Financial Results for 3rd Quarter of Fiscal 2023

Bridgestone Corporation

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1. Business and Financial Performance for 3rd Quarter of Fiscal 2023

Consolidated Results for 9 months ended Sep 30, 2023

(Yen in billions)

	2022 9 months Results	1H	vs. PY (%)	3Q	vs. PY (%)	2023 9 months Results	vs. PY (%)
Revenue	**2,976.9**	2,101.7	+11	**1,096.4**	+1	**3,198.1**	+7
Adjusted Operating Profit	**342.2**	238.3	+15	**124.0**	△9	**362.3**	+6
Margin	**11.5%**	11.3%	+ 0.4 pp	**11.3%**	△ 1.1pp	**11.3%**	△ 0.2pp
Profit Attributable to Owners of Parent	**188.7**	182.6	+97	**84.1**	△12	**266.7**	+41
- Continuing Operations	**217.2**	183.3	+56	**82.4**	△17	**265.7**	+22
- Discontinued Operations	**(28.4)**	(0.7)	-	1.7	-	**1.1**	-

*Revenue and Adjusted Operating Profit show figures for continuing operations and exclude revenue and expenses of the discontinued operations.

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Overview of the Performance for 9 months ended September 30, 2023

Business and Financial Highlights

- Amid tire demand for REP market is showing prominent decline vs. PY particularly for TB tires in the U.S. and Europe due to global economic slowdown, the Company is not changing the approach to ensure **strategic price management** and **improve sales mix** through **further ensuring thorough focus on resilient premium areas** and acceleration of **reduction/discontinuation of loss-making/unprofitable business**. The Company continued to improve quality of business focusing on sales of “Dan-Totsu” premium tires.

  While TB (fleet, dealer) & retread business in N. America achieved share gain based on strong business foundation, issues in Europe have been exposed such as weak business/channel foundation under severe business environment.
- Based on **“Dan-Totsu” products**, the company achieved **sales improvement of PSR premium tires**(HRD (18”+) including ultra-HRD (20”+) and premium tires in each region) , as well as **sales growth of mining tires vs. PY.** Revenue exceeded from PY also having positive effect from FX.
- For the adjusted operating profit, the Company offset the negative impact of raw material prices and inflation (energy costs, labor costs, etc.) with **positive impact of improvements in price and sales mix**. Although the sales volume declined due to weak demand, adjusted operating profit including impact of FX increased vs. PY due to **strong expense management and cost management through on-site improvement in production**. Since adjusted operating margin was under 0.2pp vs. PY, efforts are accelerated to improve further quality of business.

Overview of the Performance by Product

PS/LT (for passenger car & light truck)	● Premium tire (HRD : 18”+) sales was relatively resilient and solid – PSR-HRD sales for Jan-Sep : 107% vs. PY ● OE: The vehicle production level at the OEMs has improved. Tire sales increased vs. PY excluding certain regions. ● REP: Tire sales declined vs. PY due to the economic slowdown. Due to different timing of increase in price for winter tires, Japan had impact from strong advance demand of previous year.
TB (for truck & bus)	● OE: Although demand continued to recover from the impact of semiconductors shortage, sales slightly declined vs. PY in global, with differences by region. ● REP: Tire sales declined mainly in the U.S. and Europe due to the economic slowdown. Especially sales decrease in Europe is severe.
OR (for mining & construction)	● Mining: Demand for steel and copper continues to be resilient, exceeding sales vs. PY globally. ● Construction: While OE sales is steady, REP sales for small and medium-sized tires decreased due to the adjustment of distribution inventories in N. America and decrease in harbor operations in Europe.

Business Environment Surrounding Bridgestone Group for 9 months ended Sep 30, 2023

Currency Exchange

- JPY depreciated against both USD and EUR compared with PY
  Jan-Sep : 1USD = 138 yen, 1EUR = 150yen (3Q: 1USD = 145 yen, 1EUR = 157 yen)
  (Reference) Jan-Sep'22 : 1USD = 129 yen, 1EUR = 136 yen

Raw Materials

- Raw materials : The purchase costs of raw materials increased mainly in the 1st half, due to spike of energy, labor and other costs of raw material suppliers, though the feedstock prices of raw materials continues to fall vs. PY.

Tire Demand (PSR/TBR)

- OE: Although there were differences by region, tire demand continued to recover as the production level at the OEMs recovered by improvement of semiconductor shortage. Generally the same as announced in Aug.
- REP: Tire demand for both PSR/TBR has declined due to global economic slowdown. Especially decline in TBR demand vs. PY was severe in the U.S. and Europe.
  - TB: "Concerns for 2nd Half Business Environment" from August guidance has been apparent as recovery for TB tires in the U.S. and Europe has slowed down, which was expected to pick up from 2nd half. Prolonged downturn in economy in the Europe market has also been apparent and led to a slow recovery of demand. Demand fell short from PY and August guidance.
  - PS: In N. America, adjustment of distribution inventory level has completed at the end of 1st half, which caused recovery trend of demand to continue in 3Q. In Europe, the distribution inventory level was still high at the end of 3Q, demand being below PY and August guidance.
- Demand for PSR-HRD (18"+) tires continued to be relatively resilient.

Market trend of natural rubber and crude oil (Average)

	2022				2023		
	1Q	2Q	3Q	4Q	1Q	2Q	**3Q**
Natural Rubber 〈TSR20〉(*1) (￠/kg)	177	165	146	130	137	135	**134**
Natural Rubber 〈RSS#3〉(*1) (￠/kg)	210	211	163	150	161	155	**151**
Crude Oil 〈WTI〉 ($/bbl)	95	109	91	83	76	74	**82**

(*1) Source: Singapore Commodity Exchange Limited

Tire Demand (unit base% vs. PY)

Estimated by Bridgestone

	PSR/LTR		TBR	
	OE	REP	OE	REP
Japan	118%	91%	105%	88%
N. America	108%	96% (*2)	98%	74% (*2)
Europe	112%	89%	106%	77%

(*2) USTMA+TRAC demand is as follows PSR/LTR REP：98% TBR REP：82%

Tire Sales Units Growth for 9 months ended Sep 30, 2023 (vs. PY)

PSR/LTR

	vs. PY
Global	93%
OE	
Global	103%
Japan	116%
China, Asia-Pacific	88%
N. America	106%
Europe	108%
REP	
Global	88%
Japan	82%
China, Asia-Pacific	95%
N. America	94%
Europe	81%

TBR

	vs. PY
Global	86%
OE	
Global	95%
Japan	108%
China, Asia-Pacific	101%
N. America	89%
Europe	109%
REP	
Global	83%
Japan	84%
China, Asia-Pacific	94%
N. America	86%
Europe	68%

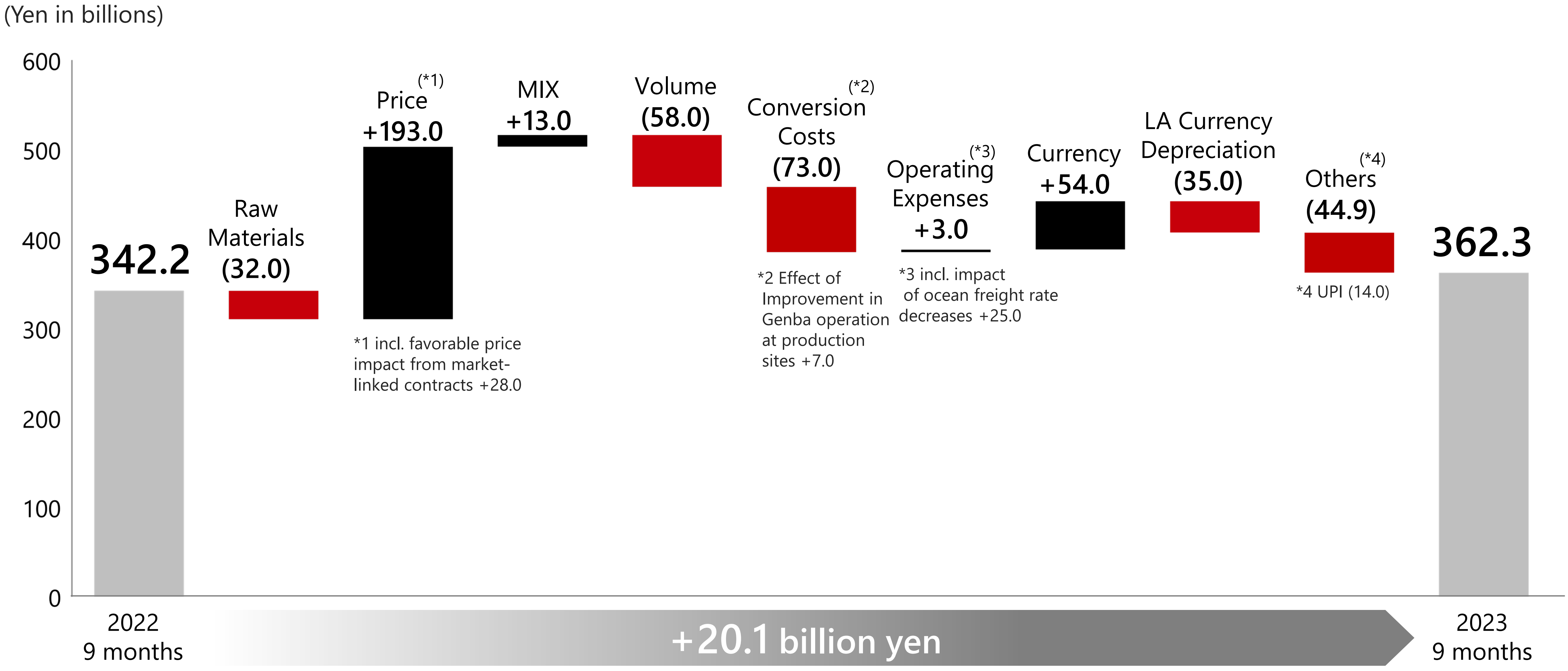
ORR

		vs. PY
Ultra-Large (REP)		103%
Large		106%
	OE	109%
	REP	105%
Small & Medium		95%
	OE	104%
	REP	89%

PSR HRD (18"+)

Global		107%
	REP	103%

Analysis of Adjusted Operating Profit for 9 months ended Sep 30, 2023 (vs. PY)



Consolidated Financial Results by Segment for 9 months ended Sep 30, 2023

(Yen in billions)

		2022 9 months Results	**2023 9 months Results**	vs. PY (%)
Japan*	Revenue	820.4	**894.9**	+9
	Adjusted OP	91.5	**141.0**	+54
	Margin	11.1%	**15.8%**	+ 4.6pp
China, Asia-Pacific	Revenue	338.0	**346.2**	+2
	Adjusted OP	27.2	**29.2**	+7
	Margin	8.0%	**8.4%**	+0.4 pp
Americas	Revenue	1,437.8	**1,573.7**	+9
	Adjusted OP	188.4	**171.0**	(9)
	Margin	13.1%	**10.9%**	(2.2) pp
Europe, Russia, Middle East, India and Africa	Revenue	645.1	**675.0**	+5
	Adjusted OP	58.5	**18.2**	(69)
	Margin	9.1%	**2.7%**	(6.4) pp

*From Fiscal 2023, profit/loss of export business of Japan (PSR/LTR and TBR) are reclassified from "Inter-segment" to "Japan segment". 2022 9 months figures have been recalculated with this new method for y/y comparison purpose.

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Consolidated Financial Results by Product for 9 months ended Sep 30, 2023

(Yen in billions)

		2022 9 months Results	2023 (*1) 9 months Results	vs. PY (%)
PS/LT (incl. retail & credit card business)	Revenue	1,576.6	**1,745.9**	+11
	Adjusted OP	181.4	**187.9**	+4
	Margin	11.5%	**10.8%**	(0.7) pp
TB (incl. retread business)	Revenue	779.9	**766.1**	(2)
	Adjusted OP	67.6	**60.2**	(11)
	Margin	8.7%	**7.9%**	(0.8) pp
Specialties (OR/AC/AG/MC)	Revenue	415.7	**463.6**	+12
	Adjusted OP	85.9	**103.8**	+21
	Margin	20.7%	**22.4%**	+1.7 pp
Diversified Products Business (*2)	Revenue	204.7	**222.5**	+9
	Adjusted OP	7.2	**10.3**	+42
	Margin	3.5%	**4.6%**	+1.1 pp

*1 From Fiscal 2023, calculation method for P&L by segment has been partially changed. Figures of previous year have been recalculated for y/y comparison purpose.
*2 In accordance with the decisions of business transfer, the Company has classified its anti-vibration rubber business and chemical products solutions business as discontinued operations. Accordingly, revenue and adjusted operating profit show figures for continuing operations and exclude revenue and expenses of the two businesses.

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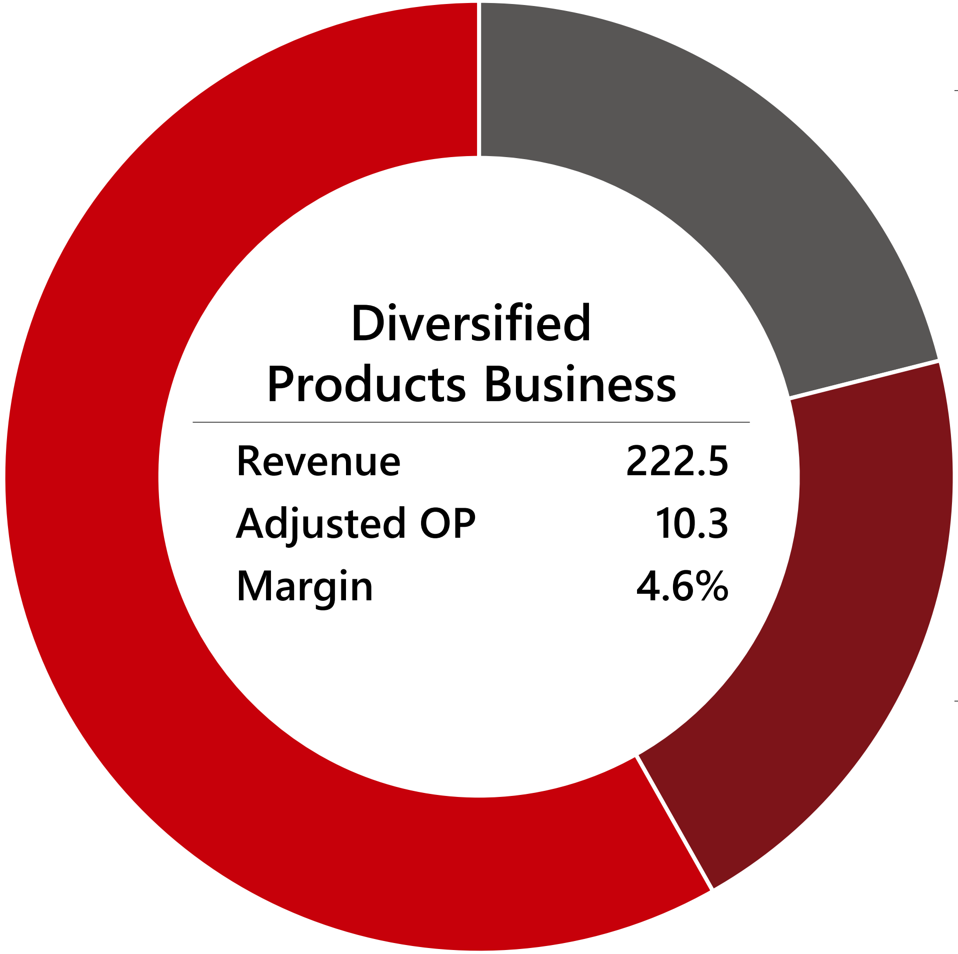
Consolidated Financial Results by Business for 9 months ended Sep 30, 2023
(Diversified Products Business – Continuing Operations)

(Yen in billions)



Diversified Products Business

Revenue	222.5
Adjusted OP	10.3
Margin	4.6%

Sports & Cycle Biz

Revenue	46.1
Adjusted OP	1.3
Margin	2.7%

Chemical & Industrial Products Biz

Revenue	127.3
Adjusted OP	6.8
Margin	5.3%

Diversified Products Biz in Americas (Air Springs)

Revenue	45.4
Adjusted OP	2.1
Margin	4.6%

*In accordance with the decisions of business transfer, the Company has classified its anti-vibration rubber business and chemical products solutions business as discontinued operations. Accordingly, revenue and adjusted operating profit show figures for continuing operations and exclude revenue and expenses of the two businesses.

B/S and C/F Highlights for 3rd Quarter of Fiscal 2023

(Yen in billions)

		2022 Results (as of Dec. 31, 2022)	2023 3Q Results (as of Sep. 30, 2023)	vs. Dec. 31, 2022
Total Assets*		4,962.2	**5,510.8**	+548.6
Total Equity*		3,012.5	**3,447.2**	+434.7
Equity Ratio (%)*		59.8%	**61.6%**	+1.8pp
Interest-Bearing Debt 〈Net〉		248.3	**208.6**	(39.7)
Exchange Rate at the end of reporting period	USD/JPY	¥133	**¥150**	+¥17
	EUR/JPY	¥141	**¥158**	+¥17
		2022 9 months Results	2023 9 months Results	vs. PY
Cash Flows from Operating Activities		124.9	**424.5**	+299.6
Cash Flows from Investing Activities		(277.3)	**(199.6)**	+77.7
Free Cash Flow		(152.4)	**224.8**	+377.2
Capital Expenditure		162.9	**237.3**	+74.4
Depreciation and Amortization		209.5	**227.5**	+18.0

*Due to the application of IAS 12 'Income Taxes', the figures at the end of the fiscal year 2022 have been revised retrospectively.

2. Fiscal 2023 Guidance

Fiscal 2023 Guidance

Forecast of Business Environment

Currency Exchange

- 4Q Assumptions: 1USD = 137 yen, 1EUR = 150 yen
- FY Assumptions: 1USD = 138 yen, 1EUR = 150 yen

Raw Materials

- The purchase costs of raw materials is expected to increase vs. PY in total, due to spike of energy, labor and other costs of raw material suppliers.

  Although the feedstock prices of raw materials continues to fall vs. PY. (Improve vs. February guidance)

Tire Demand

- OE : Demand recovery associated with continuous improvement of semiconductor shortage is expected to continue throughout the year.
- REP: For the overall demand, though it is expected to recover throughout the 2nd half, the recovery is slower than February & August guidance mainly in TBR.

  For FY, demand is predicted to fall short from February guidance and PY. Meanwhile, the demand for PSR-HRD and mining tires is expected to remain relatively resilient.

Fiscal 2023 Guidance

Consolidated Financial Forecast for Fiscal 2023

- **There is no change in the consolidated financial forecast for fiscal 2023 and dividend from February guidance.**
- **Changes from August guidance: By strong expense management and cost improvement, the Company plans to minimize negative impact from weak sales volume mainly in TB tires which was worse than foreseen. Taking the positive impact of FX into account (recent JPY depreciation), the aim is to secure bottom line of FY forecast of February guidance.**
- **Below are assumptions for the latest forecast (FY vs. PY):**
  - **Offset the negative impact of raw material prices and inflation (energy costs, labor costs, etc.) with positive impact of improvement in price and sales mix. Including tailwind effect from currency exchange, the Company plans to secure increase in profit vs. PY, although there are still negative impact from weak sales volume.**

Volume	Amid a more severe than expected year-on-year decline in tire sales for REP market (PS/TB), the Company is further ensuring thorough focus on premium areas and acceleration of reduction of loss-making/unprofitable business. The Company is constantly aiming to optimize balance in increasing premium tire sales volume and improving price and sales mix throughout the year. Under severe business environment, PSR premium tires and mining tires resiliently support the overall company's financial results.
Sales price	**Strategic price management** would be continued, which generates significant positive impact vs. PY.
Expense / cost	**Thorough expense management and cost management through on-site improvement in production** would be continued. To lay foundation for future growth, strategic growth investment will be implemented. Strategic expense ratio is expected to increase, while the overall OPEX ratio is controlled in 27.2% level* by reducing the ordinary expense ratio. *FY22: 27.2%, FY20: 30.3% Though ordinary expense is negatively affected by inflation etc., ordinary expense ratio will be improved vs. PY by thorough expense management, fixed expense reduction based on continuous expense structure reformation, tailwind of soft freight cost and increase in sales revenue. Conversion costs is expected to deteriorate vs PY due to continuous inflation of plant costs (energy, labor costs, etc.), though cost management through on-site improvement in production continues.

  - In severer business environment than expected in Feb and Aug, the Company will become as close as possible to a "strong" Bridgestone capable of adapting to change and lay foundations for growth in 24MBP, with stronger focus on premium, tighter control of expenses/costs, flexible and agile supply/inventory management.
- Dividend is expected to secure the February guidance. (Annual dividend: 200 yen per share, +25 yen per share vs. PY).
- If there are any changes to the guidance based on the future business environment and our business performance, we will disclose it promptly at that time.

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