



# Financial Results for 3rd Quarter of Fiscal 2020

Bridgestone Corporation

November 12, 2020

**BRIDGESTONE**  
*Solutions for your journey*

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1. **Business and Financial Performance  
for 3rd Quarter of Fiscal 2020**

# Recovery Status from COVID-19 Impacts and Initiatives in 3rd Quarter of Fiscal 2020

## Market Conditions

In contrast to 2nd quarter, when demand fell sharply due to COVID-19 impacts, the global tire market for both new vehicles and replacement recovered in 3rd quarter.

- PS/LT/TB : Demand recovery in US, Europe and China is remarkable especially for replacement, while the recovery in Japan is relatively slow.
- Mining : While mine operating conditions vary among minerals, overall demand is showing signs of weakness.
- PSR-HRD: Because of increase in SUV and Light Truck sales, the relative strength in demand continues to stand out.  
(Sales recovered to a higher level than the previous year in 3rd quarter.)

## Supply Chain Conditions

- All plants which were temporally suspended in 2nd quarter have already resumed their operations with utilization rates being raised in a phased manner.
- The impact of the shortened operations and the store closures in each region has been largely resolved, but we are continuously operating on the ground while minimizing the risk of COVID-19 infection. Some effects remain on operations, such as self-restraint in face-to-face sales activities.

## Initiatives in 3rd Quarter

- Implementing thorough expense and cost control under crisis management based on cash-oriented operations
- Promoting the reformation of expense and cost structure to “rebuild earning power”  
(Port Elizabeth plant in South Africa: Closure agreed in Nov; Bethune plant in France: Project of plant closure initiated in Sep)
- Developing our own HRX plan looking to the establishment of execution system for Mid-Long Term Business Strategy  
(Renewal of management structure and HR system)

# Business Environment Surrounding Bridgestone Group



## Currency Exchange

- JPY is stronger against USD and weaker against EUR vs. PY  
1USD=106yen, 1EUR=124yen (Ref.) 3Q'19 1USD = 107yen, 1EUR = 119yen



## Raw Material Prices

- Both natural rubber and crude oil rose sharply from 2nd quarter, when the market fell. In particular, natural rubber, RSS #3 remained well above the level before COVID-19.



## Tire Demand (PSR/TBR)

- Market has recovered significantly since 2Q, which was struck by COVID-19.
- Both REP and OE is recovering and REP shows an outstanding rebound.  
(Ref.) Japan REP is conspicuously weak due to the pre-buy demand in Q3'19 prior to the consumption tax hike in Oct'19

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

	2019		2020		3Q
	3Q	4Q	1Q	2Q	
Natural Rubber 〈TSR20〉*1 (¢/kg)	135	137	133	111	<b>128</b>
Natural Rubber 〈RSS#3〉*1 (¢/kg)	159	154	158	138	<b>175</b>
Crude Oil 〈WTI〉 (\$/bbl)	56	57	46	28	<b>41</b>

\*1 Source: Singapore Commodity Exchange Limited

### Tire Demand (Year-on-Year/unit base%) Estimated by Bridgestone Corporation

	PSR				TBR			
	OE		REP		OE		REP	
	3Q	9 months	3Q	9 months	3Q	9 months	3Q	9 months
Japan	87%	78%	74%	82%	78%	85%	59%	74%
N.America	93%	68%	105%	88%	77%	64%	102%	98%
Europe	89%	69%	97%	84%	90%	71%	98%	88%

# Tire Sales Growth for 3rd Quarter of Fiscal 2020



## PSR/LTR

	3Q	9 months
Global	90%	78%

### OE

Global	88%	71%
Japan	82%	77%
N. America	98%	68%
Europe	93%	74%
China, Asia-Pacific	82%	71%

### REP

Global	92%	83%
Japan	69%	78%
N. America	100%	85%
Europe	106%	89%
China, Asia-Pacific	98%	83%



## TBR

	3Q	9 months
Global	87%	81%

### OE

Global	73%	65%
Japan	76%	84%
N. America	67%	58%
Europe	94%	70%
China, Asia-Pacific	66%	63%

### REP

Global	91%	87%
Japan	58%	72%
N. America	104%	98%
Europe	92%	87%
China, Asia-Pacific	102%	85%



## ORR

	3Q	9 months
Ultra-Large (only REP)	87%	87%
Large		71%
	OE	43%
	REP	77%
Small & Medium		81%
	OE	68%
	REP	94%



## PSR<sub>HRD</sub> (≥ 18")

Global (REP)	102% (113%)	84% (98%)
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# Consolidated Results for 3rd Quarter of Fiscal 2020

(Yen in billions)

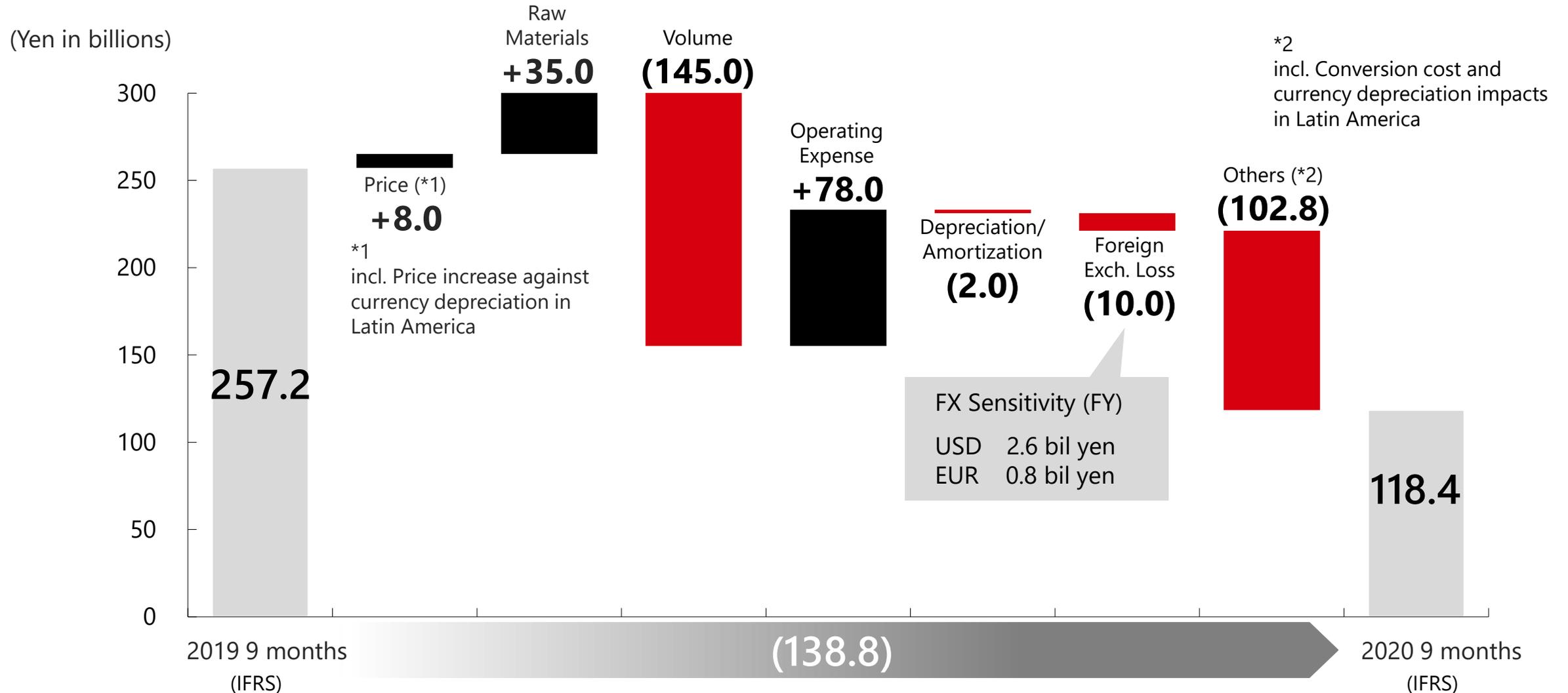
**【IFRS】**

2019  
9 months Results

2020  
9 months Results

		1H	vs. PY (%)	3Q	vs. PY (%)		vs. PY (%)
Revenue	2,623.7	1,355.5	(22)	793.5	(10)	2,148.9	(18)
Adjusted Operating Profit Ratio	257.2 9.8%	48.3 3.6%	(68) (5.2)pp	70.2 8.8%	(33) (3.0)pp	118.4 5.5%	(54) (4.3)pp
Profit Attributable to Owners of Parent	188.6	(22.0)	-	(2.1)	-	(24.1)	-
USD/JPY	109 yen	108 yen	(2) yen	106 yen	(1) yen	107 yen	(2) yen
EUR/JPY	123 yen	120 yen	(4) yen	124 yen	+5 yen	121 yen	(2) yen

# Analysis of Adjusted Operating Profit for 3rd Quarter of Fiscal 2020



# Financial Results for 3rd Quarter of Fiscal 2020 by Segment

(Yen in billions)

**【IFRS】**

	2019 9 months Results	2020 9 months Results	vs. PY (%)
<b>Consolidated Revenue</b>	<b>2,623.7</b>	<b>2,148.9</b>	<b>(18)</b>
Japan	666.8	526.8	(21)
Americas	1,254.2	1,036.7	(17)
Europe, Russia, Middle East, India and Africa	481.8	405.5	(16)
China, Asia-Pacific	352.8	286.8	(19)
<b>Consolidated Adjusted Operating Profit</b>	<b>257.2</b>	<b>118.4</b>	<b>(54)</b>
Japan	75.8	26.3	(65)
Americas	140.7	87.5	(38)
Europe, Russia, Middle East, India and Africa	14.5	(9.9)	-
China, Asia-Pacific	30.4	16.5	(45)

# Financial Results for 3rd Quarter of Fiscal 2020 by Product (Tire Business)

(Yen in billions)

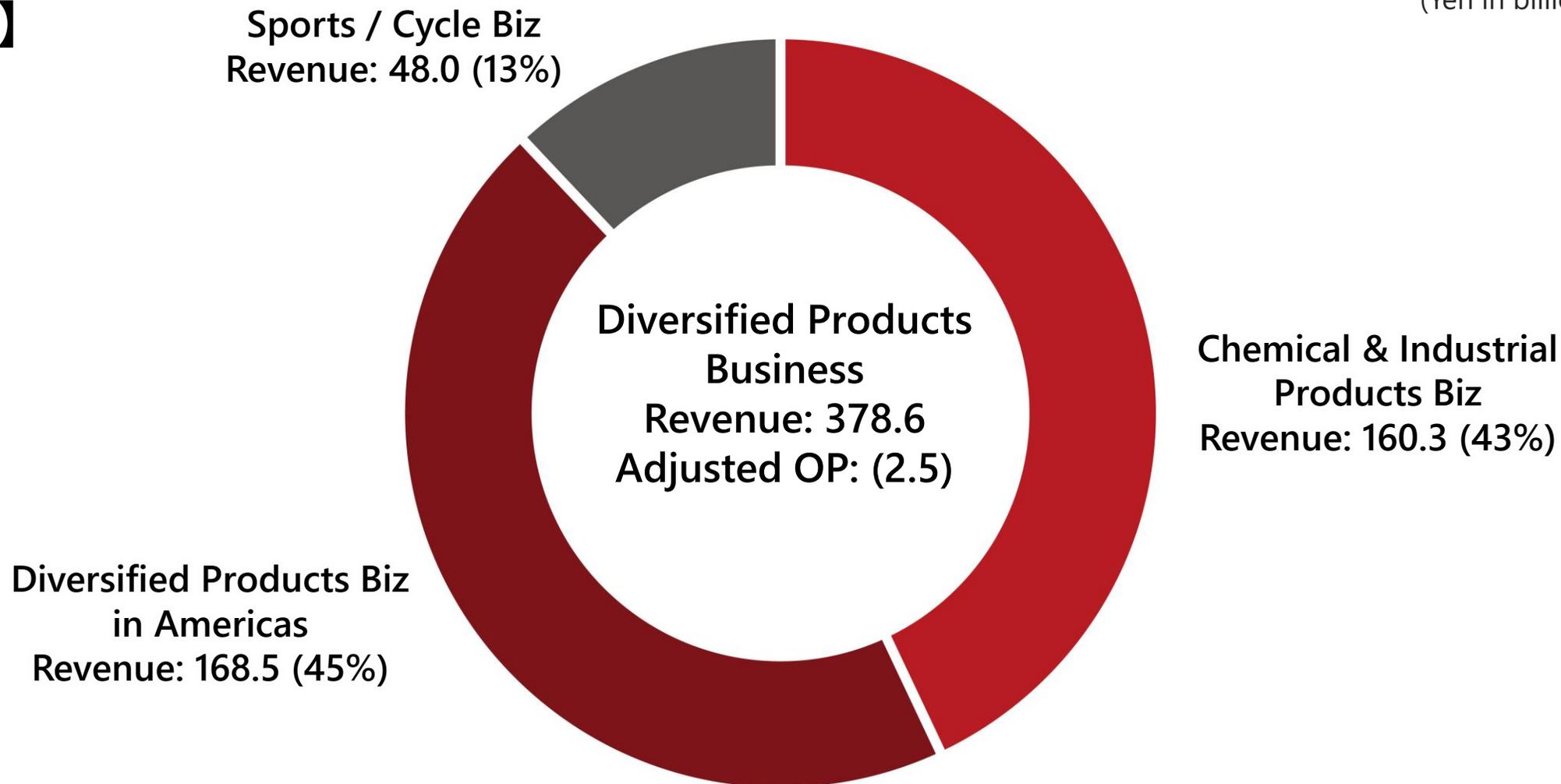
**【IFRS】**

	2019 9 months Results	2020 9 months Results	vs. PY (%)
 <b>PS/LT</b> * incl. retail and credit card business	Revenue	1,252.1	1,018.0 (19)
	Adjusted OP	124.4	54.3 (56)
	Ratio	9.9%	5.3% (4.6)pp
 <b>TB</b> * incl. retread business	Revenue	600.5	472.2 (21)
	Adjusted OP	72.1	33.2 (54)
	Ratio	12.0%	7.0% (5.0)pp
 <b>Specialties (OR/AC/AG/MC)</b>	Revenue	295.7	237.4 (20)
	Adjusted OP	67.1	35.3 (47)
	Ratio	22.7%	14.9% (7.8)pp

# Financial Results for 3rd Quarter of Fiscal 2020 by Product (Diversified Products Business)

【IFRS】

(Yen in billions)



# B/S and C/F Highlights for 3rd Quarter of Fiscal 2020

【IFRS】	(Yen in billions)	
	2020 3Q Results (As of Sep. 30, 2020)	vs. Dec. 31 2019
Total Assets	4,111.6	(165.5)
Total Equity	2,175.6	(226.9)
Equity Ratio (%)	51.8%	(3.1)pp
Interest-Bearing Debt (Net)	381.5	(30.1)
	2020 3Q Results	vs. PY
Cash Flows from Operating Activities	315.0	+18.1
Cash Flows from Investing Activities	(141.7)	+115.4
Free Cash Flow	173.4	+133.5
Capital Expenditure	171.1	(41.9)
Depreciation and Amortization	199.5	(1.9)

# Non-recurring Items for 3rd Quarter of Fiscal 2020

(Yen in billions)

Adjusted Items	75.0	<u>Main Items</u>
Impairment losses	35.1	: China TBR Business and Russia Business
Business and plant restructuring expenses	25.9	: Provisions relating to the commencement of discussions for the closure of overseas tire plants and expenses relating to the transfer of the unit bath business
Impacts of COVID-19 * (direct expenses due to official requests and declarations by the national and local governments)	14.0	
Impact of plant shutdown	11.2	: Fixed costs arising from the period when operations were temporarily suspended at plants
Impact of store closure and cancellation of events	2.8	: Fixed costs incurred over the period of the suspended operations of retail stores and expenses which were the direct result of cancellation of events
Impairment loss related to shares using equity method	18.3	
Impairment loss on TireHub shares	17.2	: As a result of changes in the business environment, such as the impacts of COVID-19

\* Impacts of COVID-19 recorded in "Adjusted Items" represents direct expenses that cannot be mitigated due to official requests and declarations by the national and local governments to prevent the spread of COVID-19. Other negative impacts, such as lower sales and production volume, voluntary suspension of plant operations, shortened operation hours, self-restraint in business trip and so on, are not included.

## 2. Consolidated Projections for Fiscal 2020

# Forecast of Business Environment Surrounding Bridgestone Group



## Currency Exchange

- 4Q : 1USD = 105yen, 1EUR = 124yen
- FY : 1USD = 107yen, 1EUR = 122yen



## Raw Material Prices

- Natural rubber to rise sharply in 4Q
- Crude oil to remain at the same level as in 3Q



## Tire Demand (PSR/TBR)

- Demand slowdown in 4Q mainly in US and Europe due to emerging impacts of the 2nd wave of COVID-19
- Moderate recovery expected in Japan for both REP and OE
- In Asia, China and Thailand on recovery but Indonesia hit significantly by COVID-19

### Currency Exchange Assumption

(Yen)	2019	2020		
		1H	2H	FY
	FY			
USD/JPY	109	108	106	107
EUR/JPY	122	120	124	122

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

Estimated by Bridgestone Corporation

FY Fcst	PSR		TBR	
	OE	REP	OE	REP
Japan	85%	89%	84%	81%
N.America	74%	86%	70%	95%
Europe	75%	87%	72%	84%
Asia *1	86%	87%	120%	95%

\*1 Total of Thailand, Indonesia and China

# Tire Sales Growth Projections for Fiscal 2020

## PSR/LTR

Global	80~84%
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### OE

Global	70~74%
Japan	80~84%
N. America	75~79%
Europe	75~79%
China, Asia-Pacific	70~74%

### REP

Global	85~89%
Japan	85~89%
N. America	85~89%
Europe	85~89%
China, Asia-Pacific	85~89%

## TBR

Global	80~84%
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### OE

Global	65~69%
Japan	85~89%
N. America	60~64%
Europe	70~74%
China, Asia-Pacific	60~64%

### REP

Global	85~89%
Japan	80~84%
N. America	100%
Europe	85~89%
China, Asia-Pacific	85~89%

## ORR

Ultra-Large (only REP)	80~84%	
Large	80~84%	
	OE	55~59%
	REP	85~89%
Small & Medium	80~84%	
	OE	70~74%
	REP	85~89%

## PSR<sub>HRD</sub> (≥ 18")

Global (REP)	85~89% (95~99%)
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# Consolidated Projections for Fiscal 2020

(Yen in billions)

**【IFRS】**

2019  
Results

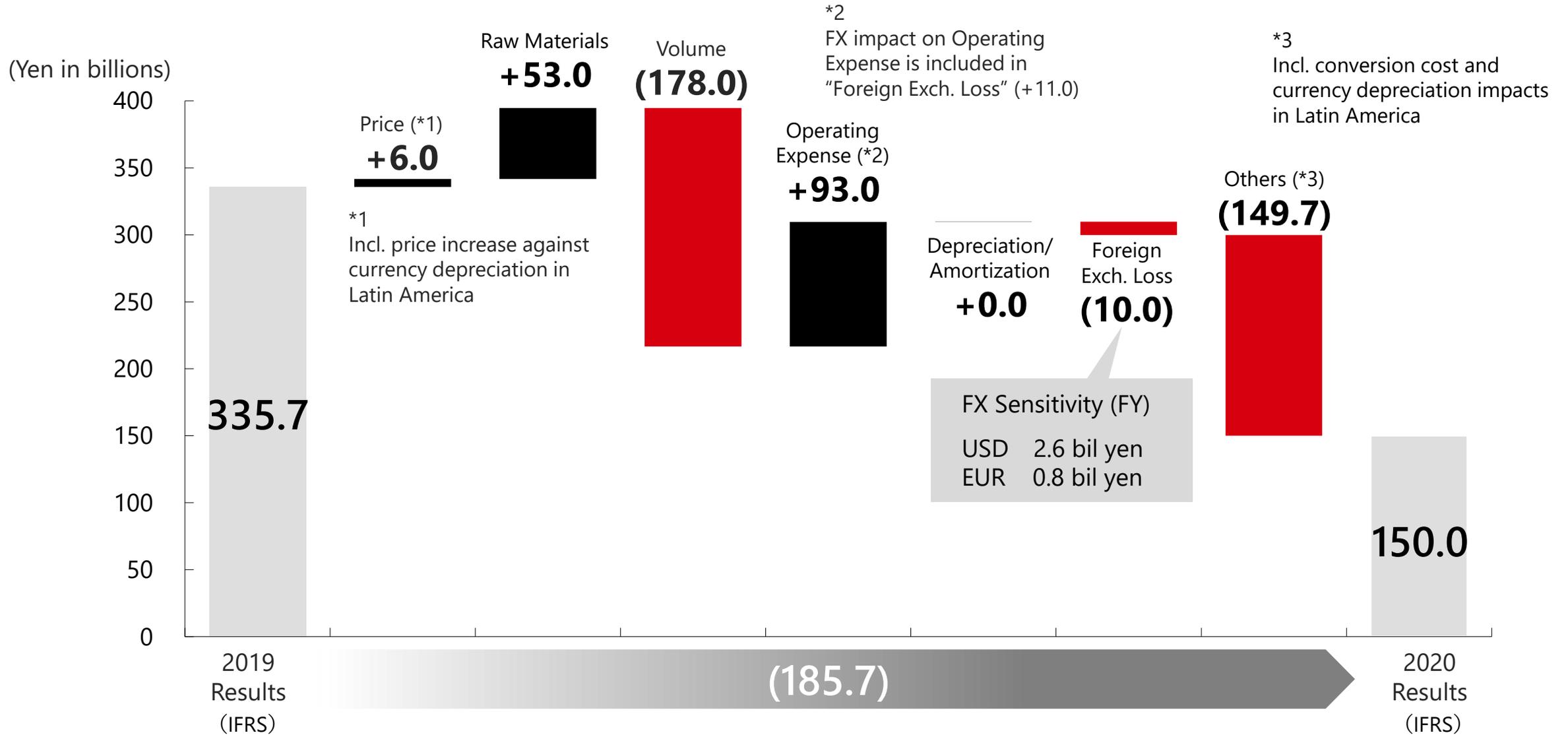
2020  
Projections

vs. PY (%)

(Ref. Aug. 7, 2020  
announcement)  
2020 Projections

	2019 Results	2020 Projections	vs. PY (%)	(Ref. Aug. 7, 2020 announcement) 2020 Projections
Revenue	3,507.2	2,890.0	(18)	2,700.0
Adjusted Operating Profit Ratio	335.7 9.6%	150.0 5.2%	(55) (4.4)pp	100.0 3.7%
Profit Attributable to Owners of Parent	240.1	(60.0)	-	to be determined
USD/JPY	109 yen	107 yen	(2) yen	106 yen
EUR/JPY	122 yen	122 yen	±0 yen	119 yen

# Analysis of Adjusted Operating Profit for Fiscal 2020



### 3. Year-end Dividend Forecast

# Year-end Dividend Forecast

## 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

Considering the negative net income forecast for 2020, year-end dividend forecast was determined based on the following concepts:

1. Growth Investments : Exercise restraint to limit cash outflow during the current fiscal year while securing priority investments required for business strategies.
2. Financial Position : Consider the currently emerging impact of a second wave of COVID-19 and the likelihood of a future increase in demand for financing relating to business/manufacturing base reorganization and continue to maintain a robust cash position.
3. Shareholder Returns : Determine dividend amounts that are in line with the "stable shareholder returns" in the mid-long term based on 1. and 2. above.

### <Revised Dividend Forecast>

	2019 (Actual)	2020 (Forecast)	(Ref. Aug. 7, 2020 announcement) 2020 Forecast
2nd Quarter End	¥ 80	¥ 50	¥ 50
Year End	¥ 80	¥ 55	to be determined
Total	¥ 160	¥ 105	to be determined



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