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Summary of Consolidated Financial Results for FY2006

(January 1, 2006 - December 31, 2006)

Feb. 13, 2007

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Stock Exchanges: Tokyo, Osaka

Code Number: 7309

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Date of approval by the Board of Directors: February 13, 2007

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U.S. accounting standards are not adopted.

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1. Financial results for FY2006 (January 1, 2006 - December 31, 2006)

(1) Consolidated income statement summary (All of the amounts in this report are rounded down to the nearest million yen.)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
FY2006	170,303	1.4	20,907	(17.3)	20,963	(19.3)
FY2005	167,875	(0.8)	25,275	(14.0)	25,993	(12.7)

	Net income		Net income per share (Basic)	Net income per share (Diluted)
	Million yen	%	Yen	Yen
FY2006	13,773	(15.9)	137.39	-
FY2005	16,368	(15.7)	153.50	-

	Return on shareholders' equity	Return on assets	Ordinary income to net sales
	%	%	%
FY2006	8.7	11.4	12.3
FY2005	10.4	14.2	15.5

Notes) 1 The average number of shares of common stock outstanding for each year:

FY2006: 100,245,524 FY2005: 105,979,383

2 Changes in accounting policies: None

3 The percentages of net sales, operating income, ordinary income, and net income represent an increase (decrease) from the corresponding period of the previous year.

(2) Consolidated balance sheet summary

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2006	180,273	156,972	86.6	1,610.51
FY2005	186,581	161,074	86.3	1,567.15

Note) The number of shares of common stock issued and outstanding at the end of each year:

FY2006: 96,990,164 FY2005: 102,717,652

(3) Consolidated cash flow statement summary

	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
FY2006	15,513	(6,105)	(23,862)	36,057
FY2005	25,032	(10,898)	(23,021)	48,015

(4) Number of consolidated subsidiaries: 33

(5) Change in the scope of consolidation:

Three companies were newly included. Two companies were excluded.

2. Forecast of Financial Performance for FY2007 (January 1, 2007 - December 31, 2007)

(Millions of yen)

	Net sales		Ordinary income		Net income	
		%		%		%
First half of FY2007	85,000	5.6	10,900	19.9	7,400	15.0
FY2007	177,000	3.9	26,000	24.0	17,600	27.8

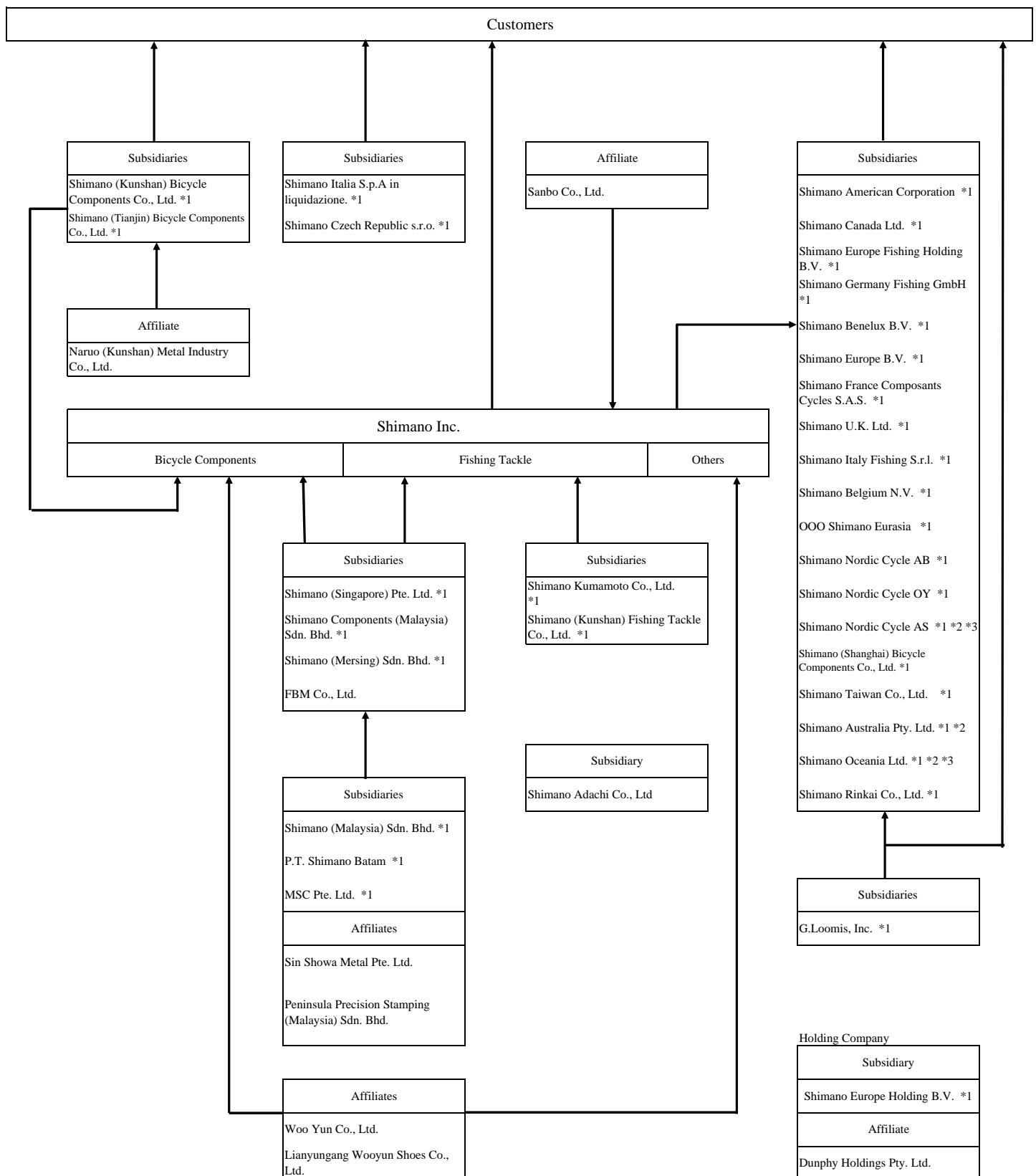
Reference) Net income per share: 181.46 yen

- Notes)
- 1 The percentages of net sales, ordinary income, and net income represent an increase (decrease) from the corresponding period of the previous year.
 - 2 These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those anticipated in these statements. These factors include changes in economic conditions, trends in major markets, or currency exchange rates. Shimano Inc. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report.
Regarding the prerequisite conditions of this forecast and other related issues, please see page 6.

1 Corporate Group

The Shimano Group consists of Shimano Inc. (the "Company"), and its 33 consolidated subsidiaries (2 in Japan and 31 overseas). These companies are engaged in manufacturing and sales of bicycle components, fishing tackle and other cold-forged products.

Group companies and business activities are indicated in the diagram below.



*1 indicates a consolidated subsidiary.

*2 indicates a newly included consolidated subsidiary. Please see page 15.

*3 indicates a newly established subsidiary. Please see page 15.

2 Business Policy

(1) Business Policy

The mission of Shimano Group is "To promote health and happiness through the enjoyment of nature and the world around us." In order to promote health and happiness, we provide innovative and exciting bicycle components and fishing tackle.

We are focusing on four business policies:

1. We strive to provide quality products and services that are reliable and trustworthy.
2. We pledge to continually increase corporate value and to ensure corporate management worthy of the trust placed in us.
3. We strive to provide a fair and vibrant work environment where all can share in the pleasure and satisfaction that comes with achievement.
4. We pledge to be a good corporate citizen by protecting the environment and contributing to the prosperity of our community.

(2) Dividend Policy

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 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 17.50 yen per share, including special dividends of 11.25 yen, an increase of 2 yen per share compared with the previous year-end cash dividends.

As a result of our ongoing acquisition of treasury stock based on the approval of the General Meeting of Shareholders held on March 30, 2006, and the resolution at the Board of Director meetings held on October 17 and December 19, 2006, 2,700,000 shares were retired as of June 23, and 2,500,000 shares were retired as of November 17. Internal fund reserves will be used for strengthening the financial position, rationalization of capital structure and business development from now on.

(3) Management Benchmark

We measure ROE as a management benchmark for improving corporate value. ROE for the fiscal year ended December 2006 was 9%. Shimano Group will strive to regain a ROE of 10% at an early date through improvement of profitability and efficient management of shareholders' equity.

(4) Medium-term Management Strategies and Issues

Shimano Group has set three strategies to achieve customer satisfaction, improve profitability and enhance corporate value from a medium- to long-term perspective.

1. Strengthening of core competence

We will review our strengths and advantages and polish them further to make use of such cultivated resources in the manufacture of "dream products". Building optimal systems for planning, development, manufacturing, and sales in response to the changing marketplace, we will work and bear in mind at all times, the cultivation of the capabilities of our overall system.

2. Creation of bicycling and fishing culture and enforcement of brand names

We will work hard to improve and raise the social recognition and position of cycling and fishing so that consumers can recognize and acknowledge the status of cycling and fishing as aspects of culture offering physical and spiritual value, while also striving to enhance the power of the "Shimano" brand.

3. Enhancement of corporate value

In addition to offering a high degree of customer-satisfying products and services to improve operating performance, we will strive to secure the sustainability of our business by emphasizing compliance and highly transparent company management. We believe that continuing such activities will enhance our corporate value for the sake of our shareholders, users, customers, employees and other stakeholders.

3 Results of Operations and Financial Position

(1) Overview of fiscal 2006

During fiscal year 2006, the Japanese economy was on a steady recovery track as capital investment increased and the labor market improved, supported by improved corporate earnings. Overseas, the US economy continued to perform well although growth of consumer spending and capital investments slowed somewhat. Generally, the major European economies continued to recover at a moderate pace, drawing strength from rising exports thanks to an expansion of foreign demand, and Asian economies maintained high growth rates centered on China and India. In these circumstances, Shimano Group concentrated on providing "dream products" to its customers. To this end, we pursued R&D for exciting new products, enhancement of customer satisfaction based on thorough quality control, and strengthening of global logistics. As a result, consolidated net sales increased 1.4% from the previous year to 170,303 million yen. Consolidated ordinary income declined 19.3% from the previous year to 20,963 million yen and net income declined 15.9% to 13,773 million yen.

Segment Overview

Bicycle Components

During fiscal year 2006, Shimano Group fully remodeled the "XTR" flagship series of mountain bike components and vigorously introduced new products for the high-end segment series, such as additional specs for the "DEORE XT" and the "DEORE LX" series. Shimano Group sales in the US market were sluggish due to inventory adjustments of components for road racing bicycles. Although sales in European markets were not strong in the first half of fiscal year 2006 due to unstable weather in the spring, orders were firm in the second half. In the Japanese market, sales were lackluster due to limited demand for high-value-added products amid rising imports of low-end bicycles. As a result, sales declined 1.7% from the previous year to 122,793 million yen and operating income declined 19.0% to 18,934 million yen.

Fishing Tackle

In the Japanese market, although the overall market for fishing tackle lacked vigor, Shimano Group's sales were virtually unchanged from the previous year, thanks to our new products attuned to customer aspirations, such as the high-end reel "ANTARES DC/DC7" with electronic controls for effective casting, boat fishing rods equipped with the "Butt Joint System" enabling combinations of a variety of rods, and the "SEPHIA" series of tackle for squid fishing. In overseas markets, sales increased due to the improved product mix and line-ups attuned to market needs, notably the offering of a wider selection of mid-range and competitively priced products. As a result, sales for this segment increased 10.9% from the previous year to 44,167 million yen and operating income increased 0.9% to 1,963 million yen.

Others

Sales and profitability of the cold-forged products operation exceeded the results for fiscal year 2005, thanks to brisk order-taking from customers in the automotive industry throughout the year. As a result, sales for this segment increased 8.3% from the previous year to 3,342 million yen and operating income of 9 million yen was recorded, compared with an operating loss of 46 million yen for the previous year.

(2) Financial Position

Consolidated Statement of Cash Flows

Net cash provided by operating activities amounted to 15,513 million yen, a decrease of 38.0% from the previous year. This was mainly attributable to income before income taxes amounting to 19,746 million yen, and an increase in inventories.

Net cash used in investing activities was 6,105 million yen. Cash was mainly used for acquisition of tangible assets, which amounted to 6,631 million yen.

Net cash used in financing activities amounted to 23,862 million yen. Cash was mainly used for acquisition of treasury stock amounting to 20,003 million yen and dividend payments to shareholders amounting to 3,376 million yen.

As a result, cash and cash equivalents at the end of the year were 36,057 million yen.

Cash flow indicators are shown in the following table.

	FY2005	FY2006
Equity ratio (%)	86.3 %	86.6 %
Equity ratio (market value) (%)	170.7 %	185.6 %
Debt repayment (year)	0.08	0.11
Interest coverage ratio	57.3	71.8

Notes) 1. Each index is calculated, using the consolidated results, based on the formulas indicated below:

Equity ratio:	Shareholders' equity / Total assets
Equity ratio (market value):	Aggregate market value of listed stock / Total assets
Debt repayment:	Interest-bearing debt / Operating cash flow
Interest coverage ratio:	Operating cash flow / Interest paid

2. Aggregate market value of listed stock 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. Debt repayment covers all debts in the consolidated balance sheets 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) Forecasts for the fiscal year ending December 2007

The Japanese economy is expected to draw strength from domestic demand supported by robust capital investment, which is trending upward over the medium term, and a further modest improvement in the labor market.

The world economy is expected to maintain steady growth centering on the US economy, despite uncertainties, such as the continuing high prices of crude oil and raw materials.

In these circumstances, Shimano Group will redouble its efforts to achieve sustainable development by strengthening competitiveness and profitability, while at the same time actively engaging in environmental protection and social contributions as a good corporate citizen.

As one aspect of our efforts to strengthen corporate governance, we will strive to promote corporate ethics and strict compliance with laws and regulations on the part of every employee by establishing global internal control systems based on the recognition that not only design of the systems but also enhancement of their operation is important.

In view of the outlook described above, for the fiscal year ending December 2007, Shimano Group forecasts consolidated net sales of 177,000 million yen, an increase of 3.9% from fiscal 2006, ordinary income of 26,000 million yen, an increase of 24.0%, and net income of 17,600 million yen, an increase of 27.8%.

Forecasts of consolidated net sales by segment for the fiscal year ending December 2007 are indicated below:

(Millions of yen)

	First half		Second half		Full year	
	Amount	%	Amount	%	Amount	%
Bicycle Components	60,000	70.6	67,000	72.8	127,000	71.7
Fishing Tackle	23,500	27.6	23,000	25.0	46,500	26.3
Others	1,500	1.8	2,000	2.2	3,500	2.0
Total	85,000	100.0	92,000	100.0	177,000	100.0

Consolidated Balance Sheets

(Millions of yen)

Accounts	Periods	FY2005		FY2006		Difference
		As of Dec. 31, 2005		As of Dec. 31, 2006		Amount
		Amount	Ratio	Amount	Ratio	
			%		%	
(Assets)						
Current assets						
1	Cash and time deposits	¥54,545		¥38,834		(15,710)
2	Notes and accounts receivable-trade	26,974		26,433		(540)
3	Inventories	31,803		36,788		4,984
4	Deferred income taxes	1,654		2,010		355
5	Others	1,845		2,423		577
6	Allowance for doubtful receivables	(313)		(331)		(18)
	Total current assets	116,509	62.4	106,158	58.9	(10,351)
Fixed assets						
1	Property, plant and equipment					
1)	Buildings and structures	18,133		18,209		75
2)	Machinery and vehicles	9,761		10,279		517
3)	Land	11,640		11,596		(44)
4)	Construction in progress	1,092		1,607		515
5)	Others	3,141		3,294		152
	Total property, plant and equipment	43,770	23.5	44,986	25.0	1,216
2	Intangible assets					
1)	Software	2,094		4,352		2,258
2)	Construction in progress	1,873		2,094		220
3)	Others	952		811		(141)
	Total intangible assets	4,920	2.6	7,257	4.0	2,337
3	Investments and other assets					
1)	Investment securities	19,551		19,957		405
2)	Long-term loans receivable	57		3		(54)
3)	Deferred income taxes	105		88		(16)
4)	Others	2,142		2,307		165
5)	Allowance for doubtful receivables	(476)		(486)		(10)
	Total investments and other assets	21,381	11.5	21,870	12.1	489
	Total fixed assets	70,071	37.6	74,115	41.1	4,043
	Total assets	¥186,581	100.0	¥180,273	100.0	(6,307)

(Millions of yen)

Accounts / Periods	FY2005		FY2006		Difference
	As of Dec. 31, 2005		As of Dec. 31, 2006		
	Amount	Ratio	Amount	Ratio	Amount
(Liabilities)		%		%	
Current liabilities					
1 Notes and accounts payable-trade	¥6,882		¥7,434		552
2 Short-term loans payable	1,399		952		(446)
3 Income taxes payable	2,482		2,056		(425)
4 Deferred income taxes	543		725		182
5 Accrued bonuses to employees	749		841		91
6 Accrued bonuses to officers	-		107		107
7 Others	9,430		8,171		(1,259)
Total current liabilities	21,488	11.5	20,290	11.2	(1,198)
Long-term liabilities					
1 Long-term debt	21		-		(21)
2 Deferred income taxes	663		761		98
3 Employees' retirement benefits	1,921		1,265		(656)
4 Officers' retirement benefits	871		983		112
Total long-term liabilities	3,478	1.9	3,010	1.7	(467)
Total liabilities	24,967	13.4	23,300	12.9	(1,666)
(Minority interest)	540	0.3	-	-	-
(Shareholders' equity)					
Common stock	35,613	19.1	-	-	-
Capital surplus	15,455	8.3	-	-	-
Retained earnings	104,481	56.0	-	-	-
Unrealized gain (loss) on other securities	4,905	2.6	-	-	-
Foreign currency translation adjustments	874	0.4	-	-	-
Treasury stock	(255)	(0.1)	-	-	-
Total shareholders' equity	161,074	86.3	-	-	-
Total liabilities and shareholders' equity	¥186,581	100.0	-	-	-

Consolidated Balance Sheets

(Millions of yen)

Accounts Periods	FY2005		FY2006		Difference
	As of Dec. 31, 2005		As of Dec. 31, 2006		
	Amount	Ratio	Amount	Ratio	Amount
(Net assets)		%		%	
Shareholders' equity					
1 Common stock	-	-	¥35,613	19.8	-
2 Capital surplus	-	-	5,822	3.2	-
3 Retained earnings	-	-	106,463	59.1	-
4 Treasury stock	-	-	(2,125)	(1.2)	-
Total shareholders' equity	-	-	145,773	80.9	-
Valuation and translation adjustments					
1 Unrealized gain (loss) on other securities	-	-	5,224	2.9	-
2 Foreign currency translation adjustments	-	-	5,205	2.9	-
Total valuation and translation adjustments	-	-	10,429	5.8	-
Minority interest	-	-	769	0.4	-
Total net assets	-	-	156,972	87.1	-
Total liabilities and net assets	-	-	¥180,273	100.0	-

Consolidated Statements of Income

(Millions of yen)

Accounts	Periods	FY2005		FY2006		Difference
		Jan. 1, 2005 to Dec. 31, 2005		Jan. 1, 2006 to Dec. 31, 2006		
		Amount	Ratio	Amount	Ratio	Amount
			%		%	
Net sales		¥167,875	100.0	¥170,303	100.0	2,427
Cost of sales		107,723	64.2	111,666	65.6	3,943
Gross profit		60,151	35.8	58,636	34.4	(1,515)
Selling, general and administrative expenses		34,876	20.8	37,728	22.1	2,852
Operating income		25,275	15.0	20,907	12.3	(4,367)
Non-operating income						
1 Interest and dividend income		1,531		1,719		187
2 Others		460		572		112
Total non-operating income		1,991	1.2	2,292	1.3	300
Non-operating expenses						
1 Interest expense		435		214		(221)
2 Others		837		2,021		1,183
Total non-operating expenses		1,273	0.8	2,235	1.3	962
Ordinary income		25,993	15.4	20,963	12.3	(5,029)
Extraordinary gains						
1 Gain on sales of investment securities		-		226		226
Total extraordinary gains		-	-	226	0.1	226
Extraordinary losses						
1 Subsidiary's liquidating expense		1,056		-		(1,056)
2 Devaluation loss on inventories		-		1,057		1,057
3 Loss on impairment		328		385		57
Total extraordinary losses		1,384	0.8	1,443	0.8	58
Net income before income taxes and minority interest		24,608	14.6	19,746	11.6	(4,861)
Income tax-current		8,227	4.9	6,099	3.6	(2,127)
Income tax-deferred		(61)	(0.0)	(267)	(0.2)	(206)
Minority interest in net income		74	0.0	141	0.1	67
Net income		¥16,368	9.7	¥13,773	8.1	(2,594)

Consolidated Statements of Retained Earnings

(Millions of yen)

Accounts	Periods	FY2005		FY2006		Difference	
		Jan. 1, 2005 to Dec. 31, 2005		Jan. 1, 2006 to Dec. 31, 2006			
		Amount		Amount			
(Capital Surplus)							
Balance at beginning of the year		¥31,830		-		-	
Add:							
1. Gain on retirement of treasury stock	0	0	-	-	-	-	
Deduct:							
1. Retirement of treasury stock	16,375	16,375	-	-	-	-	
Balance at end of the year		15,455		-		-	
(Retained earnings)							
Balance at beginning of the year		98,307		-		-	
Add:							
1. Net Income	16,368		-		-		
2. Inclusion of newly consolidated subsidiaries	437	16,805	-	-	-	-	
Deduct:							
1. Cash dividends	3,018		-		-		
2. Bonuses to officers	100		-		-		
3. Bonuses to corporate auditors	11		-		-		
4. Retirement of treasury stock	7,501	10,630	-	-	-	-	
Balance at end of the year		¥104,481		-		-	

Consolidated Statements of Shareholders' Equity

January 1, 2006 to December 31, 2006

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2005	¥35,613	¥15,455	¥104,481	(¥255)	¥155,293
Changes of items during the year					
Distribution of surplus (Note 1)			(3,342)		(3,342)
Net income			13,773		13,773
Bonuses to officers (Note 2)			(107)		(107)
Acquisition of treasury stock				(20,003)	(20,003)
Retirement of treasury stock		(9,632)	(8,500)	18,133	0
Inclusion of newly consolidated subsidiaries			159		159
Net changes of items other than shareholders' equity					-
Total changes of items during the year	-	(9,632)	1,981	(1,869)	(9,520)
Balance as of December 31, 2006	¥35,613	¥5,822	¥106,463	(¥2,125)	¥145,773

	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, 2005	¥4,905	¥874	¥5,780	¥540	¥161,614
Changes of items during the year					
Distribution of surplus (Note 1)			-		(3,342)
Net income			-		13,773
Bonuses to officers (Note 2)			-		(107)
Acquisition of treasury stock			-		(20,003)
Retirement of treasury stock			-		0
Inclusion of newly consolidated subsidiaries			-		159
Net changes of items other than shareholders' equity	318	4,330	4,649	229	4,878
Total changes of items during the year	318	4,330	4,649	229	(4,641)
Balance as of December 31, 2006	¥5,224	¥5,205	¥10,429	¥769	¥156,972

Notes :

1. Of this amount, 1,592 million yen corresponds to an appropriation of retained earnings approved at the General Meeting of Shareholders held in March 2006.
2. It is an item of appropriation of retained earnings approved at the General Meeting of Shareholders held in March 2006.

Consolidated Statements of Cash Flows

(Millions of yen)

Accounts	Periods	FY2005	FY2006	Difference
		Jan. 1, 2005 to Dec. 31, 2005	Jan. 1, 2006 to Dec. 31, 2006	
		Amount	Amount	Amount
Cash flows from operating activities:				
Income before income taxes and minority interest		¥24,608	¥19,746	(¥4,861)
Depreciation and amortization		7,522	7,650	128
Loss on impairment		328	385	57
Amortization of consolidation adjustment account		68	-	(68)
Allowance for doubtful receivables		8	9	0
Employees' retirement benefits		(686)	(665)	20
Officers' retirement benefits		55	112	56
Loss (gain) on sales/revaluation of investment securities		(3)	(219)	(215)
Loss on revaluation of golf membership		1	0	(1)
Interest and dividend income		(1,531)	(1,719)	(187)
Interest expense		435	214	(221)
Gain on sale/disposal of fixed assets		177	54	(122)
Notes and accounts receivable		(869)	884	1,754
Inventories		3,269	(3,712)	(6,982)
Notes and accounts payable		1,272	288	(984)
Accrued sales rebates		34	(87)	(121)
Accrued bonuses to officers		(111)	(107)	3
Others, net		1,868	(1,864)	(3,732)
Subtotal		36,448	20,970	(15,478)
Interest and dividend income received		1,607	1,643	36
Interest expense paid		(437)	(215)	221
Income taxes paid		(12,586)	(6,884)	5,701
Net cash provided by operating activities		25,032	15,513	(9,518)
Cash flows from investing activities:				
Purchase of time deposits		(6,530)	(2,777)	3,752
Proceeds from maturities of time deposits		5,234	6,825	1,590
Acquisition of property, plant and equipment		(6,821)	(6,631)	190
Acquisition of intangible assets		(2,964)	(3,736)	(771)
Acquisition of investment securities		(75)	(10)	64
Proceeds from sales of investment securities		14	407	393
Proceeds from collections of loans		42	43	1
Others, net		202	(226)	(429)
Net cash provided by (used in) investing activities		(10,898)	(6,105)	4,792
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans		(400)	221	621
Decrease in long-term debt		(24)	(704)	(680)
Acquisition of treasury stock		(19,567)	(20,003)	(435)
Gain on sales of treasury stock		0	0	0
Cash dividends to shareholders		(3,030)	(3,376)	(346)
Net cash used in financing activities		(23,021)	(23,862)	(840)
Effect of exchange rate changes on cash and cash equivalents		4,661	2,424	(2,237)
Net increase (decrease) in cash and cash equivalents		(4,226)	(12,029)	(7,803)
Cash and cash equivalents at beginning of the year		52,113	48,015	(4,098)
Effect from initial inclusion (exclusion) of subsidiaries in (from) consolidation		128	72	(56)
Cash and cash equivalents at end of the year		¥48,015	¥36,057	(¥11,957)

Basis of Presenting Consolidated Financial Statements

1 Consolidation

(1) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and 33 subsidiaries. The names of those subsidiaries are shown in "1. Corporate Group" on Page 3.

* Shimano Nordic Cycle AS and Shimano Oceania Ltd. were newly established during fiscal 2006 and subsequently consolidated. Shimano Australia Pty. Ltd. was included in the scope of consolidation since its effect on the consolidated statements has become material as a result of the establishment of its operational systems during the second half of fiscal 2006 and its increased importance as a geographical base.

G. Loomis Products, Inc. and G. Loomis Sporting Goods, Inc. were excluded from the scope of consolidation due to their dissolution.

(2) Unconsolidated subsidiaries

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

2 Applications of the equity method

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

3 Fiscal year of the consolidated subsidiaries

- 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.
- 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

The above foreign subsidiaries are consolidated using their fiscal year end of November 30.

- Shimano (Kunshan) Fishing Tackle Co., Ltd.
- Shimano (Shanghai) Bicycle Components Co., Ltd.
- Shimano (Tianjin) Bicycle Components Co., Ltd.

These consolidated subsidiaries based in China 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.

- 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 ending 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.

4 Summary of significant accounting policies

(1) Valuation basis and method for principal assets

Securities

Other securities with market prices

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

Other securities with no available fair value

Other securities with no market prices are stated at moving average cost. Investments in investment limited partnerships (that are considered marketable securities under Article 2, Paragraph 2, of the Securities and Exchange Law) are consolidated using the net value of their shares based on the most recent financial statements available, prepared according to the financial reporting dates specified in the partnership agreements.

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 prices.

(2) Depreciation and amortization of principal fixed assets

Property, plant and equipment

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 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 straight-line method is applied to buildings acquired on or after April 1, 1998, at rates based on the estimated useful lives of the respective assets.

Intangible assets

Intangible assets are amortized principally by the straight-line method.

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

Long-term prepaid expenses

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

(3) Provision for principal allowances and reserves

Allowance for doubtful receivables

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

Accrued bonuses to employees

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

Accrued bonuses to officers

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

Change in accounting policy

Effective the fiscal year ended December 31, 2006, the Company adopted the Accounting Standards Board of Japan (ASBJ) "Accounting Standard for Directors' Bonus" (ASBJ Statement No. 4, November 29, 2005). As a result, selling, general and administrative expenses increased 107 million yen and operating income, ordinary income and income before income taxes and minority interest decreased by the same amount. Its effect on the Segment Information was immaterial.

Employees' retirement benefits

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

Change in accounting policy

Effective the fiscal year ended December 31, 2006, the Company adopted the partially revised "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 3, March 16, 2005) and the "Implementation Guidance on Partial Revision of the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 7, March 16, 2005). As a result, operating income, ordinary income and income before income taxes increased by 61 million yen.

Its effect on the Segment Information was immaterial.

Officers' retirement benefits

Officers' retirement benefits are provided based on the pertinent rules and are calculated as the amount which would be payable if all officers were to retire at the balance sheet date.

(4) Foreign currency translation

Monetary assets and liabilities of the Company denominated in foreign currencies are translated into Japanese yen at applicable current exchange rates at the end of the year. However, receivables and payables denominated in foreign currencies covered by forward exchange contracts are translated at the contracted rates.

In consolidated overseas subsidiaries, assets and liabilities are translated into Japanese yen at the rate of exchange at the end of the year, and revenue and expense accounts are translated into Japanese yen at the average rates over the fiscal year. Differences arising from translation are reflected as a component of minority interest and net assets.

(5) Accounting for leases

Finance leases, other than those which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by a method similar to that applicable to ordinary finance lease transactions.

(6) Accounting for hedges

Method of hedge accounting

With respect to forward exchange contracts, a hedge is accounted for by the short-cut method for receivables and payables denominated in US dollars.

Hedging instrument and risk hedged

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

Hedging policy

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

Assessing the effectiveness of a hedge

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

(7) Accounting for consumption taxes

All amounts stated are exclusive of consumption and local taxes.

5 Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are stated entirely by the mark-to-market method.

6 Amortization of consolidation adjustment account

The consolidation adjustment account is amortized by the straight-line method over 5 years.

However, in the case that the effect is expected to be terminated earlier than the period anticipated at the time of acquisition, the residual amount of the consolidation adjustment account is reduced reasonably.

7 Accounting of appropriation of retained earnings

The consolidated statements of retained earnings are prepared based on the appropriation of retained earnings approved by the General Meeting of Shareholders held during the consolidated fiscal year ended December 31, 2006.

8 Scope of cash and cash equivalents in consolidated statements of cash flows for the year

Cash equivalents include time deposits with a maturity of three months or less, marketable securities with a maturity of three months or less that are readily convertible to cash, and deposits.

Change in Accounting Policy

Balance-sheet presentation of net assets

Partial revision of accounting standards relating to decreases in treasury stock and legal reserves

Effective the fiscal year ended December 31, 2006, the Company adopted the “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Statement No. 5, December 9, 2005) and the “Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No. 8, December 9, 2005), along with the revised “Accounting Standard for Treasury Shares and Appropriation of Legal Reserve” (ASBJ Statement No. 1, final version issued on August 11, 2006) and the “Implementation Guidance on Accounting Standard for Treasury Shares and Appropriation of Legal Reserve” (ASBJ Guidance No. 2, final version issued on August 11, 2006). The effect of this change was immaterial. Total shareholders’ equity as of December 31, 2006, in accordance with the previous accounting standards would have been 156,203 million yen.

Due to revision of regulations concerning consolidated financial statements, consolidated financial statements for fiscal 2006 were prepared based on revised regulations concerning consolidated financial statements.

Notes

Notes relating to Consolidated Balance Sheets

1 Stocks for unconsolidated subsidiaries and affiliated companies are as follows.

Investment securities

422 million yen

(Stocks for unconsolidated subsidiaries and affiliated companies)

(422)

2 Accounting procedure for notes receivable

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 the date of clearing.

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

Notes receivable

73 million yen

3 Accumulated depreciation of property, plant and equipment

86,521 million yen

Notes relating to Consolidated Statements of Income

Main components of selling, general and administrative expenses for the fiscal year ended December 31, 2006.

* Salaries and wages

7,872 million yen

* Advertisement and sales promotional expenses

6,372 million yen

* R&D expense included in selling, general and administrative expense, and manufacturing expense for the fiscal year ended December 31, 2006.

7,035 million yen

Notes relating to Impairment of Fixed Assets

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

Use	Form	Place	Remarks
Production/Operation facilities of Bicycle Components	Buildings and structures, Machinery and vehicles, Others -(Tools, Equipment and Furniture)	Sakai City, Osaka Shimonoseki City, Yamaguchi	Idle assets
Production/Operation facilities of Fishing Tackle	Buildings and structures, Machinery and vehicles, Land, Others -(Tools, Equipment and Furniture)	Sakai City, Osaka Yotsukaidou City, Chiba	Idle assets
Production facilities of other segments	Others -(Tools, Equipment and Furniture)	Sakai City, Osaka	Idle assets

Background

The book values of idle assets of production and operation facilities of bicycle components and fishing tackle, and production facilities of other segments were reduced to recoverable amounts because they are unscheduled for business use, and an impairment loss (385 million yen) was recorded as an extraordinary loss.

Amount of Impairment Loss

(Millions of yen)

Form	Amount
Buildings and structures	47
Machinery and vehicles	151
Land	110
Others - (Tools, Equipment & Furniture)	76
Total	385

Method of Grouping

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

Method of calculating recoverable amounts

Recoverable amounts are at net sales value, which is either the residual value or the assessed value of fixed assets.

Notes relating to Consolidated Statements of Shareholders' Equity

Fiscal 2006 (January 1, 2006 to December 31, 2006)

1 Total number of issued shares

(Thousand shares)

Item	Balance as of December 31, 2005	Increasing	Decreasing	Balance as of December 31, 2006
Common stock	102,803	-	5,200	97,603

(Reason for change)

Decreasing item is as follows:

Retirement of treasury stock

5,200 thousand shares

2 Treasury stock

(Thousand shares)

Item	Balance as of December 31, 2005	Increasing	Decreasing	Balance as of December 31, 2006
Common stock	85	5,727	5,200	613

(Reasons for change)

Increasing items are as follows:

Buy-back based on the resolution at the General Meeting of Shareholders

2,702 thousand shares

Buy-back based on the resolution at the meeting of the Board of Directors

3,020 thousand shares

Buy-back of shares less than one unit

4 thousand shares

Decreasing items are as follows:

Retirement of treasury stock

5,200 thousand shares

Sale of shares less than one unit

0 thousand shares

3 Distribution of surplus

(1) Payment of cash dividends

At the General Meeting of Shareholders held on March 30, 2006, the following resolutions were made.

·Matters concerning dividends for shares of common stock

Total amount of cash dividends 1,592 million yen

Cash dividends per share 15.50 yen

Record date 31-Dec-05

Effective date 31-Mar-06

(2) Payment of interim cash dividend

At the meeting of the Board of Directors held on August 22, 2006, the following resolutions were made.

·Matters concerning dividends for shares of common stock

Total amount of cash dividends	1,750 million yen
Cash dividends per share	17.50 yen
Record date	30-Jun-06
Effective date	4-Sep-06

(3) Distribution of surplus after the end of the fiscal year ended December 31, 2006

At the General Meeting of Shareholders to be held on March 29, 2007, the following resolutions are expected to be made.

·Matters concerning dividends for shares of common stock

Total amount of cash dividends	1,697 million yen
Source of dividends	Retained earnings
Cash dividends per share	17.50 yen
Record date	31-Dec-06
Effective date	30-Mar-07

Notes relating to Consolidated Statements of Cash Flows

The reconciliation of cash and cash equivalents in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at December 31, 2006.

	(Millions of yen)
* Cash and cash equivalents	38,834
* Time deposits maturing after 3 months	(2,777)
Cash and cash equivalents	36,057

Notes relating to lease transactions

Finance leases except those for which the ownership of the leased assets is considered to be transferred to the lessee

- 1 Amounts equivalent to acquisition cost, accumulated depreciation and the balance of the leased property

(Millions of yen)

<u>Others (Tools, Equipment and Furniture)</u>	
Amounts equivalent to acquisition cost	76
<u>Amounts equivalent to accumulated depreciation</u>	<u>53</u>
Amounts equivalent to the balance as of the end of FY2006	22

Note:

Since the balance of future lease payments accounts for a small portion of the balance of tangible fixed assets, the amount equivalent to the acquisition cost is accounted for by the interest expense inclusion method.

- 2 Amounts equivalent to balance of future lease payments

(Millions of yen)

Due within 1 year	14
Due over 1 year	8
<u>Total</u>	<u>22</u>

Note:

Since the balance of future lease payments accounts for a small portion of the balance of tangible fixed assets, the balance of future lease payments is accounted for by the interest expense inclusion method.

- 3 Lease payments and the amount equivalent to depreciation for fiscal 2006

(Millions of yen)

Lease payments	22
<u>Amounts equivalent to depreciation</u>	<u>22</u>

- 4 Method of calculating amounts equivalent to depreciation

Depreciation is calculated based on the straight-line method, assuming the lease period as the useful life and a residual value of zero.

Operating lease transactions

Future lease payments

(Millions of yen)

Due within 1 year	141
Due over 1 year	355
<u>Total</u>	<u>496</u>

Securities

FY2005

1 Other securities with market prices (As of December 31, 2005)

(Other Securities with book value exceeding acquisition cost) (Millions of yen)

Item	Acquisition cost	Book value	Difference
Stocks	4,153	12,444	8,290
Total	4,153	12,444	8,290

(Other Securities with book value not exceeding acquisition cost) (Millions of yen)

Item	Acquisition cost	Book value	Difference
Stocks	1	0	(0)
Total	1	0	(0)

Shimano Group applies impairment in the case that fair value declines over 50% compared with acquisition cost.

2 Other securities sold in fiscal 2005 (Millions of yen)

Amount sold	964
Total gain on sale	2
Total loss on sale	-

3 Other securities with no market prices and their book value (As of December 31, 2005)

(Millions of yen)

Other Securities	
Unlisted stock	6,562
Investment in investment limited partnerships	105

Note

Investment in investment limited partnerships includes the market price (net value of shares, 14 million yen) of other securities held by investment limited partnerships.

FY2006

1 Other securities with market prices (As of December 31, 2006)

(Other Securities with book value exceeding acquisition cost) (Millions of yen)

Item	Acquisition Cost	Book value	Difference
Stocks	9,589	18,496	8,907
Total	9,589	18,496	8,907

(Other Securities with book value not exceeding acquisition cost) (Millions of yen)

Item	Acquisition cost	Book value	Difference
Stocks	654	565	(88)
Total	654	565	(88)

Shimano Group applies impairment in the case that fair value declines over 50% compared with acquisition cost.

2 Other securities sold in fiscal 2006 (Millions of yen)

Amount sold	375
Total gain on sale	226
Total loss on sale	-

3 Other securities with no market prices and their book value (As of December 31, 2006)

(Millions of yen)

Other Securities	
Unlisted stock	375
Investment in investment limited partnerships	96

Note

Investment in investment limited partnerships includes the market price (net value of shares, 36 million yen) of other securities held by investment limited partnerships.

Derivative transactions

1 Notes relating to derivative transactions

(1) Adopted derivative transactions

Shimano Group adopts only forward exchange contracts for receivables and payables denominated in foreign currencies.

(2) Policy

Shimano Group's policy is to use derivative transactions within the outstanding balance of receivables and payables. Shimano Group does not engage in speculative derivative transactions.

(3) Objective

Shimano Group uses forward exchange contracts in order to avoid the risk of fluctuation in currency exchange rates concerning exports and imports. Hedge accounting is adopted for derivative transactions.

Method of hedge accounting

With respect to forward exchange contracts, a hedge is accounted for by the short-cut method for receivables and payables denominated in US dollars.

Hedging instrument and risk hedged

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

Hedging policy

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

Assessing the effectiveness of a hedge

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

(4) Risks related to transactions

Market risk

Market risk concerning forward exchange contracts is limited to an opportunity loss for receiving gains from any fluctuations in the currency market after the execution.

Credit risk

Since Shimano Group has forward exchange contracts with credible domestic banks, credit risk is considered to be negligible.

(5) Risk administration structure related to transactions

The Accounting Division is in charge of the execution and administration of derivative transactions because Shimano Group only engages in derivative transactions within the outstanding balance of receivables and payables for the purpose of averting risks from fluctuations in currency exchange rates concerning exports and imports.

2 Notes relating to fair value

Not applicable because hedge accounting is adopted for derivative transactions used by Shimano Group.

Employees' retirement benefits

1 Summary for adopted employees' retirement benefits

Employees who retire from the Company are entitled to lump-sum severance indemnities determined by reference to length of service, designation and conditions under which the terminations occur. The Company adopted Shimano contributory funded defined benefit pension plans cover 70% and 50% of the amount which would be paid if employees retire under the age limit and voluntarily prior to the age of 60, respectively.

In connection with the transfer to the government of the substitution portion of the benefit obligations and related plan assets, the Company has been approved by the Minister of Health, Labor and Welfare, and shifted to a new employee pension plan on April 1, 2004.

2 Benefit obligation, plan assets and funded status as of December 31, 2006

	(Millions of yen)
Benefit obligation at end of the year	(12,571)
Fair value of plan assets	11,368
Benefit obligation in excess of plan assets	(1,203)
Unrecognized prepaid cost	(61)
	(1,265)

3 Severance and pension costs

	(Millions of yen)
Service cost	457
Interest cost	301
Expected return on plan assets	(263)
Amortization of actuarial differences	243
Net periodic benefit cost	738

4 Assumptions used in the accounting for the above plans

Discount rate	2.5%
Long-term rate of return on plan assets	2.5%

Anticipated employees' retirement benefits are allocated equally to each service year.

Unrecognized prior service cost are charged to income in the fiscal year following their occurrence.

Unrecognized actuarial differences are amortized in the fiscal year following their occurrence.

Deferred tax accounting

1 Significant components of the deferred income tax assets and liabilities

Deferred tax assets:	(Millions of yen)
Accrued employees' bonuses	128
Business tax payable	93
Officers' retirement benefits	403
Excess of limit of retirement benefits	481
Other securities revaluation	190
Book in excess of tax depreciation	568
Unrealized gain on inventory	637
Loss on revaluation of golf membership	135
Allowance for doubtful receivables	550
Impairment loss	444
Book in excess of tax depreciation for small sum properties	212
Devaluation loss on inventories	485
Excess of foreign tax credit limit	195
Other	532
Total deferred tax assets	5,060

Deferred tax liabilities:	(Millions of yen)
Undistributed earnings of foreign consolidated subsidiaries	(174)
Valuation of land	(167)
Tax in excess of book depreciation	(371)
Other securities revaluation	(3,665)
Other	(71)
Total deferred tax liabilities	(4,449)
 Net deferred tax assets	 610

2 The reconciliation between the statutory effective tax rate and the actual effective tax rate reflected in the consolidated statements of income

Statutory effective tax rate	41.0%
Permanent difference - expenses	1.9%
Permanent difference - income	(1.1%)
Foreign tax credits	(8.9%)
Differences in tax rates with foreign consolidated subsidiaries	(7.0%)
Other	3.6%
Effective tax rate	29.5%

Segment Information

(1) Segment by Industry

FY2005 (Jan. 1, 2005 - Dec. 31, 2005)

(Millions of yen)

	Bicycle Components	Fishing Tackle	Others	Total	Corporate/ Elimination	Consolidated
.Net sales, operating income (loss)						
Net sales						
1) third parties	124,964	39,823	3,087	167,875	-	167,875
2) inter-segment	-	-	-	-	(-)	-
Total	124,964	39,823	3,087	167,875	(-)	167,875
Operating expenses	101,588	37,877	3,134	142,600	(-)	142,600
Operating income (loss)	23,376	1,946	(46)	25,275	(-)	25,275
.Total assets, depreciation loss on impairment & investment						
Total assets	101,066	23,617	2,727	127,412	59,168	186,581
Depreciation	5,832	1,496	193	7,522	-	7,522
Loss on impairment	152	167	8	328	-	328
Investment	8,009	1,689	87	9,786	-	9,786

FY2006 (Jan. 1, 2006 - Dec. 31, 2006)

(Millions of yen)

	Bicycle Components	Fishing Tackle	Others	Total	Corporate/ Elimination	Consolidated
.Net sales, operating income (loss)						
Net sales						
1) third parties	122,793	44,167	3,342	170,303	-	170,303
2) inter-segment	-	-	-	-	(-)	-
Total	122,793	44,167	3,342	170,303	(-)	170,303
Operating expenses	103,859	42,204	3,332	149,395	(-)	149,395
Operating income (loss)	18,934	1,963	9	20,907	(-)	20,907
.Total assets, depreciation loss on impairment & investment						
Total assets	105,941	25,579	2,572	134,093	46,179	180,273
Depreciation	5,849	1,632	168	7,650	-	7,650
Loss on impairment	202	183	0	385	-	385
Investment	8,727	1,485	153	10,367	-	10,367

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

2 Representative products of each industrial 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 46,179 million yen as of Dec. 31, 2006, and 59,168 million yen as of Dec. 31, 2005. Surplus assets (cash and time deposits), investments in fixed assets (investment securities) were main components.

(2) Segment by Geography

FY2005 (Jan. 1, 2005 - Dec. 31, 2005)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Corporate/ Elimination	Consolidated
.Net sales, operating income (loss)							
Net sales							
1) third parties	116,735	19,118	21,639	10,381	167,875	-	167,875
2) inter-segment	23,658	315	2,022	39,112	65,108	(65,108)	-
Total	140,394	19,433	23,661	49,494	232,984	(65,108)	167,875
Operating expenses	123,616	18,382	22,276	43,433	207,708	(65,108)	142,600
Operating income (loss)	16,777	1,050	1,385	6,061	25,275	-	25,275
.Total assets	87,893	9,264	14,541	25,941	137,642	48,939	186,581

FY2006 (Jan. 1, 2006 - Dec. 31, 2006)

(Millions of yen)

	Japan	North America	Europe	Asia	Others	Total	Corporate/ Elimination	Consolidated
.Net sales, operating income (loss)								
Net sales								
1) third parties	113,096	20,468	22,448	13,189	1,101	170,303	-	170,303
2) inter-segment	25,793	257	2,176	46,340	6	74,575	(74,575)	-
Total	138,890	20,726	24,625	59,529	1,107	244,878	(74,575)	170,303
Operating expenses	128,304	19,595	23,386	51,721	963	223,971	(74,575)	149,395
Operating income (loss)	10,586	1,130	1,238	7,807	144	20,907	-	20,907
.Total assets	88,577	9,515	15,582	52,035	414	166,124	14,148	180,273

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 46,179 million yen as of Dec. 31, 2006, and 59,168 million yen as of Dec. 31, 2005. Surplus assets (cash and time deposits), investments in fixed assets (investment securities) were main components.

(3) Overseas Sales

FY2005 (Jan. 1, 2005 - Dec. 31, 2005)

(Millions of yen)

	America	Europe	Asia	Others	Total
. Overseas sales	28,702	68,760	42,576	2,496	142,537
. Consolidated net sales					167,875
. Overseas sales ratio [/]	17.1%	41.0%	25.4%	1.5%	84.9%

FY2006 (Jan. 1, 2006 - Dec. 31, 2006)

(Millions of yen)

	America	Europe	Asia	Others	Total
. Overseas sales	28,037	66,429	46,316	3,838	144,622
. Consolidated net sales					170,303
. Overseas sales ratio [/]	16.5%	39.0%	27.2%	2.3%	84.9%

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, Latin 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.

Status of Production, Orders Received and Sales

1. Production

(Millions of yen)

Segment by Industry	FY2005	FY2006
Bicycle Components	126,053	123,845
Fishing Tackle	39,551	42,742
Others	2,986	3,169
Total	168,590	169,757

Notes: 1. Production amounts are approximations based on sales prices.

2. The above amounts do not include consumption tax.

2. Orders Received

For bicycle components and fishing tackle, most production of the Company and its subsidiaries is based on sales forecasts. For cold-forged products, production is based on orders. As the value of orders received is immaterial, information on orders received is not presented.

3. Sales

(Millions of yen)

Segment by Industry	FY2005	FY2006
Bicycle Components	124,964	122,793
Fishing Tackle	39,823	44,167
Others	3,087	3,342
Total	167,875	170,303

Note: The above amounts do not include consumption tax.

Per Share Data

FY2006 (Jan. 1, 2006 - Dec. 31, 2006)

Net assets per share	1,610.51 yen
Net income per share	137.39 yen
Net income per share (diluted)	None

(Additional Information)

Effective the fiscal year ended December 31, 2006, the Company adopted the "Revised Accounting Standard for Net Income per share" (ASBJ statement No.2, final version issued on January 31, 2006).

The effect of this change was immaterial.

Basis of calculating net income per share	(Millions of yen)
Net income	13,773
Net income available to common shareholders	13,773
Amount not available to common shareholders	-
(Including bonuses to officers through appropriation of retained earnings)	-
The average number of shares of common stock outstanding for FY2006 (1,000 shares)	100,245

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Summary of Non-consolidated Financial Results for FY2006

(January 1, 2006 - December 31, 2006)

Feb. 13, 2007

Company Name: Shimano Inc.

Code Number: 7309

(URL: <http://www.shimano.com>)

President:

Yozo Shimano

Senior Vice President, Accounting:

Yoshihiro Hirata

Stock Exchanges: Tokyo, Osaka

Head Office: Osaka, Japan

Telephone: Within Japan

(072)223-3254

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81-72-223-3254

Date of approval by the board of director

13-Feb-07

Effective date for cash dividend:

30-Mar-07

Date of the annual general meeting of shareholders

29-Mar-07

Numbers of shares in unit share system:

100 shares/unit

1. Financial Results for FY2006 (January 1, 2006 - December 31, 2006)

(1) Income statement summary

(All of the amounts in this report are rounded down to the nearest million yen.)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
FY2006	136,744	(1.5)	9,381	(39.7)	11,493	(40.4)
FY2005	138,814	(5.7)	15,566	(15.6)	19,283	3.9

	Net income		Net income per share (Basic)		Net income per share (Diluted)	
	Million yen	%	Yen		Yen	
FY2006	7,862	(38.9)	78.44		-	
FY2005	12,872	10.8	120.52		-	

	Return on shareholders' equity		Return on assets		Ordinary income to net sales	
		%		%		%
FY2006		10.6		11.3		8.4
FY2005		15.1		18.5		13.9

Notes) 1 The average number of shares of common stock outstanding for each year:

FY2006: 100,245,524 FY2005: 105,979,383

2 Changes in accounting policies: None

3 The percentages of net sales, operating income, ordinary income, and net income represent an increase (decrease) from the previous year.

(2) Balance sheet summary

	Total assets		Total shareholders' equity		Shareholders' equity ratio		Shareholders' equity per share	
	Million yen		Million yen		%		Yen	
FY2006	103,673		66,453		64.1		685.15	
FY2005	99,868		81,716		81.8		794.57	

Note) The number of shares of common stock issued and outstanding at the end of each year:

FY2006: 96,990,164 FY2005: 102,717,652

The number of shares of treasury stock for each period

FY2006: 613,043 FY2005: 85,555

2. Forecast of Financial Performance for FY2007 (January 1, 2007 - December 31, 2007) (Millions of yen)

	Net sales		Ordinary income		Net income	
	Million yen		Million yen		Million yen	
First half of FY2007	64,300		9,200		7,300	
FY2007	141,000		19,000		14,000	

Reference) Net income per share: 144.35 yen

3. Dividend information

	Annual dividend per share	Interim dividend per share	Year-end dividend per share
	Yen	Yen	Yen
FY2007(Forecast)	35.00	17.50	17.50
FY2006	35.00	17.50	17.50
FY2005	31.00	15.50	15.50

	Total Dividend (Annual)	Dividend payout ratio	Dividend per shareholders' equity
	Million yen	%	%
FY2006	3,447	44.6	4.7
FY2005	3,249	25.7	3.9

* Year-end dividend per share for the year ended December 31, 2006 included 11.25 yen per share of special dividend.

- Notes)
- 1 The percentages of net sales, ordinary income, and net income represent an increase (decrease) from the corresponding period of the previous year.
 - 2 These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those anticipated in these statements. These factors include changes in economic conditions, trends in major markets, or currency exchange rates. Shimano Inc. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report.
Regarding the prerequisite conditions of this forecast and other related issues, please see page 6.

Non-consolidated Balance Sheets

(Millions of yen)

Accounts	Periods	FY2005		FY2006		Difference
		As of Dec. 31, 2005		As of Dec. 31, 2006		
		Amount	Ratio	Amount	Ratio	Amount
(Assets)			%		%	
Current assets						
1 Cash and time deposits		4,555		4,481		(73)
2 Notes receivable		1,832		1,963		131
3 Accounts receivable-trade		18,857		18,929		72
4 Finished goods and merchandise		7,228		7,455		226
5 Raw materials and supplies		963		1,181		218
6 Work in process		5,781		6,125		343
7 Accounts receivable-other		3,506		3,619		112
8 Deferred income taxes		338		809		470
9 Others		350		332		(17)
10 Allowance for doubtful receivables		(39)		(25)		13
Total current assets		43,374	43.4	44,872	43.3	1,498
Fixed assets						
1 Property, plant and equipment						
1) Buildings		8,092		7,718		(373)
2) Structures		559		500		(58)
3) Plant and machinery		3,325		3,352		26
4) Vehicles		72		64		(7)
5) Tools, equipment and furniture		1,891		2,017		126
6) Land		9,534		9,421		(112)
7) Construction in progress		561		353		(207)
Total property, plant and equipment		24,036	24.1	23,428	22.6	(607)
2 Intangible assets						
1) Industrial property rights		27		31		4
2) Software		1,787		3,999		2,211
3) Software development in progress		1,873		2,094		220
4) Others		42		36		(5)
Total intangible assets		3,730	3.7	6,161	5.9	2,430
3 Investments and other assets						
1) Investment securities		18,883		19,296		413
2) Subsidiaries' and affiliates' stocks		7,533		7,533		-
3) Investments		25		25		0
4) Investments in subsidiaries and affiliates		1,336		1,336		-
5) Long-term loans receivable		52		-		(52)
6) Long-term prepaid expenses		74		62		(11)
7) Others		2,154		2,255		100
8) Allowance for doubtful receivables		(1,332)		(1,299)		33
Total investments and other assets		28,728	28.8	29,210	28.2	482
Total fixed assets		56,494	56.6	58,800	56.7	2,306
Total assets		99,868	100.0	103,673	100.0	3,804

(Millions of yen)

Accounts	Periods	FY2005		FY2006		Difference
		As of Dec. 31, 2005		As of Dec. 31, 2006		
		Amount	Ratio	Amount	Ratio	Amount
(Liabilities)			%		%	
Current liabilities						
1	Accounts payable-trade	5,765		9,979		4,213
2	Short-term loans payable	-		15,118		15,118
3	Accounts payable-other	3,702		2,951		(751)
4	Income taxes payable	1,465		544		(921)
5	Accrued expenses	65		181		115
6	Deposits payable	3,919		4,801		881
7	Accrued bonuses to employees	191		195		3
8	Accrued bonuses to officers	-		100		100
9	Others	102		435		333
	Total current liabilities	15,213	15.2	34,307	33.1	19,093
Long-term liabilities						
1	Employees' retirement benefits	1,563		1,169		(394)
2	Officers' retirement benefits	871		983		112
3	Deferred income taxes	502		760		257
	Total long-term liabilities	2,938	3.0	2,912	2.8	(25)
	Total liabilities	18,152	18.2	37,219	35.9	19,067
(Shareholders' equity)						
	Common stock	35,613	35.7	-	-	-
Capital surplus						
1	Capital reserve	5,822		-		-
2	Other capital surplus					
	Reduction of capital reserve under Corporate Law	9,624		-		-
	Gain on retirement of treasury stock	8		-		-
	Capital surplus total	15,455	15.5	-	-	-
Retained earnings						
1	Legal reserve	3,194		-		-
2	Unappropriated reserve					
	Other unappropriated reserve	-		-		-
3	Unappropriated retained earnings for the year	22,807		-		-
	Retained earnings total	26,001	26.0	-	-	-
	Unrealized gain (loss) on other securities	4,903	4.9	-	-	-
	Treasury stock	(255)	(0.3)	-	-	-
	Total shareholders' equity	81,716	81.8	-	-	-
Total liabilities and shareholders' equity		99,868	100.0	-	-	-

Non-consolidated Balance Sheets

(Millions of yen)

Accounts \ Periods	FY2005		FY2006		Difference
	As of Dec. 31, 2005		As of Dec. 31, 2006		
	Amount	Ratio	Amount	Ratio	Amount
(Net assets)		%		%	
Shareholders' equity					
1 Common stock	-	-	¥35,613	34.4	-
2 Capital surplus					
Capital reserve	-		5,822		-
Other capital surplus	-		0		-
Capital surplus total		-	5,822	5.6	-
3 Retained earnings					
Legal reserve	-	-	3,194		-
Other retained earnings			18,727		-
Unappropriated retained earnings			18,727		-
Retained earnings total			21,921	21.1	-
4 Treasury stock	-	-	(2,125)	(2.0)	-
Total shareholders' equity	-	-	61,231	59.1	-
Valuation and translation adjustments					
1 Unrealized gain (loss) on other securities	-	-	5,221		-
Total valuation and translation adjustments	-	-	5,221	5.0	-
Total net assets	-	-	66,453	64.1	-
Total liabilities and net assets	-	-	¥103,673	100.0	-

Non-consolidated Statements of Income

(Millions of yen)

Accounts	Periods	FY2005		FY2006		Difference
		Jan. 1, 2005 to Dec. 31, 2005		Jan. 1, 2006 to Dec. 31, 2006		
		Amount	Ratio	Amount	Ratio	Amount
			%		%	
Net sales		138,814	100.0	136,744	100.0	(2,069)
Cost of sales		99,684	71.8	103,424	75.6	3,740
Gross profit		39,130	28.2	33,319	24.4	(5,810)
Selling, general and administrative expenses		23,563	17.0	23,938	17.5	375
Operating income		15,566	11.2	9,381	6.9	(6,185)
Non-operating income						
1 Interest and dividend income		4,066		2,863		(1,202)
2 Others		327		411		83
Total non-operating income		4,393	3.2	3,275	2.4	(1,118)
Non-operating expenses						
1 Interest expense		81		125		43
2 Others		595		1,037		441
Total non-operating expenses		677	0.5	1,162	0.9	485
Ordinary income		19,283	13.9	11,493	8.4	(7,790)
Extraordinary gains						
1 Gain on sales of investment securities		-		226		226
2 Bad debt recovered		-		44		44
Total extraordinary gains		-	0.0	270	0.2	270
Extraordinary losses						
1 Loss on impairment		230		385		155
2 Bad debt expense		856		-		(856)
3 Devaluation loss on inventories		-		947		947
Total extraordinary losses		1,087	0.8	1,333	1.0	245
Income before income taxes		18,195	13.1	10,430	7.6	(7,765)
Income tax-current		5,256		3,012		(2,244)
Income tax deferred		66		(444)		(511)
Net income		5,322	3.8	2,567	1.8	(2,755)
Retained earnings brought forward		12,872	9.3	7,862	5.8	(5,009)
Retirement of treasury stock		19,092				-
Interim dividends		7,501				-
Unappropriated retained earnings for the year		1,656				-
		22,807				-

Non-consolidated Statements of Shareholders' Equity

January 1, 2006 to December 31, 2006

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance as of December 31, 2005	35,613	5,822	9,632	15,455
Changes of items during the year				
Retirement of treasury stock			(9,632)	(9,632)
Total changes of items during the year	-	-	(9,632)	(9,632)
Balance as of December 31, 2006	35,613	5,822	0	5,822

	Shareholders' equity				
	Legal reserve	Retained earnings		Treasury stock	Total shareholders' equity
		Other retained earnings	Total retained earnings		
Balance as of December 31, 2005	3,194	22,807	26,001	(255)	76,813
Changes of items during the year					
Distribution of surplus (Note 1)		(3,342)	(3,342)		(3,342)
Net income		7,862	7,862		7,862
Bonuses to officers (Note 2)		(100)	(100)		(100)
Acquisition of treasury stock				(20,003)	(20,003)
Retirement of treasury stock		(8,500)	(8,500)	18,133	0
Total changes of items during the year	-	(4,080)	(4,080)	(1,869)	(15,582)
Balance as of December 31, 2006	3,194	18,727	21,921	(2,125)	61,231

	Valuation and translation adjustments		Total net assets
	Unrealized gain (loss) on other securities	Total valuation and translation adjustments	
Balance as of December 31, 2005	4,903	4,903	81,716
Changes of items during the year			
Distribution of surplus (Note 1)			(3,342)
Net income			7,862
Bonuses to officers (Note 2)			(100)
Acquisition of treasury stock			(20,003)
Retirement of treasury stock			0
Net changes of items other than shareholders' equity	318	318	318
Total changes of items during the year	318	318	(15,263)
Balance as of December 31, 2006	5,221	5,221	66,453

Notes :

1. Of this amount, 1,592 million yen corresponds to an appropriation of retained earnings approved at the General Meeting of Shareholders held in March 2006.
2. It is an item of appropriation of retained earnings approved at the General Meeting of Shareholders held in March 2006.

Significant accounting policies

(1) Valuation basis and method for marketable securities

Stocks for subsidiaries and affiliates

Stocks for subsidiaries and affiliates are stated at moving average cost.

Other securities with market prices

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

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

Other securities with no available fair value

Other securities with no market prices are stated at moving average cost. Investments in investment limited partnerships (that are considered marketable securities under Article 2, Paragraph 2, of the Securities and Exchange Law) are consolidated using the net value of their shares based on the most recent financial statements available, prepared according to the financial reporting dates specified in the partnership agreements.

(2) Inventories

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 prices.

(3) Depreciation and amortization of principal fixed assets

Property, plant and equipment

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

The straight-line method is applied to buildings acquired on or after April 1, 1998, at rates based on the estimated useful lives of the respective assets.

Intangible assets

Intangible assets are amortized by the straight-line method.

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

Long-term prepaid expenses

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

(4) Provision for principal allowances and reserves

Allowance for doubtful receivables

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

Accrued bonuses to employees

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

Accrued bonuses to officers

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

Change in accounting policy

Effective the fiscal year ended December 31, 2006, the Company adopted the Accounting Standards Board of Japan (ASBJ) "Accounting Standard for Directors' Bonus" (ASBJ Statement No. 4, November 29, 2005). As a result, selling, general and administrative expenses increased by 100 million yen and operating income, ordinary income and income before income taxes and minority interest decreased by the same amount. Its effect on the Segment Information was immaterial.

Employees' retirement benefits

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

Change in accounting policy

Effective the fiscal year ended December 31, 2006, the Company adopted the partially revised "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 3, March 16, 2005) and the "Implementation Guidance on Partial Revision of the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 7, March 16, 2005). As a result, operating income, ordinary income and income before income taxes increased by 61 million yen.

Its effect on the Segment Information was immaterial.

Officers' retirement benefits

Officers' retirement benefits are provided based on the pertinent rules and are calculated as the amount which would be payable if all officers were to retire at the balance sheet date.

(5) Foreign currency translation

Monetary assets and liabilities of the Company denominated in foreign currencies are translated into Japanese yen at the rate of exchange at the end of the year. However, receivables and payables denominated in foreign currencies covered by forward exchange contracts are translated at the contracted rates.

(6) Accounting for leases

Finance leases, other than those which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by a method similar to that applicable to ordinary finance lease transactions.

(7) Accounting for hedges

Method of hedge accounting

With respect to forward exchange contracts, a hedge is accounted for by the short-cut method for receivables and payables denominated in US dollars.

Hedging instrument and risk hedged

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

Hedging policy

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

Assessing the effectiveness of a hedge

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

(8) Other significant basis on presenting financial statements

Accounting for consumption taxes

All amounts stated are exclusive of consumption and local taxes.

Change in Accounting Policy

Balance-sheet presentation of net assets

Partial revision of accounting standards relating to decreases in treasury stock and legal reserves

Effective the fiscal year ended December 31, 2006, the Company adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, December 9, 2005) and the "Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8, December 9, 2005), along with the revised "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (ASBJ Statement No. 1, final version issued on August 11, 2006) and the "Implementation Guidance on Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (ASBJ Guidance No. 2, final version issued on August 11, 2006). The effect of this change was immaterial. Total shareholders' equity as of December 31, 2006, in accordance with the previous accounting standards would have been 66,453 million yen. Due to revision of regulations concerning financial statements, financial statements for fiscal 2006 were prepared based on revised regulations concerning financial statements.

Notes

Notes relating to Accumulated depreciation

Accumulated depreciation of property, plant and equipment
52,135 million yen

Notes relating to Impairment of Fixed Assets

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

Use	Form	Place	Remarks
Production/Operation facilities of Bicycle Components	Buildings and structures, Machinery and Others -(Tools, Equipment and Furniture)	Sakai City, Osaka Shimonoseki City, Yamaguchi	Idle assets
Production/Operation facilities of Fishing Tackle	Buildings and Machinery ,Others-(Tools, Equipment and Furniture) and Land	Sakai City, Osaka Yotsukaidou City, Chiba	Idle assets
Production facilities of other segments	Others-(Tools,Equipment and Furniture)	Sakai City, Osaka	Idle assets

Background

The book values of idle assets of production and operation facilities of bicycle components and fishing tackle, and production facilities of other segments were reduced to recoverable amounts because they are unscheduled for business use, and an impairment loss (385 million yen) was recorded as an extraordinary loss.

Amount of Impairment Loss

(Millions of yen)

Form	Amount
Buildings	46
Structures	1
Machinery	151
Tools, Equipment & Furniture	76
Land	110
Total	385

Method of Grouping

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

Method of calculating recoverable amounts

Recoverable amounts are at net sale values, which is either the residual value or the assessed value of fixed assets.

Notes relating to Non-consolidated Statements of Shareholders' Equity

Fiscal 2006 (January 1, 2006 to December 31, 2006)

Treasury stock

(Thousand shares)

Item	Balance as of December 31, 2005	Increasing	Decreasing	Balance as of December 31, 2006
Common stock	85	5,727	5,200	613

(Reasons for change)

Increasing items are as follows:

Buy-back based on the resolution at the General Meeting of Shareholders

2,702 thousand shares

Buy-back based on the resolution at the meeting of the Board of Directors

3,020 thousand shares

Buy-back of shares less than one unit

4 thousand shares

Decreasing items are as follows:

Retirement of treasury stock

5,200 thousand shares

Sale of shares less than one unit

0 thousand shares

Notes relating to lease transactions

Finance leases except those for which the ownership of the leased assets is considered to be transferred to the lessee

- 1 Amounts equivalent to acquisition cost, accumulated depreciation and the balance of the leased property

(Millions of yen)

<u>Tools, Equipment and Furniture</u>	
Amounts equivalent to acquisition cost	76
<u>Amounts equivalent to accumulated depreciation</u>	<u>53</u>
Amounts equivalent to the balance as of the end of FY2006	22

Note:

Since the balance of future lease payments accounts for a small portion of the balance of tangible fixed assets, the amount equivalent to the acquisition cost is accounted for by the interest expense inclusion method.

- 2 Amounts equivalent to balance of future lease payments

(Millions of yen)

Due within 1 year	14
Due over 1 year	8
<u>Total</u>	<u>22</u>

Note:

Since the balance of future lease payments accounts for a small portion of the balance of tangible fixed assets, the balance of future lease payments is accounted for by the interest expense inclusion method.

- 3 Lease payments and the amount equivalent to depreciation for fiscal 2006

(Millions of yen)

Lease payments	22
<u>Amounts equivalent to depreciation</u>	<u>22</u>

- 4 Method of calculating amounts equivalent to depreciation

Depreciation is calculated based on the straight-line method, assuming the lease period as the useful life and a residual value of zero.

Operating lease transactions

Future lease payments

(Millions of yen)

Due within 1 year	29
Due over 1 year	59
<u>Total</u>	<u>89</u>

Deferred tax accounting

1 Significant components of the deferred income tax assets and liabilities

Deferred tax assets:	(Millions of yen)
Accrued employees' bonuses	80
Business tax payable	76
Officers' retirement benefits	403
Excess of limit of retirement benefits	453
Other securities revaluation	190
Book in excess of tax depreciation	544
Loss on revaluation of golf membership	130
Allowance for doubtful receivables	527
Impairment loss	408
Book in excess of tax depreciation for small sum properties	210
Devaluation loss on inventories	388
Excess of foreign tax credit limit	195
Others	104
Total deferred tax assets	3,714
Deferred tax liabilities:	(Millions of yen)
Unrealized loss on other securities	(3,664)
Total deferred tax liabilities	(3,664)
Net deferred tax assets	49

2 The reconciliation between the statutory effective tax rate and the actual effective tax rate reflected in the consolidated statements of income

Statutory effective tax rate	41.0%
Permanent difference - expenses	0.9%
Permanent difference - income	(0.2%)
Foreign tax credits	(16.8%)
Other	(0.3%)
Effective tax rate	24.6%

Per Share Data

FY2006 (Jan. 1, 2006 - Dec. 31, 2006)

Net assets per share	685.15 yen
Net income per share	78.44 yen
Net income per share (diluted)	None

(Additional Information)

Effective the fiscal year ended December 31, 2006, the Company adopted the "Revised Accounting Standard for Net Income per share" (ASBJ statement No.2, final version issued on January 31, 2006).

The effect of this change was immaterial.

Basis of calculating net income per share	(Millions of yen)
Net income	7,862
Net income available to common shareholders	7,862
Amount not available to common shareholders	-
(Including bonuses to officers through appropriation of retained earnings)	-
The average number of shares of common stock outstanding for FY2006 (1,000 shares)	100,245

Changes in officers as of March 29, 2007

Not applicable in this matter.