

# INITIATIVES AND PROGRESS OF MTP2008

## KEY STRATEGY 1

Always aim for “the higher level” and strive to be the best in the world in all of our products and services



## GROWTH IN STRATEGIC TIRE PRODUCTS

Our strategic tire products are defined as “products with high-growth potential in business domains where the Bridgestone Group has a strong competitive advantage.”

We have identified two categories of strategic tire products: “areas in which the Bridgestone Group can sustain a lead over its competitors by reinforcing its products,” and “areas in which the Group can establish a competitive edge through advanced technologies and sophisticated business models to ensure its competitiveness over the long term.” The first category includes strategic tire products for passenger cars and high-value-added tires for trucks and buses. The second category includes radial tires for large construction and mining vehicles, aircraft, and motorcycles.

### Runflat Tires, UHP Tires, Winter Tires

We anticipate substantial growth in the markets for runflat tires, UHP (ultra-high-performance) tires, and winter tires, and we are targeting growth in sales of our products that exceeds growth in the market. Our runflat and UHP tires have been newly approved as original equipment by such automakers as BMW and Audi. Moving forward, we will continue working to expand our presence in the original equipment market by further differentiating our products and technologies from those of our competitors.

Runflat tires have enjoyed acceptance on account of their contributions to safety, and we anticipate substantial growth in sales of these products in the years ahead. Since 1987 through April 2008, the Bridgestone Group’s cumulative sales of runflat tires surpassed 10 million units. This represents a doubling in only 20 months after the milestone of 5 million units was reached in August 2006.

Currently, we produce runflat tires at six plants in four countries—Japan, the United States, Poland, and South Africa. Moving forward, we will continue working to enhance

### What Are Runflat Tires?

Runflats are tires that continue to function safely at a specified speed for a specified mileage even after a loss of air pressure. In addition, because runflat tires eliminate the need for a spare tire (emergency-use tire), they help to conserve resources and support improved fuel efficiency due to reduced vehicle weight. They also offer car designers greater freedom through an increase in available space.



## INITIATIVES AND PROGRESS OF MTP2008

### KEY STRATEGY 1

our production system in order to develop the optimal supply system to meet demand in each market.

Advanced technologies will play a key role in our efforts to increase sales. In 2007, for example, Bridgestone Corporation unveiled COOLING FIN, a new technology that enhances the post-puncture durability of runflat tires. This new concept is based on fins—radial protrusions located on the external surface of a tire—that work by promoting increased air movement at the sidewall, which in turn helps to cool the tire. This new technology makes it easier to develop runflats for certain SUVs, minivans, and large passenger cars, which have larger tire cross-sections that generate greater sidewall heat. COOLING FIN technology also makes it possible to reduce the thickness of the rubber used to reinforce the tire sidewall, facilitating reductions in weight as well as more comfortable ride characteristics.

The Bridgestone Group will continue to work aggressively to expand sales through the introduction of leading-edge technologies such as COOLING FIN, thereby enhancing its presence in the global market.

#### **High-Value-Added Tires for Trucks and Buses—GREATEC and Low-Profile Tires**

Bridgestone GREATEC tires are single tires with an ultralow aspect ratio that are used on the rear wheels of large trucks and buses. These tires allow for replacing dual-tire configurations on trucks and buses with single-tire configurations. The weight of a GREATEC tire and rim is less than the aggregate weight of two conventional tires and rims. In formulating MTP2008, we did not change our final target for GREATEC sales, and moving forward we will strive to expand sales. To that end, we plan to strengthen our efforts targeting OEM sales and to bolster our lineup to support growth in commercial fleet sales.

We are considering the establishment of additional plants for the production of truck and bus tires in Europe, thereby raising the supply self-sufficiency ratio. In January 2009, the Bridgestone Group's second plant in Europe for radial truck and bus tires began mass production in Poland.

#### **Specialty Tires—Large and Ultralarge Off-the-Road, Aircraft, and Motorcycle Radials**

##### **Large and Ultralarge Off-the-Road Radials**

Large and ultralarge radial tires for mining vehicles are used around the world at such sites as mines and quarries. From the fourth quarter of 2008, our operating environment has undergone dramatic changes and become extremely challenging. In particular, small and medium-sized tires have been adversely affected by reduced construction demand and by reduced production by OEMs. In large and ultralarge tires, demand had exceeded supply. However, the environment has worsened, and leading mining companies have announced plans to reduce production due to the rapid decline of market conditions in the mining industry. As a result, we expect demand to decline. Nonetheless, over the medium to long term, demand for mining resources is expected to be firm. There are large numbers of mines in Central and South America, especially in Peru, Chile, and Mexico. For Bridgestone, Peru



Ultralarge off-the-road radial tires



GREATEC tires

is a key market for the sale of off-the-road tires on account of ongoing large-scale investment projects in that country's mining industry. On September 1, 2008, Bridgestone officially opened a newly established sales company in Peru, which specializes in tires for mining and construction vehicles.

To meet demand for large and ultralarge off-the-road radials, the first stage of Bridgestone's eagerly awaited Kitakyushu Plant in Japan will start production in September 2009. Developing and producing radial tires for construction and mining vehicles requires advanced technologies, and customers have very high expectations for these products. Accordingly, we will reinforce the position of the Kitakyushu Plant and the Shimonoseki Plant as global supply bases for these tires. We are also moving forward with increased production at the Saga Plant, which will supply steel cord to the Kitakyushu Plant. As a supplier of the materials that support the differentiation of our products, the Saga Plant plays a key role in the vertical integration of our operations and the strengthening of our supply chain.

The Bridgestone Group has the technical capabilities to supply the most appropriate tires to customers based on an analysis of usage conditions and vehicle characteristics, as well as the production capacity to meet robust demand. In addition, the Group's strengths include a network that enables it to provide on-site tire repairs and consulting services on the proper use and maintenance of these tires. With large off-the-road tire operations consolidated in the Specialty Tire SBU, we have established a system that provides a global response to customer needs.

#### Aircraft Radials

Aircraft tires are subjected to harsh operating conditions, including repeated takeoffs and landings while supporting a heavy aircraft moving at high speeds. As a result, the production of aircraft tires requires a comprehensive range of advanced technical capabilities. Aircraft

## INITIATIVES AND PROGRESS OF MTP2008

### KEY STRATEGY 1



Aircraft radial tires



Motorcycle radial tires

manufacturers endeavor to make aircraft lighter, reduce their operating costs, and further improve their safety. To those ends, in recent years they have increasingly installed radial tires as standard fitments on new models of aircraft. Aircraft radial tires not only contribute to lower fuel expenses and lower CO<sub>2</sub> emissions but also increase the number of landings before tires need to be changed. As a result, the tires do not need to be changed as often and operating costs, including maintenance performed by the airline, are reduced. We will work to increase sales of our leading-edge RRR (Revolutionarily Reinforced Radial) tires for aircraft to Airbus and Boeing as standard fitments on new models of aircraft. Also, as described in a recent press release made jointly by Bridgestone and the ANA Group, RRR tires were installed for the first time on Boeing 777-300ER aircraft because of the tires' enhanced safety as well as their enhanced fuel efficiency stemming from weight savings.

Our aircraft radial tires have been well received by aircraft manufacturers. For example, our tires are installed on the state-of-the-art Airbus A380 wide-body aircraft. Furthermore, our tires will be standard equipment on all next-generation Boeing 787 aircraft.

Moreover, retread services are also an essential part of the aircraft tire business, and Bridgestone can provide comprehensive services extending from new tires to retreads, all through a global network.

In the past, Bridgestone produced new radial tires for aircraft only at its Kurume Plant. However, in response to the growth in global demand, we started production of aircraft radial tires at the Tokyo Plant in August 2008. A project to increase production capacity is now under way at the Tokyo Plant. The final phase of the project is scheduled for completion by the end of 2011. When complete, the project will increase radial aircraft tire production capacity by about 2.5 times.

### Motorcycle Radials

In 2008, Bridgestone tires marked their second successive win in the MotoGP class of the FIM Road Racing World Championship, which represents the pinnacle of two-wheel road racing. We have utilized the technologies and brand strength garnered through MotoGP in product development activities, and by developing and marketing products incorporating the latest technologies, we have maintained a strong competitive edge in both the original equipment and replacement markets. Due to the global economic slowdown, there is a possibility that we may reduce production for OEM sales, but nonetheless we anticipate firm demand over the medium to long term.

The BATTLEAX BT-016 HYPERSPORT, which was launched in January 2008, was developed for large sport motorcycles, a sector that has seen growing demand in recent years. This new tire incorporates technology cultivated through the development of tires for MotoGP. In the future, Bridgestone will consider to respond to increase of market demand and will work to increase sales of its broad lineup, including the BATTLEAX series.

## ECO-FRIENDLY PRODUCTS AND SERVICES

### Eco-Friendly Tires

Social awareness of the environment is increasing, and the Bridgestone Group considers environmental issues to be an extremely important aspect of its CSR initiatives. ECOPIA is Bridgestone's flagship brand of eco-friendly tires. These tires, which are lighter and offer lower rolling resistance without sacrificing wet-weather performance, help to reduce fuel consumption and contribute to lower CO<sub>2</sub> emissions. MTP2008 includes initiatives to expand the lineup of these products and to introduce them around the world. The first ECOPIA tire for passenger cars, the ECOPIA EP100, was released in April 2008 in Japan. Beginning in April 2009, an extensive range of Turanza ER300 ECOPIA tires will be gradually introduced to the European market. Bridgestone has chosen the name ECOPIA to denote those tires in its product lineup that are highly fuel efficient. The official launch of ECOPIA EP100 was made at the Chicago Auto Show as the first aftermarket product in the ECOPIA tire lineup for the North American market. The tire will be available in March in the first phase of a two-phase rollout in 2009.

The Bridgestone Group plans to further expand its range of ECOPIA tires and extend their use in the original equipment market. In 2008, Bridgestone began supplying ECOPIA EP25 tires as standard equipment for Toyota Motor Corporation's iQ super-compact car. We have set a target of incorporating the technology used in ECOPIA in about 40% of our core summer tire product lines by 2013 in the Japanese domestic market.

In line with its commitment to being a global company that supports the natural environment, Bridgestone will continue to actively implement environmental management activities, such as the development of tires that contribute to reduced fuel consumption and reduced CO<sub>2</sub> emissions.



ECOPIA EP100

## INITIATIVES AND PROGRESS OF MTP2008

### KEY STRATEGY 1

#### **Eco-Friendly Diversified Products**

In diversified products operations, our eco-friendly products include EVA (Ethylene Vinyl Acetate) film for solar modules, which will have a high priority in the allocation of resources, and electronic paper, in which we will work to reinforce the fundamental technologies.

EVA film for solar modules is used to attach the silicon cell, which converts solar rays into electricity, to the backing sheet and glass surface of the solar module. EVA film becomes transparent when heated, and it is also waterproof and UV resistant, which makes it an ideal adhesive film for solar modules installed outdoors.

Solar power generation using photovoltaic cells offers a clean alternative power source, and this process is drawing attention as a means of contributing to environmental conservation. This has led to an increase in demand for photovoltaic cells, and as a result demand for EVA film is also increasing rapidly.

In response to this growth in demand, Bridgestone will increase production capacity at the Iwata Plant. We have allocated about ¥5.4 billion for investment in this project, and we plan to begin increasing production in the first half of 2011. As a result, our production capacity for EVA film will reach about 3,000 tons per month, about three times the current level. EVA film is a product that is representative of Bridgestone's commitment to environmental management activities. In the future, we will consider further increases in production capacity in line with demand for solar modules, which is expected to see ongoing growth.

Electronic paper, which contributes to the conservation of paper resources, is an environmentally friendly product that is expected to record growth in the years ahead. In October 2004, Bridgestone achieved a world first with the successful development of electronic paper for use in price tags that do not require electrical power to maintain the image. This has drawn considerable attention in the marketplace, and we plan to start full-scale commercialization initiatives in December 2009, including potential applications in the field of information distribution.

In addition, in 2007 we succeeded in developing an A3-size full-color electronic paper display, the largest in the world, and the world's thinnest flexible full-color electronic paper. These are examples of how we are reinforcing our competitive advantage through the groundbreaking use of leading-edge technology.



EVA film



Tire retreading process

## DEVELOPMENT OF “SOLUTIONS BUSINESS” DRAWING ON RETREAD CAPABILITIES

To develop our “solutions business,” we will utilize our 2007 acquisition of Bandag, Incorporated, and expand our tire retread operations on a global basis. Retreading involves removing used tire treads and applying freshly vulcanized new treads so that the body of the tire can be reused safely. Following the acquisition of Bandag, the Group can now provide a comprehensive range of technically advanced, high-quality products and services, extending from original equipment tires to retread tires. At the same time, we can now undertake the global development of a high-quality “solutions business” that helps fleet customers control their total tire-related costs.

This business is taking on a growing role in truck and bus tire sales in Europe and North America. Meanwhile, the same trend can be seen in growth markets, such as Asia. Moving forward, the Group will implement a global retread business expansion strategy tailored to the maturity of specific markets. In North America, the retread business is already well established. Targeting further development in a “package-type” business incorporating new tires and retreads, we established Bridgestone Bandag Tire Solution (BBTS). Through BBTS, which is an integration of our existing new-tire sales operations and Bandag’s retread operations, we will work to further raise the level of service to customers.

In Japan, aiming to further bolster our “solutions business”—which includes new tires, retreads, and maintenance services—we established Bridgestone Bandag Mobility Solutions Co., Ltd. in early 2009. This followed the opening of the first Bandag Retread Factory in 2008. This initiative, which features compact production lines suitable for high-variety, small-hot operations utilizing the Bandag retread system, provides bases for integrated production, sales, and service operations for retread tires at locations close to customers. Bandag Retread Factory operations are handled in accordance with standards

### What Is Bridgestone Bandag, LLC?

Bridgestone Bandag, LLC, which is the successor company to Bandag, Incorporated and is now part of the Bridgestone Group, is one of the world’s leading companies in the retread tire sector. Based in the state of Iowa in the United States, it has built a strong presence and has solid name recognition in the global market. Bridgestone Bandag and its subsidiaries and affiliated companies use Bridgestone Bandag’s advanced technical skills and know-how to manufacture retreading materials and equipment at 10 production bases in the United States, Belgium, Brazil, and Mexico. These are supplied to a global network of more than 900 dealers across 90 countries that produce and market retread tires and supply tire management services.

## INITIATIVES AND PROGRESS OF MTP2008 KEY STRATEGY 1



Antivibration rubber



Steel cord conveyor belts

set by Bridgestone, and the operations demonstrate a high level of quality control. Over the next few years, we plan to open about 20 of these bases around Japan. Moreover, we are implementing Eco Value Pack, a new proposal-based business designed to achieve reductions in customers' total tire-related costs. Eco Value Pack includes new tires and retread tires, as well as tire management services for the purpose of making the best use of those tires.

In Asia (including China), we anticipate continued growth in the retread business in the years ahead. We will further utilize our existing channels and strengthen our "solutions business" to provide combinations of new tires, retreads, and services.

As in North America, the use of retreads is firmly established in Europe. Targeting further growth in the new tire/retread package business, we will proceed in stages with the integration of Bandag and Bridgestone operations. In this way, we will aim for steady growth through increases in the service levels provided by our existing operations.

### **OPTIMIZING BUSINESS DOMAINS IN THE DIVERSIFIED PRODUCTS SBU**

We are reconsidering the optimal business domains in the Diversified Products SBU. To that end, we are executing "selection" and "concentration" initiatives. In areas identified for "concentration," we will aggressively invest management resources under the key concept of globalization in order to reinforce business foundations. Meanwhile, in areas identified for "selection," we will implement appropriately timed withdrawals from these businesses, while taking into serious consideration the impact this decision may have on our customers and suppliers.

In "concentration" businesses, our products include EVA film, polyurethane foam seat pads, automotive antivibration rubber, and conveyor belts. In the past year, we took a key step to enhance our capabilities in antivibration rubber for automobiles. In December 2008,

we concluded a joint venture agreement with Sundaram Industries Ltd., of India, bolstering our operational foundation in that market, where automotive demand is increasing. Sundaram Industries is a member of the TVS Group, a prominent business group in India, and is a leader in antivibration rubber for automobiles in that market, where it has a strong presence. With production and sales sites in Japan, the United States, China, and Thailand, Bridgestone supplies antivibration rubber to automakers with global operations. We believe the joint venture will facilitate the production and sale of high-quality products boasting technical superiority at competitive costs in the expanding Indian market, and will also serve to strengthen our global supply chain.

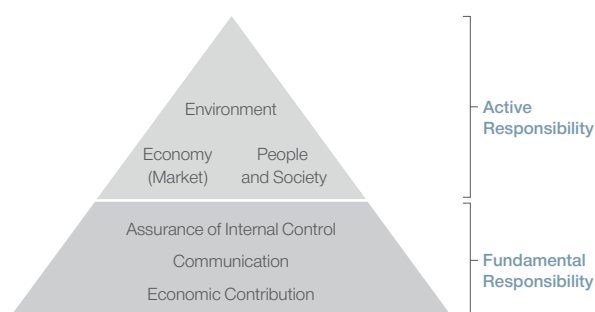
Conveyor belts are another business area identified for “concentration,” and we plan to expand production capacity at our Yokohama Plant for steel cord conveyor belts used in such businesses as mining. We plan to begin production under the project in 2011 with a gradual increase in production volume. Steel cord conveyor belts are generally used to transport minerals at mines and ports. Bridgestone expects mineral demand to remain firm, especially overseas. Accordingly, we will work to supply high-quality products that can withstand severe usage conditions while promoting a user-centered marketing approach by offering on-site maintenance and guidance on product use and management.

In these types of “concentration” businesses, we expect steady growth and profits, and accordingly we plan aggressive capital investment to support that growth.

## CSR SYSTEM

Corporate social responsibility (CSR) is an area where the Bridgestone Group is committed to always aiming for a higher level of achievement. CSR activities are a vital part of reinforcing our capabilities as a company, and enhancing our CSR initiatives is an important management issue in regard to the realization of our corporate philosophy. Under MTP2007, we identified 22 specific themes and established a system to enhance the level of group-wide responses to CSR initiatives. Under MTP2008, we have identified the divisions responsible for each theme, and moving forward we will formulate specific plans for further group-wide implementation. The first SBUs with this responsibility will be the Japan Tire

Structure of 22 Themes for CSR Reinforcement



## INITIATIVES AND PROGRESS OF MTP2008 KEY STRATEGY 1



SBU and the Diversified Products SBU, and this system will subsequently be expanded to overseas tire SBUs.

### ENVIRONMENTAL ACTIVITIES

We will aggressively implement a range of enhancement activities in environmental and conservation management, which is one of Bridgestone's 22 CSR themes. In June 2008, we announced an action plan for the "MAKE CARS GREEN" campaign. This is an environmental activity that seeks to raise awareness about the need for greener motoring around the world. As a global partner of the Federation Internationale de l'Automobile (FIA), the Bridgestone Group hopes to promote the initiative on a worldwide scale.

In September 2008, we started the W-BRIDGE (Waseda-Bridgestone Initiative for Development of Global Environment) project, a collaborative research project targeting environmental issues. This new type of project is being undertaken in order to formulate responses to environmental issues, which are common concerns of humanity. Bridgestone and Waseda University will provide a framework for research and action, including not only industry and academia but also such community members as environmental NGOs and civic organizations. In this way, a new cooperative framework for the support of community members will be realized. The project results will be made widely available and will also be used in Bridgestone's environmental management activities. In this way, we will strive to actively contribute to the resolution of environmental issues.

# INITIATIVES AND PROGRESS OF MTP2008

## KEY STRATEGY 2

Integrate and expand business domains based on a clear long-term strategy



## STRENGTHEN COMPETITIVENESS OF ENTIRE SUPPLY CHAIN (MAKE FULL USE OF GLC FUNCTIONS)

To supply society with high-quality products and services, the Group is working to raise supply chain competitiveness throughout the tire business. The Global Logistics Center (GLC) was established in October 2006 with the aim of establishing the optimal operational system for the entire supply chain, based on integrated planning and management from tire product planning to raw materials and facilities procurement, production, and distribution.

Merits of the GLC system include:

- rapid responses to market changes
- reduced lead times from planning to launch
- smooth product generation changes and increased efficiency in resource utilization
- optimization of resources related to raw materials, production, and distribution
- increased speed and efficiency in administration through information sharing.

Under MTP2008, we will strive to promote full utilization of GLC functions, clarify domains, and raise competitiveness through the entire supply chain.



## INITIATIVES AND PROGRESS OF MTP2008 KEY STRATEGY 2



### INTERNAL MANUFACTURING OF RAW MATERIALS (VERTICAL INTEGRATION)

The Bridgestone Group is working to strengthen vertical integration, with an emphasis on the integrated and effective use of resources from upstream to downstream. The aim of vertical integration is to supply markets with final products created through an efficient, high-quality manufacturing process based on a production system that is integrated from raw materials to finished goods. In raw materials, we are strengthening the development and production of strategic raw materials that offer high added value and facilitate differentiation from the operations of competitors. For example, eco-friendly tires for trucks and buses are made with high-purity natural rubber, tires made possible by improved production methods at our internal plants in rubber-producing countries. Moreover, we use internally produced steel cord in large and ultralarge off-the-road tires and large tires for trucks and buses. And in production divisions, we have steadily expanded production bases to meet increased future demand, with an emphasis on overall optimization of group operations on a global basis. Recent initiatives include the October 2008 opening of a plant in Mexico for the production of carbon black, a raw material used as a reinforcing material in tires. In December 2008, we officially opened a plant for the production of synthetic rubber in Guangdong Province, China.

However, increasing the ratio of internally produced materials is not, in itself, one of our goals, and accordingly we have not set a specific performance target for this ratio. Moreover, with consideration for overall Group profit, in certain cases we will acquire externally produced raw materials that offer high quality at good prices. Accordingly, our policy is to build a raw materials procurement strategy with a balance between internally and externally produced materials, and, on that basis, to implement stable procurement of ever higher-quality materials at competitive costs.

# INITIATIVES AND PROGRESS OF MTP2008

## KEY STRATEGY 3

Achieve a truly global business through SBUs



The Group's SBU system is designed to respond appropriately and rapidly to customer needs in markets around the world and to realize a management system that supports optimization of the Group's global operations. We have eight SBUs, with six focused mainly on the tire business in specific geographic regions—Japan, the Americas, Europe, China, Asia & Oceania, and Middle East & Africa—and two responsible for our specialty tire and diversified products operations. In addition, we have two key group-wide organizations, the Global Head Office (GHO) and the Global Management Platform (GMP). The GHO is responsible for establishing Group policies and the vision for each division. The GMP provides assistance and support to SBUs in certain specialized business areas. The SBUs are fundamental to the Group's organizational strategy and are indispensable in optimizing the Group's operations on a global basis. Moreover, progress in the SBU system is a fundamental part of our MTPs and will play a key role in our ability to meet our performance targets.

