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Summary of Consolidated Financial Results for the First Half of FY2024 (JGAAP)

(January 1, 2024 –June 30, 2024) July 30, 2024

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Date of filing of semi-annual report to Ministry of Finance: August 8, 2024 Scheduled payment date for dividends: September 3, 2024
Supplemental information: Yes
Financial results briefing: Yes

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

1. Consolidated financial results for the first half of FY2024 (January 1, 2024 – June 30, 2024)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half of FY2024	216,887	(17.6)	30,955	(42.6)	55,625	(18.7)	43,704	(13.2)
First half of FY2023	263,250	(13.3)	53,908	(33.4)	68,409	(25.7)	50,378	(26.5)

(Note) Comprehensive income First half of FY2024: 109,195 million yen (15.4%) First half of FY2023: 94,648 million yen (-26.8%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First half of FY2024	487.49	—
First half of FY2023	556.81	—

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First half of FY2024	961,480	882,590	91.7
FY2023	871,731	802,396	91.9

(Reference) Shareholders' equity First half of FY2024: 881,344 million yen FY2023: 801,166 million yen

2. Dividend information

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	—	142.50	—	142.50	285.00
FY2024	—	154.50			
FY2024 (Forecast)			—	154.50	309.00

(Note) Change in forecasted dividend during the period: Yes

3. Forecasted consolidated business performance for FY2024 (January 1, 2024 – December 31, 2024)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2024	450,000	(5.1)	66,000	(21.1)	100,000	(3.3)	77,000	25.9	862.01

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

*Notes

(1) Significant changes in the scope of consolidation during the period: None

(2) Application of accounting treatment specific to preparation of semi-annual consolidated financial statements: None

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

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

(4) Number of shares of common stock issued

① Number of shares of common stock issued at period-end (including treasury stock):	First half of FY2024	89,822,000 shares	FY2023	90,022,000 shares
② Number of shares of treasury stock at period-end:	First half of FY2024	495,764 shares	FY2023	56,027 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year):	First half of FY2024	89,652,706 shares	First half of FY2023	90,478,026 shares

Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

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

The forecasts of consolidated business performance and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that management believes reasonable and actual business performance may differ materially from those described in such statements due to various factors. For details of assumptions for the forecasts and other related items, please refer to page 4 of the attached document. Shimano Inc. accepts no liability whatsoever for any direct or consequential loss arising from any use of this document.

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

(1) Results of Operations

During the first half of fiscal year 2024, the pace of global economic recovery was moderate, despite some factors that continued to exert downward pressure on the current economic climate, including tight monetary policies adopted mainly in Europe and the U.S., geopolitical risks caused by rising tensions in Ukraine and the Middle East, and stagnant Chinese economy.

In Europe, as employment environment further improved, personal consumption recovered moderately, and business sentiment also started to show some signs of recovery.

In the U.S., despite the ongoing tight monetary policies, favorable employment environment underpinned personal consumption, and the economy remained firm.

In China, the economy was lackluster due to the prolonged sluggishness in the real estate market and a slowdown in personal consumption.

In Japan, the economy recovered moderately as a pickup was seen in the employment environment, in addition to the implementation of incomes policies.

In this environment, demand for bicycles and fishing tackle continued to be weak, and for the first half of fiscal year 2024, net sales decreased 17.6% from the same period of the previous year to 216,887 million yen. Operating income decreased 42.6% to 30,955 million yen, ordinary income decreased 18.7% to 55,625 million yen, and net income attributable to owners of parent decreased 13.2% to 43,704 million yen.

Reportable Segment Overview

① Bicycle Components

While the strong interest in bicycles continued as a long-term trend, supply and demand adjustments of completed bicycles continued, and global market inventories generally remained high.

Overseas, in the European market, retail sales were firm in our major market, namely, Germany and Benelux countries. On the other hand, in other countries, sales were weak on account of delayed recovery in demand for completed bicycles, and market inventories remained high.

In the North American market, although interest in bicycles was firm, retail sales of completed bicycles softened, and market inventories remained at a somewhat high level.

In the Asian, Oceanian and Central and South American markets, retail sales of completed bicycles were weak due to sluggish personal consumption on account of rising inflation and economic uncertainty, and market inventories were at a high level. In the Chinese market, due to continued popularity of road bikes, retail sales of completed bicycles were favorable, and market inventories remained at an appropriate level.

In the Japanese market, retail sales were sluggish as affected by the soaring price of completed bicycles due to yen depreciation, and market inventories remained somewhat high.

Under these market conditions, demand for SHIMANO 105 and other components for road bikes was firm. In addition, the Shimano Group received a favorable reception for its products, including a gravel-specific component SHIMANO GRX.

As a result, net sales from this segment decreased 20.7% from the same period of the previous year to 162,594 million yen, and operating income decreased 42.2% to 24,328 million yen.

② Fishing Tackle

As demand for fishing tackle that had been overly strong globally cooled down, sales remained weak. On the other hand, adjustments to market inventories started to show signs of progress.

In the Japanese market, sales were lackluster due to an ongoing adjustment of market inventories.

Overseas, in the North American market, demand for saltwater tackle was firm. Backed by favorable weather conditions, sales were favorable, and market inventories trended toward an appropriate level.

In the European market, sales were weak due to an ongoing adjustment of market inventories.

In the Asian market, market inventories remained high, and sales were weak due to cooling consumer confidence as affected by stagnant economy.

In the Australian market, on account of stable weather conditions, people went fishing actively. As a result, market inventories remained at an appropriate level, and sales were strong.

Under these market conditions, order-taking was brisk for the new baitcasting reels METANIUM DC, the new spinning reels TWINPOWER, and the new rods POISON ADRENA.

As a result, net sales from this segment decreased 6.8% from the same period of the previous year to 54,069 million yen, and operating income decreased 43.8% to 6,651 million yen.

③ Others

Net sales from this segment decreased 5.6% from the same period of the previous year to 222 million yen and operating loss of 24 million yen was recorded, following an operating loss of 28 million yen for the same period of the previous year.

(2) Financial Position

Assets, Liabilities and Net Assets

Total assets as of the end of the first half of fiscal year 2024 amounted to 961,480 million yen, an increase of 89,749 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 55,048 million yen in cash and time deposits, an increase of 12,326 million yen in construction in progress, an increase of 10,090 million yen in notes and accounts receivable-trade, an increase of 4,022 million yen in investment securities, and an increase of 4,011 million yen in buildings and structures.

Total liabilities amounted to 78,889 million yen, an increase of 9,555 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 4,822 million yen in income taxes payable, an increase of 4,715 million yen in accounts payable-trade, and a decrease of 1,547 million yen in provision for product warranties.

Net assets amounted to 882,590 million yen, an increase of 80,193 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 62,843 million yen in foreign currency translation adjustments, an increase of 26,657 million yen in retained earnings, and a decrease of 11,733 million yen due to acquisition of treasury stock.

Cash Flows

As of the end of the first half of fiscal year 2024, cash and cash equivalents amounted to 544,353 million yen, an increase of 62,371 million yen compared with the figure as of the previous fiscal year-end.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 52,458 million yen compared with 57,401 million yen provided for the same period of the previous year. The main cash inflows included income before income taxes amounting to 55,562 million yen, interest and dividend income received amounting to 13,172 million yen, and depreciation and amortization amounting to 12,645 million yen. The main cash outflows included interest and dividend income amounting to 12,373 million yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 15,845 million yen compared with 5,018 million yen used for the same period of the previous year. The main cash inflows included proceeds from maturities of time deposits amounting to 9,659 million yen. The main cash outflows included acquisition of property, plant and equipment amounting to 19,253 million yen, acquisition of intangible assets amounting to 4,738 million yen, and purchases of time deposits amounting to 1,601 million yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 29,393 million yen compared with 19,361 million yen used for the same period of the previous year. The main cash outflows included acquisition of treasury stock amounting to 16,009 million yen and cash dividends to shareholders amounting to 12,829 million yen.

(3) Forecast for the Fiscal Year Ending December 31, 2024

The consolidated business performance forecasts for fiscal year 2024 have been revised in light of the following factors. Sales were favorable in the Chinese market, where the popularity of sport bikes continued, especially for road bikes. As a result, the consolidated business performance for the first half of fiscal year 2024 exceeded the previous forecast. On the other hand, the outlook will remain uncertain mainly due to market inventories remaining at a high level and delays expected in resolving the remaining market inventories partly due to unfavorable weather conditions during the spring selling season in the European market.

Revisions to consolidated business performance forecast figures for FY2024 (January 1, 2024 – December 31, 2024)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	420,000	56,800	86,800	66,300	738.59
Revised forecast (B)	450,000	66,000	100,000	77,000	862.01
Difference (B-A)	30,000	9,200	13,200	10,700	
Change (%)	7.1	16.2	15.2	16.1	
Full year results for FY2023	474,362	83,653	103,369	61,142	676.77

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.

With an eye to increasing shareholder returns further and in light of the Company's financial standing and the business performance forecasts for the full year, the Company decided to pay out cash dividends of 154.50 yen per share at the end of the second quarter of fiscal year 2024, an increase of 12 yen per share from the previous forecast. In addition, the year-end cash dividends will also be 154.50 yen per share, an increase of 12 yen per share, which will make cash dividends forecast for the full year of fiscal year 2024 amount to 309 yen per share, an increase of 24 yen per share from the previous forecast.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2023 As of Dec. 31, 2023	First half of FY2024 As of Jun. 30, 2024
Assets		
Current assets		
Cash and time deposits	493,933	548,981
Notes and accounts receivable-trade	31,602	41,692
Merchandise and finished goods	74,293	73,422
Work in process	31,771	34,540
Raw materials and supplies	6,424	7,174
Others	15,071	14,168
Allowance for doubtful accounts	(342)	(456)
Total current assets	652,753	719,524
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	76,763	80,775
Machinery and vehicles (net)	33,005	33,906
Land	14,317	14,787
Leased assets (net)	5,433	5,868
Construction in progress	22,994	35,321
Others (net)	5,468	5,302
Total property, plant and equipment	157,982	175,961
Intangible assets		
Goodwill	1,898	1,808
Software	13,225	14,409
Others	6,864	7,720
Total intangible assets	21,989	23,938
Investments and other assets		
Investment securities	23,781	27,803
Deferred income taxes	9,693	8,891
Net defined benefit asset	2,804	2,599
Others	3,174	3,198
Allowance for doubtful accounts	(447)	(436)
Total investments and other assets	39,006	42,056
Total fixed assets	218,977	241,956
Total assets	871,731	961,480

(Millions of yen)

	FY2023 As of Dec. 31, 2023	First half of FY2024 As of Jun. 30, 2024
Liabilities		
Current liabilities		
Accounts payable-trade	11,025	15,740
Income taxes payable	5,737	10,559
Accrued employee bonuses	3,041	2,582
Accrued officer bonuses	141	75
Provision for product warranties	16,017	14,470
Others	25,870	27,671
Total current liabilities	61,834	71,100
Long-term liabilities		
Deferred income taxes	3,179	3,178
Net defined benefit liability	1,253	1,366
Others	3,067	3,243
Total long-term liabilities	7,500	7,789
Total liabilities	69,334	78,889
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,640	5,647
Retained earnings	647,172	673,830
Treasury stock	(1,264)	(12,997)
Total shareholders' equity	687,162	702,092
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	4,902	7,306
Foreign currency translation adjustments	109,101	171,945
Total accumulated other comprehensive income	114,003	179,251
Non-controlling interests	1,230	1,246
Total net assets	802,396	882,590
Total liabilities and net assets	871,731	961,480

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	First half of FY2023 Jan. 1, 2023 to Jun. 30, 2023	First half of FY2024 Jan. 1, 2024 to Jun. 30, 2024
Net sales	263,250	216,887
Cost of sales	159,819	132,949
Gross profit	103,431	83,937
Selling, general and administrative expenses	49,523	52,981
Operating income	53,908	30,955
Non-operating income		
Interest income	8,397	12,027
Dividend income	443	346
Foreign exchange gains	6,618	13,096
Others	421	422
Total non-operating income	15,881	25,893
Non-operating expenses		
Interest expenses	115	53
Contribution	616	525
Voluntary recall expenses	503	258
Others	144	385
Total non-operating expenses	1,379	1,222
Ordinary income	68,409	55,625
Extraordinary losses		
Loss on factory reconstruction	323	63
Total extraordinary losses	323	63
Income before income taxes	68,086	55,562
Income taxes-current	17,159	12,173
Income taxes-deferred	444	(481)
Total income taxes	17,604	11,691
Net income	50,482	43,870
Net income attributable to non-controlling interests	103	166
Net income attributable to owners of parent	50,378	43,704

Consolidated Statements of Comprehensive Income

(Millions of yen)

	First half of FY2023 Jan. 1, 2023 to Jun. 30, 2023	First half of FY2024 Jan. 1, 2024 to Jun. 30, 2024
Net income	50,482	43,870
Other comprehensive income		
Unrealized gain (loss) on other securities	933	2,404
Foreign currency translation adjustments	43,233	62,920
Total other comprehensive income	44,166	65,324
Comprehensive income	94,648	109,195
(Breakdown)		
Comprehensive income attributable to owners of parent	94,372	108,952
Comprehensive income attributable to non-controlling interests	276	242

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	First half of FY2023 Jan. 1, 2023 to Jun. 30, 2023	First half of FY2024 Jan. 1, 2024 to Jun. 30, 2024
Cash flows from operating activities:		
Income before income taxes	68,086	55,562
Depreciation and amortization	11,526	12,645
Loss on free inspection	—	1,511
Interest and dividend income	(8,840)	(12,373)
Interest expenses	115	53
Foreign exchange losses (gains)	(4,947)	(9,620)
Notes and accounts receivable	9,179	(8,006)
Inventories	6,098	5,105
Accounts payable	(7,132)	3,837
Net defined benefit asset	116	204
Net defined benefit liability	24	35
Loss on factory reconstruction	323	63
Provision for product warranties	—	(1,618)
Loss on sales and disposal of property, plant and equipment	2	22
Accrued bonuses	1,898	2,325
Others, net	(1,190)	(2,094)
Subtotal	75,259	47,653
Interest and dividend income received	8,291	13,172
Loss on free inspection paid	—	(1,418)
Interest expenses paid	(128)	2
Income taxes paid	(26,021)	(6,951)
Net cash provided by operating activities	57,401	52,458
Cash flows from investing activities:		
Purchases of time deposits	(2,966)	(1,601)
Proceeds from maturities of time deposits	9,624	9,659
Acquisition of property, plant and equipment	(8,473)	(19,253)
Acquisition of intangible assets	(2,776)	(4,738)
Payments for loss on factory reconstruction	(389)	(77)
Acquisition of investment securities	(265)	—
Others, net	228	164
Net cash used in investing activities	(5,018)	(15,845)

(Millions of yen)

	First half of FY2023 Jan. 1, 2023 to Jun. 30, 2023	First half of FY2024 Jan. 1, 2024 to Jun. 30, 2024
Cash flows from financing activities:		
Short-term loans payable, net	(973)	―
Repayments of lease obligations	(546)	(600)
Acquisition of treasury stock	(4,897)	(16,009)
Cash dividends to shareholders	(12,926)	(12,829)
Cash dividends to non-controlling shareholders	(74)	(8)
Others, net	55	55
Net cash used in financing activities	(19,361)	(29,393)
Effect of exchange rate changes on cash and cash equivalents	34,349	55,150
Net increase (decrease) in cash and cash equivalents	67,371	62,371
Cash and cash equivalents at beginning of period	417,266	481,982
Cash and cash equivalents at end of period	484,638	544,353

(4) Notes relating to Consolidated Financial Statements

(Note concerning Assumption of Going Concern)

Not applicable.

(Note on Significant Change in the Amount of Shareholders' Equity)

(Acquisition of treasury stock)

The Company acquired 200,000 shares of common stock on February 27, 2024 through Off-auction Own Share Repurchase Trading (ToSTNeT-3) on the Tokyo Stock Exchange, based on the resolution of the Board of Directors meeting held on April 25, 2023, and acquired 442,000 shares of common stock on May 17, 2024 through Off-auction Own Share Repurchase Trading (ToSTNeT-3) on the Tokyo Stock Exchange, based on the resolution of the Board of Directors meeting held on April 23, 2024. As a result, treasury stock increased by 16,009 million yen during the first half of fiscal year 2024, including the increase due to acquisition of fractional shares.

(Cancellation of treasury stock)

The Company canceled 200,000 shares of treasury stock on March 27, 2024 based on the resolution of the Board of Directors meeting held on March 19, 2024. As a result, retained earnings and treasury stock decreased by 4,227 million yen and 4,227 million yen, respectively, during the first half of fiscal year 2024.

(Note on Segment Information)

First half of FY2023 (Jan. 1, 2023 – Jun. 30, 2023)

Information on net sales and income (loss) by reportable segment and disaggregation of revenue

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated statements of income
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
Goods to be transferred at a point in time	204,986	58,027	236	263,250	—	263,250
Goods to be transferred over a period of time	—	—	—	—	—	—
Revenue from contracts with customers	204,986	58,027	236	263,250	—	263,250
Third parties	204,986	58,027	236	263,250	—	263,250
Inter-segment	—	—	—	—	—	—
Total	204,986	58,027	236	263,250	—	263,250
Segment income (loss)	42,093	11,843	(28)	53,908	—	53,908

Notes: 1. There is no difference between total segment income (loss) and operating income in the consolidated statements of income.

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

First half of FY2024 (Jan. 1, 2024 – Jun. 30, 2024)

Information on net sales and income (loss) by reportable segment and disaggregation of revenue

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated statements of income
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
Goods to be transferred at a point in time	162,594	54,069	222	216,887	—	216,887
Goods to be transferred over a period of time	—	—	—	—	—	—
Revenue from contracts with customers	162,594	54,069	222	216,887	—	216,887
Third parties	162,594	54,069	222	216,887	—	216,887
Inter-segment	—	—	—	—	—	—
Total	162,594	54,069	222	216,887	—	216,887
Segment income (loss)	24,328	6,651	(24)	30,955	—	30,955

Notes: 1. There is no difference between total segment income (loss) and operating income in the consolidated statements of income.

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