactions within group companies, while the Company recognized the disposal of supplied items such as raw materials provided for a fee in the past, the method has been changed so that, in cases where the Company carries the obligation of buying back the supplied items, the disposal of the supplied items is not recognized.

In adopting the Revenue Recognition Accounting Standard, etc., the Company followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the Company adjusted retained earnings as of the beginning of fiscal year ended December 31, 2022 with the cumulative effect that would be obtained if the Company retrospectively adopted the new accounting policy prior to the beginning of fiscal year ended December 31, 2022, and adopted the new accounting policy with the adjusted beginning balance. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

As a result, these changes in accounting policies do not affect the beginning balance of retained earnings and gain or loss for fiscal year ended December 31, 2022.

(Adoption of the Accounting Standard for Fair Value Measurement, etc.)

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. at the beginning of fiscal year ended December 31, 2022. According to the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will continue to adopt new accounting policies set forth by the Fair Value Measurement Accounting Standard, etc. in the future. There is no impact on the consolidated financial statements for fiscal year ended December 31, 2022.

In addition, the Company has decided to include notes on fair value information by level within the fair value hierarchy of financial instruments in “Notes relating to financial instruments.”

## 3. Notes relating to consolidated balance sheet

|                                                           |                     |
|-----------------------------------------------------------|---------------------|
| Accumulated depreciation of property, plant and equipment | 181,048 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, 2022:

|                                          |                    |
|------------------------------------------|--------------------|
| Salaries and wages                       | 23,496 million yen |
| Advertising and sales promotion expenses | 12,921 million yen |
| R&D expenses                             | 6,004 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, 2022

13,953 million yen

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

Cost of sales 996 million yen

(4) Impairment loss

The Shimano Group recorded impairment loss on the following asset.

| Location            | Use                    | Category                       | Amount          |
|---------------------|------------------------|--------------------------------|-----------------|
| Shimano Europe B.V. | Distribution warehouse | Buildings and structures, etc. | 733 million yen |

(Background)

As a result of the decision to restructure supply chains based on outsourcing, the book value of the distribution warehouse owned by Shimano Europe B.V., a consolidated subsidiary, was reduced to the recoverable amount, and the amount of decline was recorded as an impairment loss.

(Method of grouping)

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

(Method of calculation of a recoverable amount)

Net realizable values are calculated using reasonable estimates based on real estate appraisal amounts and other factors.

(5) Subsidiary restructuring loss

The Shimano Group recorded expenses pertaining to the restructuring of supply chains of Shimano Europe B.V., a consolidated subsidiary.

(6) Loss on sales of shares of subsidiaries

The Shimano Group recorded loss on sales of shares resulting of subsidiaries as it transferred its shares of DashAmerica, Inc. (Pearl Izumi USA), a consolidated subsidiary.

## 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, 2022 91,160,100 shares

(2) Cash dividends paid during the fiscal year ended December 31, 2022

(a) Payment of cash dividends

At the Ordinary General Meeting of Shareholders held on March 30, 2022, the following resolutions were made.

• Matters concerning dividends for shares of common stock

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

(b) Payment of interim cash dividend

At the meeting of the Board of Directors on July 26, 2022, the following resolutions were made.

• Matters concerning dividends for shares of common stock

|                                |                    |
|--------------------------------|--------------------|
| Total amount of cash dividends | 10,708 million yen |
| Cash dividends per share       | 117.50 yen         |
| Record date                    | June 30, 2022      |
| Effective date                 | September 2, 2022  |

(3) Cash dividends paid after the end of the fiscal year ended December 31, 2022

At the Ordinary General Meeting of Shareholders to be held on March 29, 2023, the following resolutions are expected to be made.

• Matters concerning dividends for shares of common stock

|                                |                    |
|--------------------------------|--------------------|
| Total amount of cash dividends | 12,914 million yen |
| Source of dividends            | Retained earnings  |
| Cash dividends per share       | 142.50 yen         |
| Record date                    | December 31, 2022  |
| Effective date                 | March 30, 2023     |

## 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, 2022, are as follows:

|                             | (Millions of yen) |            |            |
|-----------------------------|-------------------|------------|------------|
|                             | Carrying amount   | Fair value | Difference |
| (1) Investment securities   | 11,773            | 11,773     | -          |
| Assets                      | 11,773            | 11,773     | -          |
| (1) Long-term loans payable | -                 | -          | -          |
| Liabilities                 | -                 | -          | -          |
| Derivatives                 | -                 | -          | -          |

Notes:

1. Cash and time deposits, notes and accounts receivable-trade, accounts payable-trade, short-term loans payable, and income taxes payable are not included in the table above because these instruments are cash-based and their carrying amount approximates fair value because of their short-term maturities.

2. Unlisted stocks (7,921 million yen on the consolidated balance sheet) are not included in "(1) Investment securities" because quoted market prices are unavailable.

3. The carrying amount and fair value of long-term loans payable include the current portion of long-term loans payable.

Derivatives

Not applicable because no derivative transactions existed at the end of fiscal year 2022.

(3) Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels on the basis of the observability and significance of the inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

1) Financial instruments carried on the consolidated balance sheet at fair value

| Category              | Fair value (Millions of yen) |         |         |        |
|-----------------------|------------------------------|---------|---------|--------|
|                       | Level 1                      | Level 2 | Level 3 | Total  |
| Investment securities |                              |         |         |        |
| Other securities      |                              |         |         |        |
| Shares                | 11,773                       | -       | -       | 11,773 |
| Assets                | 11,773                       | -       | -       | 11,773 |

2) Financial instruments other than those carried on the consolidated balance sheet at fair value

| Category                 | Fair value (Millions of yen) |         |         |       |
|--------------------------|------------------------------|---------|---------|-------|
|                          | Level 1                      | Level 2 | Level 3 | Total |
| Long-term loans payable* | -                            | -       | -       | -     |
| Liabilities              | -                            | -       | -       | -     |

\*The amount of long-term loans payable includes the current portion of long-term loans payable.

Note: Explanation of the valuation techniques and inputs used to measure fair value

Investment securities

Listed shares are valued at market prices. Because listed shares are traded in active markets, their fair value is classified as Level 1 fair value.

Long-term loans payable

The fair value of long-term loans payable is calculated with the discounted present value method on the basis of the sum of principal and interest amounts and a discount rate that takes into account the remaining time until payment is due and credit risk, and is classified as Level 2.

## 7. Notes relating to revenue recognition

### (1) Disaggregation of revenue from contracts with customers

(Millions of yen)

|                                               | Reportable Segment |                |        |         |
|-----------------------------------------------|--------------------|----------------|--------|---------|
|                                               | Bicycle Components | Fishing Tackle | Others | Total   |
| Net sales                                     |                    |                |        |         |
| Goods to be transferred at a point in time    | 517,436            | 110,993        | 479    | 628,909 |
| Goods to be transferred over a period of time | -                  | -              | -      | -       |
| Revenue from contracts with customers         | 517,436            | 110,993        | 479    | 628,909 |
| Third parties                                 | 517,436            | 110,993        | 479    | 628,909 |

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

### (2) Information fundamental to an understanding of revenue from contracts with customers

Information fundamental to an understanding of revenue is as presented in “Notes relating to basis of presenting consolidated financial statements (4) Summary of significant accounting policies (d) Revenue and expenses.”

### (3) Information on the relationship between the satisfaction of performance obligations under contracts with customers and cash flow arising from these contracts, and information on the amount and timing of revenue expected to be recognized in future fiscal years from contracts with customers existing at the end of the fiscal year ended December 31, 2022

#### 1) Balance of receivables and contract liabilities from contracts with customers

(Millions of yen)

|                                                                     | Fiscal year ended<br>December 31, 2022 |
|---------------------------------------------------------------------|----------------------------------------|
| Receivables from contracts with customers (as of January 1, 2022)   | 52,186                                 |
| Receivables from contracts with customers (as of December 31, 2022) | 55,201                                 |
| Contract liabilities (as of January 1, 2022)                        | 7,035                                  |
| Contract liabilities (as of December 31, 2022)                      | 6,609                                  |

Contract liabilities are mainly related to advances received from customers. Contract liabilities are reversed as revenue is recognized.

#### 2) Transaction price allocated to remaining performance obligations

The Shimano Group has applied a practical expedient and omitted presentation of the transaction price allocated to remaining performance obligations because there are no material contracts for which the initially expected contract term exceeds one year.

## 8. Notes relating to per share data

- (1) Net assets per share 8,166.35 yen  
 (2) Basic earnings per share 1,408.22 yen

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

|                                                                     |                        |
|---------------------------------------------------------------------|------------------------|
| Net income attributable to owners of parent                         | 128,178 million yen    |
| Net income attributable to owners of parent related to common stock | 128,178 million yen    |
| Average number of shares of common stock outstanding                | 91,021 thousand shares |

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

<For Reference>

### **Consolidated Statement of Cash Flows**

(From January 1, 2022 to December 31, 2022)

(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 |
|--------------------------------------|--------------------------------------|--------------------------------------|------------------------------------------|
| 110,684                              | (33,378)                             | (58,422)                             | 417,266                                  |

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

## Non-consolidated Balance Sheet

(As of December 31, 2022)

(Millions of yen)

| Accounts                            | Amount  | Accounts                                   | Amount   |
|-------------------------------------|---------|--------------------------------------------|----------|
| (Assets)                            |         | (Liabilities)                              |          |
| Current assets                      | 153,626 | Current liabilities                        | 57,847   |
| Cash and time deposits              | 48,877  | Accounts payable-trade                     | 14,534   |
| Notes receivable                    | 705     | Accounts payable-other                     | 9,867    |
| Accounts receivable-trade           | 43,006  | Income taxes payable                       | 11,496   |
| Finished goods                      | 29,057  | Accrued expenses                           | 294      |
| Work in process                     | 22,283  | Deposit payable                            | 19,147   |
| Raw materials                       | 1,564   | Accrued employee bonuses                   | 355      |
| Supplies                            | 297     | Accrued officer bonuses                    | 198      |
| Accounts receivable-other           | 6,755   | Provision for product warranties           | 876      |
| Others                              | 1,084   | Others                                     | 1,076    |
| Allowance for doubtful accounts     | (4)     | Long-term liabilities                      | 516      |
| Fixed assets                        | 114,488 | Others                                     | 516      |
| Property, plant and equipment       | 67,403  | Total liabilities                          | 58,364   |
| Buildings                           | 43,377  | (Net assets)                               |          |
| Structures                          | 1,479   | Shareholders' equity                       | 206,001  |
| Plant and machinery                 | 6,602   | Common stock                               | 35,613   |
| Vehicles                            | 93      | Capital surplus                            | 5,822    |
| Tools, equipment and furniture      | 2,694   | Capital reserve                            | 5,822    |
| Land                                | 9,735   | Retained earnings                          | 177,475  |
| Leased assets                       | 59      | Legal reserve                              | 3,194    |
| Construction in progress            | 3,361   | Other retained earnings                    | 174,280  |
| Intangible assets                   | 13,297  | Unappropriated retained earnings           | 174,280  |
| Goodwill                            | 20      | Treasury stock                             | (12,909) |
| Industrial property                 | 36      | Valuation and translation adjustments      | 3,750    |
| Software                            | 8,983   | Unrealized gain (loss) on other securities | 3,750    |
| Software in progress                | 4,210   |                                            |          |
| Others                              | 46      | Total net assets                           | 209,751  |
| Investments and other assets        | 33,787  | Total liabilities and net assets           | 268,115  |
| Investment securities               | 15,154  |                                            |          |
| Subsidiaries' and affiliates' stock | 13,756  |                                            |          |
| Investments in capital              | 24      |                                            |          |
| Long-term prepaid expenses          | 272     |                                            |          |
| Prepaid pension costs               | 2,645   |                                            |          |
| Deferred income taxes               | 1,372   |                                            |          |
| Others                              | 987     |                                            |          |
| Allowance for doubtful accounts     | (426)   |                                            |          |
| Total assets                        | 268,115 |                                            |          |

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

**Non-consolidated Statement of Income**

(From January 1, 2022 to December 31, 2022)

(Millions of yen)

| Accounts                                     | Amount |         |
|----------------------------------------------|--------|---------|
| Net sales                                    |        | 368,070 |
| Cost of sales                                |        | 237,458 |
| Gross profit                                 |        | 130,612 |
| Selling, general and administrative expenses |        | 55,595  |
| Operating income                             |        | 75,017  |
| Non-operating income                         |        |         |
| Interest income                              | 240    |         |
| Dividend income                              | 10,624 |         |
| Others                                       | 1,711  | 12,576  |
| Non-operating expenses                       |        |         |
| Interest expenses                            | 267    |         |
| Others                                       | 2,126  | 2,393   |
| Ordinary income                              |        | 85,199  |
| Extraordinary losses                         |        |         |
| Loss on factory reconstruction               | 750    | 750     |
| Income before income taxes                   |        | 84,449  |
| Income taxes-current                         | 20,003 |         |
| Income taxes-deferred                        | 526    | 20,529  |
| Net income                                   |        | 63,920  |

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

## Non-consolidated Statement of Shareholders' Equity

(From January 1, 2022 to December 31, 2022)

(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           | —                     | 5,822                 |
| Changes of items during the year                     |                      |                 |                       |                       |
| Cash dividends paid                                  |                      |                 |                       |                       |
| Net income                                           |                      |                 |                       |                       |
| Acquisition of treasury stock                        |                      |                 |                       |                       |
| Disposal of treasury stock                           |                      |                 | 1                     | 1                     |
| Cancellation of treasury stock                       |                      |                 | (1)                   | (1)                   |
| Net changes of items other than shareholders' equity |                      |                 |                       |                       |
| Total changes of items during the year               | —                    | —               | —                     | —                     |
| 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                | 166,662                 | 169,856                 | (13,284)       | 198,007                    |
| Changes of items during the year                     |                      |                         |                         |                |                            |
| Cash dividends paid                                  |                      | (21,515)                | (21,515)                |                | (21,515)                   |
| Net income                                           |                      | 63,920                  | 63,920                  |                | 63,920                     |
| Acquisition of treasury stock                        |                      |                         |                         | (34,412)       | (34,412)                   |
| Disposal of treasury stock                           |                      |                         |                         | 0              | 1                          |
| Cancellation of treasury stock                       |                      | (34,786)                | (34,786)                | 34,787         | —                          |
| Net changes of items other than shareholders' equity |                      |                         |                         |                |                            |
| Total changes of items during the year               | —                    | 7,618                   | 7,618                   | 375            | 7,993                      |
| Balance at end of year                               | 3,194                | 174,280                 | 177,475                 | (12,909)       | 206,001                    |

|                                                      | Valuation and translation adjustments      |                                             | Total net assets |
|------------------------------------------------------|--------------------------------------------|---------------------------------------------|------------------|
|                                                      | Unrealized gain (loss) on other securities | Total valuation and translation adjustments |                  |
| Balance at beginning of year                         | 2,904                                      | 2,904                                       | 200,912          |
| Changes of items during the year                     |                                            |                                             |                  |
| Cash dividends paid                                  |                                            |                                             | (21,515)         |
| Net income                                           |                                            |                                             | 63,920           |
| Acquisition of treasury stock                        |                                            |                                             | (34,412)         |
| Disposal of treasury stock                           |                                            |                                             | 1                |
| Cancellation of treasury stock                       |                                            |                                             | —                |
| Net changes of items other than shareholders' equity | 845                                        | 845                                         | 845              |
| Total changes of items during the year               | 845                                        | 845                                         | 8,839            |
| Balance at end of year                               | 3,750                                      | 3,750                                       | 209,751          |

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 except for shares, etc. with no market prices

Other securities except for shares, etc. with no market prices are stated at the market value method.

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.

Shares, etc. with no market prices

Shares, etc. 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 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.

Useful lives of principal items of property, plant and equipment

Buildings are depreciated over a period of 3-50 years.

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

##### Leased assets

Leased assets related to finance lease transactions without ownership transfer

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

##### Intangible assets

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

##### Long-term prepaid expenses

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

#### (3) Provision for principal allowances and reserves

##### Allowance for doubtful accounts

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

##### Accrued employee bonuses

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

##### Accrued officer bonuses

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

##### Provision for product warranties

Provision for product warranties is recorded to provide for the expenses associated with free exchange of specific products sold in the past, in an amount corresponding to the individually-estimated expense.

##### Employee retirement benefits (Prepaid pension costs)

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) Revenue and expenses

The Company is mainly engaged in the manufacture and sale of bicycle components and fishing tackle.

Performance obligations are considered to be satisfied at the time of delivery of products or merchandise under sales contracts with customers, and revenue from the sale of products or merchandise is recognized in the amount expected to be received in return for the products or merchandise. The Company applies the alternative treatment set forth in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, recognizing revenue from products or merchandise sold within Japan at the time of shipment, as there is a normal period of time between shipment and delivery. For chargeable supplied transactions where the Company carries the obligation of buying back the supplied items, the disposal of the supplied items is not recognized.

- (5) 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.
- (6) 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).

## 2. Notes relating to changes in accounting policies

(Adoption of the Accounting Standard for Revenue Recognition, etc.)

The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. at the beginning of fiscal year ended December 31, 2022. Accordingly, the Company recognized revenue at an amount it expected to receive in exchange for a promised good or service at a time when control over such good or service was transferred to a customer.

As a result, with regard to chargeable supplied transactions within group companies, while the Company recognized the disposal of supplied items such as raw materials provided for a fee in the past, the method has been changed so that, in cases where the Company carries the obligation of buying back the supplied items, the disposal of the supplied items is not recognized.

In adopting the Revenue Recognition Accounting Standard, etc., the Company followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the Company adjusted unappropriated retained earnings as of the beginning of fiscal year ended December 31, 2022 with the cumulative effect that would be obtained if the Company retrospectively adopted the new accounting policy prior to the beginning of fiscal year ended December 31, 2022, and adopted the new accounting policy with the adjusted beginning balance. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

As a result, these changes in accounting policies do not affect the beginning balance of retained earnings and gain or loss for fiscal year ended December 31, 2022.

(Adoption of the Accounting Standard for Fair Value Measurement, etc.)

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. at the beginning of fiscal year ended December 31, 2022. According to the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will continue to adopt new accounting policies set forth by the Fair Value Measurement Accounting Standard, etc. in the future. There is no impact on the consolidated financial statements for fiscal year ended December 31, 2022.

## 3. Notes relating to non-consolidated balance sheet

- |                                                                                                                                 |                    |
|---------------------------------------------------------------------------------------------------------------------------------|--------------------|
| (1) Short-term monetary receivables from subsidiaries and affiliates                                                            | 16,052 million yen |
| Short-term monetary payables to subsidiaries and affiliates<br>(excluding the amount separately presented on the balance sheet) | 26,605 million yen |
| (2) Accumulated depreciation of property, plant and equipment                                                                   | 83,374 million yen |
| (3) Guarantee obligations                                                                                                       |                    |

| Name of guaranteed entity | Amount of guarantee                  | Details of obligations guaranteed        | Notes                                                                    |
|---------------------------|--------------------------------------|------------------------------------------|--------------------------------------------------------------------------|
| Shimano Europe B.V.       | —                                    | Trade obligations of Shimano Europe B.V. | Guarantee of business consignment related to supply chain reconstruction |
|                           | 1,909 million yen (EUR 13.5 million) | Maximum amount of guarantee              |                                                                          |

## 4. Notes relating to non-consolidated statement of income

- |                                                   |                     |
|---------------------------------------------------|---------------------|
| (1) Transactions with subsidiaries and affiliates |                     |
| Net sales                                         | 104,392 million yen |
| Goods purchased                                   | 47,722 million yen  |
| Commissions paid and storage fees                 | 19,945 million yen  |
| Non-operating transactions                        | 10,567 million yen  |

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

|                                                                                          |                |
|------------------------------------------------------------------------------------------|----------------|
| Number of shares of treasury stock at the end of the fiscal year ended December 31, 2022 | 531,034 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        | 110               |
| Enterprise tax payable                             | 686               |
| Officer retirement benefits                        | 112               |
| Loss on revaluation of other securities            | 243               |
| Loss on revaluation of golf memberships            | 130               |
| Excess of limit of allowance for doubtful accounts | 133               |
| Impairment loss                                    | 144               |
| Book in excess of tax depreciation                 | 288               |
| Devaluation loss on inventories                    | 474               |
| Goodwill                                           | 9                 |
| Provision for product warranties                   | 271               |
| Others                                             | 985               |
| Total deferred tax assets                          | <u>3,590</u>      |
| (Deferred tax liabilities)                         |                   |
| Unrealized gain on other securities                | (1,397)           |
| Prepaid pension costs                              | (820)             |
| Total deferred tax liabilities                     | <u>(2,218)</u>    |
| Net deferred tax assets                            | <u>1,372</u>      |

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

|                               |              |
|-------------------------------|--------------|
| Effective statutory tax rate  | 31.0%        |
| (Reconciliation)              |              |
| Permanent difference-expenses | 0.2%         |
| Permanent difference-income   | (3.6%)       |
| Tax credit                    | (2.8%)       |
| Others                        | (0.5%)       |
| Actual effective tax rate     | <u>24.3%</u> |

## 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 (Singapore) Pte. Ltd.           | Singapore                   | S\$ 65,994 thousand  | Manufacture and sale of bicycle components, sale of fishing tackle, and management of manufacturing subsidiaries in Asia | 100.0%                | Manufacture of the Company's products/ Officers' posts held concurrently | Dividend income                                            | 7,852                                | -                         | -                                |
| 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) | 24,877                               | Accounts payable-trade    | 4,010                            |
| Shimano North America Holding, Inc      | California, United States   | US\$ 14,000 thousand | Sale of bicycle components and fishing tackle and management of sales subsidiaries in North America                      | 95.0%                 | Sale of the Company's products                                           | Sale of bicycle components and fishing tackle (Note 1)     | 23,531                               | Accounts receivable-trade | 3,079                            |
| Shimano (Shanghai) Sales Corporation    | Shanghai, China             | US\$ 200 thousand    | Sale of bicycle components and fishing tackle                                                                            | 100.0% (100.0%)       | Sale of the Company's products                                           | Sale of bicycle components and fishing tackle (Note 1)     | 15,322                               | Accounts receivable-trade | 3,094                            |
| 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         | 17,231                           |
|                                         |                             |                      |                                                                                                                          |                       |                                                                          | Payment of interest (Note 2)                               | 240                                  |                           |                                  |

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.

Terms of trade and method for determining terms of trade, etc.:

(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 2022 is stated above.

Officers and major individual shareholders, etc.

| Type                                                                                       | Name of company or individual | Location                    | Capital        | Principal business or occupation                                        | Rate of voting rights | Relationship with the related party               | Description of transactions             | Transaction amount (Millions of yen) | Account item           | Ending balance (Millions of yen) |
|--------------------------------------------------------------------------------------------|-------------------------------|-----------------------------|----------------|-------------------------------------------------------------------------|-----------------------|---------------------------------------------------|-----------------------------------------|--------------------------------------|------------------------|----------------------------------|
| Company of which an officer or close relatives thereof holds the majority of voting rights | Taiyo Kogyo Co., Ltd.         | Sakai-ku, Sakai City, Osaka | JPY 10 million | Sale of petroleum products, real estate leasing and management business | (Owned) 0.95%         | Trading partner Officers' posts held concurrently | Purchase of industrial-use oil (Note 1) | 273                                  | Accounts payable-trade | 16                               |

The transaction amount does not include consumption taxes, etc. The ending balance includes consumption taxes, etc.

Terms of trade and method for determining terms of trade, etc.:

(Note 1) Prices are determined with the seller taking into account market prices, and payment terms are equivalent to the terms of trade with third parties.

## 8. Notes relating to revenue recognition

(Information fundamental to an understanding of revenue from contracts with customers)

Information fundamental to an understanding of revenue is presented in "Notes relating to significant accounting policies (4) Revenue and expenses."

## 9. Notes relating to per share data

(1) Net assets per share 2,314.39 yen

(2) Basic earnings per share 702.25 yen

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

|                                                      |                        |
|------------------------------------------------------|------------------------|
| Net income                                           | 63,920 million yen     |
| Net income pertaining to common shareholders         | 63,920 million yen     |
| Average number of shares of common stock outstanding | 91,021 thousand shares |

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

## Report of the Independent Auditors

February 7, 2023

The Board of Directors,  
Shimano Inc.

Seiry Audit Corporation  
Osaka Office  
Designated Partner  
Engagement Partner  
Certified Public Accountant  
Yoshihito Funakoshi  
Designated Partner  
Engagement Partner  
Certified Public Accountant  
Kentaro Nakamura

### 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, 2022 through December 31, 2022.

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 as fair and appropriate in Japan.

### Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted as fair and appropriate 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.

### Other Information

Other information refers to the business report and accompanying supplementary schedules. Management is responsible for the preparation and disclosure of other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process for other information.

Other information is not included in the scope of our opinion on the consolidated financial statements, and we express no opinion on it.

Our responsibility with respect to the audit of the consolidated financial statements is to read through other information and, in this process, to consider whether any material differences exist between other information and the consolidated financial statements or knowledge we have gained through the auditing process, as well as to remain alert for any other indications of material error in other information.

We are required to report any matter that we consider constitutes a material error in other information, based on the work we have undertaken.

We have nothing to report regarding other information.

### 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 as fair and appropriate 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 as fair and appropriate 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 as fair and appropriate 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 as fair and appropriate 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 7, 2023

The Board of Directors,  
Shimano Inc.

Seiry Audit Corporation  
Osaka Office  
Designated Partner  
Engagement Partner  
Certified Public Accountant  
Yoshihito Funakoshi  
Designated Partner  
Engagement Partner  
Certified Public Accountant  
Kentaro Nakamura

### 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 116th fiscal year from January 1, 2022 through December 31, 2022.

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, 2022, and the results of its operations for the year then ended in conformity with accounting principles generally accepted as fair and appropriate in Japan.

### Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted as fair and appropriate in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Non-consolidated 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.

### Other Information

Other information refers to the business report and accompanying supplementary schedules. Management is responsible for the preparation and disclosure of other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process for other information.

Other information is not included in the scope of our opinion on the non-consolidated financial statements and the accompanying supplementary schedules, and we express no opinion on it.

Our responsibility with respect to the audit of the non-consolidated financial statements and the accompanying supplementary schedules is to read through other information and, in this process, to consider whether any material differences exist between other information and the non-consolidated financial statements and the accompanying supplementary schedules or knowledge we have gained through the auditing process, as well as to remain alert for any other indications of material error in other information.

We are required to report any matter that we consider constitutes a material error in other information, based on the work we have undertaken.

We have nothing to report regarding other information.

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 as fair and appropriate 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 as fair and appropriate 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 as fair and appropriate 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 as fair and appropriate in Japan, assess the presentation, structure, and content of the non-consolidated financial statements and the accompanying supplementary schedules including related notes, and whether the non-consolidated financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

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

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

#### Interest

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

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

## Audit Report

In regard to the Directors' performance of their duties for the 116th fiscal year from January 1, 2022 to December 31, 2022, the Audit & Supervisory Board has prepared this Audit Report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member and reports as follows.

### 1. Method and Contents of Audits by the Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board determined the audit policies and division of duties, etc. and received reports from each Audit & Supervisory Board Member regarding the implementation status and results of their audits, in addition to which it received reports from the Directors, etc. and the Accounting Auditor regarding the status of the performance of their duties and requested explanations as necessary.
- (2) In compliance with the Audit & Supervisory Board Regulations established by the Audit & Supervisory Board and in accordance with the audit policies and division of duties, etc., each Audit & Supervisory Board Member communicated with the Directors, the internal audit department, and other employees, etc., endeavored to gather information and develop the audit environment, and conducted audits using the following methods.
  - 1) The Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings, received reports from Directors and employees, etc. regarding the status of the performance of their duties, requested explanations as necessary, viewed important decision-making documents, etc., and inspected the status of operations and assets at the head office and main business locations. Additionally, in regard to subsidiaries, the Audit & Supervisory Board Members communicated and exchanged information with the Directors and Audit & Supervisory Board Members, etc. of subsidiaries and received reports on business from subsidiaries as necessary.
  - 2) In regard to the content of resolutions of the Board of Directors regarding the development of systems to ensure that the Directors' performance of their duties complies with laws, regulations, and the Articles of Incorporation and other systems provided for in Article 100, paragraph (1) and paragraph (3) of the Ordinance for Enforcement of the Companies Act as systems necessary to ensure the appropriateness of operations of the corporate group composed of a stock company and its subsidiaries, as well as the systems developed pursuant to those resolutions (i.e., internal control systems) stated in the business report, the Audit & Supervisory Board Members periodically received reports from Directors and employees, etc. regarding the status of the establishment and operation of those systems and as necessary requested explanations and expressed opinions in regard thereto.
  - 3) In regard to the basic policy concerning control of a stock company recorded in the Company's business report (basic policy provided for in Article 118, item (iii) (a) of the Ordinance for Enforcement of the Companies Act, the efforts provided for in item (iii) (b) of that article), the Audit & Supervisory Board Members considered the contents thereof taking into account matters such as the status of deliberations at meetings of the Board of Directors and other deliberations.
  - 4) The Audit & Supervisory Board Members oversaw and verified whether the Accounting Auditor maintained an independent position and conducted an appropriate audit, received reports from the Accounting Auditor on the status of the performance of its duties, and requested explanations as necessary. Additionally, the Audit & Supervisory Board Members received notification from the Accounting Auditor that, in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005), etc., it had developed systems in order to ensure that its duties are appropriately performed (i.e., notification of the matters stated in the items of Article 131 of the Ordinance on Accounting of Companies) and requested explanations as necessary.

Using the methods above, the Audit & Supervisory Board examined the business report, the supplementary schedules thereto, the accounting documents (i.e., the balance sheet, statement of income, statement of changes in net assets, and explanatory notes to accounting documents), the supplementary schedules to the accounting documents, and the consolidated accounting documents (i.e., the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and explanatory notes to consolidated accounting

documents) for the business year.

## 2. Audit Results

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

1) We find that the business report and the supplementary schedules thereto accurately present the status of the Company in accordance with laws, regulations, and the Articles of Incorporation.

2) We do not find any misconduct nor any material fact constituting a violation of any law, regulation, or the Articles of Incorporation in relation to the Directors' performance of their duties.

3) We find the content of the resolutions of the Board of Directors regarding internal control systems to be reasonable. Additionally, we do not find any matters that should be commented upon in regard to the statements in the business report or the Directors' performance of their duties relating to the internal control systems.

4) We do not find any matters that should be commented upon in regard to the basic policy regarding persons who control the determination of financial and business policies of the Company stated in the business report. We find that the efforts provided for in Article 118, item (iii)(b) of the Ordinance for Enforcement of the Companies Act stated in the business report are in compliance with that basic policy and do not harm the common interests of the shareholders of the Company, and that their purpose is not to maintain the positions of the Directors of the Company.

### (2) Results of audit of accounting documents and supplementary schedules thereto

We find the methods and results of the audit by the Accounting Auditor, Seiryō Audit Corporation, to be reasonable.

### (3) Results of audit of consolidated accounting documents

We find the methods and results of the audit by the Accounting Auditor, Seiryō Audit Corporation, to be reasonable.

February 14, 2023

Audit & Supervisory Board, Shimano Inc.

Full-time Audit & Supervisory Board Member: Yoshihiro Hirata

Full-time Audit & Supervisory Board Member: Kiyoshi Tarutani

Outside Audit & Supervisory Board Member: Kanako Nozue

Outside Audit & Supervisory Board Member: Toshihiko Hashimoto

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