Your Journey, Our Passion

Annual Report 2011

Financial Review

CONTENTS

The Bridgestone Corporation is referred to as the "Company," and the Company and its subsidiaries are referred to as the "Companies" in this publication.

FORWARD-LOOKING STATEMENTS
The descriptions of projections and plans that appear in this annual report are "forward-looking statements." They involve known and unknown risks and uncertainties in regard to such factors as product liability, currency exchange rates, raw material costs, labor-management relations, and political stability. These and other variables could cause the Group's actual performance and results to differ from management's projections and plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unless otherwise noted, all figures are taken from the consolidated financial statements and notes. The U.S. dollar figures have been translated solely for the convenience of readers outside Japan at ¥77.74 to $1, the prevailing exchange rate on December 31, 2011. Financial disclosures by the Bridgestone Corporation (the "Company") are in accordance with accounting principles generally accepted in Japan.

Results of Operations

Business Environment

In fiscal 2011, the operating environment of the Company and its subsidiaries (the "Companies") was influenced by high prices for raw materials and materials and the appreciation of the Japanese yen. In this setting, conditions in the domestic economy remained challenging following the Great East Japan Earthquake, which occurred on March 11. Nonetheless, there were also signs of recovery. Overseas, business conditions in the United States recovered at a moderate pace, and the business climate in Europe showed signs of recovery. However, both the U.S. and Europe showed signs of weakening later in the year. In Asia, economies recovery and expansion accelerated, particularly in China and India.

Net Sales

Net sales rose 6%, or ¥162.7 billion ($2,093 million), to ¥3,024.4 billion ($38.9 billion). On a global basis, the Companies worked to expand sales of highly competitive products and to increase supply capacity. In addition, the Companies took steps to respond to high prices for raw materials and materials, such as appropriately revising product prices. As a result, higher sales were recorded in both the tire segment and the diversified products segment.

The average yen/dollar exchange rate in fiscal 2011 was ¥80, compared with ¥88 in fiscal 2010, while the average yen/euro exchange rate in fiscal 2011 was ¥111, compared with ¥116 in the previous year.

Operating Income

Due in large part to the increase in sales, operating income rose 15%, or ¥24.9 billion ($320 million), to ¥191.3 billion ($2,461 million). As a result, the operating margin increased by 0.5 percentage points, from 5.8% to 6.3%.

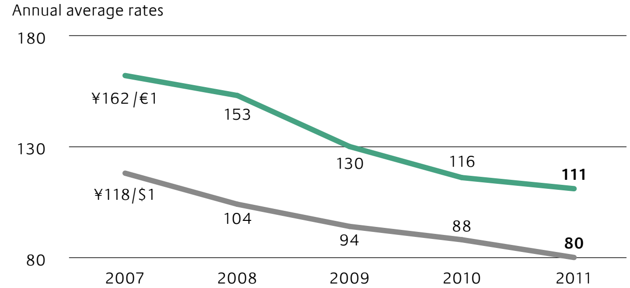
Operating Income Margin

	2011	2010	2009	2008	2007
					% of sales
	6.3	5.8	2.9	4.1	7.4

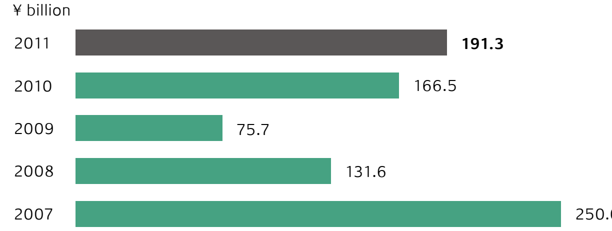
Net Sales
¥ billion

Note: Net sales exclude inter-segment transactions.

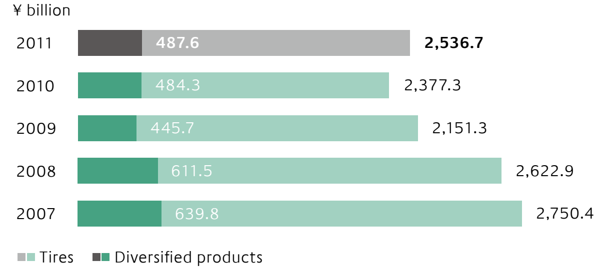
Currency Exchange Rates
Annual average rates



Operating Income
¥ billion



Sales of Tires and Diversified Products
Net of inter-segment transactions
¥ billion



Performance by Business Segment

The tire segment includes tires for passenger cars, trucks and buses, construction and mining vehicles, aircraft, and motorcycles, as well as tubes, wheels, related accessories, retreading business, and automotive maintenance services. Including inter-segment transactions, the tire segment's sales in fiscal 2011 increased by 7% from the previous year, to ¥2,539.8 billion ($32.7 billion). Operating income also increased, rising by 21%, to ¥185.5 billion ($2,386 million).

In the tire segment, the Companies introduced appealing new products worldwide and strengthened the lineups of products that have been identified as strategic and important to future growth. The Companies also revised product prices in order to address the effects of high prices for raw materials.

In Japan, unit sales of replacement tires for passenger cars and light trucks increased from fiscal 2010. However, due to the decline in vehicle production volume as a result of the Great East Japan Earthquake, unit sales of original equipment tires for new vehicles were substantially down from fiscal 2010. Unit sales of tires for trucks and buses recorded favorable growth from fiscal 2010.

In the Americas, unit sales of passenger and light truck tires in North America decreased from fiscal 2010 due to a decline in the sales of replacement tires. However, higher unit sales of strategic products, such as Run-flat Technology Tires, UHP (ultra-high-performance) tires, and winter tires, were recorded in the replacement market. In addition, unit sales of tires for trucks and buses recorded significant growth.

In Europe, unit sales of tires for passenger cars and light trucks were about the same as in fiscal 2010. However, unit sales of replacement tires, including such strategic products as Run-flat Technology Tires and winter tires, recorded year-on-year growth. Unit sales of tires for trucks and buses declined year on year due to lower sales of replacement tires.

In the specialty tire business, unit sales of large and ultralarge off-the-road radial tires for construction and mining vehicles recorded substantial growth from fiscal 2010.

The diversified products segment includes functional chemical products, a wide range of industrial items, sporting goods, and bicycles. Many of these products are made from rubber or rubber-derived materials.

Including inter-segment transactions, in the diversified products segment, sales in fiscal 2011 increased by 1% from the previous fiscal year, to ¥500.6 billion ($6,439 million). Operating income in domestic operations declined, and the segment's operating income was down by 57% from the previous fiscal year, to ¥5.8 billion ($75 million).

Composition of Sales by Business Segment
Net of inter-segment transactions

	2011	2010
		% of net sales
Tires	84.0	83.1
Diversified products	16.0	16.9
	100.0	100.0

Performance by Market

In Japan, net sales totaled ¥694.2 billion ($8,930 million), an increase of 3%, from fiscal 2010. In the Americas, net sales totaled ¥1,273.3 billion ($16.4 billion), an increase of 5%, from fiscal 2010. In Europe, net sales totaled to ¥418.8 billion ($5,387 million), an increase of 8%, from fiscal 2010. In other regions, net sales totaled ¥638.0 billion ($8,207 million), an increase of 8%, from fiscal 2010.

Composition of Sales by Market
Net of inter-segment transactions

	2011	2010
		% of net sales
Japan	23.0	26.4
The Americas	42.1	42.4
Europe	13.8	13.3
Other	21.0	17.9
	100.0	100.0

Other Income and Expense

The total of other income and other expenses equaled a loss of ¥32.5 billion ($419 million), compared with the corresponding loss of ¥24.8 billion in the previous year.

Net interest-related expenses decreased by ¥3.6 billion ($46 million), to ¥8.3 billion ($107 million), and gain on sales of property, plant and equipment was ¥7.3 billion ($94 million). In the previous fiscal year, loss on disposals of property, plant and equipment of ¥4.0 billion and loss on recall of merchandise of ¥2.2 billion were recorded. In fiscal 2011, under review, impairment loss was ¥13.1 billion ($168 million), loss on disposals of property, plant and equipment was ¥4.2 billion ($54 million), losses from a natural disaster was ¥2.4 billion ($31 million), loss on valuation of investments in securities was ¥3.5 billion ($45 million), loss on adjustment for changes of accounting standard for asset retirement obligations was ¥2.5 billion ($32 million), and loss related to US antitrust law and US Foreign Corrupt Practices Act was ¥2.2 billion ($28 million).

Income before income taxes and minority interests increased by ¥17.1 billion ($220 million), or 12%, to ¥158.8 billion ($2,042 million).

Net Income

Net income increased by ¥4.1 billion ($52 million), to ¥103.0 billion ($1,325 million), from ¥98.9 billion in the previous fiscal year. Minority interests decreased to ¥4.7 billion ($61 million). As a result, the net return on sales was down 0.06 percentage points, from 3.46% to 3.40%.

Net Return on Sales

	2011	2010	2009	2008	2007
					% of net sales
	3.40	3.46	0.04	0.3	3.9

Net Income
¥ billion

Financial Condition

Assets

Current assets increased by ¥46.7 billion ($601 million) compared with the prior year-end, to ¥1,323.7 billion ($17,027 million). Cash and cash equivalents declined ¥88.1 billion ($1,133 million), while notes and accounts receivable increased by ¥11.8 billion ($152 million). Inventories were up ¥92.9 billion ($1,195 million) and deferred tax assets increased by ¥13.7 billion ($176 million).

In fixed assets, capital investments of ¥201.3 billion ($2,589 million) exceeded depreciation and amortization of ¥159.7 billion ($2,054 million). However, due to the influence of the appreciation of the yen on the conversion of foreign-currency amounts into yen, net property, plant and equipment decreased by ¥25.3 billion ($325 million). As a result of the market value of stock holdings decreased, investments in securities and investments in and advances to affiliated companies declined by ¥34.8 billion ($448 million). Consequently, the total of “property, plant and equipment” and “investments and other assets” decreased by ¥76.0 billion ($978 million), or 5%, compared with the previous fiscal year-end, to ¥1,353.6 billion ($17.4 billion).

Total assets decreased by ¥29.3 billion ($377 million), or 1%, compared with the previous fiscal year-end, to ¥2,677.3 billion ($34.4 billion).

Total Assets
¥ billion

Liabilities

In current liabilities, notes and accounts payable increased by ¥18.2 billion ($234 million). However, short-term debt and the current portion of long-term debt declined ¥108.9 billion ($1,401 million). Consequently, total current liabilities were down 9%, or ¥79.3 billion ($1,020 million), to ¥797.7 billion ($10.3 billion).

Long-term debt increased by ¥48.4 billion ($622 million), and accrued pension and liability for retirement benefits increased by ¥20.4 billion ($263 million). Consequently, total long-term liabilities were up 9%, or ¥60.5 billion ($778 million), to ¥713.9 billion ($9,184 million).

Total interest-bearing debt*, which is recorded in current liabilities and long-term liabilities, decreased by ¥60.6 billion ($779 million), or 9%, compared with the prior fiscal year-end, to ¥602.6 billion ($7,751 million).

* Interest-bearing debt includes short-term debt, commercial paper, bonds, long-term debt, and obligations under finance leases.

Equity

Total equity at December 31, 2011, amounted to ¥1,165.7 billion ($14,994 million). This was ¥10.5 billion ($135 million), or 1%, lower than at the previous fiscal year-end. Net income was ¥103.0 billion ($1,325 million), and cash dividends paid were ¥15.7 billion ($201 million). Net unrealized gain on available-for-sale securities declined ¥14.3 billion ($184 million), and foreign currency translation adjustments were down by ¥57.8 billion ($743 million). Post retirement benefit liability adjustments of foreign subsidiaries decreased by ¥25.1 billion ($323 million).

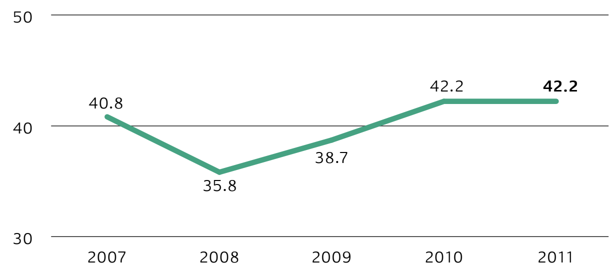
The ratio of shareholders' equity, excluding stock acquisition rights and minority interests, to total assets at the end of December 2011 was 42.2%, about the same as at the previous fiscal year-end. The ratio of total debt to debt and shareholders' equity was 34.8% at December 31, 2011, compared with a ratio of 36.7% at the previous fiscal year-end.

Net return on shareholders' equity (ROE) was 9.1%, an increase of 0.2 percentage points compared with the previous fiscal year. Net return on total assets (ROA) equaled 3.8%, an increase of 0.2 percentage points compared with the previous fiscal year.

Total Equity
¥ billion

Note: By adoption of the new accounting standard for presentation of equity, minority interests, and deferred gain (loss) on derivative instruments are included in equity for the year ended December 31, 2006.

Ratio of Shareholders' Equity to Total Assets
%



ELEVEN-YEAR SUMMARY

Bridgestone Corporation and Subsidiaries
Years ended December 31

	2011	2010	2009	2008
	Millions of yen, except per share data and financial ratios			
Net Sales	¥ 3,024,356	¥ 2,861,615	¥ 2,597,002	¥ 3,234,406
Overseas sales	2,330,154	2,189,765	1,982,192	2,448,300
Tires (net of inter-segment transactions)	2,536,731	2,377,305	2,151,314	2,622,890
Diversified products (net of inter-segment transactions)	487,625	484,310	445,687	611,516
Operating income	191,322	166,450	75,712	131,551
Net income	102,970	98,914	1,044	10,412
Total equity	1,165,672	1,176,147	1,120,797	1,019,996
Total assets	2,677,344	2,706,640	2,808,439	2,768,470
Ratio of shareholders' equity to total assets	42.2	42.2	38.7	35.8
Per Share in Yen:				
Net Income				
Basic	131.56	126.19	1.33	13.33
Diluted	131.50	126.16	1.33	13.33
Shareholders' equity	1,444.53	1,458.01	1,385.43	1,263.30
Cash dividends	22.00	20.00	16.00	24.00
Capital Expenditure	201,390	182,648	178,204	275,301
Depreciation and Amortization	159,666	170,663	180,547	187,420
Research and Development Costs	83,982	85,154	85,766	93,252

1 Solely for the convenience of readers, the Japanese yen amounts in this annual report are translated into U.S. dollars at the rate of ¥77.74 to $1, the approximate year-end rate.
2 By adoption of the new accounting standard for presentation of equity, minority interests, stock acquisition rights and deferred gain (loss) on derivative instruments are included in equity from fiscal 2006.

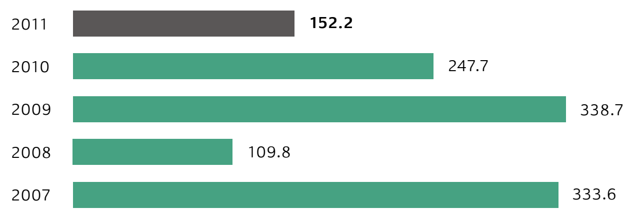
Net Return on Shareholders' Equity

2011	2010	2009	2008	2007
% of simple average of year-end shareholders' equity				
9.1	8.9	0.1	0.9	10.3

Net Return on Assets

2011	2010	2009	2008	2007
% of simple average of year-end total assets				
3.8	3.6	0.04	0.3	4.1

Cash Flow
Net cash provided by operating activities
¥ billion



Cash Flow

Consolidated cash and cash equivalents decreased by ¥88.1 billion ($1,133 million) during 2011, to ¥128.8 billion ($1,657 million), compared with a decrease of ¥19.3 billion during the prior year.

Net cash provided by operating activities decreased by ¥95.6 billion ($1,229 million) compared with the prior fiscal year, to ¥152.2 billion ($1,957 million).

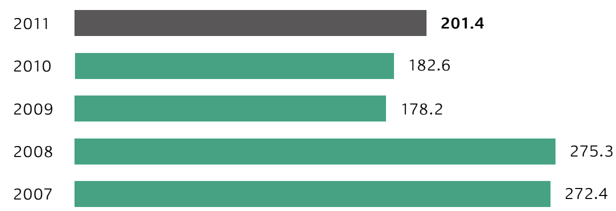
The principal items included an increase in inventories of ¥122.9 billion ($1,581 million), compared with ¥32.7 billion during the prior fiscal year. Income taxes paid was ¥31.6 billion ($406 million), compared with ¥22.4 billion during the prior fiscal year. However, income before income taxes and minority interests was ¥158.8 billion ($2,042 million), compared with ¥141.7 billion during the prior fiscal year. Depreciation and amortization was ¥159.7 billion ($2,054 million), compared with ¥170.7 billion during the prior fiscal year.

2007	2006	2005	2004	2003	2002	2001
						Millions of yen, except per share data and financial ratios
¥ 3,390,219	¥ 2,991,275	¥ 2,691,376	¥ 2,416,685	¥ 2,303,917	¥ 2,247,769	¥ 2,133,825
2,589,006	2,213,880	1,945,283	1,700,599	1,593,863	1,508,112	1,377,433
2,750,374	2,393,165	2,152,950	1,927,989	1,836,395	1,797,598	1,687,235
639,845	598,110	538,426	488,696	467,522	450,171	446,590
249,962	190,876	213,851	197,697	183,294	183,862	118,023
131,630	85,121	180,796	114,453	88,720	45,379	17,389
1,410,225	1,221,846	1,128,597	934,981	887,987	796,013	835,144
3,359,255	3,053,440	2,709,962	2,333,708	2,220,613	2,143,928	2,443,793
40.8	38.6	41.6	40.1	40.0	37.1	34.2
168.69	109.10	226.92	138.96	102.75	51.97	20.20
168.65	109.07	226.86	138.94	102.56	51.89	20.19
1,757.23	1,511.43	1,443.43	1,163.82	1,056.54	924.48	970.20
26.00	24.00	24.00	19.00	16.00	16.00	16.00
272,381	261,335	203,670	191,000	155,742	116,764	104,313
173,585	145,349	127,609	111,491	104,383	119,466	132,920
86,748	86,687	79,415	72,898	70,967	68,161	62,755

Net cash used in investing activities increased by ¥6.5 billion ($84 million) compared with the previous fiscal year, to ¥177.1 billion ($2,278 million). Expenditures included payments for purchase of property, plant and equipment of ¥187.9 billion ($2,416 million), compared with payments of ¥178.0 billion during the previous fiscal year.

Net cash used in financing activities decreased by ¥32.5 billion ($417 million), compared with the previous fiscal year, to ¥50.1 billion ($644 million). The major items included a net increase of ¥72.0 billion ($926 million) in short-term debt, compared with a net decrease of ¥39.8 billion during the previous fiscal year, and repayments of long-term debt of ¥186.5 billion ($2,399 million), compared with ¥44.9 billion during the previous fiscal year.

Capital Expenditure
¥ billion



Capital Financing and Liquidity

In addition to the borrowing from financial institution, the Companies continue to seek to diversify the financial instruments through direct financing such as domestic straight bond, commercial paper, medium-term notes in overseas markets and securitization of receivables and leases as well to diversify risks and to minimize the interest cost.

Dividend

Comprising interim dividends of ¥10.0 ($0.13) and year-end dividends of ¥12.0 ($0.15) per share, annual dividends for fiscal 2011 totaled ¥22.0 ($0.28) per share.

Projection for Fiscal 2012

In 2012, the Companies' operating environment is showing signs of a gradual recovery; however the future course of business conditions remains unclear. In addition, the cost of raw materials and materials remains high, and the Companies face rapid changes in the structure of demand and the structure of competition. Operating conditions are expected to remain challenging.

In this setting, the Companies anticipate year-on-year growth in unit sales of tires in Japan. In the diversified products segment, sales are forecasted to increase over fiscal 2011.

In the Americas, unit sales of tires in the North American tire business are expected to increase from the previous fiscal year.

Unit sales of tires are also expected to increase in Europe.

Management forecasts consolidated net sales in fiscal 2012 of ¥3,240.0 billion, an increase of 7% from fiscal 2011. Management expects operating income to increase 41%, to ¥269.0 billion, with net income rising to ¥168.0 billion. Projected annual dividends in fiscal 2012 are ¥32 per share.

These performance forecasts are based on assumed average exchange rates of ¥77 against the dollar and ¥100 against the euro, compared with the full-year average rates recorded in fiscal 2011 of ¥80 and ¥111, respectively.

OPERATIONAL RISKS

The status of the Bridgestone Group (Bridgestone Corporation and its consolidated subsidiaries, the “Companies”) as documented in this report is subject to diverse risks from both operational and accounting perspectives. This section provides an overview of the major categories of risk that may have a bearing on investors’ decisions.

Management is alert to these risks, and systematic efforts are made to prevent or minimize the impact of related adverse events on operations. Nonetheless, the potential exists for unforeseen or unpredictable events related to the risk factors described below to affect the operations, business results and financial position of the Companies. All references to possible future developments in the following text are as of March 27, 2012.

Major categories of operational risk

Demand and macroeconomic conditions

The Companies conduct research and development (R&D), purchasing, manufacturing, logistics, marketing, sales and other functional activities on a global basis. Operating results and financial position are thus subject to trends in demand, interest rates, exchange rates, share prices, and other economic variables in different countries and regions. In the fiscal year ended December 31, 2011, the consolidated sales split by market (for external customers only) was 42% from operations in the Americas, 23% from Japan and 14% from Europe. An economic downturn in any of these regions could exert a major adverse effect on the business results and financial position of the Companies.

The core tire business accounts for 84% of consolidated net sales. In addition, operations in the diversified products business segment also include a substantial volume of business in automotive products. The operating results and financial position of the Companies are thus heavily exposed to business conditions in the global automobile industry.

Demand for replacement tires in each country where the Companies operate depend on national trends in consumer spending, automotive fuel prices, and a range of other local market variables. Any combination of trends that might cause demand for replacement tires to decline, or to grow at a slower rate, could adversely affect the operating results and financial position of the Companies.

Large and ultra-large off-the-road radial tires for construction and mining vehicles are affected by business conditions in the resource industries and in the civil engineering and construction industries. Trends in those business conditions that might cause demand for these tires to decline, or to grow at a slower rate, could adversely affect the operating results and financial position of the Companies.

Moreover, demand for winter tires (which make a certain contribution to sales such as in Japan, Europe and North America) is closely related to seasonal weather trends. Low snowfall and a decline in demand in these regions could adversely affect to some extent the operating results and financial position of the Companies.

Legal, regulatory, and litigation risk

The Companies’ operations around the world are subject to diverse national (and, in Europe, supranational) laws and regulations governing all aspects of business activity, including trade, investment, foreign exchange transactions, anti-competitive practices, and environmental protection.

In recent years, laws and regulations that affect the Companies’ business activities have been established and introduced. These include labeling systems and regulations regarding tire performance in Japan and overseas and the REACH Regulation in Europe. Accordingly, new or revised laws and regulations could limit the scope of business activities, raise operating costs, or otherwise adversely affect the business results and financial position of the Companies.

The Companies’ business results and financial position could be adversely affected by unavoidable, significant changes in investment plans or operational plans due to unpredictable legal or regulatory changes, etc., in Japan or in overseas markets.

The Companies could be subject to lawsuits or to investigations by governmental authorities in regard to its business activities in Japan or overseas markets. In the event that an important lawsuit is instituted or investigation by governmental authorities is commenced, the Companies’ business results and financial position could be affected.

In regard to the alleged international cartel activities regarding the sale of marine hoses and improper monetary payments to foreign agents regarding sales of industrial products, including marine hoses, please refer to “Note 18: Information about the Company and certain of its subsidiaries’ alleged cartel activities regarding the sale of marine hoses and improper monetary payments” on page 37.

Operational disruptions

Natural disasters, wars, terrorist actions, civil strife, social and political unrest

Globally dispersed operations expose the Companies to a broad range of natural and manmade risks that could constitute force majeure, including natural disasters such as earthquakes and floods, wars, terrorist actions, civil strife, epidemics and general social or political unrest. Such events have the potential to affect the operating results and financial position of the Companies adversely.

Also, such factors as abrupt, substantial fluctuations in political/economic matters in Japan or overseas could hinder the continuation of the Companies’ business activities. Such events have the potential to affect the Companies’ operating results and financial position.

The risk of earthquakes is particularly high in Japan, where the Companies have numerous key facilities. Management systematically promotes the seismic reinforcement of the Companies' facilities in Japan, based on an order of priority determined from the results of site analyses using seismic diagnostics. In addition, a Business Continuity Plan (BCP) and other measures have been created to promote swift response to an earthquake and early restoration of operations. The Companies are also moving forward with infection prevention measures and business continuity planning in regard to the spread of an infectious disease, such as H1N1 influenza.

Despite such preventive measures, such a serious risk could disrupt or reduce the scale of operations or cause damage to facilities, necessitating expensive repairs or restoration work. The costs involved could adversely affect the Companies' operating results and financial condition.

Operational disruptions at those plants where production of certain products or materials is concentrated have the potential to cause greater problems due to the increased possibility of a supply interruption, which could result in claims for compensation based on breach of supply contracts, or in an erosion of customers' confidence in the Companies as a reliable sources of supply. Any such developments could have a significantly adverse impact on the operating results and financial position of the Companies.

Information Technology (IT) systems failures

The complex operations of the Companies are increasingly dependent on the smooth, round-the-clock functioning of various computing and IT systems. Failure of such technical systems for any reason, such as a natural or manmade disaster, or through human error, could cause significant operational disruption, with the potential for major adverse effects on performance. The Companies have instituted comprehensive measures to safeguard IT and computing systems and related data, and to upgrade network security on an ongoing basis in order to prevent systemic failures.

Industrial action

Prolonged strikes or other industrial action could cause operational disruptions and thereby adversely affect the operating results and financial position of the Companies. Management strives to minimize the risk of labor unrest by fostering good labor-management relations throughout global operations.

Corporate and brand image

The Companies strive to enhance its corporate and brand image consistently through global business activities. Systematic efforts are made to ensure compliance with all applicable laws and regulations and to promote the highest ethical standards. Programs are in place across the Companies to prevent industrial incidents, particularly fires and any accidents that could cause occupational injuries, and to respond immediately to any accidents that occur.

Despite such preventive measures, serious ethical lapses or industrial accidents, which are by their nature unpredictable, have the potential to affect the operating results and financial position of the Companies adversely by damaging the image and reputation of the Companies, diminishing the general public's confidence in the Companies, or leading to a drop in share price.

Currency risk

The global distribution of the Companies' R&D, manufacturing, logistics, marketing and sales facilities requires business transactions in numerous currencies. The Companies employ foreign currency forward contracts to hedge short-term exposure to exchange rate fluctuations between the yen and the dollar, euro and other leading currencies. However, hedging cannot insulate the Companies' operations completely from foreign exchange market trends since these operations include extensive import and export activities worldwide. Fluctuations in exchange rates can thus have an adverse effect on the operating results and financial position of the Companies.

Exchange rate fluctuations also affect the consolidated performance of the Companies because results are reported in yen. Changes in exchange rates affect the values recorded for sales, expenses, assets and liabilities in all countries outside Japan when translated into yen. In general terms, yen appreciation against other leading currencies tends to depress the financial results, while yen depreciation tends to have a favorable impact.

Competition

The Companies encounter numerous competitors in both the tire and diversified products segments, across the entire product lineup. Competitive price pressures have the potential to affect the operating results and financial position of the Companies adversely. In addition, the Companies face a constant risk of demands for price reductions from large corporate clients.

The Companies strive to maintain profitability in the face of downward price pressures by continually seeking to raise productivity, enhance brand image, develop new markets, and launch new products that provide greater value to customers. However, management cannot guarantee that such efforts will always be sufficient to offset the effects of competition.

The Companies' strategy is based on maintaining a highly competitive technological edge. The Companies target the development and introduction of products equipped with new and advanced technologies, and then aims to persuade customers of the value inherent in such technical advances to secure prices sufficient to ensure that profits fully offset the costs of development. Fierce competition in various fields can sometimes prevent the Companies from recovering development costs through pricing, which can also have an adverse effect on operating results and financial position.

Product defects
The Companies invest considerable resources in establishing and maintaining high quality standards for all products manufactured and sold. Management is particularly sensitive to the importance of quality assurance in tires and other products intimately associated with human safety. The Companies have honed its collective quality assurance capabilities by upgrading information systems related to product performance, collecting pertinent market information and establishing systems to provide early warning of any potential safety issues that may arise before they become problems.

Nonetheless, such efforts cannot guarantee a zero level of product defects or eliminate the chance of an extensive product recall, because product defect could be occurred by unpredictable factors or the Companies believes customers' safety as highest priority. Any such defects or recalls could result in customer claims for damages, as well as associated litigation costs, replacement costs and damage to the Companies' reputation. Product liability claims, class-action suits and other litigation pose a particular risk in the United States.

Raw materials procurement
Disruption of supplies of raw materials has the potential to affect performance adversely. The Companies use large quantities of natural rubber in tires and other rubber products, most of which is supplied from Southeast Asia.

The availability of natural rubber supplies in quantities sufficient for manufacturing purposes is subject to disruption due to natural disasters, war, terrorist actions, civil strife and other social or political unrest, in addition to the threat of poor harvests. Supply shortages or capacity constraints are also a potential problem with other basic raw materials.

The Companies rely on in-house upstream raw materials operations and on third-party suppliers for important raw materials. Any disruption of activity at those operations or suppliers and any other events that impede the Companies' plants that use those raw materials could adversely affect the Companies' operating results and financial condition. Increases in the costs of raw materials due to tight supply, trade for speculation purpose and other reasons are also potentially detrimental to the operating results and financial position of the Companies. Management cannot guarantee that price rises can always be passed on to customers, or that ongoing efforts to raise productivity will be sufficient to compensate for any sharp increases in raw material costs.

Pension costs
Pension-related costs and obligations are reliant on actuarial assumptions concerning a number of variables, including discount rates and the expected rates of investment return on pension assets. There could be a material impact on the operating results and financial position of the Companies if actual results were to differ significantly from initial assumptions, or if deteriorating conditions in financial markets or other factors were to necessitate a change in the underlying assumptions.

Intellectual property
The Companies treat intellectual property as an important business resource. Systematic efforts are made to employ intellectual property effectively in improving the competitive position of the Companies, to protect intellectual property rights from infringement, and to avoid infringing the intellectual property rights of other parties.

Despite such safeguards, any actual or alleged infringement of third-party intellectual property rights by the Companies could have a negative impact on the use of certain materials or technologies by the Companies, and could potentially also trigger the payment of compensatory damages. Any such outcome could have a negative effect on the operating results and financial position of the Companies.

Conversely, if claims by the Companies of intellectual property rights infringement against third parties are not upheld, the Companies could also suffer direct or indirect losses through the diminished differentiation or competitiveness of their products in global markets.

CONSOLIDATED BALANCE SHEETS

Bridgestone Corporation and Subsidiaries
December 31, 2011 and 2010

	Note	2011	2010	2011
	2		Millions of yen	Thousands of U.S. dollars
Assets				
Current Assets:				
Cash and cash equivalents	14	¥ 128,840	¥ 216,925	$ 1,657,319
Marketable securities	5,14	90,134	84,929	1,159,429
Notes and accounts receivable, less allowance for doubtful accounts of ¥8,109 million ($104,309 thousand) in 2011 and ¥9,884 million in 2010	6,14	430,655	417,051	5,539,683
Inventories	4,6	520,481	427,586	6,695,151
Deferred tax assets	13	75,157	61,487	966,774
Other current assets		78,449	68,991	1,009,120
Total Current Assets		1,323,716	1,276,969	17,027,476
Property, Plant and Equipment:	6			
Land		140,168	147,094	1,803,036
Buildings and structures		710,685	717,528	9,141,819
Machinery and equipment		1,877,573	1,908,098	24,151,955
Construction in progress		120,507	89,555	1,550,129
		2,848,933	2,862,275	36,646,939
Accumulated depreciation		(1,867,602)	(1,855,650)	(24,023,695)
Net Property, Plant and Equipment		981,331	1,006,625	12,623,244
Investments and Other Assets:				
Investments in securities	5,14	170,252	202,978	2,190,018
Investments in and advances to affiliated companies		12,634	14,731	162,516
Long-term loans receivable, less allowance for doubtful accounts of ¥3,299 million ($42,436 thousand) in 2011 and ¥1,588 million in 2010		2,754	4,797	35,426
Deferred tax assets	13	94,641	103,201	1,217,404
Other assets		92,016	97,339	1,183,638
Total Investments and Other Assets		372,297	423,046	4,789,002
Total Assets		¥ 2,677,344	¥ 2,706,640	$ 34,439,722

See notes to consolidated financial statements.

	Note	2011	2010	2011
	2		Millions of yen	Thousands of U.S. dollars
Liabilities and Equity				
Current Liabilities:				
Short-term debt	6,14	¥ 186,315	¥ 132,564	$ 2,396,643
Current portion of long-term debt	6,14	44,665	207,365	574,543
Notes and accounts payable	14	344,693	326,493	4,433,921
Income taxes payable		22,855	15,113	293,993
Accrued expenses		152,088	150,372	1,956,367
Deferred tax liabilities	13	1,613	903	20,749
Provision for sales returns		3,740	3,693	48,109
Provision for recall of merchandise		378	—	4,862
Other current liabilities		41,384	40,549	532,339
Total Current Liabilities		797,731	877,052	10,261,526
Long-term Liabilities:				
Long-term debt	6,14	371,615	323,237	4,780,229
Accrued pension and liability for retirement benefits	7	257,631	237,194	3,314,008
Deferred tax liabilities	13	23,882	39,000	307,203
Provision for environmental remediation		4,516	4,780	58,091
Provision for recall of merchandise		—	1,367	—
Other liabilities		56,297	47,863	724,171
Total Long-term Liabilities		713,941	653,441	9,183,702
Total Liabilities		1,511,672	1,530,493	19,445,228
Contingent Liabilities and Commitments	16			
Equity:	3,8			
Common stock Authorized—1,450,000,000 shares, issued—813,102,321 shares in 2011 and 2010		126,354	126,354	1,625,341
Capital surplus		122,630	122,630	1,577,437
Stock acquisition rights		771	515	9,917
Retained earnings		1,279,978	1,111,589	16,464,857
Treasury stock—at cost, 30,441,046 shares in 2011 and 30,439,281 shares in 2010		(57,249)	(57,246)	(736,416)
Accumulated other comprehensive income	20			
Net unrealized gain (loss) on available-for-sale securities		97,751	112,064	1,257,409
Deferred gain (loss) on derivative instruments		(891)	(236)	(11,461)
Foreign currency translation adjustments		(331,784)	(274,026)	(4,267,867)
Post retirement liability adjustments for foreign consolidated companies		(106,212)	—	(1,366,246)
Total		1,131,348	1,141,644	14,552,971
Minority interests		34,324	34,503	441,523
Total Equity		1,165,672	1,176,147	14,994,494
Total Liabilities and Equity		¥2,677,344	¥2,706,640	$34,439,722

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Bridgestone Corporation and Subsidiaries
Years ended December 31, 2011 and 2010

	Note	2011	2010	2011
	2		Millions of yen	Thousands of U.S. dollars
Net Sales	17	¥3,024,356	¥2,861,615	$38,903,473
Cost of Sales		2,091,719	1,936,309	26,906,599
Gross profit		932,637	925,306	11,996,874
Selling, General and Administrative Expenses		741,315	758,856	9,535,824
Operating income	17	191,322	166,450	2,461,050
Other Income (Expenses):				
Interest and dividend income		8,425	6,922	108,374
Interest expense		(16,710)	(18,765)	(214,947)
Foreign currency exchange loss		(2,146)	(4,596)	(27,606)
Gain on sales of property, plant and equipment	12	7,295	2,955	93,838
Impairment loss	12	(13,086)	—	(168,330)
Loss on disposals of property, plant and equipment		(4,213)	(4,011)	(54,193)
Losses from a natural disaster	12	(2,427)	—	(31,219)
Loss on valuation of investments in securities		(3,486)	—	(44,842)
Loss on adjustment for changes of accounting standard for asset retirement obligations		(2,471)	—	(31,785)
Loss related to US antitrust law and US Foreign Corrupt Practices Act	12	(2,150)	—	(27,656)
Loss on recall of merchandise	12	—	(2,217)	—
Other—net		(1,574)	(5,061)	(20,248)
Total		(32,543)	(24,773)	(418,614)
Income before Income Taxes and Minority Interests		158,779	141,677	2,042,436
Income Taxes:	13			
Current		45,937	32,634	590,905
Deferred		5,126	3,920	65,938
Total		51,063	36,554	656,843
Income before minority interests		107,716	105,123	1,385,593
Minority Interests		(4,746)	(6,209)	(61,050)
Net Income		¥ 102,970	¥ 98,914	$ 1,324,543

	2		Yen	U.S. dollars
Per Share of Common Stock:				
Basic	10	¥131.56	¥126.19	$1.69
Diluted	10	131.50	126.16	1.69
Cash dividends applicable to the year		22.00	20.00	0.28

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Bridgestone Corporation and Subsidiaries
Year ended December 31, 2011

	Note	2011	2011
	2	Millions of yen	Thousands of U.S. dollars
Income before minority interests		¥ 107,716	$ 1,385,593
Other comprehensive income	20	—	—
Unrealized gain (loss) on available-for-sale securities		(14,319)	(184,191)
Deferred gain (loss) on derivative instruments		(695)	(8,940)
Foreign currency translation adjustments		(57,780)	(743,246)
Post retirement liability adjustment for foreign consolidated companies		(25,139)	(323,373)
Share of other comprehensive income in affiliates		(2,387)	(30,705)
Total other comprehensive income		(100,320)	(1,290,455)
Comprehensive income	20	7,396	95,138
Comprehensive income attribute to:		—	—
Shareholders of Bridgestone Corporation		¥ 5,100	$ 65,603
Minority interests		2,296	29,535

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Bridgestone Corporation and Subsidiaries
Years ended December 31, 2011 and 2010

	Note	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income: Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	Foreign currency translation adjustments	Post retirement liability adjustments for foreign consolidated companies	Total	Minority interests	Total equity
	2	Thousands												Millions of yen
Balance at December 31, 2009		784,305	¥126,354	¥122,647	¥337	¥1,006,859	¥(54,847)	¥100,697	¥(845)	¥(214,264)		¥1,086,938	¥33,859	¥1,120,797
Net income for the year						98,914						98,914		98,914
Cash dividends						(14,118)						(14,118)		(14,118)
Retirement benefit obligations						19,934						19,934		19,934
Purchase of treasury stock		(1,683)					(2,476)					(2,476)		(2,476)
Disposal of treasury stock		41		(17)			77					60		60
Net change in the year					178			11,367	609	(59,762)		(47,608)	644	(46,964)
Balance at December 31, 2010		782,663	¥126,354	¥122,630	¥515	¥1,111,589	¥(57,246)	¥112,064	¥(236)	¥(274,026)		¥1,141,644	¥34,503	¥1,176,147
Reclassification of post retirement liability adjustments for foreign consolidated companies						81,073					(81,073)			
Net income for the year						102,970						102,970		102,970
Cash dividends						(15,654)						(15,654)		(15,654)
Purchase of treasury stock		(2)		0			(3)					(3)		(3)
Disposal of treasury stock		0												
Net change in the year					256			(14,313)	(655)	(57,758)	(25,139)	(97,609)	(179)	(97,788)
Balance at December 31, 2011		782,661	¥126,354	¥122,630	¥771	¥1,279,978	¥(57,249)	¥97,751	¥(891)	¥(331,784)	¥(106,212)	¥1,131,348	¥34,324	¥1,165,672

	Note	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income: Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	Foreign currency translation adjustments	Post retirement liability adjustments for foreign consolidated companies	Total	Minority interests	Total equity
	2												Thousands of U.S. dollars
Balance at December 31, 2010		$1,625,341	$1,577,437	$6,624	$14,298,804	$(736,378)	$1,441,523	$(3,036)	$(3,524,904)		$14,685,411	$443,826	$15,129,237
Reclassification of post retirement liability adjustments for foreign consolidated companies					1,042,874					(1,042,874)			
Net income for the year					1,324,543						1,324,543		1,324,543
Cash dividends					(201,364)						(201,364)		(201,364)
Purchase of treasury stock						(38)					(38)		(38)
Disposal of treasury stock													
Net change in the year				3,293			(184,114)	(8,425)	(742,963)	(323,372)	(1,255,581)	(2,303)	(1,257,884)
Balance at December 31, 2011		$1,625,341	$1,577,437	$9,917	$16,464,857	$(736,416)	$1,257,409	$(11,461)	$(4,267,867)	$(1,366,246)	$14,552,971	$441,523	$14,994,494

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Bridgestone Corporation and Subsidiaries
Years ended December 31, 2011 and 2010

	Note	2011	2010	2011
	2		Millions of yen	Thousands of U.S. dollars
Cash Flows from Operating Activities:				
Income before income taxes and minority interests		¥ 158,779	¥141,677	$ 2,042,436
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization		159,666	170,663	2,053,846
Increase (decrease) in allowance for doubtful accounts		—	(4,952)	—
Increase (decrease) in accrued pension and liability for retirement benefits		(17,949)	(3,291)	(230,885)
Increase (decrease) in provision for sales returns		—	3,693	—
Interest and dividend income		(8,425)	(6,922)	(108,374)
Interest expense		16,710	18,765	214,947
Foreign exchange loss and gain		4,818	—	61,976
Gain on sales of property, plant and equipment		(7,295)	(2,955)	(93,838)
Impairment loss		13,086	—	168,330
Loss on disposals of property, plant and equipment		4,213	4,011	54,193
Losses from a natural disaster		2,427	—	31,219
Loss on valuation of investments in securities		3,486	—	44,842
Loss on adjustment for changes of accounting standard for asset retirement obligations		2,471	—	31,785
Loss related to US antitrust law and US Foreign Corrupt Practices Act		2,150	—	27,656
Loss on recall of merchandise		—	2,217	—
Change in assets and liabilities:				
Decrease (increase) in notes and accounts receivable		(35,282)	(62,457)	(453,846)
Decrease (increase) in inventories		(122,890)	(32,665)	(1,580,782)
Increase (decrease) in notes and accounts payable		20,912	42,562	268,999
Other		(2,179)	12,418	(28,028)
Subtotal		194,698	282,764	2,504,476
Interest and dividends received		8,541	6,844	109,866
Interest paid		(17,359)	(19,461)	(223,296)
Payments related to US antitrust law and US Foreign Corrupt Practices Act		(2,150)	—	(27,656)
Income taxes paid		(31,573)	(22,411)	(406,135)
Net Cash Provided by Operating Activities		152,157	247,736	1,957,255
Cash Flows from Investing Activities:				
Payments for purchase of property, plant and equipment		(187,854)	(177,972)	(2,416,439)
Proceeds from sales of property, plant and equipment		12,239	4,491	157,435
Payments for investments in securities, subsidiaries and affiliated companies		—	(2,003)	—
Proceeds from sales of investments in securities		3,023	5,922	38,886
Other		(4,488)	(995)	(57,731)
Net Cash Used in Investing Activities		(177,080)	(170,557)	(2,277,849)
Cash Flows from Financing Activities:				
Net increase (decrease) in short-term debt		71,987	(39,844)	925,997
Proceeds from long-term debt		84,051	22,015	1,081,181
Repayments of long-term debt		(186,529)	(44,861)	(2,399,395)
Cash dividends paid		(15,657)	(14,120)	(201,402)
Payments for purchase of treasury stock		—	(2,476)	—
Repayments of obligations under finance leases		(1,541)	—	(19,822)
Other		(2,386)	(3,242)	(30,693)
Net Cash Used in Financing Activities		(50,075)	(82,528)	(644,134)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(13,087)	(13,996)	(168,344)
Net Increase (Decrease) in Cash and Cash Equivalents		(88,085)	(19,345)	(1,133,072)
Cash and Cash Equivalents at Beginning of Year		216,925	236,270	2,790,391
Cash and Cash Equivalents at End of Year		¥ 128,840	¥216,925	$ 1,657,319

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bridgestone Corporation and Subsidiaries

NOTE 1

Nature of operations

Bridgestone Corporation and its subsidiaries (hereinafter referred to collectively as the "Companies") engage in developing, manufacturing and marketing tires and diversified products. The Companies market their products worldwide and operate manufacturing plants in every principal market. Development activities take place primarily in Japan, the United States of America (the "U.S.") and Europe. Tire operations include retread business, automotive maintenance and repairs, retail business and raw material supplies, as well as tire development, manufacturing and marketing. Diversified products include industrial products, chemical products, automotive components, construction materials, electronic equipment, bicycles and sporting goods.

NOTE 2

Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and the accounting principles generally accepted in the U.S. ("US GAAP").

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended December 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended December 31, 2010 is disclosed in Note 20. In addition, "income before minority interests" is disclosed in the consolidated statement of income from the year ended December 31, 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Bridgestone Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥77.74 to $1, the approximate rate of exchange at December 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

NOTE 3

Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries in which the Company has effective control. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated.

Investments in affiliated companies, primarily those owned 20% to 50%, are accounted for under the equity method with appropriate adjustments for intercompany profits and dividends. Equity in earnings of the affiliated companies is included in other income (expenses) in the consolidated statements of income.

The number of consolidated subsidiaries and affiliated companies for 2011 and 2010 is summarized below:

	2011	2010
Consolidated subsidiaries	332	340
Affiliated companies	152	157

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or US GAAP tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

(c) Cash equivalents
Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include highly liquid investments with original maturities of three months or less.

(d) Allowance for doubtful accounts
Allowance for doubtful accounts is established in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(e) Inventories
Inventories are substantially stated at the lower of cost, determined by the average method or net selling value.

Meanwhile, inventories held by subsidiaries in the Americas are substantially stated at the lower of cost, which is determined principally by the last-in, first-out method, or market.

(f) Marketable and investment securities
Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (i) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gain or loss are included in income; (ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and (iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gain or loss, net of applicable taxes, reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investments in securities are reduced to net realizable value by a charge to income.

The Companies do not hold securities for trading purposes.

(g) Property, plant and equipment
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to property, plant and equipment of the Company's overseas subsidiaries. Maintenance, repair and minor renewals are charged to income as incurred.

(h) Impairment of assets
Assets are reviewed for impairment whenever events or changes in circumstance indicate the carrying amount of an asset 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 or asset group. The impairment loss would be measured as the amount by which the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or asset group, or the net selling price at disposition.

(i) Goodwill
Goodwill recorded by subsidiaries, and the excess of cost of the Company's investments in subsidiaries and affiliated companies over its equity at the respective dates of acquisition, is mainly being amortized on a straight-line basis over reasonable economical life up to twenty years.

(j) Provision for sales returns
Provision for sales returns is estimated and recorded principally to provide for future losses on the return of snow tires.

(k) Provision for recall of merchandise
The provision for recall of merchandise is estimated and recorded to provide for future potential costs related to an announced recall of merchandise in the bicycle business.

(l) Provision for product warranties
The provision for product warranties, included in other liabilities, is estimated and recorded at the time of sale to provide for future potential costs, such as costs related to after-sales services, in amounts considered to be appropriate based on the Companies' past experience.

(m) Provision for environmental remediation
The provision for environmental remediation is estimated and recorded to provide for future potential costs, such as costs related to removal and disposal of asbestos based on related legal requirements.

(n) Retirement and pension plans
Employees serving with the Company and its domestic subsidiaries are generally entitled to a lump-sum payment at retirement and, in certain cases, annuity payments, provided by funded defined benefit pension plans based on the rates of pay at the time of termination, years of service and certain other factors. The Company and its domestic subsidiaries account for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The transitional obligation, prior service costs, and actuarial gain or loss are being amortized over ten years, respectively.

For certain overseas subsidiaries, unrecognized actuarial gain or loss at the beginning of the fiscal year that exceeds 10% of the larger of retirement benefit obligations or pension plan assets is treated as an expense using the straight-line method over a fixed number of years (8 to 12 years) based on the average remaining years of service.

In addition, at certain consolidated subsidiaries in the Americas, an estimated total amount of expenses for post-retirement benefits in addition to pensions is allotted based on the number of years of service provided by the employees.

At certain overseas subsidiaries, unrecognized amounts of actuarial gain or loss not yet treated as expenses are recorded under accumulated other comprehensive income in a separate component of equity on the balance sheet.

The liability for a lump-sum payment at retirement to directors (members of the Board of Directors) and corporate auditors was formerly provided by the Company and its domestic subsidiaries for at the amount which would be required, based on the Company's regulations, in the event that all directors and corporate auditors terminated their offices at the balance sheet date. Any amounts payable to directors and corporate auditors at retirement are subject to approval at the general shareholders meeting.

On February 19, 2009, the Board of Directors of the Company resolved to abolish a lump-sum payment at retirement to directors of the Company. On March 26, 2009, the general shareholders meeting of the Company resolved to make a lump-sum payment of retirement benefits for duties performed up to the date of abolition of the retirement plan at the time of their retirement.

On March 30, 2010, the general shareholders meeting of the Company resolved to abolish a lump-sum payment at retirement to corporate auditors, and make a lump-sum payment of retirement benefits for duties performed up to the date of abolition of the retirement plan at the time of their retirement.

(o) Leases

Finance leases are capitalized, and the present value of the related payments is recorded as a liability. Amortization of capitalized leased assets is computed substantially by the declining-balance method at rates based on the term of the lease.

(p) Income taxes

The provision for income taxes is computed based on income before income taxes included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is provided for any portion of the deferred tax assets where it is considered more likely than not that they will not be realized.

(q) Foreign currency transactions

Short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. The foreign currency exchange gain or loss from translation is recognized in income.

(r) Foreign currency financial statements

The balance sheet accounts of the Company's overseas subsidiaries are translated into Japanese yen at the current exchange rate at the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as foreign currency translation adjustments under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the Company's overseas subsidiaries are translated into Japanese yen at the average annual exchange rate.

(s) Derivatives and hedging activities

The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Foreign currency forward contracts, currency swap contracts and currency option contracts are utilized by the Companies to reduce foreign currency exchange risks. Interest rate swaps are utilized by the Companies to reduce interest rate risks. Also, commodity swap contracts are utilized by the Companies to reduce commodity price risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (i) all derivatives are recognized as either assets or liabilities and measured at fair value, and gain or loss on derivative transactions is recognized in income; and (ii) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gain or loss on derivatives is deferred until maturity of the hedged transactions.

The foreign currency forward contracts which are designated as hedging exposure to variable cash flows of forecasted transactions are measured at the fair value, and the unrealized gain or loss is deferred until the underlying transactions are completed. Other foreign currency forward contracts, currency swap contracts and currency option contracts employed to hedge foreign currency exchange exposures to changes in fair value and in cash flow are also measured at the fair value but the unrealized gain or loss is recognized in income. Short-term and long-term debt denominated in foreign currencies for which foreign currency forward contracts and currency swap contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the foreign currency forward contracts and currency swap contracts qualify for hedge accounting. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income. The gain or loss on commodity swap contracts in a hedge to fluctuations of commodity prices is recognized currently in income.

(t) Per share of common stock

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

(u) Reclassification

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

(v) Accounting change

Asset Retirement Obligations

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010. The Companies adapted the standard effective January 1, 2011.

The effect of this change was to decrease income before income taxes and minority interests by ¥2,471 million ($31,785 thousand).

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments". The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or US GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010. The Company adapted the standard prospectively as of January 1, 2011.

(w) New accounting pronouncements

Accounting Changes and Error Corrections

In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies

When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011. The Companies will adapt the standard prospectively as of January 1, 2012. It does not believe that the adoption of the standard will have a material impact on its consolidated financial position, results from operations, and cash flows.

NOTE 4

Inventories

Inventories at December 31, 2011 and 2010 consist of the following:

	2011	2010	2011
		Millions of yen	Thousands of U.S. dollars
Finished products	¥314,455	¥253,909	$4,044,958
Work in process	34,615	31,363	445,266
Raw materials and supplies	171,411	142,314	2,204,927
Total	¥520,481	¥427,586	$6,695,151

NOTE 5

Marketable and investment securities

Information regarding each category of available-for-sale securities at December 31, 2011 and 2010 is as follows:

	Cost	Unrealized gain	Unrealized loss	Fair value	Cost	Unrealized gain	Unrealized loss	Fair value
				2011				2010
								Millions of yen
Securities Classified as:								
Available-for-sale:								
Equity securities	¥38,366	¥127,595	¥ (907)	¥165,054	¥43,418	¥154,841	¥(1,112)	¥197,147
Debt securities	8,521	71	(1,127)	7,465	7,153	101	(2,144)	5,110
				Thousands of U.S. dollars				
Securities Classified as:								
Available-for-sale:								
Equity securities	$493,517	$1,641,304	$(11,667)	$2,123,154				
Debt securities	109,609	913	(14,497)	96,025				

In addition to the above, the Companies have available-for-sale securities classified as marketable securities under US GAAP by ¥85,740 million ($1,102,907 thousand).

Available-for-sale securities whose fair values are not readily determinable at December 31, 2011 and 2010 are mainly as follows:

	2011	2010	2011
Carrying amount		Millions of yen	Thousands of U.S. dollars
Available-for-sale:			
Equity securities	¥2,127	¥2,730	$27,361

Proceeds from sales of available-for-sale securities for the years ended December 31, 2011 and 2010 are ¥2,976 million ($38,281 thousand) and ¥3,073 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, are ¥1,227 million ($15,783 thousand) and ¥0.2 million ($2.6 thousand), respectively, for the year ended December 31, 2011, ¥237 million and ¥43 million, respectively, for the year ended December 31, 2010.

The information of available-for-sale securities which were sold during the year ended December 31, 2011 was as follows:

	Proceed	Realized gain	Realized loss	Proceed	Realized gain	Realized loss
						2011
			Millions of yen			Thousands of U.S. dollars
Securities Classified as:						
Available-for-sale:						
Equity securities	¥2,976	¥1,227	¥0.2	$38,281	$15,783	$2.6

The impairment losses on available-for-sale equity securities for the year ended December 31, 2011 was ¥3,486 million ($44,842 thousand).

NOTE 6

Short-term and long-term debt

Short-term debt at December 31, 2011 and 2010 consists of the following:

	2011	2010	2011
		Millions of yen	Thousands of U.S. dollars
Short-term bank loans, weighted average interest rate of 2.4% at December 31, 2011 and 1.8% at December 31, 2010	¥163,212	¥110,760	$2,099,461
Commercial paper, weighted average interest rate of 1.6% at December 31, 2011 and 1.0% at December 31, 2010	18,934	20,609	243,555
0.2% euro unsecured medium term note, due 2011	—	1,195	—
0.1% yen and from 0.6% to 0.8% U.S. dollars unsecured medium term note, due 2012	4,169	—	53,627
Total	¥186,315	¥132,564	$2,396,643

Long-term debt at December 31, 2011 and 2010 consists of the following:

	2011	2010	2011
		Millions of yen	Thousands of U.S. dollars
Borrowings from banks, insurance companies and others, weighted average interest rate of 3.2% at December 31, 2011 and 2.8% at December 31, 2010 denominated mainly in Japanese yen, U.S. dollars and Euros:			
Secured	¥ 190	¥ 295	$ 2,444
Unsecured	273,188	377,495	3,514,124
0.9% yen unsecured straight bonds, due 2013	50,000	50,000	643,170
0.8% yen unsecured straight bonds, due 2014	60,000	60,000	771,803
Euro unsecured medium term notes due 2012—2014 with interest rates ranging from 0.4% to 1.4% at December 31, 2011 and due 2011—2013 with interest rates ranging from 0.4% to 1.4% at December 31, 2010	22,086	35,888	284,101
Obligations under finance leases	10,816	6,924	139,130
Total	416,280	530,602	5,354,772
Less current portion	(44,665)	(207,365)	(574,543)
Long-term Debt, Less Current Portion	¥371,615	¥ 323,237	$4,780,229

Annual maturities of long-term debt at December 31, 2011 are as follows:

Year ending December 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 44,665	$ 574,543
2013	109,821	1,412,670
2014	130,945	1,684,397
2015	52,928	680,834
2016	44,592	573,604
2017 and thereafter	33,329	428,724
Total	¥416,280	$5,354,772

Notes and accounts receivable, inventories, and property, plant and equipment were pledged as collateral for certain bank loans. The aggregate carrying amount of the assets pledged as collateral for short-term bank loans of ¥1,307 million ($16,812 thousand) and long-term bank loans of ¥190 million ($2,444 thousand) at December 31, 2011 is ¥9,087 million ($116,890 thousand).

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

Effective January 2012, Bridgestone Americas, Inc. (“BSAM”) and its major subsidiaries in the U.S. entered into separate tenth amended and restated revolving credit agreements with a syndicate of banks providing an aggregate borrowing commitment of $1,095 million. These agreements expire on January 2013. These agreements contain certain customary affirmative and negative covenants, the most restrictive of which includes (i) the maintenance by BSAM and its major subsidiaries of their consolidated tangible net worth and (ii) restrictions on entering into additional debt arrangements and the sale of assets. Further, an event of default under these agreements by any of the major subsidiaries in the U.S. cause an event of default under the BSAM tenth amended and restated revolving credit agreements. The above agreements replace the separate ninth amended and restated revolving credit agreements expired on January 2012, of which the terms were substantially the same as those of the tenth agreements discussed above.

NOTE 7

Retirement and pension plans

Employees serving with the Company and its domestic subsidiaries are generally entitled to a lump-sum payment at retirement and, in certain cases, annuity payments at retirement, provided by funded defined benefit pension plans based on the rate of pay at the time of termination, years of service and certain other factors. There are defined contribution pension plans available for the employees as well provided by the Company and certain of its domestic subsidiaries. There are escalated payment plans for voluntary retirement at certain specific ages prior to the mandatory retirement age.

Employees serving with certain of the Company’s overseas subsidiaries are entitled to either corporate pension or each of a lump-sum payment at retirement, funded defined benefit pension plans as well as defined contribution pension plans.

The liability for employees’ retirement benefits at December 31, 2011 and 2010 consist of the following:

	2011	2010	2011
		Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥ 536,356	¥ 512,058	$ 6,899,357
Fair value of plan assets	(339,932)	(344,374)	(4,372,678)
Unrecognized prior service cost	6,790	9,253	87,342
Unrecognized actuarial gain (loss)	(25,139)	(23,654)	(323,373)
Unrecognized transitional obligation	—	—	—
Prepaid benefit cost	15,340	14,748	197,324
Other	(834)	(871)	(10,728)
Net Liability	¥ 192,581	¥ 167,160	$ 2,477,244

Certain subsidiaries adopt a simplified method in calculating their retirement benefit obligation.

Of the accrued pension and liability for retirement benefits noted above, a liability for postretirement benefits of ¥65,050 million ($836,764 thousand) and ¥70,034 million is included in the consolidated balance sheets at December 31, 2011 and 2010, respectively.

The components of the net periodic benefit costs for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010	2011
		Millions of yen	Thousands of U.S. dollars
Service cost	¥ 15,322	¥ 14,977	$ 197,093
Interest cost	19,800	22,115	254,695
Expected return on plan assets	(19,565)	(18,919)	(251,672)
Amortization of transitional obligation	—	1,059	—
Recognized actuarial loss	10,984	14,990	141,291
Amortization of prior service cost	(1,901)	(1,846)	(24,453)
Net Periodic Benefit Costs	¥ 24,640	¥ 32,376	$ 316,954

Net periodic benefit costs noted above do not include payment costs for defined contribution pension plans provided by the Company and certain of its domestic and overseas subsidiaries of ¥5,962 million ($76,692 thousand) and ¥6,095 million for the years ended December 31, 2011 and 2010 respectively.

Assumptions used in actuarial calculations for the years ended December 31, 2011 and 2010 are set forth as follows:

	The Company and domestic subsidiaries	Overseas subsidiaries	The Company and domestic subsidiaries	Overseas subsidiaries
		2011		2010
Discount rate	1.7 to 2.5%	3.8 to 4.8%	1.9 to 2.5%	4.7 to 5.5%
Expected rate of return on plan assets	2.5%	5.5 to 9.0%	3.0%	5.5 to 9.0%
Amortization period of prior service cost	10 years	3 to 12 years	10 years	3 to 12 years
Recognized period of actuarial gain or loss	10 years	8 to 12 years	10 years	7 to 12 years
Amortization period of transitional obligation	—	—	10 years	—

NOTE 8

Equity

Significant provisions in the Companies Act of Japan (the "Act") that affect financial and accounting matters are summarized below:

(i) Dividends: The Act allows Japanese companies to pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For Japanese companies that meet certain criteria such as having the Board of Directors, having independent auditors, having the Board of Corporate Auditors, and the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Act permits Japanese companies to distribute dividends in kind (non-cash assets) to shareholders subject to certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Act continues to provide certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

(ii) Increases/decreases and transfer of common stock, reserve and surplus: The Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(iii) Treasury stock and treasury stock acquisition rights: The Act also provides for Japanese companies to repurchase/dispose of treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Act, stock acquisition rights are presented as a separate component of equity. The Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

NOTE 9

Stock-based compensation

The stock options outstanding as of December 31, 2011 are as follows:

Date of approval	Persons granted		Number of options granted (Thousands of shares)	Date of grant	Exercise price	Exercise period
March 30, 2004 at the general shareholders meeting	Directors	9	264	May 6, 2004	¥1,864	from April 1, 2006 to March 31, 2011
	Selected employees	59			($23.98)	
March 30, 2005 at the general shareholders meeting	Directors	10	258	May 2, 2005	¥2,114	from April 1, 2007 to March 31, 2012
	Selected employees	58			($27.19)	
March 30, 2006 at the general shareholders meeting	Directors	10	280	April 28, 2006	¥2,775	from April 1, 2008 to March 31, 2013
	Selected employees	68			($35.70)	
March 29, 2007 at the general shareholders meeting	Directors	9	260	May 1, 2007	¥2,546	from April 1, 2009 to March 31, 2014
	Selected employees	65			($32.75)	
March 27, 2008 at the general shareholders meeting and the board of directors	Directors	7	234.5	May 1, 2008	¥1,936	from April 1, 2010 to March 31, 2015
	Selected employees	80			($24.90)	
March 26, 2009 at the general shareholders meeting and the board of directors	Directors	9	110	May 1, 2009	¥1	from May 1, 2009 to April 30, 2029
	Corporate officers not doubling as directors	20			($0.01)	
March 30, 2010 at the general shareholders meeting and the board of directors	Directors	8	118.5	May 6, 2010	¥1	from May 6, 2010 to April 30, 2030
	Corporate officers not doubling as directors	25			($0.01)	
March 29, 2011 at the general shareholders meeting and the board of directors	Directors	9	154.5	May 2, 2011	¥1	from May 2, 2011 to April 30, 2031
	Corporate officers not doubling as directors	36			($0.01)	

The stock option activity for the year ended December 31, 2011 is as follows:

	March 30, 2004	March 30, 2005	March 30, 2006	March 29, 2007	March 27, 2008	March 26, 2009	March 30, 2010	March 29, 2011
Non-vested (Thousands of shares)								
Outstanding at December 31, 2010	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	154.5
Expired	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	154.5
Outstanding at December 31, 2011	—	—	—	—	—	—	—	—
Vested (Thousands of shares)								
Outstanding at December 31, 2010	225	252	280	260	234.5	110	118.5	—
Vested	—	—	—	—	—	—	—	154.5
Exercised	—	—	—	—	—	—	—	—
Expired	225	—	—	—	—	—	—	—
Outstanding at December 31, 2011	—	252	280	260	234.5	110	118.5	154.5
Exercise price	¥1,864	¥2,114	¥2,775	¥2,546	¥1,936	¥1	¥1	¥1
	($23.98)	($27.19)	($35.70)	($32.75)	($24.90)	($0.01)	($0.01)	($0.01)
Average stock price at exercise	—	—	—	—	—	—	—	—
Fair value price at grant date	—	—	—	¥447	¥339	¥1,264	¥1,400	¥1,656
				($5.75)	($4.36)	($16.26)	($18.01)	($21.30)

The fair value price is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	March 29, 2011
Volatility of stock price	35.338%
Estimated remaining outstanding period	10 years
Estimated dividend per share	¥20 ($0.26)
Risk-free interest rate	1.208%

NOTE 10

Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended December 31, 2011 and 2010 is as follows:

	Net income	Weighted-average shares	EPS	
	For the year ended December 31, 2011			
	Millions of yen	Thousands of shares	Yen	U.S. dollars
Basic EPS Net income available to common shareholders	**¥102,970**	**782,662**	**¥131.56**	**$1.69**
Effect of dilutive securities Stock options		**383**		
Diluted EPS Net income for computation	**¥102,970**	**783,045**	**¥131.50**	**$1.69**
	For the year ended December 31, 2010			
Basic EPS Net income available to common shareholders	¥98,914	783,818	¥126.19	
Effect of dilutive securities Stock options		229		
Diluted EPS Net income for computation	¥98,914	784,047	¥126.16	

NOTE 11

Research and development costs

Research and development costs are charged to income as incurred.

Research and development costs are ¥83,982 million ($1,080,293 thousand), and ¥85,154 million for the years ended December 31, 2011 and 2010, respectively.

NOTE 12

Other income (expenses)

Gain on sales of property, plant and equipment

Gain on sales of property, plant and equipment for the year ended December 31, 2011 mainly consists of gain on sales of land.

Impairment Loss

The Companies group their operating assets in accordance with the classifications used for internal management. Assets to be disposed (assets that the Companies plan to dispose of through scrapping or sale) and idle assets are grouped on an individual basis.

During the year ended December 31, 2011, for assets for business which profitability has declined, assets to be disposed through planned scrapping or sale, and idle assets that are not expected to be used in the future, the carrying amounts were reduced to the recoverable amounts, and the amounts of these reductions were recorded under Other Expenses as impairment loss of ¥13,086 million ($168,330 thousand). That total included ¥5,618 million ($72,267 thousand) for buildings and structures, ¥3,057 million ($39,323 thousand) for machinery, equipment, and vehicles, ¥2,670 million ($34,345 thousand) for land, and ¥1,741 million ($22,395 thousand) for others.

USE	Classification	Location	Amount (Millions of yen)	Amount (Thousands of U.S.dollars)
Assets for business	Buildings and structures, machinery and equipments, other	Japan	¥1,382	$17,777
Assets to be disposed	Buildings and structures, land, other	Japan United States of America, other	10,979	141,227
Idle assets	Buildings and structures, machinery and equipments, other	Japan	725	9,326

The recoverable amount of assets for business is measured by value in use, which is calculated by discounting future cash flows at a discount rate of 7.5%. The recoverable amounts of assets to be disposed and idle assets are measured at the net selling price. Assets to be scrapped are evaluated at memorandum value, and assets to be sold and idle assets are evaluated at the estimated selling price and other.

Losses from a natural disaster

Losses from a natural disaster for the year ended December 31, 2011 consists of restoration expenses for property, plant and equipment, and scrapping expenses for inventories as a result of the Great East Japan Earthquake, which occurred on March 11, 2011.

Loss Related to US antitrust law and US Foreign Corrupt Practices Act

During the year ended December 31, 2011, the Company has recorded the expense in connection with guilty to an antitrust conspiracy and a conspiracy to violate the Foreign Corrupt Practices Act regarding the sale of marine hoses, as a result of the finalized penalty by the U.S. Department of Justice.

Loss on recall of merchandise

During the year ended December 31, 2010, in the bicycle business, an estimated cost of outlays for recall of merchandise has been recorded.

NOTE 13

Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for each of the years ended December 31, 2011 and 2010.

On December 2, 2011, "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (2011 Act No. 114) and "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake" (2011 Act No. 117), which concerns reduction in corporation tax rates and imposed surtax regarding the Special Reconstruction Corporation Tax were promulgated in Japan which changed the normal effective statutory tax rate from 40.6% to 37.9% for those temporary differences expected to reverse between years beginning on January 1, 2013 and 2015, to 35.5% for those temporary differences expected to reverse in years beginning on or after January 1, 2016. The effect of this change was to decrease deferred tax assets by ¥2,841 million ($36,545 thousand), increase income taxes–deferred by ¥1,474 million ($18,961 thousand) and increase net unrealized gains on securities by ¥4,315 million ($55,506 thousand) in the consolidated financial statements for the year ended December 31, 2011.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at December 31, 2011 and 2010 are as follows:

	2011	2010	2011
		Millions of yen	Thousands of U.S. dollars
Deferred Tax Assets:			
Accrued pension and liability for retirement benefits	¥ 85,814	¥ 80,303	$1,103,859
Accrued expenses	27,548	29,584	354,361
Unrealized intercompany profits	16,447	17,548	211,564
Net operating loss carryforwards for tax purposes	39,855	47,095	512,670
Other	70,370	56,549	905,197
Less valuation allowance	(22,689)	(21,945)	(291,857)
Total	217,345	209,134	2,795,794
Deferred Tax Liabilities:			
Reserve for deferred gain related fixed assets for tax purposes	(13,047)	(14,960)	(167,829)
Unrealized gain on available-for-sale securities	(30,034)	(41,651)	(386,339)
Depreciation	(25,194)	(21,670)	(324,080)
Other	(4,767)	(6,068)	(61,320)
Total	(73,042)	(84,349)	(939,568)
Net deferred tax assets	¥144,303	¥124,785	$1,856,226

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the consolidated statements of income for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
		%
Normal effective statutory tax rate	40.6%	40.6%
Expenses not deductible for income tax purposes and income not taxable-net	0.8	(0.2)
Lower income tax rates applicable to income in certain consolidated subsidiaries	(9.3)	(5.5)
Tax credit for research and development costs of domestic companies	(2.7)	(2.4)
Change in valuation allowance for deferred tax assets	3.7	(7.2)
Other—net	(0.9)	0.5
Actual Effective Tax Rate	32.2%	25.8%

NOTE 14

Financial instruments

In March, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance was applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Company applied the revised accounting standard and the new guidance effective December 31, 2010.

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Companies raise the necessary funds mainly by bank borrowings or issuance of bonds based on funding requirements of its business activities. The Companies invest temporary cash surpluses only in highly secured financial instruments. The Companies follow the policy of using derivative financial instruments not for speculative purposes, but for managing financial risks as described later.

(2) Details of financial instruments used and the exposures to risk

Receivables such as notes and accounts receivable are exposed to customer credit risk. Receivables in foreign currencies are exposed to foreign currency exchange fluctuation risk. Marketable securities consist primarily of the reservation of receivables liquidation regarded as marketable securities in US GAAP, which are exposed to customer credit risk. Investments in securities consist primarily of equity securities of business partners, and are exposed to market price fluctuation risk.

Payment terms of payables, such as notes and accounts payable are less than one year. Payables in foreign currencies are exposed to foreign currency exchange fluctuation risk. Borrowings, bonds, and obligations under finance leases are mainly for the purpose of obtaining working capital and preparing for capital expenditures. Some of them with floating interest rates are exposed to interest rate fluctuation risk.

Derivative transactions consist of the use of foreign currency forward contracts and currency option contracts for the purpose of hedging foreign currency exchange fluctuation risk on receivables, payables and forecasted transactions in foreign currencies, currency swap contracts for the purpose of hedging foreign currency exchange fluctuation risk and interest rate fluctuation risk on borrowings and bonds in foreign currencies, interest rate swap contracts for the purpose of hedging interest rate fluctuation risk on borrowings, and commodity swap contracts for the purpose of hedging commodity price fluctuation risk. Hedging instruments and hedged items, hedge policy, assessment method for hedge effectiveness and others related to hedge accounting, were described at Note 3. (s) "Derivative and Hedging Activities" and Note 15 "DERIVATIVES."

(3) Risk management of financial instruments

a. Management of credit risk

The Companies regularly monitor the financial position of significant customers and manage the due dates and the receivables balance of each customers to minimize the risk of defaults resulting from deterioration of a customers' financial position.

The Companies enter into derivative transactions only with highly-rated financial institutions in order to minimize counterparty risk.

The maximum credit risk in December 31, 2011 is represented by the book value of the financial instruments exposed to credit risk on the consolidated balance sheets.

b. Management of market risk

The Company and certain of its subsidiaries use principally foreign currency forward contracts to hedge foreign currency exchange fluctuation risk identified by currency and monthly basis for receivables and payables in foreign currencies. And when receivables and payables in foreign currencies are expected from a forecasted transaction, foreign currency forward contracts and currency option contracts may be used. In addition, currency swap contracts are used to hedge foreign currency exchange fluctuation risk and interest rate fluctuation risk on borrowings and bonds in foreign currencies, interest rate swap contracts are used to hedge interest rate fluctuation risk on borrowings and, commodity swap contracts are used to hedge commodity price fluctuation risk on raw materials.

With respect to marketable and investment securities, the Company regularly monitors fair market values and financial positions of the issuers and appropriately reviews its status of these securities considering the relationships with the issuers.

Derivative transactions are carried out under internal regulations by the responsible divisions, and details of transactions are reported to the responsible corporate officers.

c. Management of liquidity risk in financing activities
The Companies practice effective money management by identifying the funding requirements beforehand based on the cash flow projection. The Companies also strive to diversify their sources of financing in order to reduce liquidity risk.

(4) Supplementary explanation on fair value of financial instruments

Fair values of financial instruments include market prices and values calculated reasonably when there is no market price. Since variable factors are incorporated in calculating the relevant fair values, it may change depending on the different assumptions. The contract amounts described in Note 15 "DERIVATIVES" don't indicate the amounts of market risk related to derivative transactions.

2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of December 31, 2011 are as follows:
Financial instruments whose fair values are not readily determinable are excluded from the following table:

	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
			2011			2011
			Millions of yen			Thousands of U.S. dollars
(1) Cash and cash equivalents	¥128,840	¥128,840	¥ —	$ 1,657,319	$ 1,657,319	$ —
(2) Notes and accounts receivable	438,764			5,643,992		
Allowance for doubtful accounts*1	8,109			104,309		
	430,655	430,655	—	5,539,683	5,539,683	—
(3) Marketable and investment securities	258,259	258,259	—	3,322,086	3,322,086	—
Total	¥817,754	¥817,754	¥ —	$10,519,088	$10,519,088	$ —
(1) Short-term debt	¥186,315	¥186,315	¥ —	$ 2,396,643	$ 2,396,643	$ —
(2) Current portion of long-term debt	44,665	44,665	—	574,543	574,543	—
(3) Notes and accounts payable	344,693	344,693	—	4,433,921	4,433,921	—
(4) Long-term debt	371,615	379,089	(7,474)	4,780,229	4,876,370	(96,141)
Total	¥947,288	¥954,762	¥(7,474)	$12,185,336	$12,281,477	$(96,141)
Derivative transactions*2	¥ 6,332	¥ 6,332	¥ —	$ 81,451	$ 81,451	$ —

	Carrying amount	Fair value	Unrealized gain (loss)
			2010
			Millions of yen
(1) Cash and cash equivalents	¥216,925	¥ 216,925	¥ —
(2) Notes and accounts receivable	426,935		
Allowance for doubtful accounts*1	9,884		
	417,051	417,051	—
(3) Marketable and investment securities	285,177	285,177	—
Total	¥919,153	¥ 919,153	¥ —
(1) Short-term debt	¥132,564	¥ 132,564	¥ —
(2) Current portion of long-term debt	207,365	207,365	—
(3) Notes and accounts payable	326,493	326,493	—
(4) Long-term debt	323,237	335,413	(12,176)
Total	¥989,659	¥1,001,835	¥(12,176)
Derivative transactions*2	¥ 11,214	¥ 11,214	¥ —

*1 It comprises the allowance for doubtful accounts in respect to notes and accounts receivable, short-term loan receivable and others.
*2 Receivables and payables arising from derivative transactions are presented net. If the net amount is a liability, it is written in parentheses ( ).

Notes

1. Calculation method of fair values of financial instruments, investments in securities and derivative transactions are as follows:

Assets

(1) Cash and cash equivalents, (2) Notes and accounts receivable

The fair values approximate book values because of their short-term maturities.

(3) Marketable and investment securities

The fair values of the reservation of receivables liquidation are based on values calculated reasonably, the fair values of equity securities are based on the market prices at the securities exchanges, and the fair values of bonds are based on the market prices at the securities exchanges or on the prices disclosed by financial institutions. The information of available-for-sale securities is described in Note 5 "MARKETABLE AND INVESTMENT SECURITIES."

Liabilities

(1) Short-term debt, (2) Current portion of long-term debt

The fair values of bonds with the market prices are based on the market prices. The fair values of others approximate book values because of their short-term maturities.

(3) Notes and accounts payable

The fair values approximate book values because of their short-term maturities.

(4) Long-term debt

The fair values of bonds with the market prices are based on the market prices. The fair values of bonds without the market prices and long-term bank borrowings are determined by discounting the aggregated values of the principal and interest using an assumed interest rate if the same type of them were newly made.

Derivative transactions

The information of derivative transactions is described in Note 15 "DERIVATIVES."

2. Financial instruments whose fair values are extremely difficult to calculate

	Carrying amount		
	2011	2010	2011
	Millions of yen		Thousands of U.S. dollars
Available-for-sale securities			
Unlisted equity securities	¥2,127	¥314,455	$27,361

It is extremely difficult to calculate their fair values because there are no market prices. Therefore, these items are not included in "(3) Marketable and investment securities."

3. Redemption schedule of monetary assets and investments in securities with contractual maturities

	Due 2012	Due 2013 to 2016	Due 2017 to 2021	Due 2022 and thereafter
				2011
				Millions of yen
Cash and cash equivalents	¥ 128,840	¥ —	¥ —	¥—
Notes and accounts receivable	438,764	—	—	—
Marketable and investment securities				
Available-for-sale securities with contractual maturities				
Public bonds	—	2,470	2,176	26
Corporate bonds	2	—	3,000	—
				Thousands of U.S. dollars
Cash and cash equivalents	$1,657,319	$ —	$ —	$ —
Notes and accounts receivable	5,643,992	—	—	—
Marketable and investment securities				
Available-for-sale securities with contractual maturities				
Public bonds	—	31,773	27,991	334
Corporate bonds	26	—	38,590	—

4. Please see Note 6: "SHORT-TERM AND LONG-TERM DEBT" for annual maturities of long-term debt.

NOTE 15

Derivatives

The Companies enter into foreign currency forward contracts, currency swap contracts and currency option contracts to hedge foreign currency exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies enter into interest rate swap contracts to manage their interest rate exposures on certain liabilities. In addition, the Companies enter into commodity swap contracts to hedge the risk of fluctuation of commodity prices for raw materials.

All derivative transactions are entered into to hedge foreign currency, interest and commodity price exposures that arise in the course of the Companies' business. Accordingly, the market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk. Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to credit or market risk.

The outstanding balance of derivative contracts which do not qualify for hedge accounting at December 31, 2011 is as follows:

	Contract amount	Fair value	Unrealized gain (loss)
			2011
			Millions of yen
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	¥53,022	¥ (125)	¥ (125)
Euro	27,414	1,059	1,059
Russian ruble	16,542	1,519	1,519
Australian dollar	15,651	(235)	(235)
Other	11,742	99	99
Buy:			
U.S. dollar	18,828	296	296
Australian dollar	2,665	40	40
Singapore dollar	1,498	(6)	(6)
Japanese yen	705	(1)	(1)
Other	1,059	(33)	(33)
Currency Swap Contracts:			
U.S. dollar receipt, Japanese yen payment	¥ 3,040	¥ (42)	¥ (42)
Japanese yen receipt, Indian rupee payment	580	171	171
Indian rupee receipt, U.S. dollar payment	520	91	91
Interest Rate Swap Contracts:			
Floating rate receipt, fixed rate payment	¥ 3,637	¥ (49)	¥ (49)
			Thousands of U.S. dollars
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	$682,043	$(1,608)	$(1,608)
Euro	352,637	13,622	13,622
Russian ruble	212,786	19,539	19,539
Australian dollar	201,325	(3,023)	(3,023)
Other	151,042	1,273	1,273
Buy:			
U.S. dollar	242,192	3,808	3,808
Australian dollar	34,281	515	515
Singapore dollar	19,269	(77)	(77)
Japanese yen	9,069	(13)	(13)
Other	13,622	(424)	(424)
Currency Swap Contracts:			
U.S. dollar receipt, Japanese yen payment	$ 39,105	$ (540)	$ (540)
Japanese yen receipt, Indian rupee payment	7,461	2,200	2,200
Indian rupee receipt, U.S. dollar payment	6,689	1,171	1,171
Interest Rate Swap Contracts:			
Floating rate receipt, fixed rate payment	$ 46,784	$ (630)	$ (630)

The outstanding balance of derivative contracts which qualify for hedge accounting at December 31, 2011 is as follows:

	Primary hedged item	Contract amount	Fair value
			2011
			Millions of yen
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	**Accounts receivable**	¥20,188	¥ (37)
Euro		8,987	441
Australian dollar		6,154	(37)
Other		1,768	31
Buy:			
Thai baht	**Accounts payable**	1,410	(25)
Czech koruna		499	1
Hungarian forint		491	(6)
U.S. dollar		262	(5)
Other		241	2
Currency Swap Contracts:			
Euro receipt, Japanese yen payment	**Bonds and debts**	¥10,325	¥3,122
Euro receipt, U.S. dollar payment		10,211	430
South African rand receipt, U.S. dollar payment		1,889	(369)
			Thousands of U.S. dollars
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	**Accounts receivable**	$259,686	$ (476)
Euro		115,603	5,673
Australian dollar		79,161	(476)
Other		22,742	399
Buy:			
Thai baht	**Accounts payable**	18,137	(322)
Czech koruna		6,419	13
Hungarian forint		6,316	(77)
U.S. dollar		3,370	(64)
Other		3,100	26
Currency Swap Contracts:			
Euro receipt, Japanese yen payment	**Bonds and debts**	$132,815	$40,160
Euro receipt, U.S. dollar payment		131,348	5,531
South African rand receipt, U.S. dollar payment		24,299	(4,747)

The outstanding balance of derivative contracts which do not qualify for hedge accounting at December 31, 2010 is as follows:

	Contract amount	Fair value	Unrealized gain (loss)
			2010
			Millions of yen
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	¥49,896	¥ 803	¥ 803
Euro	23,200	847	847
Australian dollar	15,467	(495)	(495)
Other	23,464	385	385
Buy:			
U.S. dollar	16,657	40	40
Japanese yen	949	31	31
Polish zloty	5,409	26	26
Other	5,418	(18)	(18)
Currency Swap Contracts:			
Japanese yen receipt, Indian rupee payment	¥ 1,175	¥ 69	¥ 69
U.S. dollar receipt, Japanese yen payment	1,150	43	43
Indian rupee receipt, U.S. dollar payment	495	(3)	(3)
Interest Rate Swap Contracts:			
Floating rate receipt, fixed rate payment	¥ 3,830	¥ (70)	¥ (70)

The outstanding balance of derivative contracts which qualify for hedge accounting at December 31, 2010 is as follows:

	Primary hedged item	Contract amount	Fair value
			2010
			Millions of yen
Foreign Currency Forward Contracts:			
Sell:			
Euro	**Accounts receivable**	¥10,987	¥ 376
Australian dollar		5,341	(148)
Other		86	2
Buy:			
U.S. dollar	**Accounts payable**	333	2
Other		4	—
Currency Swap Contracts:			
Euro receipt, Japanese yen payment	**Long-term debt**	¥24,436	¥8,711
Japanese yen receipt, U.S. dollar payment		5,000	1,435
South African rand receipt, U.S. dollar payment		2,429	(888)
Euro receipt, U.S. dollar payment		2,320	66

NOTE 16

Contingent liabilities and commitments

(a) Contingent liabilities

At December 31, 2011, the Companies have the following contingent liabilities:

	2011	2011
	Millions of yen	Thousands of U.S. dollars
Trade notes discounted	¥1,859	$23,913
Guarantees and similar items of bank borrowings	148	1,904
Total	¥2,007	$25,817

(b) Operating lease commitments

The Companies lease certain land, machinery, vehicles, computer equipment, office space and other assets. The minimum lease commitments under noncancelable operating leases at December 31, 2011 is as follows:

	2011	2011
	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 29,622	$ 381,039
Due after one year	141,132	1,815,436
Total	¥170,754	$2,196,475

NOTE 17

Segment information

For the years ended December 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17 “Accounting Standard for Segment Information Disclosures” and issued ASBJ Guidance No. 20 “Guidance on Accounting Standard for Segment Information Disclosures”. Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010. The segment information for the year ended December 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

1. Description of reportable segments

The Companies’ reportable segments are components of the Companies whose separate financial information is obtainable, and the Board of Directors and the Management Committee regularly consider these segments in order to decide the allocation of business resources and evaluate business performance.

The Companies composes Tire business that comprises of the manufacture and sale of tires and tubes, sale of wheels and accessories, the manufacture and sale of retread material and services, auto maintenance, and Diversified products business that comprises Chemical and Industrial Products, BSAM Diversified Products*, sporting goods, bicycles, etc. Thus, the Companies have two reporting segments: Tires and Diversified products.

* BSAM Diversified Products: A business under BRIDGESTONE AMERICAS, INC. supplying commercial roofing materials and others.

2. Methods of measurement for the amounts of Sales and Income (Loss), assets and other items for each reportable segment

The accounting policies for each reportable business segment are consistent to those outlined in Note 3 “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES”. Reportable segment income figures are on an operating income basis. Internal sales and transfers between segments are mainly based on prices for third-party transactions.

3. Information about Sales and Income (Loss), assets and other items by reportable segment

	Tires	Diversified products	Total	Reconciliations (Note)	Consolidated
					Year ended December 31, 2011
					Millions of yen
Net Sales:					
External customers	¥2,536,731	¥487,625	¥3,024,356	¥ —	¥3,024,356
Inter-segment	3,055	12,945	16,000	(16,000)	—
Total	2,539,786	500,570	3,040,356	(16,000)	3,024,356
Segment income					
(Operating income)	¥ 185,476	¥ 5,812	¥ 191,288	¥ 34	¥ 191,322
Segment assets	¥2,295,947	¥384,217	¥2,680,164	¥ (2,820)	¥2,677,344
Other					
Depreciation and amortization	¥ 136,336	¥ 21,709	¥ 158,045	¥ —	¥ 158,045
Amortization of goodwill	1,502	120	1,622	—	1,622
Investment for equity-method affiliates	11,988	299	12,287	(3)	12,284
Increase in property, plant and equipment and intangible assets	174,779	26,790	201,569	—	201,569

	Tires	Diversified products	Total	Reconciliations (Note)	Consolidated
					Year ended December 31, 2010
					Millions of yen
Net Sales:					
External customers	¥2,377,305	¥484,310	¥2,861,615	¥ —	¥2,861,615
Inter-segment	2,267	10,377	12,644	(12,644)	—
Total	2,379,572	494,687	2,874,259	(12,644)	2,861,615
Segment income					
(Operating income)	¥ 153,129	¥ 13,365	¥ 166,494	¥ (44)	¥ 166,450
Segment assets	¥2,321,574	¥388,061	¥2,709,635	¥ (2,995)	¥2,706,640
Other					
Depreciation and amortization	¥ 145,693	¥ 21,968	¥ 167,661	¥ —	¥ 167,661
Amortization of goodwill	3,002	—	3,002	—	3,002
Investment for equity-method affiliates	13,947	418	14,365	(3)	14,363
Increase in property, plant and equipment and intangible assets	159,972	22,861	182,833	—	182,833

	Tires	Diversified products	Total	Reconciliations (Note)	Consolidated
					Year ended December 31, 2011
					Thousands of U.S. dollars
Net Sales:					
External customers	$32,630,962	$6,272,511	$38,903,473	$ —	$38,903,473
Inter-segment	39,298	166,516	205,814	(205,814)	—
Total	32,670,260	6,439,027	39,109,287	(205,814)	38,903,473
Segment income					
(Operating income)	$ 2,385,850	$ 74,762	$ 2,460,612	$ 438	$ 2,461,050
Segment assets	$29,533,664	$4,942,333	$34,475,997	$ (36,275)	$34,439,722
Other					
Depreciation and amortization	$ 1,753,743	$ 279,252	$ 2,032,995	$ —	$ 2,032,995
Amortization of goodwill	19,321	1,543	20,864	—	20,864
Investment for equity-method affiliates	154,206	3,846	158,052	(38)	158,014
Increase in property, plant and equipment and intangible assets	2,248,251	344,610	2,592,861	—	2,592,861

Note: The reconciliations are as follows.
(Note1) Reconciliations of segment income refer to elimination of inter segment transactions.
(Note2) Reconciliations of segment assets refer to elimination of inter segment receivables and payables.

4. Related information

1. Information about product and services

Information has been omitted, as the classification is the same as that for reportable segment.

2. Information about geographical areas

(1) Sales

Japan	The Americas	United States	Europe	Other	Total
					Year ended December 31, 2011
					Millions of yen
¥694,202	¥1,273,312	¥993,805	¥418,813	¥638,029	¥3,024,356
					Thousands of U.S. dollars
$8,929,792	$16,379,110	$12,783,702	$5,387,355	$8,207,216	$38,903,473

Note: Sales are classified in countries or region based on location of customers.

(2) Property, plant and equipment

Japan	The Americas	United States	Europe	Other	Total
					Year ended December 31, 2011
					Millions of yen
¥409,058	¥269,898	¥156,356	¥109,579	¥192,796	¥981,331
					Thousands of U.S. dollars
$5,261,873	$3,471,803	$2,011,268	$1,409,558	$2,480,010	$12,623,244

3. Information about major customers

The Companies are not required to disclose information on external customers, since there are no sales to a single external customer amounting to 10% or more of the Companies' net sales.

5. Information about Impairment Losses of property, plant and equipment

	Tires	Diversified products	Reconciliations	Consolidated
				Year ended December 31, 2011
				Millions of yen
Impairment Losses of Assets	¥3,796	¥9,290	¥—	¥13,086
				Thousands of U.S. dollars
Impairment Losses of Assets	$48,829	$119,501	$—	$168,330

6. Information about Amortization of Goodwill and Unamortized Balance

	Tires	Diversified products	Reconciliations	Consolidated
				Year ended December 31, 2011
				Millions of yen
Amortization	¥1,502	¥120	¥—	¥1,622
Unamortized Balance	4,548	—	—	4,548
				Thousands of U.S. dollars
Amortization	$19,321	$1,543	$—	$20,864
Unamortized Balance	58,503	—	—	58,503

Amortization of negative goodwill and unamortized balance due to business combination before April 1, 2010 were as follows:

	Tires	Diversified products	Reconciliations	Consolidated
				Year ended December 31, 2011
				Millions of yen
Amortization	¥1,187	¥—	¥—	¥1,187
Unamortized Balance	1,759	—	—	1,759
				Thousands of U.S. dollars
Amortization	$15,269	$—	$—	$15,269
Unamortized Balance	22,627	—	—	22,627

For the year ended December 31, 2010

Information by business segments, geographic segments and overseas sales, for the year ended December 31, 2010 is as follows:

(a) Information by business segment

	Tires	Diversified products	Total	Elimination or corporate	Consolidated
					Year ended December 31, 2010
					Millions of yen
Net Sales:					
External customers	¥2,377,305	¥484,310	¥2,861,615	¥ —	¥2,861,615
Inter-segment	2,267	10,377	12,644	(12,644)	—
Total	2,379,572	494,687	2,874,259	(12,644)	2,861,615
Operating expenses	2,226,443	481,322	2,707,765	(12,600)	2,695,165
Operating income	¥ 153,129	¥ 13,365	¥ 166,494	¥ (44)	¥ 166,450
Identifiable assets	¥2,321,574	¥388,061	¥2,709,635	¥ (2,995)	¥2,706,640
Depreciation and amortization	148,695	21,968	170,663	—	170,663
Capital expenditures	159,972	22,861	182,833	—	182,833

The major products and services of each business segment are as follows:

Tires: Tires and tubes, wheels and accessories, retread material and services, auto maintenance, etc.
Diversified products: Chemical products, industrial products, sporting goods, bicycles, etc.

(b) Information by geographic segment

	Japan	The Americas	Europe	Other	Total	Elimination or corporate	Consolidated
							Year ended December 31, 2010
							Millions of yen
Net Sales:							
External customers	¥ 755,648	¥1,212,797	¥380,873	¥512,297	¥2,861,615	¥ —	¥2,861,615
Inter-segment	398,991	11,146	3,011	99,692	512,840	(512,840)	—
Total	1,154,639	1,223,943	383,884	611,989	3,374,455	(512,840)	2,861,615
Operating expenses	1,092,958	1,175,551	376,755	567,015	3,212,279	(517,114)	2,695,165
Operating income	¥ 61,681	¥ 48,392	¥ 7,129	¥ 44,974	¥ 162,176	¥ 4,274	¥ 166,450
Identifiable assets	¥1,195,171	¥ 799,356	¥432,737	¥507,621	¥2,934,885	¥(228,245)	¥2,706,640

Major countries and areas included in each geographic segment are as follows:

The Americas: United States, Canada, Mexico, Venezuela, Brazil, etc.
Europe: Germany, United Kingdom, France, Italy, Spain, etc.
Other: Asia Pacific, Africa, etc.

(c) Overseas sales

Sales to customers outside of Japan for the year ended December 31, 2010 are as follows:

	2010
	Millions of yen
Areas:	
The Americas	¥1,212,926
Europe	387,974
Other	588,865
Overseas Sales	2,189,765
Net Sales	2,861,615

Major countries and areas included in each geographic area are as follows:

The Americas: United States, Canada, Mexico, Venezuela, Brazil, etc.
Europe: Germany, United Kingdom, France, Italy, Spain, etc.
Other: Asia Pacific, Middle East, Africa, etc.

NOTE 18

Information about the Company and certain of its subsidiaries' alleged cartel activities regarding the sale of marine hoses and improper monetary payments

In May 2007, the U.S. Department of Justice, the European Commission, the Fair Trade Commission of Japan, and other authorities initiated investigations against the Company and certain of its subsidiaries in connection with international cartel activities regarding the sale of marine hoses. During the course of investigations, the Company uncovered the fact that there have been incidents of improper monetary payments to foreign agents, a part of which may have been provided to foreign governmental officials and other possible forms of improper payments in connection with the sale of marine hoses and other industrial products. The Company has reported the findings of its internal inquiries to the Japanese Public Prosecutors Office and the U.S. Department of Justice.

With respect to the marine hose cartel, the Company received orders from the Fair Trade Commission of Japan in February 2008 which directed the Company to cease and desist from violating the Antimonopoly Act and to pay surcharges for violating the Act. The Company has responded to the order accordingly. Moreover, in January 2009, the Companies were notified by the European Commission of its decision to impose a fine of €58.5 million for involvement in an international cartel related to the sale of marine hoses, and have paid the imposed fine.

In September 2011, the Company entered into a plea agreement with the U.S. Department of Justice. Under the plea agreement, the Company agreed to plead guilty to an antitrust conspiracy and a conspiracy to violate the Foreign Corrupt Practices Act, and to pay a fine of $28 million. The plea agreement was approved by the U.S. District Court in October 2011, finalizing the penalty against the Company, and the Company has paid the fine accordingly. The Company has recorded ¥2,150 million ($27,656 thousand) as an expense in connection with this fine in the fiscal year 2011.

Proceedings initiated in other countries with respect to the marine hose cartel have already been finalized. In regard to the class action lawsuit brought in the United States in connection with the marine hose cartel, a final approval of proposed settlements was granted by the Court. Further, the Company has handled other individual civil claims in an appropriate manner.

NOTE 19

Subsequent events

(a) Cash dividend and stock option plan

On March 27, 2012, the shareholders of the Company approved payment of a cash dividend of ¥12.0 ($0.15) per share, or a total of ¥9,392 million ($120,813 thousand), to shareholders of record at December 31, 2011. A stock option plan for directors as remuneration was also approved by the shareholders of the Company. In addition, a stock option plan for selected employees was approved at the Board of Directors on the same date. These stock option plans provide options to purchase a maximum of 202.0 thousand shares of the Company's common stock. The exercise price of these stock options is ¥1 ($0.01). The exercise period is from May 1, 2012 to April 30, 2032.

(b) Transactions under common control

On January 1, 2012, a merger was implemented among five broad area sales companies that were consolidated subsidiaries of the Company. On the same date, another merger was implemented among Bridgestone FVS CO., LTD. and five retail companies whose equity were owned by five broad area sales companies. The details are as follows;

1. Outline of the transaction
   (1) Merger of five broad area sales companies
      a. Names and major businesses of the merged companies
         Name of the surviving company:
         BRIDGESTONE TIRE SALES KANTO CO., LTD.
         Major business: Sales of automobile tires
         Names of dissolved companies:
            BRIDGESTONE TIRE SALES KITANIHON CO., LTD.
            BRIDGESTONE TIRE SALES CHUBU CO., LTD.
            BRIDGESTONE TIRE SALES KINKISHIKOKU CO., LTD.
            BRIDGESTONE TIRE SALES NISHINIHON CO., LTD.
         Major businesses: Sales of automobile tires
      b. Date of the merger: January 1, 2012
      c. Legal form of the merger:
         An absorption-type merger with BRIDGESTONE TIRE SALES KANTO CO., LTD. as the surviving company
      d. Name of the entity after the merger:
         BRIDGESTONE TIRE JAPAN CO., LTD.
   (2) Merger of Bridgestone FVS CO., LTD., and five retail companies in which equity was owned by five broad area sales companies

a. Names and major businesses of the merged companies
Name of the surviving company:
BRIDGESTONE FVS CO., LTD.
Major business: Sales of automobile parts components
Names of dissolved companies:
BRIDGESTONE RETAIL KITANIHON CO., LTD.
BRIDGESTONE RETAIL KANTO CO., LTD.
BRIDGESTONE RETAIL CHUBU CO., LTD.
BRIDGESTONE RETAIL KINKISHIKOKU CO., LTD.
BRIDGESTONE RETAIL NISHINIHON CO., LTD.
Major business: Sales of automobile tires
b. Date of the merger: January 1, 2012
c. Legal form of the merger:
An absorption-type merger with BRIDGESTONE FVS CO., LTD., as the surviving company
d. Name of the entity after the merger:
BRIDGESTONE RETAIL JAPAN CO., LTD.

2. Other information related to the outline of the transactions
The Companies are aiming to establish a true "vertically integrated sales business model" through the transfer to two companies of the majority of the functions of domestic replacement tire sales divisions and the integration of the domestic replacement tire sales divisions, wholly owned sales companies, and directly operated stores.

3. Outline of accounting treatments implemented
The transactions were implemented as a business combination under common control, based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and "Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

(c) A decision of an important plan of investment
Based on a resolution of the board of directors, the company has determined the establishment of a new plant, on March 5, 2012.
The detail is as follows:

1. Purpose
To respond to the increasing worldwide demand for off-the-road radial tires for construction and mining vehicles by the establishment of a tire plant and accompanying expansion of production capacity of steel cord

2. Details of investment in plant and equipment
Planned site for construction of plant: Rayong, Thailand
Details of equipment: Production plant of off-the-road radial tires for construction and mining vehicles

Site of the plant: Rayong, Thailand
Details of equipment: Production plant of steel cord for reinforcing tires

Planned total amount of investment: Approximately ¥50.0 billion (Approximately $643 million)

3. Schedule
Construction to start: 2013

4. Anticipated production capacity
Off-the-road radial tires for construction and mining vehicles
Approximately 85 tons per day (expected production capacity by the 1st half of 2019)

NOTE 20

Comprehensive income

a. Comprehensive income for the fiscal year ended December 31, 2010

	Millions of yen
Shareholders of Bridgestone Corporation	¥71,225
Minority Interests	4,869
Total	¥76,094

b. Other comprehensive income for the fiscal year ended December 31, 2010

	Millions of yen
Unrealized gain (loss) on available-for-sale securities	¥ 11,368
Deferred gain (loss) on derivative instruments	606
Foreign currency translation adjustment	(59,176)
Post retirement liability adjustment for foreign consolidated companies	19,933
Share of other comprehensive income in affiliates	(1,760)
Total	¥(29,029)

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bridgestone Corporation:

We have audited the accompanying consolidated balance sheets of Bridgestone Corporation (the "Company") and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended December 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bridgestone Corporation and subsidiaries as of December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

March 27, 2012

Member of
Deloitte Touche Tohmatsu Limited

Bridgestone Corporation
10-1, Kyobashi 1-chome, Chuo-ku, Tokyo 104-8340, Japan
www.bridgestone.co.jp

May 2012