

# 2017

## Business Report for the First Half of the 99th Fiscal Period

Bridgestone Corporation

Note:

This English translation of the Business Report for the first half of 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.

The Group's operating environment continues to see uncertain conditions in areas such as politics and economics on a global scale, and from a medium- to long-term perspective, I believe we must increase our sensitivity to changes in basic trends, politics and economics, and the competitive environment. However, under these circumstances, basing activities on our corporate philosophy, the Group remains firmly committed to the principles of delivering lean and strategic operations (a streamlined current structure that is in balance with strategic goals in the mid- to long-term), and we continue to work to optimize the Group on a global basis. Accordingly, the Group will continue implementing management reforms, using Strategic Business Unit (SBU) organization and the 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.

Furthermore, in order to respond to the growing expectations of society toward global companies, the Bridgestone Group recognizes that it must take measures as a responsible company to build a sustainable society and strive to solve social issues, and thus formulated a new CSR commitment, "Our Way to Serve," which was announced in March of this year, and will form the basis of management reforms together with our corporate philosophy. Embracing our responsibility to future generations as a leader in our industry, we will further utilize the strengths and competencies of the Bridgestone Group, and employ innovation and advanced technology to improve the way people move, live, work and play.

Lastly, we will continue to manage the Group's business operations working on the following three points as the priority tasks.

- 1. Cultivating a global corporate culture — The Group will continue to promote brand strategy and innovation, and strive for further improvements.**
- 2. Developing human resources capable of global management — The Group will continue to nurture global leaders, and promote utilization and assignment of diverse human resources.**

**3. Upgrading the global management structure — To continue to build the global management structure, the Group will focus on enhancing governance systems and expanding the diversified products business.**

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

August 2017

**Masaaki Tsuya**

Member of the Board

CEO and Representative Executive Officer

Concurrently Chairman of the Board

\* “Dan-Totsu” is the Japanese term for “the absolute and clear leader”

## **Operating Results**

In the first half of fiscal 2017 (January 1 to June 30, 2017), the operating environment surrounding the Companies was as follows: an unclear situation continued due to the uncertainty of the global economy while the Japanese domestic economy continued gradual recovery. The United States economy continued steady recovery. The European economy continued to show gradual recovery but remained unstable as a result of the United Kingdom leaving the European Union and related issues. In Asia, the Chinese economic growth had shown the signs of recovery. Overall, overseas economies were gradually recovering but still weak while the political and economic situation remained unstable. In addition, tire demand for mining vehicles increased along with rising commodity prices.

Under these operating conditions, the Companies continued their 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, we focused on promoting brand strategies through sponsorship and support activities for the Olympic and Paralympic Games Tokyo 2020. The Companies also expanded sales of highly competitive products and services in global markets through promoting innovation, while building and enhancing a solutions business that extends beyond the mere sales of products. Moreover, the Companies continuously strives to implement various measures for management reform, aimed at reforming governance structure and effectively utilizing management resources by investing appropriate costs.

As a result, net sales in the first half of fiscal 2017 were ¥1,742.8 billion, an increase of 6% from the first half of fiscal 2016; operating income was ¥202.3 billion, a decrease of 7%, ordinary income was ¥195.8 billion, a decrease of 8%, due in part to increasing raw material costs; and profit attributable to owners of parent was ¥131.8 billion, an increase of 7%.

## Consolidated Results for the First Half of Fiscal 2017 (January 1, 2017 - June 30, 2017)

### (1) Consolidated Operating Results

(Percentage figures represent changes from the same period of previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Yen in billions	%	Yen in billions	%	Yen in billions	%	Yen in millions	%
Six months ended June 30, 2017	17,428	5.8	2,023	(7.3)	1,958	(8.5)	1,318	6.9
Six months ended June 30, 2016	16,465	(11.3)	2,182	(8.2)	2,139	(8.2)	1,233	(14.7)

Full-year	FY2017 Projections (Revised)	37,000	10.9	4,640	3.2	4,390	1.5	2,890	8.8
	FY2017 Projections (Previous)	36,300	—	4,520	—	4,330	—	2,800	—

(Revision of the projections)

An actual result of net sales and profit attributable to owners of parent for the first half of the fiscal year ending December 31, 2017, exceeded the projections previously announced on February 17, 2017, while operating income and ordinary income was below the projections. Additionally, the Company reviewed its consolidated financial projections for the second half of the fiscal year ending December 31, 2017, which were not updated on May 11, 2017, and revised its full-year consolidated financial projections for the fiscal year ending December 31, 2017.

#### (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.

### (2) Projection of Dividends for the Fiscal 2017

The projection of dividends has not changed since February 17, 2017.

## Developments and results by business segment

In the tire segment, the Companies worked to maximize sales momentum by introducing appealing new products globally, reinforcing fundamental competencies, and responding promptly to demand fluctuation in each region. In addition, the Companies implemented price increases appropriately to respond to the rising prices of raw materials, which had persisted since previous year.

In Japan, the unit sales of tires for passenger cars and light trucks increased strongly, and the unit sales of tires for trucks and buses increased substantially, compared to the first half of fiscal 2016. In the Americas, the unit sales of tires for passenger cars and light trucks in North America decreased, but the unit sales of tires for trucks and buses increased strongly, compared to the first half of fiscal 2016. In Europe, the unit sales of tires for passenger cars and light trucks increased steadily, and the unit sales of tires for trucks and buses increased substantially, compared to the first half of fiscal 2016. In China and Asia Pacific, the unit sales of tires for passenger cars and light trucks increased steadily, and the unit sales of tires for trucks and buses increased strongly, compared to the first half of fiscal 2016. In the specialty tire business, sales of large and ultra-large off-the-road radial tires for construction and mining vehicles exceeded sales of the first half of fiscal 2016.

As a result, net sales in the tires segment during the first half of fiscal 2017 were ¥1,439.7 billion, an increase of 6% from the first half of fiscal 2016; operating income was ¥185.1 billion, a decrease of 7%, due to increasing raw material costs.

In the diversified products segment, net sales were ¥310.7 billion, an increase of 3% from the first half of fiscal 2016; while operating income was ¥17.1 billion, a decrease of 12% due to a decrease in the profit of Domestic Business and BSAM Diversified Product Business.

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

## **Consolidated Balance Sheet**

(Note) Certain reclassifications have been made in the 2016 balance sheet to conform to the classification used in 2017.

	FY 2017 1H (As of June 30, 2017)	FY 2016 (As of December 31, 2016) (for reference)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and deposits	472,069	483,006
Notes and accounts receivable	443,109	455,218
Short-term investments	172,941	167,697
Merchandise and finished products	426,283	377,412
Work in process	40,226	35,469
Raw materials and supplies	156,469	144,527
Other	199,278	174,997
Allowance for doubtful accounts	(17,264)	(16,179)
<b>Total Current Assets</b>	<b>1,893,114</b>	<b>1,822,150</b>
<b>Fixed Assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures, net	520,083	526,688
Machinery, equipment and vehicles, net	492,556	505,685
Other, net	403,063	416,752
<b>Total tangible fixed assets</b>	<b>1,415,702</b>	<b>1,449,126</b>
<b>Intangible fixed assets</b>		
Goodwill	44,266	22,935
Other	65,065	51,208
<b>Total Intangible fixed assets</b>	<b>109,332</b>	<b>74,144</b>
<b>Investments and other assets</b>		
Investments in securities	278,175	263,549
Other	110,469	108,790
Allowance for doubtful accounts	(1,812)	(1,730)
<b>Total investments and other assets</b>	<b>386,831</b>	<b>370,609</b>
<b>Total Fixed Assets</b>	<b>1,911,866</b>	<b>1,893,880</b>
<b>Total Assets</b>	<b>3,804,981</b>	<b>3,716,030</b>



	FY 2017 1H (As of June 30, 2017)	FY 2016 (As of December 31, 2016) (for reference)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable	223,616	195,603
Short-term borrowings	130,111	174,678
Commercial paper	26,541	—
Current portion of bonds	20,000	—
Lease obligations	1,151	1,017
Income taxes payable	51,390	22,722
Accounts payable-other	117,288	168,714
Other	266,441	287,099
<b>Total Current Liabilities</b>	<b>836,540</b>	<b>849,834</b>
<b>Long-term Liabilities</b>		
Bonds	220,000	90,000
Long-term borrowings	65,100	70,458
Lease obligations	7,001	6,616
Provision for reorganization of R&D and manufacturing base	9,139	13,951
Net defined benefit liability	201,236	215,072
Other	124,329	124,198
<b>Total Long-term Liabilities</b>	<b>626,806</b>	<b>520,296</b>
<b>Total Liabilities</b>	<b>1,463,346</b>	<b>1370,130</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Common stock	126,654	126,354
Capital surplus	123,002	123,005
Retained earnings	2,240,022	2,163,115
Treasury stock - at cost	(134,533)	(56,151)
<b>Total Shareholders' Equity</b>	<b>2,354,845</b>	<b>2,356,323</b>
<b>Accumulated Other Comprehensive Income</b>		
Net unrealized gain(loss) on available-for-sale securities	181,951	174,197
Deferred gain(loss) on derivative instruments	(747)	(1,720)
Foreign currency translation adjustments	(125,622)	(107,242)
Remeasurements of defined benefit plans	(127,017)	(137,698)
<b>Total Accumulated Other Comprehensive Income</b>	<b>(71,436)</b>	<b>(72,463)</b>
Stock Acquisition Rights	3,704	2,975
Non-controlling Interests	54,521	59,063
<b>Total Net Assets</b>	<b>2,341,634</b>	<b>2,345,899</b>
<b>Total Liabilities and Net Assets</b>	<b>3,804,981</b>	<b>3,716,030</b>

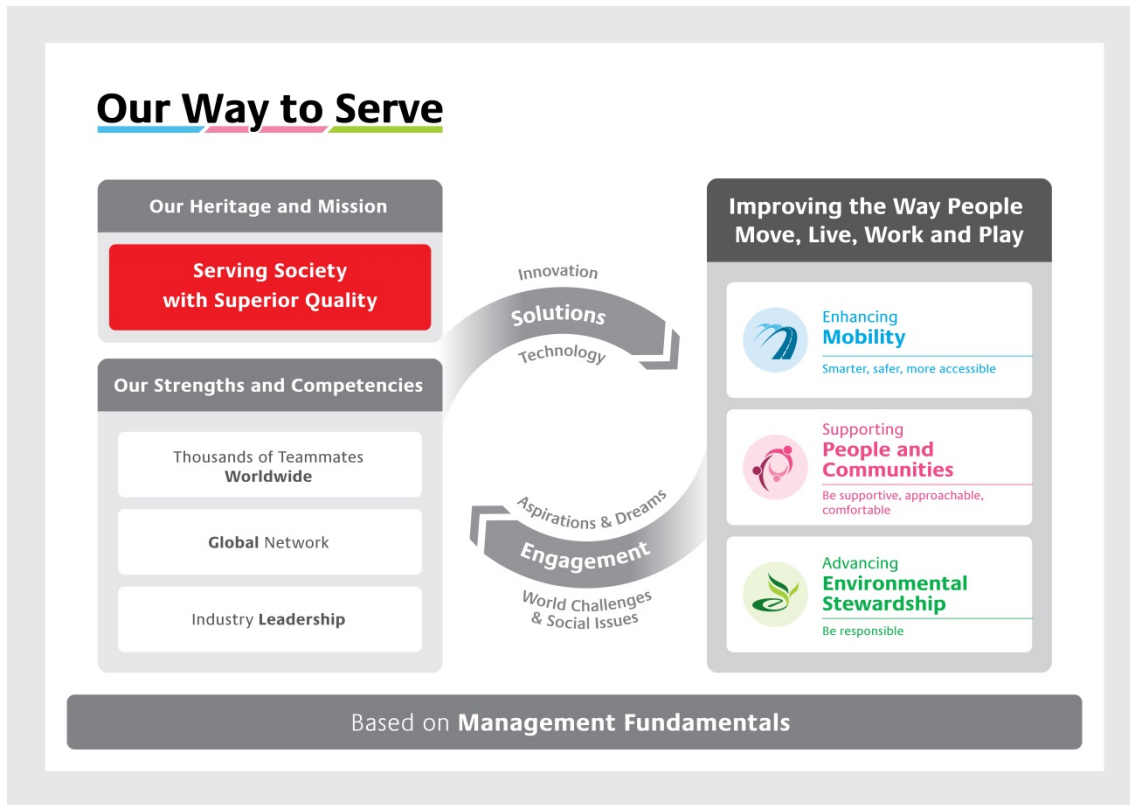
## Consolidated Statement of Income

(Yen in millions)

	FY 2017 1H (Six months ended June 30, 2017)	FY 2016 1H (Six months ended June 30, 2016) (for reference)
Net Sales	1,742,847	1,646,567
Cost of Sales	1,068,137	967,233
Gross Profit	674,709	679,334
Selling, General and Administrative Expenses		
Goods freightage expenses	82,049	72,795
Advertising and promotion expenses	59,163	61,250
Salaries, allowances and bonuses	128,781	125,256
Retirement benefit expenses	11,002	9,447
Depreciation	16,280	15,408
Research and development expenses	49,063	48,101
Other	126,028	128,831
Total selling, general and administrative expenses	472,369	461,092
Operating Income	202,340	218,241
Non-operating Income		
Interest income	2,144	2,139
Dividend income	5,768	5,967
Other	9,968	9,916
Total non-operating income	17,881	18,023
Non-operating Expenses		
Interest expense	5,172	5,282
Foreign currency exchange loss	5,347	7,560
Other	13,875	9,487
Total non-operating expenses	24,394	22,330
Ordinary Income	195,827	213,935
Extraordinary Loss		
Loss related to civil litigation in the Americas	4,484	—
Expenses related to relocation of head office of Americas Operations	3,123	—
Loss related to Reorganization of R&D and Manufacturing Base	—	6,861
Total extraordinary loss	7,607	6,861
Income before income taxes and non-controlling interests	188,219	207,074
Income taxes	52,329	78,792
Income before non-controlling interests	135,889	128,281
Profit attributable to non-controlling interests	4,050	4,928
Profit attributable to owners of parent	131,839	123,353

## TOPICS

# Our New CSR Commitment, “Our Way to Serve”

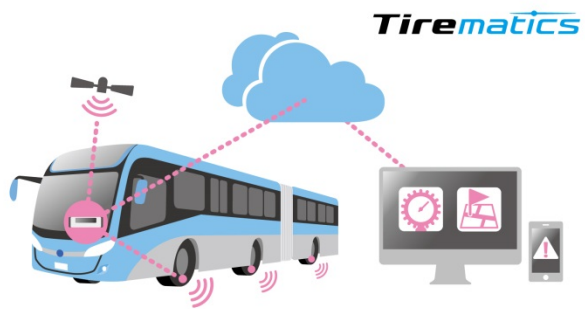


In “Our Way to Serve,” in order to improve the way people move, live, work and play, the Bridgestone Group has clarified three Priority Areas: Mobility, People, and Environment, and we will utilize these Priority Areas to guide us as we continue contributing to society and the world, while coordinating closely with stakeholders.

### **Mobility**

The Bridgestone Group will deliver easier, safer, smoother and seamless mobility through its innovative technology.

For example, Tirematics is an IT system that uses sensors to measure the pressure and temperature of truck and bus tires, track the location of vehicles, and provide remote monitoring in real time of a network. The system helps to prevent unexpected transport disruptions due to tire failure, ensure the safety of passengers, and maintain a regular schedule.



## People

Each employee in the Bridgestone Group, across the world, is committed to contributing to a safer society, promoting healthier communities, and accessible and inclusive education.

For example, in Indonesia, the Bridgestone Group has operated a free vocational training school for local high school graduates for over thirty years, and those who have graduated from the school now work for companies in Indonesia, including a local Bridgestone office.



## Environment

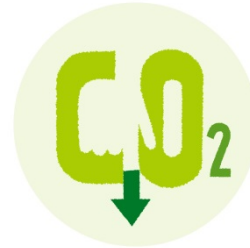
As the Bridgestone Group works to build a sustainable society, we have set forth a Long-term Environmental Vision toward 2050, and Mid-term Environmental Targets for 2020, and will focus on activities that are in harmony with nature, value natural resources, and reduce CO<sub>2</sub> emissions.



In harmony with nature



Value natural resources



Reduce CO<sub>2</sub> emissions

Along with these three Priority Areas, the Bridgestone Group is committed to continuing to strengthen the basic governance, compliance and behavioral characteristics expected of any responsible company – those elements we call Management Fundamentals. We have grouped those characteristics into six categories, and we are committed to leadership in each of them, as the wheels we use to drive the Priority Areas and “Our Way to Serve.”

- **Compliance, Fair Competition**
- **Human Rights, Labor Practices**
- **Procurement**
- **Business Continuity (BCP), Risk Management**
- **Safety, Industrial Hygiene**
- **Quality and Customer Value**

## Cultivating global corporate culture

### Advance brand strategy

#### Launch of “Team Bridgestone Japan”

As a Worldwide Olympic Partner of the International Olympic Committee (IOC) and a Tokyo 2020 Paralympic Gold Partner, we launched “Team Bridgestone Japan” to support those endeavoring to achieve their dreams, with the theme of “CHASE YOUR DREAM,” our global message.



## Advance brand strategy

### **Takuma Sato's Victory at the Indy 500**

In May 2017, Takuma Sato became the first Japanese driver to win the Indianapolis 500® Mile Race, known as the “Greatest Spectacle in Racing” and held at the Indianapolis Motor Speedway in Indiana. The Bridgestone Group supplies tires to the race as the sole tire supplier.



## Innovation (technology, business model & design)

### Next-generation bicycle using “Air Free Concept”

The Bridgestone Group has developed a puncture-free bicycle tire. The “Air Free Concept” used in the development is a technology that eliminates the need for tires to be inflated with air to support the weight, using a unique structure of spokes. In addition, recyclable resins are used in the spokes and rubbers to realize more efficient use of resources.





Innovation (technology, business model & design)

**“ologic” fuel-efficient tire technology wins “Minister of Economy, Trade and Industry Award” at National Commendation for Invention**

“ologic” is a tire technology that achieves a high level of both fuel efficiency and safety by using a new tire shape with a narrow width and large diameter. ECOPIA EP500 tires with ologic technology are original equipment on “BMW i3” electric vehicles.



Innovation (technology, business model & design)

**“Smart Siphon” wins top prize at Environmental and Equipment Design Awards**

“Smart Siphon,” a drainage system that contributes to improving the flexibility of water supply facility placement in buildings, won the top prize in the equipment, device, and system design class in the Environmental and Equipment Design Awards held by the Association of Building Engineering and Equipment.



## Innovation (technology, business model & design)

### **Introduction of next-generation “BASys™” as a digital solution for retreading business**

BASys™ is a collection of digital applications designed to track tires throughout every step of the retreading process ranging from the point of collection at the customer's yard all the way through manufacturing at the retread shop and final delivery. BASys™ contributes to safe driving and tire related cost reduction by improving quality and service.



## Continuous Kaizen

### **Selected as a “Competitive IT Strategy Company” for the third year in a row**

Selected from companies listed on the Tokyo Stock Exchange, “Competitive IT Strategy Companies” are identified as companies that proactively engage in efforts to utilize IT for enhanced management innovation and competitiveness. Bridgestone proactively uses IT to continuously develop a business model that offers new and added value to customers.



**攻めのIT経営銘柄**  
Competitive IT Strategy Company

## Developing human resources capable of global management

### Held “Bridgestone Group Awards 2017” awards ceremony

The Bridgestone Group Awards are a recognition program open to all organizations and employees of the Bridgestone Group that have excellent activities such as creation of social and customer value, innovation and creativity, and are considered an important management tool. Using the framework established in our new CSR commitment “Our Way to Serve,” the awards fall into five categories for the current fiscal year: “Achievement,” “Mobility,” “People,” “Environment,” and “Management Fundamentals,” and seven activities were selected for recognition.



## Upgrading the global management structure

### Expanding the Diversified Products businesses

#### **Acquisition of U.S.-based Gaco Western**

The Bridgestone Group completed the acquisition of U.S.-based Gaco Western (“Gaco”). Gaco manufactures and sells a wide range of industry-leading functional waterproofing and insulation products for commercial buildings and residences.



Roofing products for commercial buildings

**Gaco Western**  
S I N C E 1 9 5 5

## Expanding the Diversified Products businesses

### **“Bridgestone Swimming School Munakata” Opened**

In addition to 18 existing schools, the Bridgestone Group opened “Bridgestone Swimming School Munakata,” in Munakata, Fukuoka Prefecture in April 2017.

The Bridgestone Group supports the creation of happy lifestyles for local communities through sports.



## **Corporate profile** (As of June 30, 2017)

<b>Corporate name</b>	<b>Bridgestone Corporation</b>
<b>Established</b>	<b>March 1, 1931</b>
<b>Paid-in capital</b>	<b>¥126,354 million</b>
<b>Employees(Group)</b>	<b>144,210</b>

### **Board of Directors**

Positions	Names
Member of the Board	Masaaki TSUYA
Concurrently Chairman of the Board	
Member of the Board	Kazuhisa NISHIGAI
Member of the Board	Narumi ZAITSU
Member of the Board	Kenichi TOGAMI
Member of the Board	Sakie TACHIBANA FUKUSHIMA
Member of the Board	Scott Trevor DAVIS
Member of the Board	Yuri OKINA
Member of the Board	Kenichi MASUDA
Member of the Board	Kenzo YAMAMOTO
Member of the Board	Keikou TERUI
Member of the Board	Seiichi SASA

(Note) Directors Sakie TACHIBANA FUKUSHIMA, Scott Trevor DAVIS, Yuri OKINA , Kenichi MASUDA, Kenzo YAMAMOTO, Keikou TERUI and Seiichi SASA are Outside Directors as set forth in Article 2-15 of the Companies Act.

### **Executive Officers**

Positions	Names
CEO and Representative Executive Officer	Masaaki TSUYA
COO and Representative Executive Officer	Kazuhisa NISHIGAI
Executive Vice President and Executive Officer	Shuichi ISHIBASHI
Executive Vice President and Executive Officer	Akihiro ETO
Executive Vice President and Executive Officer	Asahiko NISHIYAMA
Executive Vice President and Executive Officer	Eduardo MINARDI
Senior Vice President and Executive Officer	Minoru SHIMIZU
Senior Vice President and Executive Officer	Franco ANNUNZIATO



## **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

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

Unit amount of stocks: 100 shares