

MESSAGE TO OUR STAKEHOLDERS
OUR VISION TO THE SOLID ULTIMATE GOAL



Shoshi Arakawa, Chairman of the Board, CEO and President

A REVIEW OF OUR RESULTS AND THE OPERATING ENVIRONMENT IN 2008

The Bridgestone Group faced a challenging operating environment in the fiscal year ended December 31, 2008, and, regrettably, our results fell short of our initial plans. Net sales were down 5%, to ¥3,234.4 billion, while operating income was down 47%, to ¥131.6 billion, and net income declined 92%, to ¥10.4 billion.

In the first half of 2008, higher raw material and energy costs put pressure on profits. In the second half, natural rubber and crude oil prices began to decline, while the yen appreciated rapidly. The financial crisis in the United States triggered a global economic recession, and beginning in the fall of 2008, demand declined at an unprecedented pace. In response, it became necessary for the Bridgestone Group to implement urgent countermeasures.

I believe that our operating environment will remain severe for some time. My fundamental approach to management in this type of environment is to reemphasize the importance of our business' Basics and Principles, proceed on the assumption that operating conditions are subject to continuous change, and strive to incorporate those changes into an enhanced management system. This approach will drive our response not only to those changes we are now facing, but also to changes that may occur in the years ahead.

SHORT-TERM CHALLENGES

Our most important short-term management challenge is the need to implement urgent countermeasures to the rapid decline in demand stemming from the global economic crisis. Accordingly, we have reduced production at certain plants, postponed investment in some capital projects, and accelerated our focus on strategic businesses.

On the other hand, the changes in our operating environment affect not only the Bridgestone Group but every company in our

industry, and, indeed, every industry in the world. We will aggressively utilize these changes and turn them into opportunities that can further differentiate our operations from those of our competitors. For example, with the slowdown in demand—which has led to idle production capacity—we have the opportunity to rigorously reevaluate production capabilities and processes in a manner that is simply not possible when our capacity is fully engaged. This opportunity will enable us to dramatically improve production efficiencies while enhancing quality.

Furthermore, we will study ways to increase management efficiency (including through internal reorganization), work to develop new business models, and reinforce our operations, efforts which cannot be implemented as effectively under more “normal” operating environments. We see this global financial crisis as an opportunity for the Bridgestone Group to enlarge its influence in the industry and prepare itself for even greater growth when the economic recovery occurs.

MANAGEMENT OBJECTIVES

My ultimate management goal is to establish the Bridgestone Group as the world's undisputed No. 1 tire and rubber company in both name and substance.

Many regard the Bridgestone Group to be No. 1 “in name” based on objective criteria such as sales revenue or the global reach of our operations.

Tires are an internationally standardized product, so to survive the competition in the global tire industry, we believe that, at a minimum, in order for such an enterprise to be successful, it must have a scope of operations that can address the needs of global demand and it must be large enough—substantial enough—to weather the “ups and downs” of a global economy.

On the other hand, in the changing management environment that is being faced by the entire tire industry, not only must the

scale of operations be world class, but the substance—the quality—of those operations and its management must also be of the highest levels in order to sustain profitable growth.

The most obvious evidence of being a leader “in substance” is profitability. Accordingly, I am focusing on reinforcing and maintaining an “earnings structure that generates steady profits” and on management oriented toward “balanced profitability and asset efficiency.” Specifically, in line with our focus on asset efficiency, our management objective is to achieve a consolidated group ROA of 6% by 2012, and to strengthen further asset efficiency thereafter.

The growth strategies we will continue to implement in order to achieve those management goals described above are to expand the reach and depth of our strategic products, to reinforce our fundamental competencies, and to expand our business domains; all of these strategies are critical components of the Group’s fundamental management policy.

Our efforts to achieve those objectives will be complemented by our commitment to corporate social responsibility (CSR). It is my belief that CSR activities include many initiatives that are indispensable in bolstering our capabilities as a corporation. CSR activities play an essential role in the achievement of our corporate philosophy, and I consider the enhancement of our CSR activities to be an important management focus.

MID-TERM MANAGEMENT PLAN—MTP2008

The Group has developed its Mid-term Management Plan (MTP) as a tool to assist it in achieving the ultimate management goal mentioned above. Details of the plan are provided in the special strategy section of this report. Here I will provide an overview of our approach to the plan.

MTP2008, which was announced in October 2008 (covering 2009 through 2013), is an update of MTP2007, which covered the five years from 2008 to 2012.

Rolling updates are a distinctive feature of MTPs at Bridgestone. Each year we flexibly add or update initiatives to take into account changes in the business environment, while holding steady the fundamental direction of the Bridgestone Group, its objectives, and the growth strategies we have embraced to realize those objectives.

We are confident that as global economies recover, the Bridgestone Group will be well positioned for growth and will emerge stronger than ever before.

Although the quantitative management objectives of MTP2008 were announced in the midst of severe global economic problems, they are even more challenging than the objectives contained in MTP2007. The reason is that the impact of those economic problems has not been incorporated into the plan due to the difficulty of measuring their influence over the medium term.

These objectives, however, are not based on an unrealistically optimistic outlook. Rather, we believe that sound decision making requires that management formulate a plan and refrain from lowering targets or slowing down the speed of implementation, even if it is expected that the challenging conditions, which cannot be controlled, will continue for some time. For the Bridgestone Group, the MTP is both a map of where we are headed, and a guide as to how we will get there.

It is, in fact, because we are in such a difficult economic and business environment that we will closely follow the MTP roadmap, strive to get through the difficult period, and move boldly into the future.

ORGANIZATIONAL STRATEGY AND HUMAN RESOURCES

I believe that the SBU (strategic business unit) system is the optimal system for Bridgestone’s global operations. The MTP and the SBU system complement each other as management tools that will be indispensable in the achievement of our ultimate management goal. The SBUs can swiftly identify and respond to market and customer needs worldwide, while the Global Management Platform (GMP) supports the SBUs by providing various specialized functions.

The current state of each SBU and the GMP determines where each organization needs to be in the future. Then, guided by the vision set for the Bridgestone Group by the Global Head Office (GHO), the SBUs, the GMP, and the GHO coordinate to formulate truly effective initiatives. Moreover, to support the effective implementation of those initiatives, the leaders of the SBUs and GMP have full ownership of their respective management responsibilities and functions. The essence of our MTP is not the singular achievement of the numerical objectives themselves but rather the implementation of initiatives that are developed through the use of the SBU system.

Furthermore, the reason why I focus on the SBUs is that the use of this organizational system facilitates change in such areas as corporate culture and organizational constitution. Since the introduction of the SBU system, employees are increasingly aware of the key role they play in achieving objectives, and new and encouraging results have been seen in a variety of facets of our business. Moreover, the system has also strengthened our approach to our markets and customers.

It goes without saying that human resources are the driving force of corporate growth. The activation of our organization through the SBU system also plays a major role in strengthening our human resources.

CORPORATE VALUE AND SHAREHOLDER RETURN

The Company positions shareholder interests as an important management issue. Accordingly, while bolstering our management foundation, we work to improve our results and increase our corporate value.

This commitment is incorporated in our fundamental management principles of building an “earnings structure that generates steady profits” and a “high-profit system with a balance between profitability and asset efficiency.”

On the other hand, it is our policy to maintain stable, steady dividends as a direct return of profits to shareholders. In line with this policy, we have maintained stable dividend payments over the past 10 years, despite fluctuations in our performance. For the fiscal year ended December 2008, we will pay a year-end dividend of ¥11 per share, resulting in total dividends for the year of ¥24 per share.

In regard to retained earnings, our approach is to allocate them to the maintenance and enhancement of production and sales systems in Japan and overseas and to R&D activities. In this way, we work to bolster our foundation to ensure a stable management and business environment over the long term.

OUTLOOK

We expect the management environment to remain challenging in the fiscal year ending December 2009. As a result, for 2009 we are forecasting net sales of ¥2,530.0 billion, down 22%; operating income of ¥45.0 billion, down 66%; and net income of ¥3.0 billion, down 71%.

Our management environment and results certainly do not lend themselves to an optimistic outlook, but neither are we overly pessimistic. There is no question that the current situation is difficult, but I am confident that the Bridgestone Group will ride out these challenging times and return to a path of growth. We will strive to use the changes in our operating environment in order to trigger internal evolutions. To that end, we need to steadily implement the MTP. We know what we need to do; now we need to execute and focus on delivering results. We are confident that as global economies recover, the Bridgestone Group will be well positioned for growth and will emerge stronger than ever before.

The Bridgestone Group will continue to pursue the various operational activities that have made it an industry leader, including proactive responses to enhancing the environment, the quality of its products and services, and its commitment to CSR. As we achieve these goals, we believe we will meet the expectations of our shareholders, investors, and all of our other stakeholders.

I ask for your continued support and understanding in the years ahead.

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Shoshi Arakawa
Chairman of the Board, CEO and President