

# 2017

## Business Report for the 99th Fiscal Period

Bridgestone Corporation

Note:

This English translation of the Business Report for the 99th Fiscal Period is for convenience only. If there are any differences between this translation and the Japanese original, the Japanese original supersedes this translation.

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# Message to Shareholders

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

Changes in the business environment of the Group are proceeding at a faster pace and on a larger scale than ever before, and we recognize that turbulent times persist. Precisely because we are amid such conditions, the Group continuously bases all activities on our corporate philosophy and remains firmly committed to the principles of delivering lean, strategic operations, while we continue to work to optimize the Group on a global basis. Accordingly, the Group will continue implementing management improvements, using our Strategic Business Unit (SBU) organization and Mid-Term Management Plan as tools to help us achieve our ultimate goal of becoming a truly global company and achieving Dan-Totsu in all aspects of our business.

In addition to advancing the improvement of governance systems in terms of management, an example of specific results achieved includes completing the first stage of enhancing the structure of our mission and foundation framework by establishing the global CSR structure “Our Way to Serve.” We continue to implement initiatives as we work towards the next stage of management enhancements. In addition, in terms of business execution, we are steadily raising the levels of both management and business execution through efforts such as increasing the quality of decision-making through open and constructive discussions as we strive to enhance the global business execution structure.

In particular, this year marks the 50th year since we have modernized our operations by establishing “Serving Society with Superior Quality” as our business creed and receiving the Deming Prize, the highest-level award in the world regarding comprehensive quality management in 1968. We continuously renew our commitment to this management mindset, which is a part of our tradition and corporate DNA. We will also continue to solidify the unique management foundation of the Bridgestone Group as we identify the areas necessary for change with our future vision in mind.

Accordingly, we will continue to focus on the following three priority issues as we implement our management reform.

- 1. Cultivating global corporate culture: Advance brand strategy, innovation, continuous Kaizen**
- 2. Developing human resources capable of global management: Advance the development and promotion of diverse talent**
- 3. Upgrading the global management structure: Enhancing governance systems, expanding the Diversified Products business**

Finally, in February this year, we welcomed our first Olympic Winter Games, the Olympic Winter Games Pyeong Chang 2018, as a Worldwide Olympic Partner . With the Olympic and Paralympic Games Tokyo 2020 in mind, we will continue to invest in efforts to improve the value of our global brand and support a diverse group of athletes aiming for medals at the Olympic and Paralympic Games based on the theme, “Chase Your Dream.”

I would like to thank our shareholders for their continued support and encouragement in the years ahead.

March 2018

Masaaki Tsuya

Member of the Board

CEO and Representative Executive Officer

Concurrently Chairman of the Board

(Attachment to the Notice of the 98th Annual General Meeting of Shareholders)

# Business Report

(January 1, 2017 through December 31, 2017)

## I. CURRENT STATUS OF THE BRIDGESTONE GROUP

### 1. Business Developments and Results of Operations

The Bridgestone Group (the “Group”) operating environment showed signs of gradual recovery in the domestic economy during this fiscal year. However, an unclear situation continued due to the uncertainty of the overseas economies. While the U.S. economy is continuing on a solid recovery path, the European economic outlook is showing gradual recovery but remained unstable as a result of the United Kingdom leaving the European Union (EU). In Asia, the Chinese economic growth had shown signs of recovery. Overall, many overseas economies continued to recover gradually in the midst of the continued political and economic instability. In addition, tire demand for mining vehicles increased along with recovering mineral prices.

Under these operating conditions, the Group continued its work to realize the ultimate goal of becoming “a truly global company” and achieving “Dan-Totsu in all aspects of its business.” Stepping up efforts on a global scale, the Group focused on three priority items. In regard to the first priority item, “cultivating global corporate culture,” the Group promoted brand strategies through sponsorship and support activities for the Tokyo 2020 Olympic and Paralympic Games. The Group also continued with its innovation of technology, business model, and design, including the development of highly competitive products and services in global markets, as well as building and enhancing the solutions business that extends beyond the sales of products. Moreover, in regard to the second priority item: “developing human resources capable of global management” and the third priority item: “upgrading the global management structure,” the Group continuously strives to implement various measures for management reform, aimed at developing diverse human resources and reforming its governance structure by investing appropriate costs.

As a result, net sales in fiscal year 2017 were ¥3,643.4 billion, an increase of 9% from fiscal year 2016; operating income was ¥419.0 billion, a decrease of 7% and ordinary income was ¥400.5 billion, a decrease of 7%, due in part to increasing raw material costs; and profit attributable to owners of parent was ¥288.2 billion, an increase of 9%.

### **(1) Developments and results by business segment**

In **the tires segment**, the Group worked to maximize sales by introducing appealing new products globally, reinforcing fundamental competencies, and responding promptly to demand fluctuation in each region. In addition, the Group adjusted product prices appropriately to respond to the rising prices of raw materials, which continued from the previous year.

In Japan, the unit sales of tires for passenger cars, light trucks, and trucks and buses increased steadily compared to fiscal year 2016. In the Americas, the unit sales of tires for passenger cars and light trucks decreased in North America while the unit sales of tires for trucks and buses showed a positive upward trend compared to fiscal year 2016. In Europe, the unit sales of tires for passenger cars, light trucks, and trucks and buses increased steadily compared to fiscal year 2016. In China and Asia Pacific, the unit sales of tires for passenger cars and light trucks showed steady growth in the number of tires sold and the unit sales of tires for trucks and buses increased considerably compared to fiscal year 2016. In the specialty tire business, there was a significant increase in the sales of large and ultra-large off-the-road radial tires for construction and mining vehicles compared to fiscal year 2016.

As a result of tire sales above, net sales in the tires segment during fiscal year 2017 were ¥3,031.1 billion, an increase of 10% from fiscal year 2016, while operating income was ¥387.1 billion, a decrease of 7% from fiscal year 2016, due to the increase of raw material costs.

In **the diversified products segment**, net sales were ¥627.8 billion, an increase of 7% from fiscal year 2016 while operating income was ¥31.8 billion, a decrease of 8% from fiscal year 2016, due to a decrease in the profit of domestic business.

Business segments	Products and operations	
Tires	Tires and tire tubes for passenger cars, trucks and buses, construction and mining vehicles, industrial machinery, agricultural machinery, aircraft, motorcycles and scooters; tire-related products; 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
	BSAM-diversified products	A Bridgestone Americas, Inc. business that supplies commercial roofing materials and other materials
	Sporting goods	Golf balls, golf clubs and other sporting goods
	Bicycles	Bicycles, bicycle-related goods and others
	Others	Finance and other services

## (2) Research and development (R&D)

The Group aims to achieve the corporate mission of “Serving Society with Superior Quality.” It conducts R&D activities in accordance with the Mid-Term Management Plan (MTP) to establish a fiercely competitive business on a global basis through innovation in technology and business models, and by strengthening design capabilities that creatively link corporate activities with customers and the society. Moreover, the Group promotes the optimization in its R&D structure on a global basis and proactively cooperates with external parties to further enhance the effectiveness of R&D activities.

**The tires segment** is based on the development philosophy of “safety and peace-of-mind” for stakeholders and seeks to create new added value through commitment to the environment, safety, and comfort.

The Group has succeeded in the development of a technology that strikes a superior balance between safety, economical efficiency, and quietness of the product based on a combined technology of the “active foam rubber 2” and the new “asymmetric patterns,”



which delivers high-gripping performance on icy roads, and further utilizing the tire design technology at the molecular level called “NanoPro-Tech” (Nanostructure-Oriented Properties Control Technology). In addition, the Group provides customers with high-value-added, high-quality products by implementation of the tire-assembling system called “EXAMATION,” which combines Artificial Intelligence (AI) with the proprietary Information and Communication Technology (ICT), at the Hikone Plant in Japan and the Tatabánya Plant in Hungary.

In **the diversified products segment**, the Group has developed a next-generation bicycle tire as an effort to realize practical application of the “Air Free Concept,” a technology for creating tires that do not need to be inflated with air. In addition, the Group continues to advance the commercialization of the “Smart Siphon” drainage system that contributes to improving the flexibility of water supply equipment placement in buildings. The Group conducts R&D activities to deliver products that improve customer satisfaction by meeting constantly changing market needs and developing a business that supports social infrastructures.

As a part of its efforts to collaborate with external parties, the Group participates in the “Impulsing Paradigm Change through Disruptive Technologies Program (ImPACT),” to develop a hydraulic drive, high-power artificial muscle. It is one of the keys to creation of “tough robots” that can be used in extreme conditions at disaster sites.

Additionally, the Company has reinforced its R&D activities to strengthen the competitiveness of its solutions business to deliver value to customers beyond the boundary of existing services. The Company combines technology from both the tire and diversified products domains, along with ICT, and packages them as a new service to our customers. The Pilbara Mining Solution Centre, the new mining solution business base, utilizes digital solution platforms developed by the Group, including the “B-TAG” (Bridgestone Intelligent Tag), which delivers real-time information on running tires to operation managers, and tire and rim management software called “TreadStat,” to accumulate and analyze data, and thereby contributes to customers’ business operations through improving productivity, increasing asset value, and optimizing costs.

## 2. Capital Investment

The Group makes strategic investments in expanding the supply of high-value-added products, optimizing its service structure, and improving quality and productivity, as well as expanding R&D facilities and continuing to build a solution business model. Consequently, the Group's capital investment amounted to ¥234.8 billion in fiscal year 2017.

In **the tires segment**, the Group continued with construction of new plants in Thailand, for off-the-road radial tires for construction and mining vehicles, and for aircraft tires. In addition, the Group shifted its focus to the production of high-value-added products in the U.S. and other existing plants, and improved product quality and plant productivity through a capital investment of ¥214.9 billion in fiscal year 2017.

In **the diversified products segment**, the Group made capital investments of ¥19.9 billion in fiscal year 2017, including the investment in diversified business in the U.S.

## 3. Financing

The Group continues to diversify its funding sources and to secure long-term financing. To that end, in fiscal year 2017 the Group raised funds by using long-term borrowings of ¥37.1 billion, issuance of bonds of ¥150.0 billion, and other methods.

At the period-end, the total interest-bearing debt (see note below) was ¥459.0 billion, an increase of ¥116.2 billion as compared to the previous period-end.

Note: Interest-bearing debt includes short-term debt, bonds, long-term debt and obligations under finance leases.

#### 4. Management Tasks

The Group's operating environment is undergoing substantial change in a wide range of areas, including international relations, politics, economics, environmental issues, and technological innovation. Social structures and consumer attitudes are also changing significantly.

In this setting, the Group follows a corporate philosophy that consists of the mission "Serving Society with Superior Quality." The four foundations for fulfilling this mission are: "Seijitsu-Kyocho [Integrity and Teamwork];" "Shinshu-Dokuso [Creative Pioneering];" "Genbutsu-Genba [Decision-Making Based on Verified, On-Site Observations];" and "Jukuryo-Danko [Decisive Action after Thorough Planning]," as well as the Safety Mission Statement, the Quality Mission Statement, and the Environmental Mission Statement. Based on this corporate philosophy, the Group will pursue its ultimate goal of becoming "a truly global company" and achieving "Dan-Totsu in all aspects of our business."

To achieve the goals outlined above, the Group remains firmly committed to the principles of "Lean & Strategic" and "Optimize on a Group and Global basis." In other words, the Group maintains an optimum balance between short-term and mid- to long-term management measures, with a focus on "Lean" in the short-term and "Strategic" in the mid- to long-terms. At the same time, the Group continues to implement management reforms, giving the highest priority to optimization on a Group and Global basis. The Group also aims to meet the management targets set within the MTP announced in October 2017, such as consistently delivering and achieving "Growth: Exceed the industry average;" "Overall: ROA 6%, OP 10%, and ROE 12%;" and "Each SBU: OP 10% (Respectively)."

In accordance with this fundamental approach, the Group makes full use of "the Strategic Business Unit (SBU) organization" and the MTP as tools to continue to focus on three priority items: "cultivating global corporate culture;" "developing human resources capable of global management;" and "upgrading the global management structure," to improve the quality and the speed of management reforms.

In regard to the first priority item, "cultivating a global corporate culture," the Group ensures group and global consistency, promoting the brand strategy as a part of a fully integrated marketing strategy. In addition, as a Worldwide Olympic Partner and Tokyo

2020 Paralympic Gold Partner, the Group builds “Team Bridgestone,” whose members include athlete ambassadors who serve as the face of Bridgestone activities, athletes who rise to the challenge with the athlete ambassadors on the pathway to the podium, and all their supporters, embodying the Group’s global Olympic message entitled “Chase Your Dream,” and continues to strengthen the global brand.

Furthermore, the Group accelerates innovation through the use of ICT and company-wide value chain in an operating environment undergoing significant changes. The Group is striving to optimize global R&D structures and promote innovations in both technologies and business models in order to globally expand the Group’s highly competitive products and services and strengthen and develop business solutions. The Group will also make ongoing efforts to improve all aspects of its management. By taking these measures, the Group creates value for the customer and ensures its competitive advantage.

To achieve the second item, “developing human resources capable of global management,” the Group will implement measures, such as programs to nurture global leaders. Further, the Group is enhancing the development of a work environment and human resources structure that allows diverse personnel to demonstrate their full potential. To attain this objective, the Group has designated English as the official company language in international meetings, including Global EXCO (Global Executive Committee) Meetings, the highest body of global business execution.

In regard to the third item, “upgrading the global management structure,” the Group is focused on enhancing governance systems and expanding the diversified products business. To enhance governance systems, the Group has shifted to the “Company with Nominating Committee, etc.” model of corporate governance in March 2016, to further improve its internal control systems and speed of decision-making. Aiming to evolve both the efficiency and effectiveness of management and business execution, the Group will continue to develop the global management system, such as clarifying authority and responsibility, optimizing allocation of decision-making authority, and reviewing the SBU organization structure. To expand the diversified products business, the Group works to ensure further growth and improvements through globalization of the business of seismic isolators for buildings, developing next-generation bicycle parts designed using innovative technology, and expanding the business in the sports and health field through increasing sports schools and classes. The Group will further strengthen its business

solutions, including services, beyond the mere combination of various products, including tires.

In addition, the Group will increase efforts to enhance systems that support the fulfillment of its responsibilities to stakeholders. As for internal control, the Group will conduct reviews of its policy, when necessary, for the development of internal control systems to ensure the appropriateness of operations. The Group has redefined its global corporate social responsibility (CSR) commitment, now termed as “Our Way to Serve,” in March 2017, as an initiative for continually working toward a sustainable society and resolving social issues. “Our Way to Serve” organizes the Group’s CSR efforts under the three priority areas: Mobility; People; and Environment. These priority areas and the Management Fundamentals which are those expected of any responsible company in six areas work together as “a pair of wheels,” and the Group will continue to improve the way people move, live, work and play.

## 5. Assets and Operating Results

	Unit	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Net Sales	Yen in millions	3,568,091	3,673,964	3,790,251	3,337,017	3,643,427
Profit attributable to owners of parent	Yen in millions	202,053	300,589	284,294	265,550	288,275
Net Income per Share	Yen	258.10	383.84	362.99	339.04	375.67
Total Assets	Yen in millions	3,577,045	3,960,908	3,795,846	3,716,030	3,959,038

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

Note 2: Profit attributable to owners of parent for fiscal year 2014 significantly increased from fiscal year 2013 due to the loss related to the U.S. antitrust law in the previous period.

Additionally, total assets for fiscal year 2014 increased significantly from fiscal year 2013 mainly due to the continuing depreciation of the Japanese yen.

The significant decrease in net sales in fiscal year 2016 as compared to fiscal year 2015 is mainly due to the continuing appreciation of the Japanese yen.

Note 3: BRIDGESTONE EUROPE NV/SA, a consolidated overseas subsidiary of the Company, has adopted International Financial Reporting Standards (IFRS) in its consolidated financial statements

from fiscal year 2017. The changes in accounting policy resulting from the adoption of IFRS are applied retrospectively, and therefore, total assets and other items for fiscal year 2016 are adjusted retrospectively.

## 6. Major Subsidiaries

Company	Location	Capital	Ownership	Primary Operations
Bridgestone Tire Japan Co., Ltd.	Chuo-ku, Tokyo	Yen in millions 710	100.0%	Management of domestic sale of tires for replacement market and sale of tires
Bridgestone Retail Japan Co., Ltd.	Chuo-ku, Tokyo	Yen in millions 300	(100.0%) 100.0%	Sale of tires and automotive parts
Bridgestone Diversified Chemical Products Co., Ltd.	Chuo-ku, Tokyo	Yen in millions 310	100.0%	Manufacture and sale of synthetic resin products
Bridgestone Diversified Products Japan Co., Ltd.	Minato-ku, Tokyo	Yen in millions 400	100.0%	Sale of and work on industrial rubber products and building materials
Bridgestone Sports Co., Ltd.	Minato-ku, Tokyo	Yen in millions 3,000	100.0%	Manufacture and sale of sporting goods
Bridgestone Cycle Co., Ltd.	Ageo, Saitama	Yen in millions 1,870	100.0%	Manufacture and sale of bicycles
Bridgestone Finance Corporation	Chuo-ku, Tokyo	Yen in millions 50	100.0%	Lending, purchasing of sales receivables and entrusted processing of accounting and payroll calculation
Bridgestone Americas, Inc.	U.S.	USD in thousands 127,000	100.0%	Management of Americas operations

Company	Location	Capital	Ownership	Primary Operations
Bridgestone Americas Tire Operations, LLC	U.S.	USD in thousands 1	(100.0%) 100.0%	Manufacture and sale of tires
Bridgestone Retail Operations, LLC	U.S.	USD in thousands 1	(100.0%) 100.0%	Sale of tires and automotive components, and automotive maintenance and repair services
Bridgestone Bandag, LLC	U.S.	USD in thousands 1	(100.0%) 100.0%	Manufacture and sale of retreading materials and provision of related services
Bridgestone Canada Inc.	Canada	CAD in thousands 127,552	(100.0%) 100.0%	Manufacture and sale of tires and sale of automotive components
Bridgestone de Mexico, S.A. de C.V.	Mexico	MXN in thousands 455,997	(100.0%) 100.0%	Manufacture and sale of tires
Bridgestone do Brasil Industria e Comercio Ltda.	Brazil	BRL in thousands 458,787	(100.0%) 100.0%	Manufacture and sale of tires
Bridgestone Argentina S.A.I.C.	Argentina	ARS in thousands 201,241	(100.0%) 100.0%	Manufacture and sale of tires
Bridgestone Europe NV/SA	Belgium	EUR in thousands 984,063	100.0%	Management of European, Russian, Middle East and Africa tire operations and sale of tires
Bridgestone Deutschland GmbH	Germany	EUR in thousands 14,000	(100.0%) 100.0%	Sale of tires and automotive components
Bridgestone Poznan Sp. z o.o.	Poland	PLN in thousands 558,058	(100.0%) 100.0%	Manufacture and sale of tires

Company	Location	Capital	Ownership	Primary Operations
Bridgestone UK Ltd.	United Kingdom	GBP in thousands 18,335	(100.0%) 100.0%	Sale of tires and automotive components
Bridgestone France S.A.S.	France	EUR in thousands 74,090	(100.0%) 100.0%	Manufacture and sale of tires and sale of automotive components
Bridgestone Hispania S.A.	Spain	EUR in thousands 56,568	(100.0%) 100.0%	Manufacture and sale of tires and sale of automotive components
Bridgestone Middle East & Africa FZE	U.A.E.	AED in thousands 17,000	(100.0%) 100.0%	Management of Middle East and Africa tire operations and sale of tires
Bridgestone South Africa (Pty) Ltd.	South Africa	ZAR in thousands 206	(87.5%) 87.5%	Manufacture and sale of tires
Bridgestone Asia Pacific Pte. Ltd.	Singapore	SGD in thousands 1,156,247	100.0%	Management of China and Asia Pacific tire operations and sale of tires
Bridgestone (China) Investment Co., Ltd.	China	USD in thousands 347,664	100.0%	Management of Chinese tire operations and sale of tires
Bridgestone (Wuxi) Tire Co., Ltd.	China	USD in thousands 255,040	(100.0%) 100.0%	Manufacture and sale of tires
Bridgestone India Private Ltd.	India	INR in thousands 7,737,041	(100.0%) 100.0%	Manufacture and sale of tires
Thai Bridgestone Co., Ltd.	Thailand	THB in thousands 400,000	(69.2%) 69.2%	Manufacture and sale of tires
Bridgestone Tire Manufacturing (Thailand) Co., Ltd.	Thailand	THB in thousands 6,921,000	(100.0%) 100.0%	Manufacture and sale of tires



Company	Location	Capital	Ownership	Primary Operations
P.T. Bridgestone Tire Indonesia	Indonesia	IDR in thousands 10,358,400	(54.3%) 54.3%	Manufacture and sale of tires
Bridgestone Australia Ltd.	Australia	AUD in thousands 205,819	(100.0%) 100.0%	Sale of tires
Bridgestone Earthmover Tyres Pty. Ltd.	Australia	AUD in thousands 7,000	100.0%	Sale of off-the-road tires for mining and construction vehicles
Firestone Polymers, LLC	U.S.	USD in thousands 1	(100.0%) 100.0%	Manufacture and sale of synthetic rubber
Firestone Building Products Company, LLC	U.S.	USD in thousands 1	(100.0%) 100.0%	Manufacture and sale of commercial roofing material and other products
Bridgestone Treasury Singapore Pte. Ltd.	Singapore	USD in thousands 450,700	100.0%	Lending and purchasing of sales receivables

Note 1: Renaming of subsidiary in Australia

As of January 1, 2018, Bridgestone Earthmover Tyres Pty. Ltd. was renamed as Bridgestone Mining Solutions Australia Pty. Ltd.

Note 2: Figures in parentheses in the "Ownership" column represent the percentage of indirect ownership.

## 7. Major Offices and Plants

### Bridgestone Corporation

Headquarters	3-1-1 Kyobashi, Chuo-ku, Tokyo
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Technical Center	Kodaira, Tokyo and Totsuka-ku, Yokohama		
Nasu Plant	Nasushiobara, Tochigi	Shimonoseki Plant	Shimonoseki, Yamaguchi
Tochigi Plant	Nasushiobara, Tochigi	Kitakyushu Plant	Wakamatsu-ku, Kitakyushu
Tokyo AC Tire Plant	Kodaira, Tokyo	Tosu Plant	Tosu, Saga
Yokohama Plant	Totsuka-ku, Yokohama	Saga Plant	Miyaki-gun, Saga
Iwata Plant	Iwata, Shizuoka	Kurume Plant	Kurume, Fukuoka
Seki Plant	Seki, Gifu	Amagi Plant	Asakura, Fukuoka
Hikone Plant	Hikone, Shiga	Kumamoto Plant	Tamana, Kumamoto
Hofu Plant	Hofu, Yamaguchi		

### Subsidiaries

Please see section "6. Major Subsidiaries".

## 8. Employees

Business segments	Number of employees	Increase (decrease) from the previous period-end
Tires	124,227	(1,097)
Diversified products	18,442	150
Total	142,669	(947)

## II. SHARES OF BRIDGESTONE CORPORATION AS OF DECEMBER 31, 2017

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:** 70,114 shareholders

### 4. Major Shareholders

Name of Shareholders	Number of Shares owned (in thousands)	Percentage owned
Ishibashi Foundation	76,693	10.20%
The Master Trust Bank of Japan, Ltd. (Trust account)	45,005	5.99%
Japan Trustee Services Bank, Ltd. (Trust account)	39,280	5.23%
Hiroshi Ishibashi	22,000	2.93%
Nippon Life Insurance Company	17,624	2.34%
Nagasaka Corporation	16,325	2.17%
Sumitomo Mitsui Banking Corporation	16,064	2.14%
Japan Trustee Services Bank, Ltd. (Trust account5)	13,477	1.79%
State Street Bank West Client - Treaty 505234	11,155	1.48%
JPMorgan Securities Japan Co., Ltd.	11,149	1.48%

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

Note 2: The Company holds 61,372 thousand in treasury stock, which is not included in the above table.

### 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) and executive officers

Name of stock acquisition rights (date of resolution)	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 7th Stock Acquisition Rights (Mar. 26, 2009)	18,000 common stocks	¥1,264 (Note)	¥1	May 1, 2009, to Apr. 30, 2029	180 units 5 persons
The 8th Stock Acquisition Rights (Mar. 30, 2010)	26,500 common stocks	¥1,400 (Note)	¥1	May 6, 2010, to Apr. 30, 2030	265 units 6 persons
The 9th Stock Acquisition Rights (Mar. 29, 2011)	39,000 common stocks	¥1,656 (Note)	¥1	May 2, 2011, to Apr. 30, 2031	390 units 9 persons
The 10th Stock Acquisition Rights (Mar. 27, 2012)	72,000 common stocks	¥1,648 (Note)	¥1	May 1, 2012, to Apr. 30, 2032	720 units 9 persons
The 11th Stock Acquisition Rights (Mar. 26, 2013)	84,000 common stocks	¥3,313 (Note)	¥1	May 1, 2013, to Apr. 30, 2033	840 units 9 persons
The 12th Stock Acquisition Rights (Mar. 25, 2014)	51,400 common stocks	¥3,153 (Note)	¥1	May 1, 2014, to Apr. 30, 2034	514 units 10 persons
The 13th Stock Acquisition Rights (Mar. 24, 2015)	45,600 common stocks	¥4,099 (Note)	¥1	May 1, 2015, to Apr. 30, 2035	456 units 10 persons

The 14th Stock Acquisition Rights (Apr. 21, 2016)	73,500 common stocks	¥2,884 (Note)	¥1	May 7, 2016, to May 6, 2036	735 units 9 persons
The 15th Stock Acquisition Rights Plan A (Apr. 27, 2017)	56,000 common stocks	¥3,577 (Note)	¥1	May 13, 2017, to May 12, 2037	560 units 7 persons
The 15th Stock Acquisition Rights Plan B (Apr. 27, 2017)	5,400 common stocks	¥3,671 (Note)	¥1	July 6, 2017, to July 5, 2037	54 units 1 person

**(2) Stock acquisition rights held by outside directors**

Name of stock acquisition rights (date of approval)	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)	1,000 common stocks	¥1,400 (Note)	¥1	May 6, 2010, to Apr. 30, 2030	10 units 1 person
The 9th Stock Acquisition Rights (Mar. 29, 2011)	2,000 common stocks	¥1,656 (Note)	¥1	May 2, 2011, to Apr. 30, 2031	20 units 2 persons
The 10th Stock Acquisition Rights (Mar. 27, 2012)	2,000 common stocks	¥1,648 (Note)	¥1	May 1, 2012, to Apr. 30, 2032	20 units 2 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 of approval)	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 15th Stock Acquisition Rights Plan A (Apr. 27, 2017)	149,300 common stocks	¥3,577 (Note)	¥1	May 13, 2017, to May 12, 2037	1,493 units 45 persons
The 15th Stock Acquisition Rights Plan B (Apr. 27, 2017)	7,100 common stocks	¥3,671 (Note)	¥1	July 6, 2017, to July 5, 2037	71 units 2 persons

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

None applicable.

Note: The Company 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. Matters Related to the Directors of the Company

### 1. Names, etc. of the Members of the Board

Name	Position and assignment	Important concurrent positions
Masaaki Tsuya	Member of the Board Concurrently Chairman of the Board	—
Kazuhisa Nishigai	Member of the Board	—
Narumi Zaitso	Member of the Board Member of the Audit Committee (full-time)	—
Kenichi Togami	Member of the Board Member of the Audit Committee (full-time)	—
Sakie Tachibana Fukushima	Member of the Board (Outside Director) Chairperson of the Nominating Committee Member of the Compensation Committee	Representative Director, G&S Global Advisors Inc. Outside Director of Ajinomoto Co., Inc. Outside Director of J. FRONT RETAILING Co., Ltd. Outside Director of USHIO INC.
Scott Trevor Davis	Member of the Board (Outside Director) Member of the Nominating Committee Member of the Compensation Committee	Professor, College of Business, Rikkyo University Outside Director of Seven & i Holdings Co., Ltd. Outside Director of Sampo Holdings, Inc.
Yuri Okina	Member of the Board (Outside Director) Chairperson of the Compensation Committee Member of the Nominating Committee	Vice Chairman of the Institute, The Japan Research Institute, Limited Outside Director of Marubeni Corporation
Kenichi Masuda	Member of the Board (Outside Director) Chairperson of the Audit Committee	Lawyer (Partner of Anderson Mori & Tomotsune) Outside Corporate Auditor of LIFENET INSURANCE COMPANY Outside Audit & Supervisory Board Member of Mercuria Investment Co., Ltd.
Kenzo Yamamoto	Member of the Board (Outside Director) Member of the Audit Committee	Chairman, NTT Data Institute of Management Consulting, Inc.

Name	Position and assignment	Important concurrent positions
Keikou Terui	Member of the Board (Outside Director) Member of the Nominating Committee Member of the Compensation Committee	Outside Director, Ube Industries, Ltd. Outside Director of ORGANO CORPORATION
Seiichi Sasa	Member of the Board (Outside Director) Member of the Audit Committee	Certified Public Accountant (Representative of Sasa Seiichi Certified Public Accountant Office)

Note 1: Positions, assignments and important concurrent positions, etc. are as of December 31, 2017.

Note 2: Of the Members of the Board, Ms. Sakie Tachibana Fukushima, Mr. Scott Trevor Davis, Ms. Yuri Okina, Mr. Kenichi Masuda, Mr. Kenzo Yamamoto, Mr. Keikou Terui and Mr. Seiichi Sasa are Outside Directors prescribed in Item 15 of Article 2 of the Companies Act.

Note 3: There are no special interests between the Company and the organizations in which each Outside Director holds concurrent position(s).

Note 4: The Company has designated Members of the Board Ms. Sakie Tachibana Fukushima, Mr. Scott Trevor Davis, Ms. Yuri Okina, Mr. Kenichi Masuda, Mr. Kenzo Yamamoto, Mr. Keikou Terui and Mr. Seiichi Sasa as Independent Directors as stipulated by the Tokyo Stock Exchange, the Nagoya Stock Exchange and the Fukuoka Stock Exchange, and notified the respective stock exchanges to that effect.

Note 5: Member of the Audit Committee Mr. Seiichi Sasa has abundant professional experience in accounting audit and consulting as a Certified Public Accountant, as well as considerable knowledge in finance and accounting.

Note 6: Member of the Audit Committee Mr. Kenichi Togami was in charge of accounting operations of the Company for many years and has considerable knowledge in finance and accounting.

Note 7: The Company has selected Members of the Board Mr. Narumi Zaitzu and Mr. Kenichi Togami as full-time Members of the Audit Committee. Coordination with the internal audit department and day-to-day gathering of information through attendance at important meetings are important for enhancing the effectiveness of audits. Therefore, the Company has appointed as full-time Members of the Audit Committee Members of the Board who are well versed in the Company's internal organization and business execution as well as those who possess expertise in industry-specific fields.

Note 8: The Company has entered into an agreement with each of Ms. Sakie Tachibana Fukushima, Mr. Scott Trevor Davis, Ms. Yuri Okina, Mr. Kenichi Masuda, Mr. Kenzo Yamamoto, Mr. Keikou Terui, Mr. Seiichi Sasa, Mr. Narumi Zaitzu and Mr. Kenichi Togami that limits his/her damage compensation liability of Paragraph 1 of Article 423 of the Companies Act, pursuant to Paragraph 2 of Article 26 of the Articles of Incorporation of the Company based on the provision



in Paragraph 1 of Article 427 of the Companies Act. The maximum amount of his/her liability based on said agreement shall be the higher of either 10 million yen or the minimum liability amount prescribed in Paragraph 1 of Article 425 of the Companies Act.

## 2. Names, etc. of the Executive Officers

Name	Position	Assignment and important concurrent positions
Masaaki Tsuya	Representative Executive Officer	CEO Concurrently Chairman, BIOC
Kazuhisa Nishigai	Representative Executive Officer	COO Concurrently Chief Technology Officer Responsible for Technology; Concurrently Vice Chairman, BIOC; Concurrently Member of the Board of Bridgestone Asia Pacific Pte. Ltd.
Shuichi Ishibashi	Executive Vice President and Executive Officer	Chief Quality Management Officer Responsible for Quality Management and CSR; Concurrently responsible for Global Original Equipment and Global Business Strategy; Concurrently responsible for Global Solutions Business and Diversified Products; Concurrently responsible for Global Solutions Business; Concurrently Chair and CEO, Global Mining and Agricultural Solutions in-house Company; Concurrently Chair, Diversified Products Solutions in-house Company
Akihiro Eto	Executive Vice President and Executive Officer	Responsible for Corporate Planning; Concurrently responsible for Corporate Administration; Concurrently Chief Financial Officer Finance

Name	Position	Assignment and important concurrent positions
Asahiko Nishiyama	Executive Vice President and Executive Officer	Vice Chairman, BIOC Responsible for Diversified Products, Sports and Cycle Business; Concurrently Chairman of Bridgestone Sports Co., Ltd.; Concurrently Chairman of Bridgestone Cycle Co., Ltd.
Eduardo Minardi	Executive Vice President and Executive Officer	Chairman of Bridgestone Europe NV/SA Chairman of Bridgestone Americas, Inc.
Minoru Shimizu	Senior Vice President and Executive Officer	Responsible for Japan Tire Business; Concurrently responsible for Replacement Tire Sales; Concurrently Chairman of Bridgestone Tire Japan Co., Ltd.
Franco Annunziato	Senior Vice President and Executive Officer	Executive Chairman and CEO of Bridgestone Asia Pacific Pte. Ltd.

Note 1: Positions, assignments and important concurrent positions, etc. are as of December 31, 2017.

Note 2: Of the Executive Officers, Mr. Masaaki Tsuya and Mr. Kazuhisa Nishigai concurrently serve as Members of the Board.

Note 3: Executive Vice President and Executive Officer Mr. Eduardo Minardi, Senior Vice Presidents and Executive Officers Mr. Minoru Shimizu and Mr. Franco Annunziato resigned on December 31, 2017.

Note 4: BIOC is the Company's highest body of global management and governance of Bridgestone's Olympic and Paralympic partnership.

### 3. Remuneration of Members of the Board and Executive Officers for the current period

#### (1) Total amount of remuneration and the number of recipients by the categories of directors

Categories	Total amount of remuneration (Yen in millions)	Number of recipients (in persons)
Member of the Board	201	12
(of which Outside Directors)	109	7
Executive Officer	685	9
Total	886	21

Note: The figures above include remuneration paid to one Member of the Board and four Executive Officers who resigned during the current period.

#### (2) Policy and process for setting Executives' remuneration

##### i. Policy for setting Executives' remuneration

The Company has adopted "Principles for Remuneration Setting," with four elements: to attract and cultivate superior talent, to support a competitive remuneration level, to provide motivation for the execution of business strategies, and to provide motivation for enhancing shareholder value. Based on these principles, the Company sets remuneration for the Members of the Board and Executive Officers that reflect factors such as performance results and business size, while also taking into consideration the remuneration levels of other major global companies in Japan in accordance to their role and responsibility level.

##### a. Remuneration for the Members of the Board

Remuneration for the Members of the Board who hold a concurrent position as Executive Officers comprised of fixed and variable components. Fixed remuneration is made up of basic remuneration for their duties, and remuneration based on the roles and responsibility of the Member of the Board and Executive Officer. Variable remuneration comprised of the group-wide performance based bonus and stock-compensation-type stock options, which was designed to provide motivation for increased mid- to long-term corporate value and to promote sharing of risk and rewards of the change in stock price with shareholders.

The Members of the Board who do not hold concurrent positions as Executive Officers, still participate in the management and contribute towards mid- to long-term business

performance and enhancement of corporate value without actually being involved in day to day operations, and therefore their fixed remuneration comprised of the basic remuneration for duties and a specific remuneration for the Members of the Board.

b. Remuneration of the Executive Officers

Remuneration for the Executive Officers comprised of fixed and variable components. Fixed remuneration is made up of the basic remuneration for their duties and a specific remuneration for the Executive Officer. Variable remuneration comprised of the group-wide performance based bonus, performance-based bonus that depends on the interim performance of their responsible areas, and stock options.

\*The Company's Executives can exercise their stock-compensation-type stock options from the day after their retirement date.

ii. Policy for determining Executives' remuneration

The Compensation Committee, composed of outside directors, determines remuneration of the Members of the Board and Executive Officers. The Compensation Committee determines the compensation policy for the Members of the Board and Executive Officers, and deliberates issues regarding remuneration including the basic principles, the compensation plans, and remuneration matters in general, and determines the amounts for each position. Additionally, the allocation and rates for the group-wide performance bonuses are evaluated and determined from quantitative and qualitative perspectives. Also, if any Members of the Board or Executive Officers holds a concurrent position as Executives for any subsidiaries, the Compensation Committee also deliberates on the remuneration paid by that subsidiary.

#### 4. Matters Related to the Outside Directors

##### Main activities of outside directors

Positions	Names	Attendance at meetings	Primary activities
Member of the Board	Sakie Tachibana Fukushima	Board of Directors: 93% (14 out of 15 meetings) Nominating Committee: 100% (11 out of 11 meetings) Compensation Committee: 93% (13 out of 14 meetings)	Provided necessary input to guide decisions made by the Board of Directors, and actively participated in discussions at the meetings of the Board of Directors, principally based on her extensive knowledge and experience in global business management. As the chairperson of the Nominating Committee, she is dedicated to promoting active discussions at the meetings and exercising committee rights by taking the initiative. As a member of the Compensation Committee, she actively took part in discussions.
Member of the Board	Scott Trevor Davis	Board of Directors: 93% (14 out of 15 meetings) Nominating Committee: 100% (11 out of 11 meetings) Compensation Committee: 100% (14 out of 14 meetings)	Provided necessary input to guide decisions made by the Board of Directors, and actively participated in discussions at the meetings of the Board of Directors, principally based on his high insight in the fields of social science, international business, and domestic and overseas CSR. As a member of the Nominating Committee and the Compensation Committee, he actively took part in discussions. Also, as the chairperson of the Governance Committee and the Compliance Committee, he took the initiative.
Member of the Board	Yuri Okina	Board of Directors: 100% (15 out of 15 meetings) Nominating Committee: 100% (11 out of 11 meetings) Compensation Committee: 100% (14 out of 14 meetings)	Provided necessary input to guide decisions made by the Board of Directors, and actively participated in discussions at the meetings of the Board of Directors, principally based on her extensive research experience in financial systems and financial administration. As the chairperson of the Compensation Committee, she is dedicated to promoting active discussions at the meetings and exercising committee rights by taking the initiative. As a member of the Nominating Committee, she actively took part in discussions.

Member of the Board	Kenichi Masuda	Board of Directors: 100% (15 out of 15 meetings) Audit Committee: 100% (16 out of 16 meetings)	Provided necessary input to guide decisions made by the Board of Directors, and actively participated in discussions at the meetings of the Board of Directors, principally based on his professional perspective as a lawyer. Also, fulfilling the leadership role as the chairman of the Audit Committee, he contributed to enhancing the audit structure from an objective view, leveraging his broad knowledge.
Member of the Board	Kenzo Yamamoto	Board of Directors: 100% (15 out of 15 meetings) Audit Committee: 100% (16 out of 16 meetings)	Provided necessary input to guide decisions made by the Board of Directors, and actively participated in discussions at the meetings of the Board of Directors, principally based on his extensive experience in financial markets and financial systems. Also, as a member of the Audit Committee, he contributed to enhancing audit structure from an objective view, leveraging his broad knowledge.
Member of the Board	Keikou Terui	Board of Directors: 93% (14 out of 15 meetings) Nominating Committee: 100% (11 out of 11 meetings) Compensation Committee: 100% (14 out of 14 meetings)	Provided necessary input to guide decisions made by the Board of Directors, and actively participated in discussions at the meetings of the Board of Directors, principally based on his extensive knowledge and administrative experience in industry technology fields. Also, as a member of the Nominating Committee and the Compensation Committee, he actively took part in discussions from an objective view, leveraging his broad knowledge.
Member of the Board	Seiichi Sasa	Board of Directors: 100% (15 out of 15 meetings) Audit Committee: 100% (16 out of 16 meetings)	Provided necessary input to guide decisions made by the Board of Directors, and actively participated in discussions at the meetings of the Board of Directors, principally based on his expertise as a certified public accountant. Also, as a member of the Audit Committee, he contributed to enhancing the audit structure from an objective view, leveraging his broad knowledge.

## V. MATTERS RELATED TO THE INDEPENDENT AUDITORS

### 1. Name of Independent Auditor

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	¥317 million
(of which amount of compensation for services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act)	¥173 million
Total amount of compensation to be paid by Bridgestone Corporation and its subsidiaries to the independent auditors	¥534 million

Note 1: The Audit Committee checks and reviews details of the audit plan, audit activities carried out to date, trends in remuneration paid underlying any rational model applied to audit fee estimation, and non-audit fees. Subsequently, the Audit Committee agrees to the audit fees set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act as stipulated in Article 399, Paragraph 1 of the Companies Act.

Note 2: The audit agreement entered into by the independent auditors and the Company does not separately stipulate the compensation amounts for the audit under the Companies Act, the audit under the Financial Instruments and Exchange Act, and the audit on consolidated financial statements in the English language. Furthermore, those three amounts cannot be practically distinguished from one another. Hence, they are included in the amount of compensation for services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act.

Note 3: The Company has paid consideration 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 and guidance on the International Financial Reporting Standards.

Note 4: Major overseas subsidiaries are subject to be audited by overseas independent auditors other than the Company's independent auditor. Such overseas independent auditors are qualified as certified public accountants or audit corporations under relevant overseas laws and

regulations. As used herein, the term “audit” means those services intended to ensure compliance with overseas laws and regulations equivalent to the provisions in the Companies Act or the Financial Instruments and Exchange Act of Japan.

### **3. Policy for Determination of Dismissal or Non-reappointment of the Independent Auditor**

The Audit Committee dismisses the independent auditor with a unanimous resolution in the event where it determines the independent auditor fails under any items of Article 340, Paragraph 1 of the Companies Act. In this case, the members of the Audit Committee chosen by the Audit Committee must report its decision and the reason for dismissal to the first General Meeting of Shareholders after the dismissal.

In addition, the Board of Directors submits a proposal for dismissal or non-reappointment of the independent auditor at a General Meeting of Shareholders, in the event where the Audit Committee proposes the dismissal or non-reappointment of the independent auditor as an agenda item for the meeting as it is deemed necessary to ensure a proper audit is performed or to enhance the appropriateness of the audit.



## **VI. SYSTEMS TO ENSURE THE PROPRIETY OF BUSINESS OPERATIONS (INTERNAL CONTROL SYSTEMS)**

### **1. Details of Resolution**

The policy detailed below was resolved at the Board of Directors meeting held on March 24, 2016. The policy shall continue to be revised as and when necessary.

#### **(1) Systems to ensure compliance of the Executive Officers' and the employees' execution of duties related to laws and regulations and the Articles of Incorporation**

##### **a. Oversight by the Board of Directors**

The Board of Directors determines management's stance and oversees the execution of duties by the Executive Officers in accordance with the Board of Director Rules. The Board of Directors ensures compliance of the execution of duties by the Executive Officers with respect to laws, regulations, and the Articles of Incorporation by reviewing reports and discussing them in its meetings.

##### **b. Implementation and enforcement of compliance systems**

The Company has formulated an approach and basic policies for implementing and enforcing the compliance systems, which call for the Executive Officers and all of its employees to uphold the corporate mission of "Serving Society with Superior Quality" and the four foundations for fulfilling the mission are: "Seijitu-Kyocho," "Shinshu-Dokuso," "Genbutsu-Genba," and "Jukuryo-Danko," in addition to compliance with laws, regulations and the Articles of Incorporation. Recognizing that compliance activities are related to corporate social responsibility (CSR), the Company will also continue to enforce compliance activities under the direction of the Chief Compliance Officer (CCO). Additionally, the Compliance Committee, as an advisory body to the Board of Directors, will lead the enhancement of the monitoring function of compliance activities in the Company and other Group companies.

##### **c. Implementation of systems against antisocial forces**

As reiterated by the Chief Executive Officer (CEO) of the Group, the Group shall continue to eliminate any relationships whatsoever with antisocial forces or groups that threaten public order and safety. The Group stands firmly against any requests from such antisocial forces or groups. The Company will continue to strengthen its internal systems against any such antisocial forces.

d. Implementation of systems for the J-SOX Act compliance

Regarding 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 Group will continue to ensure that its internal controls are effective and reliable on a group-wide 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 the Executive Officers**

The Company documents information related to the execution of duties by the Executive Officers without delay and ensures appropriate information management.

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

The Company reaffirmed the importance of risk management in CSR programs and continues to strengthen the system to comprehensively manage risks that could have a major influence on the operating activities of the Company and other Group companies in accordance with the Basic Manual for Risk Management under the leadership of the Chief Risk Officer (CRO).

**(4) Systems to ensure the efficient execution of duties by Executive Officers**

The Company articulates and implements its policies in accordance with the Policy Management Rules, and conducts the efficient execution of duties by the Executive Officers in accordance with the Board of Directors Rules and the Administrative Authority Rules. The Company will also review and revise such rules as necessary.

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

Each Group company conducts business operations and makes decisions in accordance with its company policy, having shared internally the Group management policies which have been approved by appropriate institutions. From the Group optimization perspective, the Company advises or approves certain significant matters of its subsidiaries. In addition, the Company promotes the system implementation described in (1) or (4) above at each subsidiary. Subsidiaries are required to report necessary matters to the Company in accordance with the company’s policies. The Company has established the Internal Auditing Department, which performs periodic audit of the management of the Company and the Group companies, to strengthen its

organization and business activities. These policies, systems, and activities ensure the propriety of business operations conducted by the Group, namely by the Company and its subsidiaries.

**(6) Matters concerning employees requested to assist the Audit Committee's duties, the independence of those employees from Executive Officers, and policies on operational procedures relating to advances or reimbursement of expenses and policies for processing other expenses or liabilities associated with the execution of duties by the Audit Committee**

In order to assist the Audit Committee, the Company has assigned a Corporate Officer dedicated to audit, and under him/her established a department dedicated to assist the Audit Committee with their duties, whose independence is mandated. All the expenses associated with the execution of duties by the Audit Committee are fully compensated.

**(7) Systems for the Members of the Board, Corporate Auditors, Executive Officers, Corporate Officers, and employees of the Company and other Group companies to report to the Audit Committee, other reporting systems to the Audit Committee, and other systems to ensure effective audits by the Audit Committee**

The Company provides Members of the Audit Committee with opportunities to attend important committee meetings related to the execution of business operations as well as the meeting of the Board of Directors. When reporting to the Audit Committee is required, the Members of the Board, Executive Officers, Corporate Officers and employees of the Company, and the Members of the Board, Corporate Auditors, Corporate Officers, and employees of the Group companies, must do so periodically or without delay. In addition, the Company implements systems to immediately report to the Audit Committee any fact that may significantly affect the Company and the Group companies, and also prohibits unfavorable treatment of the Members of the Board, Executive Officers, Corporate Officers and employees of the Company, and the Members of the Board, Corporate Auditors, Corporate Officers and employees of the Group companies, for reporting to the Audit Committee. Further, the Company implements other systems needed to ensure that the audit by the Audit Committee for the Company and the Group companies are effective.

## **2. Details of Operational Status**

### **(1) Systems to ensure compliance of the Executive Officers' and the employees' execution of duties related to laws and regulations and the Articles of Incorporation**

#### **a. Oversight by the Board of Directors**

The Company determines management's stance and significant matters related to the execution of operations to be resolved at meetings of the Board of Directors in accordance with the Articles of Incorporation and the Board of Directors Rules and Administrative Authority Rules. The Board of Directors makes decisions on these matters after careful consideration. There is a specialized department that ensures compliance with the Administrative Authority Rules and, while ensuring the appropriateness of (5) below, confirms matters subject to the decision-making of the Board of Directors. Further, this specialized department periodically reports to the Board of Directors, as appropriate and in accordance with the applicable procedures, the status of matters subject to the decision-making of the Board of Directors in accordance with the guidelines for matters to be discussed at the Board of Directors Meeting, and the status of operations related to the policy to develop internal control systems. Through these reports, the Board of Directors oversees the execution of duties by the Executive Officers.

#### **b. Implementation and enforcement of compliance systems**

The Company, based on its compliance policy, has implemented measures such as operation of a Compliance Consultation Office, which serves as a helpline to promote compliance education to the Company's Executive Officers, Corporate Officers, and employees, as well as for the Group companies' Members of the Board, Corporate Officers, and employees through a specialized compliance department. Additionally, the Audit Committee, the Compliance Committee, which is an advisory body to the Board of Directors, and the various Executive Operational Committee confirm and deliberate on the status of the Company's and the Group's compliance activities.

#### **c. Implementation of systems against antisocial forces**

The Company, through a specialized department related to antisocial forces and groups, has thoroughly raised awareness about its policy of taking a resolute stand against any requests from antisocial forces or groups. Further, the Company has implemented measures such as central information management, building trust and

cooperation with the police and related external organizations, and reviewing and revising its contracts with clients. Awareness has been thoroughly raised throughout the Company about these measures through training and information available on the Company's intranet.

d. Implementation of systems for the J-SOX Act compliance

In order to increase the effectiveness of its system of internal controls on a group-wide basis, the Company offers support and training for improving self-evaluation and effectiveness of entity level controls through a dedicated J-SOX department. In addition to self-evaluation, periodic audits of internal control activities are conducted by the Internal Auditing Department and each auditing department of group entities to ensure the adequacy of the above measures. In March 2017, the 2016 internal control system report was submitted to the head of the Kanto Local Finance Bureau.

**(2) Systems to preserve and manage information pertaining to the execution of duties by Executive Officers**

The Company documents, without delay, the approval of business operations, the progress or completion of approved business operations and minutes of meetings of the various Executive Operational Committees and, based on related rules and procedures, has implemented measures for preventing leaks of confidential information and retains and manages documents in an appropriately searchable manner.

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

The Company identifies risks arising from the course of its business activities and establishes a business continuity plan, which is reviewed and revised as needed, for risks with the potential of giving rise to particularly major accidents and disasters. In addition to facilitating understanding about these risks and rolling out a business continuity plan on a group-wide basis, the various Executive Operational Committees confirm and deliberate on the status of these activities at the Risk Management Subcommittee, which is headed by the CRO.

**(4) Systems to ensure the efficient execution of duties by Executive Officers**

The Company created, through deliberations by the Board of Directors, a mid-term policy, based on which it established MTP, which is currently being implemented. Additionally, in order to improve the quality and speed of decision-making, the Company reviews and revises the Board of Directors Rules and Administrative

Authority Rules and prioritizes critical business issues from amongst the matters subject to the decision-making of the Board of Directors. In addition to that, change such as the delegation of authority by the Board of Directors to business divisions, and reconsideration of the decision-making power distribution between the Representative Executive Officer and the Executive Officers can take place.

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

In accordance with the Board of Directors Rules and Administrative Authority Rules, the Group clarifies and facilitates understanding of the Group management policy approved by the Board of Directors or CEO of the Group through the Global Executive Operational Committee, which is the highest-level committee related to the execution of operations at the global level. Based on this understanding, each Group company conducts business operations and decision-making in accordance with the Administrative Authority Rules, various related procedures, and other company rules. Nonetheless, the Company provides advice and authorization for certain important matters at the Group companies. Additionally, depending on each Group company's size of business, business practices, and regional business characteristics, the Company promotes the systems noted in (1) or (4) above for each Group company and information sharing at the various Executive Operational Committees. The Company receives necessary reports from the Group companies in accordance with its company rules. Further, the Company's Internal Auditing Department conducts periodic audit of the Company and the Group companies, and the Company is strengthening the auditing system and related activities by promoting cooperation between the Internal Auditing Department of the Company and that of the Group through information sharing sessions.

**(6) Matters concerning employees requested to assist the Audit Committee's duties, the independence of those employees from the Executive Officers, and policies on operational procedures relating to advances or reimbursement of expenses and policies for processing other expenses or liabilities associated with the execution of duties by the Audit Committee**

The Company assigned a Corporate Officer dedicated to assist the Audit Committee with their duties. The selection and replacement of these Corporate Officers are decided based on prior agreement and/or request from the Audit Committee. Under the Corporate Officer, the Company establishes a department dedicated to assist the Audit Committee with their duties and whose independence is mandated. Further, a

budget of a certain amount is annually established to compensate for any expense incurred for the execution of duties by the Audit Committee.

**(7) Systems for the Members of the Board, Corporate Auditors, Executive Officers, Corporate Officers, and employees of the Company and other Group companies to report to the Audit Committee, other reporting systems to the Audit Committee, and other systems to ensure effective audits by the Audit Committee**

The Company provides the Members of the Audit Committee with the opportunity to attend important committee meetings related to the execution of duties of the Global Executive Operational Committee in accordance with the various procedures of the Executive Operational Committee and other company rules. Items to be deliberated on by these committees are communicated in advance and deliberation results are reported via meeting minutes to the Members of Audit Committee. Key management indicators necessary for the execution of operations, including business performance, are reported without delay to the Members of the Audit Committee. Additionally, if facts come to light which would indicate the possibility of an event giving rise to significant damages, it is stipulated in the rules for executive officers that the Executive Officer must immediately report the event to the Members of the Audit Committee. Furthermore, the Compliance Department immediately reports to the Members of the Audit Committee if it is discovered that Members of the Board, Executive Officers, or employees have engaged in serious misconduct or illegal acts, or if other matters with the possibility of resulting in significant consequences are identified. Moreover, in accordance with the protection protocol of the Cartel Whistleblowing Hotline and the Bribery Report Hotline and the protection protocol of the Compliance Consultation Hotline, the Company prohibits unfavorable treatment of the Members of the Board, Executive Officers, Corporate Officers, and employees of the Company, and the Members of the Board, Corporate Auditors, and employees at the Group companies, for reporting to the Members of the Audit Committee.

## Consolidated Balance Sheet

	Current Year (As of December 31, 2017)	Previous Year (As of December 31, 2016) (for reference)
	Yen in millions	Yen in millions
<b>(Assets)</b>		
<b>Current Assets:</b>		
Cash and deposits	511,895	483,006
Notes and accounts receivable	503,412	455,218
Short-term investments	221,680	167,697
Merchandise and finished products	397,253	377,412
Work in process	36,787	35,469
Raw materials and supplies	156,142	144,527
Deferred tax assets	59,854	69,657
Other	117,071	105,340
Allowance for doubtful accounts	(17,062)	(16,179)
<b>Total Current Assets</b>	<b>1,987,036</b>	<b>1,822,150</b>
<b>Fixed Assets:</b>		
<b>Tangible fixed assets</b>		
Buildings and structures	555,770	526,688
Machinery, equipment and vehicles	517,639	505,685
Land	163,452	167,296
Construction in progress	146,160	160,752
Other	90,023	88,703
<b>Total tangible fixed assets</b>	<b>1,473,046</b>	<b>1,449,126</b>
<b>Intangible fixed assets</b>		
Goodwill	43,781	22,935
Other	61,248	51,208
<b>Total intangible fixed assets</b>	<b>105,029</b>	<b>74,144</b>
<b>Investments and other assets</b>		
Investments in securities	278,802	263,549
Long-term loans receivable	6,141	5,071
Deferred tax assets	40,578	37,172
Net defined benefit asset	1,345	2,039
Other	68,649	64,507
Allowance for doubtful accounts	(1,591)	(1,730)
<b>Total investments and other assets</b>	<b>393,925</b>	<b>370,609</b>
<b>Total Fixed Assets</b>	<b>1,972,002</b>	<b>1,893,880</b>
<b>Total</b>	<b>3,959,038</b>	<b>3,716,030</b>



	Current Year (As of December 31, 2017)	Previous Year (As of December 31, 2016) (for reference)
	Yen in millions	Yen in millions
<b>(Liabilities)</b>		
<b>Current Liabilities:</b>		
Notes and accounts payable	232,698	195,603
Short-term borrowings	124,606	174,678
Current portion of bonds	20,000	—
Lease obligations	14,117	1,017
Income taxes payable	66,453	22,722
Deferred tax liabilities	4,817	2,144
Provision for sales returns	3,603	3,471
Accounts payable – other	169,144	168,714
Accrued expenses	223,777	221,738
Other	51,328	59,744
<b>Total Current Liabilities</b>	<b>910,545</b>	<b>849,834</b>
<b>Long-term Liabilities:</b>		
Bonds	220,000	90,000
Long-term borrowings	51,728	70,458
Lease obligations	28,576	6,616
Deferred tax liabilities	53,344	50,214
Warranty reserve	28,419	27,620
Provision for environmental remediation	1,696	2,018
Provision for reorganization of R&D and manufacturing base	8,322	13,951
Net defined benefit liability	202,864	215,072
Other	50,803	44,345
<b>Total Long-term Liabilities</b>	<b>645,754</b>	<b>520,296</b>
<b>Total Liabilities</b>	<b>1,556,300</b>	<b>1,370,130</b>
<b>(Net Assets)</b>		
<b>Shareholders' equity:</b>		
Common stock	126,354	126,354
Capital surplus	122,984	123,005
Retained earnings	2,342,822	2,163,115
Treasury stock - at cost	(206,052)	(56,151)
<b>Total Shareholders' equity</b>	<b>2,386,108</b>	<b>2,356,323</b>
<b>Accumulated other comprehensive income:</b>		
Net unrealized gain (loss) on available-for-sale securities	176,686	174,197
Deferred gain (loss) on derivative instruments	(55)	(1,720)
Foreign currency translation adjustments	(93,479)	(107,242)
Remeasurements of defined benefit plans	(127,112)	(137,698)
<b>Total accumulated other comprehensive income</b>	<b>(43,960)</b>	<b>(72,463)</b>
<b>Stock acquisition rights</b>	<b>3,629</b>	<b>2,975</b>
<b>Non-controlling Interests</b>	<b>56,961</b>	<b>59,063</b>
<b>Total Net Assets</b>	<b>2,402,738</b>	<b>2,345,899</b>
<b>Total</b>	<b>3,959,038</b>	<b>3,716,030</b>

## Consolidated Statement of Income

	Current Year (Year ended December 31, 2017)		Previous Year (Year ended December 31, 2016) (for reference)	
	Yen in millions		Yen in millions	
<b>Net Sales</b>		<b>3,643,427</b>		<b>3,337,017</b>
<b>Cost of Sales</b>		<b>2,262,589</b>		<b>1,972,475</b>
<b>Gross Profit</b>		<b>1,380,838</b>		<b>1,364,541</b>
<b>Selling, General and Administrative Expenses</b>		<b>961,791</b>		<b>914,992</b>
<b>Operating Income</b>		<b>419,047</b>		<b>449,548</b>
<b>Non-operating Income</b>				
Interest income	6,336		5,030	
Dividend income	7,803		8,135	
Other	15,225	<b>29,366</b>	13,375	<b>26,541</b>
<b>Non-operating Expenses</b>				
Interest expense	12,104		10,169	
Foreign currency exchange loss	8,508		7,802	
Other	27,236	<b>47,849</b>	25,585	<b>43,556</b>
<b>Ordinary Income</b>		<b>400,564</b>		<b>432,534</b>
<b>Extraordinary Income</b>				
Gain on sales of investment securities	28,595		11,117	
Gain on sales of shares of subsidiaries and associates	10,616	<b>39,211</b>	—	<b>11,117</b>
<b>Extraordinary Loss</b>				
Impairment loss	10,122		4,414	
Expenses related to relocation of head office of Americas Operations	4,745		—	
Loss related to civil litigation in the Americas	4,484		—	
Loss related to reorganization of R&D and manufacturing base	—	<b>19,353</b>	17,649	<b>22,063</b>
<b>Income before Income Taxes and Non-controlling Interests</b>		<b>420,422</b>		<b>421,588</b>
Income taxes – current		124,708		113,488
Income taxes – deferred		(1,702)		32,661
<b>Income before Non-controlling Interests</b>		<b>297,416</b>		<b>275,438</b>
Profit Attributable to Non-controlling interests		9,140		9,887
<b>Profit Attributable to Owners of Parent</b>		<b>288,275</b>		<b>265,550</b>

## Consolidated Statement of Changes in Equity

Current Year (Year ended December 31, 2017)

(Yen in millions)

	Shareholders' equity					Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests
	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	Foreign currency translation adjustments	Remeasurements of defined benefit plans		
<b>Beginning Balance</b>	126,354	123,005	2,170,395	(56,151)	2,363,604	174,197	(1,720)	(114,910)	(137,754)	2,975	59,063
Cumulative effects of changes in accounting policies			(7,280)		(7,280)			7,667	55		
<b>Restated balance</b>	126,354	123,005	2,163,115	(56,151)	2,356,323	174,197	(1,720)	(107,242)	(137,698)	2,975	59,063
<b>(Changes in the year)</b>											
Cash dividends			(108,463)		(108,463)						
Profit attributable to owners of parent			288,275		288,275						
Purchase of treasury stock				(150,012)	(150,012)						
Disposal of treasury stock		(21)		111	90						
Purchase of shares of consolidated subsidiaries			(105)		(105)						
Net change in the year						2,489	1,665	13,762	10,585	653	(2,102)
<b>Total Changes in the Year</b>	—	(21)	179,707	(149,901)	29,784	2,489	1,665	13,762	10,585	653	(2,102)
<b>Ending Balance</b>	126,354	122,984	2,342,822	(206,052)	2,386,108	176,686	(55)	(93,479)	(127,112)	3,629	56,961

## **Notes to Consolidated Financial Statements**

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

#### 1. Scope of consolidation

##### (1) Number of consolidated subsidiaries: 288 companies

Names of principal companies:

- BRIDGESTONE TIRE JAPAN CO., LTD
- BRIDGESTONE RETAIL JAPAN CO., LTD
- BRIDGESTONE DIVERSIFIED CHEMICAL PRODUCTS CO., LTD
- BRIDGESTONE DIVERSIFIED PRODUCTS JAPAN CO., LTD.
- BRIDGESTONE SPORTS CO., LTD.
- BRIDGESTONE CYCLE CO., LTD.
- BRIDGESTONE FINANCE CORPORATION
- BRIDGESTONE AMERICAS, INC.
- BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC
- BRIDGESTONE RETAIL OPERATIONS, LLC
- BRIDGESTONE BANDAG, LLC
- BRIDGESTONE CANADA INC.
- BRIDGESTONE DE MEXICO, S.A. DE C.V.
- BRIDGESTONE DO BRASIL INDUSTRIA E COMERCIO LTDA.
- BRIDGESTONE ARGENTINA S.A.I.C.
- BRIDGESTONE EUROPE NV/SA
- BRIDGESTONE DEUTSCHLAND GMBH
- BRIDGESTONE POZNAN SP. Z O.O.
- BRIDGESTONE UK LTD.
- BRIDGESTONE FRANCE S.A.S.
- BRIDGESTONE HISPANIA S.A.
- BRIDGESTONE MIDDLE EAST & AFRICA FZE
- BRIDGESTONE SOUTH AFRICA (PTY) LTD.
- BRIDGESTONE ASIA PACIFIC PTE. LTD.
- BRIDGESTONE (CHINA) INVESTMENT CO., LTD.
- BRIDGESTONE (WUXI) TIRE CO., LTD.
- BRIDGESTONE INDIA PRIVATE LTD.
- THAI BRIDGESTONE CO., LTD.
- BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD.
- P.T. BRIDGESTONE TIRE INDONESIA
- BRIDGESTONE AUSTRALIA LTD.
- BRIDGESTONE EARTHMOVER TYRES PTY. LTD.
- FIRESTONE POLYMERS, LLC
- FIRESTONE BUILDING PRODUCTS COMPANY, LLC
- BRIDGESTONE TREASURY SINGAPORE PTE. LTD.

Changes in the scope of consolidation

Additions: 15 companies (mainly, increased by acquisition)

Deletions: 21 companies (mainly, decreased by disposal)

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

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

##### (1) Number of equity-method affiliates: 147 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 (increased by investment)

Deletions: 3 companies (mainly, decreased by disposal)

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

#### 3. Fiscal year of consolidated subsidiaries

BRIDGESTONE INDIA PRIVATE Ltd.'s fiscal year ends on March 31. Its financial statements are prepared on the basis of a provisional settlement of accounts performed as of the date of the consolidated financial statements.

#### 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 principally stated at the 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 net selling value.

(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

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

c) Warranty reserve

Warranty reserve, included in other liabilities, is estimated and recorded at the time of sale to provide for future potential costs, such as costs related to after-sales services, in amounts considered to be appropriate based on past experience of the Company and its subsidiaries (collectively, the "Group").

d) Provision for environmental remediation

In order to reserve for outlays for legally required removal and disposal of polychlorinated biphenyl (PCB) and other, the estimated amount of future obligations is recorded.

e) Provision for reorganization of R&D and manufacturing base

In order to reserve for outlays related to reorganization of R&D and manufacturing base, the estimated amount of future obligations is recorded.

(6) Accounting policies for retirement benefit

a) Method of attributing projected benefit to periods

To attribute projected benefit to periods of service up to the end of the current fiscal year, the Company, its domestic subsidiaries, and certain overseas subsidiaries attribute the benefit under the benefit formula basis. In addition, at certain overseas subsidiaries, an estimated total amount of expenses for postretirement benefits except for pensions is allotted based on the number of years of service provided by the employees.

b) Method of recognizing unrecognized actuarial gain/loss and past service costs

Past service costs are treated as expenses 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 past service costs occurred (10 years for the Company and its domestic subsidiaries, 3 to 12 years for its overseas subsidiaries).

Actuarial gain/loss for 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 fiscal year.

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

(7) Accounting policies for the translation of foreign currency-denominated assets and liabilities into Japanese 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 consolidated 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 non-controlling interests in a separate component of net assets.

(8) Hedge accounting

a) Hedge accounting method

Deferred hedge accounting is applied. Designation accounting is used for forward foreign exchange and foreign currency 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 forecasted foreign currency-denominated transactions
Foreign currency swaps	Borrowings and 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 Group's 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.

(9) Amortization of goodwill

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

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

Accounting treatment of consumption tax

Consumption tax and local consumption taxes are excluded.

## **(Changes in accounting policies)**

Adoption of International Financial Reporting Standards (IFRS) to Foreign Subsidiaries

BRIDGESTONE EUROPE NV/SA (BSEU) has adopted IFRS from fiscal 2017, formerly "U.S. Generally Accepted Accounting Principles (US GAAP)" was used. In determining initial application of IFRS in BSEU, the Company comprehensively evaluated factors including accounting trends and the plan for voluntary application of IFRS at the Group level.

As BSEU applied IFRS retrospectively, the cumulative effect of the revision is reflected on the net assets at the beginning of fiscal 2017. The main changes are as follows: retained earnings at the beginning of fiscal 2017 decreased by ¥7,280 million and foreign currency translation adjustments increased by ¥7,667 million.

## **(Changes in presentation)**

Consolidated Balance Sheet

"Goodwill" was included in "Intangible fixed assets" at the end of fiscal 2016. "Goodwill" is presented separately at the end of fiscal 2017, because the materiality increased. The amount of "Goodwill" at the end of fiscal 2016 was 22,935 million yen.

## **(Additional Information)**

Application of the Implementation Guidance on Recoverability of Deferred Tax Assets

The Company and its domestic subsidiaries have applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Guidance No. 26 of March 28, 2016), effective from fiscal 2017.

## **(Notes to the consolidated balance sheet)**

1. Accumulated depreciation of tangible fixed assets	2,718,181 million yen
2. Assets provided as collateral and collateralized debt obligations	
Assets pledged as collateral (Tangible fixed assets and others)	513 million yen
Obligations corresponding to the preceding Short-term borrowings	17 million yen
3. Balance of trade notes (without letter of credit) discounted	212 million yen

## (Notes to the consolidated statement of income)

### 1. Impairment loss

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

In the current period, for assets for business whose profitability has declined, assets to be disposed through planned scrapping or sale, and idle assets that are not expected to be used in the future, the carrying amounts were reduced to their recoverable amounts. As a result, the Group recognized an impairment loss of ¥10,122 million as extraordinary loss. The loss consists of ¥4,625 million for other intangible fixed assets, ¥2,416 million for machinery, equipment and vehicles, ¥1,218 million for buildings and structures, ¥973 million for land, and ¥888 million for others.

Use	Classification	Location	Amount (Yen in millions)
Assets for business	Machinery, equipment and vehicles, Buildings and structures, Land and others	Thailand, Japan, Mexico and others	3,771
Assets to be disposed	Other tangible fixed assets, Land and others	Japan and others	6,307
Idle assets	Land	Japan	43

The recoverable amounts of assets for business are principally measured by value in use, which is calculated by discounting future cash flows at a discount rate of 3.5% to 9.0%. The recoverable amounts of assets to be disposed and idle assets are measured at the net selling price. Assets to be scrapped are evaluated at memorandum value, and assets to be sold and idle assets are evaluated at the estimated selling price.

### 2. Expenses related to relocation of head office of Americas Operations

Relevant expenses are recognized in relation to the relocation of the head office of BRIDGESTONE AMERICAS, INC., corporate headquarters in the Americas, and the aggregation of its operation sites in the United States.

### 3. Loss related to civil litigation in the Americas

The Group has recorded the loss related to civil litigation in the Americas regarding sales of automobile parts.

## (Notes to the consolidated statement of changes in equity)

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

	As of January 1, 2017	Number of increase	Number of decrease	As of December 31, 2017
Number of shares issued Common stock (Thousands of shares)	813,102	—	—	813,102
Treasury stock Common stock (Thousands of shares) (see Notes 1, 2 and 3)	29,844	31,568	37	61,375

Note 1: The increase of treasury stock consists of the acquisition of treasury stock of 31,565 thousand shares pursuant to the resolution of the Board of Directors meeting, and the purchase of 2 thousand shares according to the requests from the shareholders who have odd-lot shares.

Note 2: The decrease of treasury stock consists of 37 thousand shares used for the exercise of stock options.

Note 3: At the Board of Directors meeting held on February 17, 2017, the Company resolved to cancel its treasury stock in accordance with Article 178 of the Companies Act. However, the cancellation of the following treasury stock, as resolved at the Board of Directors meeting, was not completed as of December 31, 2017.

- 1) Carrying amount: 173,126 million yen
- 2) Class of shares: Common stock of Bridgestone Corporation
- 3) Number of shares: 51,565,900 shares

The cancellation of the treasury stock above was completed on January 19, 2018.



2. Dividends

(1) Dividend payments

Resolution	Type	Total dividends (Yen in millions)	Dividend per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting, March 24, 2017	Common Stock	54,828	70	December 31, 2016	March 27, 2017
Board of Directors' Meeting, August 9, 2017	Common Stock	53,634	70	June 30, 2017	September 1, 2017

(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 (Yen)	Record date	Effective date
Annual Shareholders' Meeting, March 23, 2018	Common Stock	60,138	Retained earnings	80	December 31, 2017	March 26, 2018

3. The category and number of shares to be allocated to stock acquisition rights at the fiscal year end  
(excluding those for which the beginning of their exercise periods has not yet occurred)

Common stock: 1,330,600 shares

## **(Notes to financial instruments)**

### 1. Qualitative information on financial instruments

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

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

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

Receivables, such as notes and accounts receivable, are exposed to customer credit risk. Receivables in foreign currencies are exposed to foreign currency exchange fluctuation risk. Marketable securities consist primarily of the reservation of receivables liquidation that are exposed to customer credit risk or certificates of deposit regarded as marketable securities in accordance with US GAAP. 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 approximately 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 borrowings and bonds 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 loans and borrowings 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, the assessment method for hedge effectiveness, and other items related to hedge accounting are described in "Basic important matters for preparation of consolidated financial statements, 4. Summary of significant accounting policies, (8) Hedge accounting."

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

##### a. Management of credit risk

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

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

The maximum credit risk as of December 31, 2017, is represented by the book value of the financial instruments exposed to credit risk in the consolidated balance sheet.

##### b. Management of market risk

The Company and certain subsidiaries use principally foreign currency forward contracts to hedge foreign currency exchange fluctuation risk identified by currency on a monthly basis for receivables and payables in foreign currencies, and when receivables and payables in foreign currencies are expected from forecasted transactions, 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 loans and borrowings in foreign currencies; interest rate swap contracts are used to hedge interest rate fluctuation risk on borrowings; and commodity swap contracts are used to hedge commodity price fluctuation risk.

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

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

##### c. Management of liquidity risk in financing activities

The Companies practice money management effectively by recognizing the fund position beforehand based on cash flow projections. The Companies also strive to diversify 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. As variable factors are incorporated in calculating the relevant fair values, such values may change depending on the different assumptions.

2. Fair values of financial instruments

Carrying amounts of consolidated balance sheets, fair value, and unrealized gain/loss of the financial instruments as of December 31, 2017, are as follows. Financial instruments whose fair values are not readily determinable are excluded from the following table (see Note 2):

	Carrying amounts of	Fair value	Difference
	consolidated balance sheet		
	Yen in millions	Yen in millions	Yen in millions
(1) Cash and deposits	511,895	511,895	—
(2) Notes and accounts receivable	503,412		
Allowance for doubtful accounts (*1)	(17,062)		
	486,350	486,350	—
(3) Marketable and investment securities	479,687	479,687	—
Total Assets	1,477,932	1,477,932	—
(1) Notes and accounts payable	232,698	232,698	—
(2) Short-term borrowings	124,606	124,606	—
(3) Income taxes payable	66,453	66,453	—
(4) Accounts payable-other	169,144	169,144	—
(5) Bonds	240,000	240,068	(68)
(6) Long-term borrowings	51,728	51,753	(24)
Total Liabilities	884,630	884,723	(92)
Derivative transactions (*2)	(7,139)	(7,139)	—

(\*1) This item comprises the allowance for doubtful accounts in respect to notes and accounts receivable, short-term loans receivable, and others.

(\*2) Receivables and payables arising from derivative transactions are presented net. If the net amount is a liability, it is written in parentheses.

Notes

1. Calculation method of fair values of financial instruments

Assets

(1) Cash and deposits and (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 value of certificates of deposit approximates book value because of their short-term maturity.

Liabilities

(1) Notes and accounts payable, (2) Short-term borrowings, (3) Income taxes payable and (4) Accounts payable-other

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

(5) Bonds

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

(6) 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 as if the same type of borrowings 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

	Carrying amounts of consolidated balance sheet
	Yen in millions
Investments in affiliates	16,610
Available-for-sale securities	
Unlisted equity securities	4,185

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

**(Notes to per-share information)**

Total net assets per share	3,115.69 yen
Net income per share	375.67 yen

## Consolidated Statement of Cash Flows (for reference)

	Current Year (Year ended December 31, 2017)	Previous Year (Year ended December 31, 2016)
	Yen in millions	Yen in millions
<b>Cash Flows from Operating Activities</b>		
Income before income taxes and non-controlling interests	420,422	421,588
Depreciation and amortization	200,377	188,062
Amortization of goodwill	4,560	1,998
Increase (decrease) in net defined benefit liability	1,192	(45,185)
Interest and dividend income	(14,140)	(13,166)
Interest expense	12,104	10,169
Foreign currency exchange loss (gain)	3,982	(6,178)
Loss (gain) on sales of investments in securities	(28,595)	(11,117)
Loss (gain) on sales of shares of subsidiaries and associates	(10,616)	—
Impairment loss	10,122	4,414
Expenses related to relocation of head office of Americas Operations	4,745	—
Loss related to civil litigation in the Americas	4,484	—
Loss related to reorganization of R&D and manufacturing base	—	17,649
Decrease (increase) in notes and accounts receivable	(93,946)	9,600
Decrease (increase) in inventories	(26,123)	(16,047)
Increase (decrease) in notes and accounts payable	35,096	22,699
Other	(27,690)	(14,336)
<b>Subtotal</b>	<b>495,978</b>	<b>570,151</b>
Interest and dividends received	14,115	13,173
Interest paid	(12,078)	(10,051)
Payments related to relocation of head office of Americas Operations	(4,786)	—
Payments related to civil litigation in the Americas	(4,546)	—
Payments related to reorganization of R&D and manufacturing base	(3,321)	—
Income taxes paid	(67,252)	(128,737)
<b>Net Cash Provided by Operating Activities</b>	<b>418,109</b>	<b>444,535</b>
<b>Cash Flows from Investing Activities</b>		
Payments for purchase of tangible fixed assets	(198,259)	(186,814)
Proceeds from sales of tangible fixed assets	8,628	4,792
Payments for purchase of intangible assets	(6,295)	(5,900)
Payments for purchase of investment in securities	(4,841)	(1,289)
Proceeds from sales of investments in securities	31,831	14,433
Payments of long-term loans receivable	(2,394)	(3,401)
Other	(29,447)	(97)
<b>Net Cash Used in Investing Activities</b>	<b>(200,777)</b>	<b>(178,276)</b>
<b>Cash Flows from Financing Activities</b>		
Net increase (decrease) in short-term borrowings and commercial paper	25,607	(8,174)
Proceeds from long-term borrowings	37,164	19,463
Repayments of long-term borrowings	(131,848)	(68,395)
Proceeds from issuance of bonds	150,000	—
Payments for redemption of bonds	—	(30,000)
Purchase of treasury shares	(150,012)	(4)
Cash dividends paid	(108,654)	(109,386)
Cash dividends paid to non-controlling interests	(11,015)	(19,267)
Other	(1,310)	(639)
<b>Net Cash Used in Financing Activities</b>	<b>(190,069)</b>	<b>(216,404)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>2,794</b>	<b>(4,840)</b>
<b>Net increase (decrease) in Cash and Cash Equivalents</b>	<b>30,056</b>	<b>45,014</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>471,741</b>	<b>426,727</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>501,797</b>	<b>471,741</b>

### Notes

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

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 the fiscal year end and the amount shown in the Consolidated Balance Sheet

Cash and deposits — Consolidated Balance Sheet	511,895 million yen
Short-term investments	221,680
Total	733,575
Time deposits, bonds, etc., with terms of more than three months	(231,778)
Cash and cash equivalents —Consolidated Statement of Cash Flows	501,797

## **Non-consolidated Balance Sheet**

	Current Year (As of December 31, 2017)	Previous Year (As of December 31, 2016) (for reference)
	Yen in millions	Yen in millions
<b>(Assets)</b>		
<b>Current Assets:</b>		
Cash and deposits	218,685	169,418
Trade notes receivable	919	917
Trade accounts receivable	290,802	265,357
Short-term investments	10,000	10,000
Merchandise and finished products	32,315	31,194
Work in process	6,792	6,089
Raw materials and supplies	20,016	16,633
Deferred tax assets	11,996	12,161
Short-term loans for subsidiaries and affiliates	45,320	100,275
Accounts receivable-other	17,742	16,947
Other	7,487	11,286
Allowance for doubtful accounts	(41)	(9,477)
<b>Total Current Assets</b>	<b>662,037</b>	<b>630,803</b>
<b>Fixed Assets:</b>		
<b>Tangible fixed assets</b>		
Buildings	83,545	85,416
Structures	6,834	5,826
Machinery and equipment	41,380	42,284
Vehicles and carriers	1,103	980
Tools, furniture and fixtures	10,643	8,957
Land	63,094	63,096
Construction in progress	22,948	20,939
<b>Total tangible fixed assets</b>	<b>229,549</b>	<b>227,502</b>
<b>Intangible fixed assets</b>	<b>4,820</b>	<b>3,459</b>
<b>Investments and other assets</b>		
Investments in securities	248,918	238,370
Investments in subsidiaries and affiliates	727,624	673,793
Investments in subsidiaries and affiliates, other than stock	131,568	137,141
Long-term loans for subsidiaries and affiliates	53,700	53,251
Other	4,734	5,108
Allowance for doubtful accounts	(9,258)	(5)
<b>Total investments and other assets</b>	<b>1,157,288</b>	<b>1,107,660</b>
<b>Total Fixed Assets</b>	<b>1,391,658</b>	<b>1,338,622</b>
<b>Total</b>	<b>2,053,696</b>	<b>1,969,425</b>

	Current Year (As of December 31, 2017)	Previous Year (As of December 31, 2016) (for reference)
	Yen in millions	Yen in millions
<b>(Liabilities)</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	95,999	86,457
Current portion of bonds	20,000	—
Short-term loans payable to subsidiaries and associates	22,884	12,758
Current portion of long-term borrowings	—	72,343
Current portion of long-term loans payable to subsidiaries and associates	762	—
Lease obligations	170	151
Accounts payable-other	63,933	65,455
Accrued expenses	29,068	28,108
Income taxes payable	53,581	7,999
Deposits received	5,801	6,012
Other	4,661	12,261
<b>Total Current Liabilities</b>	<b>296,863</b>	<b>291,547</b>
<b>Long-Term Liabilities:</b>		
Bonds	220,000	90,000
Long-term loans payable to subsidiaries and associates	2,225	3,080
Lease obligations	155	161
Deferred tax liabilities	27,717	18,216
Accrued pension and liability for retirement benefits	49,749	45,657
Provision for environmental remediation	1,588	1,906
Provision for reorganization of R&D and manufacturing base	8,322	13,951
Asset retirement obligation	2,219	2,250
Other	3,120	2,500
<b>Total Long-Term Liabilities</b>	<b>315,099</b>	<b>177,724</b>
<b>Total Liabilities</b>	<b>611,962</b>	<b>469,272</b>
<b>(Net Assets)</b>		
<b>Shareholders' equity:</b>		
<b>Common stock</b>	<b>126,354</b>	<b>126,354</b>
<b>Capital surplus</b>		
Capital reserve	122,078	122,078
Other capital surplus	905	927
<b>Total capital surplus</b>	<b>122,984</b>	<b>123,006</b>
<b>Retained earnings</b>		
Legal reserve	31,278	31,278
Other retained earnings		
Reserve for special depreciation	13	31
Reserve for advanced depreciation of fixed assets	23,475	23,782
General reserve	989,310	989,310
Unappropriated retained earnings	214,765	142,709
<b>Total retained earnings</b>	<b>1,258,844</b>	<b>1,187,113</b>
<b>Treasury stock-at cost</b>	<b>(206,051)</b>	<b>(56,150)</b>
<b>Total Shareholders' equity</b>	<b>1,302,131</b>	<b>1,380,323</b>
<b>Net unrealized gain (loss) and translation adjustments:</b>		
Net unrealized gain (loss) on available-for-sale securities	136,109	118,577
Deferred gain (loss) on derivative instruments	(137)	(1,723)
<b>Total net unrealized gain (loss) and translation adjustments</b>	<b>135,971</b>	<b>116,854</b>
<b>Stock acquisition rights</b>	<b>3,629</b>	<b>2,975</b>
<b>Total Net Assets</b>	<b>1,441,733</b>	<b>1,500,153</b>
<b>Total</b>	<b>2,053,696</b>	<b>1,969,425</b>

## Non-consolidated Statement of Income

	Current Year (Year ended December 31, 2017)		Previous Year (Year ended December 31, 2016) (for reference)	
	Yen in millions		Yen in millions	
<b>Net Sales</b>		<b>858,081</b>		<b>797,866</b>
<b>Cost of Sales</b>		<b>534,882</b>		<b>475,428</b>
<b>Gross profit</b>		<b>323,199</b>		<b>322,438</b>
<b>Selling, General and Administrative Expenses</b>		<b>184,877</b>		<b>184,650</b>
<b>Operating income</b>		<b>138,322</b>		<b>137,787</b>
<b>Non-operating Income</b>				
Interest income	4,152		3,654	
Dividend income	120,169		54,708	
Other	5,241	<b>129,562</b>	3,322	<b>61,685</b>
<b>Non-operating Expenses</b>				
Interest expense	952		1,019	
Dismantlement expenses	2,335		2,838	
Foreign currency exchange loss	5,744		594	
Other	8,981	<b>18,013</b>	9,434	<b>13,886</b>
<b>Ordinary income</b>		<b>249,871</b>		<b>185,587</b>
<b>Extraordinary Income</b>				
Gain on sales of investments in securities	13,008	<b>13,008</b>	11,066	<b>11,066</b>
<b>Extraordinary Loss</b>				
Loss on business of subsidiaries and affiliates	7,995		—	
Loss related to civil litigation in the Americas	4,484		—	
Loss related to reorganization of R&D and manufacturing base	—	<b>12,480</b>	17,649	<b>17,649</b>
<b>Income before Income Taxes</b>		<b>250,400</b>		<b>179,004</b>
Income taxes - current		72,072		39,857
Income taxes - deferred		(1,867)		(1,637)
<b>Net Income</b>		<b>180,194</b>		<b>140,784</b>



## Non-consolidated Statement of Changes in Equity

Current Year (Year ended December 31, 2017)

(Yen in millions)

	Shareholders' equity										Net unrealized gain (loss) and translation adjustments		Stock acquisition rights
	Common stock	Capital surplus		Legal reserve	Retained earnings				Treasury stock	Total	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	
		Capital reserve	Other capital surplus		Other retained earnings								
					Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	General reserve	Unappropriated retained earnings					
<b>Beginning Balance</b>	126,354	122,078	927	31,278	31	23,782	989,310	142,709	(56,150)	1,380,323	118,577	(1,723)	2,975
<b>(Changes in the year)</b>													
Cash dividends								(108,463)		(108,463)			
Reversal of reserve for special depreciation					(17)			17		—			
Reversal of reserve for advanced depreciation of fixed assets						(307)		307		—			
Net income for the year								180,194		180,194			
Purchase of treasury stock									(150,012)	(150,012)			
Disposal of treasury stock			(21)						111	90			
Net change in the year											17,531	1,586	653
<b>Total Changes in the Year</b>	—	—	(21)	—	(17)	(307)	—	72,056	(149,901)	(78,191)	17,531	1,586	653
<b>Ending Balance</b>	126,354	122,078	905	31,278	13	23,475	989,310	214,765	(206,051)	1,302,131	136,109	(137)	3,629

## **Notes to Non-consolidated Financial Statements**

### **(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 principally 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 current fiscal year end is recorded.

###### a) Method of attributing projected benefits to periods

Projected benefits are attributed to periods of service up to the end of the current fiscal year on a benefit formula basis.

###### b) Method of recognizing unrecognized actuarial gain/loss and past service cost

Past 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 past 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 fiscal year.

##### (3) Provision for environmental remediation

In order to reserve for outlays for legally required removal and disposal of PCB, etc.,

the estimated amount of future obligations is recorded.

(4) Provision for reorganization of R&D and manufacturing base

In order to reserve for outlays related to reorganization of R&D and manufacturing base, the estimated amount of future obligations is recorded.

4. Accounting policies for the translation of foreign currency-denominated assets and liabilities into Japanese 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 currency 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 instruments and items covered

<u>Instruments</u>	<u>Items covered</u>
Forward foreign exchange contracts	Foreign currency-denominated monetary claims and obligations and forecasted foreign currency-denominated transactions
Foreign currency swaps	Borrowings and 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 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.

6. Accounting treatment of consumption tax

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

## **(Changes in Presentations)**

Non-consolidated Statement of Income

"Litigation expenses" which was presented separately in the previous fiscal year, is included in "Other" of Non-operating Expenses in the current fiscal year, because its materiality decreased. The amount of

“Litigation expenses” in the current fiscal year is ¥1,342 million.

**(Additional information)**

Application of the Implementation Guidance on Recoverability of Deferred Tax Assets

The Company has applied “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26 of March 28, 2016), effective from fiscal 2017.

**(Notes to the non-consolidated balance sheet)**

1. Accumulated depreciation of tangible fixed assets 1,011,301 million yen

2. Guarantees

Guarantees on trade accounts payable of BRIDGESTONE HUIZHOU SYNTHETIC RUBBER CO., LTD.	625 million yen
Guarantees on bank borrowings of employees in consolidated subsidiary (mortgages), etc.	42 million yen
Total	667 million yen

3. Balance of trade notes (without letter of credit) discounted 194 million yen

4. Short-term monetary receivables from subsidiaries and affiliates 289,609 million yen

Long-term monetary receivables from subsidiaries and affiliates 53,700 million yen

Short-term monetary payables to subsidiaries and affiliates 95,643 million yen

Long-term monetary payables to subsidiaries and affiliates 2,225 million yen

## (Notes to the non-consolidated statement of income)

### 1. Transactions with subsidiaries and affiliates

Sales	629,681 million yen
Purchases, etc.	250,895 million yen
Transactions other than operating transactions	148,548 million yen

### 2. Loss on business of subsidiaries and affiliates

Taking into consideration of the financial condition of certain subsidiaries and affiliates, related losses have been recorded.

### 3. Loss related to civil litigation in the Americas

The Company has recorded the loss related to civil litigation in the Americas regarding sales of automobile parts.

## (Notes to the non-consolidated statement of changes in equity)

### Type and number of treasury stock

	As of January 1, 2017	Number of increase	Number of decrease	As of December 31, 2017
Common stock (Thousands of shares)	29,841	31,568	37	61,372

Note 1: The increase of treasury stock consists of the acquisition of treasury stock of 31,565 thousand shares pursuant to the resolution of the Board of Directors meeting, and the purchase of 2 thousand shares according to the requests from the shareholders who have odd-lot shares.

2: The decrease of treasury stock consists of 37 thousand shares used for the exercise of stock options and other.

3: At the Board of Directors meeting held on February 17, 2017, the Company resolved to cancel its treasury stock in accordance with Article 178 of the Companies Act. However, the cancellation of the following treasury stock, as resolved at the Board of Directors meeting, was not completed as of December 31, 2017.

- 1) Carrying amount: 173,126 million yen
- 2) Class of shares: Common stock of Bridgestone Corporation
- 3) Number of shares: 51,565,900 shares

The cancellation of the treasury stock above was completed on January 19, 2018.

## (Notes to deferred income tax)

### Deferred tax assets

Accrued pension and liability for retirement benefits	15,194 million yen
Investments in securities	7,741
Investments in subsidiaries and affiliates (related to the restructuring of European operations)	10,827
Depreciable assets	11,864
Accrued expenses	5,757
Other	25,007
Deferred tax assets subtotal	76,392
Valuation allowance	(32,628)

Total deferred tax assets	43,764
Deferred tax liabilities	
Reserve for advanced depreciation on fixed assets	(10,302) million yen
Net unrealized gain on available-for-sale securities	(48,886)
Other	(295)
Total deferred tax liabilities	(59,484)
Deferred tax liabilities, net	(15,721)

**(Notes to transactions with related parties)**

Subsidiaries and affiliates, etc.

Attribute	Company name	Percentage of ownership	Relationship with counterparty	Details of transaction	Transaction amount (Yen in millions) (Note 1)	Account item	Ending balance (Yen in millions) (Note 1)
Subsidiary	BRIDGESTONE TIRE JAPAN CO., LTD.	Direct ownership 100.00%	Sales of the Company's products Officers serving concurrently	Sales of the Company's products (Note 2)	157,412	Trade accounts receivable	55,208
Subsidiary	BRIDGESTONE DIVERSIFIED PRODUCTS JAPAN CO.,LTD.	Direct ownership 100.00%	Sales of the Company's products, etc. Officers serving concurrently	Sales of the Company's products (Note 2)	72,265	Trade accounts receivable	30,847
Subsidiary	BRIDGESTONE AMERICAS, INC.	Direct ownership 100.00%	Lending Officers serving concurrently	Lending (Note 3)	—	Long-term loans for subsidiaries and affiliates	28,250
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 2)	74,277	Trade accounts receivable	26,181
Subsidiary	BRIDGESTONE ASIA PACIFIC PTE. LTD.	Direct ownership 100.00%	Sales of the Company's products Officers serving concurrently	Borrowing (Note 3)	22,884	Short-term loans payable to subsidiaries and associates	22,884
Subsidiary	BRIDGESTONE (CHINA) INVESTMENT CO., LTD.	Direct ownership 100.00%	Sales of the Company's products Officers serving concurrently	Lending (Note 3)	22,884	Short-term loans for subsidiaries and affiliates	22,884

Transaction conditions and policies for determination of transaction conditions, etc.  
(Note)

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 market price.
3. The interest rates are determined based on the market.

**(Notes to per-share information)**

Total equity per share	1,913.06 Yen
Net income per share	234.82 Yen

**Note: Forward-Looking Statements**

The preceding descriptions of projections and plans are “forward-looking statements,” which involve known and unknown risks and uncertainties.

These variables could cause the Bridgestone Group’s actual performance and results to differ substantially from management’s projections and plans, and the statement are not guarantees of future business performance.



(TRANSLATION)

**INDEPENDENT AUDITOR'S REPORT**

February 15, 2018

To the Board of Directors of  
Bridgestone Corporation:

Deloitte Touche Tohmatsu LLC

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

Hitoshi Matsumoto

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

Masashi Aizawa

---

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

Shinji Dobata

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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, 2017 of Bridgestone Corporation (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in equity for the fiscal year from January 1, 2017 to December 31, 2017, and the related notes.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bridgestone Corporation and its consolidated subsidiaries as of December 31, 2017, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Interest**

Our firm and the engagement partners do not have any 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.

(TRANSLATION)

**INDEPENDENT AUDITOR'S REPORT**

February 15, 2018

To the Board of Directors of  
Bridgestone Corporation:

Deloitte Touche Tohmatsu LLC

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

Hitoshi Matsumoto

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

Masashi Aizawa

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

Shinji Dobata

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Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of December 31, 2017 of Bridgestone Corporation (the "Company"), and the related statements of income and changes in equity for the 99th fiscal year from January 1, 2017 to December 31, 2017, and the related notes and the accompanying supplemental schedules.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of Bridgestone Corporation as of December 31, 2017, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Interest**

Our firm and the engagement partners do not have any 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)

## Audit Committee's Audit Report

### Audit Report

The Audit Committee has conducted audits of the Members of the Board and Executive Officers with regard to their performance of duties during the 99th business year (from January 1, 2017 to December 31, 2017). A report covering the method and results of the audit follows.

#### 1. Method and Contents of Audit

The Audit Committee received reports regularly from the Members of the Board, Executive Officers, employees and other relevant personnel and requested explanations from them as necessary, and expressed their opinions, regarding the status of the establishment and operation of the contents of the Board of Directors' resolutions related to matters set forth in Article 416, Paragraph 1, Item 1 (b) and (e) of the Companies Act of Japan and the systems based on such resolutions (internal control systems). At the same time, the Audit Committee conducted audits using the following methods:

(1) In accordance with the audit policy, assignment of duties and other matters established by the Audit Committee, and in collaboration with the internal audit division and other relevant functions, the Audit Committee attended important meetings, received reports on the status of performance of duties from the Members of the Board, Executive Officers and other relevant personnel, 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, with respect to the subsidiaries, the Audit Committee endeavored to facilitate a mutual understanding and exchanged information with the Members of the Board, Corporate Auditors and other relevant personnel of each subsidiary and received reports on their respective business as necessary.

(2) The Audit Committee 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. In addition, the Audit Committee was notified by the Independent Auditors that they had established a "system to ensure that 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, the Audit Committee examined the business report and its supplemental schedules, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statements of income, the non-consolidated statement of changes in equity and notes to the non-consolidated financial statements) and their supplemental schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statements of income, the consolidated statement of changes in equity and notes to the consolidated financial statements) for the business year under consideration.

## 2. Results of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

- (i) We acknowledge that the business report and its supplemental schedules fairly present the status of the Company in conformity with the applicable laws, regulations and the Articles of Incorporation of the Company.
- (ii) We acknowledge that no misconduct or material fact constituting a violation of any law, regulation or the Articles of Incorporation of the Company was found with respect to the performance of the duties by the Members of the Board or the Executive Officers.
- (iii) We acknowledge that the Board of Directors’ resolutions with respect to the internal control systems are appropriate. In addition, we did not find any matters to be mentioned with respect to the description concerning the internal control systems in the business report.

### (2) Results of Audit of Non-consolidated Financial Statements and their 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, 2018

Audit Committee, Bridgestone Corporation

Kenichi Masuda

Kenzo Yamamoto

Seiichi Sasa

Narumi Zaitso (full-time)

Kenichi Togami (full-time)

Note: Kenichi Masuda, Kenzo Yamamoto and Seiichi Sasa are Outside Directors as prescribed under Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

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

## Reference Information

### PROJECTIONS FOR FISCAL 2018

The Group's operating environment will continue to require careful attention due to such factors as fluctuations in exchange rates and the price of raw materials and feedstocks, an ongoing lack of clarity in the global economic situation, and international political conditions that remain unstable.

Amid such a challenging business environment, the Group projects the following results through the implementation of Mid-Term Management Plan initiatives.

(Consolidated)			Fiscal 2018 projections	Fiscal 2017	Increase (Decrease)		
			Yen in billions	Yen in billions	Yen in billions	%	
Full-year	Net sales		3,800.0	3,643.4	156.5	4	
	Operating income		463.0	419.0	43.9	10	
	Ordinary income		439.0	400.5	38.4	10	
	Profit attributable to owners of parent		308.0	288.2	19.7	7	
Full-year	Exchange rate		Yen	Yen	—		
		yen/dollar	108	112			(4)
		yen/euro	132	127			4

### DIVIDENDS

	Dividend per share				
	1st quarter end	2nd quarter end	3rd quarter end	Year - end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2016	—	70.00	—	70.00	140.00
Fiscal 2017	—	70.00	—	80.00	150.00
Fiscal 2018 (Projection)	—	80.00	—	80.00	160.00

## TOPICS

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### Cultivating global corporate culture

#### Advance brand strategy

#### Holding of “Bridgestone × Olympic × Paralympic a GO GO!”

As we approach the Olympic and Paralympic Games Tokyo 2020, we hold events to promote the Olympic and Paralympic Movement with stakeholders in local communities. Going forward, we will continue to plan sports events and Paralympic sports experiences so participants can enjoy with Olympians and Para-athletes in various local communities.



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#### Supplied fuel-efficient tires with ologic\* technology for solar cars at 2017 Bridgestone World Solar Challenge

By serving as the title sponsor of the international solar car race by supplying tires with the latest technology, Bridgestone supported the challenges of young engineers who will bear the future of the industry.



\*logic is a type of fuel-efficient tire technology, where aero-dynamic resistance is reduced due to the narrow tread width, and rolling resistance is significantly reduced owing to the large diameter and high internal pressure.

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## Advance innovation (technology, business model & design)

### Held opening ceremony for new headquarters of American subsidiary in Nashville, Tennessee

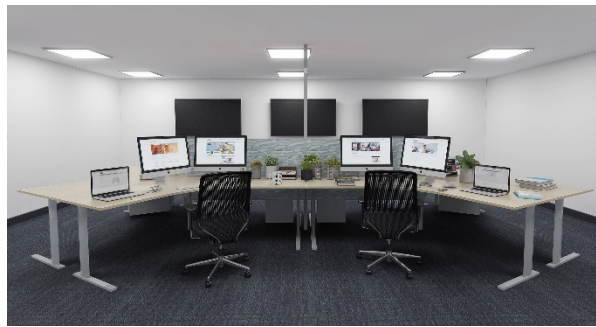
Bridgestone introduced a bold new office structure aimed at improving the workplace for team members, and steadily achieved results in terms of improving collaboration and communication within the company and developing innovation capabilities. This subsidiary is expected to become the model for the global development of new offices going forward.



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## Established new mining solution business base in Australia

At its new home base, Bridgestone's mining solutions business will utilize its unique digital tools to gather and analyze data, and provide customized solutions that are intrinsically linked to the actual sites of operations by combining services including the sales, maintenance and repair of tires for mining vehicles and conveyor belts for mining etc., the improvement and repair of rims, as well as the fitting of tires.



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## Start of technical support for Para-athletes

By assembling technology related to tires and goods for bicycles and sports that it has cultivated over the years, Bridgestone will support Para-athletes. We have been working on the development of products including rubber soles for sports prosthetic feet that can be used to run safely on various road surfaces, and rubber for wheelchair racing gloves that will reduce the burden on the hands when turning the wheels.



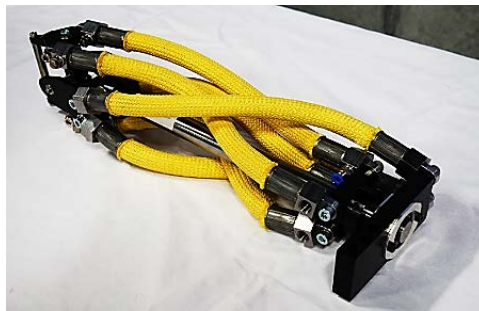
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## Start of joint development with Professor Kenji Kawashima from Tokyo Medical and Dental University (TMDU) of a walking training machine to improve senior health

The training machine utilizes rubber pneumatic artificial muscles attached to the user to assist walking or to apply load to the body. It is expected to be used in helping senior adults undergo training to increase their physical strength and ultimately improve their health. A prototype has already been completed, and in 2018, the development project plans to start verification tests aimed at achieving practical application.



Walking training machine



Example of artificial muscles

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## Continuous Kaizen

### Acclaimed for activities aimed at the creation of a sustainable society

Acclaimed for its environmentally-conscious sustainable business activities, Bridgestone was selected by indices including the Dow Jones Sustainability World Index and the MSCI Japan ESG Select Leaders Index.

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM 

**MSCI** 

2017 Constituent  
MSCI ジャパンESG  
セレクト・リーダーズ指数

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## Developing human resources capable of global management

### Fostering a sense of unity and developing human resources globally

At Global EXCO, the highest body of global business execution, open and constructive discussions are held. In addition, the Bridgestone Group Awards, which commends original ideas and outstanding businesses and is attended by all organizations and employees of the Bridgestone Group, are held, promoting the development of human resources in the Group.



Bridgestone Group Awards 2017



Global EXCO

## Upgrading the global management structure

### Expanding the Diversified Products businesses

#### Expansion of school business in sports-related business

Opening Bridgestone Swimming School Munakata in Munakata, Fukuoka, and Bridgestone Golf Garden Tokyo in Marunouchi, Tokyo, Bridgestone continues to expand its business of supporting healthy and enriched lifestyles.



Swimming school



Golf school



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## Commencement of “TEAM BRIDGESTONE Cycling”

To contribute to the attainment of medals in the Tokyo 2020 Olympic and Paralympic Games, Bridgestone announced a new structure for its competitive cycling team in 2018 and decided to set the new activity base of the competitive cycling team “TEAM BRIDGESTONE Cycling” in Mishima, Shizuoka.



## **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)

Sumitomo Mitsui Trust Bank, Limited

1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

Mailing Address

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agent Department

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

(Tel): 0120-782-031 (Toll free)

Agent Office: Sumitomo Mitsui Trust Bank, Limited, headquarters and all other Japanese branches

Method of public notice of the Company's website

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

Unit amount of stocks: 100 shares