This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Code Number: 7309
March 5, 2015

To Those Shareholders with Voting Rights

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

Notice of Convocation of the 108th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 108th Ordinary General Meeting of Shareholders of Shimano Inc.

If you are unable to attend the meeting, you can exercise your voting rights by indicating your approval or disapproval of the proposals on the enclosed ballot form and returning it or by accessing the Company's designated voting rights exercise website and exercising your voting rights by electronic means (via the Internet etc.). Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. (Japan Standard Time) on Wednesday, March 25, 2015.

1. **Date and Time:** 10:00 a.m. (Japan Standard Time), Thursday, March 26, 2015

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 108th Fiscal Year (from January 1, 2014 to December 31, 2014)
(2) Results of Audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board

Proposals to be resolved:
Proposal No. 1: Appropriation of Surplus
Proposal No. 2: Election of 6 Directors

Instructions for the Exercise of Voting Rights

(1) Exercise of Voting Rights by Post

Please indicate your approval or disapproval of the proposals on the enclosed ballot form and return it so that it arrives by 5:00 p.m. (Japan Standard Time) on Wednesday, March 25, 2015.

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

When exercising voting rights via the Internet etc., please refer to Procedures for Exercising Voting Rights via the Internet etc. on page 2 and exercise your voting rights by 5:00 p.m. (Japan Standard Time) on Wednesday, March 25, 2015.

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.

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

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

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

・If attending the General Meeting of Shareholders
The procedures for exercising voting rights by post (the ballot form) or for exercising voting rights via the Internet etc. are unnecessary.
・If not attending the General Meeting of Shareholders
1) If you exercise your voting rights by post, the procedure for exercising voting rights via the Internet etc. is unnecessary.
2) If you exercise your voting rights via the Internet etc., the procedure for exercising voting rights by post is unnecessary.

1. It is possible to exercise your voting rights via the Internet only by using the following website for exercising voting rights designated by the Company. It is also possible to access the website using a cellular telephone.
URL of the website for exercising voting rights: http://www.web54.net

2. When exercising voting rights via the Internet, after entering the voting rights code and password recorded on the enclosed ballot form, follow the instructions on the screen to record your approval or disapproval of proposals.
3. Although the exercise of voting rights via the Internet etc. is accepted until 5:00 p.m. (Japan Standard Time) on Wednesday, March 25, 2015, we request that you exercise voting rights ahead of time to facilitate tabulation of voting results.
4. In cases of duplicated exercise of voting rights by post and the Internet etc., the exercise of voting rights via the Internet etc. will be treated as the exercise of voting rights.
5. In cases of the exercise of voting rights multiple times via the Internet etc., the final exercise of voting rights will be treated as the valid exercise of voting rights.
6. The Company shall not be responsible for any charge for a dial-up connection to an Internet service provider and any telecommunication charges (call charge, etc.) to a telephone carrier incurred when using the website for exercising voting rights.

[System Environment for Exercising Voting Rights via the Internet]

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

[Inquiries Concerning Exercising Voting Rights via the Internet]

If you have any questions concerning the exercise of voting rights via the Internet, please address inquiries to the following point of contact.

Shareholder Registry Administrator: Sumitomo Mitsui Trust Bank, Limited
Dedicated number: 0120-652-031 (available from 9:00 a.m. to 9:00 p.m. (Japan Standard Time))
Inquiries other than about exercise of voting rights: 0120-782-031 (open from 9:00 a.m. to 5:00 p.m. (Japan Standard Time) on weekdays)

(Attached Documents)

BUSINESS REPORT

(From January 1, 2014 to December 31, 2014)

1. Overview of the Shimano Group

(1) Review of Operations and Results

During fiscal year 2014, as concerns about a possible rekindling of the European debt crisis receded, economic sentiment picked up somewhat. However, the pace of improvement remained slow mainly owing to deterioration of relationships with Russia triggered by the conflict in Ukraine. Meanwhile, the U.S. economy shifted to a recovery track owing to robust domestic demand centering on personal consumption as the labor market continued to improve.

In Japan, in addition to the hike of raw materials costs in line with the rapid depreciation of the yen, certain industries continued to suffer from reactionary fall from last-minute demand accompanying the consumption tax increase in April, and economic sentiment of the private sector was sluggish. Exports showed signs of improvement as movement toward depreciation of the yen strengthened while the recovery of overseas economies continued.

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, net sales increased 22.9% from the previous year to 333,168 million yen. Operating income increased 57.5% to 65,816 million yen, ordinary income increased 49.4% to 71,019 million yen, and net income increased 46.0% to 51,237 million yen.

Reportable Segment Overview

Bicycle Components

In Europe, a major market for Shimano products, retail sales continued to be buoyant following the mild winter, and distributor inventories were relatively low. In North America, which experienced an extremely harsh winter, despite a delay in the commencement of sales, retail sales were generally brisk from spring onward and comparable to the level in a typical year. As a result, distributor inventories were within an appropriate range. In Japan, despite a severe winter, retail sales of sports bicycles and mid-range and high-grade community bicycles were robust even after the consumption tax increase. Sales of community bicycles, however, were somewhat weak.

The Chinese market was strong, as sales of sports bicycles continued to grow and a shift to high-grade bicycles was also apparent. Sales growth of sports bicycles in other emerging markets with growth potential was also robust.

In these market conditions, against a backdrop of rising expectations in view of promising market trends from the next fiscal year onward, order-taking was brisk as Shimano products were relatively affordable because of the depreciation of the yen. Moreover, sales of new models released in 2014, including XTR, which are the Shimano's finest mountain bike components, ALIVIO casual mountain bike components, Tourney TX entry-level mountain bike components, 105 road bike components, and disk brakes for road bikes, were buoyant.

As a result, sales from this segment increased 26.1% from the previous year to 273,955 million yen, and operating income increased 57.0% to 62,033 million yen.

Fishing Tackle

The Japanese market got off to a smooth start thanks to stable weather from the New Year onward and longer-than-usual holidays. However, subsequently, the Japanese market lost momentum temporarily, affected by heavy snowfalls. Consumption stalled due to typhoons and heavy rain and a hike in gasoline prices and other commodity prices over the summer and the autumn. In these market conditions, Shimano exceeded the previous year's sales result because demand for high-grade products increased before the consumption tax increase in Spring and new products, including NEW STELLA, were highly regarded in

the market.

Overseas, sales in North America were robust for the full year because the weather was generally mild despite the unsettled weather in the first quarter and the launch of new products had a positive impact. In Asia, sales were also robust despite a slowdown in economic growth.

As a result, sales from this segment increased 10.2% from the previous year to 58,825 million yen, and operating income increased 64.0% to 3,943 million yen.

Others

Sales from other segments increased 2.9% from the previous year to 387 million yen and operating loss of 160 million yen was recorded, following operating loss of 135 million yen for the previous year.

1) Sales by segment

	FY2013 January 1, 2013 to December 31, 2013		FY2014 January 1, 2014 to December 31, 2014		Year-over-year change (Figures in parentheses indicate a decrease.)	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage change
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Bicycle Components	217,263	80.2	273,955	82.2	56,692	26.1
Fishing Tackle	53,398	19.7	58,825	17.7	5,427	10.2
Others	376	0.1	387	0.1	10	2.9
Total	271,037	100.0	333,168	100.0	62,130	22.9

2) Situation by segment

1. Trend of sales by segment (Millions of yen)

	FY2011 (105th) January 1, 2011 to December 31, 2011	FY2012 (106th) January 1, 2012 to December 31, 2012	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014
Bicycle Components	177,307	198,190	217,263	273,955
Fishing Tackle	43,884	47,234	53,398	58,825
Others	578	419	376	387

2. Trend of operating income by segment (Millions of yen)

	FY2011 (105th) January 1, 2011 to December 31, 2011	FY2012 (106th) January 1, 2012 to December 31, 2012	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014
Bicycle Components	29,966	39,012	39,505	62,033
Fishing Tackle	2,139	2,274	2,404	3,943
Others	(363)	(326)	(135)	(160)

Note: Figures in parentheses indicate operating loss.

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

	FY2011 (105th) January 1, 2011 to December 31, 2011	FY2012 (106th) January 1, 2012 to December 31, 2012	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014
Japan	27,782	29,569	31,545	33,243
North America	26,093	29,454	33,223	35,977
Europe	80,513	84,643	93,357	121,584
Asia	78,081	88,991	99,246	126,777
Others	9,299	13,184	13,664	15,585

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

(2) Capital Investment and Financing

Consolidated capital investment totaled 31,412 million yen during the fiscal year ended December 31, 2014. Capital investment was mainly used for reinforcing product development capabilities, increasing

production capacity and reducing cost of sales. By segment, capital investment totaled 22,534 million yen for bicycle components, 3,931 million yen for fishing tackle, 188 million yen for others, and 4,757 million yen for Company-wide (common). All capital investment was financed from cash flow and borrowings.

(Millions of yen)

	FY2011 (105th) January 1, 2011 to December 31, 2011	FY2012 (106th) January 1, 2012 to December 31, 2012	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014
Bicycle Components	8,466	13,359	15,628	22,534
Fishing Tackle	1,086	1,550	1,413	3,931
Others	20	6	10	188
Company-wide (common)	3,479	7,913	7,358	4,757
Total	13,052	22,829	24,410	31,412

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

		FY2011 (105th) January 1, 2011 to December 31, 2011	FY2012 (106th) January 1, 2012 to December 31, 2012	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014
Net sales	(Millions of yen)	221,770	245,843	271,037	333,168
Ordinary income	(Millions of yen)	31,701	39,539	47,549	71,019
Net income	(Millions of yen)	19,862	27,487	35,088	51,237
Net income per share		211.83 yen	296.50 yen	378.50 yen	552.70 yen
Net assets	(Millions of yen)	181,774	216,364	270,914	331,195
Total assets	(Millions of yen)	216,000	257,707	319,223	396,967

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

2) Assets and profits of the Company

		FY2011 (105th) January 1, 2011 to December 31, 2011	FY2012 (106th) January 1, 2012 to December 31, 2012	FY2013 (107th) January 1, 2013 to December 31, 2013	FY2014 (108th) January 1, 2014 to December 31, 2014
Net sales	(Millions of yen)	172,453	191,551	205,214	253,565
Ordinary income	(Millions of yen)	20,500	16,414	16,342	27,663
Net income	(Millions of yen)	13,511	10,274	11,897	19,835
Net income per share		144.09 yen	110.83 yen	128.33 yen	213.96 yen
Net assets	(Millions of yen)	88,204	89,246	95,731	106,943
Total assets	(Millions of yen)	110,387	116,142	125,252	146,582

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

(4) Issues to be Addressed

The moderate recovery of the European economies is expected to continue, supported by the quantitative easing by the European Central Bank and the subsequent depreciation of the euro, and falling oil prices. However, concerns remain, such as possible rekindling of the Greek crisis and slowing of the Central and Eastern European economies owing to deterioration of relationships with Russia. In the U.S., signs of an economic expansion are strengthening with robust personal consumption against the backdrop of an improvement in the labor market and recovery in economic sentiment of manufacturers. In China, whose economy is slowing, the question of whether the government will implement policies to support the economy is a focus of attention.

In Japan, because of the postponing of the consumption tax increase scheduled in October 2015, the Japanese economy is expected to recover at a moderate pace, centering on personal consumption and capital investment. Exports are likely to increase against the backdrop of a recovery in overseas economies and the fall of oil prices.

In these circumstances, the Shimano Group, while closely monitoring economic trends in Japan and overseas, is endeavoring to further enhance management efficiency. We will take the lead in the creation of new cycling culture and new sport fishing culture.

We request your continuing support in our endeavors.

(5) Principal Business Segments

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

(6) Principal Sales Offices and Factories

1) Principal operating sites of the Company

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

2) Principal operating sites of subsidiaries

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

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

(7) Employees

Segment	Number of employees	
Bicycle Components	9,795	(1,357)
Fishing Tackle	2,853	(562)
Others	220	(41)
Company-wide (common)	474	(73)
Total	13,342	(2,033)

Notes:

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

(8) Principal Lenders

Lender	Outstanding borrowings (Millions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,100
Mizuho Bank, Ltd.	2,801
Union Bank	2,736

(9) Major Subsidiaries

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

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

2. Share-related information

(1) Total number of shares authorized: 262,400,000 shares
(2) Total number of shares issued: 92,720,000 shares (including treasury stock of 15,462 shares)
(3) Number of shareholders: 6,533
(4) Major shareholders (Top 10)

Name of shareholder	Number of shares (Thousands of shares)	Percentage of ownership (%)
Minato Kosan Co., Ltd.	7,400	7.98
State Street Bank and Trust Company	5,804	6.26
Taiyo Kogyo Co., Ltd	4,040	4.36
Japan Trustee Services Bank, Ltd. (trust account)	3,944	4.25
The Master Trust Bank of Japan, Ltd. (trust account)	3,725	4.02
Three S Co., Ltd.	2,171	2.34
Nippon Life Insurance Company	2,098	2.26
CBNY-Charles Schwab FBO Customer	2,087	2.25
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,066	2.23
Resona Bank, Limited.	1,711	1.85

Note: The percentage of ownership is calculated excluding treasury stock (15,462 shares).

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

(1) Directors and Audit & Supervisory Board Members

(As of December 31, 2014)

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

Title	Name	Assignment	Significant concurrent positions
Director	Hiroshi Matsui	Senior Vice President, General Affairs Dept., General Operations Div. and Corporate Planning Div., and Head of Aifie	
Director	Kazuo Ichijo		Professor, Graduate School of International Corporate Strategy, Hitotsubashi University Adjunct Professor, International Institute for Management Development Outside Corporate Auditor, Information Services International-Dentsu, Ltd. Outside Director, CALBEE, Inc.
Full-time Audit & Supervisory Board Member	Koichi Shimazu		
Full-time Audit & Supervisory Board Member	Hideo Katsuoka		
Audit & Supervisory Board Member	Gohei Matsumoto		Certified tax accountant, Matsumoto Certified Tax Accountant Office
Audit & Supervisory Board Member	Kanako Nozue		Attorney-at-law, Tsujinaka Law Firm

Notes:

1. * Representative Director
2. Mr. Kazuo Ichijo is an Outside Director as defined in Article 2, Item 15 of the Companies Act.
3. Audit & Supervisory Board Members Gohei Matsumoto and Kanako Nozue are Outside Audit & Supervisory Board Members as defined in Article 2, Item 16 of the Companies Act.
4. The Company has filed notifications with the Tokyo Stock Exchange for all of its Outside Directors and Outside Audit & Supervisory Board Members as independent officers.
5. Audit & Supervisory Board Member Gohei Matsumoto is a certified tax accountant and possesses considerable knowledge of tax and accounting matters.
6. At the conclusion of the 107th Ordinary General Meeting of Shareholders held on March 27, 2014, Messrs. Takeshi Oi and Hideo Katsuoka retired as Directors and Mr. Toshinori Tanino retired as Audit & Supervisory Board Member upon expiration of their terms and Mr. Takayo Tsujinaka resigned as Audit & Supervisory Board Member.

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

Category	Total number of people	Total amount of remuneration for the fiscal year ended December 31, 2014 (Millions of yen)
Directors	16	516
Audit & Supervisory Board Members	6	56
Total (Outside Officers)	22 (4)	573 (25)

Notes:

1. The above numbers of Directors and Audit & Supervisory Board Members and amounts of remuneration of Directors and Audit & Supervisory Board Members include the 2 Directors and 2 Audit & Supervisory Board Members who retired or resigned at the conclusion of the 107th Ordinary General Meeting of Shareholders held on March 27, 2014, and the amount of their remuneration, respectively.
2. The above amount of remuneration of Directors includes the provision of reserve for officer bonuses amounting to 195 million yen recorded for the fiscal year ended December 31, 2014.
3. The above amounts do not include remuneration for employment by the Company and the associated payroll bonuses to Directors.
4. In addition to the above amounts, the Company paid officer retirement benefits amounting to 95 million yen to 2 Directors and officer retirement benefits amounting to 5 million yen to 1 Audit & Supervisory Board Member in accordance with the resolution at the 105th Ordinary General Meeting of Shareholders held on March 29, 2012.

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

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

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

(4) Outside Officers

1) Relationship between other companies/organizations where the Outside Officers concurrently hold positions and the Company

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

2) Principal activities in the fiscal year ended December 31, 2014

Category	Name	Activities
Director	Kazuo Ichijo	Attended all 13 meetings of the Board of Directors in the fiscal year ended December 31, 2014. He is a professor of international corporate strategy at the graduate school of Hitotsubashi University who has ample knowledge and experience in corporate management. He provides input necessary for deliberations concerning the Company's management from a long-term perspective that is based on knowledge and experience of the business world, and how that differs from the Company's existing ways of thinking.
Audit & Supervisory Board Member	Gohei Matsumoto	Attended 12 out of 13 meetings of the Board of Directors and 13 out of 14 meetings of the Audit & Supervisory Board in the fiscal year ended December 31, 2014. He provides mainly specialist counsel in the capacity of tax accountant.
Audit & Supervisory Board Member	Kanako Nozue	Attended all 10 meetings of the Board of Directors and all 10 meetings of the Audit & Supervisory Board held from her assumption of office on March 27, 2014 onward. She provides mainly specialist counsel in a legal capacity.

3) Limited liability contracts with Outside Officers

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

4. Accounting Auditor

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

(2) Amount of Compensation for the Accounting Auditor for the Fiscal Year Ended December 31, 2014

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

Notes:

1. The contract between the Company and Seiryo 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.
2. Audit firms other than Seiryo 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 it has been determined that the Accounting Auditor has violated or contravened the Companies Act, the Certified Public Accountants Act, or other laws and regulations or has conducted an inappropriate accounting audit in light of the accounting standards established by the Business Accounting Deliberation Council and that improvement cannot be expected, the Company's policy is to submit a proposal to the General Meeting of Shareholders for the dismissal or non-reappointment of the Accounting Auditor in question with the consent of the Audit & Supervisory Board or by request of the Audit & Supervisory Board.

5. Systems to Ensure the Appropriateness of Operations (Internal Control Systems)

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. Systems governing the storage and management of information relating to the execution of duties by Directors

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

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

1) The Company has instituted the Crisis Management Regulations and various other regulations as required to cope with the many business-related risks faced internally and externally. The Company is endeavoring to establish systems that facilitate quick response by providing training programs aimed at improving related internal knowledge and expertise. In particular, specific sets of rules have been instituted in important areas such as legal/regulatory compliance, environmental protection, disaster management, and information controls, along with associated efforts to boost employee awareness of such rules.
2) The internal audit organization performs internal audits of the status of operations in each part of the organization in accordance with the Operating Audit Regulations to assess the status. Any points that require improvement are noted immediately and subsequent checks are made to follow up any required changes.

3. Systems ensuring the efficient execution of duties by Directors

1) Regular meetings of the Board of Directors are convened once a month. The Board deliberates and decides matters contained in each meeting's agenda, which is created and managed in line with the Board of Directors Regulations. All board members receive in advance sufficient documentation relating to each item on the agenda to facilitate proper discussion.
2) The Board of Directors decides statutory matters relating to business policies, laws and regulations and all other important business-related matters, and oversees 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.

4. Systems ensuring the execution of duties by Directors and employees in compliance with laws, regulations and the Articles of Incorporation

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

5. 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 is establishing systems to facilitate the appointment of managers with requisite responsibilities in the areas of legal/regulatory compliance and risk management and to ensure the accurate assessment of related situations and rapid adoption of appropriate response measures.

6. Systems concerning employees who provide assistance to Audit & Supervisory Board Members and systems to ensure the independence of such staff from Directors, in the case that 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 are exclusively assigned to provide assistance to the Audit & Supervisory Board. Such personnel are outside the Directors' chain of command and operate under the direct authority of the Audit & Supervisory Board Members.

7. Systems of reporting to Audit & Supervisory Board Members applicable to Directors and employees and other reporting to Audit & Supervisory Board Members

Directors and employees shall furnish Audit & Supervisory Board Members with any necessary report or other information requested by Audit & Supervisory Board Members as quickly as possible.

8. Systems ensuring the effective implementation of other audits by Audit & Supervisory Board Members

Forums are established as necessary to facilitate exchanges of views between Audit & Supervisory Board Members and Representative Directors.

6. Basic Policy on the Control of the Company

(1) Details of the Basic Policy

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

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

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

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

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

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

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

(i) Measures for the Enhancement of Corporate Value

To maintain and further strengthen the above-mentioned sources of corporate value, the Company believes that it must continue to supply services and products that are trusted by and provide satisfaction to customers and in the coming years engage in the development and manufacture of products that respond to heightened

customer interest in the environment, health, and other matters. Also, demand for bicycle components and fishing equipment, the Company's mainstay products, is increasing in emerging markets, such as China and South America. The Company intends to implement various measures so as to earn the confidence of customers also in these emerging markets. Against that backdrop, the Company will realize medium-term to long-term enhancement of corporate value by having as its basic policies 1) the reinforcement of core competences and 2) the creation of a cycling culture and fishing culture and brand reinforcement.

(ii) Reinforcement of Corporate Governance and Shareholder Returns

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

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

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

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

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

(3) The Decisions of the Company's Board of Directors Concerning Specific Measures and the Reasons Thereof

Special Measures to Contribute to the Realization of the Basic Policy

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

Notes:
1. Regarding amounts, numbers of shares, etc. presented in this business report, any fractions less than the units indicated are rounded down. However, percentages are rounded to the nearest significant digit.
2. Consumption taxes are not included in the amounts presented in this business report.
3. Figures and information in this report are as of December 31, 2014, unless otherwise specified.

Consolidated Balance Sheet

(As of December 31, 2014)

(Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	271,386	Current liabilities	57,745
Cash and time deposits	157,841	Accounts payable-trade	16,545
Notes and accounts receivable-trade	37,272	Short-term loans payable	9,796
Merchandise and finished goods	40,150	Income taxes payable	10,995
Work in process	22,375	Deferred income taxes	292
Raw materials and supplies	5,647	Accrued employee bonuses	1,986
Deferred income taxes	3,214	Accrued officer bonuses	207
Others	5,069	Provision for sales returns	256
Allowance for doubtful accounts	(184)	Provision for loss on factory reconstruction	44
Fixed assets	125,580	Others	17,619
Property, plant and equipment	94,434	Long-term liabilities	8,027
Buildings and structures	41,692	Long-term loans payable	2,670
Machinery and vehicles	18,994	Deferred income taxes	1,308
Land	13,137	Net defined benefit liability	3,287
Leased assets	51	Others	761
Construction in progress	14,172	Total liabilities	65,772
Others	6,386	(Net assets)	
Intangible assets	13,016	Shareholders' equity	288,092
Goodwill	2,963	Common stock	35,613
Software	2,849	Capital surplus	5,823
Software development in progress	2,218	Retained earnings	246,726
Others	4,984	Treasury stock	(71)
Investments and other assets	18,129	Accumulated other comprehensive income	42,171
Investment securities	13,485	Unrealized gain (loss) on other securities	3,307
Deferred income taxes	1,303	Foreign currency translation adjustments	38,863
Others	3,833	Minority interests	931
Allowance for doubtful accounts	(492)		
		Total net assets	331,195
Total assets	396,967	Total liabilities and net assets	396,967

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

Consolidated Statement of Income

(From January 1, 2014 to December 31, 2014)

(Millions of yen)

Accounts	Amount	
Net sales		333,168
Cost of sales		203,825
Gross profit		129,342
Selling, general and administrative expenses		63,526
Operating income		65,816
Non-operating income		
Interest and dividend income	1,818	
Others	4,654	6,472
Non-operating expenses		
Interest expenses	338	
Others	930	1,269
Ordinary income		71,019
Extraordinary losses		
Loss on impairment	1,516	
Loss on factory reconstruction	950	2,466
Income before income taxes and minority interests		68,553
Income taxes-current	17,934	
Income taxes-deferred	(515)	17,418
Income before minority interests		51,134
Minority interests in net loss		103
Net income		51,237

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

Consolidated Statement of Shareholders' Equity

(From January 1, 2014 to December 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	35,613	5,822	204,388	(58)	245,765
Changes of items during the year					
Cash dividends paid			(8,899)		(8,899)
Net income			51,237		51,237
Acquisition of treasury stock				(13)	(13)
Sales of treasury stock		1		0	2
Net changes of items other than shareholders' equity					
Total changes of items during the year	−	1	42,338	(12)	42,326
Balance at end of year	35,613	5,823	246,726	(71)	288,092

	Accumulated other comprehensive income			Minority interests	Total net assets
	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of year	3,080	21,149	24,229	919	270,914
Changes of items during the year					
Cash dividends paid					(8,899)
Net income					51,237
Acquisition of treasury stock					(13)
Sales of treasury stock					2
Net changes of items other than shareholders' equity	226	17,714	17,941	12	17,953
Total changes of items during the year	226	17,714	17,941	12	60,280
Balance at end of year	3,307	38,863	42,171	931	331,195

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

Notes relating to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

(1) Consolidation

(a) The consolidated financial statements include the accounts of the Company and the following 50 subsidiaries.

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

During fiscal year 2014, the following companies were included in the scope of consolidation: Shimano Menat Spor Etkinlikleri Spor Malzemeleri ve Ekipmanlari Ticaret Limited Sirketi, Shimano Bisiklet Parca ve Ekipmanlari Satis Servis Ticaret Anonim Sirketi, Shimano Italy Bicycle Components S.R.L., and Shimano Balikcilik Malzemeleri ve Ekipmanlari Satis Ticaret Anonim Sirketi due to establishment and Douglas Johnson & Co Limited due to acquisition of shares.

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

(2) Applications of the equity method

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

(3) Fiscal year of the consolidated subsidiaries

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

(4) Summary of significant accounting policies

(a) Valuation basis and method for principal assets

Securities

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

Other securities with market prices

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

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

Other securities with no market prices

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

Inventories

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

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

Supplies are stated at the most recent purchase method.

(b) Depreciation and amortization of principal fixed assets

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Leased assets

Leased assets related to finance lease transactions with ownership transfer

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

Leased assets related to finance lease transactions without ownership transfer

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

Intangible assets

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

Long-term prepaid expenses

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

(c) Provision for principal allowances and reserves

Allowance for doubtful accounts

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

Accrued employee bonuses

Accrued employee bonuses are provided based on the projected amount sufficient to meet future payments of bonuses to employees.

Accrued officer bonuses

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

Provision for sales returns

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

Provision for loss on factory reconstruction

Provision is made based on the estimated amount of future expenses anticipated for the reconstruction of Sakai Factory.

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

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

revenue and expense accounts are translated into Japanese yen at the average rates over the fiscal year. Differences arising from translation are included in foreign currency translation adjustments and minority interest in net assets.

(e) Accounting for hedges

Method of hedge accounting

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

Hedging instrument and risk hedged

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

Hedging policy

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

Assessing the effectiveness of a hedge

Hedge accounting is applied in accordance with the "Practical Guidelines Concerning Accounting for Financial Instruments" (The Japanese Institute of Certified Public Accountants Interim Report, January 31, 2000).

(f) Method and period of amortization of goodwill

Goodwill is amortized by the straight-line method over a reasonable number of years within 20 years, based on judgment of individual items. Goodwill whose amount is immaterial is fully amortized as incurred.

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

i) Accounting for consumption taxes

All amounts stated are exclusive of consumption and local taxes.

ii) Accounting for employee retirement benefits

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

In calculating retirement benefit obligation, the straight-line attribution is applied to allocate projected retirement benefits to the periods until the end of the current fiscal year.

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

(Changes in Significant Accounting Policies)

(Adoption of "Accounting Standard for Retirement Benefits" and related matters)

Effective from the end of fiscal year 2014, the Shimano Group has adopted the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012) (excluding the main clause of Paragraph 35 of the Accounting Standard for Retirement Benefits and the main clause of Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits) and has changed to the method according to which retirement benefit obligations net of pension assets is recognized as net defined benefit liability. Also, the Company has adopted a method according to which unrecognized actuarial gains and losses and past service costs are recognized in the fiscal year during which they arise.

As a result, net defined benefit liability amounted to 3,287 million yen at the end of fiscal year 2014. This change has no impact on per share data.

(Additional Information)

(Changes in the discount rate for provision for net defined benefit liability)

The discount rate applied for calculation at the beginning of the period was 2.0%. As a result of reconsideration at the end of the second quarter of fiscal year 2014, it was determined that the change of the discount rate would have an impact on the amount of retirement benefit obligation and the discount rate was changed to 1.5%. As a result of this change, operating income, ordinary income, and income before income taxes and minority interests for fiscal year 2014, decreased by 1,055 million yen, respectively.

(Impact of change in corporation tax rates)

The "Act on Partial Amendment of the Income Tax Act, etc." (Act No. 10, 2014) was promulgated on March 31, 2014, and the Special Reconstruction Corporation Tax will no longer be imposed, effective from the fiscal year beginning on or after April 1, 2014.

Accordingly, the effective statutory tax rate used for calculating deferred tax assets and liabilities was changed from 38% for the prior fiscal year to 36% for the temporary differences that are expected to be eliminated in the fiscal year beginning on January 1, 2015.

As a result of this change in the tax rate, deferred tax assets (net of deferred tax liabilities) decreased by 79 million yen and income taxes-deferred increased by the same amount.

3. Notes relating to consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment 119,333 million yen

(2) Accounting procedure for notes receivable

As the fiscal year-end fell on a holiday for financial institutions, notes receivable with maturity dates on the fiscal year-end date were cashed on a subsequent settlement date.

The following amount of notes receivable with maturity dates on the fiscal year-end date was included in the balance of notes receivable at the fiscal year-end.

Notes receivable	31 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, 2014:

Salaries and wages	15,807 million yen
Advertising and sales promotion expenses	8,876 million yen
R&D expenses	5,528 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, 2014 11,970 million yen

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

Cost of sales 65 million yen

(4) Loss on impairment

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

Use	Category	Location	Amount
Bicycle Components	Goodwill	DashAmerica, Inc. (Pearl Izumi USA)	1,516 million yen

(Background)

As a result of reviewing the profit plan of DashAmerica, Inc., the book value of goodwill was fully impaired due to lower cash flow over the expected period was estimated.

(Method of grouping)

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

5. Notes relating to consolidated statement of shareholders' equity

(1) Total number of issued shares as of the fiscal year ended December 31, 2014 92,720,000 shares

(2) Cash dividends paid during the fiscal year ended December 31, 2014

(a) Payment of cash dividends

At the Ordinary General Meeting of Shareholders held on March 27, 2014, the following resolutions were made.

・Matters concerning dividends for shares of common stock

Total amount of cash dividends	4,032 million yen
Cash dividends per share	43.50 yen
Record date	December 31, 2013
Effective date	March 28, 2014

(b) Payment of interim cash dividend

At the meeting of the Board of Directors held on July 29, 2014, the following resolutions were made.

・Matters concerning dividends for shares of common stock

Total amount of cash dividends	4,867 million yen
Cash dividends per share	52.50 yen
Record date	June 30, 2014
Effective date	September 4, 2014

(3) Cash dividends paid after the end of the fiscal year ended December 31, 2014

At the Ordinary General Meeting of Shareholders to be held on March 26, 2015, the following resolutions are expected to be made.

・Matters concerning dividends for shares of common stock

Total amount of cash dividends	4,866 million yen
Source of dividends	Retained earnings
Cash dividends per share	52.50 yen
Record date	December 31, 2014
Effective date	March 27, 2015

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, 2014, are as follows:

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and time deposits	157,841	157,841	-
(2) Notes and accounts receivable-trade	37,272	37,272	-
(3) Investment securities	11,432	11,432	-
Assets	206,546	206,546	-
(1) Accounts payable-trade	16,545	16,545	-
(2) Short-term loans payable	8,860	8,860	-
(3) Income taxes payable	10,995	10,995	-
(4) Long-term loans payable	3,606	3,444	(162)
Liabilities	40,008	39,845	(162)
Derivatives	11	11	-

Notes:

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

Assets

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

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

(3) Investment securities

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

Liabilities

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

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

(4) Long-term loans payable

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

Derivatives

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

2. Unlisted stocks (2,053 million yen on the consolidated balance sheet) are not included in "(3) Investment securities" as it is deemed extremely difficult to determine their fair value because quoted market prices are unavailable and it is impossible to estimate future cash flows.

7. Notes relating to per share data

(1) Net assets per share 3,562.54 yen

(2) Net income per share 552.70 yen

* The basis for calculation of the net income per share is as follows:

Net income	51,237 million yen
Net income pertaining to common shareholders	51,237 million yen
Average number of shares of common stock outstanding	92,705 thousand shares

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

<For Reference>

Consolidated Statement of Cash Flows

(From January 1, 2014 to December 31, 2014)

(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
55,937	(34,705)	(7,239)	152,934

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

Non-consolidated Balance Sheet

(As of December 31, 2014)

(Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	72,588	Current liabilities	36,152
Cash and time deposits	17,172	Accounts payable-trade	16,559
Notes receivable	966	Accounts payable-other	5,308
Accounts receivable-trade	26,286	Income taxes payable	5,170
Finished goods	8,859	Accrued expenses	267
Work in process	11,252	Deposit payable	7,016
Raw materials	1,269	Accrued employee bonuses	230
Supplies	292	Accrued officer bonuses	195
Accounts receivable-other	3,403	Provision for sales returns	49
Deferred income taxes	974	Provision for loss on factory reconstruction	44
Others	2,154	Others	1,311
Allowance for doubtful accounts	(43)	Long-term liabilities	3,485
Fixed assets	73,993	Employee retirement benefits	2,801
Property, plant and equipment	41,975	Others	684
Buildings	20,777	Total liabilities	39,638
Structures	666		
Plant and machinery	4,884	(Net assets)	
Vehicles	60	Shareholders' equity	103,441
Tools, equipment and furniture	2,936	Common stock	35,613
Land	9,817	Capital surplus	5,823
Leased assets	27	Capital reserve	5,822
Construction in progress	2,805	Other capital surplus	1
Intangible assets	3,831	Retained earnings	62,075
Industrial property rights	42	Legal reserve	3,194
Software	1,837	Other retained earnings	58,881
Software development in progress	1,902	Unappropriated retained earnings	58,881
Others	49	Treasury stock	(71)
Investments and other assets	28,185	Valuation and translation adjustments	3,502
Investment securities	10,152	Unrealized gain (loss) on other securities	3,502
Subsidiaries' and affiliates' stock	11,900		
Investments	25		
Long-term loans to subsidiaries and affiliates	3,707		
Long-term prepaid expenses	552		
Deferred income taxes	1,155		
Others	1,717		
Allowance for doubtful accounts	(1,025)		
		Total net assets	106,943
Total assets	146,582	Total liabilities and net assets	146,582

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

Non-consolidated Statement of Income

(From January 1, 2014 to December 31, 2014)

(Millions of yen)

Accounts	Amount	
Net sales		253,565
Cost of sales		200,231
Gross profit		53,334
Selling, general and administrative expenses		34,311
Operating income		19,023
Non-operating income		
Interest income	378	
Dividend income	6,844	
Others	2,085	9,307
Non-operating expenses		
Interest expenses	107	
Others	559	667
Ordinary income		27,663
Extraordinary losses		
Loss on factory reconstruction	966	966
Income before income taxes		26,697
Income tax-current	6,895	
Income tax-deferred	(34)	6,861
Net income		19,835

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

Non-consolidated Statement of Shareholders' Equity

(From January 1, 2014 to December 31, 2014)

(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				
Sales of treasury stock			1	1
Net changes of items other than shareholders' equity				
Total changes of items during the year	-	-	1	1
Balance at end of year	35,613	5,822	1	5,823

	Shareholders' equity				
	Retained earnings			Treasury stock	Total shareholders' equity
	Legal reserve	Other retained earnings	Total retained earnings		
		Unappropriated retained earnings			
Balance at beginning of year	3,194	47,945	51,139	(58)	92,516
Changes of items during the year					
Cash dividends paid		(8,899)	(8,899)		(8,899)
Net income		19,835	19,835		19,835
Acquisition of treasury stock				(13)	(13)
Sales of treasury stock				0	2
Net changes of items other than shareholders' equity					
Total changes of items during the year	-	10,935	10,935	(12)	10,924
Balance at end of year	3,194	58,881	62,075	(71)	103,441

	Valuation and translation adjustments		Total net assets
	Unrealized gain (loss) on other securities	Total valuation and translation adjustments	
Balance at beginning of year	3,214	3,214	95,731
Changes of items during the year			
Cash dividends paid			(8,899)
Net income			19,835
Acquisition of treasury stock			(13)
Sales of treasury stock			2
Net changes of items other than shareholders' equity	287	287	287
Total changes of items during the year	287	287	11,212
Balance at end of year	3,502	3,502	106,943

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

Notes relating to Non-consolidated Financial Statements

1. Basis of presenting non-consolidated financial statements

(1) Valuation basis and method for principal assets

Securities

Subsidiaries' and affiliates' stocks

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

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

Other securities with market prices

Other securities with market prices are stated at closing quoted prices at the balance sheet date.
Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.
Realized gains and losses on sales of these securities are credited or charged to income, with cost determined on the moving average basis.

Other securities with no market prices

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

Inventories

Inventories held for sale in the ordinary course of business are stated at cost (the book value devaluation method based on decline in profitability).
Finished goods, merchandise, work in process and raw materials are stated at cost determined by the weighted average method.
Supplies are stated at the most recent purchase method.

(2) Depreciation and amortization of principal fixed assets

Property, plant and equipment

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

Property, plant and equipment are depreciated principally by the former declining-balance method.
Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.
Buildings (excluding building fixtures) acquired on or after April 1, 1998, are depreciated by the former straight-line method.

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

Property, plant and equipment are depreciated principally by the declining-balance method.
Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.
Buildings (including building fixtures) are depreciated by the straight-line method.
Depreciation periods of principal items of property, plant and equipment
Buildings are depreciated over a period of 7-50 years.
Plant and machinery are depreciated over a period of 9-12 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 based on the projected amount sufficient to meet future payments of bonuses to employees.

Accrued officer bonuses

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

Provision for sales returns

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

Provision for loss on factory reconstruction

Provision is made based on the estimated amount of future expenses anticipated for the reconstruction of Sakai Factory.

Employee retirement benefits

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

In calculating retirement benefit obligation, the straight-line attribution is applied to allocate projected retirement benefits to the periods until the end of the current fiscal year.

(Additional Information)

(Changes in the discount rate for provision for employee retirement benefits)

The discount rate applied for calculation at the beginning of the period was 2.0%. As a result of reconsideration at the end of the second quarter of fiscal year 2014, it was determined that the change of the discount rate would have an impact on the amount of retirement benefit obligation and the discount rate was changed to 1.5%. As a result of this change, operating income, ordinary income, and income before income taxes for fiscal year 2014, decreased by 1,055 million yen, respectively.

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

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

(5) Accounting for hedges

Method of hedge accounting

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

Hedging instrument and risk hedged

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

Hedging policy

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

Assessing the effectiveness of a hedge

Hedge accounting is applied in accordance with the "Practical Guidelines Concerning Accounting for Financial Instruments" (The Japanese Institute of Certified Public Accountants Interim Report, January 31, 2000).

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

Accounting for consumption taxes

All amounts stated are exclusive of consumption and local taxes.

2. Notes relating to non-consolidated balance sheet

(1) Short-term monetary receivables from subsidiaries and affiliates 12,274 million yen

Short-term monetary payables to subsidiaries and affiliates 19,961 million yen

(2) Accumulated depreciation of property, plant and equipment 55,242 million yen

(3) Guaranteed liability

Company name	Amount	Remarks
Shimano Oceania Holdings Pty. Ltd. and Shimano Australia Fishing Pty. Ltd.	271 million yen (AU$ 2,765 thousand)	Guarantee for bank borrowings
Shimano (Lianyungang) Industrial Co., Ltd.	361 million yen (US$ 3,000 thousand)	
Shimano Australia Cycling Pty. Ltd.	139 million yen (AU$ 1,420 thousand)	
Shimano Oceania Holdings Pty. Ltd. and Douglas Johnson & Co Limited.	337 million yen (NZ$ 3,590 thousand)	

(4) Accounting procedure for notes receivable

As the fiscal year-end fell on a holiday for financial institutions, notes receivable with maturity dates on the fiscal year-end date were cashed on the subsequent settlement date.

The following amount of notes receivable with maturity dates on the fiscal year-end date was included in the balance of notes receivable at the fiscal year-end.

Notes receivable 31 million yen

3. Notes relating to non-consolidated statement of income

(1) Transactions with subsidiaries and affiliates

Net sales	57,495 million yen
Goods purchased	117,519 million yen
Commissions paid and storage fees	6,981 million yen
Non-operating transactions	7,038 million yen

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

Cost of sales (99) million yen

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

Number of shares of treasury stock at the end of the fiscal year ended December 31, 2014 15,462 shares

5. Notes relating to deferred tax accounting

(1) Significant components of deferred tax assets and liabilities

(Deferred tax assets)	(Millions of yen)
Excess of limit of accrued employee bonuses	82
Enterprise tax payable	453
Officer retirement benefits	197
Excess of limit of employee retirement benefits	1,008
Unrealized gain on other securities	67
Loss on revaluation of other securities	663
Book in excess of tax depreciation	0
Loss on revaluation of golf memberships	154
Excess of limit of allowance for doubtful accounts	381
Provision for loss on factory reconstruction	15
Loss on impairment	234
Book in excess of tax depreciation for small sum assets	210
Devaluation loss on inventories	336
Others	363
Total deferred tax assets	4,167
(Deferred tax liabilities)	
Unrealized gain (loss) on other securities	(2,037)
Total deferred tax liabilities	(2,037)
Net deferred tax assets	2,129

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

Effective statutory tax rate	38.0%
(Reconciliation)	
Permanent difference-expenses	0.6%
Permanent difference-income	(9.1%)
Tax credit	(3.6%)
Adjustments of previous year	(0.3%)
Others	0.1%
Actual effective tax rate	25.7%

(3) Impact of change in corporation tax rates

The “Act on Partial Amendment of the Income Tax Act, etc.” (Act No. 10, 2014) was promulgated on March 31, 2014, and the Special Reconstruction Corporation Tax will no longer be imposed, effective from the fiscal year beginning on or after April 1, 2014.

Accordingly, the effective statutory tax rate used for calculating deferred tax assets and liabilities was changed from 38% for the prior fiscal year to 36% for the temporary differences that are expected to be eliminated in the fiscal year beginning on January 1, 2015.

As a result of this change in the tax rate, deferred tax assets (net of deferred tax liabilities) decreased by 74 million yen and income tax-deferred increased by the same amount.

6. Notes on related party transactions

Subsidiaries

Company name	Location	Common stock	Principal business	Ownership	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
Shimano (Singapore) Pte. Ltd.	Singapore	S$ 65,994 thousand	Manufacture of bicycle components	100%	Manufacture of the Company's products Officers' posts held concurrently	Purchase of bicycle components (Note 1)	39,590	Accounts payable-trade	1,687
Shimano Components (Malaysia) Sdn. Bhd.	Johor, Malaysia	RM 18,000 thousand	Manufacture of bicycle components and fishing tackle	100% (100%)	Manufacture of the Company's products Officers' posts held concurrently	Purchase of bicycle components and fishing tackle (Note 1)	58,573	Accounts payable-trade	9,185
Shimano American Corporation	California, U.S.A.	US$ 14,000 thousand	Sale of bicycle components and fishing tackle	92%	Sale of the Company's products Officers' posts held concurrently	Sale of bicycle components and fishing tackle (Note 1)	11,699	Accounts receivable-trade	1,670
						Repayment of loans	1,013	Loans (Note 2)	4,400
						Receipt of interest	132		

Transaction amounts do not include consumption taxes.

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

Notes:

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

7. Notes relating to per share data

(1) Net assets per share 1,153.60 yen

(2) Net income per share 213.96 yen

* The basis for calculation of the net income per share is as follows:

Net income	19,835 million yen
Net income pertaining to common shareholders	19,835 million yen
Average number of shares of common stock outstanding	92,705 thousand shares

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

Copy of the Accounting Auditor's Report concerning Consolidated Financial Statements

Report of the Independent Auditors

January 30, 2015

The Board of Directors,
Shimano Inc.

Seiryo Audit Corporation

Representative and Engagement Partner
Certified Public Accountant
Go Kagaya
Representative and Engagement Partner
Certified Public Accountant
Yoshihito Funakoshi

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements of Shimano Inc. for the fiscal year from January 1, 2014 to December 31, 2014, that is, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of shareholders' equity, and notes relating to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Audit Opinion

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

Conflicts of Interest

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

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

Copy of the Accounting Auditor's Report

Report of the Independent Auditors

January 30, 2015

The Board of Directors,
Shimano Inc.

Seiryo Audit Corporation

Representative and Engagement Partner
Certified Public Accountant
Go Kagaya
Representative and Engagement Partner
Certified Public Accountant
Yoshihito Funakoshi

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements of Shimano Inc. for the 108th fiscal year from January 1, 2014 to December 31, 2014, that is, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of shareholders' equity, and notes relating to the non-consolidated financial statements, as well as the supplementary schedules.

Management's Responsibility for the Non-consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Audit Opinion

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

Conflicts of Interest

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

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

Copy of the Audit Report by the Audit & Supervisory Board

Audit Report

Based on the audit reports prepared by each Audit & Supervisory Board Member and due deliberation of such, the Audit & Supervisory Board has prepared this audit report on the execution of duties by the Directors for the 108th fiscal year from January 1, 2014 to December 31, 2014, and hereby submits it as follows:

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

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

Pursuant to the Audit & Supervisory Board Regulations determined by the Audit & Supervisory Board and in accordance with the auditing policies and allocation of duties, each Audit & Supervisory Board Member undertook communications with Directors, personnel of an internal audit organization, and other employees; gathered information; and contributed to the development of the auditing environment within the Company. At the same time, the Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings; received execution status reports from Directors and employees concerning their respective duties; requested explanations as necessary; reviewed documents that record approval of material matters; and conducted investigations regarding the status of the business operations and assets at the Company's head office and other major sites. In addition, regarding the situation of establishment and operation of internal control systems (defined here as any systems necessary for ensuring that the execution of duties by Directors recorded in the business report is in full compliance with laws and regulations and the Company's Articles of Incorporation and to maintaining the suitability of other operations of the Company as a Japanese joint-stock corporation in accordance with Article 100, Paragraph 1 and 3, of the Enforcement Regulations of the Companies Act), including the content of any related resolutions and decisions made by the Board of Directors, the Audit & Supervisory Board Members periodically received reports from Directors, employees, etc., requested explanations as necessary, and expressed opinions. The Audit & Supervisory Board Members examined the content of the basic policy concerning control of a stock company recorded in the Company's business report (Article 118, Item 3 (i) Basic Policy and (ii) Measures of the Enforcement Regulations of the Companies Act) on the basis of the status of deliberations at meetings of the Board of Directors and other meetings. With regard to majority-owned subsidiaries, the Audit & Supervisory Board Members undertook communications and exchanges of information with the Directors and Audit & Supervisory Board Members of these subsidiaries and received reports on their businesses, as necessary. Through the above methods, we reviewed business reports and supplementary schedules pertaining to the fiscal year in question.

Our audit involved an investigation of the independence of the Accounting Auditor and checks on the appropriateness of the financial audit performed by the Accounting Auditor. We also received execution status reports from the Accounting Auditor and requested explanations as necessary. Furthermore, we received from the Accounting Auditor a notice to the effect that its internal systems for ensuring the appropriate execution of duties (in respect of all those aspects listed in Article 131 of the Corporate Calculation Regulations pertaining to the Companies Act) were in conformity with the "Quality Control Standards for Audits" (FSA Business Accounting Council, October 28, 2005) and requested explanations as necessary. Through the above methods, we reviewed the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of shareholders' equity, and notes relating to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of shareholders' equity, and notes relating to the consolidated financial statements) of the Company pertaining to the fiscal year in question.

2. Results of audit

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

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

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

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

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

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

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

(3) Results of audit of the consolidated financial statements

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

February 6, 2015

Audit & Supervisory Board, Shimano Inc.
Full-time Audit & Supervisory Board Member: Koichi Shimazu
Full-time Audit & Supervisory Board Member: Hideo Katsuoka
Outside Audit & Supervisory Board Member: Gohei Matsumoto
Outside Audit & Supervisory Board Member: Kanako Nozue

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

Reference Documents for the General Meeting of Shareholders

Proposal No. 1 Appropriation of Surplus

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

In accordance with this basic policy, we propose payment of the year-end dividends for fiscal year 2014 as detailed below.

As the Company has paid an interim dividend of 52.50 yen per share, the annual dividend will amount to 105.00 yen per share.

(1) Type of dividend property: Cash

(2) Matters concerning the allotment of dividend property to shareholders and the total amount
52.50 yen per share of the Company's common stock, for a total amount of 4,866,988,245 yen
Breakdown:
Ordinary dividend 6.25 yen
Special dividend 46.25 yen

(3) Effective date of dividends from surplus
March 27, 2015 (Friday)

Proposal No. 2 Election of 6 Directors

The term of office for the following 5 Directors will expire at the close of this General Meeting of Shareholders: Messrs. Keiji Kakutani, Shinji Wada, Satoshi Yuasa, Chia Chin Seng, and Kazuo Ichijo. Accordingly, we request the re-election of these 5 Directors as well as the election of Mr. Tomohiro Ohtsu as the 6th and new candidate for the position of Director.

The candidates for Directors are listed below.

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions		Number of shares of the Company held
1	Keiji Kakutani (May 20, 1950)	Oct. 1974 Oct. 1996 Feb. 1997 Mar. 1998 Jan. 2001 Jan. 2005 Mar. 2005 Jan. 2006 Mar. 2010 Jan. 2013	Joined Shimano Inc. Vice President, Accounting Dept. Director and Senior Vice President, Accounting Dept. Director and Senior Vice President, Accounting and Information Systems Dept. Director and Senior Vice President, Accounting Dept. and Information Systems Dept. Director and Head of General Operations Div., Accounting Dept., and Information Systems Dept. Executive Vice President and Head of General Operations Div., Accounting Dept., and Information Systems Dept. Executive Vice President and Head of General Operations Div. Senior Executive Vice President and Head of General Operations Div. Senior Executive Vice President and Head of General Operations Div. and Internal Control Office (to present)	7,540 shares
2	Shinji Wada (Mar. 31, 1952)	Mar. 1970 Oct. 1992 Feb. 2001 Jan. 2003 Mar. 2005 Mar. 2010 Mar. 2014	Joined Shimano Inc. President, Shimano (Kunshan) Bicycle Components Co., Ltd. Senior Executive Vice President, Shimano Italia S.p.A. President, Shimano Czech Republic s.r.o. Vice President, Production Dept., Shimano Inc. Director and Senior Vice President, Production Dept., Bicycle Components Div. Executive Vice President, Production, Bicycle Components Div., Production Engineering, and Global Procurement Div. Senior Executive Vice President, Chief Manufacturing Officer (to present)	4,173 shares
3	Satoshi Yuasa (Apr. 21, 1954)	Mar. 1977 Dec. 1994 May 1998 Mar. 2005 Jan. 2006 Jan. 2009 Oct. 2012 Jan. 2014	Joined Shimano Inc. Senior Executive Vice President, Shimano American Corporation President, Shimano Europe Holding B.V. Director, Shimano Inc. Director and Senior Vice President, Sales Dept., Bicycle Components Div. Director and Head of Lifestyle Gear Div. Executive Vice President and Head of Lifestyle Gear Div., and Sales, Bicycle Components Div. Executive Vice President and Head of Bicycle Components Div. (to present)	297 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions		Number of shares of the Company held
4	Chia Chin Seng (Apr. 11, 1960)	Feb. 1992 Jan. 2002 Mar. 2011 Sep. 2011 Aug. 2014	Director, Shimano Components (Malaysia) Sdn. Bhd. President, Shimano Components (Malaysia) Sdn. Bhd. Director, Shimano Inc. (to present) President, Shimano (Tianjin) Bicycle Components Co., Ltd. President, Shimano (Singapore) Pte. Ltd.; President, Shimano Components (Malaysia) Sdn. Bhd.; Chairman, Shimano (Kunshan) Bicycle Components Co., Ltd.; Chairman and President, Shimano (Tianjin) Bicycle Components Co., Ltd. (to present)	0 shares
5	Tomohiro Ohtsu (Mar. 12, 1965)	Mar. 1987 Jan. 2008 Jan. 2012	Joined Shimano Inc. Head of Production Engineering Div. Head of Production Engineering Div. and Shimano Research Laboratories (to present)	100 shares
6	Kazuo Ichijo (Oct. 13, 1958)	Mar. 1987 Apr. 1995 Apr. 2001 Jun. 2001 Apr. 2003 Mar. 2005 Jun. 2005 Jun. 2009 Jun. 2011	Completed doctoral program, Graduate School of Social Sciences, Hitotsubashi University Earned a doctorate, Graduate School of Management, University of Michigan Professor, Graduate School of Social Sciences and Graduate School of International Corporate Strategy, Hitotsubashi University (to present) Outside Corporate Auditor, Information Services International-Dentsu, Ltd. (to present) Adjunct Professor, International Institute for Management Development (to present) Director, Shimano Inc. (to present) Outside Director, Namco Bandai Holdings Inc. Outside Director, CALBEE, Inc. (to present) Outside Director, Commerce Link Inc.	3,868 shares

Notes:

1. No conflict of interest exists between the Company and the above candidates.
2. Mr. Kazuo Ichijo is a candidate for Outside Director.
   (Notes concerning the candidate for Outside Director)
   (1) Mr. Kazuo Ichijo is a professor at the graduate school of Hitotsubashi University. His knowledge of international business strategy makes him an extremely valuable person for ensuring the appropriateness of the execution of the Company's business. His tenure of office as an Outside Director of the Company will be 10 years at the conclusion of this General Meeting of Shareholders.
   (2) Although Mr. Kazuo Ichijo has no experience of direct involvement in corporate management, as a university professor specializing in international corporate strategy, he has wide-ranging knowledge of and deep insight into corporate management. The Company believes he can appropriately execute the duties of an Outside Director.
   (3) The Company has entered into a limited liability contract with Mr. Kazuo Ichijo, whereby his liability is limited to the amount provided for by laws and regulations. Upon approval of the reappointment of Mr. Kazuo Ichijo, the Company intends to maintain the above-mentioned limited liability contract with him.
   (4) The Company has filed notifications with the Tokyo Stock Exchange for Mr. Kazuo Ichijo as an independent officer.