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Code Number: 7309
March 5, 2020

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 113th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 113th 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, 2020.

1. **Date and Time:** 10:00 a.m. (Japan Standard Time), Thursday, March 26, 2020
(The reception desk will open at 9:00 a.m.)

2. **Venue:** **Manufacturing Technology Center, Shimano Inc. Head Office**
3-77 Oimatsu-cho, Sakai-ku, Sakai City, Osaka

3. **Agenda:**

Matters to be reported:
(1) The Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 113th Fiscal Year (from January 1, 2019 to December 31, 2019)
(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 9 Directors
Proposal No. 3: Election of 1 Audit & Supervisory Board Member
Proposal No. 4: Election of 1 Substitute Audit & Supervisory Board Member

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, 2020.

(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 3 and exercise your voting rights by 5:00 p.m. (Japan Standard Time) on Wednesday, March 25, 2020.

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.
* If any necessary revisions are made to the contents of the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements or Consolidated Financial Statements up to the day before the General Meeting of Shareholders, revisions will be notified by posting on the

Company’s website (https://www.shimano.com).

[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: https://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, 2020, 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.

[Inquiries Concerning Exercising Voting Rights via the Internet]

If you have any questions about the use of a personal computer, etc. 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
Stock Transfer Agency Web Support
Dedicated number: 0120-652-031 (open from 9:00 a.m. to 9:00 p.m. (Japan Standard Time))
Please address other inquiries to the following point of contact.
Shareholder Registry Administrator: Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency Business Planning Dept.
0120-782-031 (open from 9:00 a.m. to 5:00 p.m. (Japan Standard Time) on weekdays)

Reference Documents for the General Meeting of Shareholders

Proposal No. 1 Appropriation of Surplus

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

In accordance with the above policy, we propose payment of the year-end dividends for fiscal year 2019, as detailed below.

As the Company has paid an interim dividend of 77.50 yen per share, the annual dividend will amount to 155.00 yen per share.

(1) Type of dividend property: Cash

(2) Matters concerning the allotment of dividend property to shareholders and the total amount:
77.50 yen per share of the Company's common stock, for a total amount of 7,184,306,420 yen

(3) Effective date of dividends from surplus:
March 27, 2020 (Friday)

Proposal No. 2 Election of 9 Directors

The terms of office of the following 9 Directors will expire at the close of this General Meeting of Shareholders: Messrs. Yozo Shimano, Taizo Shimano, Takashi Toyoshima, Yoshihiro Hirata, Masahiro Tsuzaki, Kiyoshi Tarutani, Hiroshi Matsui, Masahiro Ohtake, and Kinji Kiyotani. Accordingly, we request the election of 9 Directors.

The candidates for Directors are listed below.

Mr. Takuma Kanai is a new candidate.

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
1	Yozo Shimano (Nov. 12, 1948) Reappointment	Mar. 1974 Joined Shimano Inc. Feb. 1986 Director and Vice President, Sales Planning Dept. Dec. 1987 Director and Vice President, Domestic Fishing Tackle Sales Dept. Sep. 1990 Director and Head of Fishing Operations Div. Jan. 1995 Representative Director and Senior Executive Vice President Mar. 2001 Representative Director and President (to present) Significant concurrent positions: Chairman, Shimano (Singapore) Pte. Ltd. Chairman, Shimano Components (Malaysia) Sdn. Bhd. President and Representative Director, Taiyo Kogyo Co., Ltd. Chairman, Japan Fishing Tackle Manufacturers Association Reasons for nomination as a candidate for Director: Having served as the head of divisions and in other key posts, Mr. Yozo Shimano has been responsible for the Company's management as Representative Director and President of the Company since 2001 and has been contributing to the Company's development. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management and fulfill duties as a Director, the Company has nominated him as a candidate for Director.	752,100 shares
2	Taizo Shimano (Dec. 17, 1966) Reappointment	Sep. 1991 Joined Shimano Inc. Jul. 2004 Vice President and Factory Manager, Shimano (Kunshan) Bicycle Components Co., Ltd. Apr. 2006 Vice President, Marketing Dept., Bicycle Components Div. Jan. 2010 Head of Fishing Operations Div. Mar. 2010 Director and Head of Fishing Operations Div. Mar. 2016 Executive Vice President and Head of Fishing Operations Div. Jan. 2018 Executive Vice President, Supervising of Fishing Operations Div. and Chief of Marketing Officer, Bicycle Components Div. Jan. 2019 Executive Vice President, Head of Bicycle Components Div. and Vice President, Marketing Dept., Sales Administration Dept., Bicycle Components Div. Mar. 2019 Senior Executive Vice President, Head of Bicycle Components Div. and Vice President, Marketing Dept., Sales Administration Dept., Bicycle Components Div. Jul. 2019 Senior Executive Vice President, Head of Bicycle Components Div. and Vice President, Marketing Dept., Bicycle Components Div. (to present) Reasons for nomination as a candidate for Director: Having served as Vice President of marketing departments and the head of divisions, as well as in other key posts, Mr. Taizo Shimano has been contributing to the Company's development. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management and fulfill duties as a Director, the Company has nominated him as a candidate for Director.	108,385 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
3	Takashi Toyoshima (Jun. 12, 1956) Reappointment	Oct. 2001 General Manager, Imaging Systems Development Dept. and General Manager, Imaging Systems Purchasing Dept., Imaging Systems Company, Olympus Optical Co., Ltd. Apr. 2002 Division Manager, Imaging Systems Development & Purchasing Division and General Manager, Design Office, Olympus Optical Co., Ltd. Oct. 2002 Managing Director, Olympus Hong Kong and China Ltd. Oct. 2004 Director and Division Manager, Imaging Systems Purchasing Group, General Manager, Components Business Promotion Dept., and General Manager, Imaging Systems OEM Procurement Dept., Olympus Imaging Corp. May 2007 Joined Shimano Inc. Technology Advisor, Bicycle Components Div. Jan. 2008 Vice President, System Engineering Dept., Bicycle Components Div. Mar. 2010 Director and Vice President, System Engineering Dept., Bicycle Components Div. Mar. 2016 Executive Vice President and Chief of Technology Officer Jan. 2017 Executive Vice President, Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept. and SMA (Shimano Modular Architecture) Development Dept., Bicycle Components Div. Jan. 2018 Executive Vice President, Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept., SMA (Shimano Modular Architecture) Development Dept. and Product R&D Dept., Bicycle Components Div. Jan. 2019 Executive Vice President, Head of SDM (Shimano Digital Manufacturing) Development Div., Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept., Bicycle Components Div. Mar. 2019 Senior Executive Vice President, Head of SDM (Shimano Digital Manufacturing) Development Div., Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept., Bicycle Components Div. Aug. 2019 Senior Executive Vice President, Head of SDM (Shimano Digital Manufacturing) Development Div., Vice President, Assembly Engineering Dept., SDM Development Div., Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept., Bicycle Components Div. Jan. 2020 Senior Executive Vice President, Head of SDM (Shimano Digital Manufacturing) Development Div., Vice President, Assembly Engineering Dept., Shimano Research Laboratories, SDM Development Div., Chief of Technology Officer, Bicycle Components Div. and Vice President, Technology R&D Dept., Bicycle Components Div. (to present) Reasons for nomination as a candidate for Director: Having served as Vice President of development departments and the head of divisions, as well as in other key posts, Mr. Takashi Toyoshima has been contributing to the Company's development. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management and fulfill duties as a Director, the Company has nominated him as a candidate for Director.	2,100 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
4	Masahiro Tsuzaki (May 12, 1956) Reappointment	Mar. 1980 Joined Shimano Inc. Jan. 2006 Vice President, Corporate Communications Jan. 2009 Vice President, Corporate Communications & Human Resources Dept., General Operations Div. Jan. 2010 Vice President, Corporate Communications Dept. and Human Resources Dept., General Operations Div. Mar. 2010 Director and Vice President, Corporate Communications Dept. and Human Resources Dept., General Operations Div. Mar. 2016 Executive Vice President, Chief of Human Resources and Corporate Communications Officer, General Operations Div. Jul. 2016 Executive Vice President, Chief of Human Resources and Corporate Communications Officer, General Operations Div. and Vice President, Corporate Communications Dept. Jan. 2018 Executive Vice President, Chief of Human Resources, Corporate Communications and General Affairs Officer, General Operations Div. and Vice President, Corporate Communications Dept. Mar. 2018 Executive Vice President, Vice President, Corporate Communications Dept., General Operations Div. and Supervising of Human Resources Dept., General Affairs Dept., and Lifestyle Gear Div. Mar. 2019 Executive Vice President, Vice President, Corporate Communications Dept., General Operations Div., Supervising of Human Resources Dept., General Affairs Dept., and Lifestyle Gear Div. and Chief of Internal Auditing Officer Jan. 2020 Executive Vice President, Head of General Operations Div., Vice President, Corporate Communications Dept., General Operations Div., Supervising of Lifestyle Gear Div. and Chief of Internal Auditing Officer (to present) Reasons for nomination as a candidate for Director: Having served as Vice President of administration departments, including Corporate Communications and Human Resources, and in other key posts, Mr. Masahiro Tsuzaki has been contributing to the Company's development. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management and fulfill duties as a Director, the Company has nominated him as a candidate for Director.	6,000 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
5	Kiyoshi Tarutani (Nov. 2, 1959) Reappointment	Mar. 1982 Joined Shimano Inc. Jul. 1994 Vice President, Shimano (Kunshan) Bicycle Components Co., Ltd. Jan. 2004 Vice President, Quality Control Div. Jan. 2008 President, Shimano (Singapore) Pte. Ltd. Mar. 2010 Director, Shimano Inc. Jan. 2013 Director and Vice President, Quality Control Div. Jan. 2020 Senior Vice President, Vice President, Quality Control Dept. and Chief of Headquarters Manufacturing Officer, Bicycle Components Div. (to present) Reasons for nomination as a candidate for Director: Having served in Quality Control and other departments, Mr. Kiyoshi Tarutani has been striving to strengthen the Company's quality control systems. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management and fulfill duties as a Director, the Company has nominated him as a candidate for Director.	2,800 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
6	Hiroshi Matsui (Feb. 8, 1961) Reappointment	Mar. 2005 Managing Director, Mizuho Capital Markets (UK) Limited Apr. 2008 General Manager, Syndicated Finance Structuring Div., Mizuho Corporate Bank, Ltd. Jul. 2011 Joined Shimano Inc. Vice President, Corporate Administration Dept., General Operations Div. Jan. 2012 Vice President, Corporate Administration Dept. and General Affairs Dept., General Operations Div. Mar. 2012 Director and Vice President, General Affairs Dept., General Operations Div. and Corporate Planning Dept. Jan. 2013 Director and Vice President, General Affairs Dept., General Operations Div., and Corporate Planning Dept., and Head of Aifie Div. Jan. 2016 Director and Vice President, General Operations Div., Supervising of General Affairs Dept. and Accounting Dept. and in charge of Business Administration Dept.; Corporate Planning Dept. and Head of Aifie Div. Jul. 2017 President, Shimano North America Holding, Inc. (to present) Jan. 2018 Senior Vice President, Vice President, Business Administration Dept., General Operations Div.; Corporate Planning Dept., and Head of Aifie Div. Jan. 2019 Senior Vice President, Supervising of Business Administration Dept., General Operations Div., Vice President, Corporate Planning Dept., General Operations Div. and Head of Aifie Div. Jan. 2020 Senior Vice President, Vice President, Corporate Planning Dept., General Operations Div. and Head of Aifie Div. (to present) Significant concurrent positions: President, Shimano North America Holding, Inc. Reasons for nomination as a candidate for Director: Having served in Business Administration, Corporate Planning, and other departments, Mr. Hiroshi Matsui has been contributing to the Company's development. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management and fulfill duties as a Director, the Company has nominated him as a candidate for Director.	1,100 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
7	Masahiro Ohtake (Jan. 11, 1963) Reappointment	Oct. 2014 Principal, Hay Consulting Group Co., Ltd. Jan. 2016 Joined Shimano Inc. Vice President in charge of Human Resources Planning, Human Resources Dept., General Operations Div. Jul. 2016 Vice President, Human Resources Dept., General Operations Div. Mar. 2018 Senior Vice President, Vice President, Human Resources Dept., General Operations Div. Jan. 2020 Senior Vice President, Vice President, Human Resources Dept., General Operations Div. and Supervising of General Affairs Dept., General Operations Div. (to present) Reasons for nomination as a candidate for Director: Having served in Human Resources, Mr. Masahiro Ohtake has been contributing to the Company's development. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management and fulfill duties as a Director, the Company has nominated him as a candidate for Director.	1,000 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
8	Kinji Kiyotani (Jan. 28, 1960) Reappointment	Mar. 1984 Joined Shimano Inc. Jan. 2012 Vice President, Production Dept., Fishing Operations Div. Jan. 2018 Head of Fishing Operations Div. and Vice President, Production Dept., Fishing Operations Div. Mar. 2018 Senior Vice President, Head of Fishing Operations Div. and Vice President, Production Dept., Fishing Operations Div. Jul. 2019 Senior Vice President, Head of Fishing Operations Div. Jan. 2020 Senior Vice President, Head of Fishing Operations Div. and Vice President, Domestic Sales Dept., Fishing Operations Div. (to present) Reasons for nomination as a candidate for Director: Having served as Vice President of Production and the head of divisions, and in other key posts, Mr. Kinji Kiyotani has been contributing to development of the Company's fishing operations. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management and fulfill duties as a Director, the Company has nominated him as a candidate for Director.	1,100 shares

Candidate No.	Name (Date of birth)	Career summary, position, assignment, and significant concurrent positions	Number of shares of the Company held
9	Takuma Kanai (Apr. 29, 1967) New candidate	Apr. 1991 Joined The Industrial Bank of Japan, Limited Mar. 2011 Associate Director-General, International Operations Div., Mizuho Corporate Bank, Ltd. Oct. 2013 Deputy General Manager, Ho Chi Minh City Branch, Mizuho Bank, Ltd. Aug. 2018 Joined Shimano Inc. Vice President in charge of Business Administration Dept., General Operations Div. Jan. 2019 Vice President, Business Administration Dept., General Operations Div. and Vice President, SIT Development Dept., SDM (Shimano Digital Manufacturing) Development Div. Jan. 2020 Vice President, Business Administration Dept., General Operations Div. Reasons for nomination as a candidate for Director: Utilizing his knowledge based on a wealth of experience in business management and international business, Mr. Takuma Kanai has served in Business Administration and other departments and been contributing to the Company's development. Considering that based on his wealth of experience and achievements, he is able to make decisions on important matters concerning overall management and fulfill duties as a Director, the Company has nominated him as a candidate for Director.	0 shares

Note: No conflict of interest exists between the Company and the above candidates.

Proposal No. 3 Election of 1 Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Mr. Koichi Shimazu will expire at the close of this General Meeting of Shareholders. Accordingly, we request the election of 1 Audit & Supervisory Board Member.

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

The candidate for Audit & Supervisory Board Member is listed below.

Mr. Yoshihiro Hirata is a new candidate for the position of Audit & Supervisory Board Member.

Name (Date of birth)	Career summary, position and significant concurrent positions		Number of shares of the Company held
Yoshihiro Hirata (Jul. 21, 1955) New candidate	Mar. 1979	Joined Shimano Inc.	4,500 shares
	Jan. 2002	Vice President, Sales Dept., Bicycle Components Div.	
	Jan. 2006	Vice President, Accounting Dept. and Information Systems Dept., General Operations Div.	
	Mar. 2006	Director and Vice President, Accounting Dept. and Information Systems Dept., General Operations Div.	
	Apr. 2007	Director and Vice President, Accounting Dept., Information Systems Dept. and Internal Control Office, General Operations Div.	
	Jan. 2013	Director and Vice President, Accounting Dept. and Information Systems Dept., General Operations Div.	
	Jan. 2014	Director and Head of Lifestyle Gear Div.	
	Mar. 2014	Executive Vice President and Head of Lifestyle Gear Div.	
	Jan. 2017	Executive Vice President, Head of General Operations Div. and Supervising of Lifestyle Gear Div.	
	Mar. 2017	Executive Vice President, Head of General Operations Div., Supervising of Lifestyle Gear Div. and Chief of Internal Auditing Officer	
	Mar. 2018	Executive Vice President, Head of General Operations Div. and Chief of Internal Auditing Officer	
	Mar. 2019	Executive Vice President and Head of General Operations Div.	
	Jan. 2020	Executive Vice President and Supervising of Business Administration Dept. and Accounting Dept., General Operations Div. (to present)	
	Reasons for nomination as a candidate for Audit & Supervisory Board Member: Mr. Yoshihiro Hirata has served as Vice President of accounting and administration departments and in other key posts. Considering that based on his wealth of experience and advanced knowledge of tax affairs and accounting, he is able to supervise the Company's management and fulfill duties as an Audit & Supervisory Board Member, the Company has nominated him as a candidate for Audit & Supervisory Board Member.		

Note: No conflict of interest exists between the Company and the above candidate.

Proposal No. 4 Election of 1 Substitute Audit & Supervisory Board Member

The tenure of Substitute Audit & Supervisory Board Member Mr. Yukihiro Kondo ceases effective at the beginning of this General Meeting of Shareholders. Accordingly, to prepare for a contingency in which the number of Audit & Supervisory Board Members falls below the minimum stipulated by laws and regulations, we request the election of 1 Substitute Outside Audit & Supervisory Board Member.

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

The candidate for Substitute Audit & Supervisory Board Member is listed below.

Name (Date of birth)	Career summary and significant concurrent positions		Number of shares of the Company held
Yukihiro Kondo (Feb. 1, 1947)	Apr. 1965	Official, Ministry of Finance	0 shares
	Jul. 2004	Deputy Assistant Regional Commissioner, First Large Enterprise Examination Dept., Osaka Regional Taxation Bureau	
	Jul. 2005	District Director, Minami Tax Office	
	Sep. 2006	Opened certified tax accountant office (to present)	
	Reasons for nomination as a candidate for Substitute Audit & Supervisory Board Member: Mr. Yukihiro Kondo has no experience of direct involvement in corporate management. However, considering that based on his wealth of experience as a tax accountant and advanced knowledge about tax affairs and accounting, he is able to supervise the Company's management and fulfill duties as an Audit & Supervisory Board Member, the Company has nominated him as a candidate for Substitute Outside Audit & Supervisory Board Member.		

Notes: 1. No conflict of interest exists between the Company and the above candidate.

2. Mr. Yukihiro Kondo is a candidate for Substitute Outside Audit & Supervisory Board Member.

(Notes concerning the candidate for Outside Audit & Supervisory Board Member)

(1) Mr. Yukihiro Kondo is a certified tax accountant. His knowledge of tax affairs and accounting makes him an extremely valuable person for ensuring the legal compliance of the execution of the Company's business.

(2) When Mr. Yukihiro Kondo assumes the position of Outside Audit & Supervisory Board Member, the Company intends to enter into a limited liability agreement with him, whereby his liability will be limited to the amount provided for by laws and regulations.

(3) When Mr. Yukihiro Kondo assumes the position of Outside Audit & Supervisory Board Member, the Company intends to file a notification with the Tokyo Stock Exchange for Mr. Yukihiro Kondo as an independent officer.

[Reference] Independence Criteria for Outside Officers

The Company's Board of Directors has determined the criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members (hereinafter collectively called, "Outside Officers") as follows:

1) If none of the following attributes applies to an Outside Officer, the Company judges that such Outside Officer is independent from the Company. (*1)

1. A major shareholder of the Company (holding 10% or more of the voting rights of the Company at the end of the most recent fiscal year) or an executive officer (*2) thereof
2. A person whose major business partner (*3) is the Company or an executive officer thereof
3. A person who is a major business partner of the Company or an executive officer thereof
4. A person engaged in auditing of the Company or any of its consolidated subsidiaries as the Accounting Auditor of the Company or a consolidated subsidiary or as an employee thereof
5. An attorney-at-law, judicial scrivener, patent attorney, certified public accountant, certified tax accountant, consultant, etc. who has received cash or other property exceeding 10 million yen from the Company in the most recent fiscal year other than officer remuneration (or if such person is an organization, such as a corporation or an association, a person who is affiliated with an organization whose revenue from the Company exceeds 2% of its annual revenue)
6. A principal lender to the Company (a lender whose name is indicated in the business report for the most recent fiscal year) or an executive officer thereof
7. A person who has received a donation exceeding 10 million yen from the Company in the most recent fiscal year (or if such person is an organization, such as a corporation or an association, an executive officer of an organization whose revenue from the Company exceeds 2% of its annual revenue)
8. A person to whom any of 1 to 7 above applied in the most recent three fiscal years
9. A spouse or relative within the second degree of kinship of a person to whom any of 1 to 8 above applies (only a significant person)
10. A spouse or relative within the second degree of kinship of an executive officer of the Company or a subsidiary (if a person is an employee, only a significant person)
11. A spouse or relative within the second degree of kinship of an executive officer of the Company or a subsidiary (if a person is an employee, only a significant person) in the most recent three fiscal years
12. In addition to the preceding items, a person who has a special reason that prevents him/her fulfilling his/her duty as an independent Outside Officer, such as a risk of causing permanent conflict of interest with the Company
13. Even in the case of a person to whom any of the preceding items applies, if the Company considers the person is appropriate as an independent Outside Officer in light of his/her personality and insight, etc., the Company may appoint such person as an Outside Officer, provided that the Company explains the reasons why the Company considers him/her appropriate as an Outside Officer to external parties.

2) An Outside Officer who is considered to be independent in accordance with the Criteria shall notify the Company immediately if he/she loses his/her independence.

*1. An investigation shall be conducted to the extent that is economical and reasonable.

*2. An executive officer is a person to whom any of the following applies.

1) An executive director, an executive or any other officer who executes business of a corporation etc.
2) An employee who executes business, a person who executes duties stipulated in Article 598, Paragraph 1 of the Companies Act, or any person with a similar role
3) An employee

*3. A major business partner is a person to whom sales exceed 2% of annual consolidated sales for the most recent fiscal year.

(Attached Documents)

BUSINESS REPORT

(From January 1, 2019 to December 31, 2019)

1. Overview of the Shimano Group

(1) Review of Operations and Results

During fiscal year 2019, in Europe, the economic recovery stagnated owing to the sense of uncertainty associated with the Brexit problem in the UK, while personal consumption backed by improved employment and income environments underpinned the economy. The U.S. economy remained solid, backed by a firm footing in favorable employment and income environments, despite concerns about the course of the U.S.-China trade friction. In Japan, despite a trend toward gradual recovery in personal consumption, corporate business conditions were lackluster due to worldwide protectionist movements and the pace of economic recovery slowed down.

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

As a result, for fiscal year 2019, net sales increased 4.4% from the previous year to 363,230 million yen. Operating income increased 3.5% to 68,010 million yen, ordinary income decreased 5.6% to 69,471 million yen, and net income attributable to owners of parent decreased 3.9% to 51,833 million yen.

Reportable Segment Overview

Bicycle Components

In Europe, continued good weather conditions supported favorable retail sales of completed bicycles, mainly sport E-BIKE, and distributor inventories of bicycles in Europe generally remained at an appropriate level.

In North America, although total retail unit sales of completed bicycles slightly decreased, the sales amount remained at the same level as the previous year partly due to increased sales unit prices. Distributor inventories generally remained at an appropriate level.

In China, retail sales of completed bicycles remained at the same level as the previous year as the downward trend that persisted until last year has begun to slow and stopped. Distributor inventories remained at an appropriate level.

With regard to the other emerging markets, the Brazilian market saw sluggish retail sales due to the impact of political instability, and the Argentine market remained stagnant due to the effects of currency depreciation. Distributor inventories generally remained at an appropriate level except for the Argentine market.

In the Japanese market, although sales of middle- to high-end sports bicycles were sluggish, the sales amount remained at the same level as the previous year partly due to increased sales unit prices driven by stronger demand for cross bike and E-BIKE for commuting to work and school. Distributor inventories remained at an appropriate level.

Under these market conditions, the new Deore XT and SLX high-end MTB components, and GRX middle- to high-end gravel road components were well received in the market. Also, the SHIMANO STEPS sport E-BIKE components continued to remain favorable as with the previous year.

As a result, net sales from this segment increased 4.6% from the previous year to 290,038 million yen, and operating income increased 1.0% to 57,850 million yen.

Fishing Tackle

In the Japanese market, retail sales were steady until September, but ended up at the same level as the previous year following the stagnation due to the impact of typhoons after October.

Overseas, in the North American market, sales were solid as the firm economy provided support, despite some impact from bad weather conditions. In Europe, although overall sales were sluggish, signs of recovery were seen in some countries on the continent, and sales in the UK recovered and underpinned the market. In Asia, sales of sports fishing-related products continued to be favorable in China. In Australia, sales were sluggish as the market stagnated due to bad weather conditions which hindered the start of the

fishing season.

Under these market conditions, sales in Japan exceeded the previous year's level as sales of middle to high price-range reels, including new products, were robust, while rods were also well received centering on lure-related products, along with strong sales of new products overseas, such as SLX DC and STRADIC.

As a result, net sales from this segment increased 3.4% from the previous year to 72,838 million yen, and operating income increased 19.6% to 10,219 million yen.

Others

Net sales from this segment decreased 0.7% from the previous year to 353 million yen and an operating loss of 59 million yen was recorded, following an operating loss of 107 million yen for the previous year.

1) Sales by segment

	FY2018 January 1, 2018 to December 31, 2018		FY2019 January 1, 2019 to December 31, 2019		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	277,243	79.7	290,038	79.8	12,795	4.6
Fishing Tackle	70,436	20.2	72,838	20.1	2,402	3.4
Others	355	0.1	353	0.1	(2)	(0.7)
Total	348,035	100.0	363,230	100.0	15,194	4.4

2) Situation by segment

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

	FY2016 (110th) January 1, 2016 to December 31, 2016	FY2017 (111th) January 1, 2017 to December 31, 2017	FY2018 (112th) January 1, 2018 to December 31, 2018	FY2019 (113th) January 1, 2019 to December 31, 2019
Bicycle Components	259,455	270,206	277,243	290,038
Fishing Tackle	63,143	65,220	70,436	72,838
Others	399	373	355	353

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

	FY2016 (110th) January 1, 2016 to December 31, 2016	FY2017 (111th) January 1, 2017 to December 31, 2017	FY2018 (112th) January 1, 2018 to December 31, 2018	FY2019 (113th) January 1, 2019 to December 31, 2019
Bicycle Components	57,874	57,410	57,250	57,850
Fishing Tackle	6,842	7,013	8,544	10,219
Others	(170)	(72)	(107)	(59)

Note: Figures in parentheses indicate operating loss.

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

	FY2016 (110th) January 1, 2016 to December 31, 2016	FY2017 (111th) January 1, 2017 to December 31, 2017	FY2018 (112th) January 1, 2018 to December 31, 2018	FY2019 (113th) January 1, 2019 to December 31, 2019
Japan	37,004	38,305	41,180	40,734
North America	35,215	35,770	35,855	36,664
Europe	123,009	128,347	140,049	150,140
Asia	113,517	116,513	115,220	119,982
Others	14,251	16,863	15,729	15,709

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

(2) Capital Investment and Financing

Consolidated capital investment totaled 25,698 million yen during the fiscal year ended December 31, 2019. Capital investment was mainly used for reinforcing product development capabilities, increasing production capacity and improving production efficiency. By segment, capital investment totaled 17,046 million yen for bicycle components, 2,196 million yen for fishing tackle, 16 million yen for others, and 6,438 million yen for Company-wide (common). All capital investment was financed from cash flow.

(Millions of yen)

	FY2016 (110th) January 1, 2016 to December 31, 2016	FY2017 (111th) January 1, 2017 to December 31, 2017	FY2018 (112th) January 1, 2018 to December 31, 2018	FY2019 (113th) January 1, 2019 to December 31, 2019
Bicycle Components	20,379	11,989	16,139	17,046
Fishing Tackle	2,882	1,601	2,064	2,196
Others	25	2	2	16
Company-wide (common)	8,395	1,663	6,678	6,438
Total	31,683	15,257	24,884	25,698

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

		FY2016 (110th) January 1, 2016 to December 31, 2016	FY2017 (111th) January 1, 2017 to December 31, 2017	FY2018 (112th) January 1, 2018 to December 31, 2018	FY2019 (113th) January 1, 2019 to December 31, 2019
Net sales	(Millions of yen)	322,998	335,800	348,035	363,230
Operating income	(Millions of yen)	64,546	64,351	65,687	68,010
Ordinary income	(Millions of yen)	70,002	55,748	73,588	69,471
Net income attributable to owners of parent	(Millions of yen)	50,964	38,443	53,931	51,833
Basic earnings per share		549.76 yen	414.69 yen	581.77 yen	559.15 yen
Net assets	(Millions of yen)	391,381	430,465	453,457	489,236
Total assets	(Millions of yen)	443,954	488,770	503,845	538,769

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

2) Assets and profits of the Company

		FY2016 (110th) January 1, 2016 to December 31, 2016	FY2017 (111th) January 1, 2017 to December 31, 2017	FY2018 (112th) January 1, 2018 to December 31, 2018	FY2019 (113th) January 1, 2019 to December 31, 2019
Net sales	(Millions of yen)	181,215	191,088	204,851	221,040
Operating income	(Millions of yen)	26,849	26,359	29,708	30,446
Ordinary income	(Millions of yen)	31,216	31,483	38,609	35,342
Net income	(Millions of yen)	22,224	23,509	30,418	27,201
Basic earnings per share		239.73 yen	253.60 yen	328.13 yen	293.43 yen
Net assets	(Millions of yen)	127,387	137,233	151,611	164,551
Total assets	(Millions of yen)	157,594	177,440	192,781	204,778

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

(4) Issues to be Addressed

There are concerns that the U.S.-China trade issues, heightened geopolitical risks in the Middle East, and the spread of infection by the new coronavirus will impact the global economy. In addition, the economy in Europe threatens to decelerate due to the Brexit turmoil. In the U.S., expanded personal

consumption is expected to lead a continued economic recovery, while there exists a possibility that the economic climate will be affected by how the presidential election unfolds. In Japan, the pace of economic recovery is estimated to be quite moderate due to a reaction to the rush demand before the consumption tax increase, and slowdowns in employment and income improvements.

In these circumstances, the Company, while closely monitoring economic trends in Japan and overseas, is endeavoring to further enhance management efficiency. We will strive for sustainable corporate growth by pursuing the creation of new cycling and fishing culture.

We request your continuing support in our endeavors.

(5) Principal Business Segments

Segment	Description of main businesses
Bicycle Components	Manufacture and sale of derailleurs and other drive components, brakes and other braking components, other bicycle components and related goods
Fishing Tackle	Manufacture and sale of reels, rods and other recreational fishing gear
Others	Manufacture and sale of rowing-related equipment, etc.

(6) Principal Sales Offices and Factories

1) Principal operating sites of the Company

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

2) Principal operating sites of subsidiaries

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

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

(7) Employees

Segment	Number of employees	
Bicycle Components	8,049	(1,597)
Fishing Tackle	2,546	(527)
Others	196	(41)
Company-wide (common)	589	(73)
Total	11,380	(2,238)

Notes:

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

(8) Principal Lenders

Lender	Outstanding borrowings (Millions of yen)
MUFG Union Bank, N.A.	2,673
MUFG Bank, Ltd.	470

(9) Major Subsidiaries

Company name	Common stock	Ownership %	Principal business
Shimano (Singapore) Pte. Ltd.	S$ 65,994 thousand	100	Manufacture and sale of bicycle components, sale of fishing tackle, and management of manufacturing subsidiaries in Asia
Shimano Components (Malaysia) Sdn. Bhd.	RM18,000 thousand	100 (100)	Manufacture and sale of bicycle components and manufacture of fishing tackle
Shimano Europe B.V.	EUR 5,148 thousand	100	Sale of bicycle components and fishing tackle and management of sales subsidiaries in Europe
Shimano North America Holding, Inc.	US$ 14,000 thousand	99	Sale of bicycle components and fishing tackle and management of sales subsidiaries in North America
Shimano (Kunshan) Bicycle Components Co., Ltd.	US$ 34,500 thousand	100 (100)	Manufacture and sale of bicycle components
Shimano Sales Co., Ltd.	JPY 277 million	100	Sale, repair and storage of bicycle components; repair and storage of fishing tackle
Shimano (Tianjin) Bicycle Components Co., Ltd.	US$ 24,000 thousand	100 (100)	Manufacture and sale of bicycle components

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

2. Share-related information

(1) Total number of shares authorized: 262,400,000 shares
(2) Total number of shares issued: 92,720,000 shares (including treasury stock of 19,272 shares)
(3) Number of shareholders: 6,234
(4) Major shareholders (Top 10)

Name of shareholder	Number of shares (Thousands of shares)	Percentage of ownership (%)
Minato Kosan Co., Ltd.	7,715	8.32
The Master Trust Bank of Japan, Ltd. (trust account)	6,469	6.98
Japan Trustee Services Bank, Ltd. (trust account)	5,136	5.54
Taiyo Kogyo Co., Ltd.	4,060	4.38
JP MORGAN CHASE BANK 380055	3,687	3.98
Three S Co., Ltd.	2,171	2.34
Nippon Life Insurance Company	2,098	2.26
MUFG Bank, Ltd.	2,066	2.23
Japan Trustee Services Bank, Ltd. (trust account 9)	1,848	1.99
Resona Bank, Limited.	1,711	1.85

Note: The percentage of ownership is calculated excluding treasury stock (19,272 shares).

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

(1) Directors and Audit & Supervisory Board Members

(As of December 31, 2019)

Title	Name	Assignment	Significant concurrent positions
President Representative Director	Yozo Shimano	Chairman of the Board	Chairman, Shimano (Singapore) Pte. Ltd. Chairman, Shimano Components (Malaysia) Sdn. Bhd. President and Representative Director, Taiyo Kogyo Co., Ltd. Chairman, Japan Fishing Tackle Manufacturers Association
Deputy President Representative Director	Keiji Kakutani		
Senior Executive Vice President	Taizo Shimano	Head of Bicycle Components Div. Vice President, Marketing Dept., Bicycle Components Div.	
Senior Executive Vice President	Takashi Toyoshima	Head of SDM (Shimano Digital Manufacturing) Development Div. Chief of Technology Officer, Bicycle Components Div. Vice President, Technology R&D Dept., Bicycle Components Div.	
Executive Vice President	Yoshihiro Hirata	Head of General Operations Div.	
Executive Vice President	Masahiro Tsuzaki	Vice President, Corporate Communications Dept., General Operations Div. Supervising of Human Resources Dept., General Affairs Dept., and Lifestyle Gear Div. Chief of Internal Auditing Officer	
Executive Vice President	Chia Chin Seng		President, Shimano (Singapore) Pte. Ltd. President, Shimano Components (Malaysia) Sdn. Bhd. Chairman, Shimano (Kunshan) Bicycle Components Co., Ltd. Chairman and President, Shimano (Tianjin) Bicycle Components Co., Ltd.

Title	Name	Assignment	Significant concurrent positions
Director	Kiyoshi Tarutani	Vice President, Quality Control Dept.	
Director	Hiroshi Matsui	Supervising of Business Administration Dept., General Operations Div. Vice President, Corporate Planning Dept., General Operations Div. Head of Aifie Div.	President, Shimano North America Holding, Inc.
Director	Tomohiro Ohtsu	Chief of Manufacturing Officer, Bicycle Components Div. Vice President, Shimano Research Laboratories	
Director	Masahiro Ohtake	Vice President, Human Resources Dept., General Operations Div.	
Director	Kinji Kiyotani	Head of Fishing Operations Div.	
Director	Tamotsu Yoshida	Vice President, Global Procurement Dept. in charge of Overseas Factories Vice President, Production Control Dept., SDM Development Div.	
Director	Kazuo Ichijo		Professor, Dean, School of International Corporate Strategy, Hitotsubashi University Business School Visiting Professor, International Institute for Management Development Outside Director, Information Services International-Dentsu, Ltd. Outside Director, PIA Corporation Outside Director, World Co., Ltd.
Director	Mitsuhiro Katsumaru		Of Counsel, SHIBA INTERNATIONAL Law Offices Outside Director, TAIYO NIPPON SANSO CORPORATION Adjunct Instructor, Graduate Program for Public Policy Studies, Kyoto University School of Government Adjunct Instructor, Graduate School of Law, Kyoto University
Director	Sadayuki Sakakibara		Outside Director, Nippon Telegraph and Telephone Corporation Honorary Chair, Japan Business Federation (Keidanren) Outside Director, Nitori Holdings Co., Ltd. Chairman of the Board, Outside Director, Japan Investment Corporation
Full-time Audit & Supervisory Board Member	Koichi Shimazu		
Full-time Audit & Supervisory	Hideo Katsuoka		

Board Member			
Audit & Supervisory Board Member	Kanako Nozue		Attorney-at-law, Tsujinaka Law Firm
Audit & Supervisory Board Member	Toshihiko Hashimoto		Certified Tax Accountant, Hashimoto Certified Tax Accountant Office Outside Auditor, JA Hyogominami Auditor, Kakogawa Sangyokaikan Co., Ltd.

Notes:

1. Directors Kazuo Ichijo, Mitsuhiro Katsumaru, and Sadayuki Sakakibara are Outside Directors as defined in Article 2, Item 15 of the Companies Act.
2. Audit & Supervisory Board Members Kanako Nozue and Toshihiko Hashimoto are Outside Audit & Supervisory Board Members as defined in Article 2, Item 16 of the Companies Act.
3. The Company has filed notifications with Tokyo Stock Exchange, Inc. for all of its Outside Directors and Outside Audit & Supervisory Board Members as independent officers.
4. Audit & Supervisory Board Member Toshihiko Hashimoto is a certified tax accountant and possesses considerable knowledge of tax and accounting matters.
5. Senior Executive Vice President Shinji Wada and Executive Vice President Satoshi Yuasa retired upon expiration of their terms of office at the close of the 112th Ordinary General Meeting of Shareholders held on March 26, 2019.
6. The changes made to the assignment of Directors after December 31, 2019, are as follows:

Name	Before the change	After the change	Date of change
Takashi Toyoshima	Head of SDM (Shimano Digital Manufacturing) Development Div. Chief of Technology Officer, Bicycle Components Div. Vice President, Technology R&D Dept., Bicycle Components Div.	Head of SDM (Shimano Digital Manufacturing) Development Div. Vice President, Assembly Engineering Dept., Shimano Research Laboratories, SDM Development Div. Chief of Technology Officer, Bicycle Components Div. Vice President, Technology R&D Dept., Bicycle Components Div.	As of January 1, 2020
Yoshihiro Hirata	Head of General Operations Div.	Supervising of Business Administration Dept. and Accounting Dept., General Operations Div.	As of January 1, 2020
Masahiro Tsuzaki	Vice President, Corporate Communications Dept., General Operations Div. Supervising of Human Resources Dept., General Affairs Dept., and Lifestyle Gear Div. Chief of Internal Auditing Officer	Head of General Operations Div. Vice President, Corporate Communications Dept., General Operations Div. Supervising of Lifestyle Gear Div. Chief of Internal Auditing Officer	As of January 1, 2020
Kiyoshi Tarutani	Vice President, Quality Control Dept.	Vice President, Quality Control Dept. Chief of Headquarters Manufacturing Officer, Bicycle Components Div.	As of January 1, 2020
Hiroshi Matsui	Supervising of Business Administration Dept., General Operations Div. Vice President, Corporate Planning Dept., General Operations Div. Head of Aifie Div.	Vice President, Corporate Planning Dept., General Operations Div. Head of Aifie Div.	As of January 1, 2020
Tomohiro Ohtsu	Chief of Manufacturing Officer, Bicycle Components Div. Vice President, Shimano Research Laboratories	Vice President, Shimonoseki Factory and Production Dept., Shimonoseki Factory, Bicycle Components Div.	As of January 1, 2020
Masahiro Ohtake	Vice President, Human Resources Dept., General Operations Div.	Vice President, Human Resources Dept., General Operations Div. Supervising of General Affairs Dept., General Operations Div.	As of January 1, 2020
Kinji Kiyotani	Head of Fishing Operations Div.	Head of Fishing Operations Div. Vice President, Domestic Sales Dept., Fishing Operations Div.	As of January 1, 2020

(2) Outline of Limited Liability Agreements

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

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

Category	Total number of people	Total amount of remuneration for the fiscal year ended December 31, 2019 (Millions of yen)
Directors	18	487
Audit & Supervisory Board Members	4	56
Total (Outside Officers)	22 (5)	544 (46)

Notes:

1. The above numbers of Directors and Audit & Supervisory Board Members and amounts of remuneration of Directors and Audit & Supervisory Board Members include 2 Directors who retired at the close of the 112th Ordinary General Meeting of Shareholders held on March 26, 2019, and the amounts of their remuneration, respectively.
2. The above amount of remuneration of Directors includes the provision of reserve for officer bonuses amounting to 161 million yen recorded for the fiscal year ended December 31, 2019.
3. The above amounts do not include remuneration for employment by the Company and the associated payroll bonuses to Directors.
4. The Company abolished the retirement benefit program for Directors and Audit & Supervisory Board Members at the close of the 105th Ordinary General Meeting of Shareholders held on March 29, 2012 and made a resolution to pay officer retirement benefits based on the Company's standards to each retiring Director and Audit & Supervisory Board Member upon their retirement. In accordance with this resolution, in addition to the above amounts, the Company paid officer retirement benefits amounting to 43 million yen to 2 Directors who retired during the fiscal year ended December 31, 2019.

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

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

Regarding the amount of annual remuneration for each Director, the Nomination and Remuneration Advisory Committee whose members include Independent Outside Directors examines whether the remuneration system for Directors and the level of remuneration are functioning as sound incentives aligned with sustainable development and the Board of Directors resolves the determination of the amount of remuneration, based on the recommendation from the said Committee. The amount of annual remuneration for each Audit & Supervisory Board Member is decided through discussion by the Audit & Supervisory Board Members.

Remuneration of Directors (excluding Outside Directors) consists of monthly remuneration and bonuses. Monthly remuneration is based on the role and the scope of responsibilities corresponding to each position, while bonuses are paid to individual Directors, taking into consideration their level of achievement and growth against the target performance, for which net sales and operating income for the fiscal year under review are set forth as performance indicator.

Directors (excluding foreign Directors) engaged in business execution contribute a certain amount or more from their monthly remuneration to purchase shares of the Company through the Directors' shareholding association, from the viewpoint of reflecting medium- to long-term financial performance in their remuneration. The shares purchased shall be held while the Directors remain in office.

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

(5) Outside Officers

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

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

2) Principal activities in the fiscal year ended December 31, 2019

Category	Name	Activities
Director	Kazuo Ichijo	Attended 11 out of 12 meetings of the Board of Directors held in the fiscal year ended December 31, 2019. He is a professor of international corporate strategy at the Hitotsubashi University Business School who has ample knowledge and experience in corporate management. He provides input necessary for deliberations concerning the Company's management from a long-term perspective that is based on knowledge and experience of the business world, and how that differs from the Company's existing ways of thinking.
Director	Mitsuhiro Katsumaru	Attended all 12 meetings of the Board of Directors held in the fiscal year ended December 31, 2019. He held important posts at the Ministry of Justice and the Public Prosecutors Office. He now practices as an attorney-at-law and has a wealth of knowledge and profound insight about compliance. He provides input necessary for deliberations concerning the Company's management from a professional and objective perspective.
Director	Sadayuki Sakakibara	Attended all 9 meetings of the Board of Directors held on and after March 26, 2019. He has a wealth of experience and deep insight as a manager of international companies. He provides input necessary for deliberations concerning the Company's management from an objective perspective based on his profound knowledge.
Audit & Supervisory Board Member	Kanako Nozue	Attended all 12 meetings of the Board of Directors and all 12 meetings of the Audit & Supervisory Board in the fiscal year ended December 31, 2019. She provides mainly specialist counsel in a legal capacity.
Audit & Supervisory Board Member	Toshihiko Hashimoto	Attended all 12 meetings of the Board of Directors and all 12 meetings of the Audit & Supervisory Board in the fiscal year ended December 31, 2019. He provides mainly specialist counsel in the capacity of tax accountant.

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, 2019:

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	37
2) Total amount of monetary and other financial interest to be paid to the Accounting Auditor by the Company and its subsidiaries	37

Notes:

1. The Audit & Supervisory Board conducted necessary examination as to whether the content of the audit plan of the Accounting Auditor, its performance of accounting audit, and the basis for estimation of the amount of compensation are appropriate for the Company's business scale, etc. As a result, the Audit & Supervisory Board gave consent for the amount of compensation for the Accounting Auditor.
2. The contract between the Company and 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.
3. 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 the Audit & Supervisory Board deems that there may be major disruptions to the audit of the Company by the Accounting Auditor, and it is impossible for the Accounting Auditor to appropriately perform its duties, or in the event that the Audit & Supervisory Board deems it to be necessary, the Audit & Supervisory Board shall determine the content of a proposal for dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

In the event that any of the items stipulated in Article 340, Paragraph 1 of the Companies Act apply to the Accounting Auditor, the Audit & Supervisory Board may dismiss the Accounting Auditor by the unanimous consent of all Audit & Supervisory Board Members. In such event, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board shall report the dismissal of the Accounting Auditor and the reason for dismissal at the first General Meeting of Shareholders called after the dismissal.

5. Systems to Ensure the Appropriateness of Operations (Internal Control Systems) and the Status of Implementation of Such Systems

(1) Systems to Ensure the Appropriateness of Operations

In accordance with the provisions of the Companies Act, the Board of Directors has decided on the implementation of systems to ensure that the execution of duties by Directors is in compliance with laws, regulations and the Articles of Incorporation and systems to ensure the appropriateness of other operations. The Company will continue to ensure the appropriateness of management and operations and endeavor to improve the internal control systems described below, while making such alterations as may be required by changes in the business environment.

Basic Policies on Establishment of Internal Control Systems

1. System to ensure that the execution of duties by the Company's Directors is in compliance with laws and regulations and the Articles of Incorporation

The Company shall establish Compliance Regulations and various other rules and regulations and take the initiative to ensure compliance throughout the Company and its subsidiaries (hereinafter referred to as the "Shimano Group").

2. Systems governing the storage and management of information relating to the execution of duties by the Company's Directors

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

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

(1) The Company recognizes the following major internal and external risks: 1) risks related to management decision-making and execution of operations, 2) risks of legal/regulatory compliance violations, 3) risks related to environmental protection, 4) risks related to product quality, 5) risks related to export/import control, 6) information security risks, and 7) disaster risks. Based on the recognition of these risks, the Company shall establish necessary rules and regulations and shall endeavor to establish systems that facilitate quick response by providing training programs aimed at improving related internal knowledge and expertise.

(2) The internal audit organization shall perform internal audits of the status of operations in each part of the organization in accordance with the Internal Audit Regulations to assess the status. Any points that require improvement shall be noted immediately, and subsequent checks shall be made to follow up on any required changes.

4. Systems to ensure the efficient execution of duties by the Company's Directors

(1) Regular meetings of the Board of Directors shall be convened once a month, in principle. The Board of Directors shall deliberate and decide matters contained in each meeting's agenda, which is created and managed according to the Board of Directors Regulations.

(2) The Board of Directors shall decide statutory matters relating to business policies, laws and regulations and all other important business-related matters, and oversee the overall operation of the business.

(3) Directors shall endeavor to manage those parts of the organization entrusted to them in accordance with the Regulations for Division of Duties and the Regulations for Clarification of Authority swiftly and efficiently so as to improve the performance of these operations.

5. Systems to ensure that the execution of duties by the Company's employees is in compliance with laws and regulations and the Articles of Incorporation

(1) Various internal regulations, including the Compliance Regulations, shall be established to ensure that the execution of duties by employees is in full compliance with laws and regulations and the Articles of Incorporation.

(2) The internal audit organization shall perform internal audits of the status of compliance, in accordance with the Internal Audit Regulations and other regulations mentioned above. The results shall be reported in a timely fashion to the Board of Directors and the Audit & Supervisory Board.

(3) The Company shall conduct education and training to ensure that employees have an adequate understanding of the Compliance Regulations.

6. Systems for reporting of matters concerning execution of duties by subsidiaries' directors etc. to the Company

(1) When a subsidiary makes an important management decision, it shall implement necessary measures in accordance with internal regulations, such as requesting the Company's prior approval.

(2) Subsidiaries shall periodically report their financial conditions to the Company.

7. Regulations and other systems governing subsidiaries' management of the risk of losses

The Company's Directors in charge shall provide comprehensive advice and guidance concerning subsidiaries' business operations and risk management systems.

8. Systems to ensure efficient execution of duties by subsidiaries' directors

Information technology shall be utilized appropriately and effectively, such as the introduction of a shared system for consolidated accounting, throughout the Shimano Group for communication of information between the Company and subsidiaries and for business processes to the extent applicable.

9. Systems to ensure that the execution of duties by subsidiaries' directors and employees is in compliance with laws and regulations and the Articles of Incorporation

Each subsidiary shall establish compliance systems through the establishment of regulations similar to the Company's Compliance Regulations or other internal rules and regulations, according to each subsidiary's individual situation.

10. Other systems to ensure the appropriateness of operations across the Shimano Group consisting of the Company and its subsidiaries

With the aim of instituting effective internal controls across the whole Shimano Group, the Company shall appoint managers with requisite responsibilities, assess situations of legal/regulatory compliance and risk management, and swiftly implement necessary countermeasures.

11. Matters concerning employees who provide assistance to Audit & Supervisory Board Members, in the case that the Company's Audit & Supervisory Board Members request that the Company assign employees as assistants to support their duties

If deemed necessary by Audit & Supervisory Board Members, appropriate personnel shall be exclusively assigned to provide assistance to Audit & Supervisory Board Members.

12. Matters concerning the independence of employees mentioned in (11) above from the Company's Directors

Employees mentioned in (11) above shall be outside the Directors' chain of command and follow instructions of the Audit & Supervisory Board Members.

13. Matters concerning the ensuring of effectiveness of instructions of the Company's Audit & Supervisory Board Members to employees mentioned in (11) above

Employees mentioned in (11) above, in accordance with the instructions issued by the Audit & Supervisory Board Members, shall have authority to perform investigations.

14. Systems for reporting by the Company's Directors and employees to the Company's Audit & Supervisory Board Members

Directors and employees shall swiftly report the status of performance of internal audits, as well as statutory matters, to the Company's Audit & Supervisory Board Members.

15. Systems for reporting by subsidiaries' directors, audit & supervisory board members and employees, or persons who received reports from such persons, to the Company's Audit & Supervisory Board Members

Subsidiaries' directors, audit & supervisory board members and employees shall swiftly report the matters which the Company's Audit & Supervisory Board Members request, as well as statutory matters. Persons who received reports from subsidiaries' directors, audit & supervisory board members and employees shall do the same.

16. Other systems for reporting to the Company's Audit & Supervisory Board Members

(1) Upon request of any Audit & Supervisory Board Member, reporting and information gathering shall be swiftly conducted, in accordance with the stipulations of the Audit & Supervisory Board.

(2) The internal audit organization shall closely collaborate with the Audit & Supervisory Board, including by means of discussion and exchange of opinions.

17. Systems to ensure that reporting persons mentioned in (14)-(16) above do not receive discriminatory treatment as a result of such reports

(1) Regarding persons who reported to Audit & Supervisory Board Members, the fact of such reporting and

the content of the reporting shall be kept confidential, and it is prohibited to discriminate against persons who have reported to Audit & Supervisory Board Members for that reason alone.

(2) Regarding persons who reported to the designated internal or external point of contact for compliance matters for swift recognition of violations of laws and regulations and/or unethical behaviors, the fact of such reporting and the content of the reporting shall be kept confidential, and it is prohibited to discriminate against persons who reported to the point of contact for that reason alone.

18. Matters concerning procedures for advance payment or reimbursement of expenses incurred in the course of execution of duties by the Company's Audit & Supervisory Board Members and policies related to processing of expenses or liabilities arising from execution of duties

Audit & Supervisory Board Members may consult lawyers, certified public accountants, and/or other external experts, as necessary, and expenses incurred shall be borne by the Company.

19. Other systems to ensure effective performance of audits by the Company's Audit & Supervisory Board Members

(1) Opportunities shall be made available for Audit & Supervisory Board Members to attend meetings of the Board of Directors and other important meetings so that Audit & Supervisory Board Members can identify important internal issues and state their views, as necessary.

(2) Forums shall be established, as necessary, to facilitate exchanges of views between the Audit & Supervisory Board and Representative Directors.

(2) Status of Implementation of the Systems to Ensure the Appropriateness of Operations

1) Internal workshops and seminars on basic compliance matters, for which external instructors are invited, are held in house for officers and employees of the Company and its subsidiaries, in order to instill the consciousness of compliance.

2) An assessment of the effectiveness of internal controls over financial reporting, based on the Financial Instruments and Exchange Act, concluded no material violations were detected in the fiscal year ended December 31, 2019, and internal control systems are appropriately implemented.

3) Reports on the Company's and subsidiaries' businesses are periodically made, not only at meetings of the Company's Board of Directors, but also at important internal meetings. If issues requiring improvement or problems arise, instructions are issued to the departments concerned, as necessary.

6. Basic Policy on the Control of the Company

(1) Details of the Basic Policy

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

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

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

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

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

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

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

(i) Measures for the Enhancement of Corporate Value

To maintain and further strengthen the above-mentioned sources of corporate value, the Company believes that it must continue to supply services and products that are trusted by and provide satisfaction to customers and in the coming years engage in the development and manufacture of products that respond to heightened customer interest in the environment, health, and other matters. Also, demand for bicycle components and fishing equipment, the Company's mainstay products, is increasing in emerging markets, such as China and South America. The Company intends to implement various measures so as to earn the confidence of customers also in these emerging markets. Against that backdrop, the Company will realize medium-term to long-term enhancement of corporate value by having as its basic policies 1) the reinforcement of core competences and 2) the creation of a cycling culture and fishing culture and brand reinforcement.

(ii) Reinforcement of Corporate Governance and Shareholder Returns

At the Company, supervision of the Directors' execution of duties is performed by means of 3 Independent Outside Directors and an Audit & Supervisory Board that includes 2 Independent Outside Audit & Supervisory Board Members. Also, the Company has established the Internal Audit Office as an internal audit organization. It periodically audits the state of compliance and risk management and is engaged in the development and implementation of global internal control systems.

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

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

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

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

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

Special Measures to Contribute to the Realization of the Basic Policy

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

Notes:
1. Regarding amounts, numbers of shares, etc. presented in this business report, any fractions less than the units indicated are rounded down. However, percentages are rounded to the nearest significant digit.
2. Consumption taxes are not included in the amounts presented in this business report.
3. Figures and information in this report are as of December 31, 2019, unless otherwise specified.

Consolidated Balance Sheet

(As of December 31, 2019)

(Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	381,189	Current liabilities	43,599
Cash and time deposits	270,070	Accounts payable-trade	13,529
Notes and accounts receivable-trade	36,192	Short-term loans payable	3,167
Merchandise and finished goods	39,904	Lease obligations	375
Work in process	23,874	Income taxes payable	7,046
Raw materials and supplies	5,156	Accrued employee bonuses	2,183
Others	6,336	Accrued officer bonuses	161
Allowance for doubtful accounts	(345)	Provision for sales returns	93
Fixed assets	157,580	Provision for loss on fire	10
Property, plant and equipment	124,712	Others	17,033
Buildings and structures	55,211	Long-term liabilities	5,933
Machinery and vehicles	21,615	Long-term loans payable	1
Land	13,575	Lease obligations	959
Leased assets	3,239	Deferred income taxes	1,005
Construction in progress	25,457	Net defined benefit liability	3,220
Others	5,612	Others	746
Intangible assets	13,610	Total liabilities	49,533
Goodwill	3,886	(Net assets)	
Software	5,562	Shareholders' equity	490,061
Software in progress	1,549	Common stock	35,613
Others	2,611	Capital surplus	5,642
Investments and other assets	19,257	Retained earnings	448,941
Investment securities	12,328	Treasury stock	(135)
Deferred income taxes	5,337	Accumulated other comprehensive income	(976)
Others	2,147	Unrealized gain (loss) on other securities	2,687
Allowance for doubtful accounts	(555)	Foreign currency translation adjustments	(3,663)
		Non-controlling interests	151
		Total net assets	489,236
Total assets	538,769	Total liabilities and net assets	538,769

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

Consolidated Statement of Income

(From January 1, 2019 to December 31, 2019)

(Millions of yen)

Accounts	Amount	
Net sales		363,230
Cost of sales		222,638
Gross profit		140,591
Selling, general and administrative expenses		72,581
Operating income		68,010
Non-operating income		
Interest and dividend income	4,692	
Others	906	5,598
Non-operating expenses		
Interest expenses	101	
Others	4,036	4,138
Ordinary income		69,471
Extraordinary income		
Gain on sales of fixed assets	2,559	2,559
Extraordinary losses		
Loss on factory reconstruction	184	
Loss on fire	452	637
Income before income taxes		71,393
Income taxes-current	18,260	
Income taxes-deferred	1,275	19,535
Net income		51,857
Net income attributable to non-controlling interests		23
Net income attributable to owners of parent		51,833

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

Consolidated Statement of Shareholders' Equity

(From January 1, 2019 to December 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	35,613	5,642	411,476	(121)	452,610
Changes of items during the year					
Cash dividends paid			(14,368)		(14,368)
Net income attributable to owners of parent			51,833		51,833
Acquisition of treasury stock				(14)	(14)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	37,465	(14)	37,451
Balance at end of year	35,613	5,642	448,941	(135)	490,061

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of year	2,560	(1,852)	708	139	453,457
Changes of items during the year					
Cash dividends paid					(14,368)
Net income attributable to owners of parent					51,833
Acquisition of treasury stock					(14)
Net changes of items other than shareholders' equity	126	(1,811)	(1,684)	12	(1,672)
Total changes of items during the year	126	(1,811)	(1,684)	12	35,778
Balance at end of year	2,687	(3,663)	(976)	151	489,236

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.
PT Shimano Batam
Shimano (Philippines) Inc.
MSC Pte. Ltd.
Shimano (Cambodia) Co., Ltd.
Shimano (Taiwan) Co., Ltd.
PRO (Taiwan) Procurement Co., Ltd.
Shimano (Kunshan) Fishing Tackle Co., Ltd.
Shimano (Shanghai) Sales Corporation
Shimano (Tianjin) Bicycle Components Co., Ltd.
Shimano (Lianyungang) Industrial Co., Ltd.
Shimano South Asia Private Ltd.
Shimano North America Holding, Inc.
Shimano Canada Ltd.
G.Loomis, Inc.
DashAmerica, Inc. (Pearl Izumi USA)
Innovative Textiles, Inc.
Shimano Europe B.V.
Shimano Germany Fishing GmbH
Shimano - Pearl Izumi Softgoods Division Europe GmbH
Shimano Benelux B.V.
Shimano UK Ltd.
Shimano Italy Fishing S.R.L.
Shimano Italy Bicycle Components S.R.L.
Shimano Belgium N.V.
Lazer Sport N.V.
Shimano France Composants Cycles S.A.S.
Shimano Iberia, S.L.
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 Sp. z o.o.
Shimano Menat Spor Etkinlikleri Spor Malzemeleri ve Ekipmanlari Ticaret Limited Sirketi
Shimano Bisiklet Parca ve Ekipmanlari Satis Servis Ticaret Anonim Sirketi
Shimano Balikcilik Malzemeleri ve Ekipmanlari Satis Ticaret Anonim Sirketi
Shimano Australia Cycling Pty. Ltd.
Shimano Oceania Holdings Pty. Ltd.
Shimano Australia Fishing Pty. Ltd.
Shimano New Zealand Ltd.
Shimano Latin America Representacao Comercial Ltda.
Shimano Uruguay S.A.
Shimano Argentina S.A.U.
Shimano Sales Co., Ltd.
Shimano Kumamoto Co., Ltd.

During fiscal year 2019, Shimano Iberia, S.L. is included in the scope of consolidation due to its establishment.

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

(2) Applications of the equity method

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

(3) Fiscal year of the consolidated subsidiaries

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

(4) Summary of significant accounting policies

(a) Valuation basis and method for principal assets

Securities

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

Other securities with market prices

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

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

Other securities with no market prices

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

Inventories

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

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

Supplies are stated principally at the most recent purchase method.

(b) Depreciation and amortization of principal fixed assets

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment acquired on or after April 1, 2016 (excluding leased assets)

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

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

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

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

Leased assets

Leased assets related to finance lease transactions 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.

Right-of-use assets

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

Intangible assets

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

Long-term prepaid expenses

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

(c) Provision for principal allowances and reserves

Allowance for doubtful accounts

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

Accrued employee bonuses

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

Accrued officer bonuses

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

Provision for sales returns

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

Provision for loss on fire

Provision for loss on fire is provided in an estimated amount sufficient to cover expenditure required for recovery of assets damaged by the fire that broke out at the Head Office Factory (Sakai-ku, Sakai City).

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

Monetary assets and liabilities of the Company denominated in foreign currencies are translated into Japanese yen at applicable current exchange rates at the balance sheet date. However, receivables and payables denominated in foreign currencies covered by forward exchange contracts are translated at the contracted rates. Differences arising from translation are charged or credited to income. Assets and liabilities of consolidated overseas subsidiaries are translated into Japanese yen at the rate of exchange at the balance sheet date, and revenue and expense accounts are translated into Japanese yen at the average rates over the fiscal year. Differences arising from translation are included in foreign currency translation adjustments and non-controlling interest in net assets.

(e) Accounting for hedges

Method of hedge accounting

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

Hedging instrument and risk hedged

Foreign exchange forward contracts serve as hedges against risk of fluctuation in currency exchange rates concerning foreign currency-denominated assets and liabilities and for scheduled foreign currency-denominated transactions.

Hedging policy

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

Assessing the effectiveness of a hedge

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

(f) Method and period of amortization of goodwill

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

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

i) Accounting for consumption taxes

All amounts stated are exclusive of consumption and local taxes.

ii) Accounting for employee retirement benefits

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

In calculating retirement benefit obligation, the benefit formula basis is applied to allocate projected retirement benefits to the periods until the end of the current fiscal year.

Certain consolidated subsidiaries use the simplified method whereby the amount that would be required to be paid if all their eligible employees voluntarily terminated their employment as of the balance sheet date is treated as retirement benefit obligation for the calculation of net defined benefit liability and retirement benefit cost.

(5) Changes in presentation

Consolidated balance sheet

Effective from fiscal year 2019, the Company has adopted the "Ministerial Order Partially Amending the Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting" (Ministry of Justice Order No. 5, March 26, 2018) issued in line with the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018). Accordingly, deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under long-term liabilities.

As a result, "deferred tax assets" of 3,060 million yen, "deferred tax liabilities" of 99 million yen, and 337 million yen out of "deferred tax liabilities," which were classified as "current assets," "current liabilities," and "long-term liabilities," respectively, for the previous fiscal year, are included in and presented as "deferred tax assets" of 5,917 million yen under "investments and other assets."

2. Notes relating to consolidated balance sheet

Accumulated depreciation of property, plant and equipment 144,698 million yen

3. Notes relating to consolidated statement of income

(1) Selling, general and administrative expenses

Main components of selling, general and administrative expenses for the fiscal year ended December 31, 2019:

Salaries and wages	17,648 million yen
Advertising and sales promotion expenses	9,736 million yen
R&D expenses	6,521 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, 2019 12,073 million yen

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

Cost of sales 183 million yen

(4) Loss on fire

Loss on fire is the amount of loss incurred as a result of the fire that broke out at the Head Office Factory (Sakai-ku, Sakai City) on March 26, 2018. The Shimano Group recognized expenses for restoration and other relevant expenses.

The loss includes the provision for loss on fire, which was recognized in the range reasonably estimable at the present time.

(5) Gain on sales of fixed assets

This is associated with the return of public land at China Plant.

4. Notes relating to consolidated statement of shareholders' equity

(1) Total number of issued shares as of the end of the fiscal year ended December 31, 2019 92,720,000 shares

(2) Cash dividends paid during the fiscal year ended December 31, 2019

(a) Payment of cash dividends

At the Ordinary General Meeting of Shareholders held on March 26, 2019, the following resolutions were made.

・Matters concerning dividends for shares of common stock

Total amount of cash dividends	7,184 million yen
Cash dividends per share	77.50 yen
Record date	December 31, 2018
Effective date	March 27, 2019

(b) Payment of interim cash dividend

At the meeting of the Board of Directors held on July 29, 2019, the following resolutions were made.

・Matters concerning dividends for shares of common stock

Total amount of cash dividends	7,184 million yen
Cash dividends per share	77.50 yen
Record date	June 30, 2019
Effective date	September 3, 2019

(3) Cash dividends paid after the end of the fiscal year ended December 31, 2019

At the Ordinary General Meeting of Shareholders to be held on March 26, 2020, the following resolutions are expected to be made.

・Matters concerning dividends for shares of common stock

Total amount of cash dividends	7,184 million yen
Source of dividends	Retained earnings
Cash dividends per share	77.50 yen
Record date	December 31, 2019
Effective date	March 27, 2020

5. Notes relating to financial instruments

(1) Policies on financial instruments

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

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

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

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

(2) Fair values of financial instruments

Carrying amounts, fair values and the differences between carrying amounts and fair values as of December 31, 2019, are as follows:

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and time deposits	270,070	270,070	-
(2) Notes and accounts receivable-trade	36,192	36,192	-
(3) Investment securities	10,136	10,136	-
Assets	316,398	316,398	-
(1) Accounts payable-trade	13,529	13,529	-
(2) Short-term loans payable	2,696	2,696	-
(3) Income taxes payable	7,046	7,046	-
(4) Long-term loans payable	472	472	0
Liabilities	23,744	23,744	0
Derivatives	-	-	-

Notes:

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

Assets

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

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

(3) Investment securities

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

Liabilities

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

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

(4) Long-term loans payable

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

Derivatives

Not applicable because no derivative transactions existed at the end of fiscal year 2019.

2. Unlisted stocks (2,191 million yen on the consolidated balance sheet) are not included in "(3) Investment securities" as it is deemed extremely difficult to determine their fair value because quoted market prices are unavailable and it is impossible to estimate future cash flows.

6. Notes relating to per share data

(1) Net assets per share 5,275.96 yen

(2) Basic earnings per share 559.15 yen

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

Net income attributable to owners of parent	51,833 million yen
Net income attributable to owners of parent related to common stock	51,833 million yen
Average number of shares of common stock outstanding	92,701 thousand shares

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

<For Reference>

Consolidated Statement of Cash Flows

(From January 1, 2019 to December 31, 2019)

(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
67,897	34,409	(12,832)	264,738

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

Non-consolidated Balance Sheet

(As of December 31, 2019)

(Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	95,716	Current liabilities	37,260
Cash and time deposits	32,544	Accounts payable-trade	8,814
Notes receivable	829	Accounts payable-other	6,541
Accounts receivable-trade	24,583	Income taxes payable	4,032
Finished goods	14,191	Accrued expenses	213
Work in process	14,619	Deposit payable	16,707
Raw materials	1,385	Accrued employee bonuses	308
Supplies	380	Accrued officer bonuses	161
Accounts receivable-other	3,594	Provision for sales returns	14
Others	3,589	Provision for loss on fire	10
Allowance for doubtful accounts	(2)	Others	456
Fixed assets	109,062	Long-term liabilities	2,965
Property, plant and equipment	68,864	Employee retirement benefits	2,351
Buildings	33,859	Others	613
Structures	1,119	Total liabilities	40,226
Plant and machinery	8,490		
Vehicles	95	(Net assets)	
Tools, equipment and furniture	2,852	Shareholders' equity	161,396
Land	9,703	Common stock	35,613
Leased assets	29	Capital surplus	5,823
Construction in progress	12,713	Capital reserve	5,822
Intangible assets	7,997	Other capital surplus	1
Goodwill	1,831	Retained earnings	120,094
Industrial property	15	Legal reserve	3,194
Software	4,855	Other retained earnings	116,900
Software in progress	1,246	Unappropriated retained earnings	116,900
Others	49	Treasury stock	(135)
Investments and other assets	32,200	Valuation and translation adjustments	3,155
Investment securities	9,213	Unrealized gain (loss) on other securities	3,155
Subsidiaries' and affiliates' stock	13,304		
Investments in capital	20		
Long-term loans to subsidiaries and affiliates	5,478		
Long-term prepaid expenses	647		
Deferred income taxes	2,835		
Others	1,171		
Allowance for doubtful accounts	(469)		
		Total net assets	164,551
Total assets	204,778	Total liabilities and net assets	204,778

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

Non-consolidated Statement of Income

(From January 1, 2019 to December 31, 2019)

(Millions of yen)

Accounts	Amount	
Net sales		221,040
Cost of sales		148,216
Gross profit		72,824
Selling, general and administrative expenses		42,378
Operating income		30,446
Non-operating income		
Interest income	326	
Dividend income	5,422	
Others	690	6,440
Non-operating expenses		
Interest expenses	235	
Others	1,308	1,544
Ordinary income		35,342
Extraordinary income		
Transfer pricing taxation adjustment	1,719	1,719
Extraordinary losses		
Loss on factory reconstruction	57	
Loss on fire	452	509
Income before income taxes		36,552
Income taxes-current	8,975	
Income taxes-deferred	376	9,351
Net income		27,201

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

Non-consolidated Statement of Shareholders' Equity

(From January 1, 2019 to December 31, 2019)

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at beginning of year	35,613	5,822	1	5,823
Changes of items during the year				
Cash dividends paid				
Net income				
Acquisition of treasury stock				
Net changes of items other than shareholders' equity				
Total changes of items during the year	—	—	—	—
Balance at end of year	35,613	5,822	1	5,823

	Shareholders' equity				
	Retained earnings			Treasury stock	Total shareholders' equity
	Legal reserve	Other retained earnings	Total retained earnings		
		Unappropriated retained earnings			
Balance at beginning of year	3,194	104,068	107,262	(121)	148,577
Changes of items during the year					
Cash dividends paid		(14,368)	(14,368)		(14,368)
Net income		27,201	27,201		27,201
Acquisition of treasury stock				(14)	(14)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	12,832	12,832	(14)	12,818
Balance at end of year	3,194	116,900	120,094	(135)	161,396

	Valuation and translation adjustments		Total net assets
	Unrealized gain (loss) on other securities	Total valuation and translation adjustments	
Balance at beginning of year	3,033	3,033	151,611
Changes of items during the year			
Cash dividends paid			(14,368)
Net income			27,201
Acquisition of treasury stock			(14)
Net changes of items other than shareholders' equity	122	122	122
Total changes of items during the year	122	122	12,940
Balance at end of year	3,155	3,155	164,551

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.

Property, plant and equipment acquired on or after April 1, 2016 (excluding leased assets)

Property, plant and equipment are depreciated principally by the declining-balance method.
Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the respective assets.
Buildings (including building fixtures) and structures are depreciated by the straight-line method.
Depreciation periods of principal items of property, plant and equipment
Buildings are depreciated over a period of 3-50 years.
Plant and machinery are depreciated over a period of 9-10 years.

Leased assets

Leased assets related to finance lease transactions without ownership transfer

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

Intangible assets

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

Long-term prepaid expenses

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

(3) Provision for principal allowances and reserves

Allowance for doubtful accounts

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

Accrued employee bonuses

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

Accrued officer bonuses

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

Provision for sales returns

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

Employee retirement benefits

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

In calculating retirement benefit obligation, the benefit formula basis is applied to allocate projected retirement benefits to the periods until the end of the current fiscal year.

Provision for loss on fire

Provision for loss on fire is provided in an estimated amount sufficient to cover expenditure required for recovery of assets damaged by the fire that broke out at the Head Office Factory (Sakai-ku, Sakai City).

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

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

(5) Accounting for hedges

Method of hedge accounting

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

Hedging instrument and risk hedged

Foreign exchange forward contracts serve as hedges against risk of fluctuation in currency exchange rates concerning foreign currency-denominated assets and liabilities and for scheduled foreign currency-denominated transactions.

Hedging policy

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

Assessing the effectiveness of a hedge

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

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

Accounting for consumption taxes

All amounts stated are exclusive of consumption and local taxes.

2. Notes relating to changes in presentation

Balance sheet

Effective from fiscal year 2019, the Company has adopted the "Ministerial Order Partially Amending the Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting" (Ministry of Justice Order No. 5, March 26, 2018) issued in line with the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018). Accordingly, deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under long-term liabilities.

As a result, "deferred tax assets" of 974 million yen, which was classified as "current assets" for the previous fiscal year, is included in and presented as "deferred tax assets" of 3,266 million yen under "investments and other assets."

3. Notes relating to non-consolidated balance sheet

(1) Short-term monetary receivables from subsidiaries and affiliates	12,459 million yen
Short-term monetary payables to subsidiaries and affiliates (excluding the amount separately presented on the balance sheet)	21,366 million yen
(2) Accumulated depreciation of property, plant and equipment	71,960 million yen

4. Notes relating to non-consolidated statement of income

(1) Transactions with subsidiaries and affiliates

Net sales	57,818 million yen
Goods purchased	27,501 million yen
Commissions paid and storage fees	10,997 million yen
Non-operating transactions	7,682 million yen

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

Cost of sales	138 million yen

(3) Transfer pricing taxation adjustment

The amount of adjustment with overseas subsidiaries based on the agreement between Japan and Singapore on the details submitted for prior confirmation concerning transfer pricing taxation.

(4) Loss on fire

Loss on fire is the amount of loss incurred as a result of the fire that broke out at the Head Office Factory (Sakai-ku, Sakai City) on March 26, 2018. The Company recognized expenses for restoration and other relevant expenses.

The loss includes the provision for loss on fire, which was recognized in the range reasonably estimable at the present time.

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

Number of shares of treasury stock at the end of the fiscal year ended December 31, 2019 19,272 shares

6. Notes relating to deferred tax accounting

(1) Significant components of deferred tax assets and liabilities

(Deferred tax assets)	(Millions of yen)
Excess of limit of accrued employee bonuses	95
Enterprise tax payable	251
Officer retirement benefits	148
Excess of limit of employee retirement benefits	729
Loss on revaluation of other securities	424
Loss on revaluation of golf memberships	134
Excess of limit of allowance for doubtful accounts	146
Loss on impairment	146
Book in excess of tax depreciation	223
Devaluation loss on inventories	405
Goodwill	753
Others	688
Total deferred tax assets	4,146
(Deferred tax liabilities)	
Unrealized gain on other securities	(1,311)
Total deferred tax liabilities	(1,311)
Net deferred tax assets	2,835

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

Effective statutory tax rate	31.0%
(Reconciliation)	
Permanent difference-expenses	0.3%
Permanent difference-income	(4.2%)
Tax credit	(2.7%)
Transfer pricing taxation adjustment	0.4%
Others	0.8%
Actual effective tax rate	25.6%

7. Notes on related party transactions

Subsidiaries

Company name	Location	Common stock	Principal business	Rate of voting rights	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
Shimano (Singapore) Pte. Ltd.	Singapore	S$ 65,994 thousand	Manufacture and sale of bicycle components, sale of fishing tackle, and management of manufacturing subsidiaries in Asia	100.0%	Manufacture of the Company's products Officers' posts held concurrently	Dividend income	4,282	-	-
Shimano Components (Malaysia) Sdn. Bhd.	Johor, Malaysia	RM 18,000 thousand	Manufacture and sale of bicycle components and manufacture of fishing tackle	100.0% (100.0%)	Manufacture of the Company's products Officers' posts held concurrently	Purchase of bicycle components and fishing tackle (Note 1)	13,553	Accounts payable-trade	3,324
Shimano North America Holding, Inc.	California, U.S.A.	US$ 14,000 thousand	Sale of bicycle components and fishing tackle and management of sales subsidiaries in North America	95.0%	Sale of the Company's products Officers' posts held concurrently	Receipt of interest (Note 2)	190	Loans	7,614
Shimano Europe B.V.	Eindhoven, the Netherlands	EUR 5,148 thousand	Sale of bicycle components and fishing tackle and management of subsidiaries in Europe	100.0%	Sale of the Company's products Officers' posts held concurrently	Sale of bicycle components and fishing tackle (Note 1)	10,711	Accounts receivable-trade	2,102
Shimano Sales Co., Ltd.	Sakai-ku, Sakai City, Osaka	JPY 277 million	Sale of bicycle components and fishing tackle; repair and storage	100.0%	Sale of the Company's products Officers' posts held concurrently	Transfer of funds (Note 3)	-	Deposits received	14,771
						Payment of interest (Note 2)	202		

Transaction amounts do not include consumption taxes.

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

(Note 1) The terms and conditions for purchase and sale of the Company's products are determined, taking into account market prices and the cost of sales.

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

(Note 3) With regard to transfer of funds, since the funds are settled on a time to time basis, only the ending balance for fiscal year 2019 is stated above.

8. Notes relating to per share data

(1) Net assets per share 1,775.09 yen

(2) Basic earnings per share 293.43 yen

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

Net income	27,201 million yen
Net income pertaining to common shareholders	27,201 million yen
Average number of shares of common stock outstanding	92,701 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

February 6, 2020

The Board of Directors,
Shimano Inc.

Seiryo Audit Corporation

Representative and Engagement Partner
Certified Public Accountant
Kazuya Ishii
Engagement Partner
Certified Public Accountant
Daiki Kaji

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, 2019 to December 31, 2019, 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

February 6, 2020

The Board of Directors,
Shimano Inc.

Seiryo Audit Corporation

Representative and Engagement Partner
Certified Public Accountant
Kazuya Ishii
Engagement Partner
Certified Public Accountant
Daiki Kaji

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 113th fiscal year from January 1, 2019 to December 31, 2019, 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.

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 113th fiscal year from January 1, 2019 to December 31, 2019, and hereby submits it as follows:

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

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

(2) Pursuant to the Audit & Supervisory Board Regulations determined by the Audit & Supervisory Board and in accordance with the auditing policies and allocation of duties, each Audit & Supervisory Board Member undertook communications with Directors, personnel of an internal audit organization, and other employees; gathered information; and contributed to the development of the auditing environment within the Company. At the same time, the Audit & Supervisory Board Members performed audits in the following methods:

1) Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings; received execution status reports from Directors and employees concerning their respective duties; requested explanations as necessary; reviewed documents that record approval of material matters; and conducted investigations regarding the status of the business operations and assets at the Company's head office and other major sites. With regard to majority-owned subsidiaries, the Audit & Supervisory Board Members undertook communications and exchanges of information with the Directors and Audit & Supervisory Board Members of these subsidiaries and received reports on their businesses, as necessary.

2) Regarding the situation of establishment and operation of internal control systems (recorded in the business report as systems necessary for ensuring that the execution of duties by Directors is in full compliance with laws and regulations and the Company's Articles of Incorporation and other systems necessary for ensuring the appropriateness of operations across the Group consisting of the Company as a Japanese joint-stock corporation and its subsidiaries in accordance with Article 100, Paragraph 1 and 3, of the Enforcement Regulations of the Companies Act), including the content of any related resolutions and decisions made by the Board of Directors, the Audit & Supervisory Board Members periodically received reports from Directors, employees, etc., requested explanations as necessary, and expressed opinions.

3) The Audit & Supervisory Board Members examined the content of the basic policy concerning control of a stock company recorded in the Company's business report (Article 118, Item 3 (i) Basic Policy and (ii) Measures of the Enforcement Regulations of the Companies Act) on the basis of the status of deliberations at meetings of the Board of Directors and other meetings.

4) Our audit involved an investigation of the independence of the Accounting Auditor and checks on the appropriateness of the financial audit performed by the Accounting Auditor. We also received execution status reports from the Accounting Auditor and requested explanations as necessary. Furthermore, we received from the Accounting Auditor a notice to the effect that its internal systems for ensuring the appropriate execution of duties (in respect of all those aspects listed in Article 131 of the Corporate Calculation Regulations pertaining to the Companies Act) were in conformity with the "Quality Control Standards for Audits" (FSA Business Accounting Council, October 28, 2005) and requested explanations as necessary.

Through the above methods, we reviewed the business report and supplementary schedules pertaining to the fiscal year in question, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of shareholders' equity, and notes relating to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of shareholders' equity, and notes relating to the consolidated financial statements) of the Company pertaining to the fiscal year in question.

2. Results of audit

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

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

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

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

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

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

In our opinion, the auditing methods and results of 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 12, 2020

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: Kanako Nozue
Outside Audit & Supervisory Board Member: Toshihiko Hashimoto

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