

CONCENTRATING RESOURCES ON HIGH-VALUE-ADDED PRODUCTS IN AREAS WITH GROWTH POTENTIAL

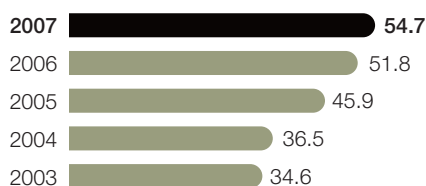
The diversified products segment comprises a broad range of chemical and industrial products, the diversified products business of Bridgestone Americas, bicycles and sporting goods.

Consolidated segment sales amounted to ¥639.8 billion (net of inter-segment transactions) in fiscal 2007, an increase of 7% relative to the previous year. Operating income rose 6% to ¥54.7 billion. Business was particularly strong in automotive components and the commercial building materials operations in the United States. Segment capital expenditures totaled ¥31.5 billion.

Sales (net of inter-segment transactions)
¥ billion



Operating income
¥ billion



DIVERSIFIED PRODUCTS SBU

Besides tires, Bridgestone Corporation manufactures a wide variety of rubber and chemical products. In the automotive sector, these products include polyurethane foam seat pads, antivibration rubber and other components. Bridgestone also supplies industrial products and construction materials, including building materials, conveyor belts and related ore-transporting systems for mining applications.

Multi-rubber bearings, which are fitted to buildings to help absorb seismic shock during an earthquake, are another example of cutting-edge Bridgestone technology with practical safety applications. Other applied industrial rubber products include rubber tracks for specialized vehicles and office equipment products such as semiconductive rollers.

Bridgestone is also a leading company in a number of applied materials fields, including interlayer adhesive films for laminated glass (used in solar cells) and performance films used in plasma display panels.

Fiscal 2007 business performance

Bridgestone's diversified products segment reported higher sales on a consolidated basis. This marked the fifth consecutive year of growth and once again demonstrated the effectiveness of Bridgestone's strategy of selection and concentration of resources. Higher sales prices, sales growth and efforts to mitigate higher raw material costs

enabled Bridgestone to overcome continued high prices for key raw materials such as natural rubber and steel products. Profits exceeded the prior year's results (when 2006 results are adjusted to account for organizational changes).

High-performance films were a major contributor to growth. PDP filters and adhesive films for solar modules were two globally marketed products that achieved substantial growth in sales. Targeting the construction industry in Japan, Bridgestone posted significantly higher sales growth of multi-rubber bearings for absorbing seismic vibrations and components for residential water and air piping systems. However, sales of materials for marine civil engineering applications were down compared with the previous year due to a decrease in public works investment.

Business strategy and outlook

Bridgestone possesses a varied portfolio of diversified products based on its expertise in rubber and related materials. Bridgestone is in the process of undertaking a strategic review to identify those products and businesses with the greatest future growth potential. Going forward, the strategy is to concentrate resources on these areas of growth. By developing new products based on original, advanced technology and by creating new business models that generate added value through exceptional quality delivered using market-oriented solutions, the ultimate objective is to contribute to higher earnings growth at the consolidated level.

In the applied materials sector, Bridgestone has a number of emerging businesses with great promise that are in late-stage technical development, including ultra-high-purity silicon carbide (PureBeta) and liquid powder for creating electronic paper displays.

Market conditions are expected to be more difficult in fiscal 2008 due to the strength of commodity prices and the sub-prime crisis on the US house-building sector. Bridgestone plans to focus on enhancing productivity while mitigating the effects of high raw material costs.

EVA adhesive film for solar modules

With global demand for solar power continuing to grow steadily, demand for materials used in the production of solar modules is on the rise. Bridgestone supplies EVA (ethylene vinyl acetate) film as an adhesive material for binding the silicon-based photovoltaic cell to a glass substrate in solar modules. Bridgestone plans to double monthly production capacity of EVA film by late 2010. Please refer to the Special Feature section (p. 16) for further details on this strategic growth product.

BRIDGESTONE AMERICAS' DIVERSIFIED PRODUCTS BUSINESS

The diversified products business in the Americas mainly consists of roofing and building materials, vehicle and industrial air springs, fibers and textiles, natural rubber and polymers. In North America, BFS Diversified Products, LLC ("BFDP") (a subsidiary of Bridgestone Americas Holding, Inc.) is the market leader in thermoplastic and rubber roofing materials, as well as air springs.

Performance in 2007

BFDP's sales continued to grow in 2007 and exceeded the prior year's results, although growth was not at the level originally projected due mainly to lower demand within the construction products segment. Operating income declined due to the impact of higher raw material costs and a softening in the construction products businesses. This was somewhat offset by a good performance in the polymers and air spring business units.

Outlook for 2008

Sales in the construction products businesses are expected to grow in 2008 although not as significantly as 2007 as the North American commercial construction markets continue to soften. The continuing economic slowdown and higher raw material costs are expected to also impact the air spring and polymers businesses, although the expected sales growth in the construction products and fibers and textiles businesses is projected to offset this impact.

Although slower than in prior years, BFDP expects positive sales growth in 2008. In addition to the overall

anticipated increase in sales in the construction products sector, sales are expected to grow as the result of increased market penetration for items such as the GenFlex line of commercial roofing products.

BICYCLES

Bridgestone Cycle Co., Ltd. ("Bridgestone Cycle"), the main Bridgestone Group firm in this sector, has been the leading domestic manufacturer of bicycles in Japan for more than 40 years.

Market trends and business performance

Low-priced imports, mainly from China, continued to make inroads into the Japanese market in 2007 while domestic output in Japan declined by about 20%.

Although unit sales of bicycles were slightly lower than in the previous year, Bridgestone Cycle recorded sales growth of 5% over fiscal 2006 due to significantly higher sales of high-value-added electric power-assisted models, along with an increase in average sales prices across the range.

Business strategy and outlook

Bridgestone Cycle's aim is to increase sales and profits by upgrading the sales mix while maintaining a steady share of the Japanese market. This involves promoting higher-value-added models such as the Assista and encouraging consumers to trade up by stimulating demand for fashionable and eco-conscious models. Bridgestone Cycle is promoting bicycles as a healthy and eco-friendly transport alternative for environmentally concerned consumers living in Japan's major cities.

Bridgestone Cycle expects market conditions to remain harsh in fiscal 2008. The company aims to improve the sales mix by selling more high-value-added products such as electric power-assisted models.

Smart eco-friendly technology

In 2007, Bridgestone Cycle introduced models featuring an original intelligent belt-drive system that can even be fitted to 8-gear sports bicycles. The new "Smart Belt" mechanism allows smooth, noiseless gear changes. Bridgestone Cycle has incorporated the new technology into some luxury models.

Quality first

Responding to concerns about the number of accidents, in 2004 the Japan Bicycle Association (JBA) introduced the BAA (Bicycle Association Approved) mark as a voluntary quality standard to address perceived safety problems. Bridgestone Cycle is leading the way in designing and manufacturing models that conform to the BAA quality standard. The approach is also being extended to sports bikes.

Not only tires but other products such as antivibration rubber are also supplied for use in automobiles.



Ave Maria is a new 5,000 acre Catholic community located just east of Naples, Florida. The design of the Oratory (featured in the photo) includes both BFDP's roofing and panel systems.

A large number of fans come out to enjoy Bridgestone Open in Japan.



The Anchor RHM9 Pro is a top-end sports bike featuring a rugged full-carbon frame.

SPORTING GOODS

Bridgestone Sports Co., Ltd. ("Bridgestone Sports") is the market leader in Japan in sales of sporting goods such as golf balls. The main Bridgestone Group firm in this sector, Bridgestone Sports also supplies sporting goods aimed at tennis enthusiasts.

Market trends and business performance

The Japanese market for golfing products posted positive growth in 2007. This reflected higher admissions at golf courses and the increased popularity of the sport among women. The apparel segment of the market saw the best growth. In contrast, the market for tennis-related goods shrank relative to the previous year.

Bridgestone Sports posted lower profits on flat sales during 2007. This was mainly due to a slowdown in sales of Bridgestone's premium golf balls and clubs, which was exacerbated by a sustained increase in the cost of raw materials.

Business strategy

The golfing population in Japan is growing modestly at present and is expected to decrease over the long term due to the impact of a dwindling birthrate and an aging population. Competition is also intensifying with the entry of foreign brands into the market, while the market pull of large retail chains is increasing. As a result, the environment surrounding the sports industry is expected to remain tough.

In response, Bridgestone Sports seeks to further strengthen the foundations of its golf business and secure a competitive edge over rivals through higher quality and services. To achieve these goals, Bridgestone Sports will bolster new product development competency, enhance a quality assurance system that includes subcontract factories, implement a channel strategy aimed at boosting satisfaction at sales companies and of customers in general, and expand into business that combines software and product sales, such as at golf schools.

A measurably superior golf ball

In March 2007, Bridgestone Sports introduced the latest product in the "Newing"-branded series of golf balls. The super NEWING LS330 range is based on the latest advances in macromolecular chemistry to create a material with increased repulsion for a given level of hardness. This patented "HR-drive" technology translates into greater distance irrespective of the shot type and club speed. As an extra benefit, the new material also helps to reduce unwanted spin.