



Financial Results for Fiscal 2020

Bridgestone Corporation

February 16, 2021

BRIDGESTONE
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1. Business and Financial Performance for Fiscal 2020 ... 2
2. Consolidated Projections for Fiscal 2021 ... 13

1. Business and Financial Performance for Fiscal 2020

Market Conditions and Key Initiatives in 4th Quarter of Fiscal 2020

Market Conditions in 4th Quarter

- Decline in demand due to the resurgence of COVID-19 was limited.
Demand recovery trend from 3rd quarter continued, especially in Truck & Bus tires.

- PS/LT
 - Demand in Europe and the US softened slightly from Nov. onward due to the resurgence of COVID-19 while sales of HRD tires remained strong.
 - Demand recovery trend for new vehicle tires continued in 4th quarter, and the recovery became clearer.

- TB
 - Despite the backdrop of the resurgence of COVID-19, demand for replacement tires was particularly firm and recovered above the level of PY.
 - Demand recovery trend for new vehicle tires continued in 4th quarter, and the recovery became clearer.

- OR
 - Demand weakness was seen for ultra-large tires while operating conditions varied depending on the mineral.
 - Demand for large and small & medium tires, mainly for construction demand, recovered significantly from the drop in demand in 1st half.

Key Initiatives in 4th Quarter

- Promoted transformation in preparation for demand recovery after 2021 while continuing “crisis management” in an environment where COVID-19 impacts continue.
- Continued sales activities while placing the highest priority on the life and safety of employees, customers and related parties and minimizing the risk of COVID-19 infection.
- Implemented thorough cost and expense control continuing from the previous quarters.
- Promoted business and manufacturing footprint restructuring as part of “Expense and cost structure reformation”.
(Announced the sale of the building materials business in the US on Jan 7, 2021)
- Reinforced HRX and foundation for financial strategy as enablers for execution.
(HRX: Implemented organizational changes in Japan as of Jan 1, 2021, Process: Foundation of global financial strategy)
- Formulated "Sustainability Business Framework" as an initiative towards 2030 and beyond in the mid-long term business strategy.

Business Environment Surrounding Bridgestone Group



Currency Exchange

- USD appreciated against JPY, while EUR remained at the same level as PY
1USD = 107 yen, 1EUR = 122 yen (Reference) FY19 1USD = 109 yen, 1EUR = 122 yen



Raw Material Prices

- Both natural rubber and crude oil price rose in 4Q, continuing from 3Q.
- Natural rubber price was much higher than level before COVID-19.



Tire Demand (PSR/TBR)

- In 4Q, the demand recovery trend from COVID-19 continued from 3Q.
- Impact of the second wave of COVID-19 on demand was limited. Demand of TBR-REP was remarkably strong.

Market trend of natural rubber and crude oil (Average)

	2019		2020		
	4Q	1Q	2Q	3Q	4Q
Natural Rubber 〈TSR20〉*1 (¢/kg)	137	133	111	128	154
Natural Rubber 〈RSS#3〉*1 (¢/kg)	154	158	138	175	235
Crude Oil 〈WTI〉 (\$/bbl)	57	46	28	41	43

*1 Source: Singapore Commodity Exchange Limited

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

	PSR				TBR			
	OE		REP		OE		REP	
	4Q	FY	4Q	FY	4Q	FY	4Q	FY
Japan	104%	84%	114%	91%	94%	87%	124%	91%
N.America	88%	74%	100%	92%	97%	71%	111%	101%
Europe	99%	77%	92%	86%	111%	80%	107%	93%
Asia *2	–	88%	–	88%	–	127%	–	89%

*2 Total of Thailand, Indonesia and China

Tire Sales Growth for Fiscal 2020

PSR/LTR

	4Q	FY
Global	99%	84%

OE

Global	<u>101%</u>	78%
Japan	98%	82%
N. America	104%	76%
Europe	102%	81%
China, Asia-Pacific	96%	77%

REP

Global	98%	87%
Japan	107%	87%
N. America	88%	86%
Europe	87%	89%
China, Asia-Pacific	98%	87%

TBR

	4Q	FY
Global	<u>105%</u>	87%

OE

Global	98%	72%
Japan	97%	88%
N. America	87%	64%
Europe	113%	80%
China, Asia-Pacific	83%	68%

REP

Global	<u>108%</u>	92%
Japan	124%	87%
N. America	113%	102%
Europe	97%	89%
China, Asia-Pacific	101%	89%

ORR

	4Q	FY	
Ultra-Large (only REP)	71%	83%	
Large	90%	80%	
	OE	95%	56%
	REP	89%	87%
Small & Medium	95%	83%	
	OE	<u>100%</u>	73%
	REP	93%	89%

PSR HRD (≥ 18")

Global (REP)	<u>106%</u> (104%)	90% (99%)
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Consolidated Financial Results for Fiscal 2020

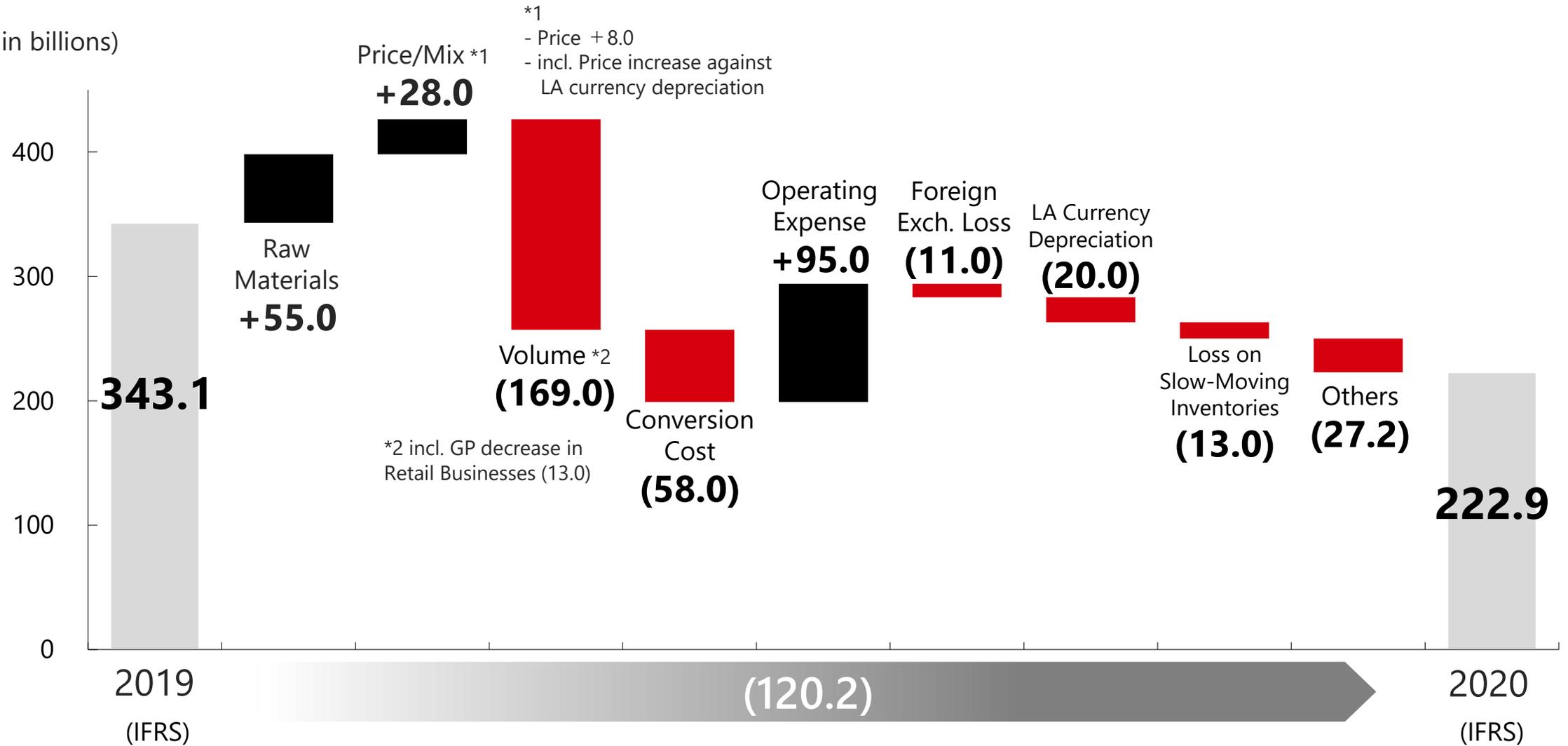
(Yen in billions)

IFRS	2019 Results					2020 Results	vs. PY (%)
		9 months Results	vs. PY (%)	4Q	vs. PY (%)		
Revenue	3,507.2	2,148.9	(18)	845.6	(4)	2,994.5	(15)
Adjusted Operating Profit	343.1	118.4	(54)	104.5	+22	222.9	(35)
Ratio	9.8%	5.5%	(4.3) pp	12.4%	+2.6 pp	7.4%	(2.3) pp
Profit Attributable to Owners of Parent	240.1	(24.1)	-	0.8	(98)	(23.3)	-
Dividend per Share	160 yen	50 yen	-	60 yen	-	110 yen	-
USD/JPY	109 yen	107 yen	(2) yen	105 yen	(4) yen	107 yen	(2) yen
EUR/JPY	122 yen	121 yen	(2) yen	124 yen	+4 yen	122 yen	±0 yen

NOTE: Adjusted operating profit and its margin for fiscal 2019 has been updated due to the reclassification of recall expenses of Bridgestone Cycle Corporation to adjusted items.

Analysis of Adjusted Operating Profit for Fiscal 2020

(Yen in billions)



NOTE: Adjusted operating profit for fiscal 2019 has been updated due to the reclassification of recall expenses of Bridgestone Cycle Corporation to adjusted items.

Consolidated Financial Results for Fiscal 2020 by Segment

(Yen in billions)

IFRS	2019 Results	2020 Results	vs. PY (%)
Consolidated Revenue	3,507.2	2,994.5	(15)
Japan	918.1	762.6	(17)
Americas	1,661.7	1,407.9	(15)
Europe, Russia, Middle East, India and Africa	640.1	564.3	(12)
China, Asia-Pacific	462.8	394.6	(15)
Consolidated Adjusted Operating Profit	343.1	222.9	(35)
Japan	108.8	64.6	(41)
Americas	184.3	139.9	(24)
Europe, Russia, Middle East, India and Africa	15.0	(17.6)	-
China, Asia-Pacific	36.2	24.6	(32)

NOTE: Adjusted operating profit for fiscal 2019 has been updated due to the reclassification of recall expenses of Bridgestone Cycle Corporation to adjusted items.

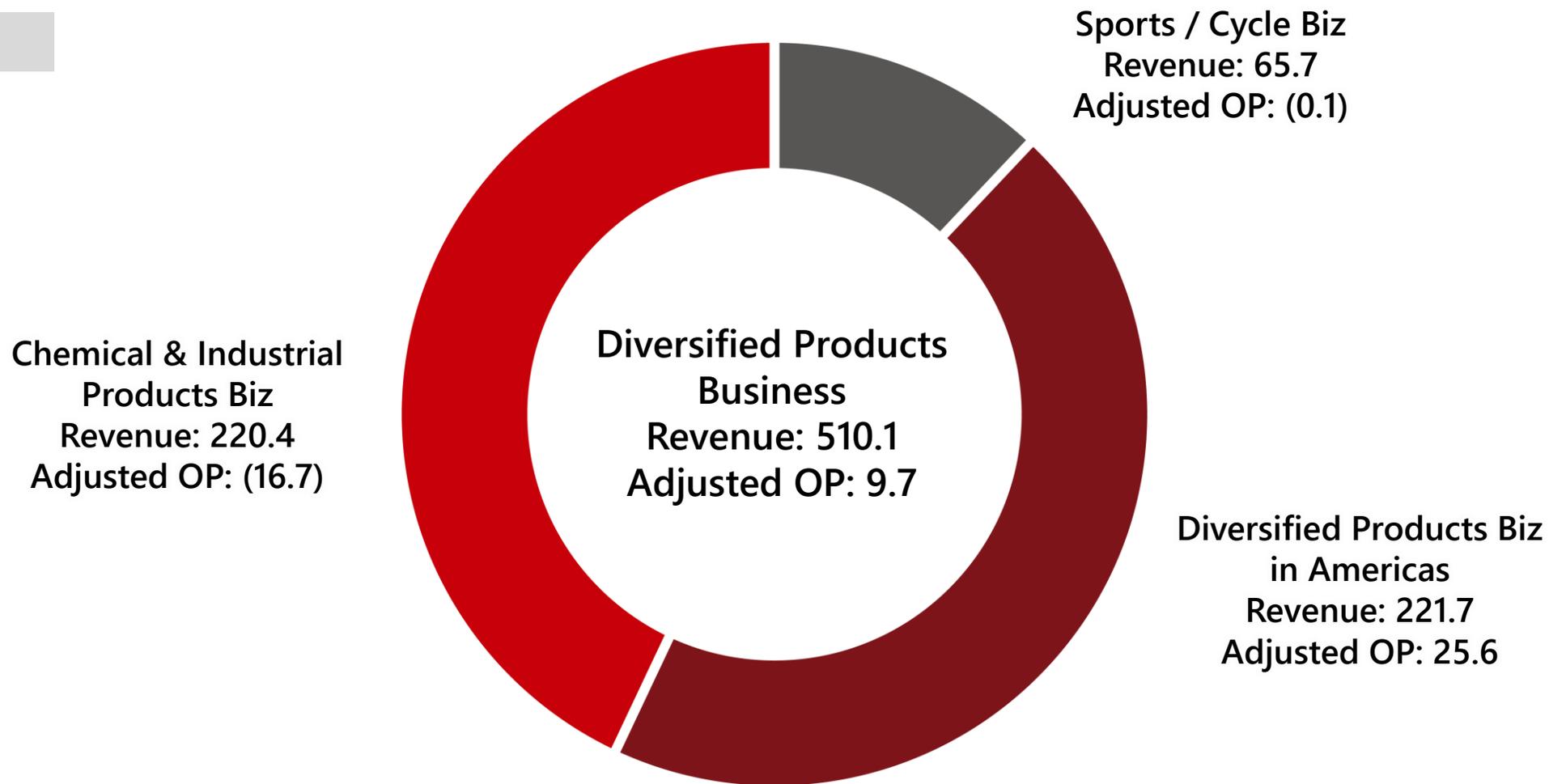
Consolidated Financial Results for Fiscal 2020 by Product (Tire Business)

(Yen in billions)

IFRS		2019 Results	2020 Results	vs. PY (%)
 PS/LT * incl. retail and credit card business	Revenue	1,708.1	1,455.8	(15)
	Adjusted OP	180.9	121.8	(33)
	Ratio	10.6%	8.4%	(2.2) pp
 TB * incl. retread business	Revenue	807.2	660.6	(18)
	Adjusted OP	86.8	57.0	(34)
	Ratio	10.8%	8.6%	(2.1) pp
 Specialties (OR/AC/AG/MC)	Revenue	385.4	310.9	(19)
	Adjusted OP	84.5	40.9	(52)
	Ratio	21.9%	13.1%	(8.8) pp

Consolidated Financial Results for Fiscal 2020 by Business (Diversified Products Business)

IFRS



Diversified Products Biz in Americas remained strong,
while severe business environments continued in Chemical & Industrial Products Biz.

B/S and C/F Highlights for Fiscal 2020

(Yen in billions)

IFRS	2020 Results (As of Dec. 31, 2020)	vs. Dec. 31 2019
Total Assets	4,189.3	(87.7)
Total Equity	2,195.3	(207.2)
Equity Ratio (%)	51.3%	(3.6) pp
Interest-Bearing Debt (Net)	195.6	(215.9)
	2020 Results	vs. PY
Cash Flows from Operating Activities	526.9	+21.9
Cash Flows from Investing Activities	(155.4)	+106.5
Free Cash Flow	371.6	+128.4
Capital Expenditure	271.9	(56.3)
Depreciation and Amortization	267.5	(2.3)

Non-recurring Items for Fiscal 2020

(Yen in billions)

Adjusted Items	158.8	<u>Main Items</u>
Impairment losses	89.6	: China-TBR, Russia-PSR, Vietnam-PSR, India, Thailand-OR(S&M), Aircraft, Anti-vibration rubber business
Business and plant restructuring expenses	42.8	: 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
Recall expenses of Bridgestone Cycle Corporation	11.4	: Expenses relating to inspections, repairs, etc. of the affected standard bicycles and power assist bicycles following the recall of certain models of standard bicycles and power assist bicycles manufactured by Bridgestone Cycle Corporation, a Bridgestone consolidated subsidiary
Impacts of COVID-19 *1	15.4	: Direct expenses due to official requests and declarations by the national and local governments
Impact of plant shutdown	11.7	: Fixed costs arising from the period when operations were temporarily suspended at plants
Impact of store closure and cancellation of events	3.7	: 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	18.2	
Impairment loss on TireHub shares	17.0	: As a result of changes in the business environment, such as the impacts of COVID-19

*1 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 2021

Business Environment Assumptions for 2021 Projections



Currency Exchange

- Assumption: 1USD = 103 yen, 1EUR = 126 yen



Raw Material Prices

- Natural rubber to be slightly lower and crude oil to be slightly higher vs. 4Q'20
- Natural rubber to be similar and crude oil to be slightly higher vs. FY20



Tire Demand (PSR/TBR)

- Overall demand expected to increase as market recovers from COVID-19
- Recovery to a level close to 2019 assumed though it varies among regions and products

Currency Exchange

		(Yen)
	2020	2021 Assumption
USD/JPY	107	103
EUR/JPY	122	126

Tire Demand (unit base%) Estimated by Bridgestone Corporation

	PSR				TBR			
	OE		REP		OE		REP	
	YoY	vs. 2019						
Japan	108%	91%	103%	95%	104%	90%	103%	94%
N. America	122%	90%	104%	96%	119%	84%	103%	104%
Europe	110%	85%	106%	91%	110%	88%	101%	94%
Asia ^{*1}	111%	98%	108%	94%	77%	98%	108%	96%

*1 Total of Thailand, Indonesia and China

Tire Sales Growth Projections for Fiscal 2021

 **PSR/LTR**

Global	106~110%
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OE

Global	111~115%
Japan	111~115%
N. America	121~125%
Europe	106~110%
China, Asia-Pacific	106~110%

REP

Global	106~110%
Japan	111~115%
N. America	111~115%
Europe	100%
China, Asia-Pacific	111~115%

 **TBR**

Global	111~115%
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OE

Global	121~125%
Japan	101~105%
N. America	141~145%
Europe	116~120%
China, Asia-Pacific	136~140%

REP

Global	106~110%
Japan	101~105%
N. America	101~105%
Europe	106~110%
China, Asia-Pacific	111~115%

 **ORR**

Ultra-Large (only REP)	106~110%	
Large	116~120%	
	OE	171~175%
	REP	106~110%
Small & Medium	116~120%	
	OE	141~145%
	REP	106~110%

 **PSR HRD (≥ 18")**

Global (REP)	116~120% (116~120%)
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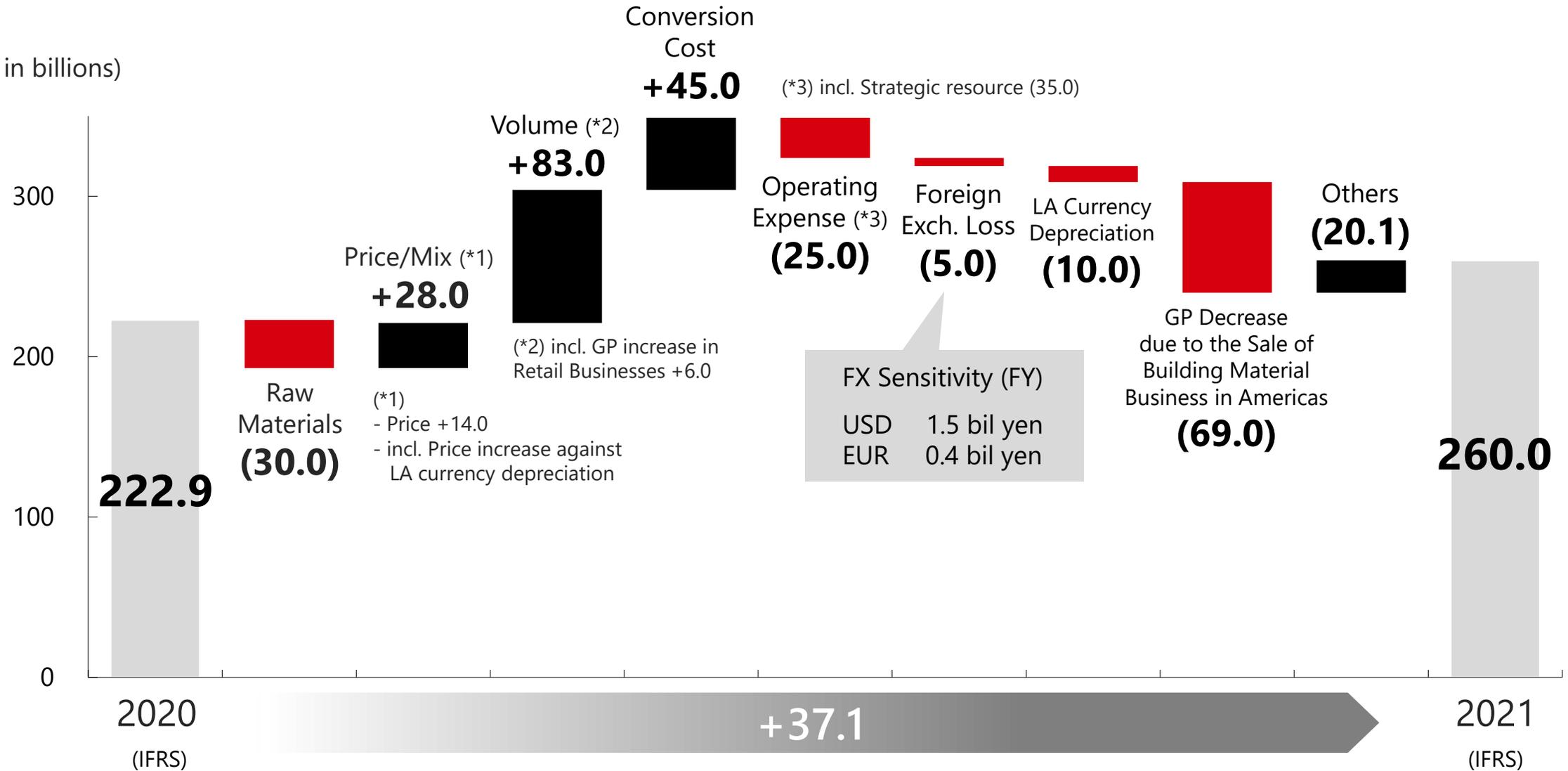
Consolidated Projections for Fiscal 2021

(Yen in billions)

IFRS	2020 Results	2021 Projections	vs. PY (%)
Revenue	2,994.5	3,010.0	+1
Adjusted Operating Profit Ratio	222.9 7.4 %	260.0 8.6 %	+17 +1.2 pp
Profit Attributable to Owners of Parent - Profit from Continuing Operations	(23.3)	261.0 150.0	-
Dividend per Share	110 yen	130 yen	-
USD/JPY	107 yen	103 yen	(4) yen
EUR/JPY	122 yen	126 yen	+4 yen
ROIC	5.5 %	6.3 %	+0.8 pp
ROE	(1.0) %	6.8 %	+7.9 pp

Analysis of Adjusted Operating Profit for Fiscal 2021

(Yen in billions)



Consolidated Projections for Fiscal 2021 by Segment *1

(Yen in billions)

IFRS	2021 Projections	vs. PY (%) *2
Consolidated Revenue	3,010.0	+1
Japan	950.0	+7
Americas	1,240.0	(8)
Europe, Russia, Middle East, India and Africa	580.0	+5
China, Asia-Pacific	350.0	+8
Consolidated Adjusted Operating Profit	260.0	+17
Japan	93.0	+18
Americas	139.0	+1
Europe, Russia, Middle East, India and Africa	4.0	-
China, Asia-Pacific	36.0	+44

*1 Change in calculation method for the disclosure of segment results from 2021

From 2021, BS Group introduces ROIC as a new KPI based on the perspective of portfolio management. For the purpose of evaluating the performance of each segment based on ROIC, we decided to manage segment results from 2021 onward by excluding "Inter-SBU export profit/loss" in general tires (mainly PSR/TBR). In line with this decision, export profit/loss will also be excluded from the disclosure of segment results from 1st quarter of fiscal 2021. The excluded export profit/loss will be included in the consolidated total only.

*2 Calculation of "vs. PY (%)"

The restated figures for fiscal 2020 based on the way of calculation above are used in determining changes from the previous year. They constitute approximate values. Furthermore, the results of fiscal 2020 used for calculating year-on-year changes include FIRESTONE BUILDING PRODUCTS COMPANY, LLC (FSBP), the sale of which was announced on January 7, 2021.

Capital Allocation and Dividend Policy

Capital Allocation Policy

- Basic Policy

The Company secures the internal reserves necessary “to rebuild earning power in our core businesses”, “for strategic growth investments to expand our solutions business, one of our growth businesses”, and “for strategic growth investments into our exploratory business”, while maintaining an appropriate financial position and conducting shareholder returns.

- “Rebuilding earning power of our core businesses”

We will invest money to accelerate initiatives of restructuring we have started since 2020 with a sense of speed.

- Expense and cost structure reformation : Business and manufacturing footprint restructuring, and resource reallocation
- Operational Excellence: Premium business strategy

- “Strategic growth investments to expand our solutions business”

We will conduct investments including M&A targeting the field below, which is defined in mid-long term business strategy.

- Growth business : Retread, Webfleet Solutions, and global rollout of solution businesses
- Core Competence : Sustainability business, Digital transformation, and Innovation

- “Strategic growth investments into our exploratory business”

We will invest in “Exploratory business” which is newly added to our portfolio in the mid-term business plan to enable sustainable growth.

- Exploratory business : Recycle business and Soft-robotics business (incl. rubber actuators)

Dividend Policy

Though we have been targeting a consolidated payout ratio of 20%-40% as a basic dividend policy, we revise it to 40% as stated below:

【New Basic Dividend Policy】

In determining dividend payments, the Company comprehensively evaluates factors including business results, financial positions 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 the expectations of shareholders by striving to achieve stable and continuous increases of dividend payments targeting a consolidated payout ratio of 40% by sustainably enhancing our corporate value.



Statements made in this presentation with respect to Bridgestone's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Bridgestone. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "may" or "might" and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to it. Bridgestone cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not rely on any obligation of Bridgestone to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Bridgestone disclaims any such obligation.