

Consolidated Financial Statements for the First Half of the Fiscal Year Ending December 31, 2016

August 9, 2016

These financial statements, prepared in accordance with accounting principles generally accepted in Japan, have been translated for reference only from the original Japanese-language document "KESSAN TANSIN". The entire format is pursuant to the requirements or guidance of Tokyo Stock Exchange. As for the contents, if there are any differences or discrepancies between the original Japanese-language and the English translation, the original Japanese-language supersedes this English translation.

Bridgestone Corporation

Code number:5108

Representative: Masaaki Tsuya,

Stock exchange listings: Tokyo, Nagoya, Fukuoka

URL:<http://www.bridgestone.com/>

Member of the Board
CEO and Representative Executive Officer
Concurrently Chairman of the Board

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Scheduled date of quarterly securities report submission:

August 9, 2016

Scheduled date of dividend payment commencement:

September 1, 2016

Supplementary information for the quarterly financial statements to be prepared:

Yes

Meeting to explain for the quarterly financial statements to be held:

Yes

(All amounts are rounded down to the nearest million yen)

1. Consolidated Results for the First Half of Fiscal 2016 (January 1, 2016 - June 30, 2016)

(1) Consolidated Operating Results (Percentage figures represent changes from the same period of previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
Six months ended June 30, 2016	1,646,567	(11.3)	218,241	(8.2)	213,935	(8.2)	123,353	(14.7)
Six months ended June 30, 2015	1,855,494	6.0	237,792	6.6	232,990	5.9	144,650	1.7

(Note) Comprehensive Income: Six months ended June 30, 2016 (¥126,445) million [—%]
Six months ended June 30, 2015 ¥160,793 million [109.7%]

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended June 30, 2016	157.49	157.25
Six months ended June 30, 2015	184.69	184.45

(2) Consolidated Financial Position

	Total assets	Net assets	Ratio of total equity to total assets
	Yen in millions	Yen in millions	%
As of June 30, 2016	3,305,576	2,088,903	61.4
As of December 31, 2015	3,795,846	2,282,011	58.2

(Reference) Total equity As of June 30, 2016 ¥2,030,086 million
As of December 31, 2015 ¥2,209,068 million

2. Dividends

	Annual Dividend				
	1st quarter end	2nd quarter end	3rd quarter end	Year -end	Total
FY 2015	Yen —	Yen 60.00	Yen —	Yen 70.00	Yen 130.00
FY 2016	—	70.00			
FY 2016 (Projection)			—	70.00	140.00

(Note) Changes from the latest forecasts released: No

3. Consolidated Projected Results for Fiscal 2016 (January 1, 2016 - December 31, 2016)

(Percentage figures represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
FY 2016	3,340,000	(11.9)	453,000	(12.4)	434,000	(14.4)	257,000	(9.6)	328.13

(Note) Changes from the latest forecasts released: Yes

* Notes

- (1) Changes in principal subsidiaries during the six months ended June 30, 2016 : No
(Changes in specified subsidiaries involving change in consolidation scope)
- (2) Application of special accounting treatments for consolidated quarterly financial statements: Yes
- (3) Changes in accounting policy, changes in accounting estimates, and restatements
- | | |
|-----------------------------------------------------------|-------|
| 1) Changes due to revisions of accounting standards, etc. | : Yes |
| 2) Changes in accounting policy other than 1) | : No |
| 3) Changes in accounting estimates | : No |
| 4) Restatements | : No |
- (4) Outstanding number of shares (common stock)
- | | |
|---------------------------------------------------------------------------|--------------------|
| 1) Outstanding number of shares at period end (including treasury stock): | |
| June 30, 2016 | 813,102,321 shares |
| December 31, 2015 | 813,102,321 shares |
| 2) Number of shares of treasury stock at period end | |
| June 30, 2016 | 29,864,414 shares |
| December 31, 2015 | 29,878,493 shares |
| 3) Average outstanding number of shares (during the first half) | |
| First Half ended June 30, 2016 | 783,232,525 shares |
| First Half ended June 30, 2015 | 783,189,443 shares |

* Implementation status about the quarterly review

Although these financial statements are exempt from quarterly review procedures as required by the Financial Instruments and Exchange Act, a part of quarterly review based on Financial Instruments and Exchange Act were completed at the time of the disclosure of these financial statements.

* Statement regarding appropriate use of forward-looking statements and other notes

Projections of consolidated results for fiscal 2016 announced on February 17, 2016 are revised in this document. The preceding descriptions of projections and plans are "forward-looking statements," which involve known and unknown risks and uncertainties. These variables could cause the Bridgestone Group's actual performance and financial results to differ substantially from management's projections and plans, and the statements are not guarantees of future business performance. For details, refer to "1. Qualitative Information for the First Half of Fiscal 2016, (3) Explanation of Projections of Consolidated Results", on page 5.

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1. Qualitative Information for the First Half of Fiscal 2016

The Bridgestone Corporation is referred to as the “Company,” and the Company and its subsidiaries are referred to as the “Companies.”

(1) Explanation of Consolidated Operating Results

1) Sales and earnings

	FY 2016 1H (Six months ended June 30, 2016)	FY 2015 1H (Six months ended June 30, 2015)	Increase (Decrease)	
	Yen in billions	Yen in billions	Yen in billions	%
Net sales	1,646.5	1,855.4	(208.9)	(11)
Operating income	218.2	237.7	(19.5)	(8)
Ordinary income	213.9	232.9	(19.0)	(8)
Profit attributable to owners of parent	123.3	144.6	(21.2)	(15)

In the first half of fiscal 2016 (January 1 to June 30, 2016), the operating environment surrounding Companies was as follows: the Japanese yen had been strong and unclear situation continued due to the upsurge of uncertainty of the global economy while the Japanese domestic economy continued gradual recovery. The United States economy continued recovery supported by an increase in consumer spending. The outlook of European economy has increased uncertainty. In Asia, the Chinese economic growth remained slow. Overall, overseas economies were gradually recovering but still weak while the political and economic situation remained unstable because of the issues of the UK leaving the EU, etc. In addition, tire demand for mining vehicles decreased by lower commodity prices.

Under these operating conditions, the Companies continued their work to realize the ultimate goal of becoming “a truly global company” and achieving “Dan-Totsu in all aspects of our business.” Stepping up efforts on a global scale, the Companies were working harder than ever to anticipate market trends and competitors’ movements, as well as enhance technologies and promote innovation to increase the sales of highly competitive products and services, and building and enhancing business models to extend beyond the mere sales of products. Moreover, the Companies were continuing to implement a range of measures for management reforms. In the first half of fiscal 2016, the Companies were promoting reform of governance system and implementing a variety of measures to realize more effective utilization of management resources with appropriate expenses.

As a result of the appreciation of Japanese yen and the decrease of unit sales, net sales in the first half of fiscal 2016 were ¥1,646.5billion, a decrease of 11% from the first half of fiscal 2015; operating income was ¥218.2 billion, a decrease of 8%, ordinary income was ¥213.9 billion, a decrease of 8%; and profit attributable to owners of parent was ¥123.3 billion, a decrease of 15%.

2) Segment Information

		FY 2016 1H (Six months ended June 30, 2016)	FY 2015 1H (Six months ended June 30, 2015)	Increase (Decrease)	
		Yen in billions	Yen in billions	Yen in billions	%
Tires	Net Sales	1,352.7	1,555.2	(202.4)	(13)
	Operating income	198.6	217.0	(18.4)	(9)
Diversified Products	Net Sales	301.0	311.6	(10.5)	(3)
	Operating income	19.5	20.6	(1.1)	(5)
Consolidated Results	Net Sales	1,646.5	1,855.4	(208.9)	(11)
	Operating income	218.2	237.7	(19.5)	(8)

In the tire segment, the Companies worked to maximize sales momentum by introducing appealing new products globally, reinforcing fundamental competencies, and responding promptly to demand fluctuation in each region.

In Japan, the unit sales of tires for passenger cars and light trucks remained unchanged from the first half of fiscal 2015 and the unit sales of tires for trucks and buses increased firmly compared to the first half of fiscal 2015. In the Americas, the unit sales of tires for passenger cars and light trucks in North America increased steadily and the unit sales of tires for trucks and buses decreased compared to the first half of fiscal 2015 due to a decrease in the sales of original equipment tires. In Europe, the unit sales of tires for passenger cars and light trucks increased strongly and the unit sales of tires for trucks and buses increased steadily compared to the first half of fiscal 2015. In China and Asia Pacific, the unit sales of tires for passenger cars and light trucks increased substantially and the unit sales of tires for trucks and buses increased steadily compared to the first half of fiscal 2015. In the specialty tire business, sales of large and ultra-large off-the-road radial tires for construction and mining vehicles were down year on year due to a decrease of demand stemming from tire inventory adjustments at mines.

As a result of the tires sales above and the appreciation of Japanese yen, net sales in the tires segment during the first half of fiscal 2016 were ¥1,352.7 billion, a decrease of 13% from the first half of fiscal 2015; operating income was ¥198.6 billion, a decrease of 9%.

In the diversified products segment, net sales were ¥301.0 billion, a decrease of 3% from the first half of fiscal 2015 and operating income was ¥19.5 billion, a decrease of 5% from fiscal 2015 due to a decrease in the profit of domestic business.

(Note) The amounts for segment results include inter-segment transactions that are eliminated in calculating the consolidated results.

(2) Explanation of Consolidated Financial Position

Assets, liabilities, and net assets positions at the end of the first half of fiscal 2016 were as follows.

(Assets)

In assets, notes and accounts receivable, tangible fixed assets, and investments in securities decreased ¥98.7 billion, ¥179.6 billion, and ¥81.7 billion respectively. As a result, assets decreased ¥490.2 billion compared with the end of the previous fiscal year, to ¥3,305.5 billion.

(Liabilities)

In liabilities, while short-term borrowings increased ¥54.3 billion, accounts payable-other, long-term borrowings, and net defined benefit liability decreased ¥56.0 billion, ¥119.9 billion, and ¥44.2 billion respectively. As a result, liabilities decreased ¥297.1 billion compared with the end of the previous fiscal year, to ¥1,216.6 billion.

(Net assets)

In net assets, while profit attributable to owners of parent was ¥123.3 billion, cash dividends paid were ¥54.8 billion, and net unrealized gain on available-for-sale securities and foreign currency translation adjustments decreased ¥55.8 billion and ¥217.2 billion respectively. As a result, net assets decreased ¥193.1 billion compared with the end of the previous fiscal year, to ¥2,088.9 billion.

Due to a decrease of assets by ¥490.2 billion, the ratio of total equity to total assets increased 3.2% compared with the end of the previous fiscal year, to 61.4%

(3) Explanation of Projections of Consolidated Results

The Companies' operating environment will continue to require careful attention due to such factors as fluctuations in exchange rates and the prices of raw materials and feedstock, an ongoing lack of clarity in the global economic situation and international political conditions that remain unstable.

Amid such a challenging business environment, the Companies project the following results through the implementation of Mid-Term Management Plan initiatives.

FY 2016 projections (Fiscal Year ending December 31, 2016)

		FY 2016 Projections (Revised)	FY 2016 Projections (Previous)	Increase (Decrease)		(Ref.) FY 2015 Results
		Yen in billions	Yen in billions	Yen in billions	%	Yen in billions
Net sales		3,340.0	3,750.0	(410.0)	(11)	3,790.2
Operating income		453.0	520.0	(67.0)	(13)	517.2
Ordinary income		434.0	487.0	(53.0)	(11)	507.3
Profit attributable to owners of parent		257.0	309.0	(52.0)	(17)	284.2
Exchange Rate		Yen	Yen		%	Yen
	yen/dollar	105	115	—	(9)	121
	yen/euro	117	127		(8)	134

(Revision of the projections)

An actual result of operating income for the first half of the fiscal year ending December 31, 2016, was below the projections previously announced on February 17, 2016. This decrease was the result of the appreciation of Japanese yen and the decrease in unit tire sales from the original plan, in spite of favorable raw materials and feedstock prices, and initiatives to reduce expenses. Additionally, the Company reviewed its consolidated financial projections for the second half of the fiscal year ending December 31, 2016, which were not updated on May 11, 2016, and revised its full-year consolidated financial projections for the fiscal year ending December 31, 2016.

Forward-Looking Statements

The preceding descriptions of projections and plans are "forward-looking statements," which involve known and unknown risks and uncertainties. These variables could cause the Bridgestone Group's actual performance and results to differ substantially from management's projections and plans, and the statement are not guarantees of future business performance.

2. Other Information (Notes)

(1) Application of special accounting treatments for consolidated quarterly financial statements

(Calculation for income tax expense)

Income tax expense was calculated based upon an estimated effective tax rate for fiscal 2016.

(2) Changes in accounting policy, changes in accounting estimates, and restatements

Changes in accounting policy

(Application of Accounting Standard for Business Combinations, etc)

The Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and other relevant standards from the first quarter of fiscal 2016. As a result, the difference arising from changes in ownership interests in its subsidiary when the Companies continue to have control of the subsidiary is accounted for as capital surplus, and acquisition-related costs are treated as expenses in the consolidated fiscal year in which they occurred. Also, for any business combinations on or after the beginning of the first quarter of fiscal 2016, the adjustments of the purchase price allocation following the determination of the provisional accounting treatment are reflected in the quarterly consolidated financial statements for the quarter in which the business combination occurred. In addition, the presentation of net income has been changed, and the presentation of minority interests has been changed to non-controlling interests. To reflect these changes in presentation, the quarterly consolidated financial statements for the first half of the previous fiscal year and consolidated financial statements for the previous fiscal year have been reclassified.

In accordance with the transitional treatment provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, these accounting standards have been applied from the beginning of fiscal 2016 and thereafter.

There is no effect on the consolidated statement of income.

(Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

The Company has applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force (“PITF”) No. 18, March 26, 2015) from the first quarter of fiscal 2016. In accordance with the transitional treatment provided in PITF No. 18, the overseas subsidiary “BRIDGESTONE HOSE AMERICA INC.” amortizes goodwill for which it has selected amortization treatment based on Financial Accounting Standards Board (“FASB”) Accounting Standards Codification, Topic 350, “Intangible-Goodwill and Other” using the remaining amortization period of goodwill on the consolidated financial statements.

There is no effect on the consolidated statement of income.

3. Consolidated Quarterly Financial Statements**(1) Consolidated Balance Sheet**

(Yen in millions)

	FY 2015 (As of December 31, 2015)	FY 2016 1H (As of June 30, 2016)
Assets		
Current Assets		
Cash and deposits	387,652	336,791
Notes and accounts receivable	488,832	390,069
Short-term investments	217,348	200,327
Merchandise and finished products	370,046	349,053
Work in process	35,877	32,214
Raw materials and supplies	149,815	124,545
Other	192,340	178,732
Allowance for doubtful accounts	(33,357)	(13,621)
Total Current Assets	1,808,557	1,598,113
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	537,244	468,936
Machinery, equipment and vehicles, net	523,389	460,575
Other, net	443,257	394,722
Total tangible fixed assets	1,503,891	1,324,233
Intangible fixed assets	68,388	59,019
Investments and other assets		
Investments in securities	299,129	217,386
Other	121,760	110,953
Allowance for doubtful accounts	(5,880)	(4,130)
Total investments and other assets	415,009	324,209
Total Fixed Assets	1,987,289	1,707,462
Total Assets	3,795,846	3,305,576

	(Yen in millions)	
	FY 2015	FY 2016 1H
	(As of December 31,2015)	(As of June 30,2016)
Liabilities		
Current Liabilities		
Notes and accounts payable	181,973	163,443
Short-term borrowings	125,908	180,218
Commercial paper	—	10,188
Current portion of bonds	30,000	—
Lease obligations	1,137	979
Income taxes payable	50,523	30,522
Provision for recall	1,196	1,039
Accounts payable-other	164,491	108,437
Other	279,883	239,004
Total Current Liabilities	835,114	733,833
Long-term Liabilities		
Bonds	90,000	90,000
Long-term borrowings	188,275	68,298
Lease obligations	6,256	5,462
Net defined benefit liability	259,521	215,222
Other	134,668	103,855
Total Long-term Liabilities	678,720	482,839
Total Liabilities	1,513,835	1,216,672
Net Assets		
Shareholders' Equity		
Common stock	126,354	126,354
Capital surplus	123,025	123,017
Retained earnings	2,014,497	2,083,024
Treasury stock-at cost	(56,212)	(56,187)
Total Shareholders' equity	2,207,664	2,276,209
Accumulated Other Comprehensive Income		
Net unrealized gain(loss) on available-for-sale securities	192,324	136,518
Deferred gain(loss) on derivative instruments	(776)	(86)
Foreign currency translation adjustments	(55,406)	(272,625)
Remeasurements of defined benefit plans	(134,736)	(109,930)
Total accumulated other comprehensive income	1,404	(246,123)
Stock Acquisition Rights	2,469	3,052
Non-controlling Interests	70,473	55,765
Total Net Assets	2,282,011	2,088,903
Total Liabilities and Net Assets	3,795,846	3,305,576

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive IncomeConsolidated Statement of Income
First Half

(Yen in millions)

	FY 2015 1H (Six months ended June 30, 2015)	FY 2016 1H (Six months ended June 30, 2016)
Net Sales	1,855,494	1,646,567
Cost of Sales	1,130,576	967,233
Gross Profit	724,917	679,334
Selling, General and Administrative Expenses		
Goods freightage expenses	78,868	72,795
Advertising and promotion expenses	65,578	61,250
Salaries, allowances and bonuses	133,162	125,256
Retirement benefit expenses	13,252	9,447
Depreciation	15,253	15,408
Research and development expenses	46,515	48,101
Other	134,494	128,831
Total selling, general and administrative expenses	487,124	461,092
Operating Income	237,792	218,241
Non-operating Income		
Interest income	2,881	2,139
Dividend income	6,120	5,967
Gain on sales of investment securities	—	3,356
Other	9,166	6,559
Total non-operating income	18,168	18,023
Non-operating expenses		
Interest expense	6,216	5,282
Foreign currency exchange loss	4,306	7,560
Other	12,448	9,487
Total non-operating expenses	22,971	22,330
Ordinary Income	232,990	213,935
Extraordinary Income		
Gain on sales of investment securities	10,162	—
Total extraordinary income	10,162	—
Extraordinary Loss		
Loss related to Reorganization of R&D and Manufacturing Base	—	6,861
Total extraordinary loss	—	6,861
Income before Income Taxes and Non-controlling Interests	243,153	207,074
Income taxes	92,755	78,792
Income before Non-controlling interests	150,398	128,281
Profit attributable to non-controlling interests	5,748	4,928
Profit attributable to owners of parent	144,650	123,353

Consolidated Statement of Comprehensive Income
First Half

(Yen in millions)

	FY 2015 1H (Six months ended June 30, 2015)	FY 2016 1H (Six months ended June 30, 2016)
Income before Non-controlling Interests	150,398	128,281
Other Comprehensive Income (loss)		
Unrealized gain (loss) on available-for-sale securities	25,880	(55,806)
Deferred gain (loss) on derivative instruments	765	1,013
Foreign currency translation adjustments	(19,845)	(222,932)
Remeasurements of defined benefit plans	5,007	24,948
Share of other comprehensive income in affiliates	(1,411)	(1,949)
Total other comprehensive income	10,395	(254,726)
Comprehensive Income	160,793	(126,445)
Comprehensive income attribute to:		
Owners of parent	156,045	(124,174)
Non-controlling Interests	4,747	(2,270)

(3) Notes to the Consolidated Financial Statements

(Notes regarding going concern assumption)

Not applicable

(Notes regarding significant changes in the amount of shareholders' equity)

Not applicable

(Segment Information)

Information about Sales and Income (Loss) by reportable segment

FY 2015 First Half (Six months ended June 30, 2015)

(Yen in millions)

	Tires	Diversified Products	Total	Adjustments (Note)	Consolidated
Net sales:					
External customers	1,552,615	302,878	1,855,494	—	1,855,494
Inter-segment	2,652	8,782	11,434	(11,434)	—
Total	1,555,267	311,660	1,866,928	(11,434)	1,855,494
Segment income (Operating income)	217,090	20,699	237,789	3	237,792

(Note) Adjustments of segment income refer to elimination of intersegment transactions.

FY 2016 First Half (Six months ended June 30, 2016)

(Yen in millions)

	Tires	Diversified Products	Total	Adjustments (Note)	Consolidated
Net sales:					
External customers	1,349,476	297,090	1,646,567	—	1,646,567
Inter-segment	3,299	3,996	7,296	(7,296)	—
Total	1,352,775	301,087	1,653,863	(7,296)	1,646,567
Segment income (Operating income)	198,627	19,599	218,227	14	218,241

(Note) Adjustments of segment income refer to elimination of intersegment transactions.