2017 Mid-term Management Plan (MTP)

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

Oct 17, 2017
Today’s agenda

1. Introduction
2. 2017MTP (Priority issues)
3. 2017MTP (Management targets)
4. Ultimate Goal

MTP: Mid-term Management Plan
1. Introduction

2. 2017MTP (Priority issues)

3. 2017MTP (Management targets)

4. Ultimate Goal
1. Introduction (Our Reform Framework)

Ultimate goal

To become a truly global company
To achieve “Dan-Totsu”

Mission and Foundation Framework

- The Bridgestone Essence
- Safety, Quality & Environmental Mission Statements
- New CSR structure (Our Way to Serve)

Basic Stance

- Lean & Strategic (L&S)
- Group Global Optimization (GG Optimization)

Reform Tools

- SBU Organization
- MTP

Priority issues

- Cultivating global corporate culture
- Developing human resources capable of global management
- Upgrading the global management structure

Communication, Teamwork, & Bottom-Up
Our Way to Serve

Our Heritage and Mission
Serving Society with Superior Quality

Our Strengths and Competencies
- Thousands of Teammates Worldwide
- Global Network
- Industry Leadership

Improving the Way People Move, Live, Work and Play
- Enhancing Mobility
  Smarter, safer, more accessible
- Supporting People and Communities
  Be supportive, approachable, comfortable
- Advancing Environmental Stewardship
  Be responsible

Based on Management Fundamentals
Anticipate the business environment & market trends

ICT (Information and Communication Technology) Utilization and Innovation through a true company-wide value chain

Customer value
Today’s agenda

1. Introduction
2. 2017MTP (Priority issues)
3. 2017MTP (Management targets)
4. Ultimate Goal
2. 2017 MTP (Priority issues)

(1) Culture : Cultivating global corporate culture
   
   A. Advance brand strategy
   B. Innovation (technology, business model & design)
   C. Continuous Kaizen

(2) HR : Developing human resources capable of global management

(3) Structure : Upgrading the global management structure
   
   A. Governance : Enhancing governance systems
   B. DP business : Expanding the Diversified Products businesses
2. 2017 MTP (Priority issues) (1) Cultivating global corporate culture

A. Advance brand strategy

(a) Integrated brand strategy including Diversified Products

Major brand (Global)

- Globally unified / aligned to grow brand power

Regional brand (e.g. DAYTON)  
- Aligned with global strategy
A. Advance brand strategy

(a) Integrated brand strategy including Diversified Products

Accelerate global acceptance / awareness / value of B mark

“2017 Bridgestone World Solar Challenge” (October 2017)
A. Advance brand strategy

(a) Integrated brand strategy including Diversified Products

Firestone: Globalization of brand

Rich legacy:
More than 116 years of history and heritage

Our advantage:
Two major brands with global reach and distinct characteristics

Takuma Sato won the Indianapolis 500R Mile Race
2. 2017 MTP (Priority issues) (1) Cultivating global corporate culture

A. Advance brand strategy

(a) Integrated brand strategy including Diversified Products

Firestone : Globalization of brand

Para-athlete, Amy Purdy
Team Bridgestone USA
A. Advance brand strategy

(b) Olympic TOP Partner, Select Paralympic Partnerships
2. 2017 MTP (Priority issues) (1) Cultivating global corporate culture

A. Advance brand strategy

(b) Olympic TOP Partner, Select Paralympic Partnerships

Kosuke Hagino (Swimming)

Smile Japan (Ice Hockey)

Ryo Chikatani (Track Cycling)

Ai Ueda (Triathlon)

Mami Tani (Paralympic Triathlon)

Ayaka Watanabe (Golf)

Manami Tanaka (Wheelchair Tennis)

Kohei Kobayashi (Wheelchair Badminton)

Team Bridgestone Japan
A. Advance brand strategy

(b) Olympic TOP Partner, Select Paralympic Partnerships

Team Bridgestone USA
2. 2017 MTP (Priority issues) (1) Cultivating global corporate culture

A. Advance brand strategy

(b) Olympic TOP Partner, Select Paralympic Partnerships

Team Bridgestone Europe
2. 2017 MTP (Priority issues) (1) Cultivating global corporate culture

A. Advance brand strategy

(b) Olympic TOP Partner, Select Paralympic Partnerships

Bridgestone × Olympic × Paralympic a GO GO!
2. 2017 MTP (Priority issues) (1) Cultivating global corporate culture

A. Advance brand strategy

(b) Olympic TOP Partner, Select Paralympic Partnerships

Olympic Winter Games PyeongChang 2018

Worldwide Olympic Partner

- 9 – 25 February 2018
- Approximately 95 countries & regions
- Approximately 6,500 athletes
A. Advance brand strategy

(c) Brand value

Interbrand Best Japan Brands 2017 Ranking

Brand Value (US$ million)

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<td>Rank</td>
<td>19</td>
<td>18</td>
<td>15</td>
<td>13</td>
<td>12</td>
<td>11</td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>

(Source: Interbrand)
B. Innovation (technology, business model & design)

(a) Upgrading the R&D structure to promote innovation

Evolving the Global R&D Structure

TC : Technical Center
PG : Proving Ground
B. Innovation (technology, business model & design)

(b) Open innovation (Cooperation with government and academia)

Innovative tough polymer composites enable more durable tires while conserving resources.

High-power artificial muscle
Key to enabling the use of sturdy robots at extreme disaster sites.
B. Innovation (technology, business model & design)

(c) Athlete support

Joint development of racing bicycle
Technical support for Para-athletes

URL http://jcf.or.jp/
B. Innovation (technology, business model & design)

(d) Innovative technologies

- Polyisoprene

EXAMATION

(New State-of-the-Art tire assembling system)
B. Innovation (technology, business model & design)

(d) Innovative technologies

- AirFree

National Invention “METI Minister Award”

- ologic

ECOPIA EP500 ologic
B. Innovation (technology, business model & design)

(e) Move from “Product” to “Solution”

- **Puncture Solutions**
  - Run-Flat Technology

- **NVH Solutions**
  - Tire + AVP (Anti-Vibration Products) + Seat pad
B. Innovation (technology, business model & design)

(e) Move from “Product” to “Solution”

- **Fleet Solutions**
  New Tire + Retread + Service + IT

- **Mining Solutions**
  Tire + Conveyor belt + Service + IT

- **Agriculture Mobility Solutions**
  AG Tire + Rubber track + Service + IT
2. 2017 MTP (Priority issues) (1) Cultivating global corporate culture

B. Innovation (technology, business model & design)

(e) Move from “Product” to “Solution”

• Aircraft Tire Solutions

- New Aircraft Tire Solutions Bases in Thailand
  - Start production in Dec. 2019
  - Increase production capacity completion by the end of 2018

- New tire plant
- Retread tire plant
B. Innovation (technology, business model & design)

(e) Move from “Product” to “Solution”

Selected as a “Competitive IT Strategy Company” for 3 consecutive years
B. Innovation (technology, business model & design)

(f) Good Design Award 2017

“BATTLECRUISE H50”
“bikke POLAR e”
(Electric-Assisted Bicycle with child seat)
C. Continuous Kaizen

(a) In each & every area of business: Continuous improvement

8th Bridgestone Group & Global TQM (Total Quality Management) Conference
C. Continuous Kaizen

(b) Enhance and expand sales network

Sales: €175 million
Network: 487 stores

Sales: €91 million
Network: 76 stores

Sales: €150 million
Network: 104 stores

(Data: FY2016)
C. Continuous Kaizen

(c) Contribute to the creation of a sustainable society

Technique to Easily Diagnose Disease in Rubber Tree
(Rapid detection by gene analysis)
C. Continuous Kaizen

(c) Contribute to the creation of a sustainable society

Selected as “DJSI World Index” for 2 consecutive years (2016 – 2017)
C. Continuous Kaizen

(c) Contribute to the creation of a sustainable society

Named again “Eco First Company” by Ministry of Environment, Government of Japan

Received Highest Rating “A” in CDP’s Supplier Engagement Rating
C. Continuous Kaizen

(c) Contribute to the creation of a sustainable society

Selected as “MSCI Japan ESG Select Leaders Index”
Selected as “MSCI Japan Empowering Women Index (WIN)”
2017 Topics

Masterpieces from Bridgestone Museum of Art
Ishibashi Foundation Collection

Musée de l’Orangerie (Paris)
420,000 visitors

Bridgestone Day

“Tokyo–Paris Masterpieces from Bridgestone Museum of Art, Ishibashi Foundation Collection”
Special support: Bridgestone Corporation
2. 2017 MTP (Priority issues) (2) Developing human resources capable of global management

(a) Global Leadership Capabilities

(b) Communication tool: English as an official company language

Global meetings conducted in English

e.g. Global EXCO (Global Executive Committee)

Group & Global TQM Conference

Bridgestone Group Awards

(c) Diversity: Advance the development and promotion of diverse talent

- More outside talent to management

- Focus on increased gender diversity
  - Daycare center (Kodaira, Yokohama)
  - “Nadeshiko Brand” for 4 consecutive years
2. 2017 MTP (Priority issues) (2) Developing human resources capable of global management

(c) Diversity: Advance the development and promotion of diverse talent

Bridgestone Group Awards 2017

Comprehensive agreement with Ochanomizu University to promote female leadership training
2. 2017 MTP (Priority issues) (2) Developing human resources capable of global management

(c) Diversity : Advance the development and promotion of diverse talent

Named “Child care support company” by Ministry of Health, Labour and Welfare, Government of Japan

Daycare center in Yokohama
## A. Governance:

Enhancing governance and accelerating business execution

### (a) Corporate Governance: Organization design & Delegation

<table>
<thead>
<tr>
<th>Year</th>
<th>Management oversight</th>
<th>Mission &amp; Foundation Framework</th>
<th>Operational execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Independent Non-Executive members of the Board of Directors</td>
<td></td>
<td>Strategic Business Unit (SBU) organization structure (Followed by a progressive, continuous review of the operational structure)</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td>Two officers (CEO, COO) system in Bridgestone Americas Introduction of Executive Committees</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2012</td>
<td>Discretionary board advisory committees (Governance / Nomination / Compensation)</td>
<td>Environment Mission Statement</td>
<td>Two officers (CEO, COO) system in Bridgestone Corp.</td>
</tr>
<tr>
<td>2013</td>
<td>Compliance Committee</td>
<td>Safety Mission Statement</td>
<td>Introduction of Global Executive Committee Restructure SBUs: BSCAP China + Asia Pacific BSEMEA Europe + ME, Africa, Turkey, &amp; Russia</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td>Establish Global Mining &amp; Agricultural Solution Company</td>
</tr>
<tr>
<td>2015</td>
<td>Adoption of new corporate structure: “Company with Nominating Committee, etc.”</td>
<td>Quality Mission Statement</td>
<td></td>
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<tr>
<td>2016</td>
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<tr>
<td>2017</td>
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</tbody>
</table>
A. Governance :

(b) Global EXCO:

- Highest body of global business execution
- Developing & strengthening talent
- 16 Official Members (6 nationalities) + Observers

- Cross-business/cross-functional Committee:
  Global EXCO-sponsored working groups
B. DP business : Expanding the Diversified Products businesses

- Globalization:

![Firestone Building Products](image1)

Roofing products for commercial buildings

Acquisition of Gaco Western

- Infrastructure : Seismic isolator

![Seismic isolator](image2)

The National Museum of Western Art (World Cultural Heritage)

URL http://www.nmwa.go.jp/
B. DP business : Expanding the Diversified Products businesses

• Both Front & Rear Electric-Assisted System: “Dual Drive”

School commuting bicycle “Albelt e”
Low-floor bicycle “Frontier Royal”
Bicycle with child seat “bikke GRI”
2. 2017 MTP (Priority issues) (3) Upgrading the global management structure

B. DP business : Expanding the Diversified Products businesses

• Sports & Health class

Swimming school

Golf school
Today’s agenda

1. Introduction

2. 2017MTP (Priority issues)

3. 2017MTP (Management targets)

4. Ultimate Goal
As we move forward with the transformation, a continuing focus on 3 priority goals:

Consistently deliver:

- **Growth**: Exceed the industry average
- **Overall**: ROA 6%, OP 10%, ROE 12%
- **Each SBU**: OP 10% (Respectively)
3. 2017 MTP (Management targets)

- **Japan**
  - [Japan Tire + Specialty Tire + Diversified Products]
  - Sales (billion yen): 2014 = 1,000, 2015 = 1,000, 2016 = 1,000, 2017 (Forecast) = 1,500
  - OP%: 2014 = 15%, 2015 = 15%, 2016 = 15%, 2017 (Forecast) = 15%

- **EMEA (*)**
  - [Europe + Russia + Middle East & Africa]
  - Sales (billion yen): 2014 = 1,000, 2015 = 1,000, 2016 = 1,000, 2017 (Forecast) = 1,500
  - OP%: 2014 = 10%, 2015 = 10%, 2016 = 10%, 2017 (Forecast) = 10%

- **Americas**
  - [North America + Latin America]
  - Sales (billion yen): 2014 = 2,000, 2015 = 2,000, 2016 = 2,000, 2017 (Forecast) = 2,000
  - OP%: 2014 = 20%, 2015 = 20%, 2016 = 20%, 2017 (Forecast) = 20%

- **Others (*)**
  - [China + Asia & Pacific]
  - Sales (billion yen): 2014 = 1,000, 2015 = 1,000, 2016 = 1,000, 2017 (Forecast) = 1,000
  - OP%: 2014 = 10%, 2015 = 10%, 2016 = 10%, 2017 (Forecast) = 10%

* Scope of geographic segment has been renewed since 2016 as the result of the restructuring of the tire business SBUs

Formerly 「EMEA」: ~2015=Europe
Formerly 「Others」: ~2015=China・Asia Pacific・ME・Africa・Russia
Formerly 「EMEA」: 2016=Europe・ME・Africa
Formerly 「Others」: 2016=China・Asia Pacific・Russia
Formerly 「EMEA」: 2017=Europe・Russia・ME・Africa
Formerly 「Others」: 2017=China・Asia Pacific

OP% before cost allocation adj.
3. 2017 MTP (Management targets)

### Net income (Billion Yen)

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<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017 (Fcst)</th>
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</thead>
<tbody>
<tr>
<td>Net income (Billion Yen)</td>
<td>172</td>
<td>202</td>
<td>301</td>
<td>284</td>
<td>266</td>
<td>289</td>
</tr>
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### Dividends per share (Yen)

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<tbody>
<tr>
<td>Dividends per share (Yen)</td>
<td>32</td>
<td>57</td>
<td>100</td>
<td>130</td>
<td>140</td>
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</table>

### Consolidated payout ratio (%)

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<tr>
<td>Consolidated payout ratio (%)</td>
<td>15</td>
<td>22</td>
<td>26</td>
<td>36</td>
<td>41</td>
<td>37</td>
</tr>
</tbody>
</table>

2017 Forecast: Acquisition of Treasury Stock: 50 million shares / JPY 150 billion (Up to)
Today’s agenda

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4. Ultimate Goal

To become a truly global company
To achieve “Dan-Totsu”
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