MANAGEMENT'S DISCUSSION AND ANALYSIS

Unless otherwise noted, all figures are taken from the consolidated financial statements and notes. U.S. dollar figures have been translated solely for the convenience of readers outside Japan at the rate of ¥109.56 to $1, the prevailing exchange rate on December 31, 2019. Financial disclosures by the Bridgestone Corporation are in accordance with accounting principles generally accepted in Japan.

RESULTS OF OPERATIONS

Business environment

In fiscal 2019, the Companies' operating environment in Japan was clouded by the uncertainty of the global economy and other matters, despite the domestic economic conditions maintaining a course of gradual recovery. For our overseas operations, while instability persists both politically and economically, economic conditions continue to recover gradually overall. The U.S. economy continued on a recovery path, and the European economy showed signs of weak recovery. In Asia, the Chinese economy has continued to slow down gradually.

Net sales

Net sales decreased by ¥124.5 billion ($1,136 million), or 3% from the previous fiscal year, to ¥3,525.6 billion ($32,180 million), primarily due to yen appreciation and lower tire sales. As a result, year-on-year declines in sales were recorded in both the tire segment and the diversified products segment.

The average yen/dollar exchange rate in fiscal 2019 was ¥109, compared with ¥110 in the previous fiscal year, while the average yen/euro exchange rate in fiscal 2019 was ¥122, compared with ¥130 in the previous fiscal year.

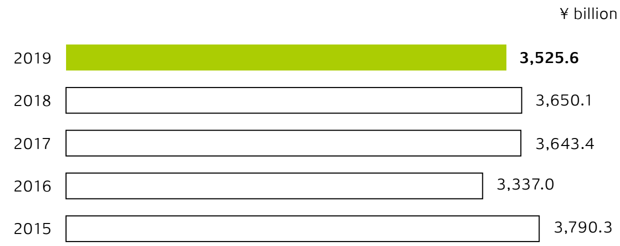
Operating income

Due in large part to yen appreciation and lower tire sales, operating income decreased by 19%, or ¥76.6 billion ($699 million), to ¥326.1 billion ($2,976 million). As a result, the operating income margin edged down by 1.8 percentage points, from 11.0% to 9.2%.

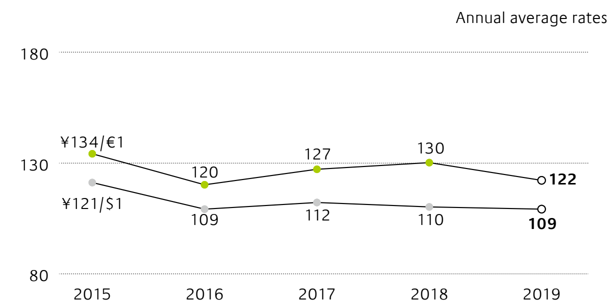
Operating Income Margin

2019	2018	2017	2016	2015
				% of net sales
9.2	11.0	11.5	13.5	13.6

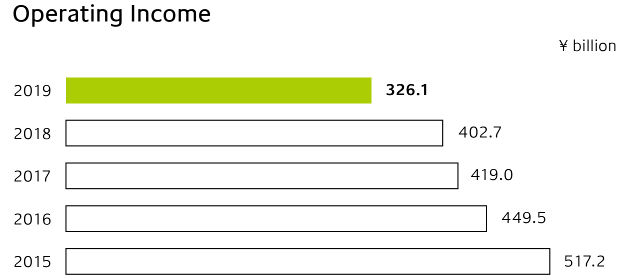
Net Sales



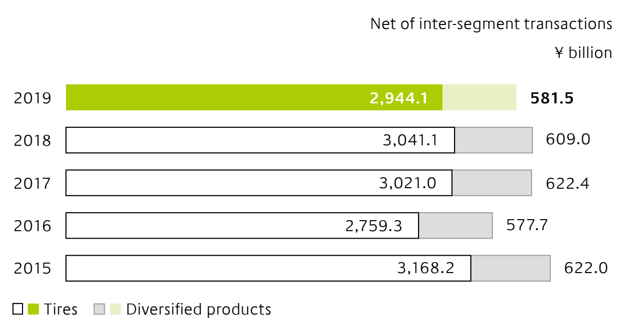
Currency Exchange Rates



Operating Income



Sales of Tires and Diversified Products



Performance by business segment

The tire segment includes tires for passenger cars, trucks and buses, construction and mining vehicles, aircraft, and motorcycles, as well as tubes, wheels, related accessories, the retreading business, and automotive maintenance services. Including inter-segment transactions, the tire segment's sales in fiscal 2019 decreased by 3% from the previous fiscal year, to ¥2,953.1 billion ($27.0 billion). Operating income decreased by 17%, to ¥325.9 billion ($2,974 million).

In the tire segment, the Companies introduced appealing new products and services globally and enhanced their future-oriented competitive advantages and differentiations while responding promptly to demand fluctuation in each region.

In Japan, both unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses remained at a consistent level with the previous fiscal year.

In the Americas, both unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses in North America decreased from the previous fiscal year.

In Europe, both unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses decreased from the previous fiscal year.

In China and the Asia Pacific region, both unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses decreased from the previous fiscal year.

In the specialty tire business, the number of tires sold of large and ultra-large off-the-road radial tires for construction and mining vehicles remained at a consistent level with the previous fiscal year.

The diversified products segment includes functional chemical products, a wide range of industrial items, sporting goods, and bicycles. Many of these products are made from rubber or rubber-derived materials.

In the diversified products segment, the chemical and industrial products business is undergoing a radical business restructuring under the name "chemical and industrial products." This restructuring is aimed toward 2021, the 50th anniversary of integrated business activities. Additionally, the Companies are advancing their management reform in the diversified products business overseas, as well as in the Sports, Cycle, and Active and Healthy Lifestyle ("AHL") related businesses.

As a result, in the diversified products segment, net sales totaled ¥588.3 billion ($5,370 million), a decrease of 5% from the previous fiscal year. Operating income declined by 98% from the previous fiscal year, to ¥165 million ($2 million).

Composition of Sales by Business Segment

Net of inter-segment transactions

	2019	2018
		% of net sales
Tires	**83.5**	83.3
Diversified products	**16.5**	16.7
	100.0	100.0

Performance by market

In Japan, net sales totaled ¥666.8 billion ($6,087 million), a decrease of 2% from the previous fiscal year. In the Americas, net sales totaled ¥1,658.1 billion ($15.1 billion), a decrease of 5% from the previous fiscal year. In Europe, Russia, the Middle East and Africa, net sales totaled ¥660.4 billion ($6,028 million), an increase of 3% from the previous fiscal year. In China, the rest of Asia and Oceania, net sales totaled ¥540.3 billion ($4,931 million), a decrease of 8% from the previous fiscal year.

Composition of Sales by Market

Net of inter-segment transactions

	2019	2018
		% of net sales
Japan	**18.9**	18.7
The Americas	**47.0**	47.6
Europe, Russia, the Middle East and Africa	**18.8**	17.6
China, the rest of Asia and Oceania	**15.3**	16.1
	100.0	100.0

Other income and expenses

The total of other income and other expenses equaled a gain of ¥81.2 billion ($741 million), compared with a corresponding gain of ¥25.0 billion in the previous fiscal year.

Net interest-related income increased by ¥3.5 billion ($32 million), to ¥2.6 billion ($24 million). In the previous fiscal year, gain on sales of investment securities was ¥16.2 billion, and gain on establishment in jointly controlled entity was ¥30.4 billion, while there was no extraordinary loss. In fiscal 2019, gain on sales of property, plant and equipment was ¥30.6 billion ($279 million), gain on sales of investment securities was ¥76.6 billion ($700 million), and gain on refund of PIS/COFINS for prior periods was ¥8.9 billion ($81 million), while impairment loss was ¥13.7 billion ($125 million), loss on disposals of property, plant and equipment was ¥4.6 billion ($42 million), and loss related to recall was ¥7.4 billion ($68 million).

Income before income taxes and non-controlling interests decreased by ¥20.5 billion ($187 million), to ¥407.3 billion ($3,717 million).

Profit attributable to owners of parent

Profit attributable to owners of parent increased by ¥956 million ($9 million), to ¥292.6 billion ($2,671 million), from ¥291.6 billion in the previous fiscal year. Profit attributable to non-controlling interests decreased to ¥6.3 billion ($58 million). As a result, the net return on sales increased from 8.0% in the previous fiscal year to 8.3%.

Net Return on Sales

2019	2018	2017	2016	2015
				% of net sales
8.3	8.0	7.9	8.0	7.5

FINANCIAL CONDITION

Assets

Total current assets decreased by 2%, or ¥41.4 billion ($378 million), compared with the previous fiscal year-end, to ¥1,871.1 billion ($17.1 billion).

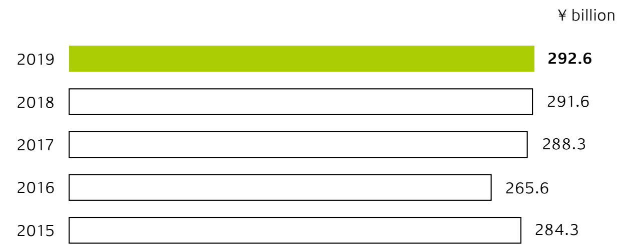
This was mainly attributable to decreases in notes and accounts receivable of ¥18.2 billion ($166 million) and in inventories of ¥20.8 billion ($190 million), despite an increase in cash and cash equivalents of ¥1.4 billion ($13 million).

In property, plant and equipment and investments and other assets, investments in securities and investments in and advances to affiliated companies decreased by ¥78.2 billion ($713 million) year on year. However, capital expenditure of ¥289.3 billion ($2,640 million) surpassed depreciation and amortization of ¥223.1 billion ($2,036 million) in addition to an increase in intangible assets stemming from the consolidation of TOMTOM TELEMATICS B.V. (currently known as WEBFLEET SOLUTIONS B.V.) through the acquisition of shares.

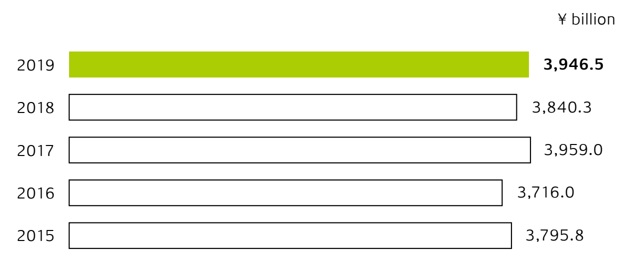
Consequently, the total of property, plant and equipment and investments and other assets increased by 8%, or ¥147.6 billion ($1,347 million), compared with the previous fiscal year-end, to ¥2,075.4 billion ($18.9 billion).

Total assets increased by 3%, or ¥106.2 billion ($970 million), compared with the previous fiscal year-end, to ¥3,946.5 billion ($36.0 billion).

Profit Attributable to Owners of Parent



Total Assets



Note: Bridgestone Europe NV/SA, a consolidated overseas subsidiary of the Company, has adopted International Financial Reporting Standards (IFRS) in its consolidated financial statements from fiscal 2017. The changes in accounting policy resulting from the adoption of IFRS are applied retrospectively, and, therefore, total assets and other items for fiscal 2016 have been adjusted retrospectively.

Liabilities

In current liabilities, a decrease of ¥45.7 billion ($417 million) in current portion of bonds and other interest-bearing debt contributed to a decrease in total current liabilities by 6%, or ¥48.8 billion ($445 million), to ¥838.3 billion ($7,652 million).

Long-term liabilities increased by 48%, or ¥246.9 billion ($2,254 million), to ¥763.9 billion ($6,972 million), mainly due to an increase of ¥234.7 billion ($2,142 million) in bonds and other interest-bearing debt.

Total interest-bearing debt, which is recorded in current liabilities and long-term liabilities, increased by 46%, or ¥189.0 billion ($1,725 million), compared with the previous fiscal year-end, to ¥597.5 billion ($5,453 million).

Note: Interest-bearing debt includes short-term debt, commercial paper, bonds, long-term debt, and obligations under finance leases.

Equity

Total equity at December 31, 2019, amounted to ¥2,344.3 billion ($21.4 billion). This was 4%, or ¥91.9 billion ($839 million), lower than the previous fiscal year-end.

Profit attributable to owners of parent increased to ¥292.6 billion ($2,671 million). However, cash dividends paid were ¥117.7 billion ($1,074 million), purchase of treasury stock amounted to ¥200.0 billion ($1,826 million), and net unrealized gain on available-for-sale securities decreased by ¥53.5 billion ($489 million).

Consequently, total assets at the end of fiscal 2019 stood at ¥3,946.5 billion ($36.0 billion), an increase of 3%, or ¥106.2 billion ($970 million), from the previous fiscal year-end. Furthermore, the ratio of shareholders' equity, excluding stock acquisition rights and non-controlling interests, to total assets at the end of fiscal 2019 was 58.0%, a decrease of 3.9 percentage points compared with the previous fiscal year-end.

The ratio of total debt to debt and shareholders' equity was 20.7% at December 31, 2019, compared with a ratio of 14.6% at the previous fiscal year-end.

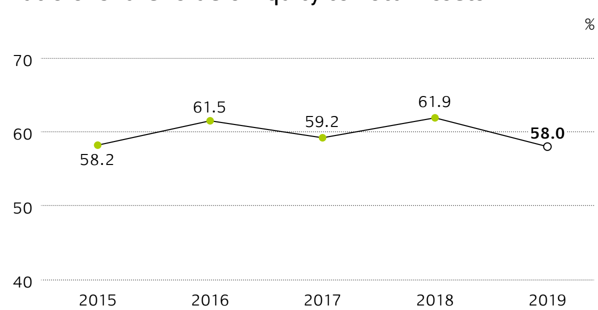
Net return on shareholders' equity (ROE) was 12.5%, an increase of 0.1 percentage point compared with the previous fiscal year. Net return on total assets (ROA) was 7.5%, the same as the previous fiscal year.

The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, issued February 16, 2018) have been applied to the consolidated financial results, beginning in the consolidated fiscal year under review. These standards have been applied to the previous fiscal year retroactively for comparative purposes in assessing financial condition.

Total Equity

Note: Bridgestone Europe NV/SA, a consolidated overseas subsidiary of the Company, has adopted International Financial Reporting Standards (IFRS) in its consolidated financial statements from fiscal 2017. The changes in accounting policy resulting from the adoption of IFRS are applied retrospectively, and, therefore, total assets and other items for fiscal 2016 have been adjusted retrospectively.

Ratio of Shareholders' Equity to Total Assets



ELEVEN-YEAR SUMMARY

Bridgestone Corporation and Subsidiaries
Years ended December 31

	2019	2018	2017	2016
		Millions of yen, except per share data and financial ratios		
Net sales	**¥ 3,525,600**	¥ 3,650,111	¥ 3,643,428	¥ 3,337,017
Overseas sales	**2,858,756**	2,968,123	2,959,067	2,683,488
Tires (net sales excluding inter-segment transactions)	**2,944,120**	3,041,100	3,021,000	2,759,275
Diversified products (net sales excluding inter-segment transactions)	**581,480**	609,011	622,428	577,742
Operating income	**326,098**	402,732	419,047	449,549
Profit attributable to owners of parent	**292,598**	291,642	288,276	265,551
Total equity	**2,344,291**	2,436,162	2,402,739	2,345,900
Total assets	**3,946,506**	3,840,270	3,959,039	3,716,030
Ratio of shareholders' equity to total assets	**58.0**	61.9	59.2	61.5
Per share in yen:				
Net income				
Basic	**404.95**	387.95	375.67	339.04
Diluted	**404.28**	387.28	375.01	338.52
Shareholders' equity	**3,250.37**	3,163.71	3,115.69	2,915.85
Cash dividends	**160.00**	160.00	150.00	140.00
Capital expenditure	**289,290**	268,421	234,850	194,111
Depreciation and amortization	**223,101**	200,477	200,377	188,062
Research and development costs	**105,283**	103,551	99,792	95,403

Notes: 1. Solely for the convenience of readers, the Japanese yen amounts in this annual report are translated into U.S. dollars at the rate of ¥109.56 to $1, the approximate year-end rate.
2. Certain overseas subsidiaries applied IAS 19 "Employee Benefits" (amended on June 16, 2011). As this change in accounting policy is applied retrospectively, the amount of total equity for fiscal 2012 reflects the retrospective application.

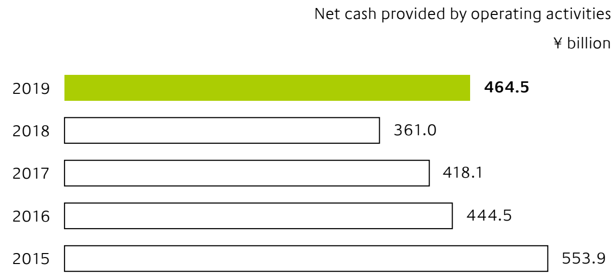
Net Return on Shareholders' Equity

2019	2018	2017	2016	2015
		% of simple average of year-end shareholders' equity		
12.5	12.4	12.5	11.8	13.3

Net Return on Total Assets

2019	2018	2017	2016	2015
		% of simple average of year-end total assets		
7.5	7.5	7.5	7.1	7.3

Cash Flow



Cash flow

Consolidated cash and cash equivalents increased by ¥1.4 billion ($13 million), to ¥435.3 billion ($3,973 million), compared with a decrease of ¥67.9 billion during the previous fiscal year.

Net cash provided by operating activities was ¥464.5 billion ($4,239 million), an increase of ¥103.5 billion ($945 million) from the previous fiscal year. Income taxes paid were ¥79.7 billion ($728 million), compared with ¥143.7 billion in the previous fiscal year. However, income before income taxes and non-controlling interests was ¥407.3 billion ($3,717 million), compared with ¥427.8 billion in the previous fiscal year, and depreciation and amortization totaled ¥223.1 billion ($2,036 million), compared with ¥200.5 billion in the previous fiscal year.

Net cash used in investing activities increased by ¥23.8 billion ($218 million) compared with the previous fiscal year, to ¥266.9 billion ($2,436 million). This was due to payments for purchase of property, plant and equipment of ¥270.5 billion ($2,469 million), compared with ¥257.5 billion during the previous fiscal year, and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥110.4 billion ($1,007 million), compared with ¥2.4 billion in the previous fiscal year,

2015	2014	2013	2012	2011	2010	2009
					Millions of yen, except per share data and financial ratios	
¥ 3,790,251	¥ 3,673,965	¥ 3,568,091	¥ 3,039,738	¥ 3,024,356	¥ 2,861,615	¥ 2,597,002
3,128,343	2,979,922	2,893,251	2,343,546	2,330,154	2,189,765	1,982,192
3,168,219	3,088,627	3,033,660	2,554,126	2,536,731	2,377,305	2,151,314
622,032	585,338	534,431	485,612	487,625	484,310	445,687
517,248	478,038	438,132	285,995	191,322	166,450	75,712
284,294	300,589	202,054	171,606	102,970	98,914	1,044
2,282,012	2,146,658	1,862,964	1,417,348	1,165,672	1,176,147	1,120,797
3,795,847	3,960,908	3,577,045	3,039,799	2,677,344	2,706,640	2,808,439
58.2	52.4	50.5	45.2	42.2	42.2	38.7
362.99	383.84	258.10	219.26	131.56	126.19	1.33
362.52	383.39	257.81	219.10	131.50	126.16	1.33
2,820.48	2,650.47	2,305.64	1,754.30	1,444.53	1,458.01	1,385.43
130.00	100.00	57.00	32.00	22.00	20.00	16.00
253,581	296,396	274,862	245,644	201,390	182,648	178,204
202,334	188,333	176,180	155,066	158,044	170,663	180,547
94,978	94,147	89,098	82,801	83,982	85,154	85,766

and despite proceeds from sales of property, plant, and equipment of ¥38.1 billion ($348 million), compared with ¥8.2 billion in the previous fiscal year, and proceeds from sales of investments in securities of ¥87.1 billion ($795 million), compared with ¥20.5 billion in the previous fiscal year.

Net cash used in financing activities increased by ¥39.5 billion ($361 million) compared with the previous fiscal year, to ¥198.6 billion ($1,813 million). This was due to repayments of long-term borrowings of ¥23.4 billion ($213 million), compared with ¥45.0 billion in the previous fiscal year; ¥70.0 billion ($639 million) in payments for redemption of bonds, compared with ¥20.0 billion in the previous fiscal year; ¥13.1 billion ($119 million) in repayments of obligations under finance leases, compared with ¥5.3 billion in the previous fiscal year; ¥200.0 billion ($1,826 million) in purchase of treasury stock, compared with ¥8 million in the previous fiscal year; and ¥117.7 billion ($1,074 million) in cash dividends paid, compared with ¥120.2 billion in the previous fiscal year, despite a total of ¥35.1 billion ($321 million) net increase in short-term borrowings and commercial paper, compared with a ¥24.3 billion increase in the previous fiscal year; and ¥200.0 billion ($1,825 million) in proceeds from issuance of bonds, compared with no proceeds in the previous fiscal year.

Capital financing and liquidity

In addition to borrowings from financial institutions, the Companies continue to seek to diversify sources of financing through direct financing such as domestic straight bonds and commercial paper and securitization of receivables and leases as well as to diversify risks and to minimize interest costs.

DIVIDEND

During fiscal 2019, the Company paid an interim dividend of ¥80.0 ($0.73) and a year-end dividend of ¥80.0 ($0.73) per share, totaling ¥160.0 ($1.46) per share for the year.

Capital Expenditure