

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



## Summary of Consolidated Financial Results for FY2008

(January 1, 2008 - December 31, 2008)

February 10, 2009

Company Name: Shimano Inc.  
Code Number: 7309

Stock Exchanges: Tokyo and Osaka, First Sections  
URL: <http://www.shimano.com>

President: Yozo Shimano  
Senior Vice President, Accounting: Yoshihiro Hirata

Telephone: +81-72-223-3254

Date of Shareholders' Meeting: March 26, 2009

Scheduled payment date for dividends: March 27, 2009

Date of submission of annual report to Ministry of Finance: March 27, 2009

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

### 1. Consolidated financial results for FY2008 (January 1, 2008 - December 31, 2008)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2008	235,142	11.0	37,819	20.7	36,709	21.3	25,150	26.4
FY2007	211,767	24.3	31,336	49.9	30,263	44.4	19,894	44.4

	Net income per share (Basic)	Net income per share (Diluted)	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2008	262.14	-	15.2	18.4	16.1
FY2007	205.96	-	12.3	15.7	14.8

(Reference) Investment profit/loss on equity method FY2008: - million yen FY2007: - million yen

### (2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2008	193,238	165,768	85.4	1,721.36
FY2007	205,183	167,260	81.1	1,733.30

(Reference) Shareholders' Equity FY2008: 165,088 million yen FY2007: 166,345 million yen

### (3) Consolidated cash flow information

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY2008	19,935	(21,681)	(6,372)	38,509
FY2007	29,369	(9,908)	(3,107)	52,691

### 2. Dividend information

	Dividend per Share			Total dividend (Annual)	Dividend payout ratio (Consolidated)	Dividend per shareholders' equity (Consolidated)
	Interim	Year-end	Total			
	Yen	Yen	Yen	Million yen	%	%
FY2007	20.50	20.50	41.00	3,953	19.9	2.5
FY2008	30.50	30.50	61.00	5,852	23.3	3.5
FY2009 (Forecast)	30.50	30.50	61.00		29.3	

(Note) The cash dividend for the year end FY2008 included no commemorative dividend and a special dividend of 24.25 yen.

### 3. Forecasted consolidated financial performance for FY2009 (January 1, 2009 - December 31, 2009)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half of FY2009	100,000	(13.4)	14,000	(28.3)	13,000	(31.0)	9,000	(28.1)	93.84
FY2009	205,000	(12.8)	30,000	(20.7)	29,000	(21.0)	20,000	(20.5)	208.54

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

4. Others

(1) Change of specified subsidiary due to change in scope of consolidation: None

(2) Changes in accounting principles, procedures and method of presentation:

Changes in accordance with revision of accounting standards : None

Changes other than above: Yes

Note: For details, refer to "Changes in the 'Presentation of the Consolidated Financial Statements - Significant Matters'" on page 17.

(3) Number of shares of common stock issued

Number of shares of common stock issued at year end. (treasury stock is included):

FY2008: 96,003,207 FY2007: 96,003,207

Number of shares of treasury stock at year end.

FY2008: 97,526 FY2007: 32,694

(Reference) Non-Consolidated Financial Results

1. Non-consolidated financial results for FY2008 (January 1, 2008 - December 31, 2008)

(1) Non-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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2008	189,142	12.3	18,915	23.0	18,206	(52.1)	11,367	(64.1)
FY2007	168,443	23.2	15,373	63.9	37,993	230.6	31,662	302.7

	Net income per share	Net income per share (Diluted)
	Yen	Yen
FY2008	118.49	-
FY2007	327.79	-

(2) Non-consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2008	116,948	90,157	77.1	940.06
FY2007	114,144	87,045	76.3	907.01

(Reference) Shareholders' equity FY2008: 90,157 million yen FY2007: 87,045 million yen

2. Forecasted non-consolidated financial performance for FY2009 (January 1, 2009 - December 31, 2009)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half of FY2009	80,000	(14.3)	6,350	(35.9)	6,800	(38.6)	3,500	(48.3)	36.49
FY2009	165,000	(12.8)	13,500	(28.6)	14,000	(23.1)	8,000	(29.6)	83.42

Notes) The forecasted consolidated and non-consolidated performance information is based on information available at the time and assumptions of uncertain factors affecting future performance. Accordingly, it is understood that actual performance may differ due to changes in internal and external conditions. Please refer to page four of the attachment regarding the forecasted assumptions and other related items. Shimano Inc. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report.

# 1. Business Results

## (1) Analysis of Business Results

### 1) Review of Operations

During fiscal year 2008, the Company experienced a drastic decline of business conditions in all regions as the impact of financial uncertainty in the U.S. spread globally. In Japan, sharp fluctuations in crude oil and raw material prices and continuing yen appreciation, exacerbated by a drop in stock prices and shrinking personal consumption, brought about a downturn in corporate profits. In addition, a trend toward slower economic growth in Asia, centered in China and India, has emerged due to a decrease in exports and production adjustments in line with the deepening of the economic recession and stagnation of consumption in developed countries.

In these circumstances, Shimano Group returned to the starting point of its stated mission “To promote health and happiness through the enjoyment of nature and the world around us.” and amid favorable conditions of increasing health-consciousness and environmental protection concerns, focused on opening up new markets and increasing sales.

As a result, consolidated net sales increased 11.0% from the previous year to 235,142 million yen. Consolidated ordinary income rose 21.3% to 36,709 million yen, and net income rose 26.4% to 25,150 million yen.

### Business Segment Overview

#### Bicycle Components

During fiscal year 2008, Shimano Group introduced new products to satisfy wide-ranging market needs, including “SAINT,” “SLX,” and “Acera” mountain bike components and “Deore LX” cross bike components. We implemented a full model change for the top-of-the-line “DURA-ACE” series of road bike components, the choice of many professional road racers around the world.

An increasing interest in environmental issues and health, as well as the global popularization of sports bikes, boosted demand and fueled an increase in sales. In the fourth quarter in particular, a time of concern about the effects of the global economic crisis, we were able to avoid negative impact due to our efforts to roll out products responsive to market changes. As a result, we achieved record-high annual sales.

Sales increased 17.8% from the previous year to 185,996 million yen, and operating income rose 27.3% to 35,089 million yen.

#### Fishing Tackle

In the Japanese market, Shimano Group built on the previous year’s successful introduction of new models of “STELLA” premium-grade spinning reels by introducing a saltwater version, which was favorably received in the market. We increased sales year-on-year for a number of products, including the “Tankenmaru CV” personal fish finder, which was renewed for the first time in four years; the “Sephia CI4” line, the lightest-weight spinning reels ever offered by Shimano, which are manufactured using CI4, a new carbon material also used in Shimano bicycle components used in the Tour de France; and newly designed automatic inflatable body-fitting life vests introduced in response to heightened safety awareness among customers.

The business in overseas markets faced strong challenges from decreased sport fishing due to the soaring price of gasoline and the subsequent global economic crisis. Sales decreased year-on-year, particularly in the U.S. and Asia.

As a result, sales from this segment decreased 8.0% from the previous year to 46,324 million yen, and operating income fell 22.8% to 2,931 million yen.

#### Others

Sales from other businesses decreased 20.6% from the previous year to 2,821 million yen, and an operating loss of 201 million yen was recorded, following an operating loss of 18 million yen the previous year.

2) Forecast for the fiscal year ending December 2009

With regard to the future outlook, although countries around the world are actively responding to the spreading global financial crisis, there is concern that the impact on the real economy will continue for some time in the form of declining exports due to stagnant consumption in developed countries and an unstable foreign exchange market. Also, heightened public interest in environmental issues suggests that environmental protection initiatives such as further measures to reduce CO2 emissions are likely to increase in importance in connection with business activities.

In these circumstances, Shimano Group will press ahead with the creation of captivating new products while simultaneously focusing on the upgrading and expansion of its global production and distribution systems and sales network for delivering those products to people around the world. We will also continuously engage in environmental initiatives. Through these activities, we will reinforce our competitive strength and earning power in an adverse business environment, further expand our business and continue growth and development.

In view of the outlook described above, for the fiscal year ending December 2009, Shimano Group forecasts net sales of 205 billion yen, an decrease of 12.8%, ordinary income of 29 billion yen, down 21.0%, and net income of 20 billion yen, down 20.5%.

Sales forecasts by segment are indicated below.

(Millions of yen)

		First half		Second half		Full year	
		Amount	%	Amount	%	Amount	%
Bicycle components	Japan	3,200	3.2	3,800	3.6	7,000	3.4
	Overseas	76,300	76.3	80,700	76.9	157,000	76.6
	Sub-total	79,500	79.5	84,500	80.5	164,000	80.0
	Fishing tackle	20,000	20.0	20,000	19.0	40,000	19.5
	Others	500	0.5	500	0.5	1,000	0.5
	Total	100,000	100.0	105,000	100.0	205,000	100.0

## (2) Analysis of Financial Position

### Cash Flows

Net cash provided by operating activities amounted to 19,935 million yen compared with 29,369 million yen for the previous year. This increase was primarily attributable to income before income taxes of 36,709 million yen and depreciation and amortization amounting to 9,598 million yen.

Net cash used in investing activities amounted to 21,681 million yen compared with 9,908 million yen for the previous year. The main items included acquisition of property, plant and equipment and intangible assets amounting to 9,096 million yen.

Net cash used in financing activities amounted to 6,372 million yen compared with 3,107 million yen for the previous year. The main items were acquisitions of treasury stock amounting to 298 million yen and payments of cash dividends of 4,892 million yen.

As a result, cash and cash equivalents at the end of the year were 38,509 million yen.

Cash flow indicators are shown in the following table.

	FY2007	FY2008
Equity ratio (%)	81.1	85.4
Market value equity ratio (%)	189.4	174.2
Interest-bearing debt to cash flow ratio (%)	0.21	0.25
Interest coverage ratio (times)	54.7	45.7

Notes)

1. Each indicator is calculated using the consolidated results based on the formula indicated below:

Equity ratio:	Shareholders' equity / Total assets
Market value equity ratio:	Total market capitalization / Total assets
Interest-bearing debt to cash flow ratio:	Interest-bearing debt / Operating cash flow
Interest coverage ratio:	Operating cash flow / Interest paid

2. Total market capitalization is calculated by:  
Closing stock price on the last day of the fiscal year x The number of shares of common stock issued and outstanding at the end of the fiscal year, less treasury stock.
3. Interest-bearing debt covers all debt in the consolidated balance sheet for which interest is paid.
4. Cash flows from operating activities and the amount of interest payments stated in the consolidated statements of cash flows are used as operating cash flow and interest paid.

## (3) Dividend Policy and Cash Dividends for the Fiscal Year Ended December 2008

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 increase the internal reserve, taking into account the strengthening of business fundamentals and future business development, to secure returns to shareholders, and to maintain stable dividends.

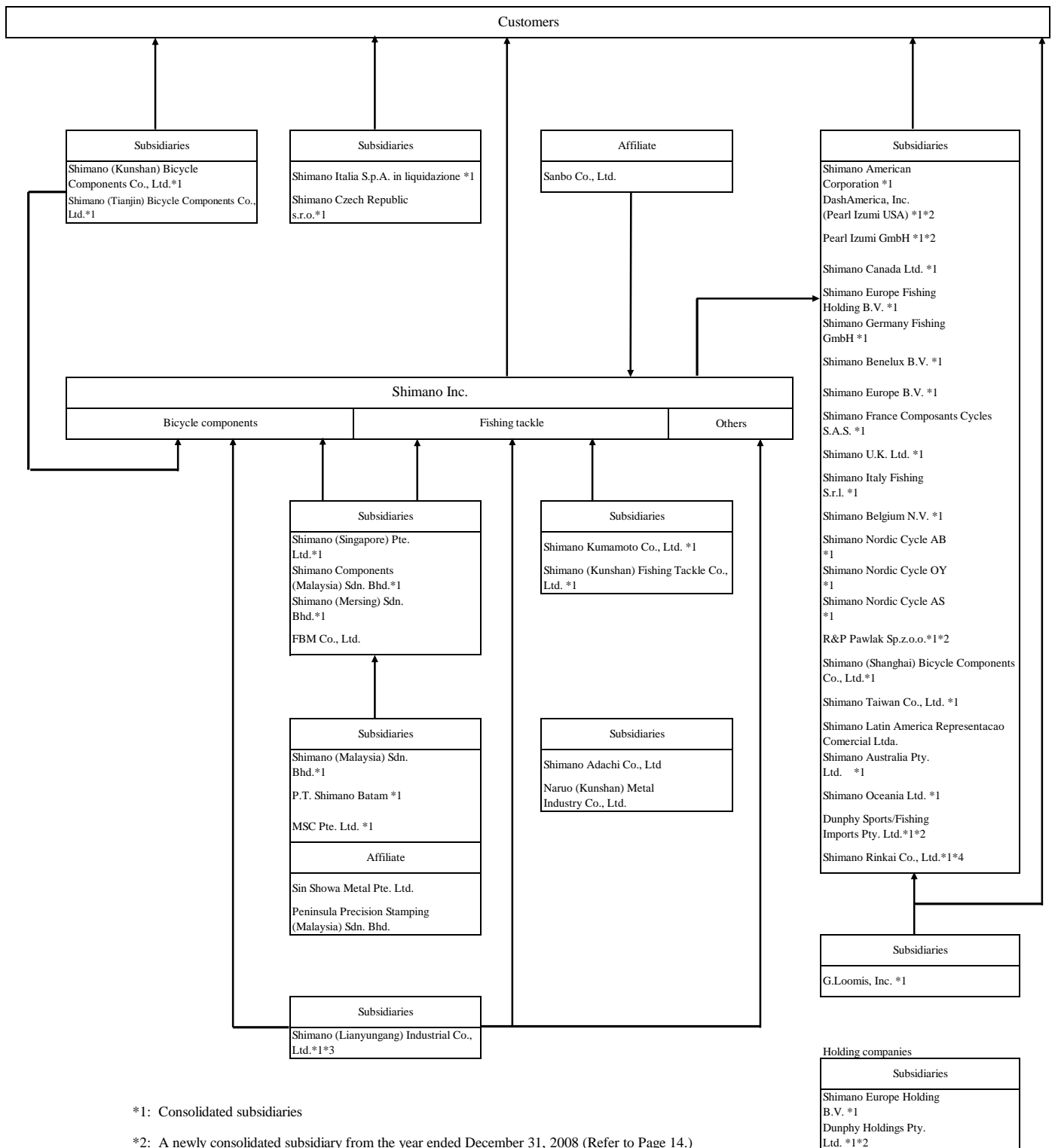
In accordance with the above policy, the Company intends to pay out year-end cash dividends of 30.50 yen per share, including special dividends of 24.25 yen, an increase of 10 yen per share compared with the previous year-end cash dividends.

Internal reserve funds will be used for strengthening the financial position, rationalization of the capital structure and future development of the business.

## 2. Outline of the Group

Shimano Group consists of Shimano Inc. and 38 consolidated subsidiaries and affiliates. The Group is mainly engaged in manufacturing and sales of bicycle components and fishing tackle.

Business relationships among Shimano Group companies are indicated below.



\*1: Consolidated subsidiaries

\*2: A newly consolidated subsidiary from the year ended December 31, 2008 (Refer to Page 14.)

\*3: Lianyungang Wooyun Shoes Co., Ltd is not a specified subsidiary.

\*4: The company name of Shimano Rinkai Co., Ltd was changed to Shimano Sales Co., Ltd. as of January 1, 2009.

### **3 Business Policy**

Since no significant changes have been made to the information for management policies in the Summary of Consolidated Financial Results for FY2006 disclosed on February 13, 2007, disclosure of the management policies has been omitted.

The Summary of Consolidated Financial Results for FY2006 is available at the following URL.

- Shimano Website <http://www.shimano.com>
- Tokyo Stock Exchange Website (Listed Company Information Search)  
<http://www.tse.or.jp/listing/compsearch/index.html>

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

Accounts	Periods	FY2007		FY2008		Increase (Decrease)
		As of Dec. 31, 2007		As of Dec. 31, 2008		
		Amount	Ratio	Amount	Ratio	Amount
(Assets)			%		%	
Current assets						
1 Cash and time deposits		¥55,851		¥42,314		(¥13,537)
2 Notes and accounts receivable-trade		31,030		31,192		161
3 Inventories		40,184		44,086		3,902
4 Deferred income taxes		5,122		1,957		(3,165)
5 Others		2,202		3,293		1,090
6 Allowance for doubtful accounts		(439)		(352)		86
Total current assets		133,953	65.3	122,492	63.4	(11,460)
Fixed assets						
1 Property, plant and equipment						
1) Buildings and structures		18,548		16,502		(2,045)
2) Machinery and vehicles		10,772		10,349		(422)
3) Land		11,563		11,692		128
4) Construction in progress		846		880		34
5) Others		4,054		3,912		(142)
Total property, plant and equipment		45,785	22.3	43,337	22.4	(2,447)
2 Intangible assets						
1) Goodwill		572		3,816		3,243
2) Software		6,458		5,178		(1,280)
3) Construction in progress		36		113		76
4) Others		521		2,853		2,331
Total intangible assets		7,590	3.7	11,961	6.2	4,371
3 Investments and other assets						
1) Investment securities		14,666		9,990		(4,675)
2) Long-term loans receivable		118		45		(73)
3) Deferred income taxes		1,293		3,346		2,052
4) Others		2,408		2,632		224
5) Allowance for doubtful accounts		(632)		(567)		64
Total investments and other assets		17,854	8.7	15,446	8.0	(2,407)
Total fixed assets		71,230	34.7	70,746	36.6	(483)
Total assets		¥205,183	100.0	¥193,238	100.0	(¥11,944)

Accounts	Periods	FY2007		FY2008		Increase (Decrease)
		As of Dec. 31, 2007		As of Dec. 31, 2008		
		Amount	Ratio	Amount	Ratio	Amount
(Liabilities )			%		%	
Current liabilities						
1 Notes and accounts payable-trade		¥8,956		¥6,768		(¥2,187)
2 Short-term loans payable		3,495		2,304		(1,190)
3 Income taxes payable		8,443		2,101		(6,342)
4 Deferred income taxes		796		768		(28)
5 Accrued employee bonuses		853		937		83
6 Accrued officer bonuses		128		132		3
7 Others		10,584		9,184		(1,399)
Total current liabilities		33,259	16.2	22,197	11.5	(11,062)
Long-term liabilities						
1 Long-term loans payable		2,098		2,019		(78)
2 Deferred income taxes		2		675		673
3 Employee retirement benefits		1,489		1,347		(142)
4 Officer retirement benefits		1,062		1,140		78
5 Others		10		89		78
Total long-term liabilities		4,663	2.3	5,272	2.7	609
Total liabilities		37,922	18.5	27,469	14.2	(10,452)
(Net assets )						
Shareholders' equity						
1 Common stock		¥35,613	17.4	¥35,613	18.4	-
2 Capital surplus		5,822	2.8	5,823	3.0	0
3 Retained earnings		116,748	56.9	137,004	70.9	20,255
4 Treasury stock		(96)	(0.0)	(391)	(0.2)	(295)
Total shareholders' equity		158,088	77.1	178,049	92.1	19,960
Valuation and translation adjustments						
1 Unrealized gain (loss) on other securities		1,641	0.8	(1,658)	(0.9)	(3,300)
2 Foreign currency translation adjustments		6,615	3.2	(11,302)	(5.8)	(17,917)
Total valuation and translation adjustments		8,257	4.0	(12,961)	(6.7)	(21,218)
Minority interests		914	0.4	680	0.4	(234)
Total net assets		167,260	81.5	165,768	85.8	(1,491)
Total liabilities and net assets		¥205,183	100.0	¥193,238	100.0	(¥11,944)

## (2) Consolidated Statements of Income

(Millions of yen)

Accounts	Periods	FY2007		FY2008		Increase (Decrease) Amount
		Jan. 1, 2007 to Dec. 31, 2007		Jan. 1, 2008 to Dec. 31, 2008		
		Amount	Ratio	Amount	Ratio	Amount
			%		%	
Net sales		¥211,767	100.0	¥235,142	100.0	¥23,374
Cost of sales		138,738	65.5	151,625	64.5	12,886
Gross profit		73,028	34.5	83,516	35.5	10,488
Selling, general and administrative expenses		41,691	19.7	45,696	19.4	4,005
Operating income		31,336	14.8	37,819	16.1	6,483
Non-operating income						
Interest income		1,621		1,366		(254)
Dividend income		378		166		(212)
Others		432		441		9
Total non-operating income		2,432	1.2	1,974	0.8	(458)
Non-operating expenses						
Interest expense		537		545		8
Devaluation loss of marketable securities		-		79		79
Reserve for doubtful accounts		452		-		(452)
Donation		123		141		18
Loss on disposal of fixed assets		129		331		201
Voluntary recall		403		136		(267)
Exchange loss		685		1,394		709
Others		1,173		454		(718)
Total non-operating expenses		3,505	1.7	3,084	1.3	(421)
Ordinary income		30,263	14.3	36,709	15.6	6,446
Extraordinary gains						
Gain on sales of investment securities		638		-		(638)
Total extraordinary gains		638	0.3	-	-	(638)
Net income before income taxes and minority interest		30,901	14.6	36,709	15.6	5,807
Income tax-current		13,357	6.3	8,100	3.4	(5,256)
Income tax-deferred		(2,543)	(1.2)	3,329	1.4	5,873
Minority interest in net income		194	0.1	129	0.1	(64)
Net income		¥19,894	9.4	¥25,150	10.7	¥5,255

## (3) Consolidated Statements of Shareholders' Equity

January 1, 2007 to December 31, 2007

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2006	¥35,613	¥5,822	¥106,463	(¥2,125)	¥145,773
Changes of items during the year					
Distribution of surplus			(3,683)		(3,683)
Net income			19,894		19,894
Acquisition of treasury stock				(3,816)	(3,816)
Retirement of treasury stock		(0)	(5,844)	5,845	0
Inclusion of newly consolidated subsidiaries			(80)		(80)
Total changes of items during the year	-	(0)	10,285	2,029	12,315
Balance as of December 31, 2007	¥35,613	¥5,822	¥116,748	(¥96)	¥158,088

	Valuation and translation adjustments			Minority interest	Total net assets
	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2006	¥5,224	¥5,205	¥10,429	¥769	¥156,972
Changes of items during the year					
Distribution of surplus					(3,683)
Net income					19,894
Acquisition of treasury stock					(3,816)
Retirement of treasury stock					0
Inclusion of newly consolidated subsidiaries					(80)
Net changes of items other than shareholders' equity	(3,582)	1,410	(2,172)	145	(2,027)
Total changes of items during the year	(3,582)	1,410	(2,172)	145	10,287
Balance as of December 31, 2007	¥1,641	¥6,615	¥8,257	¥914	¥167,260

January 1, 2008 to December 31, 2008

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2007	¥35,613	¥5,822	¥116,748	(¥96)	¥158,088
Changes of items during the period					
Distribution of surplus			(4,894)		(4,894)
Net income			25,150		25,150
Acquisition of treasury stock				(298)	(298)
Retirement of treasury stock		0		2	3
Total changes of items during the period	-	0	20,255	(295)	19,960
Balance as of December 31, 2008	¥35,613	¥5,823	¥137,004	(¥391)	¥178,049

	Valuation and translation adjustments			Minority interest	Total net assets
	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2007	¥1,641	¥6,615	¥8,257	¥914	¥167,260
Changes of items during the period					
Distribution of surplus					(4,894)
Net income					25,150
Acquisition of treasury stock					(298)
Retirement of treasury stock					3
Net changes of items other than shareholders' equity	(3,300)	(17,917)	(21,218)	(234)	(21,452)
Total changes of items during the period	(3,300)	(17,917)	(21,218)	(234)	(1,491)
Balance as of December 31, 2008	(¥1,658)	(¥11,302)	(¥12,961)	¥680	¥165,768

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

Accounts	Periods	FY2007	FY2008	Increase (Decrease)
		Jan. 1, 2007 to Dec. 31, 2007	Jan. 1, 2008 to Dec. 31, 2008	Amount
		Amount	Amount	Amount
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interest		¥30,901	¥36,709	¥5,807
Depreciation and amortization		8,139	9,434	1,295
Loss on impairment		49	129	79
Amortization on goodwill		93	164	70
Allowance for doubtful accounts		240	(27)	(268)
Interest and dividend income		(2,000)	(1,532)	467
Interest expense		537	545	8
Notes and accounts receivable		(4,386)	(1,469)	2,916
Inventories		(2,790)	(7,469)	(4,678)
Notes and accounts payable		1,154	(1,496)	(2,651)
Employee retirement benefits		223	(142)	(365)
Officer retirement benefits		78	78	-
Loss on sales/reevaluation of investment securities		(649)	77	727
Gain on sale/disposal of fixed assets		122	318	196
Accrued officer bonuses		-	138	138
Others, net		3,144	(2,585)	(5,730)
Subtotal		34,858	32,872	(1,986)
Interest and dividend income received		2,090	1,482	(607)
Interest expense paid		(536)	(436)	100
Income taxes paid		(7,042)	(13,983)	(6,940)
Net cash provided by operating activities		<b>29,369</b>	<b>19,935</b>	<b>(9,433)</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sales of marketable securities		-	1	1
Acquisition of property, plant and equipment		(6,693)	(9,096)	(2,402)
Proceeds from sales of fixed assets		-	188	188
Acquisition of investment securities		(1,115)	(1,334)	(219)
Proceeds from sales of investment securities		851	12	(838)
Payments for loans		-	(254)	(254)
Proceeds from collections of loans		(68)	328	396
Acquisition of intangible assets		(1,695)	(839)	855
Purchases of time deposits		(3,159)	(4,537)	(1,378)
Proceeds from maturities of time deposits		2,796	3,034	237
Payments for acquisition of newly consolidated subsidiaries		(872)	(9,127)	(8,255)
Others, net		48	(57)	(105)
Net cash used in investing activities		<b>(9,908)</b>	<b>(21,681)</b>	<b>(11,773)</b>
<b>Cash flows from financing activities:</b>				
Increase in short-term bank loans		2,368	(1,141)	(3,510)
Proceeds from long-term debt		2,093	-	(2,093)
Repayment of long term debt		(24)	(20)	4
Acquisition of treasury stock		(3,816)	(298)	3,518
Cash dividends to shareholders		(3,686)	(4,892)	(1,206)
Cash dividends to minority shareholders		(42)	(22)	19
Gain on retirement of treasury stock		0	3	2
Net cash used in financing activities		<b>(3,107)</b>	<b>(6,372)</b>	<b>(3,265)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		280	(6,064)	(6,344)
<b>Net increase (decrease) in cash and cash equivalents</b>		16,634	(14,182)	(30,817)
<b>Cash and cash equivalents at beginning of year</b>		<b>36,057</b>	<b>52,691</b>	<b>16,634</b>
<b>Cash and cash equivalents at end of year</b>		<b>¥52,691</b>	<b>¥38,509</b>	<b>(¥14,182)</b>

(5) Preparation of the Consolidated Financial Statements - Significant Matters

<p style="text-align: center;">FY2007                      ( Jan. 1, 2007                      to Dec. 31, 2007 )</p>	<p style="text-align: center;">FY2008                      ( Jan. 1, 2008                      to Dec. 31, 2008 )</p>
<p>1. Consolidation</p> <p>(1) The consolidated financial statements include the accounts of the Company and the 34 subsidiaries whose names are stated on "1. Outline of the Group" on Page 6 of the Attachment.</p> <p>Previous affiliate Liangyungang Wooyun Shoes Co., Ltd. was included in the scope of consolidation during the fiscal year due to an additional acquisition of shares. As the deemed acquisition date was the last day of the fiscal year, the company was consolidated in the balance sheet only.</p> <p>2. Application of the equity method</p> <p>None of the unconsolidated subsidiaries and affiliated companies (20 to 50 percent-owned companies) including Dunphy Holdings Pty. Ltd and 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.</p>	<p>1. Consolidation</p> <p>(1) The consolidated financial statements include the accounts of the Company and the 38 subsidiaries whose names are stated on "1. Outline of the Group" on Page 6 of the Attachment.</p> <p>DashAmerica, Inc. (Pearl Izumi USA), Pearl Izumi GmbH, and R &amp; P Pawlak Sp.z.o.o. were included in the scope of consolidation during the fiscal year ended December 31, 2008, due to acquisitions of shares. Former affiliates Dunphy Holdings Pty. Ltd. and Dunphy Sports/Fishing Imports Pty. Ltd., were included in the scope of consolidation during the fiscal year ended December 31, 2008, due to additional acquisitions of shares.</p> <p>000 Shimano Eurasia was dissolved and excluded from the scope of consolidation.</p> <p>The company name of Liangyungang Wooyun Shoes Co., Ltd. was changed to Shimano (Liangyungang) Industrial Co., Ltd. during this fiscal year.</p> <p>2. Application of the equity method</p> <p>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.</p>

<p style="text-align: center;">FY2007  <span style="font-size: 1.2em;">{</span> Jan. 1, 2007  to Dec. 31, 2007 <span style="font-size: 1.2em;">}</span></p>	<p style="text-align: center;">FY2008  <span style="font-size: 1.2em;">{</span> Jan. 1, 2008  to Dec. 31, 2008 <span style="font-size: 1.2em;">}</span></p>
<p>3. Fiscal year of the consolidated subsidiaries</p> <p>Shimano American Corporation  Shimano Canada Ltd.  G. Loomis, Inc.  Shimano Europe Holding B.V.  Shimano Europe Fishing Holding B.V.  Shimano Germany Fishing GmbH  Shimano Benelux B.V.  Shimano Europe B.V.  Shimano France Composants Cycles S.A.S.  Shimano U.K. Ltd.  Shimano Italia S.p.A. in liquidazione  Shimano Italy Fishing S.r.l.  Shimano Belgium N.V.  Shimano Nordic Cycle AB  Shimano Nordic Cycle OY  Shimano Nordic Cycle AS  Shimano Czech Republic s.r.o.  Shimano (Singapore) Pte. Ltd.  Shimano Components (Malaysia) Sdn. Bhd.  Shimano (Mersing) Sdn. Bhd.  P.T. Shimano Batam  Shimano (Malaysia) Sdn. Bhd.  MSC Pte. Ltd.  Shimano Taiwan Co., Ltd.</p> <p>The fiscal years of the above foreign subsidiaries end on November 30 and their financial statements at November 30 are used for preparation of the consolidated financial statements.</p> <p>Shimano (Kunshan) Fishing Tackle Co., Ltd.  Shimano (Shanghai) Bicycle Components Co., Ltd.  Shimano (Tianjin) Bicycle Components Co., Ltd.  These consolidated subsidiaries based in China each have a fiscal year end of December 31. However, they are consolidated using a fiscal year end of November 30 to conform to the fiscal year of their parent company Shimano (Singapore) Pte. Ltd.</p> <p>OOO Shimano Eurasia  OOO Shimano Eurasia based in Russia has a fiscal year end of December 31. However, it is consolidated using a fiscal year end of November 30 to conform to the fiscal year of its parent company Shimano Europe Holding B.V.  Any material effects occurring during the period from December 1 to December 31 are adjusted in the consolidated financial statements.</p>	<p>3. Fiscal year of the consolidated subsidiaries</p> <p>Shimano (Singapore) Pte. Ltd.  Shimano Components (Malaysia) Sdn. Bhd.  Shimano (Mersing) Sdn. Bhd.  P.T. Shimano Batam  Shimano (Malaysia) Sdn. Bhd.  MSC Pte. Ltd.  Shimano Taiwan Co., Ltd.  Shimano American Corporation  Shimano Canada Ltd.  G.Loomis, Inc.  DashAmerica, Inc. (Pearl Izumi USA)  Pearl Izumi GmbH  Shimano Europe Holding B.V.  Shimano Europe Fishing Holding B.V.  Shimano Germany Fishing GmbH  Shimano Benelux B.V.  Shimano Italy Fishing S.r.l.  Shimano U.K. Ltd.  Shimano Europe B.V.  Shimano Belgium N.V.  Shimano France Composants Cycles S.A.S.  Shimano Italia S.p.A. in liquidazione  Shimano Czech Republic s.r.o.  Shimano Nordic Cycle AB  Shimano Nordic Cycle OY  Shimano Nordic Cycle AS  R &amp; P Pawlak Sp.z.o.o.  Dunphy Holdings Pty. Ltd.  Dunphy Sports/Fishing Imports Pty. Ltd.</p> <p>The fiscal years of the above foreign subsidiaries end on November 30 and their financial statements at 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.</p> <p>Shimano (Kunshan) Fishing Tackle Co., Ltd.  Shimano (Shanghai) Bicycle Components Co., Ltd.  Shimano (Tianjin) Bicycle Components Co., Ltd.  The fiscal years of these consolidated subsidiaries end on December 31. Previously, provisional settlement of accounts as of November 30 were utilized. However, effective from the Company's fiscal year ended December 31, 2008, their financial statements at December 31 were used. Their financial statements used for preparation of the consolidated financial statements for the fiscal year ended December 31, 2008, are for a 13-month period because the provisional settlement of accounts as of November 30 were utilized for the previous fiscal year.  The impact of this change is immaterial.</p>

<p style="text-align: center;">FY2007  <span style="font-size: 1.2em;">{</span> Jan. 1, 2007  to Dec. 31, 2007 <span style="font-size: 1.2em;">}</span></p>	<p style="text-align: center;">FY2008  <span style="font-size: 1.2em;">{</span> Jan. 1, 2008  to Dec. 31, 2008 <span style="font-size: 1.2em;">}</span></p>
<p>4. Summary of significant accounting policies</p> <p>(1) Valuation basis and method for principal assets</p> <p>Inventories  Finished goods, merchandise, work in process and raw materials are stated principally at cost determined by the weighted-average method.  Supplies are stated at the most recent purchase method.</p> <p>(2) Depreciation and amortization of principal fixed assets</p> <p>Property, plant and equipment  Property, plant and equipment acquired on or before March 31, 2007</p> <p>Property, plant and equipment of the Company and its consolidated domestic subsidiaries are depreciated principally by the former declining-balance method based on the estimated useful lives of the respective assets.  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.  Molds for die casting and mechanical pressing are depreciated by the straight-line method based on the estimated useful lives of the assets.  The former straight-line method is applied to buildings (excluding building fixtures) acquired on or after April 1, 1998, at rates based on the estimated useful lives of the respective assets.</p> <p>Property, plant and equipment acquired on or after April 1, 2007</p> <p>Property, plant and equipment of the Company and its consolidated domestic subsidiaries are depreciated principally by the declining-balance method based on the estimated useful lives of the respective assets. Depreciation of property, plant and equipment of consolidated foreign subsidiaries is principally computed by the former straight-line method based on the estimated useful lives of the respective assets.</p>	<p>4. Summary of significant accounting policies</p> <p>(1) Valuation basis and method for principal assets</p> <p>Inventories  Inventories are stated principally at cost (the book value devaluation method based on declines 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.</p> <p>(2) Depreciation and amortization of principal fixed assets</p> <p>Property, plant and equipment  The same as at left</p> <p>(Additional Information)  Effective with the consolidated fiscal year ended December 31, 2008, in accordance with fiscal 2007 revisions to the Corporate Tax Law (Law for Partial Amendment of the Income Tax Law, etc. (March 30, 2007, Law No. 6) and the Cabinet Order for Partial Amendment of the Corporate Tax Law Enforcement Ordinance (March 30, 2007, Cabinet Order No. 83)), after with this, assets acquired on or before March 31, 2007, are depreciated to the maximum allowed amount, the residual value should be depreciated ratably over five year beginning in the next fiscal year.  The impact of this change on profits is immaterial.</p>

Since no significant changes have been made for items other than the above 1, 2, 3, and 4 to the information in the recent securities report (submitted on March 27, 2009), disclosure of other items has been omitted.

(6) Changes in the "Preparation of the Consolidated Financial Statements - Significant Matters"

<p style="text-align: center;">FY2007  <span style="font-size: 1.2em;">( Jan. 1, 2007  to Dec. 31, 2007 )</span></p>	<p style="text-align: center;">FY2008  <span style="font-size: 1.2em;">( Jan. 1, 2008  to Dec. 31, 2008 )</span></p>
<p style="text-align: center;">_____</p> <p>(Depreciation of fixed assets)  Effective with the fiscal year ended December 31, 2007, in accordance with fiscal 2007 revisions to the Corporate Tax Law (Law for Partial Amendment of the Income Tax Law, etc. (March 30, 2007, Law No. 6) and the Cabinet Order for Partial Amendment of the Corporate Tax Law Enforcement Ordinance (March 30, 2007, Cabinet Order No.83)), the Company changed the method of calculating depreciation of assets acquired on or after April 1, 2007, to a method in accordance with the revised Corporate Tax Law.  The impact of this change on profit and loss is immaterial.</p> <p>(Loss on impairment)  Loss on impairment was previously treated as an extraordinary loss. The loss on impairment for the fiscal year ended December 31, 2007, was not significant and was treated as a non-operating expense.  As a result, compared with the previous method of accounting treatment, ordinary income for the fiscal year decreased by 49 million yen.</p>	<p>(Inventory valuation method)  Since application of the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) to fiscal years starting before March 31, 2008 became possible, the Company adopted this standard effective with the fiscal year ended December 31, 2008.  Of the 340 million yen write-down which arose from the adoption of this standard, 282 million yen was recorded as cost of sales and 58 million yen was recorded as non-operating expenses.</p> <p style="text-align: center;">_____</p>

## (7) Notes relating to Consolidated Financial Statements

## (Notes relating to consolidated balance sheets)

FY2007 (As of Dec. 31, 2007)	FY2008 (As of Dec. 31, 2008)
<p>1. The following pertains to non-consolidated subsidiaries and affiliates.</p> <p style="padding-left: 40px;">Investment securities                      358 million yen (Shares of non-consolidated subsidiaries and affiliates)</p> <p style="text-align: right;">(358 million yen)</p> <p>2. As the fiscal year-end fell on a holiday for financial institutions, notes receivables with maturity dates on the fiscal year-end date were cashed on a subsequent settlement date. The following amount of notes receivable with maturity dates on the fiscal year-end date was included in the balance of notes receivable at fiscal year-end.</p> <p style="padding-left: 40px;">Notes receivable                              92 million yen</p> <p>3. Accumulated depreciation of property, plant and equipment</p> <p style="text-align: right;">86,887 million yen</p>	<p>1. The following pertains to non-consolidated subsidiaries and affiliates.</p> <p style="padding-left: 40px;">Investment securities                      936 million yen (Shares of non-consolidated subsidiaries and affiliates)</p> <p style="text-align: right;">(936 million yen)</p> <p>2. As the fiscal year-end fell on a holiday for financial institutions, notes receivables with maturity dates on the fiscal year-end date were cashed on a subsequent settlement date. The following amount of notes receivable with maturity dates on the fiscal year-end date was included in the balance of notes receivable at fiscal year-end.</p> <p style="padding-left: 40px;">Notes receivable                              99 million yen</p> <p>3. Accumulated depreciation of property, plant and equipment</p> <p style="text-align: right;">87,822 million yen</p>

## (Notes relating to consolidated statements of income)

FY2007 ( Jan. 1, 2007 to Dec. 31, 2007 )	FY2008 ( Jan. 1, 2008 to Dec. 31, 2008 )
<p>Main components of selling, general and administrative expenses for the fiscal year ended December 31, 2007:</p> <p style="padding-left: 40px;">1 Salaries and wages                      8,949 million yen 2 Advertising and sales promotion expenses                      6,221 million yen</p> <p>R&amp;D expenses included in selling, general and administrative expenses and manufacturing expenses for the fiscal year ended December 31, 2007:</p> <p style="text-align: right;">8,038 million yen</p>	<p>Main components of selling, general and administrative expenses for the fiscal year ended December 31, 2008:</p> <p style="padding-left: 40px;">1 Salaries and wages                      9,973 million yen 2 Advertising and sales promotion expenses                      6,566 million yen</p> <p>R&amp;D expenses included in selling, general and administrative expenses and manufacturing expenses for the fiscal year ended December 31, 2008:</p> <p style="text-align: right;">9,354 million yen</p>

FY2007  
{ Jan. 1, 2007  
to Dec. 31, 2007 }

The Group recognized impairment losses for the following groups of fixed assets.

Use	Category	Location	Remarks
Production and operational facilities of bicycle components	Buildings and structures	Sakai City, Osaka	Idle assets
	Machinery and vehicles	Shimonoseki City, Yamaguchi	
	Others (tools, equipment and furniture)	Johor, Malaysia	
Production facilities of fishing tackle	Machinery and vehicles Others (tools, equipment and furniture)	Sakai City, Osaka	Idle assets
Production facilities of other segments	Others (tools, equipment and furniture)	Sakai City, Osaka	Idle assets

(Background)

The book values of idle production and operational facilities of bicycle components, production facilities of fishing tackle, and production facilities of other segments were reduced to recoverable values because they are unscheduled for business use. The difference between the book values and the recoverable values was recorded as a loss on impairment (49 million yen) and included in non-operating expenses.

(Amount of impairment losses) (Millions of yen)

Type	Amount
Buildings and structures	18
Machinery and vehicles	29
Others (Tools, equipment and furniture)	2
<b>Total</b>	<b>49</b>

(Method of grouping)

The Group's assets are grouped by industrial segment and in the minimum unit that produces cash flows. Assets that are currently idle and unscheduled for business use are grouped as idle assets. Assets for lease are grouped by each property.

(Method of calculation of recoverable value)

Recoverable value is stated at net sale value, which is either residual value or property tax assessment values due to the immateriality of the amounts involved.

FY2008  
{ Jan. 1, 2008  
to Dec. 31, 2008 }

The Group recognized impairment losses for the following groups of fixed assets.

Use	Category	Location	Remarks
Production and operational facilities of bicycle components	Buildings and structures	Sakai City, Osaka	Idle assets
	Machinery and vehicles	Johor, Malaysia	
	Others (tools, equipment and furniture)		
Production facilities of fishing tackle	Machinery and vehicles Others (tools, equipment and furniture)	Sakai City, Osaka	Idle assets
Other production facilities and employee welfare facilities	Machinery and vehicles Others (tools, equipment and furniture) Land	Sakai City, Osaka Hakone-cho, Ashigarashimo-gun, Kanagawa	Idle assets

(Background)

The book values of idle production facilities of bicycle components, production facilities of fishing tackle, and production facilities of other segments and employee welfare facilities were reduced to recoverable values because they are unscheduled for business use and the difference between the book values and the recoverable values was recorded as a loss on impairment (129 million yen), and included as non-operating expenses.

(Amount of impairment losses) (Millions of yen)

Type	Amount
Buildings and structures	3
Machinery and vehicles	105
Others (Tools, equipment and furniture)	3
Land	16
<b>Total</b>	<b>129</b>

(Method of grouping)

The same as at left

(Method of calculation of recoverable value)

The same as at left

(Notes relating to consolidated statements of shareholders' equity)

Fiscal 2007 (From January 1, 2007 to December 31, 2007)

1. Total number of issued shares (Thousand shares)

Class of shares	Balance as of December 31, 2006	Increase	Decrease	Balance as of December 31, 2008
Common stock	97,603	-	1,600	96,003

(Details of the change)

Details of the decrease in the number of shares is as follows:

Retirement of treasury stock 1,600 thousand shares

2. Treasury stock (Thousand shares)

Class of shares	Balance as of December 31, 2006	Increase	Decrease	Balance as of December 31, 2007
Common stock	613	1,019	1,600	32

(Details of the change)

Details of the increase in the number of shares is as follows:

Acquisition in accordance with the resolution at the General Meeting of Shareholders 1,015 thousand shares  
 Acquisition of fractional shares 4 thousand shares

Details of the decrease in the number of shares is as follows:

Retirement of treasury stock 1,600 thousand shares  
 Sale of fractional shares 0 thousand shares

3. Dividends

(1) Payment of cash dividends

Resolution	Class of shares	Total amount of cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
General Meeting of Shareholders held on August 21, 2007	Common stock	1,986	20.50	30-Jun-07	4-Sep-07
Meeting of the Board of Directors held on March 29, 2007	Common stock	1,697	17.50	31-Dec-06	30-Mar-07

(2) Dividends with record date within the current fiscal year and effective date in the next fiscal year

Resolution	Class of shares	Source of dividends	Total amount of cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
General Meeting of Shareholders held on March 27, 2008	Common stock	Retained earnings	1,967	20.50	31-Dec-07	28-Mar-08

Fiscal 2008 (From January 1, 2008 to December 31, 2008)

1. Total number of issued shares (Thousand shares)

Class of shares	Balance as of December 31, 2007	Increase	Decrease	Balance as of December 31, 2008
Common stock	96,003			96,003

2. Treasury stock (Thousand shares)

Class of shares	Balance as of December 31, 2007	Increase	Decrease	Balance as of December 31, 2008
Common stock	32	65	0	97

(Details of the change)

Details of the increase in the number of shares is as follows:

Acquisition in accordance with the resolution of the Board of Directors	60 thousand shares
Acquisition of fractional shares	5 thousand shares

3. Dividends

(1) Payment of cash dividends

Resolution	Class of shares	Total amount of cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
General Meeting of Shareholders held on March 27, 2008	Common stock	1,967	20.50	31-Dec-07	28-Mar-08
Meeting of the Board of Directors held on August 12, 2008	Common stock	2,927	30.50	30-Jun-08	4-Sep-08

(2) Dividends with record date within the current fiscal year and effective in the next fiscal year

Resolution	Class of shares	Source of dividends	Total amount of cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
General Meeting of Shareholders held on March 26, 2009	Common stock	Retained earnings	2,925	30.50	31-Dec-08	27-Mar-09

(Notes relating to consolidated statements of cash flows)

FY2007 Jan. 1, 2007 to Dec. 31, 2007		FY2008 Jan. 1, 2008 to Dec. 31, 2008	
Reconciliation between cash and cash equivalents at the end of the year and the accounts in the consolidated balance sheets (as of December 31, 2007)		Reconciliation between cash and cash equivalents at the end of the year and the accounts in the consolidated balance sheets (as of December 31, 2008)	
(millions of yen)		(millions of yen)	
Cash and time deposits	55,851	Cash and time deposits	42,314
Time deposits with maturities exceeding three months	<u>(3,159)</u>	Time deposits with maturities exceeding three months	<u>(3,804)</u>
Cash and cash equivalents	<u><u>52,691</u></u>	Cash and cash equivalents	<u><u>38,509</u></u>

(Notes relating to securities)

Fiscal 2007

1. Other securities with market prices (as of December 31, 2007) (Millions of yen)

	Item	Acquisition cost	Book value	Difference
Securities for which the amount recorded on the consolidated balance sheet exceeds acquisition cost	(1) Stock	3,454	7,612	4,157
	Subtotal	3,454	7,612	4,157
Securities for which the amount recorded on the consolidated balance sheet does not exceed acquisition cost	(1) Stock	7,629	6,257	(1,371)
	Subtotal	7,629	6,257	(1,371)
Total		11,083	13,870	2,786

2. Other securities sold in fiscal 2007 (from January 1, 2007 to December 31, 2007) (Millions of yen)

Amount sold	Total gain on sale	Total loss on sale
851	638	-

3. Other securities with no market prices (as of December 31, 2007) (Millions of yen)

	Book value
Unlisted stock	378
Investment in investment limited partnerships	59
Total	437

Fiscal 2008

1. Other securities with market prices (as of December 31, 2008) (Millions of yen)

	Item	Acquisition cost	Book value	Difference
Securities for which the amount recorded on the consolidated balance sheet exceeds acquisition cost	(1) Stock	1,320	2,869	1,548
	Subtotal	1,320	2,869	1,548
Securities for which the amount recorded on the consolidated balance sheet does not exceed acquisition cost	(1) Stock	9,752	5,799	(3,952)
	Subtotal	9,752	5,799	(3,952)
Total		11,073	8,668	(2,404)

2. Other securities with no market prices (as of December 31, 2008) (Millions of yen)

	Book value
Unlisted stock	339
Investment in investment limited partnerships	46
Total	385

(Notes relating to deferred tax accounting)

FY2007 (As of Dec. 31, 2007)	FY2008 (As of Dec. 31, 2008)
<p>1. Significant components of deferred tax assets and liabilities (Millions of yen)</p> <p>(Deferred tax assets)</p> <p>Excess of limit of accrued employee bonuses 118</p> <p>Business tax payable 945</p> <p>Officers retirement benefits 435</p> <p>Excess of limit of employees retirement benefits 598</p> <p>Unrealized loss on other securities 556</p> <p>Book in excess of tax depreciation 542</p> <p>Unrealized gain on inventory 739</p> <p>Loss on revaluation of golf memberships 135</p> <p>Excess of limit of allowance for doubtful accounts 593</p> <p>Loss on impairment 377</p> <p>Book in excess of tax depreciation for small sum assets 133</p> <p>Devaluation loss on inventories 395</p> <p>Excess of foreign tax credit limit 1,940</p> <p>Others <u>650</u></p> <p>Total deferred tax assets 8,162</p> <p>(Deferred tax liabilities)</p> <p>Undistributed earnings of consolidated subsidiaries (240)</p> <p>Deferred tax on land valuation gain (211)</p> <p>Tax in excess of book depreciation (367)</p> <p>Unrealized gain on other securities (1,706)</p> <p>Others <u>(18)</u></p> <p>Total deferred tax liabilities <u>(2,544)</u></p> <p>Net deferred tax assets <u>5,618</u></p>	<p>1. Significant components of deferred tax assets and liabilities (Millions of yen)</p> <p>(Deferred tax assets)</p> <p>Excess of limit of accrued employee bonuses 126</p> <p>Business tax payable 25</p> <p>Officers retirement benefits 467</p> <p>Excess of limit of employees retirement benefits 541</p> <p>Unrealized loss on other securities 1,620</p> <p>Book in excess of tax depreciation 64</p> <p>Unrealized gain on inventory 714</p> <p>Loss on revaluation of other securities 159</p> <p>Loss on revaluation of golf memberships 135</p> <p>Excess of limit of allowance for doubtful accounts 412</p> <p>Loss on impairment 439</p> <p>Book in excess of tax depreciation for small sum assets 129</p> <p>Devaluation loss on inventories 349</p> <p>Others <u>118</u></p> <p>Total deferred tax assets 5,304</p> <p>(Deferred tax liabilities)</p> <p>Undistributed earnings of consolidated subsidiaries (233)</p> <p>Deferred tax on land valuation gain (167)</p> <p>Unrealized gain on other securities (636)</p> <p>Others <u>(406)</u></p> <p>Total deferred tax liabilities <u>(1,443)</u></p> <p>Net deferred tax assets <u>3,860</u></p>
<p>2. Reconciliation between the statutory effective tax rate and the actual effective tax rate</p> <p>Statutory effective tax rate <u>41.0 %</u></p> <p>(Reconciliation)</p> <p>Permanent difference-expenses 0.3 %</p> <p>Permanent difference-income (3.6) %</p> <p>Foreign tax credit (13.0) %</p> <p>Differences in tax rates with foreign subsidiaries 5.4 %</p> <p>Effect of elimination of dividends received from consolidated subsidiaries 6.0 %</p> <p>Other <u>(1.1) %</u></p> <p>Actual effective tax rate <u>35.0 %</u></p>	<p>2. Reconciliation between the statutory effective tax rate and the actual effective tax rate</p> <p>Statutory effective tax rate <u>41.0 %</u></p> <p>(Reconciliation)</p> <p>Permanent difference-expenses 0.3 %</p> <p>Permanent difference-income (0.1) %</p> <p>Foreign tax credit (1.4) %</p> <p>Differences in tax rates with foreign subsidiaries (9.3) %</p> <p>Effect of elimination of dividends received from consolidated subsidiaries 2.8 %</p> <p>Other <u>(2.2) %</u></p> <p>Actual effective tax rate <u>31.1 %</u></p>

## Segment Information

### (1) Business segment information

FY2007 (Jan. 1, 2007 - Dec. 31, 2007)

(Millions of yen)

	Bicycle Components	Fishing Tackle	Others	Total	Corporate/ Elimination	Consolidated
.Net sales & operating income (loss)						
Net sales						
1) Third parties	157,839	50,376	3,551	211,767	-	211,767
2) Inter-segment	-	-	-	-	( - )	-
Total	157,839	50,376	3,551	211,767	( - )	211,767
Operating expenses	130,283	46,576	3,570	180,430	( - )	180,430
Operating income (loss)	27,556	3,799	(18)	31,336	( - )	31,336
.Total assets, depreciation & investments						
Total assets	115,662	26,542	2,389	144,594	60,589	205,183
Depreciation	6,582	1,502	147	8,232	-	8,232
Loss on impairment	47	1	1	49	-	49
Investments	7,156	1,213	19	8,389	-	8,389

FY2008 (Jan. 1, 2008 - Dec. 31, 2008)

(Millions of yen)

	Bicycle Components	Fishing Tackle	Others	Total	Corporate/ Elimination	Consolidated
.Net sales & operating income (loss)						
Net sales						
1) Third parties	185,996	46,324	2,821	235,142	-	235,142
2) Inter-segment	-	-	-	-	( - )	-
Total	185,996	46,324	2,821	235,142	( - )	235,142
Operating expenses	150,907	43,392	3,022	197,322	( - )	197,322
Operating income (loss)	35,089	2,931	(201)	37,819	( - )	37,819
.Total assets, depreciation & investments						
Total assets	103,320	26,754	2,143	132,217	61,020	193,238
Depreciation	7,590	1,871	136	9,598	-	9,598
Loss on impairment	81	15	32	129	-	129
Investments	8,347	1,537	51	9,936	-	9,936

Note: 1. Business segments are determined in light of the intended use of the Company's product lines.

2. Representative products of each business segment:

Bicycle components - Freewheels, front gears, derailleurs and brakes, etc.

Fishing tackle - Reels and rods, etc.

Others - Cold forged products and snowboard equipment, etc.

3. The amount of common assets belonging to Corporate/Elimination was 61,020 million yen as of Dec. 31, 2008, and 60,589 million yen as of Dec. 31, 2007. Surplus assets (cash and time deposits), investments in fixed assets (investment securities) were the main components.

## (2) Geographical segment information

FY2007 (Jan. 1, 2007 - Dec. 31, 2007)

(Millions of yen)

	Japan	North America	Europe	Asia	Others	Total	Corporate/ Elimination	Consolidated
.Net sales								
1) Third parties	143,336	21,532	29,092	16,402	1,403	211,767	-	211,767
2) Inter-segment	27,654	261	2,863	61,954	2	92,737	(92,737)	-
Total	170,991	21,794	31,955	78,357	1,405	304,504	(92,737)	211,767
Operating expenses	154,658	20,499	28,930	67,887	1,192	273,168	(92,737)	180,430
Operating income	16,332	1,295	3,024	10,469	213	31,336	-	31,336
.Total assets	92,672	9,105	16,108	42,904	398	161,190	43,992	205,183

FY2008 (Jan. 1, 2008 - Dec. 31, 2008)

(Millions of yen)

	Japan	North America	Europe	Asia	Others	Total	Corporate/ Elimination	Consolidated
.Net sales								
1) Third parties	163,470	22,282	27,809	18,807	2,771	235,142	-	235,142
2) Inter-segment	28,895	590	3,525	71,186	4	104,202	(104,202)	-
Total	192,365	22,873	31,335	89,994	2,776	339,344	(104,202)	235,142
Operating expenses	171,897	21,852	28,204	77,121	2,449	301,524	(104,202)	197,322
Operating income	20,468	1,020	3,131	12,872	327	37,819	-	37,819
.Total assets	77,436	10,944	8,969	47,875	977	146,203	47,034	193,238

Note: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are classified into the following geographical areas:

North America - U.S.A. and Canada

Europe - Netherlands, Germany, United Kingdom, Italy, Belgium, France, Czech Republic, Sweden, Norway, Finland, and Russia

Asia - Singapore, Malaysia, China, Taiwan and Indonesia

Others - Australia

3. The amount of common assets belonging to Corporate/Elimination was 61,020 million yen as of Dec. 31, 2008, and 60,589 million yen as of Dec. 31, 2007. Surplus assets (cash and time deposits), investments in fixed assets (investment securities) were the main components.

### (3) Overseas Sales

FY2007 (Jan. 1, 2007 - Dec. 31, 2007)

(Millions of yen)

	America	Europe	Asia	Others	Total
. Overseas sales	29,510	86,917	63,826	4,136	184,391
. Consolidated net sales					211,767
. Overseas sales ratio [ / ]	13.9%	41.1%	30.1%	2.0%	87.1%

FY2008 (Jan. 1, 2008 - Dec. 31, 2008)

(Millions of yen)

	America	Europe	Asia	Others	Total
. Overseas sales	30,006	96,013	76,957	4,033	207,010
. Consolidated net sales					235,142
. Overseas sales ratio [ / ]	12.8%	40.8%	32.7%	1.7%	88.0%

Note: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are classified into the following geographical areas:

America - U.S.A., Canada, Central and South America

Europe - Netherlands, Germany, United Kingdom, Italy, France, Sweden, Norway,  
Finland and Russia

Asia - China, Taiwan

Others - Australia

3. Overseas sales refers to sales posted by the Company and its consolidated subsidiaries in countries and regions outside Japan.

(Per share data)

FY2007 Jan. 1, 2007 to Dec. 31, 2007	FY2008 Jan. 1, 2008 to Dec. 31, 2008
Net assets per share : 1,733.30 yen Net income per share : 205.96 yen  Diluted net income per share is not presented because there were no securities with dilutive effect.	Net assets per share : 1,721.36 yen Net income per share : 262.14 yen  The same as at left

Basis for calculation of net income per share

	FY2007 Jan. 1, 2007 to Dec. 31, 2007	FY2008 Jan. 1, 2008 to Dec. 31, 2008
Net income	19,894	25,150
Net income attributable to common stock	19,894	25,150
Amount not attributable to common shareholders	-	-
Average number of shares of common stock outstanding (thousand shares)	96,591	95,942

Disclosure of notes relating to lease transactions, derivative transactions, and employees retirement benefits has been omitted because such disclosure in the Summary of Financial Results is considered to be unnecessary.

Stock options, related party transactions, business combinations, or significant subsequent events are not applicable.

## 5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Millions of yen)

Accounts	FY2007		FY2008		Increase (Decrease)
	(As of Dec. 31, 2007)		(As of Dec. 31, 2008)		
	Amount	Ratio	Amount	Ratio	Amount
(Assets)		%		%	
Current assets					
Cash and time deposits	¥11,959		¥8,898		(¥3,061)
Notes receivable	1,229		1,670		441
Accounts receivable-trade	21,702		21,937		235
Finished goods and merchandise	6,530		6,466		(64)
Raw materials	1,226		1,290		64
Work in process	7,395		8,745		1,349
Supplies	269		214		(55)
Deferred income taxes	3,825		736		(3,088)
Accounts receivable-other	4,122		4,562		440
Others	1,140		558		(581)
Allowance for doubtful accounts	(26)		(13)		13
Total current assets	59,374	52.0	55,067	47.1	(4,307)
Fixed assets					
Property, plant and equipment					
Buildings	7,448		7,212		(235)
Structures	441		462		20
Plant and machinery	3,393		3,947		553
Vehicles	60		61		0
Tools, equipment and furniture	2,018		2,079		61
Land	9,421		9,815		393
Construction in progress	426		460		34
Total property, plant and equipment	23,211	20.4	24,039	20.6	828
Intangible assets					
Industrial property rights	28		25		(3)
Software	6,082		4,906		(1,175)
Software development in progress	32		85		52
Others	33		60		27
Total intangible assets	6,177	5.4	5,078	4.3	(1,099)
Investments and other assets					
Investment securities	13,276		8,485		(4,791)
Subsidiaries and affiliates' stock	8,478		10,473		1,994
Investments in subsidiaries and affiliates	1,336		1,336		-
Long-term loans receivable	50		50		(5)
Long-term loans to subsidiaries and affiliates	-		8,056		8,056
Long-term prepaid expenses	54		246		192
Deferred income taxes	1,191		3,213		2,022
Others	2,437		2,286		(150)
Allowance for doubtful accounts	(1,445)		(1,380)		64
Total investments and other assets	25,380	22.2	32,763	28.0	7,383
Total fixed assets	54,769	48.0	61,881	52.9	7,112
Total assets	¥114,144	100.0	¥116,948	100.0	¥2,804

Accounts	FY2007		FY2008		Increase (Decrease)
	(As of Dec. 31, 2007)		(As of Dec. 31, 2008)		Amount
	Amount	Ratio	Amount	Ratio	
( Liabilities )		%		%	
Current liabilities					
Accounts payable-trade	¥11,530		¥9,030		(¥2,500)
Short-term loans payable to subsidiaries and affiliates	-		9,383		9,383
Accounts payable-other	3,565		3,797		231
Accrued expenses	80		216		135
Income taxes payable	7,106		-		(7,106)
Advance received	351		115		(236)
Deposit payable	1,359		1,502		143
Accrued bonuses to employees	203		207		4
Accrued bonuses to officers	120		120		-
Others	333		45		(288)
Total current liabilities	24,652	21.6	24,418	20.9	(233)
Long-term liabilities					
Employees retirement benefits	1,383		1,232		(151)
Officers retirement benefits	1,062		1,140		78
Total long-term liabilities	2,445	2.1	2,372	2.0	(72)
Total liabilities	27,098	23.7	26,791	22.9	(306)
(Net assets)					
Shareholders' equity					
Common stock	35,613	31.2	35,613	30.4	-
Capital surplus					
Capital reserve	5,822		5,822		
Other capital surplus	-		0		
Total capital surplus	5,822	5.1	5,823	5.0	0
Retained earnings					
Legal reserve	3,194		3,194		
Other legal reserve					
Unappropriated retained earnings	40,860		47,334		
Total retained earnings	44,054	38.6	50,528	43.2	6,473
Treasury stock	(96)	(0.1)	(391)	(0.3)	(295)
Total shareholders' equity	85,394	74.8	91,573	78.3	6,178
Valuation and transaction adjustments					
Unrealized gain on other securities	1,651	1.5	(1,415)	(1.2)	(3,067)
Total valuation and transaction adjustments	1,651	1.5	(1,415)	(1.2)	(3,067)
Total net assets	87,045	76.3	90,157	77.1	3,111
Total liabilities and net assets	¥114,144	100.0	¥116,948	100.0	¥2,804

## (2) Non-consolidated Statements of Income

(Millions of yen)

Accounts	Periods	FY2007		FY2008		Increase (Decrease)		
		〔 Jan. 1, 2007 to Dec. 31, 2007 〕		〔 Jan. 1, 2008 to Dec. 31, 2008 〕				
		Amount	Ratio	Amount	Ratio	Amount		
Net sales		¥168,443	100.0		¥189,142	100.0	¥20,698	
Cost of sales		126,693	75.2		142,285	75.2	15,592	
Gross profit		41,750	24.8		46,856	24.8	5,106	
Selling, general and administrative expenses		26,376	15.7		27,941	14.8	1,565	
Operating income		15,373	9.1		18,915	10.0	3,541	
Non-operating income								
Dividend income		279			402		123	
Interest income		24,151			1,074		(23,076)	
Others		256	24,687	14.7	146	1,623	0.8	(110)
Non-operating expenses								
Interest expense		58			93		35	
Devaluation loss of marketable securities		-			79		79	
Payment discounts		263			271		7	
Donations		123			123		0	
Loss on disposal of fixed assets		101			60		(40)	
Exchange loss		640			1,254		614	
Others		881	2,068	1.2	448	2,332	1.2	(432)
Ordinary income			37,993	22.6		18,206	9.6	(19,786)
Extraordinary gains								
Gain on sales of investment securities		638	638	0.3	-	-	-	(638)
Income before income taxes			38,631	22.9		18,206	9.6	(20,424)
Income tax-current		9,455			3,641		(5,814)	
Income tax-deferred		(2,485)	6,969	4.1	3,197	6,838	3.6	5,683
Net income			¥31,662	18.8		¥11,367	6.0	(¥20,294)

## (3) Non-consolidated Statement of Shareholders' Equity

Fiscal 2007 (From January 1, 2007 to Dec. 31, 2007)

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance as of December 31, 2006	35,613	5,822	0	5,822
Change of items during the year				
Net income				
Retirement of treasury stock			(0)	(0)
Net changes of items other than shareholders' equity				
Total changes of items during the year	-	-	(0)	(0)
Balance as of December 31, 2007	35,613	5,822	-	5,822

	Shareholders' equity				
	Retained earnings			Treasury stock	Total shareholders' equity
	Legal reserve	Other retained earnings	Total retained earnings		
Unappropriated retained earnings					
Balance as of December 31, 2006	3,194	18,727	21,921	(2,125)	61,231
Change of items during the year					
Distribution of surplus		(3,683)	(3,683)		(3,683)
Net income		31,662	31,662		31,662
Acquisition of treasury stock			-	(3,816)	(3,816)
Retirement of treasury stock		(5,844)	(5,844)	5,845	0
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the year	-	22,133	22,133	2,029	24,163
Balance as of December 31, 2007	3,194	40,860	44,054	(96)	85,394

	Valuation and translation adjustments		Total net assets
	Unrealized gain on other securities	Total valuation and translation adjustments	
Balance as of December 31, 2006	5,221	5,221	66,453
Change of items during the year			
Distribution of surplus		-	(3,683)
Net income		-	31,662
Acquisition of treasury stock		-	(3,816)
Retirement of treasury stock		-	0
Net changes of items other than shareholders' equity	(3,570)	(3,570)	(3,570)
Total changes of items during the year	(3,570)	(3,570)	20,592
Balance as of December 31, 2007	1,651	1,651	87,045

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance as of December 31, 2007	35,613	5,822	-	5,822
Change of items during the year				
Net income				
Retirement of treasury stock			0	0
Net changes of items other than shareholders' equity				
Total changes of items during the year	-	-	0	0
Balance as of December 31, 2008	35,613	5,822	0	5,823

	Shareholders' equity				
	Retained earnings			Treasury stock	Total shareholders' equity
	Legal reserve	Other retained earnings	Total retained earnings		
Unappropriated retained earnings					
Balance as of December 31, 2007	3,194	40,860	44,054	(96)	85,394
Change of items during the year					
Distribution of surplus		(4,894)	(4,894)		(4,894)
Net income		11,367	11,367		11,367
Acquisition of treasury stock			-	(298)	(298)
Retirement of treasury stock			-	2	3
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the year	-	6,473	6,473	(295)	6,178
Balance as of December 31, 2008	3,194	47,334	50,528	(391)	91,573

	Valuation and translation adjustments		Total net assets
	Unrealized gain on other securities	Total valuation and translation adjustments	
Balance as of December 31, 2007	1,651	1,651	87,045
Change of items during the year			
Distribution of surplus		-	(4,894)
Net income		-	11,367
Acquisition of treasury stock		-	(298)
Retirement of treasury stock		-	3
Net changes of items other than shareholders' equity	(3,067)	(3,067)	(3,067)
Total changes of items during the year	(3,067)	(3,067)	3,111
Balance as of December 31, 2008	(1,415)	(1,415)	90,157

(4) Changes in the Significant Accounting Policies

FY2007 〔 Jan. 1, 2007 to Dec. 31, 2007 〕	FY2008 〔 Jan. 1, 2008 to Dec. 31, 2008 〕
<p>_____</p> <p>(Depreciation of fixed assets) Effective the fiscal year ended December 31, 2007, in accordance with fiscal 2007 revisions to the Corporate Tax Law (Law for Partial Amendment of the Income Tax Law, etc. (March 30, 2007, Law No. 6) and the Cabinet Order for Partial Amendment of the Company changed the method of calculating depreciation of assets acquired on or after April 1, 2007, to a method in accordance with the revised Corporate Tax Law. The impact of this change on profit and loss is immaterial.</p> <p>(Loss on impairment) Loss on impairment was previously treated as an extraordinary loss. The loss on impairment for the fiscal year ended December 31, 2007, was not significant and was treated as a non-operating expense. As a result, compared with the previous method of a accounting treatment, ordinary income for the fiscal year decreased by 37 million yen.</p>	<p>(Inventory valuation method) Since application of the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) to fiscal years starting before March 31, 2008 became possible, the Company adopted this standard effective with the fiscal year ended December 31, 2008. Of the 340 million yen write-down which arose from the adoption of this standard, 282 million yen was recorded as cost of sales and 58 million yen was recorded as non-operating expenses.</p> <p>_____</p>

(5) Notes relating to non-consolidated financial statements

(Notes relating to non-consolidated balance sheets)

FY2007 (As of Dec. 31, 2007)	FY2008 (As of Dec. 31, 2008)
Accumulated depreciation of property, plant and equipment 53,348 million yen	Accumulated depreciation of property, plant and equipment 53,994 million yen

(Notes relating to non-consolidated statements of income)

FY2007 〔 Jan. 1, 2007 to Dec. 31, 2007 〕	FY2008 〔 Jan. 1, 2008 to Dec. 31, 2008 〕
1. Dividend income from affiliated companies amounted to 24,011 million yen. 2. R&D expenses included in selling, general and administrative expenses and manufacturing expenses amounted to 7,591 million yen.	1. Dividend income from affiliated companies amounted to 916 million yen. 2. R&D expenses included in selling, general and administrative expenses and manufacturing expenses amounted to 8,658 million yen.

(Notes relating to deferred tax accounting)

FY2007 (As of Dec. 31, 2007)		FY2007 (As of Dec. 31, 2007)	
1. Significant components of deferred tax assets and liabilities		1. Significant components of deferred tax assets and liabilities	
	(Millions of yen)		(Millions of yen)
(Deferred tax assets)		(Deferred tax assets)	
Excess of limit of accrued employee bonuses	83	Excess of limit of accrued employee bonuses	85
Business tax payable	929	Officers retirement benefits	467
Officers retirement benefits	435	Excess of limit of employees retirement benefits	505
Excess of limit of employees retirement benefits	567	Unrealized gain on other securities	1,620
Unrealized gain on other securities	556	Book in excess of tax depreciation	355
Book in excess of tax depreciation	523	Loss on revaluation of golf memberships	130
Loss on revaluation of golf memberships	130	Excess of limit of allowance for doubtful accounts	395
Excess of limit of allowance for doubtful accounts	567	Loss on impairment	402
Loss on impairment	340	Book in excess of tax depreciation for small sum assets	127
Book in excess of tax depreciation for small sum assets	131	Devaluation loss on inventories	320
Devaluation loss on inventories	283	Others	175
Excess of foreign tax credit limit	1,940	Total deferred tax assets	<u>4,587</u>
Others	229	(Deferred tax liabilities)	
Total deferred tax assets	<u>6,720</u>	Unrealized gain on other securities	<u>(636)</u>
(Deferred tax liabilities)		Total deferred tax liabilities	<u>(636)</u>
Unrealized gain on other securities	<u>(1,704)</u>	Net deferred tax assets	<u>3,950</u>
Total deferred tax liabilities	<u>(1,704)</u>		
Net deferred tax assets	<u>5,016</u>		
2. Reconciliation between the statutory effective tax rate and the actual effective tax rate		2. Reconciliation between the statutory effective tax rate and the actual effective tax rate	
Statutory effective tax rate	<u>41.0</u> %	Statutory effective tax rate	<u>41.0</u> %
(Reconciliation)		(Reconciliation)	
Permanent difference-expenses	0.3 %	Permanent difference-expenses	0.6 %
Permanent difference-income	(5.2) %	Permanent difference-income	(0.2) %
Foreign tax credit	(18.6) %	Foreign tax credit	(3.2) %
Others	<u>0.5</u> %	Others	<u>(0.6)</u> %
Actual effective tax rate	<u>18.0</u> %	Actual effective tax rate	<u>37.6</u> %