

Shimano (7309-JP) Sustainability Report

Profile:

Shimano manufactures and sells bicycle components. Shimano is one of the world's largest bike part manufacturers in the world, selling parts primarily used in mid-to-high-end bikes. The company is increasingly focusing on e-bikes too. Shimano also offers fishing equipment and accessories.

What Shimano Does Well:

Shimano facilitates living a healthy lifestyle for consumers. The company's mission is "To promote health and happiness through the enjoyment of nature and the world around us." This mission aligns with investments being made in cycling globally, too. Governments are increasingly prioritizing alternative forms of transportation like bikes. Investments include dedicated bike lanes and Blue Bike offerings in cities throughout the US. In 2020, the UK announced a £2 billion investment to improve and extend biking infrastructure to protect riders from vehicle traffic. In 2022, the Netherlands announced a roughly €1 billion cycling infrastructure bill.

Shimano not only aims to equip humans with access to a more active life but helps divert carbon emissions from fossil-fuel forms of transportation. By supporting the global bike market, Shimano helps consumers reduce reliance on cars, trains, buses, and alternative carbon-intensive forms of transportation. Not only do traditional bikes support this reduction in footprint, but the company is actively investing in e-bikes to help displace gas-powered motorcycles and scooters.

Shimano has also made significant strides in reducing its environmental impact. Scope 1 & Scope 2 emissions, which are emissions from company operations like equipment or electricity usage, fell nearly 57% from 2019 to 2023. The company is focusing on switching to electrical equipment instead of gas-powered machines as well as being more cognizant of plastic use and recyclability in packaging, specifically within the fishing segment.

Concerns:

One concern with Shimano is prioritizing the mid-to-high-end bike market without a focus on the lower end, more affordable market. While our firm notes this is likely a better business strategy, it would be encouraging to see more of a concerted effort around affordability.

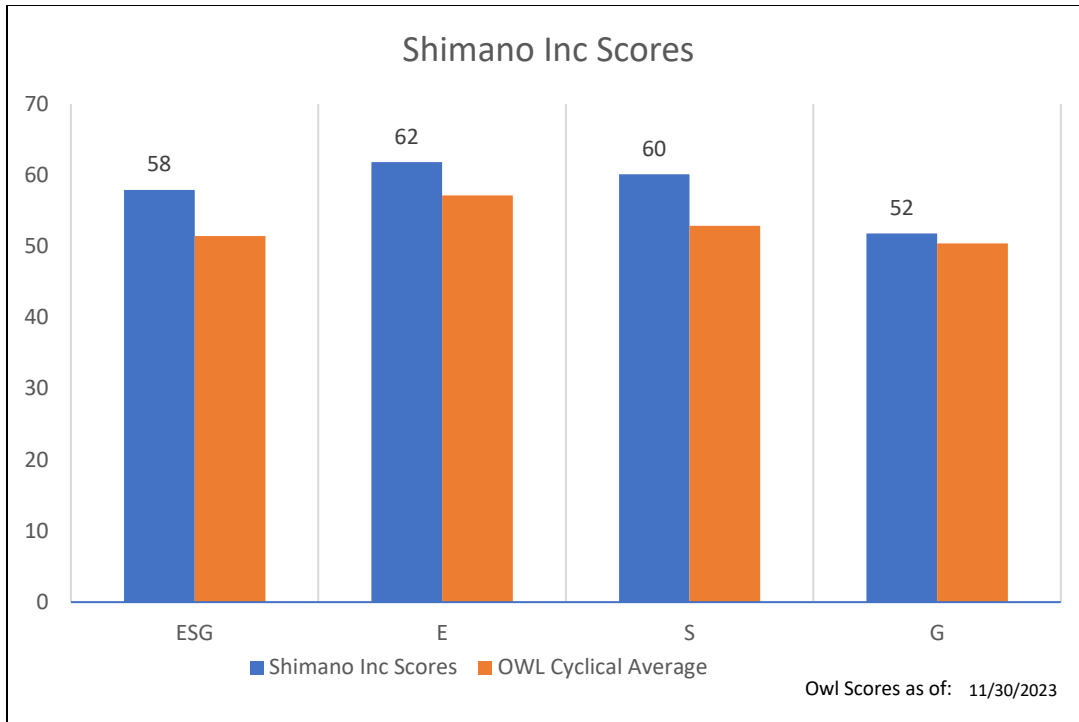
Another concern around Shimano, and Japanese companies in general, is disclosure. Shimano does not offer disclosure equal to that of US or European-based companies, leading to larger gaps in publicly available information for investors.

Shimano's board of directors is one other concern. Most directors are still internal employees, with just four of nine being independent directors. Our firm notes, however, this is encouraging progress since 2021's level of board independence was just 20%. Shimano also lacks diversity on the board of directors and management team; the board of directors recently appointed their first female director, and the management team appears to have no female members.

Shareholder Engagement:

None.

ESG Scores:



Conclusion:

Overall, our firm believes Shimano is a sustainability-focused company with an admirable mission to help people live healthier. On top of this, we are encouraged to see the company's progress on environment and governance metrics over the past few years, but hope to see continued improvements, especially around gender diversity.

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