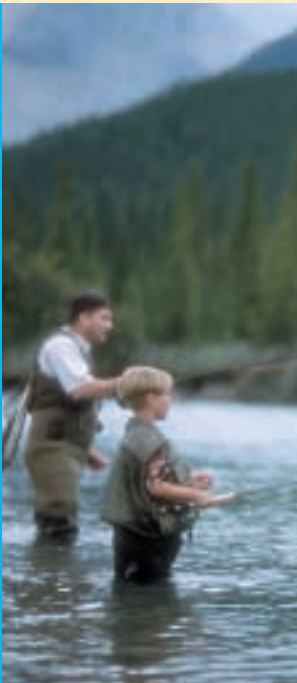


ANNUAL REPORT 2004



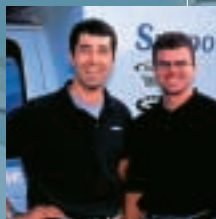
SHIMANO

Powerful Brand

Established in 1921, Shimano Inc. has grown to become the world's leading manufacturer of bicycle components and fishing tackle. Shimano's business domain is the great outdoors. Fine-tuned marketing based on the tireless pursuit of customer satisfaction and exciting products that are the fruits of excellent product development capabilities have been acclaimed by millions of people worldwide, establishing Shimano as a powerful global brand.

Global Presence

Shimano's international development began with the establishment of Shimano American Corporation in 1965. Since then, Shimano's international network has grown to cover North America, followed by Europe and then Asia. Throughout the world, some 7,000 members of Team Shimano are working at production and sales bases in 18 countries and region. As of December 31, 2004, international sales and overseas production accounted for 85% of consolidated net sales and 40% of production.



Top Quality

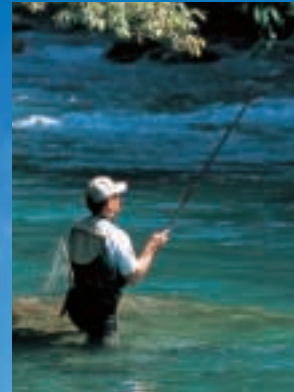
Shimano is synonymous with quality among cycling and fishing enthusiasts the world over, enabling them to have a richer, more pleasurable experience in their favorite leisure pursuit. Our innovative products include high-performance Dura-Ace road-racer bicycle components trusted by the world's leading competitive cyclists, Deore mountain bike components that have captivated numerous cycling fans, comfort bikes that electronically control the derailleur system and suspension with the power supplied from the dynamo built into the hub, and the Tankenmaru fish detector system for recreational boat fishing.



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Closer to Nature, Closer to People



The Philosophies of Team Shimano

Mission Statement

To promote health and happiness through the enjoyment of nature and the world around us.

Business Policy

We strive to provide quality products and services that are reliable and trustworthy.

We pledge to continually increase our corporate value and to ensure corporate management worthy of the trust placed in us.

We strive to provide a fair and vibrant work environment where all can share in the pleasure and satisfaction that comes with achievement.

We pledge to be a good corporate citizen, by preserving the environment and contributing to the prosperity of our community.

Team Shimano Guiding Principles

To inspire ourselves to think creatively and to strive for continuous self-improvement.

To continually improve our technical skills in order to meet the challenges of our dreams.

To achieve our objectives through innovation and responsiveness to the challenges we face.



CONSOLIDATED FINANCIAL HIGHLIGHTS

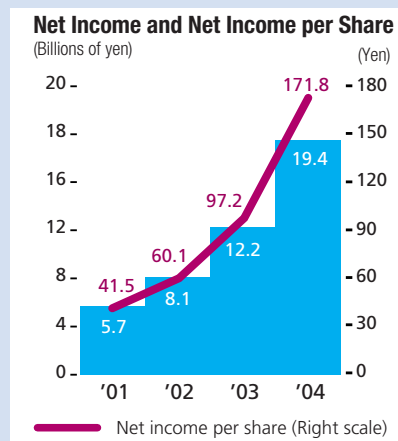
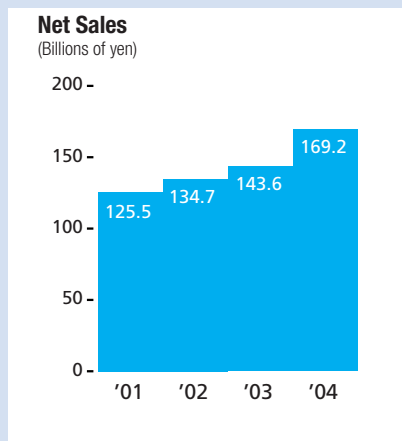
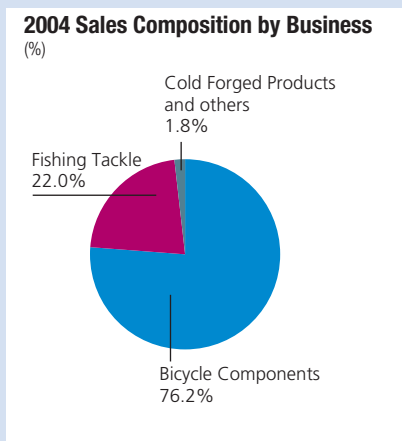
Shimano Inc. and Consolidated Subsidiaries
Fiscal years ended December 31, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note)	Percent change
	2003	2004	2004	2004/2003
For the year:				
Net sales	¥143,646	¥169,209	\$1,623,731	17.8%
Bicycle components	106,222	128,993	1,237,818	21.4
Fishing tackle	34,789	37,142	356,415	6.8
Cold forged products and others	2,635	3,074	29,498	16.7
Operating income	19,299	29,391	282,036	52.3
Net income	12,249	19,412	186,278	58.5
At year-end:				
Total assets	¥194,145	¥179,789	\$1,725,257	
Total liabilities	24,282	24,643	236,475	
Total shareholders' equity	169,543	154,735	1,484,838	

	Yen	U.S. dollars (Note)	Percent change	
Per share of common stock:				
Net income, basic	¥97.16	¥171.77	\$1.65	76.8%
Cash dividends	19.00	25.00	0.24	31.6

	%	
	2003	2004
Key ratio:		
Return on equity	6.9	12.0
Equity ratio	87.3	86.1

Note: U.S. dollar amounts are translated at the rate of ¥104.21 = US\$1 and are solely for the convenience of the reader.



MESSAGE FROM THE PRESIDENT



Yozo Shimano
President

Bicycle components operation and all other operations performed well

During the year ended December 31, 2004, all operations performed well. Sales of the bicycle components operation increased markedly while those of the fishing tackle operation achieved renewed growth. As a result, Shimano Inc. recorded its highest-ever net sales and net income.

Regarding the year-end cash dividends, following the payment of interim-dividends, increased ¥3 per share from the previous year to ¥12.5, Shimano declared an ordinary dividend of ¥12.5 per share.

Shimano retired treasury stock amounting to 11,100,000 shares. We intend to continue buying back Shimano shares in order to enhance the corporate value.

Overview of the business environment and results in fiscal 2004

During the year under review, several major natural disasters struck Japan and other parts of the world, devastating people's lives and the environment while causing grave anxiety. As for the Japanese economy, although the deflationary trend continued, corporate earnings were buoyant, led by exports and capital investment. Also, personal consumption improved modestly, heartened by indications that the employment situation, which had been severe, was easing somewhat.

Overseas, despite unstable factors in some regions, the world economy continued to perform strongly. The U.S. economy and European economies were robust and China maintained high economic growth.

In these circumstances, with the aim of fulfilling its corporate mission of providing truly exciting products based on the development of new functions and underpinned by

innovative ideas, Shimano made a group-wide effort to enhance customer satisfaction through relentless quality improvement and to deploy a supply system reflecting a medium- to long-term perspective. As a result, consolidated net sales increased 17.8% from the previous year, to ¥169,209 million. Operating income soared 52.3% to ¥29,391 million, and net income surged 58.5% to ¥19,412 million.

Outlook

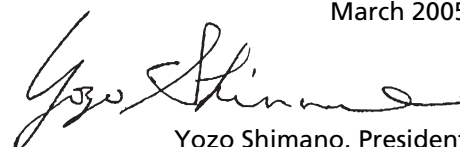
The impact of rising prices of oil, steel and other commodities is a source of concern. A decisive recovery of the Japanese economy remains distinctly unlikely in the near term. In this situation, The Shimano Group is making a concerted effort to enhance its financial performance through sales and marketing rooted in the worldwide marketplace. By keeping our finger on the pulse of the market, not only can we accurately forecast demand but, on that basis, we can construct the optimum production system.

Message to our shareholders

Our mission is to "promote health and happiness through the enjoyment of nature and the world around us" by manufacturing and selling bicycle components, fishing tackle and other products. Moreover, by capitalizing on the expertise in planning and development we have cultivated since the foundation of Shimano and the global manufacturing and sales systems we have constructed, we are resolved to do our part in bringing the pleasures of cycling and fishing to people throughout the world and to strengthen the Shimano brand. In order to achieve further development of the Shimano Group, we recognize the importance of maintaining high morale so that all of us working in the Shimano Group will strive to enhance our capabilities and of promoting ambitious corporate-wide campaigns to tackle new challenges. We are setting up a comprehensive employee education system and formulating clear medium- to long-term targets designed to make our corporate structure a byword for flexibility and efficiency. Also, in order to continue to grow and flourish as a good corporate citizen, we have established a corporate governance system underpinned by an internal audit system to ensure compliance. At the same time, we are working to establish a management system informed by a global perspective and a corresponding supervisory system.

In all our endeavors, we request your continued support.

March 2005



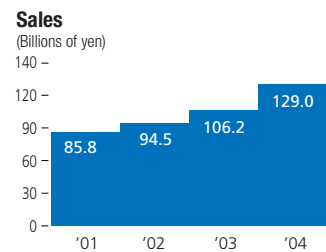
Yozo Shimano, President



Bicycle Components

In the road racing components segment, which continued its strong growth, Shimano built on the success of Dura-Ace by introducing fully remodeled Ultegra high-end components. In the mountain bike components segment where the emphasis is on high-performance products, fully remodeled Deore LX components offering outstanding cost performance were introduced. Both lines were received favorably. Also, sales of the comfort-type built-in sprocket wheel series increased, led by higher sales of 8-speed hubs. In the U.S. market where an unprecedented six consecutive Tour de France victories by the American racer Lance Armstrong created a good environment, sales of high-end road racer components increased. Despite unfavorable weather, sales in the European market rose, supported by the appreciation of the euro. Sales in the Japanese market declined as fierce price competition fueled by imported finished bicycles

persisted. Meanwhile, in line with the establishment of the bicycle safety standards by the Bicycle Association (Japan), supply of bicycles bearing the BAA (Bicycle Association Approved) mark has started. Accordingly, demand for value-added bicycle components with high safety performance in compliance with the standards is expected to increase. Sales of the bicycle components operation were ¥128,993 million, 21.4% higher than the previous year, and operating income was ¥28,097 million, having soared 51.2%.



Ultegra



Deore LX



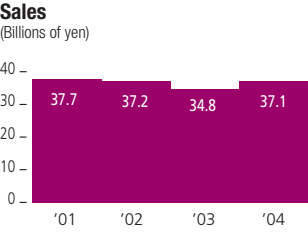
Nexave C810



Fishing Tackle

In the Japanese market, the typhoons that struck Japan in the fall had a negative impact. However, sales of the fishing tackle operation increased as high-value added products—notably the innovative Tankenmaru and Dendomaru monitoring systems that provide a new style of fishing experience for anglers on boats, Calcutta Conquest DC and Stella reels, Kyokusho surf fishing rods, and Triple Impact lures—won a strong following

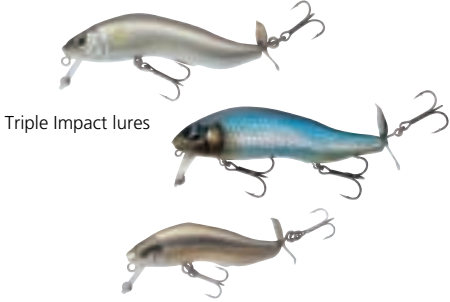
among fishing enthusiasts. Internationally, sales increased in both the European and the U.S. markets. As a result, sales of this segment were ¥37,141 million, an increase of 6.8% from the previous year, and operating income was ¥1,588 million, up 53.7%.



Tankenmaru and Dendomaru monitoring systems



Stella reels



Triple Impact lures



Kyokusho surf fishing rods

REVIEW OF OPERATIONS

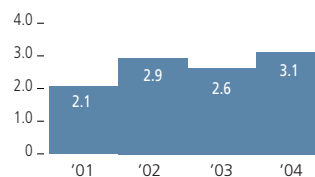


Cold Forged Products and Action Sports

Sales of the cold forged products operation continued to increase thanks to strong order taking from customers in the automotive industry. On the other hand, regarding the golf operation, management decided to cease development and production believing there is no prospect of improving profitability in the tough competitive environ-

ment. As a result, sales of other operations were ¥3,074 million, an increase of 16.7%, and the operating loss was ¥294 million compared with that of ¥314 million for the previous year.

Sales
(Billions of yen)



Cold forged products

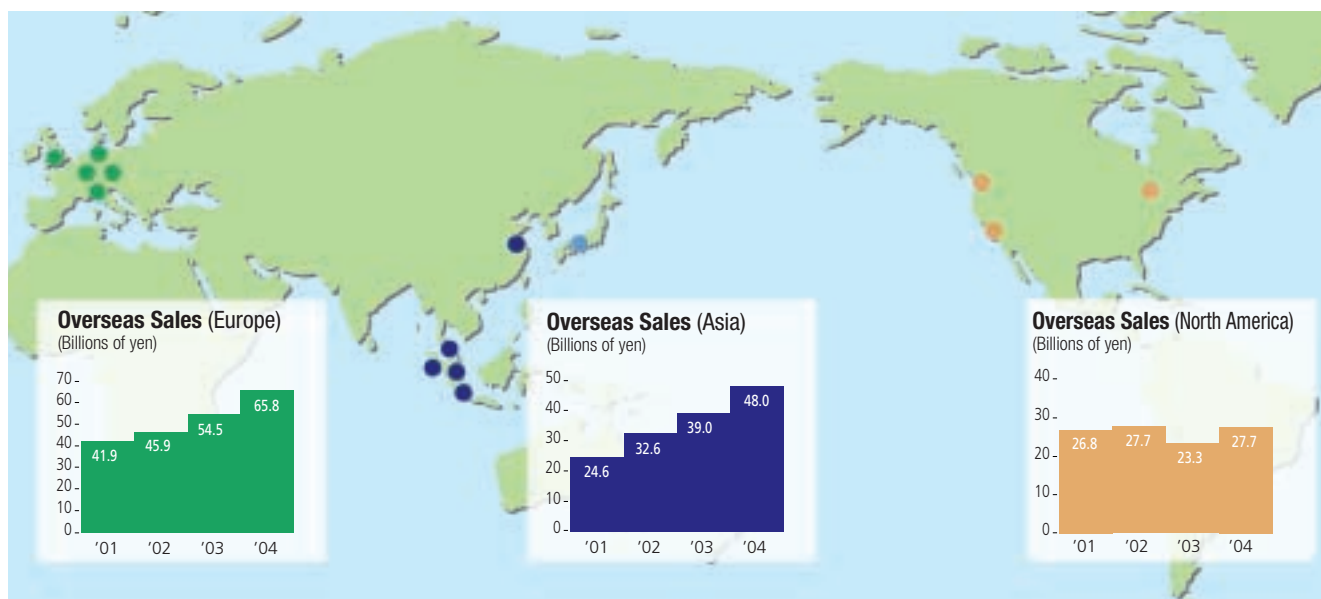


Mountain snowboard binding RF CARBON



Mountain snowboard boot TRIPPER RF

INTERNATIONAL OPERATIONS

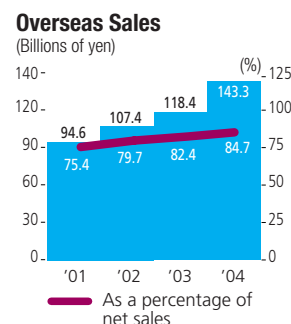


Shimano Group's international network consists of 28 consolidated subsidiaries and six affiliates: Shimano American Corporation and four other companies in North America, Shimano Europe Holding B.V and 11 other companies in Europe, and Shimano (Singapore) Pte., Ltd. and 10 other companies in Asia. Shimano (Singapore) Pte., Ltd., Shimano Components (Malaysia) Sdn. Bhd., and Shimano (Kunshan) Bicycle Components Co., Ltd. are the principal manufacturers of bicycle components, and Shimano Europe B.V. and Shimano American Corporation are the principal sales companies for bicycle components.

Strengthening of International Strategy

Shimano Group's international sales accounted for 85% of

net sales: 96% for the bicycle components operation and 54% of the fishing tackle operation. As a result of the shift overseas of production of both bicycle components and fishing tackle, overseas production accounted for 39% of total production in fiscal 2004, 1 percentage point higher than in the previous year. To reduce costs of volume-production products and to respond to growing demand in China and the EU, we will continue to build up production capacity overseas while strengthening sales and marketing.



Expansion of Production Overseas

Europe

Shimano Czech Republic s.r.o. established in 2001 manufactures built-in derailleurs for bicycles. Although the factory started out as an assembly operation, we are now increasing its fully fledged production capacity. For this purpose, front-end processing equipment for machining, heat treatment and cold forging of steel and other metals were installed at the factory in 2004.

In Europe, particularly in Denmark, Germany and the Netherlands, high-end city bicycles are popular and the demand for built-in derailleurs resistant to dust and water is increasing. By expanding production within the EU, we will reduce lead times and foreign exchange risks.

China

Shimano (Tianjin) Bicycle Components Co., Ltd., which was established in 2003 and started operation in January 2005, is Shimano's second bicycle components manufacturing base in China, following Shimano (Kunshan) Bicycle Components Co., Ltd. It assembles highly affordable bicycle components for the Chinese market, using parts procured from Shimano (Kunshan) Bicycle Components Co., Ltd.

We plan to start constructing another factory in China in March 2005, which will include facilities for cold forging and heat treatment as well as assembly. Completion of this third factory will signal the start of integrated manufacturing of bicycle components in China.



RESEARCH & DEVELOPMENT

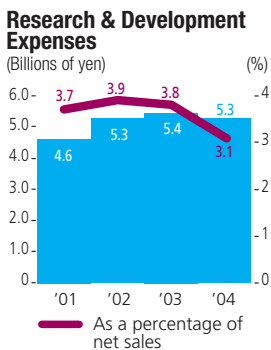


With the aim of achieving “harmony between people, nature and tools,” Shimano Group is conducting wide ranging R&D covering everything from basic research through product development and production technology. Overseas, Shimano (Singapore) Pte., Ltd. has the leading role in product development and R&D of production technology.

R&D for the bicycle components operation is inspired by Shimano’s drive to create the ultimate in high-performance, high-comfort bicycle components that reflect exhaustive research at the interface between cyclists and bicycles. By focusing on derailleurs, cranksets and brakes, the three most critical bicycle components, we aim to achieve higher performance by enhancing the linkage between components based on our system-component concept.

R&D for the fishing tackle operation is based on our conviction that fishing tackle should be a source of pleasure. Accordingly, we target the enhancement of fundamental performance plus achievement of new functions, a winning combination calculated to inspire the users of Shimano fishing tackle.

Both bicycle components and fishing tackle have excellent potential for further development. We are creating lighter, quieter, more aesthetically pleasing products with exciting new functions. With an eye to creating irresistible products for future cycling and fishing enthusiasts, our R&D themes cover new materials, production methods and multi-functional components, including electronic components. We are channeling resources into both fundamental research and development of a stream of superb new products.



Shimano (Singapore) Pte., Ltd.

NEW PRODUCTS

Bicycle Components



MTB (Hone)

In the mountain bike market, an aggressive style of bicycle riding, dubbed "all mountain," is increasing in popularity. For the Hone series developed for riders in this category, the rear derailleur is directly mounted on the rear axis arm, whereas conventionally it is mounted on the frame end. As a result, transmission glitches caused by bending of the frame end due to collision with rocks and spills during aggressive riding is minimized, which means enhanced reliability and safety. The HOLLOWTECH II crankset is adopted for greater rigidity while the Dual Control Lever makes MTB riding more comfortable.



Road Racer (Ultegra)

The complete redesign of Ultegra high-end bicycle components for road racers means that they now offer even higher performance. The HOLLOWTECH II crankset delivers the elegant combination of light weight and enhanced rigidity that discriminating riders want. Also, the newly developed Dual Control Lever provides smooth and effortless operation. The derailleur rigidity of the new Ultegra 10-speed model is higher than that of the previous Ultegra 9-speed model. For the brakes, high-rigidity arch and toe-in adjustment of the brake shoe achieve the optimum balance between braking force and controllability.

Fishing Tackle



Rods (Scorpion G4)

The Scorpion G4 consists of four grips and 8 blanks, providing 32 options for a setup. Anglers can customize the rod to suit their preferences. For example, a blank can be used for both short-range and long-distance casts, a blank with a single grip for a short-range pin spot, a blank with a double grip for long-distance casts to cover a wider area, and so on. Also, just by changing the grip, one type of blank can accommodate various styles. Or, you can remain faithful to your favorite grip while changing blanks to suit lures. With 32 different setups to choose from, the Scorpion G4 offers a wealth of possibilities.



Reels (New Dendamaru XT)

For recreational fishing from boats, the Tankenmaru System, developed in collaboration with Furuno Electric Co., Ltd., consists of a fish detector (base unit) for wireless transmission of data, Tankenmaru personal monitors (terminals) that enable anglers to see what is happening in the water by receiving data from the base unit, and New Dendamaru 1000H/3000H electric reels linked with Tankenmaru terminals. In order to establish infrastructure for the new style of boat fishing that Shimano is proposing, we are promoting the installation of Tankenmaru base units in recreational fishing boats in Japan. 580 crafts are already equipped with Tankenmaru base units. The New Dendamaru 1000XT/3000XT models released in autumn 2004 have a function to position the bait at a preset depth.

Shimano in Harmony with the Environment



Environmental Philosophy

In accordance with the Company’s mission—“To promote health and happiness through the enjoyment of nature and the world around us”—Team Shimano recognizes it is everyone’s job to make a wholehearted commitment to the wellbeing of local communities and to global environmental protection.

Environmental Policy

Inspired by the dynamic life-enhancing interdependence of people and nature, Team Shimano provides products that combine technology with inspiration:

- Bicycle components to enhance the exhilaration and carefree experience of cycling, bringing people into greater intimacy with nature;
- Fishing tackle to heighten the angler’s pleasure, capturing all the freedom, freshness and fluidity of rivers, lakes and oceans; and
- Snowboard binding systems to keep winter sports enthusiasts speeding by leaps and bounds amid magnificent mountain scenery.

Protection of the global environment is a core concern for Team Shimano. From this perspective, by adhering to our environmental philosophy and basic policies, we are able to do an even better job of promoting environmental protection activities in accordance with our action guidelines.

Green Procurement Standards

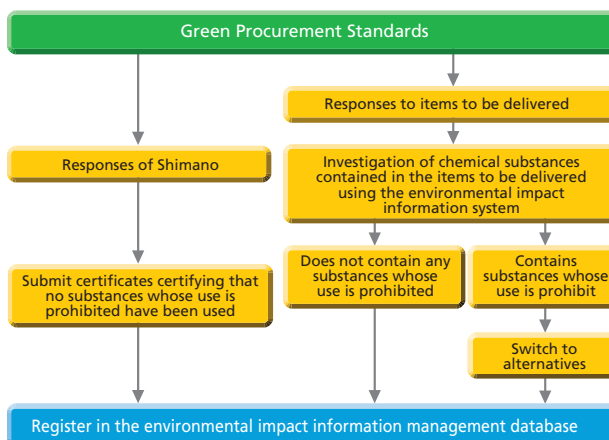
Team Shimano has established Green Procurement Standards for raw materials, parts and components applied in Shimano products. From now on, our procurement of raw materials, parts and components will be in compliance with these standards.

Objective

The objective of these standards is to clarify chemical substances (substances whose use is prohibited, to be abolished, or controlled) contained in raw materials, parts and components composing Shimano products and share the knowledge throughout Shimano Group and suppliers so as to reduce the overall environmental impacts of products.

Scope of Application

The guidelines are applicable to all raw materials, parts and components that constitute Shimano products, including packaging materials, packaging components, explanatory documentation, after-sales service parts, etc. The guidelines are also applicable to CFCs and other ozone-depleting substances used in the manufacture of parts and components.



SELECTED FINANCIAL DATA

Shimano Inc. and Consolidated Subsidiaries
Fiscal years ended December 31, 2001, 2002, 2003 and 2004

	Millions of yen except per share amounts			
	Jan. 1, 2001 to Dec. 31, 2001	Jan. 1, 2002 to Dec. 31, 2002	Jan. 1, 2003 to Dec. 31, 2003	Jan. 1, 2004 to Dec. 31, 2004
Results for the period:				
Net sales	¥125,515	¥134,710	¥143,646	¥169,209
Cost of sales	89,050	88,849	95,299	108,268
Gross profit	36,465	45,861	48,347	60,941
Selling, general and administrative expenses	25,199	27,606	29,048	31,550
Operating Income	11,266	18,255	19,299	29,391
Other income (expenses)	(3,480)	(6,110)	1,037	348
Income before income taxes	7,786	12,145	20,336	29,739
Income taxes	2,118	4,062	8,051	10,216
Minority interest in net income (loss)	15	19	36	111
Net income	5,653	8,064	12,249	19,412
Acquisition of property, plant and equipment	7,573	4,819	5,386	7,553
Depreciation and amortization	8,376	7,760	7,527	7,458
Per share of common stock (in yen):				
Net income — Basic	¥ 41.53	¥ 60.12	¥ 97.16	¥171.77
Cash dividends	15.00	15.00	19.00	25.00
Period-end financial position:				
Total current assets	¥116,815	¥131,236	¥130,243	117,745
Investments and other assets	40,219	29,006	23,044	21,007
Property, plant and equipment, net	44,359	42,170	40,858	41,037
Total current liabilities	14,560	12,492	18,924	20,521
Total long-term liabilities	7,089	5,558	5,358	4,122
Total shareholders' equity	179,444	184,047	169,543	154,735
Total assets	201,393	202,412	194,145	179,789
Key Ratio:				
Return on shareholders' equity	3.1%	4.4%	6.9%	12.0%
Shareholders' equity ratio	89.1	90.9	87.3	86.1
Other period-end data:				
Number of shares issued (in thousands)	135,503	134,803	121,703	110,603
Number of shareholders	9,471	8,236	7,658	7,909

CONSOLIDATED BALANCE SHEETS

Shimano Inc. and Consolidated Subsidiaries
As of December 31, 2003 and December 31, 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Balance at Dec. 31, 2003	Balance at Dec. 31, 2004	Balance at Dec. 31, 2004
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2 (2))	¥ 64,170	¥ 52,113	\$500,077
Time deposits with a maturity of more than three months	4,682	4,567	43,825
Marketable securities (Note 2 (5))	8,600	—	—
Notes and accounts receivable — trade	23,255	25,169	241,522
Less: Allowance for doubtful receivables (Note 2 (4))	(261)	(765)	(7,341)
Inventories (Notes 2 (3) and 3)	26,551	32,459	311,477
Deferred income taxes (Notes 2 (9) and 8)	1,371	2,097	20,123
Other current assets	1,875	2,105	20,199
	<u>130,243</u>	<u>117,745</u>	<u>1,129,882</u>
Investments and other assets:			
Investment securities:			
Unconsolidated subsidiaries and affiliates (Notes 2 (5) and 5)	446	443	4,251
Other (Notes 2 (5) and 4)	15,343	14,396	138,144
Long-term loans	59	97	931
Software (Notes 2 (7) and 7)	3,381	2,830	27,157
Deferred income taxes (Notes 2 (9) and 8)	1,453	961	9,222
Other (Note 2 (7))	2,362	2,280	21,879
Less: Allowance for doubtful receivables (Note 2 (4))	—	(0)	(0)
	<u>23,044</u>	<u>21,007</u>	<u>201,583</u>
Property, plant and equipment (Note 2 (6)):			
Land	11,268	11,107	106,583
Buildings and structures	34,866	35,497	340,629
Machinery and equipment	71,147	71,410	685,251
Construction in progress	485	761	7,303
	<u>117,766</u>	<u>118,775</u>	<u>1,139,766</u>
Less: Accumulated depreciation and impairment losses	(76,908)	(77,738)	(745,974)
	<u>40,858</u>	<u>41,037</u>	<u>393,792</u>
	<u>¥194,145</u>	<u>¥179,789</u>	<u>\$1,725,257</u>

See Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Balance at Dec. 31, 2003	Balance at Dec. 31, 2004	Balance at Dec. 31, 2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	¥ —	¥ 289	\$ 2,773
Notes and accounts payable — trade	4,414	4,993	47,913
Accrued expenses	1,570	1,712	16,428
Income taxes payable	5,980	6,636	63,680
Deferred income taxes (Notes 2 (9) and 8)	529	660	6,333
Other current liabilities	6,431	6,231	59,793
	<u>18,924</u>	<u>20,521</u>	<u>196,920</u>
Long-term liabilities:			
Long term debt (Note 6)	657	619	5,940
Employees' retirement benefits (Notes 2 (13) and 9)	3,761	2,528	24,259
Officers' retirement benefits (Note 2 (13))	748	816	7,830
Deferred income taxes (Notes 2 (9) and 8)	192	159	1,526
	<u>5,358</u>	<u>4,122</u>	<u>39,555</u>
Minority Interest	320	411	3,944
Commitments and contingent liabilities (Note 11)			
Shareholders' equity			
Common stock (Notes 2 (11) and 10)			
Authorized—281,300,000 shares at December 31, 2003 and 270,200,000 shares at December 31, 2004			
Issued — 121,703,207 shares at December 31, 2003 and 110,603,207 shares at December 31, 2004	35,613	35,613	341,743
Capital surplus	31,823	31,831	305,450
Retained earnings	108,539	98,307	943,355
Foreign currency translation adjustments	(6,954)	(8,637)	(82,881)
Unrealized gain (loss) on other securities, net of taxes	1,334	2,187	20,986
Less: Treasury stock, at cost (399,151 shares at Dec. 31, 2003, and 1,679,585 shares at Dec. 31, 2004)	(812)	(4,566)	(43,815)
	<u>169,543</u>	<u>154,735</u>	<u>1,484,838</u>
	¥194,145	¥179,789	\$1,725,257

CONSOLIDATED STATEMENTS OF INCOME

Shimano Inc. and Consolidated Subsidiaries
For the fiscal years ended December 31, 2003 and December 31, 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Jan. 1 2003 to Dec. 31, 2003	Jan. 1, 2004 to Dec. 31, 2004	Jan. 1, 2004 to Dec. 31, 2004
Net sales (Notes 13 and 14)	¥143,646	¥169,209	\$1,623,731
Cost of sales (Notes 13 and 14)	95,299	108,268	1,038,941
Gross profit	48,347	60,941	584,790
Selling, general and administrative expenses (Notes 13 and 14)	29,048	31,550	302,754
Operating income (Note 14)	19,299	29,391	282,036
Other income (expenses) (Note 13):			
Interest and dividend income	940	1,175	11,275
Interest expenses	(496)	(432)	(4,145)
Gain from return of the substitutional portion of the Employees' Pension Fund (Note 2 (13))	—	680	6,525
Loss on revaluation of investment securities	(74)	—	—
Impairment losses (Notes 2 (6) and 16)	—	(600)	(5,758)
Subsidiary's restructuring expense	—	(536)	(5,143)
Exchange gain	1,423	520	4,990
Other (Note 12)	(756)	(459)	(4,404)
Income before income taxes	20,336	29,739	285,376
Income taxes (Notes 2 (9) and 8):			
Current	8,682	10,880	104,405
Deferred	(631)	(664)	(6,372)
Total	8,051	10,216	98,033
Income before minority interest of subsidiaries	12,285	19,523	187,343
Minority interest in net income (loss)	36	111	1,065
Net income	¥ 12,249	¥ 19,412	\$186,278
	Yen		U.S. dollars (Note 1)
Net income per share (Note 2 (10)):			
Basic	¥97.16	¥171.77	\$1.65
Diluted	—	—	—
Cash dividends per share	¥19.00	¥25.00	\$0.24

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Shimano Inc. and Consolidated Subsidiaries
For the fiscal years ended December 31, 2003 and December 31, 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Jan. 1 2003 to Dec. 31, 2003	Jan. 1, 2004 to Dec. 31, 2004	Jan. 1, 2004 to Dec. 31, 2004
Common stock:			
Balance at beginning of the year	¥ 35,613	¥ 35,613	\$ 341,743
Balance at end of the year	¥ 35,613	¥ 35,613	\$ 341,743
Capital surplus:			
Balance at beginning of the year	¥ 31,823	¥ 31,823	\$ 305,374
Deduct:			
Gain from Treasury stock disposed	—	8	76
Balance at end of the year	¥ 31,823	¥ 31,831	\$ 305,450
Retained earnings:			
Balance at beginning of the year	¥122,771	¥108,539	\$1,041,541
Add: Net income	12,249	19,412	186,278
Deduct:			
Cash dividends paid	(2,160)	(2,534)	(24,316)
Bonuses to officers	(96)	(96)	(921)
Retirement of treasury stock	(23,961)	(27,014)	(259,227)
Adjustment for the increase in the number of initial consolidated subsidiaries	(264)	—	—
Balance at end of the year	¥108,539	¥ 98,307	\$ 943,355
Foreign currency translation adjustments (Note 2 (8)):			
Balance at beginning of the year	¥ (1,541)	¥ (6,954)	\$ (66,731)
Add: Translation from foreign currency to Japanese yen	(5,413)	(1,683)	(16,150)
Balance at end of the year	¥ (6,954)	¥ (8,637)	\$ (82,881)
Unrealized gain (loss) on other securities, net of taxes:			
Balance at beginning of the year	¥ (381)	¥ 1,334	\$ 12,801
Add: Revaluation of other securities	1,715	853	8,185
Balance at end of the year	¥ 1,334	¥ 2,187	\$ 20,986
Treasury stock, at cost:			
Balance at beginning of the year	¥ (4,238)	¥ (812)	\$ (7,792)
Treasury stock acquired (11,117,217 shares and 12,483,602 shares for the years ended Dec. 31, 2003 and Dec. 31, 2004 respectively)	(20,535)	(31,043)	(297,889)
Treasury stock disposed (13,100,000 shares and 11,203,168 shares for the years ended Dec. 31, 2003 and Dec. 31, 2004 respectively)	23,961	27,289	261,866
Balance at end of the year	¥ (812)	¥ (4,566)	\$ (43,815)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Shimano Inc. and Consolidated Subsidiaries
For the fiscal years ended December 31, 2003 and December 31, 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Jan. 1 2003 to Dec. 31, 2003	Jan. 1, 2004 to Dec. 31, 2004	Jan. 1, 2004 to Dec. 31, 2004
Cash flows from operating activities:			
Income before income taxes	¥ 20,336	¥ 29,739	\$285,376
Adjustments for non-cash and non-operating items:			
Depreciation and amortization	7,527	7,458	71,567
Provision for employees' and officers' retirement benefits, less payments	227	(1,186)	(11,381)
Loss on revaluation of investment securities	74	—	—
Impairment Loss	—	600	5,758
Other, net	687	(277)	(2,658)
	8,515	6,595	63,286
Changes in certain working capital items:			
Notes and accounts receivable	(1,285)	(2,047)	(19,643)
Inventories	(718)	(6,135)	(58,872)
Notes and accounts payable	797	628	6,026
Income taxes paid	(3,611)	(10,105)	(96,968)
Accrued expenses	82	144	1,382
Other, net	1,172	150	1,440
	(3,563)	(17,365)	(166,635)
Net cash provided by operating activities	25,288	18,969	182,027
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(5,386)	(7,553)	(72,479)
Acquisition of marketable securities and investments	(8,816)	(48)	(461)
Purchase of time deposits	(4,681)	(4,567)	(43,825)
Proceeds from maturity of time deposits	2,890	4,642	44,545
Proceeds from sales of marketable and investment securities	5,537	11,385	109,251
Other	(606)	(577)	(5,537)
Net cash provided by (used in) investing activities	(11,062)	3,282	31,494
Cash flows from financing activities:			
Increase (Decrease) in short-term bank loans	(196)	304	2,917
Decrease in long-term debt	(13)	—	—
Acquisition of treasury stock	(20,535)	(30,768)	(295,250)
Gain from Treasury stock disposed	—	8	77
Cash dividends to shareholders	(2,160)	(2,536)	(24,335)
Net cash used in financing activities	(22,904)	(32,992)	(316,591)
Effect of exchange rate changes on cash & cash equivalents	(2,948)	(1,316)	(12,629)
Net increase (decrease) in cash and cash equivalents	(11,626)	(12,057)	(115,699)
Cash and cash equivalents at beginning of the year	75,490	64,170	615,776
Effect from initial inclusion (exclusion) of subsidiaries in (from) consolidation	306	—	—
Cash and cash equivalents at end of the year (Note 2 (2))	¥ 64,170	¥ 52,113	\$500,077

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shimano Inc. and Consolidated Subsidiaries
Fiscal years ended December 31, 2003 and December 31, 2004

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Shimano Inc. (the "Company") and its subsidiaries, which are filed with the Japanese Ministry of Finance (the "MOF") as required by the Securities and Exchange Law in Japan, are prepared in accordance with the provisions set forth in the Commercial Code of Japan (the "Code") and Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which differ in some respects from the accounting principles and practices generally accepted and disclosure requirements in countries other than Japan. The accompanying consolidated financial statements are a translation of those filed with the MOF. Certain reclassifications and

rearrangements, however, have been made to the filed consolidated financial statements in order to present them in a form which is more familiar to readers outside Japan. In addition, the accompanying notes include certain information which is not required under the disclosure regulations in Japan, but is presented as additional information.

U.S. dollar amounts in accompanying consolidated financial statements and notes are solely for convenience and are translated at ¥104.21 = U.S.\$1, the exchange rate prevailing on December 30, 2004. The translation should not be construed as a representation that Japanese yen amounts have been or could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation and investments in affiliated companies

The consolidated financial statements include the accounts of the Company and twenty nine of its subsidiaries, same as last year. All significant inter-company transactions and balances have been eliminated in consolidation.

Foreign subsidiaries except Shimano (Kunshan) Bicycle Components Co., Ltd. are consolidated on the basis of their results for the fiscal years ended November 30, 2003 and 2004. Shimano (Singapore) Pte. Ltd, who has a fiscal year ending November 30, has consolidated three of its subsidiaries in China on the basis of their results for the year from December 1, 2003 to November 30, 2004 although these subsidiaries have a fiscal year ending December 31. Material differences in inter-company transactions and accounts arising from the use of different fiscal year-end are appropriately adjusted through consolidation procedures.

Investment securities in unconsolidated subsidiaries and in affiliated companies (20 to 50 percent-owned companies) are stated at cost. None of the unconsolidated subsidiaries are significant in terms of total assets, net sales, net income and retained earnings in relation to the comparable amounts in the accompanying consolidated statements.

(2) Cash and cash equivalents

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

(3) Inventories

Finished goods, 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.

(4) Allowance for doubtful receivables

An allowance for doubtful receivables is provided based on the past credit loss experience and an evaluation of potential losses in the receivables.

(5) Financial instruments

i) Securities

In accordance with the Accounting Standards for Financial Instruments, securities are classified as trading, held-to-maturity debt securities, equity investments in associates and other securities. Equity and debt securities are classified as other securities and are stated at fair value with unrealized gains and losses, net of applicable income taxes, reported as a separate component of shareholders' equity.

Gains and losses are credited or charged to income when realized, with cost determined on the moving average basis. However, if the fair value continues to be at significantly lower than the cost and if there is no prospect of recovery, the unrealized losses are charged to income.

The Company charged ¥74 million (US\$710 thousand) to income as Loss on revaluation of investment securities in the fiscal years ended on December 31, 2003, and any revaluation loss were not recorded for the year ended December 31, 2004.

Other securities without readily determinable fair value are stated at moving average cost.

ii) Golf club membership

In accordance with the Accounting Standards for Financial Instruments, an impairment loss for golf club membership is required to be recognized when fair value is significantly lower than the cost.

(6) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is principally computed for property, plant and equipment of the Company and its domestic subsidiaries by the declining-balance method based on the estimated useful lives of the respective assets as determined by the Japanese Income Tax Law. Depreciation for buildings of the Company, which are acquired after April 1, 1998, are computed by the straight-line method following revision of the Japanese Income Tax Law.

Depreciation of molds for die casting and mechanical pressing and of property, plant and equipment in foreign subsidiaries are computed by the straight-line method based on the estimated lives of the respective assets.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred, although major renewals and improvements are capitalized.

The Company adopted the new accounting standard for impairment of fixed assets for the year ended on or after December 31, 2004.

The effect of new accounting standard for impairment of fixed assets was to decrease income before income taxes for the year ended December 31, 2004 by ¥600 million (US\$ 5,758 thousand)(Note 16).

(7) Intangible assets

Amortization of intangible assets is computed using the straight-line method.

Research and development costs are charged to income as incurred.

Expenditures relating to computer software developed for internal use that contributes to the generation of income or to future cost saving are capitalized as an asset and is amortized using the straight-line method over an estimated useful life of 5 years.

(8) Foreign currency translation

In accordance with the accounting standard in Japan for foreign currency translation, monetary assets and liabilities denominated in foreign currencies of the Company and financial statements of its consolidated foreign subsidiaries are translated as follows;

- i) Balance sheet accounts of the consolidated overseas subsidiaries are translated into Japanese yen at applicable current exchange rates on the respective fiscal year end, except for common stock, additional paid in capital and certain other accounts which are translated at historical rate. Differences arising from translation are reflected as a component of minority interest and shareholders' equity. Effective the fiscal year ended December 31, 2004, revenue and expense accounts of the consolidated overseas subsidiaries are changed to be translated into Japanese yen at the annual average rates over the fiscal year, from at the fiscal year end rate. The accounts of the consolidated cash flow statements in foreign currencies are also

translated at the annual average rates over the fiscal year. The Company changed to this translation method due to minimize the differences between the translated amounts of quarterly income statements and annual income statement.

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

(9) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial statements and the tax bases of the assets and liabilities method and are measured using the enacted tax rates which will be in effect when the differences are expected to reverse.

(10) Net income per share

Basic net income per share is computed based on the weighted average numbers of shares of common stock outstanding during each period. Fully diluted income per share is not computed, as there are no common stock equivalents.

The basic for the calculation of net income per share for the year ended December 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2004
Net income	¥12,249	¥19,412	\$186,278
Deduct: Components not pertaining to common shareholders:			
Bonuses to Officers	(96)	(111)	(1,065)
Net income pertaining to common shareholders:	12,153	19,301	185,213
Weighted average numbers of shares of common stock outstanding (in thousand)	125,088	112,362	

11) Shareholders' equity

Under the Code, at least 50% of the issue price of new shares is required to be designated as common stock. The portion which is to be designated as stated common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as common stock are to be credited to capital surplus.

Under certain circumstances specified by the Code, the Company may issue upon approval of the Board of Directors, new shares of its common stock to existing shareholders.

The Company acquired 11,117,217 shares and 12,483,602 shares of treasury stock for retirement by retained earnings and wrote off 13,100 thousand and 11,100 thousand in the fiscal year ended December 31, 2003 and 2004, respectively. The Company acquired 11,480,100 shares of treasury stock on the basis of approval of shareholders at the general meeting and the acquisition of 998,600 shares was approved at the Board of Directors meeting in the fiscal year ended December 31, 2004. On December 10th, the Company contributed 102,700 shares, 100 shares per each of domestic employees as the additional bonus.

(12) Appropriation of retained earnings

Cash dividends and bonuses to directors and corporate auditors ("officers") are recorded in the year which a proposed appropriation is approved at the general meeting of shareholders.

(13) Retirement benefits and pension plan

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 pension payments, and the assets under the pension plan to meet such future payments.

Accrued indemnities are provided based on the amount of projected benefit obligation reduced by pension plan assets at fair value at the end of the year.

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. At the beginning of this year, the funds of 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.

The Company has changed the discount rate and long-term rate of return on plan assets used for the calculation of the benefit obligation to 2.5% from 3.0% in the year ended December 31, 2003. As a result, the Company recognized a loss of ¥1,217 million (US\$11,678 thousand) in the year ended December 31, 2003.

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 Minister of Health, Labor and Welfare, and shifted to a new employee pension plan on April 1, 2004. The employees' retirement benefits as of December 31, 2003 reflects the amount required under the new pension plan, and the Company recognized a gain of ¥1,179 million (US\$11,314 thousand), and additional gain of ¥680 million (US\$6,525 thousand) in the year ended December 31, 2003 and 2004, respectively.

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

3. INVENTORIES

Inventories as of December 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2004
Finished products	¥14,421	¥18,294	\$175,549
Work in process	10,144	11,320	108,627
Raw materials and supplies	1,986	2,845	27,301
	¥26,551	¥32,459	\$311,477

4. INVESTMENT SECURITIES — OTHER

The following is a summary of other securities as of December 31, 2004.

i) Other securities with readily determinable fair values

	Millions of yen		
	Cost	Estimated fair value	Unrealized gains (losses)
Securities with unrealized gain:			
Equity securities	¥4,008	¥7,761	¥3,753
Securities with unrealized loss:			
Equity securities	146	101	(45)
	¥4,154	¥7,862	¥3,708

	Thousands of U.S. dollars (Note 1)		
	Cost	Estimated fair value	Unrealized gains (losses)
Securities with unrealized gain:			
Equity securities	\$38,461	\$74,475	\$36,014
Securities with unrealized loss:			
Equity securities	1,401	969	(432)
	\$39,862	\$75,444	\$35,582

ii) Other securities without readily determinable fair values

	Millions of yen	Thousands of U.S. dollars (Note 1)
Equity securities	¥ 6,534	\$62,700

5. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

The Company had 3 unconsolidated subsidiaries and 7 affiliates at December 31, 2004 as same at December 31, 2003. Investments in unconsolidated subsidiaries and affiliates as of December 31, 2003 and 2004, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Cost		Cost
	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2004
Unconsolidated subsidiaries	¥132	¥132	\$1,267
Affiliates	314	311	2,984
	¥446	¥443	\$4,251

6. LONG-TERM DEBT

Long-term debt as of December 31, 2003 and 2004, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2004
Bank Loan without collateral due 2006 with fixed interest at 3.28%	¥657	¥619	\$5,940
Less : Current portion	—	—	—
Long-term debt, less current portion	¥657	¥619	\$5,940

7. RESEARCH AND DEVELOPMENT AND COMPUTER SOFTWARE

Research and development charged to income was ¥5,431 million (US\$52,116 thousand) and ¥5,318 million (US\$51,032 thousand) for the years ended December 31, 2003 and 2004, respectively.

The movement in the computer software account was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2004
Balance at beginning of the year	¥ 3,733	¥ 3,381	\$ 32,444
Addition	857	751	7,207
Disposal	(3)	(2)	(19)
Amortization	(1,220)	(1,307)	(12,542)
Exchange adjustment and other	14	7	67
Impairment loss	—	(0)	(0)
Balance at end of the year	¥ 3,381	¥ 2,830	\$ 27,157

8. INCOME TAXES

The reconciliation between the statutory effective tax rate and the actual effective tax rate reflected in the consolidated statements of income for the years ended December 31, 2003 and 2004 were as follows:

	Dec. 31, 2003	Dec. 31, 2004
Statutory effective tax rate	42.0%	42.0%
Expenses not deductible for tax purpose	0.5	0.8
Non-taxable dividend income	(2.9)	(1.0)
Differences of the tax rates of foreign subsidiaries	(9.4)	(7.4)
Foreign tax credit	(3.2)	(2.2)
Income tax adjustment	8.5	—
Other net	4.1	2.2
	39.6%	34.4%

Significant components of the deferred income tax assets and liabilities as of December 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2004
Deferred tax assets:			
Accrued employees' bonuses	¥ 68	¥ 78	\$ 748
Excess of limit of retirement benefits	1,497	1,231	11,813
Book in excess of tax depreciation	585	562	5,393
Inter-company profit	536	830	7,965
Other securities revaluation	359	174	1,670
Business tax payable	547	510	4,894
Impairment loss	—	230	2,207
Bad debt allowance	—	258	2,476
Other	609	775	7,436
	¥ 4,201	¥ 4,648	\$ 44,602
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries	¥ 220	¥ 223	\$ 2,140
Valuation of land	167	167	1,603
Tax in excess of book depreciation	444	429	4,117
Other securities revaluation	1,142	1,538	14,759
Other	125	52	497
	¥ 2,098	¥ 2,409	\$ 23,116

9. EMPLOYEES' RETIREMENT BENEFITS

The following tables set forth the benefit obligation, plan assets and funded status at December 31, 2003 and 2004.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2004
Benefit obligation at end of period	¥(12,537)	¥(12,019)	\$(115,334)
Fair value of plan assets at end of period	8,832	9,549	91,632
Funded status:			
Benefit obligation in excess of plan assets	(3,705)	(2,470)	(23,702)
Unrecognized prepaid expense	(56)	(58)	(557)
	¥ (3,761)	¥ (2,528)	\$ (24,259)

Severance and pension costs included the following components for the years ended December 31, 2003 and 2004.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2004
Service cost	¥ 670	¥ 437	\$ 4,193
Interest cost	285	302	2,898
Expected return on plan assets	(208)	(221)	(2,121)
Amortization:			
Actuarial losses	1,431	(48)	(460)
Periodic benefit costs before extraordinary adjustments	¥ 2,178	¥ 470	\$ 4,510
Gain due to shift to the new pension plan	(1,179)	(680)	(6,525)
Net periodic benefit cost	¥ 999	¥ (210)	\$ (2,015)

Assumptions used in the accounting for the defined benefit plans for the year ended December 31, 2004 were as follows:

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

Unrecognized actuarial losses are amortized in the fiscal year of the occurrence.

10. SHAREHOLDERS' EQUITY

The changes in the number of issued shares of common stock for the year ended December 31, 2004.

	Number of shares
Balance at beginning of the year	121,703,207
Decrease arising from retirement of treasury stock	(11,100,000)
Balance at ending of the year	110,603,207

11. COMMITMENTS AND CONTINGENT LIABILITIES

No commitments and contingent liabilities were identified.

12. OTHER INCOME (EXPENSES) — OTHER

Other income (expenses)-other consisted of the following for the years ended December 31, 2003 and 2004:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2004
Net gain (loss) on sales of marketable securities and investment securities	¥(510)	¥406	\$3,896
Loss on sales and disposals of property, plant and equipment	(259)	(182)	(1,746)
Loss on revaluation of golf membership	(18)	(74)	(710)
Allowance for doubtful receivable	—	(478)	(4,587)
Other	31	(131)	(1,257)
	(756)	(459)	(4,404)

13. RELATED PARTY TRANSACTIONS

The Company's transactions with its unconsolidated subsidiaries and affiliates are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2004
Sales	¥ 963	¥1,187	\$11,390
Purchases	1,712	2,322	22,282
Operating expenses	1,144	1	10
Other income (expenses)	45	5	48

14. SEGMENT INFORMATION

The Company and its consolidated subsidiaries operate principally in three industry segments: Bicycle components, Fishing tackle, Cold forged products and others.

Segment information for the year ended December 31, 2004 was as follows.

	Millions of yen					
	Bicycle components	Fishing tackle	Cold forged products and others	Total	Corporate/ Elimination	Consolidated
Net sales:						
Outside customers	¥128,993	¥37,142	¥3,074	¥169,209	—	¥169,209
Inter segment	—	—	—	—	—	—
Total	128,993	37,142	3,074	169,209	—	169,209
Costs and expenses	100,896	35,554	3,368	139,818	—	139,818
Operating income (loss)	¥ 28,097	¥ 1,588	¥ (294)	¥ 29,391	—	¥ 29,391
	Thousands of U.S. dollars (Note 1)					
Net sales:						
Outside customers	\$1,237,818	\$356,415	\$29,498	\$1,623,731	—	\$1,623,731
Inter segment	—	—	—	—	—	—
Total	1,237,818	356,415	29,498	1,623,731	—	1,623,731
Costs and expenses	968,199	341,177	32,319	1,341,695	—	1,341,695
Operating income (loss)	\$ 269,619	\$ 15,238	\$ (2,821)	\$ 282,036	—	\$ 282,036

Total exports by the Company and sale outside Japan by its consolidated subsidiaries for the year ended December 31, 2004 amounted to ¥143,327 million (US\$1,375,367 thousand) and accounted for 84.7 % of consolidated net sales.

15. SUBSEQUENT EVENT

At the general meeting of shareholders' of the Company held on March 30, 2005, the shareholders approved the followings:

i) Appropriation of retained earnings

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year-end cash dividends, ¥12.50 (US\$0.12) per share.....	¥1,362	\$13,070
Bonuses to officers	111	1,065

Year-end cash dividends of ¥12.50 (US\$0.12) per share includes an ordinary dividend of ¥6.25 (US\$0.06) and a special dividend of ¥6.25 (US\$0.06).

ii) Acquisition of treasury stock

Outstanding stocks may be acquired as treasury stock, within the limit of 4,500 thousand shares and at cost ¥14,400 million (US\$138,183 thousand) until the next general meeting of shareholders.

16. IMPAIRMENT LOSSES

The Company grouped their assets based mainly on divisions. The Company reviews its tangible assets for impairment whenever events or changed in circumstance indicate the carrying amount of an assets or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset and asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is higher of the cash flows discounted at 4% from the continued use and eventual disposition of the asset or the net selling price at disposition.

Use	Location (Prefecture)	Type of assets
For rent	Nishiki Building (Aichi)	Land
For production of bicycle components	Sakai & Shimonoseki Factory (Osaka & Yamaguchi)	Machinery and equipment
For production of fishing tackles	Simonoseki Factory (Yamaguchi)	Buildings and structures, Machinery and equipment
For sales property	Golf sales shop Aifie (Osaka)	Buildings and structures, Machinery and equipment Software and others

	Millions of yen				
	Buildings and structures	Machinery and equipment	Land	Software and others	Total
For rent	—	—	¥ 450	—	¥ 450
For production of bicycle components	—	93	—	—	93
For production of fishing tackles	1	25	—	—	26
For sales property	22	8	—	1	31
	¥ 23	¥ 126	¥ 450	¥ 1	¥ 600

	Thousands of U.S. dollars (Note 1)				
	Buildings and structures	Machinery and equipment	Land	Software and others	Total
For rent	—	—	\$ 4,318	—	\$ 4,318
For production of bicycle components	—	892	—	—	892
For production of fishing tackles	10	240	—	—	250
For sales property	211	77	—	10	298
	\$ 221	\$1,209	\$ 4,318	\$ 10	\$ 5,758

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors of
Shimano Inc.

We have examined the consolidated balance sheets of Shimano Inc. and its consolidated subsidiaries as of December 31, 2003 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for the fiscal years then ended, all expressed in Japanese yen. The aforementioned consolidated financial statements are the responsibility of the Company's management, our responsibility is to express an opinion of these consolidated financial statements based on our examination. Our examinations were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Shimano Inc. and its consolidated subsidiaries as of December 31, 2003 and 2004, and the results of their operations and their cash flows for the fiscal years then ended, in conformity with generally accepted accounting principles in Japan applied on a consistent basis, except for the changes in the method of translation, with which we concur, into Japanese yen of revenue and expense of the consolidated overseas subsidiaries, and the same change in the accounts of cash flow statements, as described in note 2 (8) (i).

As explained in note 2 (6), the Company prospectively adopted new Japanese Accounting Standards for impairment of fixed assets for the year ended on or after December 31, 2004.

The United States dollar amounts shown in the aforementioned consolidated financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis described in Note 1.

Seiryō Audit Corporation

Osaka, Japan
April 15, 2005

See Note 1 to the aforementioned consolidated financial statements which explains the basis of presenting consolidated financial statements of Shimano Inc. and its subsidiaries in conformity with Japanese accounting principles and practices.

OVERSEAS SUBSIDIARIES AND AFFILIATES

Shimano American Corporation*

One Holland, Irvine, California 92618, U.S.A.
Phone +1-949-951-5003 / Fax +1-949-768-0920
Sale of bicycle components and fishing tackle

Shimano Canada Ltd.*

685 The Queensway, Peterborough, Ontario K9J 7J6, Canada
Phone +1-705-745-3232 / Fax +1-705-745-1949
Sale of bicycle components and fishing tackle

G. Loomis Products, Inc.*

1359 Down River Drive, Woodland, Washington 98674, U.S.A.
Phone +1-360-225-6516 / Fax +1-360-225-7169
Manufacture and sale of fishing tackle

G. Loomis Inc.*

1359 Down River Drive, Woodland, Washington 98674, U.S.A.
Phone +1-360-225-6516 / Fax +1-360-225-7169
Manufacture and sale of fishing tackle

G. Loomis Sporting Goods, Inc.*

1359 Down River Drive, Woodland, Washington 98674, U.S.A.
Phone +1-360-225-6516 / Fax +1-360-225-7169
Manufacture and sale of fishing tackle

Shimano Europe Holding B.V.*

Industrieweg 24, 8071 CT Nunspeet, The Netherlands
Phone +31-341-272222 / Fax +31-341-272294
Holding company

Shimano Europe Fishing Holding B.V.*

Industrieweg 24, 8071 CT Nunspeet, The Netherlands
Phone +31-341-272233 / Fax +31-341-272290
Holding company / Sale of fishing Tackle

Shimano Benelux B.V.*

Industrieweg 24, 8071 CT Nunspeet, The Netherlands
Phone +31-341-272327 / Fax +31-341-272291
Sale of bicycle components

Shimano Europe B.V.*

Industrieweg 24, 8071 CT Nunspeet, The Netherlands
Phone +31-341-272233 / Fax +31-341-272290
Sale of bicycle components

Shimano Germany Fishing GmbH*

Diessemer Bruch 114F, 47805 Krefeld, Germany
Phone +49-2151-55670 / Fax +49-2151-556727
Sale of fishing tackle

Shimano U.K. Ltd.*

Unit 1A, Vale Park Business Centre, Evesham, Worcestershire WR11 1GD, United Kingdom
Phone +44-1386-425826 / Fax +44-1386-425828
Sale of fishing tackle

Shimano Belgium N.V.*

Zandvoortstraat 6, 2800 Mechelen, Belgium
Phone +32-15-209480 / Fax +32-15-209410
Sale of bicycle components

Shimano Italia S.p.A.*

Via Cesare Battisti 57, 28010 Briga Novarese, Italy
Phone +39-0322-94191 / Fax +39-0322-93401
Manufacture of bicycle components

Shimano Italy Fishing S.r.l.*

Via Privata Maestri del Lavoro 29, 20025 Legnano Milano, Italy
Phone +39-0331-742711 / Fax +39-0331-465687
Sale of Fishing Tackle

Shimano Czech Republic s.r.o.*

Detmarovicka ul., 733 01 Karvina-Nove Pole, Czech Republic
Phone +420-59-744-1111 / Fax +420-59-744-1100
Manufacture of bicycle components

Shimano France Composants Cycles S.A.S.*

Rue Georges Clemenceau Boite Postale 45, 62052 St-Laurent-Blangy Cedex, France
Phone +33-321-732525 / Fax +33-321-558427
Sale of bicycle components

OOO Shimano Eurasia*

Admirala Makarova Street 8, Building 1, 125212 Moscow, Russia
Phone +7-095-101-3488 / Fax +7-095-101-3488
Sale of bicycle components

Shimano (Singapore) Pte. Ltd.*

20 Benoi Sector, Jurong Town, Singapore 629852
Phone +65-6265-4777 / Fax +65-6265-1575
Manufacture and sale of bicycle components and fishing tackle

Shimano Components (Malaysia) Sdn. Bhd.*

Lot 4550, Lorong A-16, Pekan Nanas, 81500 Pontian, Johor, Malaysia
Phone +60-7-6991599 / Fax +60-7-6991794
Manufacture of bicycle components and fishing tackle

Shimano (Mersing) Sdn. Bhd.*

PLO 41 Kawasan Perindustrian Mersing II, 86800 Mersing, Johor, Malaysia
Phone + 60-7-7996839 / Fax + 60-7-7996840
Manufacture of bicycle components

P. T. Shimano Batam*

Lot 237 Jalan Gaharu, Batamindo Industrial Park, Mukakuning, Pulau Batam 29433, Indonesia
Phone +62-770-611750 / Fax +62-770-612288
Manufacture of bicycle components and fishing tackle

Shimano (Kunshan) Bicycle Components Co., Ltd.*

439 He Xing Road, Kunshan, Jiangsu, China
Phone +86-512-57311540 / Fax +86-512-57311541
Manufacture of bicycle components

Shimano (Shanghai) Bicycle Components Co., Ltd.*

Rm 404, Aetna Tower, 107 Zunyi Road, Shanghai 200051, China
Phone +86-21-62375526 / Fax +86-21-62375529
Sale of bicycle components

MSC Pte. Ltd.*

20 Benoi Sector, Jurong Town,
Singapore 629852
Phone +65-6265-4777 / Fax +65-
6265-1575
Manufacture of bicycle components

Shimano (Malaysia) Sdn. Bhd.*

Lot 4550, Lorong A-16, Pekan Nanas,
81500 Pontian, Johor, Malaysia
Phone +60-7-6991599 / Fax +60-7-
6991793
Manufacture of bicycle components

Shimano (Kunshan) Fishing Tackle Co., Ltd.*

439 He Xing Road, Kunshan, Jiangsu,
China 215300
Phone +86-512-57317000 / Fax +86-
512-57317730
Manufacture of fishing tackles

Shimano (Tianjin) Bicycle Components Co., Ltd.*

266, South Jiefang Road, Tianjin,
China 300202
Phone +86-22-24715686 / Fax +86-
22-24712216
Manufacture of bicycle components

Shimano Taiwan Co., Ltd.*

4F-3, Grand Asia Plaza, 138 Chung-
ming S. Road, Taichung, Taiwan
Phone +886-4-2319-5318 / Fax +886-
4-2319-4020
Sale of bicycle components

Wooyun Co., Ltd.

1188 Shinmun-ri, Jangyu-myun,
Kimhae, Kyungnam, Korea
Phone +82-55-320-1061 / Fax +82-
55-329-5115
Manufacture and sale of cycling shoes
and snowboard boots

Shimano Australia Pty. Ltd.

6/30 Endeavour Road, Caringbah,
NSW 2229, Australia
Phone +61-2-9526-7799 / Fax +61-2-
9526-7622
Sale of bicycle components

Dunphy Holding Pty. Ltd.

Unit 1, Block A, 1-3 Endeavour Road,
Caringbah, NSW 2229, Australia
Phone +61-2-9526-2144 / Fax +61-2-
9526-2510
Sale of fishing tackle

*Consolidated Subsidiary

BOARD OF DIRECTORS**Chairman**

Yoshizo Shimano

President

Yozo Shimano

Executive Vice Presidents

Shinji Fukuoka
Chitoshi Yuge

Division Presidents

Takeshi Oi
Keiji Kakutani

Senior Vice Presidents

Nobutsugu Fuchizawa
Kenji Fujimura
Hideo Yamashima
Fuminori Yoshida
Chiam Yau Teng
Satoshi Yuasa
Shinji Wada
Kazuo Ichijo

Corporate Auditors

Yoshinori Kajiyama (Standing)
Tadayoshi Usui (Standing)
Toshikuni Hirose
Takayo Tsujinaka

(As of March 30, 2005)

CORPORATE DATA**Company Name**

SHIMANO INC.
3-77 Oimatsu-cho, Sakai, Osaka 590-8577, Japan
(Human Resources & General Affairs)
Phone +81-72-223-3210 / Fax +81-72-223-3258
(Corporate Communications)
Phone +81-72-223-3957 / Fax +81-72-223-6045

Date of Establishment

February 1921

Paid-in Capital

¥35,613 million (US\$341,743 thousand)

Number of Shares of Common Stock

Authorized 270,200,000 shares
Issued 110,603,207 shares

Number of Shareholders

7,909

Stock Exchange Listings

The First Section of the Osaka Securities Exchange
The First Section of the Tokyo Stock Exchange

Common Stock Price Range

(Osaka Securities Exchange)

	Jan. 1, 2001 to Dec. 31, 2001	Jan. 1, 2002 to Dec. 31, 2002	Jan. 1, 2003 to Dec. 31, 2003	Jan. 1, 2004 to Dec. 31, 2004
High	¥2,350	¥1,886	¥2,415	¥2,945
Low	1,245	1,445	1,500	2,075

Transfer Agent

The Sumitomo Trust and Banking Co., Ltd.
5-33, Kitahama 4-chome, Chuo-ku,
Osaka 541-0041, Japan

Auditor

Seiryō Audit Corporation

Domestic Subsidiaries**Shimano Rinkai Co., Ltd.**

(Consolidated Subsidiary)

1-5-15 Chikko-Shinmachi, Sakai, Osaka 592-8331,
Japan
Phone +81-72-243-2800
Service Center for bicycle parts and fishing tackle

Kumamoto Fishing Tackle Co., Ltd.

660-1 Aza Doubaru Shicho, Kahoku-cho,
Kamoto-gun Kamoto, Kumamoto 861-0601,
Japan
Phone +81-968-32-3195 / Fax +81-968-32-2020
Manufacture of fishing tackle

(As of December 31, 2004)

SHIMANO

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