



# Financial Results for 1st Half of Fiscal 2020

Bridgestone Corporation

August 7, 2020

**BRIDGESTONE**  
*Solutions for your journey*

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for 1st Half of Fiscal 2020 P.2
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# 1 . Business and Financial Performance for 1st Half of Fiscal 2020

# Impacts of the Global COVID-19 Pandemic in the 1st Half of Fiscal 2020

## Market Conditions

- Decreased demand for OE and replacement tires due to global economic stagnation stemming from state of emergency declarations by countries worldwide
- Particularly large depression in European and North American markets, ongoing caution required with regard to market conditions despite signs of recovery seen since the beginning of June 2020
- Relatively low drop in demand for ORR and TBR tires for replacement market, but sluggish demand for PSR tires due to restrictions on exports and movement of people and commodities
- Continuation of relatively strong demand for HRD tires demonstrating a steady growth

## Tire Production Conditions

- Operations previously suspended at certain plants centered on Europe and North America in response to demand declines and government policies, but operations since resumed at all plants with operating rates being raised in a phased manner
  - Japan : Operations halted for several days on two occasions (early and late May)
  - N. America : Phased suspension of operations at all plants commenced on March 20, 2020 → Phased resumption started on April 13, 2020, operations resumed at all plants by late May
  - Europe : Partial suspension of operations commenced on March 17, 2020 → Phased resumption of operations at all started on April 14, 2020
  - Other : Suspension of operations at plants in India, Brazil, Russia, and South Africa → Operations resumed at all plants as of July 20, 2020

## Supply Chain Conditions

- Impacts in various regions from shortened operations, reduced delivery frequencies, store closures, refrainment from sales activities, etc.
- No supply deficiencies due to supply chain interruptions thanks to efforts to continue tire deliveries and maintain sales networks in almost all regions while minimizing COVID-19 infection risks due to commitment to supporting society held at all sites in all countries

# Responses to Impacts of the Global COVID-19 Pandemic in the 1st Half of Fiscal 2020

## Flexible Crisis Response Measures

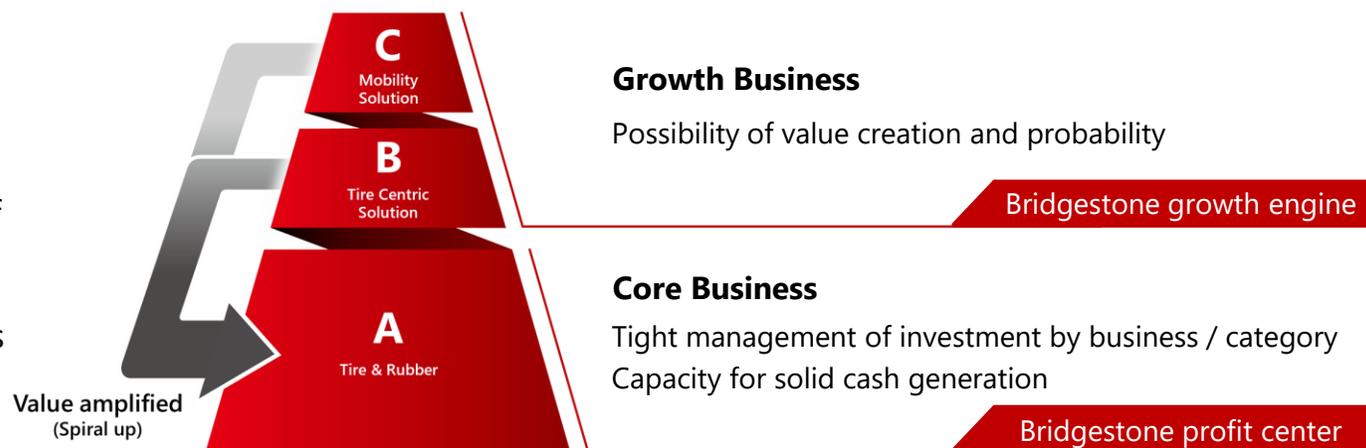
- Promotion of cash-oriented management: Flexible funding measures for securing sufficient liquidity  
 → High credit ratings maintained despite impacts of global COVID-19 pandemic

2019 Credit Ratings	Moody's	A2	2020 Credit Ratings	Moody's	A2	(Announced in May 2020)
	S&P	A		S&P	A	(Announced in July 2020)
	R&I	AA		R&I	AA	(Announced in May 2020)

- Extensive cost and investment reviews:  
 Rigorous selection based on policy of maximizing returns and cash flows while investing resources necessary for future growth, and reductions of operating expenses of ¥135.0 billion and investment by ¥112.0 billion in comparison to initial 2020 plan  
 → Mid-long term perspective adopted, not only short-term perspective, including global footprint optimization

## Reallocation of Resources based on Mid-Long Term Business Strategy

- Prioritization of resource allocation and concentration of resources on businesses promising guaranteed returns with a focus on core business
- Clarification of businesses to receive resource allocations by establishing business evaluation criteria



# Business Environment Surrounding Bridgestone Group



## Currency Exchange

- Stronger JPY against USD/EUR vs. PY  
1USD=108yen, 1EUR=120yen (Ref.) 191H 1USD=110yen, 1EUR=124yen



## Raw Material Prices

- Natural Rubber : Lower vs. PY
- Crude Oil : Lower vs. PY



## Tire Demand (PSR/TBR)

- Weaker global demand vs. PY due to COVID-19
- Huge drop especially in PSR by Product and OE by Channel

### Market trend of natural rubber and crude oil (Average)

	2019		2020
	1H	2H	1H
Natural Rubber 〈TSR20〉*1 (¢/kg)	146	136	122
Natural Rubber 〈RSS#3〉*1 (¢/kg)	173	156	148
Crude Oil 〈WTI〉 (\$/bbl)	57	57	37

\*1 Source: Singapore Commodity Exchange Limited

### Tire Demand (Year-on-Year/unit base%)

Estimated by Bridgestone Corporation

	PSR		TBR	
	OE	REP	OE	REP
Japan	73%	87%	88%	87%
N.America	56%	84% <sup>*2</sup>	58%	89% <sup>*2</sup>
Europe	61%	76%	64%	82%

\*2 Source: U.S. Tire Manufacturers Association (USTMA)

# Tire Sales Growth for 1st Half of Fiscal 2020



## PSR/LTR

Global	72%
<b>OE</b>	
Global	63%
Japan	75%
N. America	54%
Europe	66%
China, Asia-Pacific	66%

## REP

Global	78%
Japan	83%
N. America	77%
Europe	80%
China, Asia-Pacific	76%



## TBR

Global	78%
<b>OE</b>	
Global	62%
Japan	88%
N. America	54%
Europe	61%
China, Asia-Pacific	62%

## REP

Global	85%
Japan	84%
N. America	94%
Europe	84%
China, Asia-Pacific	77%



## ORR

Ultra-Large (only REP)	88%
Large (OE / REP)	81% (50% / 93%)
Small & Medium (OE / REP)	79% (65% / 91%)



## PSR<sub>HRD</sub> (≥ 18")

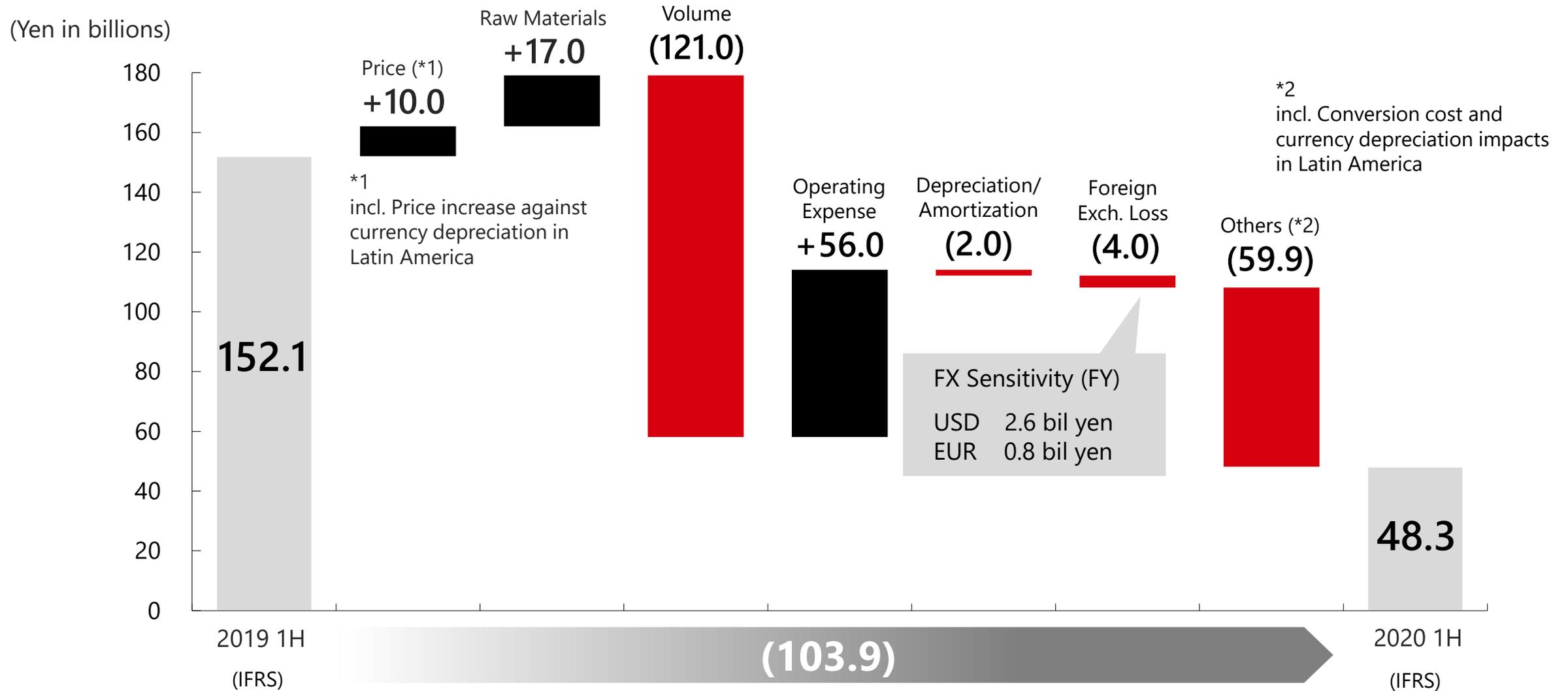
Global (REP)	75% (90%)
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# Consolidated Results for 1st Half of Fiscal 2020

(Yen in billions)

【IFRS】	2019 1H Results					2020 1H Results	vs. PY (%)
		Q1	vs. PY (%)	Q2	vs. PY (%)		
Revenue	1,739.9	752.2	(11)	603.2	(32)	1,355.5	(22)
Adjusted Operating Profit Ratio	152.1 8.7%	49.8 6.6%	(39) (3.1) pp	(1.6) (0.3) %	- (8.1) pp	48.3 3.6%	(68) (5.2) pp
Profit Attributable to Owners of Parent	98.7	19.5	(65)	(41.5)	-	(22.0)	-
USD/JPY	110 yen	109 yen	(1) yen	108 yen	(2) yen	108 yen	(2) yen
EUR/JPY	124 yen	120 yen	(5) yen	119 yen	(4) yen	120 yen	(4) yen

# Analysis of Adjusted Operating Profit for 1st Half of Fiscal 2020



# Financial Results for 1st Half of Fiscal 2020 by Segment

(Yen in billions)

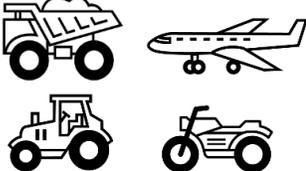
**【IFRS】**

	2019 1H Results	2020 1H Results	vs. PY (%)
<b>Consolidated Revenue</b>	<b>1,739.9</b>	<b>1,355.5</b>	<b>(22)</b>
Japan	436.8	357.3	(18)
Americas	831.1	646.7	(22)
Europe, Russia, Middle East, India and Africa	323.3	248.8	(23)
China, Asia-Pacific	237.2	181.7	(23)
<b>Consolidated Adjusted Operating Profit</b>	<b>152.1</b>	<b>48.3</b>	<b>(68)</b>
Japan	47.0	18.7	(60)
Americas	85.2	34.9	(59)
Europe, Russia, Middle East, India and Africa	9.0	(13.4)	-
China, Asia-Pacific	21.1	8.9	(58)

# Financial Results for 1st Half of Fiscal 2020 by Product (Tire Business)

(Yen in billions)

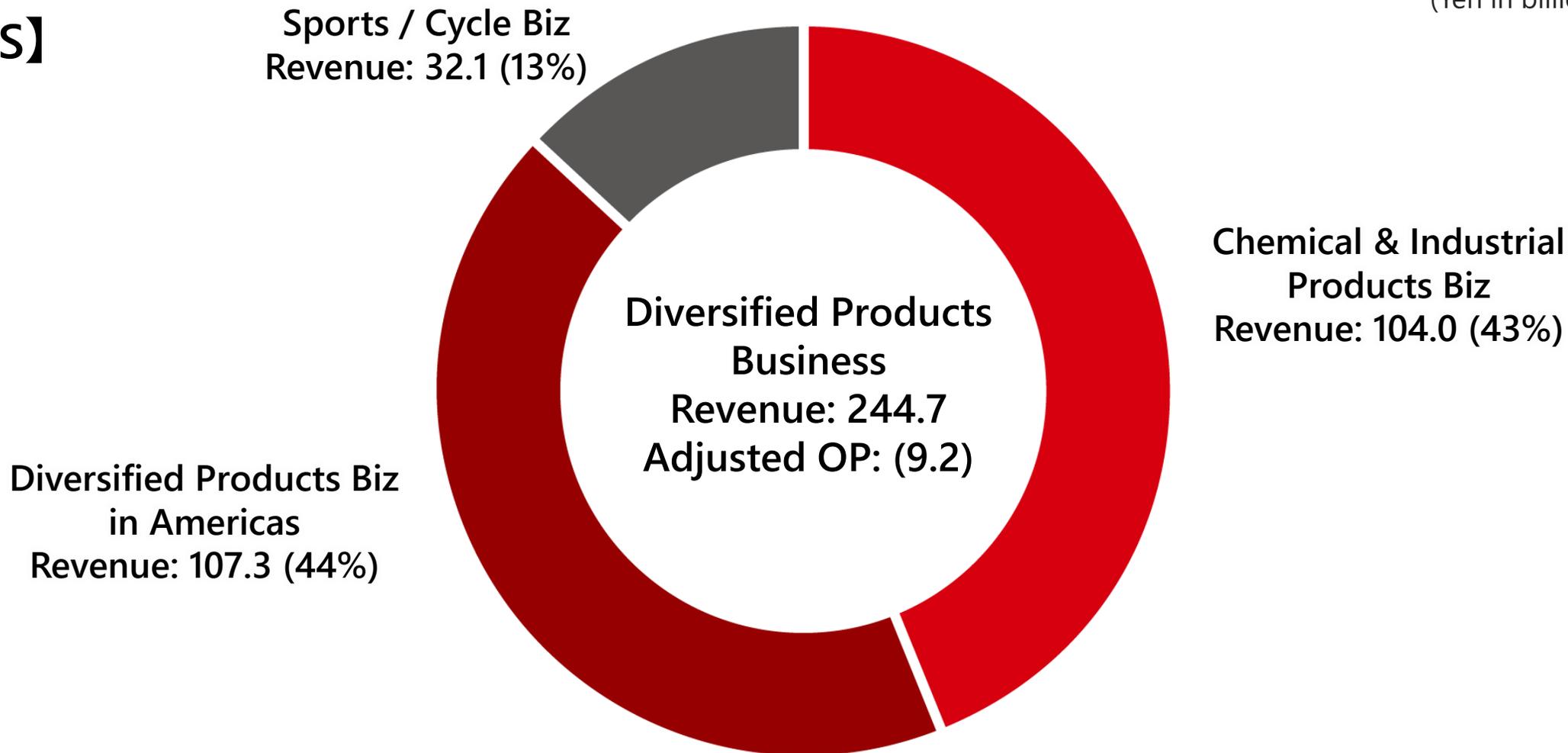
**【IFRS】**

		2019 1H Results	2020 1H Results	vs. PY (%)
 <b>PS/LT</b> * incl. retail and credit card business	Revenue	838.0	629.2	(25)
	Adjusted OP	76.4	9.8	(87)
	Ratio	9.1%	1.6%	(7.5) pp
 <b>TB</b> * incl. retread business	Revenue	409.2	298.2	(27)
	Adjusted OP	42.4	15.2	(64)
	Ratio	10.4%	5.1%	(5.3) pp
 <b>OR/AC/AG/MC</b>	Revenue	201.6	159.7	(21)
	Adjusted OP	46.0	25.9	(44)
	Ratio	22.8%	16.2%	(6.6) pp

# Financial Results for 1st Half of Fiscal 2020 by Product (Diversified Products Business)

【IFRS】

(Yen in billions)



# B/S and C/F Highlights for 1st Half of Fiscal 2020

## 【IFRS】

(Yen in billions)  
vs. Dec. 31 2019

	2020 1H Results (As of Jun. 30, 2020)	
Total Assets	<b>4,147.0</b>	(130.1)
Total Equity	<b>2,229.5</b>	(173.0)
Equity Ratio (%)	<b>52.7%</b>	(2.3)pp
Interest-Bearing Debt (Net)	<b>456.8</b>	+45.3
	2020 1H Results	vs. PY
Cash Flows from Operating Activities	<b>145.2</b>	(73.8)
Cash Flows from Investing Activities	<b>(104.1)</b>	+113.9
Free Cash Flow	<b>41.0</b>	+40.1
Capital Expenditure	<b>113.6</b>	(12.5)
Depreciation and Amortization	<b>133.1</b>	(1.0)

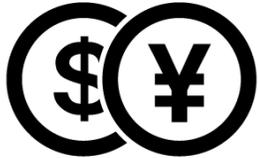
# Non-recurring Items for 1st Half of Fiscal 2020

(Yen in billions)

Adjusted Items	<b>28.5</b>	
Impacts of COVID-19	<b>23.8</b>	
Impairment losses	<b>11.9</b>	: Incl. impairment of assets for business use in Russia
Impact of plant shutdown	<b>9.7</b>	: In response to official requests and declarations by governments
Impact of cancellation of events, etc.	<b>2.2</b>	
Others	<b>4.7</b>	
Business and plant restructuring expenses	<b>4.7</b>	: Incl. expenses relating to the transfer of the unit bath business
Impairment loss related to shares using equity method	<b>18.4</b>	
Impairment loss on TireHub shares	<b>17.3</b>	: Primarily due to impacts of COVID-19

## 2. Consolidated Projections for Fiscal 2020

# Assumptions of Business Environment Surrounding Bridgestone Group

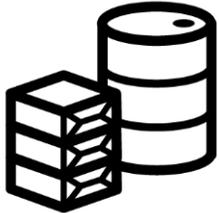


## Currency Exchange

- Stronger JPY against USD and EUR vs. PY

1USD=106yen, 1EUR=119yen (2H: 1USD=105yen, 1EUR=119yen)

(Ref.) 19FY 1USD = 109yen, 1EUR = 122yen; Feb. Projection 1USD=108yen, 1EUR=121yen



## Raw Material Prices

- Natural Rubber : Lower vs. PY
- Crude Oil : Lower vs. PY



## Global Tire Demand

- Moderate recovery expected in the near term, after bottoming out in Q2
- Demand drop due to 2nd wave of COVID-19 forecasted over Q4  
(Less impact of 2nd wave on demand expected compared to 1st wave)

# Consolidated Projections for Fiscal 2020

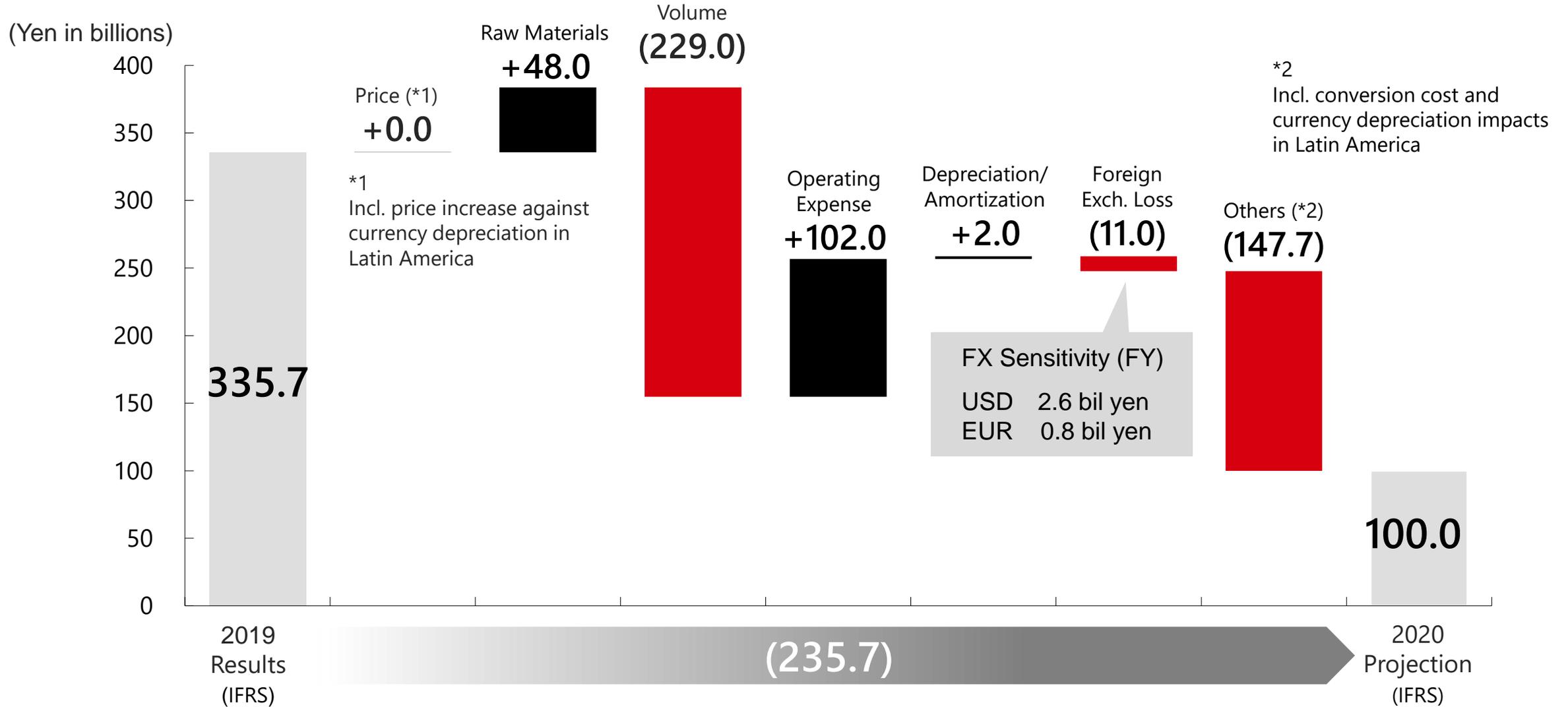
(Yen in billions)

(Ref. Feb. 17, 2020  
announcement)  
2020 Projections

<b>【IFRS】</b>	2019 Results	2020 Projections	vs. PY (%)	
Revenue	3,507.2	2,700.0	(23)	3,550.0
Adjusted Operating Profit Ratio	335.7 9.6%	100.0 3.7%	(70) (5.9)pp	360.0 10.1%
Profit Attributable to Owners of Parent	240.1	to be determined	-	230.0
USD/JPY	109 yen	106 yen	(3) yen	108 yen
EUR/JPY	122 yen	119 yen	(3) yen	121 yen

\* The consolidated financial result forecast for profit attributable to owners of parent has not been determined because it is difficult to reasonably calculate the result at this time due to the effect of the spread of COVID-19. When it does become possible to perform a reasonable calculation, the financial result forecast for profit attributable to owners of parent will be promptly announced.

# Analysis of Adjusted Operating Profit for Fiscal 2020



### 3. Revision of Dividend Forecast

# Revision of Dividend Forecasts

## Basic Dividend Policy

- In regard to distributing profits to shareholders, the Company conducts shareholder returns while maintaining an appropriate financial position and securing the internal revenues necessary for future growth investments.
- In determining dividend payments, the Company comprehensively evaluates factors including business results, financial condition for the relevant fiscal period, medium-term earnings forecasts, investment plans, and cash flows. Based on these considerations, the Company strives to live up to expectations of shareholders by issuing stable dividend payments targeting a consolidated payout ratio of 20% - 40%.

## Revised Dividend Forecast

Revision of dividend forecasts based on following policies in reflection of challenging operating environment indicated by recording loss attributable to owners of parent in 1H of 2020

1. Growth Investments : Limit cash outflows in 2020 while continuing strategically essential priority investments  
(reductions of operating expenses of ¥135.0 billion and investment by ¥112.0 billion in comparison to initial 2020 plan)
2. Financial Position : Maintain strong cash base in preparation for risks associated with potential for second wave of COVID-19 spread
3. Shareholder Returns : Determine appropriate amount for stable dividend payments over mid-long term based on 1. and 2. above

<Revised Dividend Forecast>	2019 (Actual)	2020 (Forecast)	(Ref. Feb. 17, 2020 announcement) 2020 Forecast
2nd Quarter End	¥ 80	¥ 50	¥ 80
Year End	¥ 80	to be determined*	¥ 80
Total	¥ 160	to be determined*	¥ 160

\* As it is not possible to provide financial results forecasts for fiscal 2020, the Company has left the forecast of the year-end dividend undetermined.



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