

COUNTERMEASURES TO RAPID CHANGES IN BUSINESS ENVIRONMENT

From the beginning of the fourth quarter of fiscal 2008, the economic problems that began in the United States have spread to markets around the world at a rapid pace, significantly affecting the operations and results of the Bridgestone Group. At Bridgestone, however, we operate on the assumption that operating conditions are constantly subject to change, and that management value is determined by the extent to which those changes are incorporated into management activities and the manner in which they are used to trigger a process of internal reform. 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.

We aim for the optimum management for the Group utilizing the MTP, a mid-term group management tool used to realize an organization that can respond appropriately to changes in operating conditions, and through the use of this tool, we can respond accurately and swiftly to various dramatic changes in operating conditions. Accordingly, even in the challenging business environment that we currently face, we will not change our ultimate direction or our management policies formulated in our MTP. Our basic approach is to implement initiatives in accordance with the fundamental “Lean and Strategic” stance. Furthermore, we will implement some MTP measures ahead of schedule, utilizing them, in effect, as urgent countermeasures. We will also implement necessary short-term countermeasures.

SHORT-TERM URGENT COUNTERMEASURES

We will implement the following urgent countermeasures, as well as additional countermeasures as needed.

1. Adjust production in order to achieve appropriate inventory levels

We expect to reduce planned tire rubber production weight in fiscal 2009 by 0.4 million tons year over year, to 1.46 million tons.

2. Reduce capital investment by prioritizing initiatives

Current plans for capital investment in fiscal 2009 call for a reduction of about ¥80.0 billion from the previously planned level for 2009, which was announced in October 2008.

3. Reduce fixed costs

Current plans for fixed costs in fiscal 2009 include a reduction of expenses and an increase in efficiency in motorsports activities, combined with our continuing focus on enhancing safety and quality. In addition, reductions will be made in travel and other business expenses and in personnel expenses for directors, corporate officers, and managers.

INITIATIVES SELECTED FOR ACCELERATED PROGRESS

1. Enhance eco-friendly products and businesses

In particular, eco-friendly products and businesses will be a focus of further development initiatives. We will move ahead with a full-fledged global rollout of eco-friendly ECOPIA brand tires, including the start of sales in North America in 2009.

In addition, the market for EVA film for solar modules continues to record growth, and accordingly we will aggressively bolster our supply system.

2. Strengthen initiatives for strategic tire products

Bridgestone is highly competitive in the field of radial tires for construction and mining vehicles. We will strive to respond to changing customer requirements swiftly. In large and ultralarge off-the-road radial tires, mining demand is declining from its previous levels, and the previous imbalance between demand and supply is being reduced. Nonetheless, demand remains firm. The Kitakyushu Plant, a new production facility, is under construction, and preparations are under way to commence production, as planned, in September 2009.

In aircraft radials, we will move forward, as planned, with the second stage of investment to increase production capacity at the Tokyo Plant.

3. Develop a “solutions business” utilizing retread tires

Utilizing the Bandag retread system, we are expanding operations on a global basis in the retread and “solutions business.” We are implementing strategies tailored to the degree of maturity of each market. In the United States and Europe, both SBUs will take the initiative in business development, while in Asia, we will establish an organization that will support the business development of the SBUs.

In Japan, operations at the first retreading factory, which is located in Aichi Prefecture, began in December 2008, and we are moving ahead with measures targeting the opening of new facilities. Moreover, we have opened the Retread Tire Learning Center. This facility is not just a facility for the education and training of Bridgestone personnel. It also simultaneously has the function of serving as a showcase for the purpose of fostering greater customer understanding of the retread and “solutions business.”

In the retread and “solutions business,” we believe that we have a business model that can meet the needs of markets and society. These needs include reducing customers’ total tire-related costs, reducing CO₂ emissions in tire production, and conserving resources. Utilizing these facilities, we will actively promote the retread and “solutions business” in Japan.

4. Strengthen retail channels through vertical integration

To realize high-quality sales activities, the Group is bolstering its retail networks in Europe, China, and other major markets. In the United States, the company-owned retail channel is well established, and the focus will be on expansion into additional demographically desirable areas. In Japan, we have already taken steps to strengthen the retail channel, and in conjunction with the recent changes in the market environment, we are proceeding with channel development tailored to current needs.

We opened the first “GREEN PIT” Tire Kan store in November 2008. These stores will offer a sales channel that can respond to major changes in the market environment. These include changes in customer composition, such as the increase in the number of senior citizens who are driving, and changes in customer awareness, such as the increase in customer concern about conservation and environmental issues. The domestic market is evolving at an accelerating pace, but this new channel will enable us to approach these changes as opportunities and work to provide products at a faster pace with an even greater emphasis on the customer viewpoint.