

# Bridgestone Corporation

## Business Report for the 92nd Fiscal Period

### Note:

This English translation of Business Report for the 92nd Fiscal Period is for English readers' convenience only. If there are any differences between this translation and the Japanese original, the Japanese original supersedes this translation.

### [Index]

P.2	To Our Shareholders (CEO message)
P.4	Introduction to the New Corporate Philosophy and Bridgestone Symbols
P.6	Business Report
P.42	Consolidated Balance Sheet
P.44	Consolidated Statements of Income
P.45	Consolidated Statements of Changes in Net Assets
P.53	Consolidated Statements of Cash Flows
P.55	Non-consolidated Balance Sheet
P.57	Non-consolidated Statements of Income
P.58	Non-consolidated Statements of Changes in Net Assets
P.64	Independent Auditors' Report
P.68	Board of Corporate Auditors Meeting Audit Report
P.71	Topics
P.75	Introducing our New Product Lineup (2010 and spring 2011)
P.78	Shareholders' Notes

## **To Our Shareholders**

Net Sales: ¥2,861.6 billion

Operating Income: ¥166.4 billion

Ordinary Income: ¥147.9 billion

Net Income: ¥98.9 billion

First, I would like to convey my thanks to all of our shareholders for your -- support of the Bridgestone Group.

In this message, I will provide an overview of the Bridgestone Group's results during its 92nd fiscal year (from January 1, 2010, to June 30, 2010).

In fiscal 2010, the Group's operating environment was plagued by rising raw material prices and an appreciating Japanese yen. Despite these challenges, there were signs of improving economic conditions in Japan and in overseas markets led by Asia, although there were differences between regions, and different rates of expansion in these markets. In this environment, the Group worked to strengthen our operating foundation while implementing various strategic measures based on the Mid-term Management Plan and a Lean and Strategic management stance.

As a result, in fiscal 2010, we achieved net sales of ¥2,861.6 billion, up 10% year on year, operating income of ¥166.4 billion, up 120%, ordinary income of ¥147.9 billion, up 172%, and net income of ¥98.9 billion, an increase of ¥97.9 billion year on year.

In fiscal 2010, we will pay a year-end dividend of ¥10 per share, which combined with the interim dividend of ¥10 per share will make for a full-year dividend of ¥20 per share. Looking ahead, we anticipate the global economy will continue to change. It is very likely that these changes will also affect the Group's operating environment. These changes include the effects on revenues caused by rising raw materials costs as well as fluctuating exchange rates, the expansion of markets in emerging nations like China and India, and changes in consumer sentiment in mature markets.

In order to respond to these changes, the Group has begun implementing initiatives to adjust its business strategy to changing market conditions and enable it to more effectively achieve the Mid-term Management Plan announced in October 2010. Included among these initiatives are expanding strategic tire products and businesses, enhancing environmental activities and eco-friendly products and businesses and other measure to boost competitiveness. Through the swift implementation of such measures, the Bridgestone Group will work to respond to further changes in the environment and achieve its ultimate goal of becoming the "World's undisputed No. 1 tire and rubber

company in both name and reality.”

As we implement these initiatives, I would like to ask our shareholders for their continued support.

March 2011

Chairman of the Board, CEO and President

Shoshi Arakawa

## **Introduction to the New Corporate Philosophy and Bridgestone Symbols**

March 2011 marked Bridgestone's 80th anniversary. After being born in Kurume City, Fukuoka, Bridgestone has continued to grow and now employs nearly 140,000 employees around the world. Throughout these 80 years, we have expanded our business and strengthened the image of the Bridgestone brand.

In order to further strengthen Bridgestone's brand image, it is essential that all Bridgestone employees, who represent Bridgestone in their daily lives, share a common foundation and system of values.. The Bridgestone Group's corporate philosophy lies at the core of this. For this reason, we have revised the Bridgestone Group's corporate philosophy to make it more easily understood. We have also revised the Bridgestone symbol (our logos) in accordance with the revision to the philosophy. Details regarding these revisions are outlined below.

### **The Bridgestone Essence, new corporate philosophy**

The refined Bridgestone corporate philosophy, "The Bridgestone Essence," is found in its Mission and the Foundation which supports it.

When we speak of our Mission, we speak of the actions of our employees, who strive day after day across the world to achieve our shared goals as captured in the words of our founder.

When we speak of our Foundation, we speak of the principles and values which all employees must bring to their work.

### **Mission**

#### **Serving society with superior quality**

We aspire to offer the best for our customers and to society, not only in terms of our products, services and technology, but in all of our corporate activities.

Our commitment to quality stems not from want of profit, but out of a passion for improving the safety and lives of people everywhere.

Through our Mission, we strive to be a company trusted by the world – a company in which all of us can take great pride.

### **Foundation**

#### **Seijitsu-kyocho—Integrity and Teamwork**

Seijitsu-kyocho is about adhering to principles of good faith as you carry out your work,

in the way you treat others and as employees engage with society. It is about producing positive outcomes by respecting a diversity of skills, values, experiences, genders, and races and fostering teamwork.

### **Shinshu-Dokuso—Creative Pioneering**

Shinshu-Dokuso is about envisioning the future and proactively challenging ourselves to identify and develop innovations that will further benefit society and respond to customer needs – from the customer’s point of view.

It is about unleashing creativity and innovation to develop business domains and creating demand for new and beneficial products through our own unique methods.

### **Genbutsu-Genba—Decision-Making Based on Verified, On-site Observations**

Genbutsu-Genba is about taking the time to go on-site and personally verify the facts, then using those observations to make informed decisions.

It is about not being satisfied with the current situation, and making informed decisions that will lead us over closer to ideal products and solutions.

### **Jyukuryo-Danko—Decisive Action after Thorough Planning**

Jyukuryo-Danko is about investigating all options and the full range of possibilities, giving careful thought as to how to execute the decided course of action.

It is about identifying what is necessary and deciding on a vision.

And once a decision and course of action is determined, it is about moving forward with a sense of urgency.

### **Bridgestone Symbol**

The symbols that represent the Bridgestone brand were revised together with the corporate philosophy. The previous symbols were developed in 1984 and since then the Bridgestone Group has expanded its operations on a global basis. Over that period of time, social values have shifted from focusing primarily on industry to placing more importance on issues of a human nature.

The new symbols represent Bridgestone’s position within this new social environment. Also, they were made to be more legible in order to further strengthen Bridgestone’s brand image. This revision has enabled the Bridgestone symbols to continue to be used on into the future.

## **Business Report**

(January 1, 2010 through December 31, 2010)

### I. CURRENT STATUS OF THE BRIDGESTONE GROUP

#### **1. Business Developments and Results of Operations**

In the fiscal year ended December 2010, the Bridgestone Group's operating environment was plagued by rising prices for natural rubber and other raw materials and the appreciating Japanese yen. Despite these challenges, the domestic economy showed signs of slight recovery. Due in part to the effects of government economic stimulus measures, the U.S. economy is gradually recovering, and the business climate in Europe showed signs of slight recovery. In Asia, the rate of recovery continued to accelerate throughout all regions, particularly in China.

Under these operating conditions, the Bridgestone Group continued working to achieve the goal of becoming the "World's undisputed No. 1 tire and rubber company in both name and reality." Stepping up our efforts on a global basis, the Group focused on increasing sales of highly competitive products, strengthening supply capacity, improving manufacturing productivity, enhancing technology and effectively utilizing our management resources. Moreover, within an operating environment that is evolving at an unprecedented speed, including the changing structures for demand and competition, the Group has been striving to rapidly implement a range of initiatives to enhance our ability in ways such as responding quickly to market trends, increasing sales of strategic products, constructing and enhancing a business model that will extend beyond the mere sale of products, and developing eco-friendly products and businesses.

Consequently, the Bridgestone Group's consolidated net sales, operating income and ordinary income increased 10%, 120% and 172% to ¥2,861.6 billion, ¥166.4 billion and ¥147.9 billion, respectively. Net income rose to ¥98.9 billion from ¥1.0 billion the previous year.

In fiscal 2009, the Group recognized an extraordinary loss of ¥10.6 billion for the plant restructuring costs in Oceania.

#### (1) Developments and results by business segments

In the tire segment, the Bridgestone Group worked to maximize their sales momentum by introducing appealing new products worldwide, particularly those that have been

identified as strategic and important to the Group's future growth.

In Japan, unit sales of tires increased considerably over 2009 due to the recovery in demand. In the Americas, the unit sales of tires for passenger cars, light trucks, trucks and buses in North America tire operations greatly exceeded those of 2009 due to the recovery in demand. There was a significant increase from 2009 in unit sales of such strategic products as UHP (ultra-high-performance) tires in the replacement sector. In Europe, unit sales of tires for passenger cars, light trucks, trucks and buses increased remarkably over 2009 due to demand recovery, and unit sales of strategic products, led by runflat tires, UHP tires and winter tires, expanded significantly over 2009 in the replacement sector. In the specialty tire business, unit sales of large and ultralarge off-the-road radial tires for construction and mining vehicles significantly exceeded those of 2009. As a result, the Group's net sales and operating income for the tire segment in 2010 totaled ¥2,379.5 billion and ¥153.1 billion, an increase of 11% and 104% from 2009, respectively.

In the diversified products segment, net sales rose 9% to ¥494.6 billion due to the recovery in demand. Operating income was ¥13.3 billion, up from ¥0.4 billion in 2009.

## (2) Developments and results by geographic segments

In Japan, sales in both the tire segment and the diversified products segment exceeded those of 2009. Thus, net sales and operating income increased 14% and 328% to ¥1,154.6 billion and ¥61.6 billion, respectively, from 2009.

In the Americas, net sales and operating income totaled ¥1,223.9 billion and ¥48.3 billion, an increase of 8% and 40%, respectively, from 2009.

In Europe, net sales rose 6% to ¥383.8 billion from fiscal 2009, and operating income was ¥7.1 billion, compared to operating loss of ¥11.9 billion in 2009.

In other regions, net sales and operating income were ¥611.9 billion and ¥44.9 billion, an increase of 20% and 37%, respectively, from 2009.

(Note) The amounts for segment results include inter-segment transactions that are eliminated in calculating the consolidated results.

## (3) Research and development

The Bridgestone Group mission of “Serving Society with Superior Quality” mandates an unending quest to create higher-value-added products worldwide to fulfill the increasingly diverse societal requirements and market needs. To respond appropriately to rapidly changing market trends, such as changes in the demand and competitive structure, the Bridgestone Group conducts R&D activities with the objective of establishing a competitive business model on a global basis, taking into consideration the environmental impact of its product development and production processes. A key challenge of the Group is to stay at the forefront of technology in each business domain in accordance with the Mid-Term Management Plan.

The Bridgestone Group conducts technical development in a wide range of fields, from the development of raw materials, products, and services to future-focused fundamental and production technologies. The technologies that optimize quality and minimize cost of the product from the raw materials level can facilitate reductions in raw material consumption and contribute to environmental conservation, and can help offset higher prices for raw materials. Activities also focus on contributing to the development of business solutions that provide products and services with added value.

R&D programs in the tire segment are based on the development philosophy of “peace-of-mind” for everything. Bridgestone seeks to create tires with higher added value through the pursuit of three core elements of technology and product development of tires: environment, safety, and comfort. Based on the above-mentioned philosophy, Bridgestone strives to further reinforce this area as a core strategic product group and business.

With regard to minimizing the environmental impact, the Bridgestone Group will endeavor to develop eco-friendly tires that fulfill voluntary standards in six areas: global warming, resource conservation, the use of environment-friendly resources, recycling, noise reduction, and enhancing product performance. In particular, the Group believes that it can make a major contribution to the reduction of CO<sub>2</sub> emissions, which will support the reduction of global warming, through the development of tires with reduced rolling resistance designs, which enhances fuel efficiency.

The Group’s ECOPIA line of eco-friendly tires features reduced rolling resistance without undermining safety, which is achieved in part through the use of NanoPro-Tech (Nanostructure-Oriented Properties Control Technology), a Bridgestone-patented technology.



The Bridgestone Group has begun to supply ECOPIA tires as original equipment passenger tires for the Nissan Leaf, the world's first mass-produced electric vehicle. In the replacement market in Japan, the Group has begun sales of the ECOPIA EX10, which offers excellent performance in both fuel efficiency and wet and dry traction. The ECOPIA EX10 employs NanoPro-Tech technology; Eco Form technology, which controls tire deformation; and technology that optimizes the weight balance for each part of the tire.

In addition, the Group has launched sales of the ECOPIA EP100S. With the environmentally-friendly technology of "Level Earthing Form" that limits unnecessary distortion of the tire's shape considering lopsided attrition, the ECOPIA EP100S has received the highest rank—AAA—for rolling resistance under the "Guideline for Tire Labeling to Promote the Use of Fuel Efficient Tires (Labeling System)." These voluntary industry standards were created by the Japan Automobile Tire Manufacturers Association, Inc., which oversees their implementation. Also, in truck tires, the Group launched sales of the ECOPIA W901, a studless tire that utilizes fuel-efficient foamed rubber for snow and ice conditions. In the future, the Group will continue to take aggressive steps to further enhance the ECOPIA lineup, including global development and expanding original equipment offerings on new cars.

The Bridgestone Group is also developing the Eco Value Pack, which contributes to environmental conservation through reductions in resource consumption, energy usage, and CO2 emissions as a solutions business utilizing retread tires. The Group will aggressively promote the Eco Value Pack as a new business model, leading the way in environmental friendliness. To that end, the Group will aggressively develop Bandag Retread Factory outlets that will offer integrated manufacturing, service, and sales of retread tires at more locations.

The Bridgestone Group has positioned runflat tires as an important strategic product line. The Group is actively working to promote the use of runflat tires, which continue to function at a specified speed for a specified distance after the loss of air pressure. In addition, because runflat tires eliminate the need for a spare tire (emergency-use tire), they help to conserve resources and support improved fuel efficiency through reduced vehicle weight.

The Bridgestone Group has used new technologies to develop third-generation runflat tires, which offer improved ride comfort. These technologies include Bridgestone's patented COOLING FIN design, which cools the tire by creating disturbances in the

airflow over the tire sidewalls, and a new sidewall-reinforced rubber, which reduces heat generation. In the future, the Group will leverage the strengths of these third-generation runflat tires as it strives to expand the range of vehicles on which they are installed as well as available sizes.

The Bridgestone Group's strategic products also include large and ultralarge off-the-road radial tires for construction and mining vehicles. The use of advanced technologies in these products has earned Bridgestone an excellent reputation in the marketplace. With the production of mined resources increasing around the world, demand for these tires is increasing. Accordingly, the Group has decided to further increase production capacity at the Kitakyushu Plant. The Kitakyushu Plant has been positioned as the environmental model for future Bridgestone plants. The Group is implementing a range of environmentally friendly initiatives at the plant, including the aggressive introduction of new technologies. In the future, the Kitakyushu Plant will continue to make a contribution to environmental conservation while meeting the needs of our customers.

In the diversified products business, the Bridgestone Group continues working to strengthen its product lineups in key operational fields. At the same time, the Group is tackling R&D activities with the objective of providing products that accurately meet constantly changing needs and fostering customer satisfaction.

The quality of the Group's adhesive film for solar modules, which is one of its key products in the high-performance film field, is highly regarded in the marketplace. That quality was made possible by the Group's original material composition technologies and superior precision processing technologies. Solar modules provide an environmentally-friendly system for generating green power, and demand is growing rapidly for this technology around the world. By working to achieve further increases in the performance of the Group's products and taking aggressive steps to boost our production capacity, the Group is making a contribution to the spread of green energy.

The use of electronic paper is expected to grow rapidly on a global basis. Accordingly, the Group will take steps to increase production capacity, aggressively advance the development of next-generation devices, and open up new markets. Electronic paper requires electrical power only when writing and it can contribute to resource conservation when used in place of paper, which is currently consumed in vast quantities. Consequently, electronic paper has been regarded as an environmentally-friendly technology. In 2010, the Bridgestone Group's electronic paper

was recognized by the Minister of the Environment for activities contributing to the prevention of global warming in the category of technology development and commercialization.

## **2. Capital Investment**

The Bridgestone Group focuses on strengthening supply capacity in those business areas which are expected to grow and be highly competitive in the marketplace. The Group also makes strategic investment in enhancing our production capacity and R&D facilities.

In 2010, the Bridgestone Group increased the production capacity at the Kitakyushu Plant for large and ultralarge off-the-road radial tires for construction and mining vehicles. These large and ultralarge off-the-road radial tires require specific, highly-advanced product development and production technologies in order to respond to the needs of customers on-site. Among the strategic tire products the Group is actively working to promote, the large and ultralarge off-the-road radial tires have more of such features, and hence are highly competitive in the marketplace.

As for other tires, the Group is responding to increasing demand, especially in emerging economies. To this end, the Group started construction of a new plant in India that manufactures tires for passenger cars, trucks and buses. Furthermore, the Group is enhancing production capacity at Nong Khae Plant in Thailand for passenger cars and light trucks tires, Wuxi Plant in China for passenger cars tires, and Poznan Plant in Poland for passenger cars tires.

In the diversified products business, the Bridgestone Group is expanding its production capacity to meet the increasing demand for adhesive film for solar modules.

Consequently, the Group's capital investment amounted to ¥182.6 billion in 2010. It comprises ¥159.7 billion for the tire segment and ¥22.8 billion for the diversified products segment.

In 2010, in addition to the routine retirements and sales for updating facilities, the Group closed the Adelaide Plant, of Bridgestone Australia Ltd., a Bridgestone Corporation's subsidiary. The Adelaide Plant's carrying amount was ¥1.7 billion at the previous year-end. This was a part of the Group's global restructuring of tire manufacturing capacity.

### **3. Financing**

The Bridgestone Group endeavors to diversify its funding sources and to secure long-term financing. To that end, in 2010, the Group raised funds by issuing long-term debt of ¥14.4 billion, bonds of ¥13.8 billion and other methods.

At the period end, the total interest-bearing debt (see note below) was ¥663.1 billion, which was decreased by ¥123.1 billion compared with the previous period end, primarily due to effect of foreign currency translation and repayments of bonds.

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

### **4. Management Tasks**

The ultimate management goal of the Bridgestone Group is to be the “World’s undisputed No. 1 tire and rubber company in both name and reality.” Moving forward, we will implement all of our business activities based on an awareness of our corporate social responsibility. To that end, the Group has adopted a management stance with the four components. First, we will always bear in mind business “Basics” and “Principles.” Second, we will keep the philosophy which has existed since the time of the establishment of the Corporation and follow “The Bridgestone Essence,” whose mission is “Serving Society with Superior Quality.” Third, we will solidify our business footing in Japan. Fourth, we will rigorously proceed with the Group and global business development on the strong foundation provided by our domestic business.

Based on the four components of its management stance, the Group will develop its businesses in accordance with four fundamental management policies: 1. To always aim for “the higher level” and to be the best in the world in all of our products and services; 2. To clarify the long-term strategy and to proceed with the integration and expansion of our business domains; 3. To be a true global corporation, adopting the Strategic Business Unit (SBU) organization; and 4. To aim for optimum management for the entire Group, utilizing the Mid-Term Management Plan.

The Bridgestone Group faces major structural changes that are occurring at a rapid pace, including changes in demand structure, competitive structure, and profit structure based on the underlying trend of yen appreciation and raw material prices, which are increasing at an unprecedented rate. Based on these factors, the Group believes that it

will be difficult to achieve quality, sustained growth solely by pursuing external growth in the scale of net sales and its overseas business. The global economy appears to be rebounding from the severe worldwide recession that began in the fourth quarter of 2008. Important issues remain, however, including sovereign risk in Europe and concerns about the possibility of decelerating growth in emerging countries. Overall, the future course of the global economy remains difficult to predict. In light of such volatility in business conditions, the Group sought to turn change into opportunity with the implementation of the “Lean and Strategic” management stance. On that basis, we rigorously streamlined the company’s assets.

Further, in our Mid-Term Management Plan 2010, which was announced in October 2009, we developed five initiatives for “competing on a different ground.”

The first is “expanding strategic tire products and businesses.” In passenger tires, including runflat tires, UHP (ultra-high performance) tires, and winter tires, we will incorporate the Group’s leading-edge technologies and take steps to aggressively expand sales on a group-wide basis. In truck and bus tires, in order to meet the needs of customers and society for operation with safety, long mileage, low fuel consumption, and reduced operating costs, we will implement global development of our solutions business. This initiative will utilize retreading and expand sales, particularly in emerging markets, through the installation of solutions business infrastructure. In large and ultralarge off-the-road radial tires for construction and mining vehicles, we will aggressively invest resources so that we can respond to the increasing global demand for mining resources.

The second initiative is “reinforcing fundamental competencies,” specifically by leveraging vertical integration and optimization of specifications in order to bolster overall supply chain competitiveness. Through vertical integration, we will control tire quality and cost from the raw material level in the upstream. In the downstream, we will expand our network of retail outlets to provide customers with optimal products and services on a timely basis. In addition, we will advance initiatives that fully leverage the Group’s strengths in order to rapidly respond to market needs. In the optimization of specifications, the fundamental task is meeting the quality demanded by the market. On that basis, we will aim to implement technical development that also contributes to the environment, with a focus on achieving enhanced safety and reducing raw material consumption (i.e. half weight). We will strive to maximize those effects through integrated activities that combine product development, production technologies, and

procurement/internal manufacturing.

The third initiative is “securing our position in the tire business in emerging countries.” Centered on China, India, and Brazil, we will work to establish and expand the sales of ECOPIA brand tires, put the solutions business on a sound footing, and implement sales initiatives that include bolstering our network of retail outlets. In addition, we will increase production in emerging countries.

The fourth initiative is implementing “‘selection and concentration’ in diversified products business,” or non-tire operations. We will work to bolster the global development of our chemical and industrial products operations, and we will take steps to expand profits through construction materials and hose/belt operations. In eco-friendly adhesive film for solar modules, we will endeavor to respond rapidly to the increasing demand for solar cells by investing in increased production capacity. We expect these operations to make substantial contributions to our earnings.

The fifth initiative is “enhancing environmental activities and eco-friendly products and businesses.” Working toward the goal of a sustainable society that has low-carbon output, is recycling-oriented, and is environmentally friendly, we will take the initiative in setting challenging goals and working for further progress in environmental countermeasures. Specifically, we have already established specific objectives, such as targets for CO<sub>2</sub> emission reductions, considering such factors as social and operating environments. By incorporating these objectives into our plans for individual eco-friendly products and businesses, we will have a framework for the achievement of these goals.

These five items comprise our initiatives for “competing on a different ground.” They were formulated in accordance with our four fundamental management policies. The Group believes that in order to realize a basic system for implementing these strategies and measures, it must optimize organizational systems on a Group and global basis and undertake the Mid-term Management Plan that is consistent for the Group as a whole.

Therefore, the Group will continue to strengthen those aspects of its operations. As an organizational systems initiative, the Group will gain an accurate understanding of market and customer needs in regions worldwide. Based on that understanding, the Group will evolve and further increase the effectiveness of the SBU system, which was introduced to optimally and rapidly reflect such needs on a Group and global basis. Further, in order to prevail and survive amid tough business conditions, it is critical for

the Group to take utmost advantage of its wide-ranging and diverse management resources in accordance with consistent targets and plans. To realize those objectives, the Group will revise the Mid-term Management Plan on an annual rolling basis, extending it by one year at a time. Those revisions will enable the Group to quickly respond to dramatically fluctuating business conditions and steadily increase its earnings levels.

In addition, the Bridgestone Group will step up efforts to build systems that will support the Group's fulfillment of its responsibilities as a corporation toward all of its stakeholders. The Group will conduct regular yearly reviews of its policy for the development of internal control systems that ensure appropriate operations. Moreover, the Group will undertake reviews of that policy as needed and continually develop systems in accordance with the policy. For corporate governance systems, the Group will take further steps to ensure that decision making consistently follows fair and transparent rules. Centering on the Integrated CSR Enhancement Committee, the Group's corporate social responsibility activities will establish systems and heighten the effectiveness of activities in all areas, including rigorous risk management for environmental protection, product safety, compliance and disaster prevention and safety initiatives; internal control improvement; employee education; and corporate citizenship activities.

Since May 2007, the U.S. Department of Justice, the European Commission, the Fair Trade Commission of Japan, and other authorities have been investigating the Bridgestone Corporation and certain of its subsidiaries in connection with alleged international cartel activities regarding the sale of marine hoses. In February 2008, the Bridgestone Group received orders from the Fair Trade Commission of Japan. The orders, which directed the Group to cease and desist from violating the Antimonopoly Act and to pay surcharges for violating the Act, were finalized. Moreover, in January 2009, the Group was notified by the European Commission of its decision to impose a fine for alleged involvement in an international cartel related to the sale of marine hoses. After careful consideration, the Bridgestone Corporation has determined that bringing the course of proceedings to an end and subsequently focusing on the reinforcement of its compliance system and the promotion of preventive measures are the appropriate actions to take. Therefore, the Bridgestone Corporation decided not to appeal to the Court of First Instance of European Commission and has paid the imposed fine. The investigation by the U.S. Department of Justice is continuing. However, proceedings in the other countries that have investigated have already been finalized.

Further, aside from the abovementioned issue, the Bridgestone Group 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 officers, and other possible forms of improper payments. The Group has been able to confirm that inappropriate payments have been identified in connection with the sale of marine hoses and other industrial products. The Group has submitted the findings of the internal inquiry regarding those incidents of improper monetary payments and other possible forms of improper payments to the Japanese Public Prosecutors Office and the U.S. Department of Justice. The Group plans to continue reporting the findings of inquiries as appropriate.

The Bridgestone Group has taken these issues seriously, and the Group has implemented measures to prevent recurrence, including a withdrawal from the marine hose business, the strengthening of training to ensure all Group employees view compliance as a serious issue that pertains directly to themselves, the strengthening of measures against improper acts, and enhancing the internal controls by corporate-wide organizational change, strengthening of management auditing framework and other methods.

## 5. Assets and Operating Results

	Unit	2007	2008	2009	2010
Net Sales	Yen in millions	3,390,218	3,234,405	2,597,002	2,861,615
Net Income	Yen in millions	131,630	10,412	1,043	98,913
Net Income Per Share	Yen	168.69	13.33	1.33	126.19
Total Assets	Yen in millions	3,359,255	2,768,470	2,808,439	2,706,639

Note 1: Net income per share is calculated using the average number of shares during a period.

Note 2: Net income for 2008 drastically decreased from 2007 primarily due to yen appreciation and high prices for raw materials. Total assets of 2008 also significantly decreased from 2007 mainly due to continued yen appreciation. Net sales and net income for 2009 significantly decreased from 2008 principally due to a drastic decrease in demand caused by the economic slowdown on a global basis. As for the factors that contributed to net sales and net income for 2010 dramatically increasing from 2009, please see "1. Business Developments and Results of Operations" in "I. CURRENT STATUS OF THE BRIDGESTONE GROUP."



## 6. Major Subsidiaries

Company	Capital	Ownership	Primary Operations
Bridgestone Tire Sales Kitanihon Co., Ltd.	Yen in million 100	100.0%	Sale of tires
Bridgestone Tire Sales Kanto Co., Ltd.	Yen in million 310	100.0%	Sale of tires
Bridgestone Tire Sales Chubu Co., Ltd.	Yen in million 310	99.9%	Sale of tires
Bridgestone Tire Sales Kinkishikoku Co., Ltd.	Yen in million 310	100.0%	Sale of tires
Bridgestone Tire Sales Nishinohon Co., Ltd.	Yen in million 100	100.0%	Sale of tires
Bridgestone FVS K.K.	Yen in million 300	100.0%	Sale of automotive parts
Bridgestone Elastech Co., Ltd.	Yen in million 450	100.0%	Manufacture and sale of antivibration components
Bridgestone Diversified Chemical Products Co., Ltd.	Yen in million 310	100.0%	Manufacture and sale of synthetic resin
Bridgestone Chemitech Co., Ltd.	Yen in million 495	100.0%	Manufacture and sale of synthetic resin
Bridgestone Diversified Products East Co., Ltd.	Yen in million 200	100.0%	Sale of and working on industrial rubber products and building materials
Bridgestone Diversified Products West Co., Ltd.	Yen in million 200	100.0%	Sale of and working on industrial rubber products and building materials
Bridgestone Sports Co., Ltd.	Yen in million 3,000	100.0%	Manufacture and sale of sporting goods
Bridgestone Cycle Co., Ltd.	Yen in million 1,870	100.0%	Manufacture and sale of bicycles
Bridgestone Finance Corporation	Yen in million 50	100.0%	Lending, purchasing of sales receivables, and outsourced processing of accounting and salary payments
Bridgestone Americas, Inc.	USD in thousand 127,000	100.0%	Management of Americas operations

Bridgestone Europe NV/SA	EUR in thousand 724,668	100.0%	Management of European operations and sale of tires
Bridgestone (China) Investment Co., Ltd.	USD in thousand 167,073	100.0%	Management of Chinese tire operations and sale of tires
Bridgestone Asia Pacific Pte. Ltd.	SGD in thousand 43,810	100.0%	Management of Asia and Oceania tire operations and sale of tires
Bridgestone Taiwan Co., Ltd.	TWD in thousand 810,500	80.0%	Manufacture and sale of tires
Thai Bridgestone Co., Ltd.	THB in thousand 400,000	69.2%	Manufacture and sale of tires
Bridgestone Tire Manufacturing (Thailand) Co., Ltd.	THB in thousand 6,921,000	100.0%	Manufacture and sale of tires
Bridgestone Natural Rubber (Thailand) Co., Ltd.	THB in thousand 447,000	100.0%	Processing of natural rubber
P.T. Bridgestone Tire Indonesia	USD in thousand 24,960	54.3%	Manufacture and sale of tires
Bridgestone Australia Ltd.	AUD in thousand 205,819	100.0%	Sale of tires
Bridgestone Earthmover Tyres Pty. Ltd.	AUD in thousand 7,000	100.0%	Sale of off-the-road tires for mining and construction vehicles
Bridgestone Middle East & Africa FZE.	AED in thousand 17,000	100.0%	Management of Middle East and Africa tire operations and sale of tires
Bridgestone South Africa Holdings (Pty) Ltd.	ZAR in thousand 23	100.0%	Holding company for tire manufacturing and marketing company
Bridgestone Finance Europe B.V.	EUR in thousand 225	100.0%	Lending and purchasing of sales receivables

## 7. Major Business Operations

The Bridgestone Group is composed of the tire business segment that comprises manufacture and sale of tires and tire tubes, sale of tire-related products, manufacture and sale of retread material and related services, automotive maintenance and repair services, and other businesses; and the diversified products segment that comprises

manufacture and sale of chemical and industrial products, sporting goods and bicycles, and other businesses.

Business segments	Products and operations	
Tires	Tires and tubes for passenger cars, trucks and buses, construction and mining vehicles, industrial machinery, agricultural machinery, aircraft, motorcycles and scooters and others; automotive parts; retreading materials and services; automotive maintenance and repair services; raw materials for tires; and others	
Diversified products	(Chemical and industrial products)	Vehicle parts, polyurethane foam and related products, electronic precision parts, industrial materials-related products, civil engineering and construction materials and equipment, and others
	(Sporting goods)	Golf balls, golf clubs, other sporting goods, and others
	(Bicycles)	Bicycles, bicycle-related goods, and others
	(Others)	Finance, and others

## 8. Major Offices and Plants

Bridgestone Corporation

Headquarters	1-10-1 Kyobashi, Chuo-ku, Tokyo	Seki Plant	Seki, Gifu
		Hikone Plant	Hikone, Shiga
Technical Center	Kodaira, Tokyo and Totsuka-ku, Yokohama, Kanagawa	Hofu Plant	Hofu, Yamaguchi
		Shimonoseki Plant	Shimonoseki, Yamaguchi
Nasu Plant	Nasushiobara, Tochigi	Kitakyushu Plant	Wakamatsu-ku, Kitakyushu, Fukuoka
Tochigi Plant	Nasushiobara, Tochigi	Tosu Plant	Tosu, Saga
Kuroiso Plant	Nasushiobara, Tochigi	Saga Plant	Miyaki-gun, Saga
Tokyo Plant	Kodaira, Tokyo	Kurume Plant	Kurume, Fukuoka

Yokohama Plant	Totsuka-ku, Yokohama, Kanagawa	Amagi Plant	Asakura, Fukuoka
Iwata Plant	Iwata, Shizuoka	Kumamoto Plant	Tamana, Kumamoto

#### Subsidiaries

Japan	
Bridgestone Tire Sales Kitanihon Co., Ltd	Aoba-ku, Sendai, Miyagi
Bridgestone Tire Sales Kanto Co., Ltd	Shinjuku-ku, Tokyo
Bridgestone Tire Sales Chubu Co., Ltd	Higashi-ku, Nagoya, Aichi
Bridgestone Tire Sales Kinkishikoku Co., Ltd	Nishi-ku, Osaka, Osaka
Bridgestone Tire Sales Nishinohon Co., Ltd	Hakata-ku, Fukuoka, Fukuoka
Bridgestone FVS K.K.	Chuo-ku, Tokyo
Bridgestone Elastech Co., Ltd.	Kakegawa, Shizuoka
Bridgestone Diversified Chemical Products Co., Ltd	Chuo-ku, Tokyo
Bridgestone Chemitech Co., Ltd.	Nabari, Mie
Bridgestone Diversified Products East Co., Ltd	Chuo-ku, Tokyo
Bridgestone Diversified Products West Co., Ltd	Nishi-ku, Osaka, Osaka
Bridgestone Sports Co., Ltd.	Shinagawa-ku, Tokyo
Bridgestone Cycle Co., Ltd.	Ageo, Saitama
Bridgestone Finance Corporation	Chuo-ku, Tokyo

The Americas	
Bridgestone Americas, Inc. and its subsidiaries	
Headquarters	U.S.
Technical Center	U.S.
Des Moines Plant	U.S.
La Vergne Plant	U.S.
Wilson Plant	U.S.
Warren Plant	U.S.
Aiken Plant	U.S.
Joliette Plant	Canada
Monterrey Plant	Mexico
Sao Paulo Plant	Brasil

Bahia Plant	Brasil
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Europe	
Bridgestone Europe NV/SA and its subsidiaries	
Headquarters	Belgium
Technical Center	Italy
Poznan Plant	Poland
Stargard Plant	Poland
Tatabanya Plant	Hungary
Bethune Plant	France
Bilbao Plant	Spain
Burgos Plant	Spain

Overseas, other areas	
Bridgestone (China) Investment Co., Ltd.	China
Bridgestone Asia Pacific Pte. Ltd.	Singapore
Bridgestone Taiwan Co., Ltd.	Taiwan
Thai Bridgestone Co., Ltd.	Thailand
Bridgestone Tire Manufacturing (Thailand) Co., Ltd.	Thailand
Bridgestone Natural Rubber (Thailand) Co., Ltd.	Thailand
P.T. Bridgestone Tire Indonesia	Indonesia
Bridgestone Australia Ltd.	Australia
Bridgestone Earthmover Tyres Pty. Ltd.	Australia
Bridgestone Middle East & Africa FZE.	U.A.E.
Bridgestone South Africa Holdings (Pty) Ltd.	South Africa
Bridgestone Finance Europe B.V.	Netherland

Note For subsidiaries in Japan and in other overseas areas, locations indicate where their headquarters reside.

## 9. Employees

Business segments	Number of employees	Increase (decrease) from the previous period-end
Tires	122,833	1,817
Diversified products	16,989	870
Total	139,822	2,687

## 10. Major Lenders and debt balance (Bridgestone Corporation)

Lenders	Debt Balance (Yen in millions)
Sumitomo Mitsui Banking Corporation	20,000
Mizuho Corporate Bank, Ltd.	13,500
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,000
Nippon Life Insurance Company	10,000
The Dai-ichi Life Insurance Company, Limited	10,000
Sumitomo Life Insurance Company	10,000
Others	36,500
<b>Total</b>	<b>110,000</b>

## II. SHARES OF BRIDGESTONE CORPORATION AS OF DECEMBER 31, 2010

1. **Total Number of Shares Authorized to be Issued:** 1,450,000,000 shares  
2. **Total Number of Shares Issued and Outstanding:** 813,102,321 shares  
3. **Number of Shareholders:** 59,937 shareholders

### 4. Major Shareholders

Name of Shareholders	Number of Shares owned (in thousands)	Percentage owned
Ishibashi Foundation	76,693	9.80%
Japan Trustee Services Bank, Ltd. (Trust account)	44,728	5.71%
The Master Trust Bank of Japan, Ltd. (Trust account)	31,906	4.08%
Hiroshi Ishibashi	27,100	3.46%
Nippon Life Insurance Company	20,028	2.56%
Sumitomo Mitsui Banking Corporation	18,000	2.30%
K.K. Nagasaka Sangyo	16,325	2.09%
The National Mutual Insurance Federation of Agricultural Cooperatives	12,620	1.61%
SSBT OD05 Omnibus Account - Treaty Clients	11,703	1.50%
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	10,418	1.33%

Note 1: Shares held by trust banks include such shares owned in the trustees' capacity.

Note 2: Bridgestone Corporation holds 30,435 thousand of its own shares, which are not

included in the above schedule.

### III. STOCK ACQUISITION RIGHTS OF BRIDGESTONE CORPORATION

#### 1. Status of Stock Acquisition Rights as of the Period End

##### (1) Stock acquisition rights held by directors (excluding Outside Directors)

Name of stock acquisition rights (Date when allocation was approved)	Class and number of shares to be issued or transferred upon exercise of stock acquisition rights	Issue price (per stock acquisition right)	Exercise price (per share)	Exercise period	Number of stock acquisition rights (units) and number of holders
The 2nd Stock Acquisition Rights (Mar. 30, 2004)	14,000 common stocks	none	¥1,864	Apr. 1, 2006 to Mar. 31, 2011	14 units 3 persons
The 3rd Stock Acquisition Rights (Mar. 30, 2005)	28,000 common stocks	none	¥2,114	Apr. 1, 2007 to Mar. 31, 2012	28 units 6 persons
The 4th Stock Acquisition Rights (Mar. 30, 2006)	40,000 common stocks	none	¥2,775	Apr. 1, 2008 to Mar. 31, 2013	40 units 6 persons
The 5th Stock Acquisition Rights (Mar. 29, 2007)	47,000 common stocks	none	¥2,546	Apr. 1, 2009 to Mar. 31, 2014	470 units 6 persons
The 6th Stock Acquisition Rights (Mar. 27, 2008)	35,500 common stocks	none	¥1,936	Apr. 1, 2010 to Mar. 31, 2015	355 units 6 persons
The 7th Stock Acquisition Rights (Mar. 26, 2009)	42,000 common stocks	¥1,264 (Note)	¥1	May 1, 2009 to Apr. 30, 2029	420 units 6 persons
The 8th Stock Acquisition Rights (Mar. 30, 2010)	44,000 common stocks	¥1,400 (Note)	¥1	May 6, 2010 to Apr. 30, 2030	440 units 6 persons

(2) Stock acquisition rights held by Outside Directors

Name of stock acquisition rights (Date when allocation was approved)	Class and number of shares to be issued or transferred upon exercise of stock acquisition rights	Issue price (per stock acquisition right)	Exercise price (per share)	Exercise period	Number of stock acquisition rights (units) and number of holders
The 8th Stock Acquisition Rights (Mar. 30, 2010)	2,000 common stocks	¥1,400 (Note)	¥1	May 6, 2010 to Apr. 30, 2030	20 units 2 persons

(3) Stock acquisition rights held by officers other than directors (corporate auditors)

Name of stock acquisition rights (Date when allocation was approved)	Class and number of shares to be issued or transferred upon exercise of stock acquisition rights	Issue price (per stock acquisition right)	Exercise price (per share)	Exercise period	Number of stock acquisition rights (units) and number of holders
The 3rd Stock Acquisition Rights (Mar. 30, 2005)	2,000 common stocks	none	¥2,114	Apr. 1, 2007 to Mar. 31, 2012	2 units 1 persons
The 4th Stock Acquisition Rights (Mar. 30, 2006)	2,000 common stocks	none	¥2,775	Apr. 1, 2008 to Mar. 31, 2013	2 units 1 persons
The 5th Stock Acquisition Rights (Mar. 29, 2007)	2,000 common stocks	none	¥2,546	Apr. 1, 2009 to Mar. 31, 2014	20 units 1 persons



## 2. Status of Stock Acquisition Rights Issued During the Current Period

### (1) Stock acquisition rights issued to employees of Bridgestone Corporation

Name of stock acquisition rights (Date when allocation was approved)	Class and number of shares to be issued or transferred upon exercise of stock acquisition rights	Issue price (per stock acquisition right)	Exercise price (per share)	Exercise period	Number of stock acquisition rights (units) and number of holders
The 8th Stock Acquisition Rights (Mar. 30, 2010)	72,500 common stocks	¥1,400 (Note)	¥1	May 6, 2010 to Apr. 30, 2030	725 units 25 persons

### (2) Stock acquisition rights issued to directors, corporate auditors and employees of subsidiaries

None applicable

Note: Bridgestone Corporation and those to whom stock acquisition rights are allocated offset, on the date of allocation, the receivables and payables for the issue price payments and the same amount of remuneration for services.

## IV. DIRECTORS AND CORPORATE AUDITORS OF BRIDGESTONE CORPORATION

### 1. Directors and Corporate Auditors

Names	Positions	Titles as corporate officers, responsibilities or posts Important concurrent posts
Shoshi Arakawa	Representative, Chairman of the Board	CEO and President

Kazuhiisa Nishigai	Representative, Member of the Board	Senior Vice President Responsible for Japan Tire Business; Concurrently responsible for Replacement Tire Sales
Masaaki Tsuya	Member of the Board	Vice President and Senior Officer Chief Risk-Management Officer, Chief Human Rights Officer Responsible for Corporate Administration; Concurrently responsible for Diversified Products, Sports and Cycle Business Administration Chief Compliance Officer, Office of Group CEO, Internal Auditing Member of the Board of Bridgestone Sports Co., Ltd. Member of the Board of Bridgestone Cycle Co., Ltd. Member of the Board of Bridgestone Americas, Inc. Chairman of Bridgestone Europe NV/SA
Mikio Masunaga	Member of the Board	Vice President and Senior Officer Responsible for Products Development Motorsport
Kazuo Kakehi	Member of the Board	Vice President and Senior Officer Responsible for Diversified Products Member of the Board of Bridgestone Diversified Chemical Products Co., Ltd. Member of the Board of Bridgestone Diversified Products East Co., Ltd. Member of the Board of Bridgestone Diversified Products West Co., Ltd.
Toru Tsuda	Member of the Board	Vice President and Senior Officer Responsible for Quality Management
Sakie Tachibana Fukushima	Member of the Board	President and Representative Director of G&S Global Advisors Inc. Member of the Board of PARCO CO., LTD.

Takao Enkawa	Member of the Board	Professor, Graduate School of Decision Science and Technology, Tokyo Institute of Technology Corporate Auditor of Gourmet Navigator Inc.
Yukimitsu Ushio	Corporate Auditor	Full-time
Takashi Yasukochi	Corporate Auditor	Full-time
Hiroshi Ishibashi	Corporate Auditor	President of the Board of Directors of Ishibashi Foundation President of NAGASAKA CORPORATION
Toshiaki Hasegawa	Corporate Auditor	Lawyer (Representative Lawyer of T. Hasegawa & Co., Law Office) Member of the Board of Sompo Japan Insurance Inc. Corporate Auditor of Mizuho Bank, Ltd. Corporate Auditor of Mizuho Corporate Bank, Ltd. Corporate Auditor of Mitsui Fudosan Co., Ltd.
Yo Takeuchi	Corporate Auditor	Lawyer (Representative Partner, IWATA GODO) Member of the Board of Oji Paper Co., Ltd.
Katsuji Hayashi	Corporate Auditor	Certified Public Accountant ( Representative, Hayashi Katsuji Certified Public Accountant Office ) Corporate Auditor of Ishibashi Foundation

Note 1: The information above is as of December 31, 2010.

Note 2: Directors Sakie Tachibana Fukushima and Takao Enkawa are Outside Directors as set forth in Article 2-15 of the Corporation Law of Japan.

Note 3: Corporate Auditors Toshiaki Hasegawa, Yo Takeuchi and Katsuji Hayashi are Outside Corporate Auditors as set forth in Article 2-16 of the Corporation Law of Japan.

Bridgestone Corporation has borrowing from Mizuho Corporate Bank, Ltd., where Corporate Auditor Toshiaki Hasegawa has an important concurrent post.

Bridgestone Corporation has an advisory contract with Iwata Joint Law Office, where Corporate Auditor Yo Takeuchi has an important concurrent post.

Ishibashi Foundation, where Corporate Auditor Katsuji Hayashi has an important concurrent post, is a shareholder of Bridgestone Corporation.

Note 4: Bridgestone Corporation has notified the Tokyo Stock Exchange, the Osaka Securities Exchange, the Nagoya Stock Exchange, and the Fukuoka Stock

Exchange of Director Sakie Tachibana Fukushima, Director Takao Enkawa, Corporate Auditor Toshiaki Hasegawa, Corporate Auditor Yo Takeuchi, and Corporate Auditor Katsuji Hayashi, as independent directors/auditors whose requirements are specified by the respective financial instruments exchanges.

Note 5: Corporate Auditor Yukimitsu Ushio has a respectable knowledge of finance and accounting, derived from having long been engaged in the accounting duties of Bridgestone Corporation.

Note 6: Corporate Auditor Katsuji Hayashi has a respectable knowledge of finance and accounting, derived from his long professional career in an auditing firm.

Note 7: Corporate Officers of Bridgestone Corporation as of December 31, 2010 (presented for readers' reference).

Name	Titles	Responsibilities or posts
Shoshi Arakawa (*)	CEO and President	
Kazuhiisa Nishigai (*)	Senior Vice President	Responsible for Japan Tire Business; Concurrently responsible for Replacement Tire Sales
Masaaki Tsuya (*)	Vice President and Senior Officer	Chief Risk-Management Officer, Chief Human Rights Officer Responsible for Corporate Administration; Concurrently responsible for Diversified Products, Sports and Cycle Business Administration Chief Compliance Officer, Office of Group CEO, Internal Auditing
Mikio Masunaga (*)	Vice President and Senior Officer	Responsible for Products Development Motorsport
Kazuo Kakehi (*)	Vice President and Senior Officer	Responsible for Diversified Products
Toru Tsuda (*)	Vice President and Senior Officer	Responsible for Quality Management

Kiyoshi Nomura	Vice President and Senior Officer	Responsible for Japan Tire Business Planning Replacement Tire Sales Planning and Administration; Concurrently Director, Japan Tire Business Planning Division
Takashi Urano	Vice President and Senior Officer	Responsible for International Tire Business Operations; Concurrently Director, International Tire Administration Division
Narumi Zaitso	Vice President and Senior Officer	Responsible for Production Technology Advanced Production Technology Development
Yasumi Kawasaki	Vice President and Senior Officer	Responsible for Global Logistics Center
Akihiro Eto	Vice President and Officer	Chief Financial Officer, Finance, Chief Information Officer, IT & Network; Concurrently Director, Corporate Planning Division, Internal Control Division
Naomi Eto	Vice President and Officer	General Affairs, Corporate Communications; Concurrently Director, Corporate Communications Division
Yasuo Ryuto	Vice President and Officer	Original Equipment Tire Sales
Yoshiharu Inoue	Vice President and Officer	Safety and Disaster Prevention
Yoichi Sato	Vice President and Officer	Chief Quality Officer, Quality

Shuichi Ishibashi	Vice President and Officer	Environment; Concurrently Assistant to Vice President and Officer, Office of Group CEO New Business Development; Concurrently Assistant to Vice President and Senior Officer, Responsible for Diversified Products, Sports and Cycle Business Administration Diversified Products New Business Models Development
Hideki Yokoyama	Vice President and Officer	Central Research; Concurrently Assistant Director, Human Resources Division
Masato Hiruma	Vice President and Officer	Tire Products Strategy
Isaku Motohashi	Vice President and Officer	Global Production Administration and Logistics, Mold Technology and Manufacturing; Concurrently General Manager, SCM Renovation Project Group Production Distribution Administration Division
Fumihiro Yanaga	Vice President and Officer	Tire Production Technology Development; Concurrently Director, Process Engineering Development Division
Yutaka Yamaguchi	Vice President and Officer	Tire Products Development
Yoshiyuki Morimoto	Vice President and Officer	Tire Research and Material Development; Concurrently Assistant to Vice President and Officer, Office of Group CEO Technology Relations
Natsuki Fujii	Vice President and Officer	Diversified Products

Satoshi Tagomori	Vice President and Officer	Chemical and Industrial Products Production and Technology Advanced Chemical and Industrial Products Production Technology Development
Minoru Shimizu	Vice President and Officer	Consumer Tires Business; Concurrently Director, Consumer Tires Business Division
Koji Kajiwara	Vice President and Officer	Commercial Tires Solutions Business; Concurrently Director, Commercial Tires Solutions Business Division; Concurrently Chairman, CEO and President of Bridgestone BMS Co., Ltd.
Shinichi Sato	Vice President and Officer	Retail Business Operation; Concurrently Director, International Retail Business Support Division
Yasushi Ota	Vice President and Officer	Japan Tire Production
Tatsuro Hamada	Vice President and Officer	Internal Manufacturing Management; Concurrently Director, Internal Manufacturing Planning Division
Masahito Tsuji	Vice President and Officer	Procurement; Concurrently Director, GLC Administration Division
Asahiko Nishiyama	Vice President and Officer	Seconded to Bridgestone Americas, Inc. Chairman of Bridgestone Americas, Inc.
Koki Takahashi	Vice President and Officer	Seconded to Bridgestone Americas, Inc. Vice Chairman of Bridgestone Americas, Inc.
Hideo Hara	Vice President and Officer	Seconded to Bridgestone Americas, Inc.
Makio Ohashi	Vice President and Officer	Seconded to Bridgestone Europe NV/SA Member of the Board, CEO and President of Bridgestone Europe NV/SA

Kunitoshi Takeda	Vice President and Officer	Seconded to Bridgestone (China) Investment Co., Ltd. Chairman and CEO of Bridgestone (China) Investment Co., Ltd.
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Note: The list above includes Members of the Board and those seconded to subsidiaries. An asterisk (\*) after a name indicates that the person is concurrently a Member of the Board.

## 2. Directors' and Corporate Auditors' Remuneration for the Current Period

(1) Total amounts of remuneration, subtotals by types of remuneration and the numbers of recipients by the categories of directors and corporate auditors

Categories	Total amounts of remuneration (Yen in millions)	Remuneration by types (Yen in millions)				Number of Recipients (in persons)
		Monthly Payments	Bonuses	Stock Options	Retirement Benefit	
Members of the Board	471	306	98	66	-	11
(of which Outside Directors)	(23)	(20)	( - )	(2)	( - )	(2)
Corporate Auditors	234	115	-	-	119	7
(of which Outside Corporate Auditors)	(98)	(41)	( - )	( - )	(56)	(4)
Total	706	422	98	66	119	18

Note 1: The figures above include remuneration paid to three Members of the Board and one Outside Corporate Auditor who retired during the current period.

Note 2: Bridgestone Corporation discontinued the Retirement Benefit Plan for Corporate Auditors as of the conclusion of the 91st Annual General Meeting of Shareholders held on March 30, 2010. For the Corporate Auditors who continued to remain in position thereafter, the retirement benefits corresponding to the lengths of their services until the discontinuation shall be paid upon their retirement. In addition to the above figures, ¥89 million of such payment was already disclosed in the



Business Reports for the periods on or after 2007 (89th reporting period).

(2) Amounts of remuneration on consolidated basis paid to those directors or corporate auditors who are paid more than ¥100 million

Names	Categories	Companies	Remuneration by types, on consolidated basis (Yen in millions)				Total amounts of remuneration (Yen in millions)
			Monthly Payments	Bonuses	Stock Options	Retirement Benefit	
Shoshi Arakawa	Member of the Board	Bridgestone Corporation	85	40	17	-	143
Mark A. Emkes	Member of the Board	Bridgestone Corporation	-	-	-	-	-
	Member of the Board	Bridgestone Americas, Inc.	13	38	-	133	185

Note: Mr. Mark A. Emkes retired from the Member of the Boards for Bridgestone Corporation and Bridgestone Americas, Inc. on February 28, 2010.

(3) Policy and process for setting directors' and corporate auditors' remuneration

i) Policy for setting directors' and corporate auditors' remuneration

Bridgestone Corporation has adopted "Principles for Remuneration Setting," with four elements: to attract and cultivate superior talents, competitive remuneration level, motivation for execution of business strategies, and motivation for enhancing shareholder value. Based on the Principles, it sets remuneration for directors and corporate auditors reflecting such factors as our performance results and business size, also taking into consideration the remuneration levels of other major global companies in Japan.

(a) Remuneration for directors comprises three components: monthly payments, bonuses and stock options. While monthly payments are fixed in nature, bonuses vary depending upon the Company's performance. In addition, stock-compensation-type stock options are varying remuneration designed to motivate and raise the morale for better mid- to long-term corporate value, and to promote the sharing of value with shareholders.

Remuneration for Outside Directors comprises monthly payments, which is fixed in

nature, and stock-compensation-type stock options as long-term incentives. This is based on the consideration that Outside Directors contribute to mid- to long-term business results and corporate value by way of participating in the management judgment in their capacity of officers who do not execute day-to-day business operations.

Directors and Outside Directors can exercise their stock options from the day after their retiring date.

- (b) The sole component of remuneration for corporate auditors is the fixed monthly payment. It does not include remuneration that varies depending on the Company's performance, because corporate auditors assume the role of auditing the Member of the Board executing their duties, independently from those members.

As regards the retirement benefit plans, Bridgestone Corporation discontinued such plans for directors and for corporate auditors in March 2009 and March 2010, respectively.

ii) Process for setting directors' and corporate auditors' remuneration

Bridgestone Corporation aims at ensuring objective and transparent remuneration program. To that end, it establishes the Compensation subcommittee, which shall include one or more than one of Outside Directors and more than one of corporate auditors, and the Directorial Personnel and Compensation Committee, which shall include one or more than one of corporate auditors. The committee and subcommittee discuss the entire range of issues regarding remuneration including the basic principles, the program schemes and remuneration amounts, reflecting such factors as the business environment and our performance results, also taking into consideration the remuneration levels and trends of other major global companies in Japan. The draft resolution, approved by the Compensation subcommittee and the Directorial Personnel and Compensation Committee, are then discussed and determined by the Board of Directors for directors' remuneration and by the Board of Corporate Auditors for corporate auditors' remuneration.

Actual amounts of remuneration need to undergo the approval process that the Companies Act of Japan requires before determined.

- (a) The amounts of monthly remuneration paid to directors are determined by the Board of Directors, within the upper limit of ¥35 million per month, a total for all the directors, resolved at the 83rd Annual General Meeting of Shareholders held on March 28, 2002. The amounts of monthly remuneration paid to corporate auditors are determined by the

Corporate Auditors, within the upper limit of ¥12 million per month, a total for all the corporate auditors, resolved at the 91st Annual General Meeting of Shareholders held on March 30, 2010.

- (b) The amounts of variable remuneration, namely bonuses and stock-compensation-type stock options, paid or granted to directors are determined by the Board of Directors within the limit resolved by the Annual General Meeting of Shareholders held every year.

### 3. Outside Directors and Outside Corporate Auditors

#### (1) Main activities of Outside Directors and Outside Corporate Auditors

Positions	Names	Attendance at meetings	Primary activities
Member of the Board	Sakie Tachibana Fukushima	14 out of 14 (Board of Directors)	She made necessary remarks for ensuring appropriate decisions made by the Board of Directors principally based on her abundant knowledge and experience in global business management.
Member of the Board	Takao Enkawa	14 out of 14 (Board of Directors)	He made necessary remarks for ensuring appropriate decisions made by the Board of Directors principally based on his considerable insight into the production management and quality management.
Corporate Auditor	Toshiaki Hasegawa	17 out of 18 (Board of Directors) 15 out of 15 (Board of Corporate Auditors)	He made necessary remarks for ensuring appropriate decisions made by the Board of Directors principally from professional perspectives as attorney at law.

Corporate Auditor	Yo Takeuchi	18 out of 18 (Board of Directors) 14 out of 15 (Board of Corporate Auditors)	He made necessary remarks for ensuring appropriate decisions made by the Board of Directors principally from professional perspectives as attorney at law.
Corporate Auditor	Katsuji Hayashi	14 out of 14 (Board of Directors) 10 out of 10 (Board of Corporate Auditors)	He made necessary remarks for ensuring appropriate decisions made by the Board of Directors principally from professional perspectives as a certified public accountant.

Note 1: Directors Sakie Tachibana Fukushima and Takao Enkawa and Corporate Auditor Katsuji Hayashi have different numbers of meetings of Board of the Directors and Board of the Corporate Auditors they could attend because they were elected at the 91st Annual General Meeting of Shareholders held on March 30, 2010.

Note 2: "4. Management Tasks" of "I. CURRENT STATUS OF THE BRIDGESTONE GROUP" describes the fact and circumstances surrounding the non-compliance with laws and regulations and the articles of incorporation during the current period. Directors Sakie Tachibana Fukushima and Takao Enkawa discharge their responsibilities in that they endeavor, together with other Members of the Board, to ensure appropriateness of duty execution under all circumstances and that they make recommendations from the perspectives including corporate social responsibilities and internal controls. Corporate Auditors Toshiaki Hasegawa, Yo Takeuchi, and Katsuji Hayashi discharge their responsibilities in that they audit, together with other corporate auditors, to ensure appropriateness of duty execution under all circumstances and that they make recommendations from the perspectives including compliance with laws and regulations.

## (2) Liability limitation agreements with Outside Directors and Outside Corporate Auditors

Bridgestone Corporation has entered into agreements with all of its Outside Directors and Outside Corporate Auditors to limit their liability with regard to the damage compensation liability of Paragraph 1 of Article 423 of the Corporation Law of Japan. Such agreements are

based upon Paragraph 2 of Article 27 and Paragraph 2 of Article 35 of its Articles of Incorporation, which was stipulated pursuant to Paragraph 1 of Article 427 of the same Law. Under the agreements, the maximum amount of their liability shall be the higher of either 10 million yen or the minimum liability amount prescribed in Paragraph 1 of Article 425 of the Corporation Law of Japan.

## V. INDEPENDENT AUDITORS

### 1. Name of Independent Auditors

Deloitte Touche Tohmatsu LLC

### 2. Independent Auditors Compensation for the Current Period

Amount of compensation to be paid by Bridgestone Corporation to the Independent Auditors	¥159 million
Total amount of compensation to be paid by Bridgestone Corporation and its subsidiaries to the Independent Auditors	¥275 million

Note 1: The audit agreement entered into by the Independent Auditors and Bridgestone Corporation does not separately stipulate the compensation amounts for the audit under the Companies Act of Japan, the audit under the Financial Instruments and Exchange Act, and the audit on consolidated financial statements in English language. Neither can those three amounts be practically distinguished from one another. Hence, the above amounts indicate the total amounts to be paid to the Independent Auditors.

Note 2: Bridgestone Corporation has paid to the Independent Auditors for services (non-auditing services) other than those set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act. Such services include advice on and guidance regarding the internal controls over financial reporting.

Note 3: Major overseas subsidiaries are subject to audit by overseas independent auditors other than Bridgestone Corporation's independent auditors. Such overseas independent auditors are qualified as certified public accountants or audit corporations under relevant overseas laws and regulations. Audit here means those in compliance with overseas laws and regulation equivalent to the provisions in the Companies Act of Japan or the Financial Instruments and Exchange Act of Japan.

### **3. Policy for Determination of Dismissal or Non-Reappointment of the Independent Auditors**

The Board of Corporate Auditors dismisses the Independent Auditors with a unanimous resolution in the event where it determines the Independent Auditors falls under any item of Article 340, Paragraph 1 of the Companies Act of Japan.

In addition, the Board of Directors submits a proposal, with the consent of, or on the request of, the Board of Corporate Auditors, for dismissal or non-reappointment of the Independent Auditors to a General Meeting of Shareholders, in the event where it is deemed necessary in order to ensure a proper audit performed or to enhance the appropriateness of the audit.

## **VI. SYSTEMS TO ENSURE COMPLIANCE OF THE DIRECTORS' EXECUTION OF DUTIES WITH LAWS AND REGULATIONS AND THE ARTICLES OF INCORPORATION, AS WELL AS OTHER SYSTEMS TO ENSURE THE PROPRIETY OF BUSINESS OPERATIONS**

Bridgestone Corporation decided in May 2006, in accordance with Article 362, Paragraph 5 of the Companies Act of Japan, on its policy to develop systems, often called the "internal control systems," which are necessary to ensure the propriety of business operations. The policy, which has been updated as necessary since then, was revised to constitute the Policy 2010 at the meeting of the Board of Directors held on December 15, 2010, in consideration of the extent of the subsequent implementation of the internal control systems. The policy will continue to be revised every year.

### **(1) Systems to ensure compliance of the directors' and the employees' execution of duties with laws and regulations and the articles of incorporation**

The Board of Directors articulates the management stance and oversees the execution of duties by the Members of the Board, in accordance with the Board of Directors Rules. The Board of Directors ensures compliance of the execution of duties by the Members of the Board with laws, regulations and the articles of incorporation through obtaining reports from them and deliberating in its meetings.

Bridgestone Corporation has formulated an approach and basic policies for implementing and advancing the compliance systems, which call for the Member of the Board and all of our employees to act in line with the Bridgestone philosophy based upon our corporate spirit "Trust and Pride," and our mission "Serving Society with Superior Quality," in addition to

compliance with laws, regulations and the articles of incorporation. A unit dedicated to handling compliance, which reports to the Chief Compliance Officer (CCO), has responsibility for the operation of a compliance counseling office that includes a helpline to provide employees confidential channels in seeking compliance-related advice, as well as for promoting compliance-related education for directors and employees. Recognizing the Corporate Social Responsibility (CSR)-related importance of compliance activities, Bridgestone Corporation has previously established the Compliance Committee, which is chaired by the CCO and is a subcommittee of the Integrated CSR Enhancement Committee, which is chaired by the CEO and President. Moving forward, Bridgestone will continue to advance compliance activities as one facet of its CSR.

As reiterated by the Chairman of the Board, CEO and President, the Bridgestone Group has no connection whatsoever with antisocial forces or groups that threaten public order and safety. The Group takes a resolute stand against any requests from such antisocial forces or groups. The Group has established a department to evaluate information received regarding such matters, has worked to build relationships of trust and cooperation with external institutions, such as the police and other related organizations, and has been working to implement a manual for dealing with inappropriate or illegal requests, evaluating and reviewing contracts, and implementing other related measures. Bridgestone will strive to see that these measures are widely known and will continue to strengthen internal systems aimed at abating any such antisocial forces.

As regards the "system for ensuring appropriateness of statements on finance and accounting and other information," set forth in Article 24-4-4 of the Financial Instruments and Exchange Act of Japan (the so-called "J-SOX Act"), the Bridgestone Group will work to ensure an effective and reliable system of internal controls on a Groupwide basis and to further raise the level of internal control throughout the Group.

(2) Systems to preserve and manage information pertaining to the execution of duties by directors

Bridgestone Corporation documents, without delay, information related to the execution of duties by the Member of the Board, including minutes of meetings of the Board of Directors and Executive Operational Committee and approval of business operations. Once confirmed, such documents are preserved and managed in an appropriately searchable manner, also with appropriate measures against information leaking, in compliance with applicable rules and guidelines. Moving forward, Bridgestone will continue to such appropriate information management.

### (3) Rules and other systems regarding risk management

Risk management activities, led by the Chief Risk-Management Officer (CRO), focus on the identification and mitigation of operational risks and the implementation of measures — as outlined in a basic risk management manual – designed to prevent both small-scale accidents and large-scale incidents. Contingency planning activities include the formulation and review of business continuation plans aimed at restoring operations as quickly as possible in the event of any disruption. In line with the recognition of the importance of risk management in CSR, Bridgestone has previously established the Risk Management Committee, which is chaired by the CRO and is a subcommittee of the Integrated CSR Enhancement Committee which is chaired by the CEO and president. Moving forward, Bridgestone Group will continue to find additional ways to strengthen the system to comprehensively manage risks that could have a major influence on the operating activities of Bridgestone Corporation and other Group companies.

### (4) Systems to ensure the efficient execution of duties by directors

Bridgestone Corporation articulates and implements its policies in accordance with the Policy Management Rules, and ensures the efficient execution of duties by the Member of the Board in accordance with the Administrative Authority Rules. Bridgestone will review and revise such system as necessary.

### (5) Systems to ensure the propriety of business operations conducted by the corporate group consisting of the company and its subsidiaries

Bridgestone Corporation clarifies and makes understood the responsibilities, authorities and ways of business operations by delineating in the Administrative Authority Rules and other corporate regulations including rules and guidelines.

Since each company of the Group is an independent entity, Bridgestone Corporation respects each company's decisions and business operations made and executed by the bodies of each company. From the perspective of the Group optimum, though, the Administrative Authority Rules stipulates Bridgestone Corporation, the parent company, advise or approve certain important issues of the Group companies.

The Internal Auditing Office, which audits the management of Bridgestone Corporation and its Group companies, has strengthened its organization and activities and continues to enhance its operations.



As for the Group companies that have simplified their governing organizations in accordance with the Companies Act of Japan, the Bridgestone Group ensures the propriety of their business operations through enhanced internal audit functions.

These rules and systems ensure the propriety of business operations conducted by the group consisting of Bridgestone Corporation and its subsidiaries.

(6) Matters concerning employees where a corporate auditor requests employees to assist with duties, and the independence of those employees from directors

Bridgestone Corporation has established the Corporate Auditor Office which supports the duties of the Corporate Auditors and has assigned a certain number of employees to the Office. Change or any other personnel matters related to the Office need the advance consent of the Corporate Auditors.

(7) Systems for directors and employees to report to corporate auditors and other reporting systems to the corporate auditors and other systems to ensure effective audits by corporate auditors

Members of the Board and employees have and will continue to respond without delay to any queries or any other requests for information from the Corporate Auditors. In addition, they immediately report to the Corporate Auditors any fact that may significantly affect Bridgestone Corporation or its Group companies, including any fact likely to cause substantial detriment to the Group, or any misconduct or material facts in violation of laws and regulations or the article of incorporation by Members of the Board or employees. Further, Members of the Board and employees have reported and will continue to report in advance to the Corporate Auditors the agenda of meetings of the Board of Directors and the Executive Operational Committee, for which the results are also reported to the Corporate Auditors. Bridgestone Corporation implements any other systems necessary to ensure effective audits by the Corporate Auditors, responding to their requests.

## Consolidated Balance Sheets

	Current Year (As of December 31, 2010)	Previous Year (As of December 31, 2009) (for reference)
	Yen in millions	Yen in millions
<b>(Assets)</b>		
<b>Current Assets:</b>		
Cash and deposits	185,334	158,605
Notes and accounts receivable	426,935	483,960
Short-term investments	113,228	83,915
Merchandise and finished products	253,908	271,935
Work in process	31,362	30,214
Raw materials and supplies	142,314	133,134
Deferred tax assets	61,487	58,558
Other	72,281	72,552
Allowance for doubtful accounts	(9,884)	(18,419)
Total Current Assets	1,276,968	1,274,457
<b>Fixed Assets:</b>		
Tangible fixed assets		
Buildings and structures	341,190	358,029
Machinery, equipment and vehicles	378,430	422,175
Land	147,094	150,267
Construction in progress	89,555	86,133
Other	50,353	59,996
Total tangible fixed assets	1,006,624	1,076,601
Intangible fixed assets	31,061	38,654
Investments and other assets		
Investments in securities	217,340	214,396
Long-term loans receivable	6,753	9,096
Deferred tax assets	103,201	134,306
Other	66,277	61,672
Allowance for doubtful accounts	(1,588)	(746)
Total Investments and other assets	391,984	418,726
Total Fixed Assets	1,429,671	1,533,981
Total	2,706,639	2,808,439

	Current Year (As of December 31, 2010)		Previous Year (As of December 31, 2009) (for reference)	
	Yen in millions		Yen in millions	
<b>(Liabilities)</b>				
<b>Current Liabilities:</b>				
Notes and accounts payable		188,150		165,289
Short-term borrowings		297,176		169,081
Commercial paper		20,608		1,914
Current portion of bonds		21,108		70,449
Lease obligations		1,035		931
Income taxes payable		15,113		11,290
Deferred tax liabilities		902		1,197
Provision for sales returns		3,693		—
Accounts payable - other		139,333		135,325
Accrued expenses		150,372		160,225
Other		39,558		46,991
Total Current Liabilities		877,052		762,696
<b>Long-term Liabilities:</b>				
Bonds		125,975		138,827
Long-term borrowings		191,373		399,916
Lease obligations		5,888		5,206
Deferred tax liabilities		38,999		37,334
Accrued pension and liability for retirement benefits		237,194		284,758
Warranty reserve		17,039		18,192
Provision for environmental remediation		4,780		3,921
Provision for recall of merchandise		1,367		—
Other		30,823		36,788
Total Long-term Liabilities		653,440		924,945
Total Liabilities		1,530,492		1,687,641
<b>(Net Assets)</b>				
<b>Shareholders' equity:</b>				
Common stock		126,354		126,354
Capital surplus		122,629		122,647
Retained earnings		1,111,588		1,006,859
Treasury stock-at cost		(57,245)		(54,847)
Total Shareholders' equity		1,303,326		1,201,013
<b>Net unrealized gain(loss) and translation adjustments:</b>				
Net unrealized gain (loss) on available-for-sale securities		112,064		100,696
Deferred gain(loss) on derivative instruments		(235)		(844)
Foreign currency translation adjustments		(274,026)		(214,263)
Total net unrealized gain(loss) and translation adjustments		(162,197)		(114,411)
<b>Stock acquisition rights</b>		514		336
<b>Minority Interests</b>		34,503		33,859
Total Net Assets		1,176,147		1,120,797
Total		2,706,639		2,808,439

## Consolidated Statements of Income

	Current Year (Year ended December 31, 2010)		Previous Year (Year ended December 31, 2009) (for reference)	
	Yen in millions		Yen in millions	
<b>Net Sales</b>		2,861,615		2,597,002
<b>Cost of Sales</b>		1,936,309		1,766,950
Gross profit		925,306		830,052
<b>Selling, General and Administrative Expenses</b>		758,856		754,340
Operating income		166,450		75,711
<b>Non-operating Income</b>				
Interest income	3,504		2,907	
Dividend income	3,417		3,209	
Gain on sales of tangible fixed assets	2,954		—	
Other	11,717	21,594	20,922	27,039
<b>Non-operating Expenses</b>				
Interest expense	18,764		26,065	
Foreign currency exchange loss	4,595		3,285	
Other	16,778	40,138	18,943	48,294
Ordinary income		147,905		54,457
<b>Extraordinary Income</b>				
Gain on sales of tangible fixed assets	—	—	4,056	4,056
<b>Extraordinary Loss</b>				
Loss on disposals of tangible fixed assets	4,011		5,482	
Loss on valuation of investments in securities	—		3,767	
Loss on recall of merchandise	2,217		—	
Loss on provision for environmental remediation	—		3,278	
Plant restructuring costs in Oceania	—	6,228	10,618	23,146
Income before income taxes and minority interests		141,677		35,366
Income taxes - current		32,633		21,693
Income taxes - deferred		3,920		7,524
Minority Interests		6,209		5,104
Net Income		98,913		1,043

## Consolidated Statement of Changes in Net Assets

Current Year (Year ended December 31, 2010)

(Yen in millions)

	Shareholders' equity					Net unrealized gain(loss) and translation adjustments			Stock acquisition rights	Minority Interests
	Common stock	Capital surplus	Retained earnings	Treasury stock-at cost	Total	Net unrealized gain(loss) on available-for-sale securities	Deterred gain(loss) on derivative instruments	Foreign currency translation adjustments		
Ending Balance of the previous year	126,354	122,647	1,006,859	(54,847)	1,201,013	100,696	(844)	(214,263)	336	33,859
Cash dividends			(14,117)		(14,117)					
Net income for the year			98,913		98,913					
Retirement benefit obligations			19,933		19,933					
Purchase of treasury stock				(2,475)	(2,475)					
Disposal of treasury stock		(17)		77	60					
Net Change in the year						11,367	608	(59,762)	178	644
Total changes in the year	—	(17)	104,728	(2,398)	102,313	11,367	608	(59,762)	178	644
Ending Balance	126,354	122,629	1,111,588	(57,245)	1,303,326	112,064	(235)	(274,026)	514	34,503

## (Basic important matters for preparation of consolidated financial statements)

### 1. Scope of consolidation

#### (1) Number of consolidated subsidiaries: 340 companies

Names of principal companies:

- BRIDGESTONE TIRE SALES KITANIHON CO.,LTD.
- BRIDGESTONE TIRE SALES KANTO CO.,LTD.
- BRIDGESTONE TIRE SALES CHUBU CO.,LTD.
- BRIDGESTONE TIRE SALES KINKISHIKOKU CO.,LTD.
- BRIDGESTONE TIRE SALES NISHINIHON CO.,LTD.
- BRIDGESTONE FVS CO.,LTD.
- BRIDGESTONE ELASTECH CO., LTD.
- BRIDGESTONE DIVERSIFIED CHEMICAL PRODUCTS CO., LTD
- BRIDGESTONE CHEMITECH CO., LTD.
- BRIDGESTONE DIVERSIFIED PRODUCTS EAST CO., LTD.
- BRIDGESTONE DIVERSIFIED PRODUCTS WEST CO., LTD.
- BRIDGESTONE SPORTS CO., LTD.
- BRIDGESTONE CYCLE CO., LTD.
- BRIDGESTONE FINANCE CORPORATION
- BRIDGESTONE AMERICAS, INC.
- BRIDGESTONE EUROPE NV/SA
- BRIDGESTONE (CHINA) INVESTMENT CO., LTD.
- BRIDGESTONE ASIA PACIFIC PTE.LTD.
- BRIDGESTONE TAIWAN CO., LTD.
- THAI BRIDGESTONE CO., LTD.
- BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD.
- BRIDGESTONE NATURAL RUBBER (THAILAND) CO., LTD.
- P.T. BRIDGESTONE TIRE INDONESIA
- BRIDGESTONE AUSTRALIA LTD.
- BRIDGESTONE EARTHMOVER TYRES PTY. LTD.
- BRIDGESTONE MIDDLE EAST & AFRICA FZE.
- BRIDGESTONE SOUTH AFRICA HOLDINGS (PTY) LTD.
- BRIDGESTONE FINANCE EUROPE B.V.

Changes in the scope of consolidation

Additions : 7 companies (Increased by establishment)

Deletions: 71 companies (Mainly, decreased by merger)

#### (2) There are no non-consolidated subsidiaries

### 2. Scope of application of equity-method accounting

#### (1) Number of equity-method affiliates: 157 companies

Name of principal company:

BRISA BRIDGESTONE SABANCI LASTIK SANAYI VE TICARET A.S.

Changes in the scope of equity-method accounting

Additions: 2 companies (Mainly, increased by acquisition)

Deletions:4 companies (Mainly, decreased by liquidation)

#### (2) There are no non-consolidated subsidiaries or affiliates to which equity-method accounting is not applied.

### 3. Fiscal year of consolidated subsidiaries

Consolidated subsidiary BRIDGESTONE RIHGA, LTD. ends its fiscal year on October 31. Further, consolidated subsidiary BRIDGESTONE TVS INDIA PRIVATE LTD. ends its fiscal year on March 31. Consolidated results are adjusted as necessary to reflect important transactions taking place between the respective fiscal year-ends of these subsidiaries and consolidated balance sheet date.

### 4. Summary of significant accounting policies

#### (1) Valuation policies and methods for investments in securities

Available-for-sale-securities

With market value — Fair value based on the market price, etc., at the fiscal year end (Unrealized gain and loss, net of tax are recorded in net assets, and the moving average method is used to calculate the cost of securities sold.)

Without market value — Primarily the moving average cost method.

#### (2) Valuation policies and methods for derivatives

In principle, fair value.

#### (3) Valuation policies and methods for inventories

Inventories are substantially stated at lower of cost determined by the moving-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.

#### (4) Depreciation method for fixed assets

For tangible fixed assets, the declining-balance method is used at BRIDGESTONE CORPORATION (the "Company") and its domestic subsidiaries, and the straight-line method is used at its overseas subsidiaries.

For intangible fixed assets, the straight-line method is used.

(5) Accounting policies for reserves and allowances

a) Allowance for doubtful accounts

In order to reserve for loss from the nonpayment of claims, the actual credit loss rate is used to calculate the amount to be recorded for general claims, and for designated claims for which there is a concern of nonpayment, an amount based on the evaluation of potential loss in the receivables outstanding is recorded.

b) Provision for sales returns

In order to provide for future losses on the return of snow tires, historical losses are used to estimate the amount of future, and that amount is recorded.

(Additional information)

Previously, losses on returned snow tires were subtracted from sales in the period in which the returns occurred. However, following the integration of domestic tire sales companies, historical data has been accumulated and the accuracy of analyses has improved, making it possible to rationally calculate the return rate. Accordingly, the amount of future return-related losses is estimated based on the historical return rate, and that amount is recorded as provision for sales returns.

Consequently, in comparison with the previous method, the use of the new method has resulted in a decrease of 3,693 million yen in each of gross profit, operating income, ordinary income and income before income taxes and minority interests.

c) Accrued pension and liability for retirement benefits

In order to reserve for retirement benefits for employees, an amount based on the estimated amount of projected benefit obligations and pension plan assets as of the fiscal year end is recorded.

Transitional obligation is treated as an expense using the straight-line method over 10 years.

Prior service cost is treated as an expense using the straight-line method over a fixed number of years based on the average remaining years of service of the employees in the year in which the prior service costs occur (10 years for the Company and its domestic subsidiaries, 3 to 12 years for its overseas subsidiaries).

Actuarial gain/loss at the Company and its domestic subsidiaries is treated as an expense using the straight-line method over a fixed number of years (10 years) based on the average remaining years of service of the employees in the year in which the gain/loss occurs, recorded from the following year. For certain its overseas subsidiaries, unrecognized actuarial gain/loss at the beginning of the fiscal year that exceed 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 (7 to 12 years) based on the average remaining years of service of the employees.

In addition, at certain 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/loss not yet treated as expenses are recorded on the balance sheet.

d) Warranty reserve

Warranty reserve 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 past experience of the Company and its subsidiaries (collectively, the "Companies").

e) Provision for environmental remediation

In order to reserve for outlays for legally required removal and disposal of asbestos, etc., an estimated amount of future obligations is recorded.

f) Provision for recall of merchandise

In order to reserve for outlays for recall of merchandise, an estimated amount is recorded in the bicycle business.

(6) Accounting policies for the translation of foreign currency-denominated assets and liabilities into yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the consolidated balance sheet date. The foreign currency exchange gain and loss from translation are recognized in income.

Assets and liabilities of the Company's overseas subsidiaries are translated into Japanese yen at the current exchange rate at the balance sheet date. Revenue and expense accounts of the Company's overseas subsidiaries are translated into Japanese yen at the average annual exchange rate. Differences arising from such translation are shown as foreign currency translation adjustments and minority interests in a separate component of net assets.

(7) Hedge accounting

a) Hedge accounting method

Deferred hedge accounting is applied. Designation accounting is used for forward foreign

exchange and foreign exchange swaps that meet the requirements for designation accounting, and exceptional accounting is used for interest rate swaps that meet the requirements for exceptional accounting.

b) Hedging instrument and items covered

<u>Instruments</u>	<u>Items covered</u>
Forward foreign exchange contracts	Foreign currency-denominated monetary claims and obligations, and scheduled foreign currency-denominated transactions
Foreign exchange swaps	Borrowings and corporate bonds
Interest rate swaps	Borrowings
Commodity swaps	Raw materials

c) Hedging policy

Forward foreign exchange transactions are used only to cover actual foreign exchange needs, and foreign exchange swaps are made to match the principal amount and term of the hedged foreign currency-denominated obligation. Interest rate swaps are entered into for the amount of borrowings only. Commodity swaps are entered into for the trade amount of raw materials. It is the Companies' policy not to use any derivative transactions for speculative purposes.

d) Method for evaluating the effectiveness of hedges

The validity of hedges is evaluated based on a comparison of total fluctuations in the cash flow or fluctuations in the market value of the hedged item with the total fluctuations in the cash flow or fluctuations in the market value of the hedging instrument. However, for items covered by designation or exceptional accounting, the validity of the hedge is not evaluated.

(8) Amortization of goodwill

Goodwill is amortized using the straight-line method over the period for which it is deemed to have effect, but not to exceed 20 years.

(9) Other significant items related to the preparation of consolidated financial statements

Accounting treatment of consumption tax

Consumption tax and local consumption taxes are excluded.

5. Valuation of assets and liabilities at consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries at the time of acquisition are all presented using the fair value method.

## (Accounting Changes)

1. Accounting Standards for Business Combinations and related matters

Starting from the current fiscal year, the Companies applied the revised "Accounting Standard for Business Combinations"(Accounting Standards Board of Japan (the "ASBJ") Statements No.21 of December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of December 26, 2008), the "Partial amendments to Accounting Standard for Research and Development Costs"(ASBJ statement No.23 of December 26, 2008), the revised "Accounting Standard for Business Divestitures" (ASBJ Statement No.7 of December 26, 2008),the revised "Account Standard for the Equity Method of Accounting for Investments"(ASBJ Statement No.16 on December 26, 2008), and the revised "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures"(ASBJ Guidance No.10 of December 26, 2008).

2. Partial Amendments to Accounting Standard for Retirement Benefit (part3)

Starting from the current fiscal year, the Companies applied the "Partial Amendments to Accounting Standard for Retirement Benefit (Part 3)" (ASBJ Statement No.19 of July 31, 2008). Amortization of the actuarial gains and losses will be recorded from the following fiscal year, thus, this adoption has no impact on operating income, ordinary income and income before income taxes and minority interests in 2010. Further, the impact of this adoption on retirement benefit obligations is not material.

## (Additional Information)

Since May 2007, the U.S. Department of Justice, the European Commission, the Fair Trade Commission of Japan, and other authorities have been investigating the Company and certain of its subsidiaries in connection with alleged international cartel activities regarding the sale of marine hoses. In February 2008, the Company received orders from the Fair Trade Commission of Japan. The orders, which directed the Company to cease and desist from violating the Antimonopoly Act and to pay surcharges for violating the Act, were finalized. Moreover, in January 2009, the Company was notified by the European Commission of its decision to impose a fine of €58.5 million for alleged involvement in an international cartel related to the sale of marine hoses. After careful consideration, the Company has determined that bringing the course of proceedings to an end and subsequently focusing on the reinforcement of its compliance system and the promotion of preventive measures are the appropriate actions to take. Therefore, the Company decided not to appeal to the Court of First Instance of European Commission and has paid the imposed fine. Regarding



this matter, the Company recorded ¥7,485 million as an expense related to the European Commission fine in the fiscal year ended December 31, 2008. 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. The investigation by the U.S. Department of Justice is continuing. In the future, there is a possibility that fines will be imposed by the U.S. Department of Justice, but at this point, there are a number of uncertain factors regarding the calculation of a specific reserve; and as a result expenses have not been recorded. Proceedings in the other countries which have investigated have already been finalized.

Further, in addition to the above-mentioned issue, the Company becomes aware 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. The Company has been able to confirm that inappropriate payments have been identified 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. The impact that these incidents may have on financial results is unclear at this time.

### (Notes on the consolidated balance sheet)

1. Accumulated depreciation of tangible fixed assets	1,855,649 million yen
2. Assets provided as collateral and collateralized debt obligations	
Assets pledged as collateral (Notes and accounts receivable and others)	8,871 million yen
Obligations corresponding to the preceding	
Short-term bank borrowings	1,654 million yen
Long-term bank borrowings	295 million yen
3. Guarantees	
Guarantees on employees' bank borrowings, etc.	196 million yen
4. Balance of trade notes (without letter of credit) discounted	1,387 million yen

### (Notes on the consolidated statement of income)

Loss on recall of merchandise

In the bicycle business, an estimated cost of outlays for recall merchandise has been recorded.

### (Notes on the consolidated statement of changes in Net Assets)

#### 1. Type and total number of shares issued / Type and number of treasury stock

	As of December 31, 2009	Increase	Decrease	As of December 31, 2010
Number of shares issued Common stock (Thousands of shares)	813,102	—	—	813,102
Treasury stock Common stock (Thousands of shares) (see notes 1 & 2)	28,797	1,682	40	30,439

Notes 1: The increase of treasury stock consists of the purchase of 1,674 thousand shares according to the requests from the shareholders due to the Company's merger with its subsidiary and the purchase of 7 thousand shares according to the requests from the shareholders who have odd-lot shares.

2: The decrease of treasury stock consists of 40 thousand shares used for the exercise of stock options.

## 2. Dividends

### (1) Dividend payments

Resolution	Type	Total dividends (Yen in millions)	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting, March 30, 2010	Common Stock	6,274	¥8	December 31, 2009	March 31, 2010
Board of Directors, August 6, 2010	Common Stock	7,843	¥10	June 30, 2010	September 1, 2010

### (2) Dividends whose record date is in the current year and effective date is in the following fiscal year

Resolution	Type	Total dividends (Yen in millions)	Source	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting, March 29, 2011	Common Stock	7,826	Retained earnings	¥10	December 31, 2010	March 30, 2011

### 3. The category and number of shares to be allocated to stock acquisition rights at fiscal year end (excluding those that the first day of their exercise periods has not arrived)

Common stock: 1,480,000 shares

## (Notes on financial instruments)

### 1. Qualitative information on financial instruments

#### (1) Policies for using financial instruments

The Companies raises the necessary funds mainly by bank borrowings or issuance of bonds based on funding requirements of its business activities. The Companies invests temporary cash surpluses only in highly secured financial instruments. The Companies follows 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 or certificate of deposit 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 "Basic important matters for preparation of consolidated financial statements (7) Hedge accounting".

#### (3) Risk management of financial instruments

##### a. Management of credit risk

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

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

The maximum credit risk in December 31, 2010 is represented by the book value of the financial instruments exposed to credit

risk on the consolidated balance sheet.

#### 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 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, commodity swap contracts are used to hedge commodity price fluctuation risk.

With respect to marketable and investment securities, the Company regularly monitors fair market values and financial positions of the issuers those who have business relations 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 practices the money management effectively by recognizing the fund position beforehand based on the cash flow projection. The Companies also strives to diversify its 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.

#### 2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of December 31, 2010 are as follows.

Financial instruments whose fair values are not readily determinable are excluded from the following table (See Note 2):

	Amounts of consolidated		Difference Yen in millions
	balance sheet Yen in millions	Fair value Yen in millions	
(1) Cash and deposits	185,334	185,334	—
(2) Notes and accounts receivable	426,935		
Allowance for doubtful accounts (*1)	(9,884)		
	417,051	417,051	—
(3) Marketable and investment securities	313,476	313,476	—
Total	915,862	915,862	—
(1) Notes and accounts payable	188,150	188,150	—
(2) Short-term borrowings	297,176	297,176	—
(3) Accounts payable-other	139,333	139,333	—
(4) Bonds	147,083	148,597	(1,514)
(5) Long-term borrowings	191,373	202,035	(10,661)
Total	963,116	975,292	(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 in net. If the net amount is a liability, it is written in parentheses ( ).

#### Notes

##### 1. Calculation method of fair values of financial instruments

###### Assets

##### (1) Cash and deposits, (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 stock exchanges, and the fair values of bonds are based on the market prices at

the stock exchanges or on the prices disclosed by financial institutions. In addition, the fair values of certificate of deposit approximate book values because of their short-term maturities.

#### Liabilities

(1) Notes and accounts payable, (2) Short-term borrowings, (3) Accounts payable-other  
The fair values approximate book values because of their short-term maturities.

#### (4) Bonds

The fair values of bonds with the market prices are based on the market prices. The fair values of bonds without the market prices are determined by discounting the aggregated values using an assumed interest rate taking account of the credit exposure and maturities.

#### (5) Long-term borrowings

The fair values of 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 fair value of derivative transactions is measured at the quoted price principally obtained from financial institutions, etc.

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

	Amounts of consolidated balance sheet
	Yen in millions
Investments in affiliates	14,362
Available-for-sale securities	
Unlisted equity securities	2,730

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

#### (Additional Information)

Starting from the current fiscal year, the Companies applied the revised "Accounting Standard for Financial Instruments" (ASBJ Statements No.10 of March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 of March 10, 2008).

#### **(Notes on per share information)**

Total equity per share	1,458.01yen
Net income per share	126.19yen

## Consolidated Statements of Cash Flows (For reference)

	Current Year (Year ended December 31, 2010)	Previous Year (Year ended December 31, 2009)
	Yen in millions	Yen in millions
<b>Cash Flows from Operating Activities</b>		
Income before income taxes and minority interests	141,677	35,366
Depreciation and amortization	170,662	180,546
Increase(decrease) in allowance for doubtful accounts	(4,951)	1,213
Increase(decrease) in accrued pension and liability for retirement benefits	(3,291)	(3,592)
Increase(decrease) in provision for sales returns	3,693	—
Interest and dividend income	(6,921)	(6,116)
Interest expense	18,764	26,065
Gain on sales of tangible fixed assets	—	(4,056)
Loss on disposals of tangible fixed assets	4,011	5,482
Loss(gain) on valuation of investments in securities	—	3,767
Loss on recall of merchandise	2,217	—
Loss on provision for environmental remediation	—	3,278
Plant restructuring costs in Oceania	—	10,618
Decrease(increase) in notes and accounts receivable	(62,457)	7,021
Decrease(increase) in inventories	(32,664)	163,667
Increase(decrease) in notes and accounts payable	42,561	(54,163)
Other	9,462	15,914
<b>Subtotal</b>	<b>282,763</b>	<b>385,013</b>
Interest and dividends received	6,844	6,161
Interest paid	(19,461)	(25,365)
Payment related to EU competition law case	—	(7,420)
Income taxes paid	(22,410)	(19,707)
<b>Net Cash Provided by Operating Activities</b>	<b>247,736</b>	<b>338,681</b>
<b>Cash Flows from Investing Activities</b>		
Payments for purchase of tangible fixed assets	(177,971)	(191,240)
Proceeds from sales of tangible fixed assets	4,491	6,793
Payments for investments in securities	(2,002)	(8,063)
Proceeds from sales of investments in securities	5,921	4,138
Proceeds from redemption of investments in securities	—	3,000
Proceeds from collection of loans receivable	2,386	1,518
Other	(3,382)	(4,402)
<b>Net Cash Used in Investing Activities</b>	<b>(170,556)</b>	<b>(188,256)</b>
<b>Cash Flows from Financing Activities</b>		
Net increase (decrease) in short-term borrowings and commercial paper	21,059	(194,141)
Proceeds from long-term borrowings	14,470	167,943
Repayments of long-term borrowings	(37,432)	(48,170)
Proceeds from issuance of bonds	13,827	76,316
Payments for redemption of bonds	(74,615)	(18,572)
Payments for purchase of treasury stock	(2,475)	—
Cash dividends paid	(14,119)	(14,904)
Cash dividends paid to minority	(2,317)	(1,240)
Other	(925)	(840)
<b>Net Cash Used in Financing Activities</b>	<b>(82,528)</b>	<b>(33,610)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(13,996)</b>	<b>5,380</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(19,345)</b>	<b>122,194</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>236,270</b>	<b>114,075</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>216,924</b>	<b>236,270</b>

## Notes

### 1. Definition of cash and cash equivalents for Consolidated Statement of Cash Flow

Cash and cash equivalents included in the consolidated statement of cash flows consist of cash on hand, deposits that can be withdrawn at any time or are easily convertible, and short-term investments maturing within three months from the date of acquisition and for which the risk from price movements is deemed negligible.

### 2. Reconciliation between cash and cash equivalents at fiscal year end and amount shown in Consolidated Balance Sheet

Cash and deposits — Balance Sheet	185,334 million yen
Short-term investments	113,228
Other current assets(Money held in trust)	<u>5,500</u>
Total	304,062
Time deposits, bonds, etc. with terms of more than three months	<u>(87,138)</u>
Cash and cash equivalents — Statement of Cash Flows	216,924

## Non-consolidated Balance Sheets

	Current Year (As of December 31, 2010)		Previous Year (As of December 31, 2009) (for reference)	
	Yen in millions		Yen in millions	
<b>(Assets)</b>				
<b>Current Assets:</b>				
Cash and deposits		27,032		18,187
Trade notes receivable		2,296		2,482
Trade accounts receivable		311,424		282,992
Short-term investments		28,299		80,399
Merchandise and finished products		36,206		36,819
Work in process		10,737		9,245
Raw materials and supplies		26,606		23,738
Deferred tax assets		10,774		12,232
Short-term loans for subsidiaries and affiliates		15,500		15,374
Accounts receivable-other		16,695		15,323
Other		12,779		8,845
Allowance for doubtful accounts		(198)		(31)
Total Current Assets		498,155		505,609
<b>Fixed Assets:</b>				
Tangible fixed assets				
Buildings		103,956		99,572
Structures		8,414		8,603
Machinery and equipment		87,698		90,357
Vehicles and carriers		1,256		1,450
Tools, furniture and fixtures		11,726		13,810
Land		70,483		70,609
Construction in progress		23,046		26,331
Total tangible fixed assets		306,582		310,735
Intangible fixed assets		1,148		1,156
Investments and other assets				
Investments in securities		140,038		150,380
Investments in subsidiaries and affiliates		628,353		624,556
Investments in subsidiaries and affiliates, other than stock		72,583		58,558
Long-term loans for subsidiaries and affiliates		1,051		1,455
Other		16,559		14,215
Allowance for doubtful accounts		(3)		—
Total investments and other assets		858,581		849,166
Total Fixed Assets		1,166,312		1,161,059
Total		1,664,467		1,666,668

	Current Year (As of December 31, 2010)	Previous Year (As of December 31, 2009) (for reference)
	Yen in millions	Yen in millions
<b>(Liabilities)</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	106,407	82,728
Current portion of bonds	—	60,000
Current portion of long-term borrowings	110,000	—
Lease obligations	200	173
Accounts payable - other	72,775	74,976
Accrued expenses	25,763	24,440
Income taxes payable	5,873	539
Deposits received	7,124	6,537
Other	2,868	3,653
Total Current Liabilities	331,013	253,049
<b>Long-term Liabilities:</b>		
Bonds	110,000	110,000
Long-term borrowings	—	110,000
Lease obligations	2,013	2,101
Deferred tax liabilities	31,964	29,312
Accrued pension and liability for retirement benefits	40,395	43,073
Provision for environmental remediation	4,543	3,648
Other	657	787
Total Long-term Liabilities	189,574	298,923
Total Liabilities	520,587	551,972
<b>(Net Assets)</b>		
<b>Shareholders' equity:</b>		
Common stock	126,354	126,354
Capital surplus		
Capital reserve	122,078	122,078
Other capital surplus	550	568
Total capital surplus	122,629	122,647
Retained earnings		
Legal reserve	31,278	31,278
Other retained earnings		
Reserve for special depreciation	294	305
Reserve for advanced depreciation of fixed assets	18,902	17,995
General reserve	789,310	789,310
Unappropriated retained earnings	51,696	16,378
Total retained earnings	891,482	855,269
Treasury stock-at cost	(57,244)	(54,846)
Total Shareholders' equity	1,083,222	1,049,423
<b>Net unrealized gain(loss) and translation adjustments:</b>		
Net unrealized gain(loss) on available-for-sale securities	60,007	64,952
Deferred gain(loss) on derivative instruments	135	(17)
Total net unrealized gain(loss) and translation adjustments	60,143	64,935
<b>Stock acquisition rights</b>	514	336
Total Net Assets	1,143,880	1,114,695
Total	1,664,467	1,666,668



## Non-consolidated Statements of Income

	Current Year (Year ended December 31, 2010)		Previous Year (Year ended December 31, 2009) (for reference)	
	Yen in millions		Yen in millions	
<b>Net Sales</b>		895,623		749,215
<b>Cost of Sales</b>		641,254		547,957
Gross profit		254,369		201,258
<b>Selling, General and Administrative Expenses</b>		195,879		189,203
Operating income		58,490		12,054
<b>Non-operating Income</b>				
Interest income	246		317	
Dividend income	18,057		13,116	
Gain on sales of tangible fixed assets	—		2,804	
Other	6,170	24,474	5,884	22,123
<b>Non-operating Expenses</b>				
Interest expense	2,290		2,531	
Loss on disposals of tangible fixed assets	1,923		—	
Loss on liquidation of subsidiaries and affiliates	1,942		—	
Loss on valuation of investments in subsidiaries and affiliates, other than stock	—		2,315	
Dismantlement expenses	—		1,379	
Foreign currency exchange loss	3,444		1,253	
Other	5,922	15,523	3,830	11,311
Ordinary income		67,441		22,867
<b>Extraordinary Loss</b>				
Loss on disposals of tangible fixed assets	—		3,035	
Loss on valuation of investments in securities	—		3,751	
Loss on provision for environmental remediation	—	—	3,120	9,908
Income before income taxes		67,441		12,959
Income taxes - current		9,523		(878)
Income taxes - deferred		7,586		(1,574)
Net Income		50,331		15,412

# Non-consolidated Statement of Changes in Net Assets

Current Year (Year ended December 31, 2010)

(Yen in millions)

	Shareholders' equity										Net unrealized gain(loss) and translation adjustments		Stock acquisition rights	
	Common stock	Capital surplus			Retained earnings					Treasury stock-at cost	Total	Net unrealized gain(loss) on available-for-sale securities		Deferred gain(loss) on derivative instruments
		Capital reserve	Other capital surplus	Legal reserve	Other retained earnings									
					Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	General reserve	Unappropriated retained earnings						
Ending Balance of the previous year	126,354	122,078	568	31,278	305	17,995	789,310	16,378	(54,846)	1,049,423	64,952	(17)	336	
Cash dividends								(14,117)		(14,117)				
Reversal of reserve for special depreciation					(11)			11		—				
Provision of reserve for advanced depreciation of fixed assets						907		(907)		—				
Net income for the year								50,331		50,331				
Purchase of treasury stock									(2,475)	(2,475)				
Disposal of treasury stock			(17)						77	60				
Net Change in the year											(4,944)	152	178	
Total changes in the year	—	—	(17)	—	(11)	907	—	35,318	(2,398)	33,798	(4,944)	152	178	
Ending Balance	126,354	122,078	550	31,278	294	18,902	789,310	51,696	(57,244)	1,083,222	60,007	135	514	

## (Significant Accounting Policies)

1. Valuation policies and methods for Assets
  - (1) Valuation policies and methods for investments in securities

Investments in subsidiaries and affiliates —the moving average cost method

Available-for-sale-securities

With market value	— Fair value based on the market price, etc., at the fiscal year end. (Unrealized gain and loss, net of tax are recorded in net assets, and the moving average method is used to calculate the cost of securities sold.)
Without market value	— Primarily the moving average cost method.
  - (2) Valuation policies and methods for derivatives

Fair value
  - (3) Valuation policies and methods for inventories

Inventories are substantially stated at lower of cost determined by the moving-average method or net selling value.
2. Depreciation method for fixed assets
  - (1) Tangible fixed assets

The declining-balance method
  - (2) Intangible fixed assets

The straight-line method
3. Accounting policies for reserves and allowances
  - (1) Allowance for doubtful accounts

In order to reserve for loss from the nonpayment of claims, the actual credit loss rate is used to calculate the amount to be recorded for general claims, and for designated claims for which there is a concern of nonpayment, an amount based on the evaluation of potential loss in the receivables outstanding is recorded.
  - (2) Accrued pension and liability for retirement benefits

In order to reserve for retirement benefits for employees, an amount based on the estimated amount of projected benefit obligations and pension plan assets as of the fiscal year end is recorded.

Transitional obligation is treated as an expense using the straight-line method over 10 years.

Prior service cost is treated as an expense using the straight-line method over a fixed number of years (10 years) within the average remaining years of service of the employees in the year in which the prior service costs occur.

Actuarial gain/loss is treated as an expense using the straight-line method over a fixed number of years (10 years) within the average remaining years of service of the employees in the year in which the gain/loss occurs, recorded from the following year.
  - (3) Provision for environmental remediation

In order to reserve for outlays for legally required removal and disposal of asbestos, etc., an estimated amount of future obligations is recorded.
4. Accounting policies for the translation of foreign currency-denominated assets and liabilities into yen

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 and loss from translation are recognized in income.
5. Hedge accounting
  - (1) Hedge accounting method

Deferred hedge accounting is applied. Designation accounting is used for forward foreign exchange and foreign exchange swaps that meet the requirements for designation accounting, and exceptional accounting is used for interest rate swaps that meet the requirements for exceptional accounting.

(2) Hedging methods and items covered

<u>Instruments</u>	<u>Items covered</u>
Forward foreign exchange contracts	Foreign currency-denominated monetary claims and obligations, and scheduled foreign currency-denominated transactions
Foreign exchange swaps	Borrowings and corporate bonds
Interest rate swaps	Borrowings
Commodity swaps	Raw materials

(3) Hedging policy

Forward foreign exchange transactions are used only to cover actual foreign exchange needs, and foreign exchange swaps are made to match the principal amount and term of the hedged foreign currency-denominated obligation. Interest rate swaps are entered into for the amount of borrowings only. Commodity swaps are entered into for the trade amount of raw materials. It is the Company's policy not to use any derivative transactions for speculative purposes.

(4) Method for evaluating the validity of hedges

The effectiveness of hedges is evaluated based on a comparison of total fluctuations in the cash flow or fluctuations in the market value of the hedged item with the total fluctuations in the cash flow or fluctuations in the market value of the hedging instrument. However, for items covered by designation or exceptional accounting, the effectiveness of the hedge is not evaluated.

6. Accounting treatment of consumption tax

Consumption tax and local consumption taxes are excluded. Suspense consumption tax paid and received are offset and net amount is recorded within accounts receivable-other in current assets.

### **(Accounting Change)**

Partial Amendments to Accounting Standard for Retirement Benefit (part3)

Starting from the current fiscal year, the Company applied the "Partial Amendments to Accounting Standard for Retirement Benefit (Part 3)" (ASBJ Statement No.19 of July 31, 2008). Amortization of the actuarial gains and losses will be recorded from the following fiscal year, thus, this adoption has no impact on operating income, ordinary income and income before income taxes in 2010. Further, the impact of this adoption on retirement benefit obligations is not material.

### **(Additional Information)**

Since May 2007, the U.S. Department of Justice, the European Commission, the Fair Trade Commission of Japan, and other authorities have been investigating the Company and certain of its subsidiaries in connection with alleged international cartel activities regarding the sale of marine hoses. In February 2008, the Company received orders from the Fair Trade Commission of Japan. The orders, which directed the Company to cease and desist from violating the Antimonopoly Act and to pay surcharges for violating the Act, were finalized. Moreover, in January 2009, the Company was notified by the European Commission of its decision to impose a fine of €58.5 million for alleged involvement in an international cartel related to the sale of marine hoses. After careful consideration, the Company has determined that bringing the course of proceedings to an end and subsequently focusing on the reinforcement of its compliance system and the promotion of preventive measures are the appropriate actions to take. Therefore, the Company decided not to appeal to the Court of First Instance of European Commission and has paid the imposed fine. Regarding this matter, the Company recorded ¥7,485 million as an expense related to the European Commission fine in the fiscal year ended December 31, 2008. 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. The investigation by the U.S. Department of Justice is continuing. In the future, there is a possibility that fines will be imposed by the U.S. Department of Justice, but at this point, there are a number of uncertain factors regarding the calculation of a specific reserve; and as a result expenses have not been recorded. Proceedings in the other countries which have investigated have already been finalized.

Further, in addition to the above-mentioned issue, the Company becomes aware 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. The Company has been able to confirm that inappropriate payments have been identified 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. The impact that these incidents may have on financial results is unclear at this time.

### (Notes on the balance sheet)

1. Accumulated depreciation of tangible fixed assets 990,848 Million Yen

2. Guarantee

Guarantees on corporate bonds issued by BRIDGESTONE FINANCE EUROPE B.V., etc. (Euro-yen denominated straight corporate bond)	37,244 Million Yen (37,244 Million Yen)
Guarantees on bank borrowings of BRIDGESTONE EUROPE NV/SA	26,975 Million Yen
Guarantees on commercial papers issued by BRIDGESTONE EUROPE NV/SA	20,608 Million Yen
Guarantees on employees' bank borrowings (mortgages), etc.	161 Million Yen
Total	84,990 Million Yen

3. Balance of trade notes (without letter of credit) discounted 429 Million Yen

4. Short-term monetary receivables from subsidiaries and affiliates 268,770 Million Yen  
 Long-term monetary receivables from subsidiaries and affiliates 1,051 Million Yen  
 Short-term monetary payables to subsidiaries and affiliates 77,213 Million Yen

### (Notes on the statement of income)

Transactions with subsidiaries and affiliates

Sales 624,249 Million Yen  
 Purchase, etc. 298,001 Million Yen  
 Transactions other than operating transactions 47,754 Million Yen

### (Notes on the statement of changes in net assets)

Type and number of treasury stock

	As of December 31, 2009	Increase	Decrease	As of December 31, 2010
Common stock (Thousands of shares)	28,793	1,682	40	30,435

Notes 1: The increase of treasury stock consists of the purchase of 1,674 thousand shares according to the requests from the shareholders due to the Company's merger with its subsidiary and the purchase of 7 thousand shares according to the requests from the shareholders who have odd-lot shares.

2: The decrease of treasury stock consists of 40 thousand shares used for the exercise of stock options.

### (Notes on deferred income tax)

Deferred tax assets	
Accrued pension and liability for retirement benefits	11,422 Million Yen
Investments in subsidiaries and affiliates (related to the restructuring of European operations)	14,413
Depreciable assets	9,852
Other	23,655
Deferred tax assets sub-total	59,343
Valuation allowance	(23,841)
Deferred tax assets total	35,501
Deferred tax liabilities	
Net unrealized gain on available-for-sale securities	(40,850) Million Yen
Reserve for advanced depreciation of fixed assets	(12,919)
Other	(2,921)
Deferred tax liabilities total	(56,692)
Deferred tax liabilities total, net	(21,191)

### (Notes on transactions with related parties)

Subsidiaries and affiliates, etc.

Attribute	Company name	Percentage of ownership	Relationship with counter party	Details of transaction	Transaction amount (Yen in millions) (Note) 1	Account item	Ending balance (Yen in millions) (Note) 1
Subsidiary	BRIDGESTONE TIRE SALES KITANIHON CO.,LTD	Direct ownership 100.00%	Sales of the Company's products Officers serving concurrently	Sales of the Company's products (Note) 2	31,015	Trade Accounts receivable	19,232
Subsidiary	BRIDGESTONE TIRE SALES KANTO CO.,LTD	Direct ownership 100.00%	Sales of the Company's products Officers serving concurrently	Sales of the Company's products (Note) 2	48,745	Trade Accounts receivable	19,938
Subsidiary	BRIDGESTONE PLANT ENGINEERING CO., LTD.	Direct ownership 100.00%	Purchase of machinery for manufacturing Officers serving concurrently	Purchase of machinery for manufacturing (Note) 3	18,700	Accounts payable-other	5,611
Subsidiary	BRIDGESTONE AMERICAS TIRE OPERATIONS ,LLC	Indirect ownership 100.00%	Sales of the Company's products, etc. Officers serving concurrently	Sales of the Company's products (Note) 4	78,922	Trade Accounts receivable	26,288
Subsidiary	BRIDGESTONE EUROPE NV/SA	Direct ownership 100.00%	Sales of the Company's products, etc. Officers serving concurrently	Sales of the Company's products (Note) 4 Debt guarantee	78,016 47,583	Trade Accounts receivable —	25,073 —
Subsidiary	BRIDGESTONE MIDDLE EAST & AFRICA FZE.	Direct ownership 100.00%	Sales of the Company's products Officers serving concurrently	Sales of the Company's products (Note) 4	65,777	Trade Accounts receivable	23,003
Subsidiary	BRIDGESTONE FINANCE	Direct ownership	Debt guarantee, etc. Officers serving	Debt guarantee	37,244	—	—

	EUROPE B.V.	100.00%	concurrently				
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Transaction conditions and policies for determination on transaction conditions, etc.

(Notes)

1. Consumption tax is not included in the transaction amounts, but is included in the ending balances.
2. The sales price is determined based on the total cost.
3. The purchase price is determined based on the cost or the market price.
4. The sales price is determined based on the market price.

**(Notes on per share information)**

Total equity per share	1,460.86 Yen
Net income per share	64.21 Yen

(TRANSLATION)

## **INDEPENDENT AUDITORS' REPORT**

February 14, 2011

To the Board of Directors of  
Bridgestone Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Osami Yoshida

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Yasuhiko Haga

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Motoyuki Suzuki

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet as of December 31, 2010 of Bridgestone Corporation (the "Company"), and the related non-consolidated statements of income and changes in net assets for the 92nd fiscal year from January 1, 2010 to December 31, 2010, and the accompanying supplemental schedules. These non-consolidated financial statements and the accompanying supplemental schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplemental schedules based on our audit.

We conducted our audit 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 non-consolidated financial statements and the accompanying supplemental schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements and the accompanying supplemental schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall non-consolidated financial statement and the accompanying supplemental schedules presentation. We believe that our audit provides a reasonable basis for our opinion.



(TRANSLATION)

In our opinion, the non-consolidated financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Additional Information to the non-consolidated financial statements, since May 2007, the U.S. Department of Justice, the European Commission, the Fair Trade Commission of Japan and other authorities have been investigating the Company and subsidiaries in connection with alleged international cartel activities regarding the sales of marine hose. The orders from the Fair Trade Commission of Japan, which directed the Company to cease and desist from violating the Antimonopoly Act and to pay surcharges for violating the Act, were finalized. The Company has paid the imposed fine based on the decision notified by the European Commission. During the internal inquiry being conducted into facts related to cartel activity, the Company and subsidiaries have uncovered the fact that there have been incidents of improper monetary payments to foreign agents.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

(TRANSLATION)

## **INDEPENDENT AUDITORS' REPORT**

February 14, 2011

To the Board of Directors of  
Bridgestone Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Osami Yoshida

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Yasuhiko Haga

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Motoyuki Suzuki

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of December 31, 2010 of Bridgestone Corporation (the "Company") and consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from January 1, 2010 to December 31, 2010. 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 audit.

We conducted our audit 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

(TRANSLATION)

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

As discussed in Additional Information to the consolidated financial statements, since May 2007, the U.S. Department of Justice, the European Commission, the Fair Trade Commission of Japan and other authorities have been investigating the Company and subsidiaries in connection with alleged international cartel activities regarding the sales of marine hose. The orders from the Fair Trade Commission of Japan, which directed the Company to cease and desist from violating the Antimonopoly Act and to pay surcharges for violating the Act, were finalized. The Company has paid the imposed fine based on the decision notified by the European Commission. During the internal inquiry being conducted into facts related to cartel activity, the Company and subsidiaries have uncovered the fact that there have been incidents of improper monetary payments to foreign agents.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

## **Board of Corporate Auditors Meeting Audit Report**

### Audit Report

With respect to the performance of the Members of the Board of their duties during the 92nd business year (from January 1, 2010, to December 31, 2010), the Board of Corporate Auditors has prepared this audit report after deliberations based on the audit reports prepared by each Corporate Auditor, and hereby report as follows:

#### 1. Method and Contents of Audit by the Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors has established the audit policies, assignment of duties and other matters, and received a report from each Corporate Auditor regarding the status of implementation of their audits and results thereof. In addition, the Board of Corporate Auditors has received reports from the Members of the Board, etc. and the Independent Auditors regarding the status of performance of their duties, and requested explanations as necessary.

In conformity with the Corporate Auditor auditing standards established by the Board of Corporate Auditors, and in accordance with the audit policies and assignment of duties, etc., each Corporate Auditor endeavored to facilitate a mutual understanding with the Members of the Board, the internal audit division and other employees, etc., endeavored to collect information and maintain and improve the audit environment, has attended the Board of Directors and other important meetings, received reports on the status of performance of duties from the Members of the Board and other employees and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets at the head office and other principal business locations. Also, each Corporate Auditor monitored and inspected the status of (i) the contents of the Board of Directors' resolutions regarding the development and maintenance of the system to ensure that the performance of the Members of the Board of their duties complied with all laws, regulations and the Articles of Incorporation of the Company and other systems that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as being necessary for ensuring the appropriateness of the corporate affairs of a joint stock company (kabushiki kaisha), and (ii) the systems (internal control systems) based on such resolutions.

With respect to the subsidiaries, each Corporate Auditor endeavored to facilitate a mutual

understanding and exchanged information with the Members of the Board and Corporate Auditors and other relevant people of each subsidiary and received from subsidiaries reports on their respective business as necessary. Based on the above-described methods, each Corporate Auditor examined the business report and accompanying supplemental schedules for the business year under consideration.

In addition, each Corporate Auditor monitored and verified whether the Independent Auditors maintained their independence and properly conducted their audits, received a report from the Independent Auditors on the status of performance of duties, and requested explanations as necessary. Each Corporate Auditor was notified by the Independent Auditors that it had established a “system to ensure that the performance of the duties of the Independent Auditors were properly conducted” (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the “Quality Control Standards for Audits” (Business Accounting Council on October 28, 2005), and requested explanations as necessary. Based on the above-described methods, each Corporate Auditor examined the financial statements (Non-consolidated Balance Sheet, Non-consolidated Statement of Income and Non-consolidated Statement of Changes in Net Assets) and accompanying supplemental schedules thereto, as well as consolidated financial statements (Consolidated Balance Sheet, Consolidated Statement of Income and Consolidated Statement of Changes in Net Assets), for the business year under consideration.

## 2. Results of Audit

### (1) Results of Audit of Business Report, etc.

(i) We acknowledge that the business report and accompanying supplemental schedules thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.

(ii) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of the Company was found with respect to the performance of the Members of the Board of their duties.

(iii) We acknowledge that the Board of Directors’ resolutions with respect to the internal control systems are appropriate. We acknowledge that the development, maintenance and operation of the internal control systems continue to be under the successive review and improvement.

### (2) Results of Audit of financial statements and the accompanying supplemental schedules

We acknowledge that the methods and results of audit performed by the Independent

Auditors, Deloitte Touche Tohmatsu LLC, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the Independent Auditors, Deloitte Touche Tohmatsu LLC, are appropriate.

February 16, 2011

Bridgestone Corporation Board of Corporate Auditors

Full-time Corporate Auditor: Yukimitsu Ushio

Full-time Corporate Auditor: Takashi Yasukochi

Corporate Auditor: Hiroshi Ishibashi

Outside Corporate Auditor: Toshiaki Hasegawa

Outside Corporate Auditor: Yo Takeuchi

Outside Corporate Auditor: Katsuji Hayashi

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

## **Topics**

### **Environmental Initiatives**

#### **Bridgestone Corporation Defines Its Approach to Promoting Biological Diversity**

Following the establishment of its new CO<sub>2</sub> reduction goals in April 2010, the Bridgestone Group defined its approach to promoting biological diversity. This approach was developed in consideration of the goals of Convention on Biological Diversity and will serve as a tool to further the Group's efforts toward developing a sustainable and affluent society. This approach calls for us to engage in direct communication with members of the local communities in which we operate in order to better understand the culture of that region. This will also allow us to better understand the ecosystems of that region, as well as the species and genes that exist within them. We will act to protect both the culture and the ecosystems of these regions. Further, we will utilize our global network in order to spread our biological diversity efforts around the world and coordinate these with the initiatives promoted by organizations outside of the Group.

Key activities are as follows.

1. We will contribute to biodiversity conservation through active habitat preservation and enhancement at our operating locations and beyond our property lines.
2. We will contribute to biodiversity conservation through environmental education and research.

The Bridgestone Group believes it is crucial that the Group develops a society that uses low levels of carbon, recycles, and maintains harmonious relationships with nature. Going forward, we will work to further the development of such a society.

### **Environmentally Friendly Products and Businesses**

Under the ECOPIA brand, the Bridgestone Group is actively developing eco-friendly tires that lower CO<sub>2</sub> emission volumes by reducing rolling resistance, which improves the fuel efficiency of vehicles. February 2010 saw the release of the ECOPIA EX10, one of the standard products in our ECOPIA lineup. Further, in June 2010, we launched the ECOPIA EP100S, which achieved the highest grade for rolling resistance performance under the "Guideline for Tyre Labeling to Promote the Use of Fuel Efficient Tyres (Labeling System)<sup>\*1</sup>," which is AAA.

Additionally, in September 2010, the Group released the fuel-efficient studless truck tire

ECOPIA W901. In February 2010, the Group also added the ECOPIA R680 for vans and light trucks to our ECOPIA lineup, which consisted of tires for trucks and buses, light trucks and buses, and passenger cars at that point. This latest addition marked the establishment of a complete lineup of ECOPIA brand tires. Later, in December 2010, the Group began supplying ECOPIA tires to Nissan Motor Co., Ltd., to be used as original equipment on their new electric car: the Nissan LEAF.

In September 2010, such efforts were rewarded as the ECOPIA brand received the Good Design Award sponsored by the Japan Industrial Design Promotion Organization. This award was received in recognition of Bridgestone's stance toward contributing to environmental preservation as seen through its efforts to develop environmentally friendly ECOPIA tires for a variety of vehicles and sell these as original equipment tires in markets around the world.

\*1. This is a system that the tire industry (The Japan Automobile Tyre Manufacturers Association, Inc. (JATMA)) established as a set of voluntary standards for the industry. The system defines tires that meet certain values for rolling-resistance performance and wet grip performance as fuel efficient tires. Further, the system ensures that labeling provides consumers with appropriate information. For further details, please see the JATMA web site: <http://www.jatma.or.jp/english/labeling/outline.html>.

February 2011 saw the releases of the first fuel-efficient tire in the REGNO series, the REGNO GR-XT, and the new fuel-efficient tire SNEAKER SNK2 ecopia. Going forward, the Bridgestone Group will continue bolstering its lineup of ECOPIA and other fuel-efficient tires, while advancing their penetration into the global market and obtaining agreements to supply them as original equipment on new cars.

In November 2010, Bridgestone and Delta Electronics concluded a comprehensive agreement to engage in the joint development of next generation electronic paper products and applications while working together to cultivate a market for these products. Leveraging the synergies between Bridgestone's proprietary electronic paper technologies and Delta's sophisticated IT technologies, Bridgestone hopes to jointly develop new products and new markets for electronic paper for which demand is expected to rapidly increase on a global scale in the near future.

## **Safety Initiatives**

### **Tire Safety Activities**

The Bridgestone Group is engaging in a number of tire safety activities. These include encouraging customers at tire shops to get their tires inspected, transmitting tire safety



information through their homepage, and holding tire safety events, where participants can get the tires inspected and can experience safe driving procedures first hand. Additionally, since 2007, in collaboration with the Japan Automobile Federation (JAF) Bridgestone has worked to develop Bridgestone JAF Safety & Eco Stations throughout Japan. In 2010, a total of five stations were in operation. These stations were located in Miyagi, Saitama, Aichi, Hyogo, and Fukuoka Prefectures. Also, Bridgestone participated in an event organized by the JAF at the Expo 2010 Shanghai China, which was held starting in May 2010. The event, called “Safety & Eco Station in Shanghai,” took place from July 9 to July 14.

### **Runflat Tires Made Available as Optional Equipment for Suzuki’s Wagon R**

Bridgestone’s runflat tires were made available as optional equipment for the new Wagon R, released by Suzuki Motor Corporation in August 2010. Runflat tires are tires that are able to function at specified speeds for limited distance even after the loss of air pressure. These tires are both highly safe and convenient as they do not require emergency repairs through the use of a pump or other tools. Also, they eliminate the need for cars to be equipped with a spare tire (emergency-use tires), which contributes to resource conservation and helps improve fuel efficiency by lowering the overall weight of the vehicle. Bridgestone hopes to contribute to creating a safer and more environmentally friendly driving society by promoting the prevalence of runflat usage.

### **Strengthening Strategic Products and Businesses**

#### **Implementing 3rd Phase Expansion of Production at the Kitakyushu Plant**

The Bridgestone Group decided to expand the production capacity of its Kitakyushu Plant to address the continuing increases in global demand for large and ultra-large off-the-road radial tires for construction and mining vehicles (“large and ultra-large ORR tires”). The Group also decided to expand production of steel cord used in large and ultra-large ORR tires manufactured at its Saga Plant. The total investment for both expansions will be approximately ¥24 billion, and production is scheduled to begin at the increased capacities starting from January 2013. Production capacity at the Kitakyushu Plant is scheduled to increase to 130 tons per day when the expansion is completed in the second half of fiscal 2013. Large and ultra-large Bridgestone brand ORR tires are designed and built using the state-of-the art technologies, and because of their high level of performance have an excellent reputation throughout the industry. Due to increasing global demand for mineral resources, demand for large and ultra-large ORR tires is expected to remain strong in the medium-to-long term. Accordingly, the

Bridgestone Group is implementing a 3rd phase expansion of production in order to meet the growing needs of its customers.

### **Integrating and Expanding Business Areas**

#### **Developing a Global Production System**

In order to respond to future increases in global demand, the Bridgestone Group has decided to increase the production capacity of its Nong Khae Plant and Chonburi Plant in Thailand. A total investment of approximately ¥37.9 billion will be used to expand the production capacity of passenger radial tires, light truck radial tires, and truck and bus radial tires. The plants are scheduled to begin production at their increased capacities in 2014.

The Bridgestone Group is implementing a number of upgrades geared toward developing production systems that will enable the Group to provide higher quality products while enhancing its ability to respond quickly to market trends. These include increasing the production capacity of truck and bus tires at tires plants in Thailand as well as constructing a plant to produce retread materials in the same country, revamping the Kurume Plant, Bridgestone's mother plant, installing an electronic paper production line at the Iwata Plant, and increasing production capacity of adhesive film for solar modules (EVA film) at the Iwata Plant and the Seki Plant.

#### **Opening Ceremony for the new Global Training Center Building**

In December 2010, Bridgestone held the opening ceremony for the completion of the new building for the Bridgestone Institute of Global Training (referred to as the BIG-T hereafter) in Hiroo, Tokyo, which will serve as a base for the establishment of global human resources development programs and worldwide information transmission.

The Bridgestone Group aims to optimize management of its operations around the world. For this reason, it sees the fostering the human resources that will drive the Group's growth on a global scale and the development and dissemination of speedy management policies as tasks of the utmost importance. The establishment of the BIG-T marks the installation of a new "hard" element into the Group's human resource development program. Going forward, the Group will continue bolster its corporate activities geared toward strengthening its human resource development initiatives and encouraging inter-group communication.

## **Introducing our New Product Lineup (2010 and spring 2011)**

### **Premium Passenger Tires**

#### **REGNO GR-XT**

Celebrating the 30th anniversary since the establishment of the REGNO line of tires, the latest addition to that lineup, the REGNO GR-XT, hit the market in February 2011. The REGNO GR-XT is a silent running tire that features superior maneuverability while still offering improved fuel efficiency. Bridgestone work in cooperation with the Applied Acoustic Engineering Laboratory of the University of Tokyo's Institute of Industrial Science and succeeded in reducing the noise produced by the tire while driving on a variety of surfaces. Accordingly, this tire outclasses even the GR-9000 in terms of silent running<sup>\*1</sup>. It is also able to reduce changes in the noises produced as a result of changes in the road surface, therefore constantly producing a noise that is pleasant to the people. Having obtained an A grade for rolling resistance performance and a b grade for wet grip performance under the Guideline for Tyre Labeling to Promote the Use of Fuel Efficient Tyres (Labeling System)<sup>\*2</sup>, the REGNO GR-XT is the first fuel efficient tire in the REGNO line.

\*1. For details, please see Bridgestone's catalog or web site.

([http://www.bridgestone.co.jp/personal/tire/regno/gr\\_xt/index.html](http://www.bridgestone.co.jp/personal/tire/regno/gr_xt/index.html))

\*2. Please refer to \*1. on page xx for details.

### **Standard Passenger Tires**

#### **SNEAKER SNK2 ecopia**

The latest addition to Bridgestone's lineup of fuel efficient tire, the SNEAKER SNK2 ecopia, was released in February 2011. The SNEAKER SNK2 ecopia is a standard tire that provides such basic features as superior wet performance and wear resistance coupled with improved fuel efficiency. It is graded A for rolling resistance performance and c for wet grip performance under the above mentioned labeling system.

The SNEAKER SNK2 ecopia succeeded in achieving rolling resistance that is 18%<sup>\*3</sup> lower than its predecessor, the SNEAKER SNK2.

\*3. For details, please see Bridgestone's catalog or web site

([http://www.bridgestone.co.jp/personal/tire/sneaker/snk2\\_ecopia/index.html](http://www.bridgestone.co.jp/personal/tire/sneaker/snk2_ecopia/index.html))

### **High Performance Film**

#### **COOLSAFE Heat Shield Film for Architectural Glass**

There is a need for high safety and heat-shielding properties in the glass used in

buildings and condominiums. Accordingly, in December 2010, Bridgestone released its COOLSAFE film, a heat shield film used in the production of architectural glass, which is a product that meets this need.

The COOLSAFE product combines three layers of film to enhance heat-shielding and heighten safety aspects of glass. COOLSAFE incorporates optical material design technology developed by Bridgestone and used in the manufacture of films for flat screen televisions, heat shield film with precision coating technology, and adhesive film for solar modules<sup>\*4</sup> (EVA film). COOLSAFE acts as a barrier to help effectively block solar heat, maintain consistent room temperatures, thus enabling the efficient use of air conditioning thereby conserving energy. COOLSAFE also features enhanced shatterproof and penetration resistance<sup>\*5</sup> properties should the glass be broken.

\*4. These are adhesive films used to fasten solar cells to the glass bases of solar modules and to protect the silicon cells.

\*5. Penetration resistance complies with the following specifications: JIS R3205 in Japan, EN12600 in Europe, and ANSI Z97.1 in the United States.

## **Automotive Products**

### **ECO FORME CRS 111 and ECO FORME CRS 112**

In February 2011, Bridgestone launched two new products in its ECO FORME lineup of environment-friendly aluminum wheels: the ECO FORME CRS 111 and the ECO FORME CRS 112. These wheels boast high levels of both security and safety while adhering to the ECO FORME brand's environment-friendly theme of contributing to resource conservation and reducing environmental burden through reduced weight. At the same time, they feature greater added value and improved functionality. The CRS 111 has a high class design, while the CRS 112 has further reduced environmental burden, which is achieved due to the fact that wheel can be changed using fewer parts. With the addition of these two new products, the ECO FORME lineup now features 7 models available in a total of 191 sizes and compatible with a wide range of vehicles.

## **Bicycles**

### **Cajuna and ViLLetta**

The Cajuna, launched in February 2011, is a commuters bicycle designed for high school girls. It features such functional features as a large basket and a sturdy rear luggage rack, but is also fashionable enough to appeal to young girls. The name "Cajuna" is taken from the Japanese word for "fruit juice," which is "*kaju*."

The ViLLetta, launched in March 2011, is new city commuting bike that comes standard

equipped with sports wheel, a basket, mud flaps, and other equipment necessary on a daily commute. The name “ViLLetta” comes from the French word for “city,” which is “ville.”

## **Golf Equipment**

### **PHYZ Brand**

In January 2011, Bridgestone announced its new PHYZ brand of golf equipment. This brand was created based on the concept of providing something to be enjoyed by the average adult golfer. The PHYZ brand was created for the adult golfer, who understands the nature of the game, is hooked on its depth and the fulfilling sensations associated with it, and enjoy a life that includes golf.

Bridgestone will begin releasing PHYZ brand products in March 2011. The PHYZ brand will feature a full lineup of golf equipment, including men’s golf club, ladies’ golf clubs, golf balls, caddy bags, caps, and visors.

## **Shareholders' Notes**

**Fiscal year: January 1 to December 31**

**Annual Shareholders' Meeting: March of each year**

**Shareholder returns (in the event that the payment of year-end dividends is approved at the Annual Shareholders' Meeting)**

Date of Right Allotment: December 31 of each year

Payment begins: Next business day after the Annual Shareholders' Meeting

**Interim dividends (in the event that the payment of interim dividends is approved by the Board of Directors)**

Date of Right Allotment: June 30 of each year

Payment begins: September of each year

**Shareholders' Register Manager (Special account management institution)**

The Chuo Mitsui Trust and Banking Company, Limited

33-1, Shiba 3-chome, Minato-ku, Tokyo , Japan

### **Mailing Address**

The Chuo Mitsui Trust and Banking Company, Limited, Stock Transfer Agent  
Department

8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan

(Tel): 0120-78-2031 (Toll free)

**Agent Office: The Chuo Mitsui Trust and Banking Company, Limited, all Japanese branches**

Japan Securities Agents, Ltd., Headquarters and all Japanese Branches

Method of public notice of the Company: Homepage

<http://www.bridgestone.co.jp/>

Unit amount of stocks: 100 shares

Handling of stock

**For matter such as changes of address, buyback of shares less than one unit or to increase the share holdings of shares less than one unit, or changes to the method through which dividend payments are received**

Please contact the securities company with which you have an account. For shareholders that do not have a regular account with a securities company and therefore are using a special account, please contact the Special account management institution: The Chuo Mitsui Trust and Banking Company.

### **Reporting unpaid dividends**

Please contact the shareholders' register manager: The Chuo Mitsui Trust and Banking Company.

### **Dividend Statements**

The dividend statement sent to shareholders following payment of the dividends will also serve as a notice of payment in accordance with the Japanese Act on Special Measures Concerning Taxation. Please use these documents when filing your tax return.

The dividend statement will be send together with the dividend receipt to those shareholders that have chosen to receive dividends in the form of a dividend receipt.

For those shareholders that choose to receive dividends through a securities company, in accordance with the [Share Number Distribution Method], the process of tax withholding is conducted by the securities company. Therefore, please consult your securities company in regard to the document needed to file your tax return.

Bridgestone Corporation

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Tel: (03) 3567-0111 (Representative)

Homepage: <http://www.bridgestone.com/>