Consolidated Financial Statements for the Fiscal Year Ended December 31, 2016

February 17, 2017

These financial statements, prepared in accordance with accounting principles generally accepted in Japan, have been translated for reference only from the original Japanese-language document "KESSAN TANSHIN". The entire format is pursuant to the requirements or guidance of Tokyo Stock Exchange. As for the contents, if there are any differences or discrepancies between the original Japanese-language and the English translation, the original Japanese-language supersedes this English translation.

Bridgestone Corporation Stock exchange listings: Tokyo, Nagoya, Fukuoka
Code number:5108 URL:http://www.bridgestone.com/
Representative: Masaaki Tsuya, Member of the Board
CEO and Representative Executive Officer
Concurrently Chairman of the Board
Contact: Naoki Hishinuma, Treasurer, General Manager
Telephone: +81-3-6836-3100
Scheduled date of annual shareholders' meeting: March 24, 2017
Scheduled date of securities report submission: March 24, 2017
Scheduled date of dividend payment commencement: March 27, 2017
Supplementary information for the financial statements to be prepared: Yes
Meeting to explain the financial statements to be held: Yes

(All amounts are rounded down to the nearest million yen)

1. Consolidated Results for Fiscal 2016 (January 1, 2016 - December 31, 2016)

(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 millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
Fiscal 2016	3,337,017	(12.0)	449,548	(13.1)	432,534	(14.7)	265,550	(6.6)
Fiscal 2015	3,790,251	3.2	517,248	8.2	507,303	9.5	284,294	(5.4)

(Reference) Comprehensive Income: Fiscal 2016 ¥191,112 million [(23.8%)] Fiscal 2015 ¥250,870 million [(27.0%)]

	Net income per share	Diluted net income per share	Net return on Total equity	Ordinary income / Total assets	Operating income margin
	Yen	Yen	%	%	%
Fiscal 2016	339.04	338.52	11.8	11.5	13.5
Fiscal 2015	362.99	362.52	13.3	13.1	13.6

(Reference) Equity in earnings of affiliates: Fiscal 2016 ¥231 million Fiscal 2015 ¥3,639 million

(2) Consolidated Financial Position

	Total assets	Net assets	Ratio of total equity to total assets	Total equity per share
	Yen in millions	Yen in millions	%	Yen
Fiscal 2016	3,720,236	2,345,457	61.4	2,915.28
Fiscal 2015	3,795,846	2,282,011	58.2	2,820.48

(Reference) Total equity: Fiscal 2016 ¥2,283,417 million Fiscal 2015 ¥2,209,068 million

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of year
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Fiscal 2016	444,535	(178,276)	(216,404)	471,741
Fiscal 2015	553,938	(233,380)	(238,805)	426,727

2. Dividends

	Dividend per share					Total dividends	Dividends Pay-out ratio (Consolidated)	Ratio of dividends to total equity (Consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Year -end	Total			
	Yen	Yen	Yen	Yen	Yen	Yen in millions	%	%
Fiscal 2015	—	60.00	—	70.00	130.00	101,819	35.8	4.8
Fiscal 2016	—	70.00	—	70.00	140.00	109,655	41.3	4.9
Fiscal 2017 (Projection)	—	70.00	—	70.00	140.00		39.2	

3. Consolidated Projected Results for Fiscal 2017 (January 1, 2017 - December 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
First half year	1,710,000	3.9	211,000	(3.3)	204,000	(4.6)	130,000	5.4	165.97
Fiscal 2017	3,630,000	8.8	452,000	0.5	433,000	0.1	280,000	5.4	357.48

*** Notes**

(1) Changes in principal subsidiaries during fiscal 2016 : No
(Changes in specified subsidiaries involving change in consolidation scope)

(2) Changes in accounting policy, changes in accounting estimates, and restatements
1) Changes due to revisions of accounting standards, etc. : Yes
2) Changes in accounting policy other than 1) : No
3) Changes in accounting estimates : No
4) Restatements : No

(3) Outstanding number of shares (common stock)
1) Outstanding number of shares at period end (including treasury stock):
December 31, 2016 813,102,321 shares
December 31, 2015 813,102,321 shares

2) Number of shares of treasury stock at period end
December 31, 2016 29,844,837 shares
December 31, 2015 29,878,493 shares

3) Average outstanding number of shares
Fiscal 2016 year ended December 31, 2016 783,240,607 shares
Fiscal 2015 year ended December 31, 2015 783,204,319 shares

(Reference) Summary of Non-consolidated Results
(January 1, 2016 - December 31, 2016)

(1) Non-consolidated Operating Results (Percentage figures represent changes from the same period of previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
Fiscal 2016	797,866	(12.6)	137,787	(27.2)	185,587	(18.2)	140,784	(17.7)
Fiscal 2015	912,670	(7.9)	189,147	(3.1)	226,901	(0.4)	171,020	52.0

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2016	179.74	179.47
Fiscal 2015	218.36	218.07

(2) Non-consolidated Financial Position

	Total assets	Net assets	Ratio of total equity to total assets	Total equity per share
	Yen in millions	Yen in millions	%	Yen
Fiscal 2016	1,969,425	1,500,153	76.0	1,911.47
Fiscal 2015	2,011,618	1,488,494	73.9	1,897.31

(Reference) Total equity: Fiscal 2016 ¥1,497,177 million Fiscal 2015 ¥1,486,024 million

* Status of implementation of audit procedures

This kessan tanshin document is outside the scope of audit procedures based on the Financial Instruments and Exchange Act. As of the time of its disclosure, audit procedures with respect to the financial statements were in the process of being implemented.

* Statement regarding appropriate use of forward-looking statements and other notes

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 statements are not guarantees of future business performance. For further details, please see page 4, “Projections for fiscal 2017.”

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1. Operating Results

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

(1) Analysis of Operating Results

[Operating results for fiscal 2016]

1) Sales and earnings

	Fiscal 2016	Fiscal 2015	Increase (Decrease)	
	Yen in billions	Yen in billions	Yen in billions	%
Net sales	3,337.0	3,790.2	(453.2)	(12)
Operating income	449.5	517.2	(67.7)	(13)
Ordinary income	432.5	507.3	(74.7)	(15)
Profit attributable to owners of parent	265.5	284.2	(18.7)	(7)

During the fiscal year of 2016 (January 1, 2016 to December 31, 2016), the operating environment surrounding the Companies was as follows: the Japanese yen had been strong and unclear situation continued due to the upsurge of uncertainty of the global economy while the Japanese domestic economy continued gradual recovery. The United States economy continued recovery supported by an increase in consumer spending. The outlook of European economy has increased uncertainty. In Asia, the Chinese economic growth remained slow. Overall, overseas economies were gradually recovering but still weak while the political and economic situation remained unstable because of the issues such as the United Kingdom leaving the European Union. In addition, tire demand for mining vehicles decreased by lower 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 each and every aspect of our business."Stepping up efforts on a global scale, we were working harder than ever to advance brand strategy through Worldwide Olympic Partner and select Paralympic partnership activities for the Olympic and Paralympic Games Tokyo 2020, as well as promote innovation to increase the sales of highly global competitive products and services, and building and enhancing solutions business to extend beyond solely sales of products. Moreover, the Companies were continuing to implement a range of measures for management reforms. In fiscal 2016, the Companies were promoting reform of governance system and implementing a variety of measures to realize more effective utilization of management resources with appropriate expenses.

As a result of the appreciation of the Japanese yen, net sales in fiscal 2016 were ¥3,337.0 billion, a decrease of 12% from fiscal 2015; operating income was ¥449.5 billion, a decrease of 13%, ordinary income was ¥432.5 billion, a decrease of 15%; and profit attributable to owners of parent was ¥265.5 billion, a decrease of 7%.

2) Segment Information

		Fiscal 2016	Fiscal 2015	Increase (Decrease)	
		Yen in billions	Yen in billions	Yen in billions	%
Tires	Net Sales	2,765.7	3,174.4	(408.6)	(13)
	Operating income	414.7	472.7	(58.0)	(12)
Diversified Products	Net Sales	585.7	635.0	(49.3)	(8)
	Operating income	34.8	44.5	(9.6)	(22)
Consolidated Results	Net Sales	3,337.0	3,790.2	(453.2)	(12)
	Operating income	449.5	517.2	(67.7)	(13)

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 Japan, the unit sales of tires for passenger cars and light trucks, and the unit sales of tires for trucks and buses increased firmly compared to fiscal 2015. In the Americas, the unit sales of tires for passenger cars and light trucks in North America increased firmly, but the unit sales of tires for trucks and buses decreased, compared to fiscal 2015 due to a decrease in the sales of original equipment tires. In Europe, the unit sales of tires for passenger cars and light trucks increased strongly, and the unit sales of tires for trucks and buses increased steadily compared to fiscal 2015. In China and Asia Pacific, the unit sales of tires for passenger cars and light trucks increased strongly and the unit sales of tires for trucks and buses increased steadily compared to fiscal 2015. In the specialty tire business, sales of large and ultra-large off-the-road radial tires for construction and mining vehicles remained unchanged from fiscal 2015.

As a result of the tires sales above and the appreciation of the Japanese yen, net sales in the tires segment during fiscal 2016 were ¥2,765.7 billion, a decrease of 13% from fiscal 2015; operating income was ¥414.7 billion, a decrease of 12%.

In the diversified products segment, net sales were ¥585.7 billion, a decrease of 8% from fiscal 2015 and operating income was ¥34.8 billion, a decrease of 22% from fiscal 2015 due to a decrease in the profit of domestic business.

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

[Projections for fiscal 2017]

The Companies' operating environment will continue to require careful attention due to such factors as fluctuations in exchange rates and the prices 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 Companies project the following results through the implementation of Mid-Term Management Plan initiatives.

			Fiscal 2017 projections	Fiscal 2016	Increase (Decrease)	
			Yen in billions	Yen in billions	Yen in billions	%
First half	Net sales		1,710.0	1,646.5	63.4	4
First half	Operating income		211.0	218.2	(7.2)	(3)
First half	Ordinary income		204.0	213.9	(9.9)	(5)
First half	Profit attributable to owners of parent		130.0	123.3	6.6	5
Full-year	Net sales		3,630.0	3,337.0	292.9	9
Full-year	Operating income		452.0	449.5	2.4	1
Full-year	Ordinary income		433.0	432.5	0.4	—
Full-year	Profit attributable to owners of parent		280.0	265.5	14.4	5
			Yen	Yen		
Exchange rate	First half	yen/dollar	110	111	—	(1)
Exchange rate	First half	yen/euro	114	124	—	(8)
Exchange rate	Full-year	yen/dollar	110	109	—	1
Exchange rate	Full-year	yen/euro	114	120	—	(5)

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) Analysis of Financial Position

1) Cash flow

	Fiscal 2016	Fiscal 2015	Increase (Decrease)
	Yen in billions	Yen in billions	Yen in billions
Net cash provided by operating activities	444.5	553.9	(109.4)
Net cash used in investing activities	(178.2)	(233.3)	55.1
Net cash used in financing activities	(216.4)	(238.8)	22.4
Effect of exchange rate changes on cash and cash equivalents	(4.8)	(35.3)	30.4
Net increase (decrease) in cash and cash equivalents	45.0	46.4	(1.3)
Cash and cash equivalents at beginning of year	426.7	390.1	36.5
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(9.8)	9.8
Cash and cash equivalents at end of year	471.7	426.7	45.0

The Companies' cash and cash equivalents increased ¥45.0 billion during fiscal 2016, to ¥471.7 billion, compared with an increase of ¥36.5 billion during the previous year.

(Cash flows from operating activities)

Net cash provided by operating activities decreased ¥109.4 billion compared with the previous year, to ¥444.5 billion. The principal contributors in that cash provided included income before income taxes and non-controlling interests of ¥421.5 billion, compared with ¥478.1 billion during the previous year, depreciation and amortization of ¥188.0 billion, compared with ¥202.3 billion during the previous year. These contributors offset income taxes paid of ¥128.7 billion, compared with ¥126.8 billion during the previous year.

(Cash flows from investing activities)

Net cash used in investing activities decreased ¥55.1 billion compared with the previous year, to ¥178.2 billion. The principal contributor in that cash used included payments of ¥186.8 billion for purchase of tangible fixed assets, compared with payments of ¥255.2 billion during the previous year.

(Cash flows from financing activities)

Net cash used in financing activities decreased ¥22.4 billion compared with the previous year, to ¥216.4 billion. The principal contributors in that cash used included repayments for long-term borrowings of ¥68.3 billion, compared with ¥97.4 billion during the previous year, payments for redemption of bonds of ¥30.0 billion (not applicable during the previous year), and cash dividends paid of ¥109.3 billion, compared with ¥93.9 billion during the previous year.

2) Trends in cash flow indicators

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Ratio of total equity to total assets (%)	52.4	58.2	61.4
Total equity ratio on market value basis (%)	83.0	86.1	88.7
Interest-bearing debt / cash flow ratio (years)	1.4	0.8	0.8
Interest coverage ratio(times)	29.0	44.4	44.2

(Note) Ratio of total equity to total assets: Total equity / total assets
Total equity ratio on market value basis: Market capitalization / total assets
Interest-bearing debt / cash flow ratio: Interest-bearing debt / cash flow
Interest coverage ratio: cash flow */ interest payments*

* All indices are calculated using consolidated financial figures.
* Market capitalization is calculated as closing share price at the end of period × number of shares outstanding at the end of period (excluding treasury stock).
* For cash flow, the figure for net cash provided by operating activities in the consolidated statements of cash flows is used. For interest-bearing debt, the sum for all liabilities in the consolidated balance sheets for which interest is paid is used. For interest payments, the figure for interest paid in the consolidated statements of cash flows is used.

(3) Basic policy for the appropriation of profits and dividends for the fiscal 2016 and 2017

Regarding the interests of shareholders as an important management priority, the Companies follow a basic policy of strengthening our management base in preparation for future business developments while working to improve business results. In regard to distributing profits to shareholders, the Companies conducts shareholder returns while maintaining an appropriate financial position and securing the internal revenues necessary for future growth investments. In determining dividend payments, the Companies comprehensively evaluates factors including business results, financial condition for the relevant fiscal period, medium-term earnings forecasts, investment plans, and cash flows. Based on these considerations, the Companies strive to live up to expectations of shareholders by issuing stable dividend payments targeting a consolidated payout ratio of 20%–40%.

The Companies pays dividends twice a year, comprising year-end and interim cash dividends. Year-end cash dividends are subject to approval by a resolution of the annual shareholders' meeting, while interim cash dividends are subject to approval by a resolution of the Board of Directors.

Further, the Companies strives to strengthen the long-term stability of our management base by using retained earnings to improve and expand production and sales systems and advance R&D activities in Japan and overseas.

For the fiscal 2016, the Companies plan to pay a cash dividend of ¥140 per share, comprising a year-end cash dividend of ¥70 per share and an interim cash dividend of ¥70 per share.

For the fiscal 2017, the Companies plan to pay a cash dividend of ¥140 per share, comprising a year-end cash dividend of ¥70 per share and an interim cash dividend of ¥70 per share.

2. BRIDGESTONE Group's Major Subsidiaries and Business Relation Flowchart

AS OF DECEMBER 31, 2016

→ Flow of products and services

TIRES

TIRE MANUFACTURING AND SALES

BRIDGESTONE AMERICAS TIRE 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 POZNAN SP. Z O.O.
BRIDGESTONE FRANCE S.A.S.
BRIDGESTONE HISPANIA S.A.
BRIDGESTONE SOUTH AFRICA (PTY) LTD.
BRIDGESTONE INDIA PRIVATE LTD.
THAI BRIDGESTONE CO., LTD.
BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD.
P.T. BRIDGESTONE TIRE INDONESIA
AND OTHERS

TIRE SALES

BRIDGESTONE RETAIL JAPAN CO., LTD.
BRIDGESTONE RETAIL OPERATIONS, LLC
BRIDGESTONE DEUTSCHLAND GMBH
BRIDGESTONE UK LTD.
BRIDGESTONE ITALIA SALES S.R.L.
BRIDGESTONE AUSTRALIA LTD.
BRIDGESTONE C.I.S. LLC
BRIDGESTONE EARTHMOVER TYRES PTY. LTD.
AND OTHERS

PRODUCTION AND SALES OF TIRE RAW MATERIAL

FIRESTONE POLYMERS, LLC
AND OTHERS

MANAGEMENT AND TIRE SALES

BRIDGESTONE TIRE JAPAN CO., LTD.
BRIDGESTONE AMERICAS, INC.
BRIDGESTONE EUROPE NV/SA
BRIDGESTONE MIDDLE EAST & AFRICA FZE
BRIDGESTONE ASIA PACIFIC PTE. LTD.
BRIDGESTONE (CHINA) INVESTMENT CO., LTD.

BRIDGESTONE CORPORATION

DIVERSIFIED PRODUCTS

CHEMICAL AND INDUSTRIAL PRODUCTS

BRIDGESTONE DIVERSIFIED CHEMICAL PRODUCTS CO., LTD.
BRIDGESTONE DIVERSIFIED PRODUCTS JAPAN CO., LTD.
AND OTHERS

BSAM DIVERSIFIED PRODUCTS

FIRESTONE BUILDING PRODUCTS COMPANY, LLC
AND OTHERS

SPORTING GOODS

BRIDGESTONE SPORTS CO., LTD. AND OTHERS

BICYCLES

BRIDGESTONE CYCLE CO., LTD. AND OTHERS

OTHERS

BRIDGESTONE FINANCE CORPORATION
BRIDGESTONE TREASURY SINGAPORE PTE. LTD.
AND OTHERS

All of the above-mentioned companies are our consolidated subsidiaries.

*Merge of subsidiaries in Europe
As of January 1, 2017, BRIDGESTONE ITALIA SALES S.R.L. was merged by BRIDGESTONE EUROPE NV/SA.

3. Management Policies

(1) Basic Management Policies

The Companies will pursue the ultimate goals of becoming “a truly global company” and achieving “Dan-Totsu in each and every aspect of our business” based on Mission and Foundation Framework that consists of The Bridgestone Essence which is composed of “Mission” —“Serving Society with Superior Quality”—, and four “Foundations” for fulfilling the mission — “*Seijitsu-Kyocho* [Integrity and Teamwork]”, “*Shinshu-Dokuso* [Creative Pioneering]”, “*Genbutsu-Genba* [Decision-Making Based on Verified, On-Site Observation]”, and “*Jukuryo-Danko* [Decisive Action after Thorough Planning]” — as well as “Safety, Quality & Environmental Mission Statement”. Further, as a responsible global company, the Companies respect the social culture and values, comply with laws and statutory regulations, protect the global environment, and work on social contribution activities in the countries in which we conduct business activities contribute to society.

(2) Management Strategies and Tasks

The Companies’ operating environment is undergoing substantial change in a wide range of areas, including international relations, political and economic climate, the environmental problems, technological innovation. Social structures and consumer awareness are also changing significantly.

In this setting, the Companies remain firmly committed to the basic stance of “Lean & Strategic” and “Group Global Optimization.” In other words, the Companies maintain an optimum balance between short-term management and mid- and long-term management measures, with a focus on “Lean” in the short-term and “Strategic” in the mid- and long-term. At the same time, the Companies continue to implement management reforms, giving the highest priority to optimization on a group and global basis. In this way, the Companies strive to achieve the goals outlined above.

In accordance with this fundamental approach, the Companies make full use of “the Strategic Business Unit (SBU) based organization” and “the Mid-Term Management Plan (MTP)” as tools, and continue to focus on three priority issues of “cultivating global corporate culture”, “developing human resources capable of global management” and “upgrading the global management structure”, in order to improve the quality and the speed of management reforms.

In regard to the first item, “cultivating global corporate culture,” the Companies will ensure overall consistency on a group and global basis; promote the brand strategies as a part of a fully integrated marketing strategy. Furthermore, as an Official Worldwide Olympic Partner and Tokyo 2020 Paralympic Gold Partner, we enhance the global brand utilizing the experience in the Olympic Games Rio 2016. In an operating environment undergoing significant change, the Companies will accelerate innovation with ICT utilization and Innovation through whole company-wide value chain based on an anticipation of market trends. The Companies will reinforce our corporate structure to accelerate technology and business model innovation by taking actions such as the upgrading of the R&D structure on a global basis, the Companies expand our line-up of highly competitive products and services, and construct and enhance business models that will extend beyond the mere sales of products. The Companies are also pursuing continuous improvement in each and every area of business. In these ways, the Companies will create customer value and ensure further development of our competitive advantage and differentiation.

In regard to the second item, “developing human resources capable of global management,” the Companies will promote programs such as the Global Leadership Capabilities. The Companies will promote further development of environment and structure such as conducting global meetings including the Global Executive Committee (Global EXCO) which is the highest body of global business execution in English to enable diverse talents to fulfill their potential.

In regard to the third item, “upgrading the global management structure,” the Companies will promote “enhancement of governance systems” and “expansion of the diversified product businesses.”

In the “enhancement of governance systems”, the Companies shifted to the "Company with Nominating Committee, etc." model of corporate governance from March 2016, in order to serve to further strengthening our internal control and accelerating business execution. The Companies will continue to upgrade the global management structure by clarifying lines of authority and responsibility and enhancing delegation, SBU restructuring etc., aiming for both more effective strategic planning and efficient decision making.

In the “expansion of the diversified product businesses,” the Companies will promote the globalization of major businesses such as seat pad, anti-vibration rubber, roofing business. to guide the diversified product business to its next growth spurt. In addition, the Companies will strengthen the expansion of its solution business including services, rather than simply combining existing product-based businesses.

In addition, the Companies will step up efforts to build systems to support the fulfillment of responsibilities as a corporate group toward all of our stakeholders. The Companies will review our policy as needed for the development of internal control systems that ensure appropriate operations and steadily develop systems in accordance with the policy. In regard to CSR, the Companies will consider materiality from a variety of perspectives and recognize “Mobility”, “People” and “Environment” to be priority areas, while the Companies contribute to resolving social issues through innovation and cutting-edge technologies, create common value for customers and society, and build trust and respect by contributing to community development. The Companies remain committed to further enhancing compliance systems, based the reflection of a plea agreement with the U.S. Department of Justice in relation to cartel activities with respect to the sale of anti-vibration rubber products for vehicles in February 2014.

4. Basic Policy on the Selection of Accounting Standard

The Companies prepare and disclose our Consolidated Financial Statements in accordance with “Japanese Generally Accepted Accounting Principles”. With respect to International Financial Reporting Standards (IFRS), the Companies have the plan for voluntary adoption of IFRS in the future. Timing of the adoption is under consideration.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Yen in millions)

		Previous Year (As of December 31, 2015)		Current Year (As of December 31, 2016)
Assets				
Current Assets				
Cash and deposits		387,652		483,006
Notes and accounts receivable		488,832		455,218
Short-term investments		217,348		167,697
Merchandise and finished products		370,046		377,412
Work in process		35,877		35,469
Raw materials and supplies		149,815		140,824
Deferred tax assets		79,550		69,514
Other		112,790		107,041
Allowance for doubtful accounts		(33,357)		(16,179)
Total Current Assets	*(Note2)*	1,808,557	*(Note2)*	1,820,004
Fixed Assets				
Tangible fixed assets				
Buildings and structures, net		537,244		528,799
Machinery, equipment and vehicles, net		523,389		507,844
Land		172,458		168,437
Construction in progress		179,597		160,752
Other, net		91,200		88,835
Total Tangible Fixed Assets	*(Note1)*	1,503,891	*(Note1)*	1,454,669
Intangible fixed assets		68,388		73,116
Investments and other assets				
Investments in securities	*(Note3)*	299,129	*(Note3)*	263,549
Long-term loans receivable		5,638		5,071
Deferred tax assets		49,116		37,006
Net defined benefit assets		—		2,039
Other		67,004		66,509
Allowance for doubtful accounts		(5,880)		(1,730)
Total Investments and Other Assets		415,009		372,446
Total Fixed Assets	*(Note2)*	1,987,289	*(Note2)*	1,900,231
Total Assets		3,795,846		3,720,236

(Yen in millions)

	Previous Year (As of December 31, 2015)	Current Year (As of December 31, 2016)
Liabilities		
Current Liabilities		
Notes and accounts payable	181,973	195,603
Short-term borrowings	125,908	174,678
Current portion of bonds	30,000	—
Lease obligations	1,137	1,017
Income taxes payable	50,523	22,722
Deferred tax liabilities	1,803	2,144
Provision for sales returns	3,062	3,471
Provision for recall	1,196	916
Accounts payable - other	164,491	168,714
Accrued expenses	226,294	220,822
Other	48,723	60,351
Total Current Liabilities	835,114	850,441
Long-term Liabilities		
Bonds	90,000	90,000
Long-term borrowings	188,275	70,458
Lease obligations	6,256	6,616
Deferred tax liabilities	48,864	49,955
Warranty reserve	29,371	27,620
Provision for environmental remediation	2,165	2,018
Provision for reorganization of R&D and manufacturing base	—	13,951
Net defined benefit liability	259,521	214,443
Other	54,266	49,275
Total Long-term Liabilities	678,720	524,338
Total Liabilities	1,513,835	1,374,779
Net Assets		
Shareholders' Equity		
Common stock	126,354	126,354
Capital surplus	123,025	123,005
Retained earnings	2,014,497	2,170,395
Treasury stock - at cost	(56,212)	(56,151)
Total Shareholders’ Equity	2,207,664	2,363,604
Accumulated Other Comprehensive Income		
Net unrealized gain (loss) on available-for-sale securities	192,324	174,197
Deferred gain (loss) on derivative instruments	(776)	(1,720)
Foreign currency translation adjustments	(55,406)	(114,910)
Remeasurements of defined benefit plans	(134,736)	(137,754)
Total Accumulated Other Comprehensive Income	1,404	(80,187)
Stock Acquisition Rights	2,469	2,975
Non-controlling Interests	70,473	59,063
Total Net Assets	2,282,011	2,345,457
Total Liabilities and Net Assets	3,795,846	3,720,236

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Income)

(Yen in millions)

	Previous Year (Year ended December 31, 2015)		Current Year (Year ended December 31, 2016)	
Net Sales		3,790,251		3,337,017
Cost of Sales		2,293,937		1,972,475
Gross Profit		1,496,313		1,364,541
Selling, General and Administrative Expenses				
Goods freightage expenses		160,270		147,502
Advertising and promotion expenses		128,341		121,228
Salaries, allowances and bonuses		265,869		246,347
Retirement benefit expenses		24,385		19,672
Depreciation		32,147		31,374
Research and development expenses	*(Note1)*	94,977	*(Note1)*	95,403
Other		273,072		253,462
Total Selling, General and Administrative Expenses		979,065		914,992
Operating Income		517,248		449,548
Non-operating Income				
Interest income		5,916		5,030
Dividend income		8,332		8,135
Penalty income		4,783		—
Other		17,689		13,375
Total Non-operating Income		36,721		26,541
Non-operating Expenses				
Interest expense		12,118		10,169
Foreign currency exchange loss		10,437		7,802
Other		24,110		25,585
Total Non-operating Expenses		46,666		43,556
Ordinary Income		507,303		432,534
Extraordinary Income				
Gain on sales of tangible assets	*(Note2)*	5,277		—
Gain on sales of investment securities		15,480		11,117
Total Extraordinary Income		20,758		11,117
Extraordinary Loss				
Impairment loss		—	*(Note3)*	4,414
Loss on disposals of tangible assets		6,397		—
Loss related to reorganization of R&D and manufacturing base		—	*(Note4)*	17,649
Loss on deconsolidation of subsidiaries	*(Note5)*	43,505		—
Total Extraordinary Loss		49,903		22,063
Income before Income Taxes and Non-controlling Interests		478,159		421,588
Income Taxes - current		155,360		113,488
Income Taxes - deferred		27,123		32,661
Total income taxes		182,484		146,150
Income before Non-Controlling interests		295,675		275,438
Profit Attributable to Non-controlling Interests		11,380		9,887
Profit Attributable to Owners of Parent		284,294		265,550

(Yen in millions)

	Previous Year (Year ended December 31, 2015)	Current Year (Year ended December 31, 2016)
Income before Non-controlling Interests	295,675	275,438
Other Comprehensive Income (loss)		
Unrealized gain (loss) on available-for-sale securities	24,138	(18,109)
Deferred gain (loss) on derivative instruments	1,268	(1,069)
Foreign currency translation adjustments	(97,829)	(59,702)
Remeasurements of defined benefit plans	30,370	(3,375)
Share of other comprehensive income in affiliates	(2,752)	(2,068)
Total Other Comprehensive Income	(44,804)	(84,325)
Comprehensive Income	250,870	191,112
Comprehensive income attribute to:		
Owners of parent	245,922	183,959
Non-controlling interests	4,948	7,153

(3) Consolidated Statement of Changes in Net Assets

Previous Year (Year ended December 31, 2015) (Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock-at cost	Total
Beginning balance	126,354	123,008	1,842,914	(56,367)	2,035,908
Cumulative effects of changes in accounting policies			(18,729)		(18,729)
Restated balance	126,354	123,008	1,824,184	(56,367)	2,017,179
(Changes in the year)					
Cash dividends			(93,981)		(93,981)
Profit attributable to owners of parent			284,294		284,294
Purchase of treasury stock				(12)	(12)
Disposal of treasury stock		16		167	184
Net changes in the year					
Total changes in the year	―	16	190,312	155	190,484
Ending balance	126,354	123,025	2,014,497	(56,212)	2,207,664

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests
	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	Foreign currency translation adjustments	Remeasurements of defined benefit plans		
Beginning balance	168,172	(2,189)	39,108	(165,314)	1,945	69,026
Cumulative effects of changes in accounting policies						
Restated balance	168,172	(2,189)	39,108	(165,314)	1,945	69,026
(Changes in the year)						
Cash dividends						
Profit attributable to owners of parent						
Purchase of treasury stock						
Disposal of treasury stock						
Net changes in the year	24,151	1,412	(94,515)	30,578	524	1,446
Total changes in the year	24,151	1,412	(94,515)	30,578	524	1,446
Ending balance	192,324	(776)	(55,406)	(134,736)	2,469	70,473

Current Year (Year ended December 31, 2016) (Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock-at cost	Total
Beginning balance	126,354	123,025	2,014,497	(56,212)	2,207,664
(Changes in the year)					
Cash dividends			(109,652)		(109,652)
Profit attributable to owners of parent			265,550		265,550
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		(18)		65	46
Purchase of shares of consolidated subsidiaries		(0)			(0)
Net changes in the year					
Total changes in the year	―	(19)	155,898	61	155,940
Ending balance	126,354	123,005	2,170,395	(56,151)	2,363,604

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests
	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	Foreign currency translation adjustments	Remeasurements of defined benefit plans		
Beginning balance	192,324	(776)	(55,406)	(134,736)	2,469	70,473
(Changes in the year)						
Cash dividends						
Profit attributable to owners of parent						
Purchase of treasury stock						
Disposal of treasury stock						
Purchase of shares of consolidated subsidiaries						
Net changes in the year	(18,126)	(944)	(59,503)	(3,017)	506	(11,409)
Total changes in the year	(18,126)	(944)	(59,503)	(3,017)	506	(11,409)
Ending balance	174,197	(1,720)	(114,910)	(137,754)	2,975	59,063

(4) Consolidated Statement of Cash Flows

(Yen in millions)

	Previous Year (Year ended December 31, 2015)	Current Year (Year ended December 31, 2016)
Cash Flows from Operating Activities		
Income before income taxes and non-controlling interests	478,159	421,588
Depreciation and amortization	202,333	188,062
Increase (decrease) in allowance for doubtful accounts	1,388	(16,340)
Increase (decrease) in net defined benefit liability	(15,204)	(45,185)
Interest and dividend income	(14,249)	(13,166)
Interest expense	12,118	10,169
Foreign currency exchange loss (gain)	6,442	(6,178)
Share of (profit) loss of entities accounted for using equity method	(396)	2,726
Penalty income	(4,783)	—
Gain on sales of tangible fixed assets	(5,277)	—
Loss (gain) on sales of investment in securities	(15,480)	(11,117)
Impairment loss	—	4,414
Loss on disposals of tangible assets	6,397	—
Loss related to reorganization of R&D and manufacturing base	—	17,649
Loss on deconsolidation of subsidiaries	43,505	—
Decrease (increase) in notes and accounts receivable	(14,408)	9,600
Decrease (increase) in inventories	(536)	(16,047)
Increase (decrease) in notes and accounts payable	(19,522)	22,699
Other	20,688	1,276
Subtotal	681,175	570,151
Interest and dividends received	14,046	13,173
Interest paid	(12,483)	(10,051)
Penalty received	4,783	—
Payment related to recall	(6,697)	—
Income taxes paid	(126,885)	(128,737)
Net Cash Provided by Operating Activities	553,938	444,535
Cash Flows from Investing Activities		
Payments for purchase of tangible fixed assets	(255,229)	(186,814)
Proceeds from sales of tangible fixed assets	7,598	4,792
Payments for purchase of intangible assets	(3,988)	(5,900)
Proceeds from sales of investments in securities	17,776	14,433
Payments of long-term loans receivable	(1,276)	(3,401)
Proceeds from collection of long-term loans receivable	1,212	2,063
Other	526	(3,449)
Net Cash Used in Investing Activities	(233,380)	(178,276)

(Yen in millions)

	Previous Year (Year ended December 31, 2015)	Current Year (Year ended December 31, 2016)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term borrowings and commercial paper	(61,097)	(8,174)
Proceeds from long-term borrowings	24,556	19,463
Repayments of long-term borrowings	(97,400)	(68,395)
Payments for redemption of bonds	—	(30,000)
Cash dividends paid	(93,928)	(109,386)
Cash dividends paid to non-controlling interests	(5,646)	(19,267)
Other	(5,288)	(643)
Net Cash Used in Financing Activities	(238,805)	(216,404)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(35,339)	(4,840)
Net Increase (Decrease) in Cash and Cash Equivalents	46,413	45,014
Cash and Cash Equivalents at Beginning of Year	390,181	426,727
Decrease in Cash and Cash Equivalents Resulting from Exclusion of Subsidiaries from Consolidation	(9,867)	—
Cash and Cash Equivalents at End of Year	*(Note1)* 426,727	*(Note1)* 471,741

(5) Notes to the consolidated financial statements

(Notes regarding going concern assumption)

Not applicable

(Basic important matters for preparation of consolidated financial statements)

1. Scope of consolidation

1) Number of consolidated subsidiaries: 294 companies

Names of principal companies:

Refer to “2. BRIDGESTONE Group’s Major Subsidiaries and Business Relation Flowchart”

Changes in scope of consolidation:

Additions: 4 companies (Mainly, increased by establishment)

Deletions: 10 companies (Mainly, decreased by merger)

2) There are no non-consolidated subsidiaries.

Venezuelan subsidiaries (BRIDGESTONE FIRESTONE VENEZOLANA, C.A. and its subsidiary), which were non-consolidated subsidiaries in the previous fiscal year, were sold during the current fiscal year.

2. Scope of application of equity-method accounting

1) Number of equity-method affiliates: 148 companies

Name of principal company

BRISA BRIDGESTONE SABANCI LASTIK SANAYI VE TICARET A.S.

Changes in the scope of equity-method accounting

Additions: 5 companies (Increased by investment)

Deletions: 2 companies (Mainly, decreased by disposal)

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

Venezuelan subsidiaries (BRIDGESTONE FIRESTONE VENEZOLANA, C.A. and its subsidiary), which were non-consolidated subsidiaries that were not accounted for by the equity-method in the previous fiscal year, were sold during the current fiscal year.

3. Fiscal year of consolidated subsidiaries

From the current fiscal year, BRIDGESTONE INDIA PRIVATE Ltd.’s financial year end was changed from December 31 to March 31. The financial statements prepared as a result of the provisional financial closing process as of the consolidated financial closing date are used as the basis for consolidation.

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 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 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.

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 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) Provision for recall

In order to reserve for outlays related to check and replacement of object tires, the estimated amount of future obligations is recorded.

d) 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 the Companies' past experience of the Companies and subsidiaries (collectively, the "Companies").

e) 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.

f) 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 Companies, 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 cost

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

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

7) Accounting policies for the conversion of foreign currency-denominated assets and liabilities into yen

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

Assets and liabilities of the Companies' overseas subsidiaries are translated into Japanese yen at the current exchange rate at the consolidated balance sheet date. Revenue and expense accounts of the Companies' 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

Instruments	Items covered
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 Company'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 to exceed 20 years.

10) Definition of cash and cash equivalents for Consolidated Statement of Cash Flow

Cash and cash equivalents included in the consolidated statement of cash flows consists 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.

11) 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 policy, etc.)

(Application of Accounting Standard for Business Combinations, etc.)

The Companies have applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and other relevant standards from fiscal 2016. As a result, the difference arising from changes in ownership interests in its subsidiary when the Companies continue to have control of the subsidiary is accounted for as capital surplus, and acquisition-related costs are treated as expenses in the consolidated fiscal year in which they occurred. Also, for any business combinations on or after the beginning of fiscal 2016, the adjustments of the purchase price allocation following the determination of the provisional accounting treatment are reflected in the consolidated financial statements in which the business combination occurred. In addition, the presentation of net income has been changed, and the presentation of minority interests has been changed to non-controlling interests. To reflect these changes in presentation, the consolidated financial statements of the previous fiscal year have been reclassified.

In accordance with the transitional treatment provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, these accounting standards have been applied from the beginning of fiscal 2016 and thereafter.

The effect of this change on the consolidated statement is immaterial.

(Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

The Companies have applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force (“PITF”) No. 18, March 26, 2015) from fiscal 2016. In accordance with the transitional treatment provided in PITF No. 18, the overseas subsidiary “BRIDGESTONE HOSE AMERICA INC.” amortizes goodwill for which it has selected amortization treatment based on Financial Accounting Standards Board (“FASB”) Accounting Standards Codification, Topic 350, “Intangible-Goodwill and Other” using the remaining amortization period of goodwill on the consolidated financial statements.

There is no effect on the consolidated statement of income.

(Changes in presentation)

1. Consolidated Statement of Cash Flows

1) "Amortization of goodwill" and "Share of (profit) loss of entities accounted for using equity method"

In the Cash Flows from Operating Activities section, "Amortization of goodwill" was presented separately in the previous fiscal year. Due to a decline in financial materiality, "Amortization of goodwill" is now presented in "Other". "Share of (profit) loss of entities accounted for using equity method" was included in "Other" in the previous fiscal year. Due to an increase in financial materiality, "Share of (profit) loss of entities accounted for using equity method" is now presented separately. To reflect these changes in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the Cash Flows from Operating Activities section, the ¥2,146 million that had been previously presented as "Amortization of goodwill" and the ¥18,145 million that had been previously presented as "Other" in the Consolidated Statement of Cash Flows for the previous fiscal year have now been restated as "Share of (profit) loss of entities accounted for using equity method" of the ¥ (396) million and "Other" of the ¥20,688 million.

2) "Payments of obligations under finance leases" and "Proceeds from non-controlling interests for additional shares"

In the Cash Flows from Financing Activities section, "Payments of obligations under finance leases" and "Proceeds from non-controlling interests for additional shares" were presented separately in the previous fiscal year. Due to a decline in financial materiality, "Payments of obligations under finance leases" and "Proceeds from non-controlling interests for additional shares" are now presented in "Other". To reflect these changes in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the Cash Flows from Financing Activities section, the ¥ (7,429) million that had been previously presented as "Payments of obligations under finance leases" and the ¥1,969 million that had been previously presented as "Proceeds from non-controlling interests for additional shares" in the Consolidated Statement of Cash Flows for the previous fiscal year have now been restated as "Other".

(Consolidated Balance Sheet)

Note 1 Accumulated depreciation of tangible fixed asset

	Previous Year (As of December 31, 2015)	Current Year (As of December 31, 2016)
	¥2,520,716 million	¥2,578,439 million

Note 2 Assets pledged as collateral

	Previous Year (As of December 31, 2015)	Current Year (As of December 31, 2016)
	¥1,078 million	¥843 million

Obligations corresponding to the preceding

	Previous Year (As of December 31, 2015)	Current Year (As of December 31, 2016)
Short-term borrowings	¥208 million	¥37 million
Long-term borrowings	¥82	¥74

Note 3 Assets or liabilities related to non-consolidated subsidiaries and affiliates

	Previous Year (As of December 31, 2015)	Current Year (As of December 31, 2016)
Investments in securities	¥17,105 million	¥14,177 million

Note 4 Balance of trade notes discounted

	Previous Year (As of December 31, 2015)	Current Year (As of December 31, 2016)
	¥565 million	¥221 million

(Consolidated Statement of Income)

Note 1 Research and development expenses

	Previous Year (Year ended December 31, 2015)	Current Year (Year ended December 31, 2016)
General and administrative expenses	¥94,977 million	¥95,403 million

Note 2 Gain on sales of tangible assets

Previous Year (Year ended December 31, 2015)

Gain on sales of tangible assets mainly consists of gain on sales of land.

Notes 3 Impairment loss

Current Year (Year ended December 31, 2016)

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

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 Companies recognized an impairment loss of ¥6,830 million as extraordinary loss. The loss consists of ¥4,538 million for buildings and structures, ¥2,115 million for machinery, equipment and vehicles, and ¥175 million for others.

Note that ¥2,415 million of the total impairment loss of ¥6,830 million was recorded as a “loss related to reorganization of R&D and manufacturing base” under the extraordinary loss.

Use	Classification	Location	Amount (Yen in millions)
Assets for business	Buildings and structures, Machinery, equipment and vehicles and others	Indonesia, Japan and others	2,940
Assets to be disposed	Buildings and structures, Machinery, equipment and vehicles and others	Japan, China and others	3,853
Idle assets	Land	Japan	35

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 3.7% to 15.0%. 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 and other.

Notes 4 Loss related to reorganization of R&D and manufacturing base

Current Year (Year ended December 31, 2016)

In order to reorganize the research and development, and manufacturing base in Kodaira city in Tokyo, relevant expenses are recognized in relation to relocation and aggregation of the production of radial tires for passenger cars and small trucks in the Tokyo plants to other domestic plants and the expansion of the research and development facilities.

Note 5 Loss on deconsolidation of subsidiaries

Previous Year (Year ended December 31, 2015)

Under US GAAP, the Companies have excluded Venezuelan subsidiary, Bridgestone Firestone Venezolana, C.A. (“BFVZ”) and its subsidiary from its consolidated financial statements because other-than-temporary lack of exchangeability between the Bolivar and the U.S. dollar is restricting the subsidiary´s ability to purchase raw materials and pay dividends on a sustainable basis.

(Consolidated Statement of Changes in Net Assets)

Previous Year（Year ended 31 December 2015)

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

	As of December 31, 2014	Increase	Decrease	As of December 31, 2015
Number of shares issued Common stock (Thousands of shares)	813,102	—	—	813,102
Treasury stock Common stock (Thousands of shares) (see note 1 & 2)	29,965	2	89	29,878

Notes 1: The increase of treasury stock consists of 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 89 thousand shares used for the exercise of stock options and other.

2. Stock acquisition rights

	Details	Type of shares to be used as stock acquisition rights	Number of shares to be used for Stock acquisition rights				Outstanding amount as of fiscal year end (yen in millions)
			As of December 31, 2014	Increase	Decrease	As of December 31, 2015	
Filing company	Stock acquisition rights as stock options	—	—	—	—	—	2,469
Total		—	—	—	—	—	2,469

3. Dividends

(1) Dividend payments

Resolution	Type	Total dividends (yen in millions)	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting, March 24, 2015	Common Stock	46,988	¥60	December 31, 2014	March 25, 2015
Board of Directors, August 7, 2015	Common Stock	46,993	¥60	June 30, 2015	September 1, 2015

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

Resolution	Type	Total dividends (yen in millions)	Source	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting, March 24, 2016	Common Stock	54,825	Retained earnings	¥70	December 31, 2015	March 25, 2016

Current Year (Year ended 31 December 2016)

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

	As of December 31, 2015	Increase	Decrease	As of December 31, 2016
Number of shares issued Common stock (Thousands of shares)	813,102	—	—	813,102
Treasury stock Common stock (Thousands of shares) (see notes 1 & 2)	29,878	1	34	29,844

Notes 1: The increase of treasury stock consists of the purchase of 1 thousand shares according to the requests from the shareholders who have odd-lot shares and other.

2: The decrease of treasury stock consists of 34 thousand shares used for the exercise of stock options and other.

2. Stock acquisition rights

	Details	Type of shares to be used as stock acquisition rights	Number of shares to be used for Stock acquisition rights				Outstanding amount as of fiscal year end (yen in millions)
			As of December 31, 2015	Increase	Decrease	As of December 31, 2016	
Filing company	Stock acquisition rights as stock options	—	—	—	—	—	2,975
Total		—	—	—	—	—	2,975

3. Dividends

(1) Dividend payments

Resolution	Type	Total dividends (yen in millions)	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting, March 24, 2016	Common Stock	54,825	¥70	December 31, 2015	March 25, 2016
Board of Directors, August 9, 2016	Common Stock	54,826	¥70	June 30, 2016	September 1, 2016

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

Resolution	Type	Total dividends (yen in millions)	Source	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting, March 24, 2017	Common Stock	54,828	Retained earnings	¥70	December 31, 2016	March 27, 2017

(Consolidated Statement of Cash Flows)

Note 1 Reconciliation between cash and cash equivalents at the fiscal year end and the amount shown in the Consolidated Balance Sheet

(Yen in millions)

	Previous Year (Year ended December 31, 2015)	Current Year (Year ended December 31, 2016)
	(As of December 31, 2015)	(As of December 31, 2016)
Cash and deposits	387,652	483,006
Short-term investments	217,348	167,697
Total	605,000	650,703
Time deposits, bonds, etc. with terms of more than three months	(178,273)	(178,961)
Cash and cash equivalents	426,727	471,741

(Segment Information)

1. Overview of reporting segments

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

The Companies' reporting segments consist mainly of Tire business including the production and sale of tires and tubes, sale of wheels and accessories, the production and sale of retread material and services, auto maintenance, and Diversified products business including Chemical and Industrial Products, BSAM Diversified Products (Note), sporting goods, bicycles, etc. Thus, the Companies have two reporting segments: Tires and Diversified products.

(Note) BSAM Diversified Products: A business under BRIDGESTONE AMERICAS, INC. supplying commercial roofing materials etc.

2. Methods of calculating amounts for Sales and Income (Loss), assets and other items by reporting segment

The accounting treatment methods for each reported business segment are broadly similar to those outlined in "Basic important matters for preparation of consolidated financial statements". Reporting segment income figures are on an operating income basis. Internal sales and transfers between segments are mainly based on prices for third-party transactions and manufacturing cost.

3. Information regarding Sales and Income (Loss), assets and other items by reporting segment

Consolidated Results for Fiscal 2015 (January 1, 2015 - December 31, 2015) (Yen in millions)

	Tires	Diversified Products	Total	Adjustments (notes)	Consolidated
Net sales:					
External customers	3,168,218	622,032	3,790,251	—	3,790,251
Inter-segment	6,226	13,017	19,243	(19,243)	—
Total	3,174,445	635,049	3,809,494	(19,243)	3,790,251
Segment income (Operating income)	472,762	44,518	517,281	(33)	517,248
Segment assets	3,345,495	452,275	3,797,770	(1,923)	3,795,846
Other					
Depreciation and amortization	181,782	20,551	202,333	—	202,333
Amortization of goodwill	1,203	943	2,146	—	2,146
Investment for equity-method affiliates	16,884	223	17,108	(2)	17,105
Increase in tangible and intangible fixed assets	229,885	23,694	253,580	—	253,580

Notes: The adjustments are as follows.

(Note1) Adjustments of segment income refer to elimination of inter-segment transactions.

(Note2) Adjustments of segment assets refer to elimination of inter-segment receivables and payables.

Consolidated Results for Fiscal 2016 (January 1, 2016 - December 31, 2016) (Yen in millions)

	Tires	Diversified Products	Total	Adjustments (notes)	Consolidated
Net sales:					
External customers	2,759,274	577,742	3,337,017	—	3,337,017
Inter-segment	6,500	7,968	14,468	(14,468)	—
Total	2,765,775	585,711	3,351,486	(14,468)	3,337,017
Segment income (Operating income)	414,711	34,819	449,530	18	449,548
Segment assets	3,312,938	409,100	3,722,039	(1,802)	3,720,236
Other					
Depreciation and amortization	168,295	19,766	188,062	—	188,062
Amortization of goodwill	1,153	845	1,998	—	1,998
Investment for equity-method affiliates	13,873	309	14,182	(4)	14,177
Increase in tangible and intangible fixed assets	183,264	16,073	199,338	—	199,338

Notes: The adjustments are as follows.
(Note1) Adjustments of segment income refer to elimination of inter-segment transactions.
(Note2) Adjustments of segment assets refer to elimination of inter-segment receivables and payables.

(Per share information)

(Yen)

Items	Previous Year (Year ended December 31, 2015)	Current Year (Year ended December 31, 2016)
Total equity per share	2,820.48	2,915.28
Net income per share	362.99	339.04
Diluted net income per share	362.52	338.52

Note: Total equity per share and diluted net income per share are calculated based on the following:

	Previous Year (Year ended December 31, 2015)	Current Year (Year ended December 31, 2016)
Net income per share	(Yen in millions)	(Yen in millions)
Profit attributable to owners of parent	284,294	265,550
Amount not belonging to common shareholders	—	—
Profit attributable to owners of parent corresponding to common shareholders	284,294	265,550
Average number of shares held by common shareholders during term	(Thousands of shares) 783,204	(Thousands of shares) 783,240
Diluted net income per share	(Thousands of shares)	(Thousands of shares)
Adjustments of profit attributable to owners of parent	—	—
Increase of common stock (stock option portion included in the above)	1,022 (1,022)	1,197 (1,197)
Summary of residual shares with no dilution effect and therefore not included in calculation of diluted net income per share	―	―

(Significant subsequent events)

1. Acquisition of Treasury Stock

The Company has resolved to acquire Treasury Stock at the Board of Directors meeting held on February 17, 2017 as per Article 165-3 and Article 156 of the Companies Act.

(1) Reason of Acquisition of Treasury Stock	To enhance enterprise value by improving capital efficiency
(2) Kind of shares to acquire	Common shares of the Company
(3) Total number of shares to acquire	50 million shares (up to) (% of issued shares (not included Treasury Stock); 6.4%)
(4) Total acquisition cost	¥150 billion (up to)
(5) Procedure	Market purchases based on the discretionary dealing contract regarding repurchase of shares
(6) Timing	February 20, 2017 to December 22, 2017

2. Cancellation of Treasury Stock

The Company has resolved to cancel Treasury Stock at the Board of Directors meeting held on February 17, 2017 as per Article 178 of the Companies Act.

(1) Kind of shares to cancel	Common shares of the Company
(2) Total number of shares to cancel	20 million shares and all the common shares acquired from February 20, 2017 to December 22, 2017
(3) Effective date of the Cancellation	January 19, 2018

3. Issue of the Bonds

The Company has resolved to issue domestic unsecured straight bonds (the “Bonds”) at the Board of Directors meeting held on February 17, 2017.

(1) Total amount of issue	Maximum of ¥150 billion, Multiple offerings are possible by dividing this amount
(2) Issuance period	February 17, 2017 to December 31, 2017
(3) Issue price	¥100 or larger per each principal amount of ¥100
(4) Coupon	Up to the sum of prevailing yields of Japanese Government Bonds which have the corresponding maturities with the Bonds and 1.0%
(5) Maturity	Up to 10 years
(6) Redemption	The Bonds will be redeemed in full upon maturity
(7) Use of proceeds	Capital expenditures, investments, loans and acquisition of treasury stock, etc.

6. Other

(1) Senior Management Changes

1) New Member of the Board of Directors — Current occupation in parentheses

To be assumed after approval at the Company’s Annual Shareholders' Meeting on March 24, 2017

Member of the Board	Narumi Zaitsu	[Executive Vice President and Officer Assistant to Executive Vice President and Executive Officer Responsible for Corporate Administration]

2) Resigning Member of the Board of Directors — Plan after resignation in parentheses

Effective March 24, 2017

Member of the Board	Mikio Masunaga	[Advisor]

3) Re-elected Members of the Board of Directors — Current occupation in parentheses

To be assumed after approval at the Company’s Annual Shareholders' Meeting on March 24, 2017

Member of the Board CEO and Representative Executive Officer; Concurrently Chairman of the Board; Concurrently Chairman, BIOC	Masaaki Tsuya	[Member of the Board CEO and Representative Executive Officer; Concurrently Chairman of the Board; Concurrently Chairman, BIOC]
Member of the Board COO and Representative Executive Officer; Concurrently Chief Technology Officer, Responsible for Technology; Concurrently Vice Chairman, BIOC	Kazuhisa Nishigai	[Member of the Board COO and Representative Executive Officer; Concurrently Chief Technology Officer, Responsible for Technology; Concurrently Vice Chairman, BIOC]
Member of the Board	Kenichi Togami	[Member of the Board]
Member of the Board	Sakie Tachibana Fukushima	[Member of the Board]
Member of the Board	Scott Trevor Davis	[Member of the Board]
Member of the Board	Yuri Okina	[Member of the Board]

Member of the Board	Kenichi Masuda	[Member of the Board]
Member of the Board	Kenzo Yamamoto	[Member of the Board]
Member of the Board	Keikou Terui	[Member of the Board]
Member of the Board	Seiichi Sasa	[Member 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 candidates for outside directors as set forth in Article 2(xv) of the Companies Act.

4) Members of the Nominating Committee — Current occupation in parentheses

To be assumed after approval at the Board Meeting on March 24, 2017

Member of the Board	Sakie Tachibana Fukushima	[Member of the Board]
Member of the Board	Scott Trevor Davis	[Member of the Board]
Member of the Board	Yuri Okina	[Member of the Board]
Member of the Board	Keikou Terui	[Member of the Board]

* Ms. Sakie Tachibana Fukushima, Mr. Scott Trevor Davis, Ms. Yuri Okina and Mr. Keikou Terui are candidates for outside directors as set forth in Article 2(xv) of the Companies Act.

5) Members of the Audit Committee — Current occupation in parentheses

To be assumed after approval at the Board Meeting on March 24, 2017

Member of the Board	Kenichi Masuda	[Member of the Board]
Member of the Board	Kenzo Yamamoto	[Member of the Board]
Member of the Board	Seiichi Sasa	[Member of the Board]
Member of the Board	Narumi Zaitsu	[Executive Vice President and Officer Assistant to Executive Vice President and Executive Officer Responsible for Corporate Administration]
Member of the Board	Kenichi Togami	[Member of the Board]

* Mr. Kenichi Masuda, Mr. Kenzo Yamamoto and Mr. Seiichi Sasa are candidates for outside directors as set forth in Article 2(xv) of the Companies Act.

6) Members of the Compensation Committee — Current occupation in parentheses

To be assumed after approval at the Board Meeting on March 24, 2017

Member of the Board	Sakie Tachibana Fukushima	[Member of the Board]
Member of the Board	Scott Trevor Davis	[Member of the Board]
Member of the Board	Yuri Okina	[Member of the Board]
Member of the Board	Keikou Terui	[Member of the Board]

* Ms. Sakie Tachibana Fukushima, Mr. Scott Trevor Davis, Ms. Yuri Okina and Mr. Keikou Terui are candidates for outside directors as set forth in Article 2(xv) of the Companies Act.

7) Resigning Member of Executive Officers — Plan after resignation in parentheses

Effective March 24, 2017

Senior Vice President and Executive Officer Chief Marketing Officer Responsible for Marketing Solution Strategy	Takashi Tomomoto	[Senior Vice President Chief Marketing Officer Responsible for Marketing Solution Strategy]

8) Re-elected Members of Executive Officers — Current occupation in parentheses

To be assumed after approval at the Board Meeting on March 24, 2017

Member of the Board CEO and Representative Executive Officer; Concurrently Chairman of the Board; Concurrently Chairman, BIOC	Masaaki Tsuya	[Member of the Board CEO and Representative Executive Officer; Concurrently Chairman of the Board; Concurrently Chairman, BIOC]
Member of the Board COO and Representative Executive Officer; Concurrently Chief Technology Officer, Responsible for Technology; Concurrently Vice Chairman, BIOC	Kazuhisa Nishigai	[Member of the Board COO and Representative Executive Officer; Concurrently Chief Technology Officer, Responsible for Technology; Concurrently Vice Chairman, BIOC]

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 Solution Business and Diversified Products; Concurrently Executive Chairman, Global Mining and Agricultural Solution in-house Company; Concurrently Executive Chairman, Diversified Products Solution in-house Company; Concurrently responsible for Global Solution Business; Concurrently CEO, Global Mining and Agricultural Solution in-house Company	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 Solution Business and Diversified Products; Concurrently responsible for Global Solution Business]
Executive Vice President and Executive Officer Responsible for Corporate Planning; Concurrently responsible for Corporate Administration; Chief Financial Officer Finance	Akihiro Eto	[Executive Vice President and Executive Officer Responsible for Corporate Planning; Concurrently responsible for Corporate Administration; Chief Financial Officer Finance]
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.	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.]

Executive Vice President and Executive Officer of Bridgestone Corporation Executive Chairman of Bridgestone Europe NV/SA Chairman of Bridgestone Americas, Inc.	Eduardo Minardi	[Executive Vice President and Executive Officer of Bridgestone Corporation Executive Chairman of Bridgestone Europe NV/SA Chairman of Bridgestone Americas, Inc.]
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.	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.]
Senior Vice President and Executive Officer of Bridgestone Corporation Executive Chairman and CEO of Bridgestone Asia Pacific Pte. Ltd.	Franco Annunziato	[Senior Vice President and Executive Officer of Bridgestone Corporation Executive Chairman and CEO of Bridgestone Asia Pacific Pte. Ltd.]

9) New Members of Corporate Officers
Effective March 24, 2017

Current occupation in parentheses

Vice President and Officer Auditing	Tsuyoshi Yoshimi	[Director, Finance Division]
Vice President and Officer Tire Production System Development; Concurrently Director, Material Production System Development	Teruo Kunitake	[Director, Material Production System Development Division, Advanced Tire Production System Development Division]
Vice President and Officer Diversified Products Development and Production Technology; Concurrently Director, Diversified Products Development Division Ⅰ	Tomohiro Kusano	[Director, Diversified Products Development Division Ⅰ]

10) Promotion of Corporate Officers
Effective March 24, 2017

Current occupation in parentheses

Vice President and Senior Officer Responsible for Corporate Management; Concurrently Chief Compliance Officer, Legal Affairs and Intellectual Property; Concurrently Corporate Management	Hidekazu Kimizu	[Vice President and Officer Chief Compliance Officer, Chief Risk Officer, Legal Affairs, Intellectual Property and General Affairs Corporate Management Public Relations and External Relations; Concurrently Director, Office of Corporate Management]
Vice President and Senior Officer Responsible for Production Technology; Production Technology Innovation	Yukihiko Hoso	[Vice President and Officer Japan Tire Production]

11) Resigning Corporate Officers
Effective March 24, 2017

Plan after resignation in parentheses

Vice President and Senior Officer Responsible for Production Technology Concurrently Tire Production System Development; Member of the Board, Senior Vice President of Bridgestone Cycle Co., Ltd.	Ryutaro Ishii	[Member of the Board, Senior Vice President of Bridgestone Cycle Co., Ltd.]
Vice President and Officer Assistant to Executive Vice President and Executive Officer Responsible for Corporate Administration	Kunitoshi Takeda	[Advisor]