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Summary of Consolidated Financial Results for the First Half of FY2016 (Unaudited)

(January 1, 2016 – June 30, 2016) [Japanese Standard] (Consolidated)

July 26, 2016

Company Name: Shimano Inc. Stock Exchange: Tokyo, First Section
 Code Number: 7309 URL: <http://www.shimano.com>
 President: Yozo Shimano
 Vice President, Accounting: Michiyasu Hirose Telephone: +81-72-223-3254
 Date of filing of quarterly report to Ministry of Finance: August 10, 2016 Scheduled payment date for dividends: September 2, 2016
 Supplemental information: Yes
 Financial results briefing: Yes

(Amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for the First Half of FY2016 (January 1, 2016 – June 30, 2016)

(1) Consolidated income information (The percentages represent the rates of increase (decrease) compared to the corresponding prior period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Half of FY2016	166,428	(15.3)	34,163	(24.7)	31,630	(36.3)	22,922	(37.3)
First Half of FY2015	196,585	25.8	45,356	49.2	49,664	70.6	36,532	75.8

(Note) Comprehensive income (loss) First Half of FY2016: (8,442) million yen (-%) First Half of FY2015: 33,612 million yen (116.4%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First Half of FY2016	247.27		—	
First Half of FY2015	394.08		—	

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Half of FY2016	407,639	355,685	87.1
FY2015	429,080	371,298	86.3

(Reference) Shareholders' equity First Half of FY2016: 354,863 million yen FY2015: 370,385 million yen

2. Dividend information

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	77.50	—	77.50	155.00
FY2016	—	77.50	—	—	—
FY2016 (Forecast)	—	—	—	77.50	155.00

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

(Note) The cash dividend for the first half of FY2016 included a special dividend of 71.25 yen.

3. Forecasted consolidated business performance for FY2016 (January 1, 2016 - December 31, 2016)

(The percentages represent the rates of increase (decrease) compared to the corresponding prior period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2016	325,000	(14.2)	68,000	(20.1)	65,400	(35.3)	47,500	(37.7)	512.39

(Note) Change in forecasted consolidated business performance during the period: Yes

*Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries due to changes in scope of consolidation): None

(2) Application of accounting treatment specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

- | | |
|---------------------------------------------------------------------------------------|------|
| ① Changes in accounting policies in accordance with revision of accounting standards: | Yes |
| ② Changes in accounting policies other than ① above: | None |
| ③ Changes in accounting estimates: | None |
| ④ Retrospective restatement: | None |

(4) Number of shares of common stock issued

① Number of shares of common stock issued at period-end (including treasury stock):	First Half of FY2016	92,720,000 shares	FY2015	92,720,000 shares
② Number of shares of treasury stock at period-end:	First Half of FY2016	16,765 shares	FY2015	16,514 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year):	First Half of FY2016	92,703,416 shares	First Half of FY2015	92,704,256 shares

Presentation concerning quarterly review procedures

This quarterly financial report is outside the scope of quarterly review procedures pursuant to the Financial Instruments and Exchange Act and procedures for review of quarterly financial statements pursuant to the Financial Instruments and Exchange Act were not completed as of the disclosure of this quarterly financial report.

Explanation regarding the appropriate use of forecasts of business performance and other special items

The forecasts of consolidated business performance and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that management believes reasonable and actual business performance may differ materially from those described in such statements due to various factors. For details of assumptions for the forecasts and other related items, please refer to Page 3 of the attached document. Shimano Inc. accepts no liability whatsoever for any direct or consequential loss arising from any use of this document.

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

(1) Results of Operations

During the first half of fiscal year 2016, the Brexit and concerns for frequent terrorist attacks resulted in greater uncertainty concerning the economic outlook in Europe. In the U.S., while the pace of improvement in the labor market slowed down, business sentiment showed signs of improvement as weak oil prices and the strong dollar, which had been a drag on corporate earnings, moderated.

In Japan, in addition to the slowing of overseas economies including the faltering of the China economy, the impact of yen appreciation on corporate earnings is a concern. In view of these anxieties, business sentiment continued to be mixed.

In these circumstances, inspired by our mission—"To create new value and promote health and happiness through the enjoyment of nature and the world around us"—the Shimano Group sought to attract consumers with a stream of captivating products designed to enrich the experience of cyclists and anglers around the world, and moreover attuned to the contemporary emphasis on well-being and the environment.

As a result, for the first half of fiscal year 2016, net sales decreased 15.3% from the same period of the previous year to 166,428 million yen. Operating income decreased 24.7% to 34,163 million yen, ordinary income decreased 36.3% to 31,630 million yen, and net income attributable to owners of the parent decreased 37.3% to 22,922 million yen.

Business Segment Overview

① Bicycle Components

In Europe, bad weather in March and April greatly undermined retail sales of bicycles, resulting in a higher level of distributor inventories.

In North America, retail sales of completed bicycles were somewhat weaker than in the same period of the previous year. Despite a subsequent slight improvement, distributor inventories of bicycles remain high.

In China, although distributor inventories that had persisted at a high level are heading to an appropriate level, there have been no signs of recovery in retail sales of sports bicycles that have been lackluster since the previous year. As regards other major emerging markets, whereas retail sales of sports bicycles in Southeast Asia remained robust, those in South America continued to be soft because of the economic slowdown and weak currencies.

In the Japanese market, retail sales of sports bicycles, which had been robust until the previous year, lost momentum and distributor inventories have become somewhat high. Retail sales of community bicycles remained weak, continuing from the previous year.

Despite these market conditions, segment net sales for the first half of fiscal year 2016 achieved the initial target.

As a result, net sales from this segment decreased 18.6% from the same period of the previous year to 132,630 million yen, and operating income decreased 28.5% to 30,586 million yen.

② Fishing Tackle

The Japanese market got off to a flying start owing to stable weather from the beginning of the year with many opportunities to go fishing. Despite the temporary negative impact of the earthquake in Kumamoto in April on the fishing environment and the consumption trend, sales in Japan exceeded the level of the same period of the previous year.

Overseas, sales in Asia remained robust, led by South Korea and Taiwan in the East Asian market. Sales in North America, Europe, and Australia did not fully recover from the dip in the first quarter.

As a result, net sales from this segment increased 0.6% from the same period of the previous year to 33,601 million yen, and operating income increased 37.2% to 3,659 million yen.

③ Others

Net sales from other segments decreased 0.1% from the same period of the previous year to 196 million yen and operating loss of 82 million yen was recorded, following operating loss of 70 million yen for the same period of the previous year.

(2) Financial Position

① Assets, Liabilities and Net Assets

(Total assets)

Total assets as of the end of the first half of fiscal year 2016 amounted to 407,639 million yen (a decrease of 21,441 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 5,650 million yen in construction in progress, a decrease of 11,276 million yen in cash and time deposits, a decrease of 3,809 million yen in merchandise and finished goods, a decrease of 3,365 million yen in notes and accounts receivable-trade, and a decrease of 3,167 million yen in investment securities.

(Total liabilities)

Total liabilities as of the end of the first half of fiscal year 2016 amounted to 51,953 million yen (a decrease of 5,828 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 1,428 million yen in net defined benefit liability, a decrease of 4,850 million yen in income taxes payable, and a decrease of 1,880 million yen in short-term loans payable.

(Net assets)

Net assets as of the end of the first half of fiscal year 2016 amounted to 355,685 million yen (a decrease of 15,613 million yen compared with the figure as of the previous fiscal year-end). The principal factors included an increase of 15,738 million yen in retained earnings and a decrease of 29,211 million yen in foreign currency translation adjustments.

② Cash Flows

As of the end of the first half of fiscal year 2016, cash and cash equivalents amounted to 176,238 million yen, a decrease of 11,630 million yen compared with the figure as of the previous fiscal year-end.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 30,628 million yen compared with 37,043 million yen provided for the same period of the previous year. The main items included income before income taxes of 31,608 million yen and depreciation and amortization amounting to 7,579 million yen. Cash outlays included income taxes paid amounting to 13,379 million yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 16,371 million yen compared with 11,380 million yen used for the same period of the previous year. The main items included acquisition of property, plant and equipment amounting to 14,886 million yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 8,183 million yen compared with 6,633 million yen used for the same period of the previous year. The main items included cash dividends to shareholders amounting to 7,179 million yen.

(3) Forecast for the Fiscal Year Ending December 31, 2016

The forecast for the full year has been revised as below, taking into consideration the time required for adjustment of distributor inventories in the market and the impact of the trend toward a strong yen on foreign currency translation.

Revisions to consolidated business performance forecast figures for FY2016 (January 1, 2016 – December 31, 2016)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	350,000	80,000	74,500	53,360	575.60
Revised forecast (B)	325,000	68,000	65,400	47,500	512.39
Difference (B-A)	(25,000)	(12,000)	(9,100)	(5,860)	
Change (%)	(7.1)	(15.0)	(12.2)	(11.0)	
Full year results for FY2015	378,645	85,053	101,110	76,190	821.87

The Company considers the return of earnings to shareholders to be one of the most important issues for management. The Company's basic policy is to continue providing stable returns reflecting overall business performance and strategy.

In accordance with the above policy, the Company intends to pay out interim cash dividends of 77.50 yen per share, which include special dividends of 71.25 yen, unchanged from the interim cash dividends paid in the previous year. Cash dividends for the full year are expected to amount to 155 yen per share, unchanged from cash dividends in the previous year.

2. Notes relating to Summary Information

(1) Changes in Significant Subsidiaries during the Period:

Not applicable.

Changes in subsidiaries other than significant subsidiaries

During the second quarter of the fiscal year ending December 31, 2016, PRO (Taiwan) Procurement Co., Ltd. was included in the scope of consolidation due to establishment.

(2) Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements:

Not applicable.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement:

(Changes in Significant Accounting Policies)

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

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

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

These changes had no impact on the quarterly consolidated financial statements for the first half of fiscal year 2016.

(Change in the Depreciation Method)

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

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

3. Consolidated Financial Statements**(1) Consolidated Balance Sheets**

	(Millions of yen)	
	FY2015 As of Dec. 31, 2015	First Half of FY2016 As of Jun. 30, 2016
Assets		
Current assets		
Cash and time deposits	190,210	178,934
Notes and accounts receivable-trade	36,918	33,553
Merchandise and finished goods	33,635	29,825
Work in process	20,065	18,698
Raw materials and supplies	5,916	5,040
Deferred income taxes	3,556	3,222
Others	6,230	7,104
Allowance for doubtful accounts	(247)	(237)
Total current assets	296,287	276,140
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	44,081	41,922
Machinery and vehicles (net)	22,824	21,526
Land	13,409	13,093
Leased assets (net)	57	47
Construction in progress	15,735	21,386
Others (net)	5,804	5,257
Total property, plant and equipment	101,913	103,232
Intangible assets		
Goodwill	2,501	2,159
Software	4,865	4,714
Others	5,545	5,439
Total intangible assets	12,913	12,312
Investments and other assets		
Investment securities	14,058	10,890
Deferred income taxes	903	2,156
Others	3,472	3,377
Allowance for doubtful accounts	(468)	(471)
Total investments and other assets	17,966	15,953
Total fixed assets	132,793	131,498
Total assets	429,080	407,639

	(Millions of yen)	
	FY2015 As of Dec. 31, 2015	First Half of FY2016 As of Jun. 30, 2016
Liabilities		
Current liabilities		
Accounts payable-trade	11,392	12,076
Short-term loans payable	7,954	6,073
Income taxes payable	12,252	7,402
Deferred income taxes	126	70
Accrued employee bonuses	1,873	1,489
Accrued officer bonuses	216	108
Others	17,083	17,033
Total current liabilities	50,899	44,253
Long-term liabilities		
Long-term loans payable	2,068	1,544
Deferred income taxes	1,333	1,103
Net defined benefit liability	2,737	4,165
Others	744	886
Total long-term liabilities	6,883	7,700
Total liabilities	57,782	51,953
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,823	5,823
Retained earnings	311,244	326,983
Treasury stock	(90)	(94)
Total shareholders' equity	352,591	368,325
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	3,772	1,727
Foreign currency translation adjustments	14,021	(15,190)
Total accumulated other comprehensive income	17,793	(13,462)
Non-controlling interests	913	821
Total net assets	371,298	355,685
Total liabilities and net assets	429,080	407,639

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

	First Half of FY2015 Jan. 1, 2015 to Jun. 30, 2015	First Half of FY2016 Jan. 1, 2016 to Jun. 30, 2016
Net sales	196,585	166,428
Cost of sales	115,852	98,055
Gross profit	80,732	68,373
Selling, general and administrative expenses	35,376	34,209
Operating income	45,356	34,163
Non-operating income		
Interest income	639	669
Dividend income	207	183
Foreign exchange gains	3,668	—
Others	196	288
Total non-operating income	4,712	1,141
Non-operating expenses		
Interest expenses	160	82
Foreign exchange losses	—	2,927
Others	243	664
Total non-operating expenses	403	3,674
Ordinary income	49,664	31,630
Extraordinary losses		
Loss on factory reconstruction	192	21
Total extraordinary losses	192	21
Income before income taxes	49,472	31,608
Income taxes-current	13,073	8,850
Income taxes-deferred	(219)	(169)
Total income taxes	12,853	8,680
Net income	36,618	22,927
Net income attributable to non-controlling interests	85	4
Net income attributable to owners of parent	36,532	22,922

Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Half of FY2015 Jan. 1, 2015 to Jun. 30, 2015	First Half of FY2016 Jan. 1, 2016 to Jun. 30, 2016
Net income	36,618	22,927
Other comprehensive income		
Unrealized gain (loss) on other securities	1,374	(2,044)
Foreign currency translation adjustments	(4,380)	(29,325)
Total other comprehensive income	(3,006)	(31,370)
Comprehensive income	33,612	(8,442)
(Breakdown)		
Comprehensive income attributable to owners of parent	33,539	(8,310)
Comprehensive income attributable to non-controlling interests	72	(131)

(3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	First Half of FY2015	First Half of FY2016
	Jan. 1, 2015 to Jun. 30, 2015	Jan. 1, 2016 to Jun. 30, 2016
Cash flows from operating activities:		
Income before income taxes	49,472	31,608
Depreciation and amortization	7,705	7,579
Interest and dividend income	(846)	(853)
Interest expenses	160	82
Foreign exchange gains (losses)	(2,679)	891
Notes and accounts receivable	(142)	1,006
Inventories	(1,900)	586
Accounts payable	(2,710)	1,848
Net defined benefit liability	312	1,468
Provision for loss on factory reconstruction	(44)	—
Loss on factory reconstruction	192	21
Gain (loss) on sales and disposal of property, plant and equipment	(28)	112
Accrued bonuses	1,763	1,769
Others, net	(3,567)	(2,861)
Subtotal	47,686	43,261
Interest and dividend income received	847	841
Interest expenses paid	(164)	(94)
Income taxes paid	(11,325)	(13,379)
Net cash provided by operating activities	37,043	30,628
Cash flows from investing activities:		
Purchases of time deposits	(1,604)	(1,108)
Proceeds from maturities of time deposits	2,916	320
Acquisition of property, plant and equipment	(11,648)	(14,886)
Acquisition of intangible assets	(1,080)	(1,434)
Payments for loss on factory reconstruction	(104)	(26)
Others, net	141	764
Net cash used in investing activities	(11,380)	(16,371)
Cash flows from financing activities:		
Short-term loans payable, net	(1,456)	(758)
Repayment of long-term loans payable	(289)	(270)
Repayments of finance lease obligations	(8)	(9)
Acquisition of treasury stock	(7)	(4)
Cash dividends to shareholders	(4,865)	(7,179)
Proceeds from share issuance to non-controlling shareholders	—	41
Cash dividends to non-controlling shareholders	(6)	(3)
Others, net	0	—
Net cash used in financing activities	(6,633)	(8,183)
Effect of exchange rate changes on cash and cash equivalents	(94)	(17,704)
Net increase (decrease) in cash and cash equivalents	18,934	(11,630)
Cash and cash equivalents at beginning of year	152,934	187,869
Cash and cash equivalents at end of year	171,869	176,238

- (4) Notes relating to Consolidated Financial Statements
 (Note concerning Assumption of Going Concern)
 Not applicable.

(Note on Significant Change in the Amount of Shareholders' Equity)
 Not applicable.

(Additional Information)

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

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

(Segment Information)

First Half of FY2015 (Jan. 1, 2015 – Jun. 30, 2015)

1. Information on net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1) Third parties	163,002	33,386	196	196,585	—	196,585
2) Inter-segment	—	—	—	—	—	—
Total	163,002	33,386	196	196,585	—	196,585
Segment income (loss)	42,759	2,667	(70)	45,356	—	45,356

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

2. Information for loss on impairment on fixed assets, goodwill and negative goodwill, etc. by reportable segment
 Not applicable.

First Half of FY2016 (Jan. 1, 2016 – Jun. 30, 2016)

1. Information on net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
1) Third parties	132,630	33,601	196	166,428	—	166,428
2) Inter-segment	—	—	—	—	—	—
Total	132,630	33,601	196	166,428	—	166,428
Segment income (loss)	30,586	3,659	(82)	34,163	—	34,163

Notes:

1. There is no difference between total segment income (loss) and operating income in the consolidated statements of income.
 2. As described in (Changes in Significant Accounting Policies), following the amendment to the Corporation Tax Act, the Company changed the depreciation method applied to structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The depreciation method for segments has also been changed accordingly. The impact of this change on segment income for the first half of fiscal year 2016 is immaterial.
 3. As described in (Additional Information), the Company changed the discount rate for retirement benefit liability at the end of the second quarter of fiscal year 2016. As a result of this change, for the first half of fiscal year 2016, segment income of the Bicycle Components Segment and for the Fishing Tackle Segment decreased by 1,076 million yen and 409 million yen, respectively, and segment loss of the Others segment increased by 8 million yen compared with the previous method.
2. Information for loss on impairment on fixed assets, goodwill and negative goodwill, etc. by reportable segment
Not applicable.