

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending December 31, 2016

May 11, 2016

These financial statements, prepared in accordance with accounting principles generally accepted in Japan, have been translated for reference only from the original Japanese-language document "KESSAN TANSHIN". The entire format is pursuant to the requirements or guidance of Tokyo Stock Exchange. As for the contents, if there are any differences or discrepancies between the original Japanese-language and the English translation, the original Japanese-language supersedes this English translation.

Bridgestone Corporation

Code number:5108

Representative: Masaaki Tsuya,

Stock exchange listings: Tokyo, Nagoya, Fukuoka

URL:<http://www.bridgestone.com/>

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

Contact: Naoki Hishinuma, Treasurer, General Manager

Telephone: +81-3-6836-3100

Scheduled date of quarterly securities report submission:

May 12, 2016

Scheduled date of dividend payment commencement:

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Supplementary information for the quarterly financial statements to be prepared:

Yes

Meeting to explain for the quarterly financial statements to be held:

Yes

(for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Results for the First Quarter of Fiscal 2016 (January 1, 2016 - March 31, 2016)

(1) Consolidated Operating Results (Percentage figures represent changes from the same period of previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
Three months ended March 31, 2016	825,799	(7.6)	108,457	(6.7)	103,494	(10.6)	56,742	(20.7)
Three months ended March 31, 2015	893,656	3.5	116,257	(0.1)	115,712	1.6	71,594	(0.5)

(Note) Comprehensive Income: Three months ended March 31, 2016 (¥43,144 million [—%])
Three months ended March 31, 2015 (¥50,188 million [96.5%])

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended March 31, 2016	72.45	72.35
Three months ended March 31, 2015	91.42	91.31

(2) Consolidated Financial Position

	Total assets	Net assets	Ratio of total equity to total assets
	Yen in millions	Yen in millions	%
As of March 31, 2016	3,533,535	2,171,331	59.7
As of December 31, 2015	3,795,846	2,282,011	58.2

(Reference) Total equity: As of March 31, 2016 (¥2,110,989 million)
As of December 31, 2015 (¥2,209,068 million)

2. Dividends

	Annual Dividend				
	1st quarter end	2nd quarter end	3rd quarter end	Year -end	Total
FY 2015	Yen —	Yen 60.00	Yen —	Yen 70.00	Yen 130.00
FY 2016	—	—	—	—	—
FY 2016 (Projection)	—	70.00	—	70.00	140.00

(Note) Changes from the latest forecasts released: No

3. Consolidated Projected Results for Fiscal 2016 (January 1, 2016 - December 31, 2016)

(Percentage figures represent changes from the same period of previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
First half year FY 2016	1,770,000	(4.6)	237,000	(0.3)	214,000	(8.2)	128,000	(11.5)	163.43
	3,750,000	(1.1)	520,000	0.5	487,000	(4.0)	309,000	8.7	394.53

(Note) Changes from the latest forecasts released: No

* Notes

- (1) Changes in principal subsidiaries during the three months ended March 31, 2016 : No
(Changes in specified subsidiaries involving change in consolidation scope)
- (2) Application of special accounting treatments for consolidated quarterly financial statements: Yes
- (3) Changes in accounting policy, changes in accounting estimates, and restatements
- | | |
|---|-------|
| 1) Changes due to revisions of accounting standards, etc. | : Yes |
| 2) Changes in accounting policy other than 1) | : No |
| 3) Changes in accounting estimates | : No |
| 4) Restatements | : No |
- (4) Outstanding number of shares (common stock)
- | | |
|---|--------------------|
| 1) Outstanding number of shares at period end (including treasury stock): | |
| March 31, 2016 | 813,102,321 shares |
| December 31, 2015 | 813,102,321 shares |
| 2) Number of shares of treasury stock at period end | |
| March 31, 2016 | 29,869,064 shares |
| December 31, 2015 | 29,878,493 shares |
| 3) Average outstanding number of shares (during the first quarter) | |
| First Quarter ended March 31, 2016 | 783,230,882 shares |
| First Quarter ended March 31, 2015 | 783,169,339 shares |

* Implementation status about the quarterly review

Although these financial statements are exempt from quarterly review procedures as required by the Financial Instruments and Exchange Act, a part of quarterly review based on Financial Instruments and Exchange Act were completed at the time of the disclosure of these financial statements.

* Statement regarding appropriate use of forward-looking statements and other notes

The preceding descriptions of projections and plans are “forward-looking statements,” which involve known and unknown risks and uncertainties. These variables could cause the Bridgestone Group’s actual performance and financial results to differ substantially from management’s projections and plans, and the statements are not guarantees of future business performance.

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1. Qualitative Information for the First Quarter of Fiscal 2016

The Bridgestone Corporation is referred to as the “Company,” and the Company and its subsidiaries are referred to as the “Companies.”

(1) Explanation of Consolidated Operating Results

1) Sales and earnings

	FY 2016 1Q (Three months ended March 31, 2016)	FY 2015 1Q (Three months ended March 31, 2015)	Increase (Decrease)	
	Yen in billions	Yen in billions	Yen in billions	%
Net sales	825.7	893.6	(67.8)	(8)
Operating income	108.4	116.2	(7.8)	(7)
Ordinary income	103.4	115.7	(12.2)	(11)
Profit attributable to owners of parent	56.7	71.5	(14.8)	(21)

In the first quarter of fiscal 2016 (January 1 to March 31, 2016), the operating environment surrounding Companies was as follows: the Japanese yen had been strong and unclear situation continued due to the upsurge of uncertainty of the global economy while the Japanese domestic economy continued gradual recovery with an improvement in the employment environment. The United States economy continued recovery supported by an increase in consumer spending. The European economy continued modest recovery. In Asia, the Chinese economic growth remained slow. Overall, overseas economies were gradually recovering but still weak while the political and economic situation remained unstable. In addition, the tire demand for mining vehicles decreased by the lower mineral prices.

Under these operating conditions, the Companies continued their work to realize the ultimate goal of becoming “a truly global company” and achieving “Dan-Totsu in all aspects of our business.” Stepping up efforts on a global scale, the Companies were working harder than ever to anticipate market trends and competitors’ movements, as well as enhance technologies and promote innovation to increase the sales of highly competitive products and services, and building and enhancing business models to extend beyond the mere sales of products. Moreover, the Companies were continuing to implement a range of measures for management reforms. In the first quarter of fiscal 2016, the Companies were promoting reform of governance system and implementing a variety of measures to realize more effective utilization of management resources with appropriate expenses.

As a result of the appreciation of Japanese yen and the decrease of unit sales, net sales in the first quarter of fiscal 2016 were ¥825.7 billion, a decrease of 8% from the first quarter of fiscal 2015; operating income was ¥108.4 billion, a decrease of 7%, ordinary income was ¥103.4 billion, a decrease of 11%; and profit attributable to owners of parent was ¥56.7 billion, a decrease of 21%.

2) Segment Information

		FY 2016 1Q (Three months ended March 31, 2016)	FY 2015 1Q (Three months ended March 31, 2015)	Increase (Decrease)	
		Yen in billions	Yen in billions	Yen in billions	%
Tires	Net Sales	679.7	751.7	(72.0)	(10)
	Operating income	100.4	109.4	(9.0)	(8)
Diversified Products	Net Sales	149.6	147.1	2.5	2
	Operating income	8.0	6.8	1.2	18
Consolidated Results	Net Sales	825.7	893.6	(67.8)	(8)
	Operating income	108.4	116.2	(7.8)	(7)

In the tires segment, the Companies worked to maximize sales momentum by introducing attractive new products globally, enhancing competitiveness of strategic products and reinforcing fundamental competencies such as specification optimization, and responding promptly to demand fluctuation in each region.

In Japan, the unit sales of tires for passenger cars and light trucks increased firmly and the unit sales of tires for trucks and buses increased steadily compared to the first quarter of fiscal 2015. In the Americas, the unit sales of tires for passenger cars and light trucks in North America increased steadily and the unit sales of tires for trucks and buses decreased compared to the first quarter of fiscal 2015 due to a decrease in the sales of original equipment tires. In Europe, the unit sales of tires for passenger cars and light trucks increased steadily and the unit sales of tires for trucks and buses increased strongly compared to the first quarter of fiscal 2015. In China and Asia Pacific, the unit sales of tires for passenger cars and light trucks increased strongly and the unit sales of tires for trucks and buses increased firmly compared to the first quarter of fiscal 2015. In the specialty tire business, sales of large and ultra-large off-the-road radial tires for construction and mining vehicles were down year on year due to a decrease of demand stemming from tire inventory adjustments at mines.

As a result of the tires sales above and the appreciation of Japanese yen, net sales in the tires segment during the first quarter of fiscal 2016 were ¥679.7 billion, a decrease of 10% from the first quarter of fiscal 2015; operating income was ¥100.4 billion, a decrease of 8%.

In the diversified products segment, net sales were ¥149.6 billion, an increase of 2% from the first quarter of fiscal 2015 and operating income was ¥8.0 billion, an increase of 18% from fiscal 2015 due to an increase in the profit of BSAM Diversified Product business.

(Note) The amounts for segment results include inter-segment transactions that are eliminated in calculating the consolidated results.

(2) Explanation of Consolidated Financial Position

Assets, liabilities, and net assets positions at the end of the first quarter of fiscal 2016 were as follows.

(Assets)

In assets, while merchandise and finished products increased ¥4.4 billion, short-term investments, tangible fixed assets and investments in securities decreased ¥54.6 billion, ¥75.9 billion and ¥48.7 billion respectively. As a result, assets decreased ¥262.3 billion compared with the end of the previous fiscal year, to ¥3,533.5 billion.

(Liabilities)

In liabilities, while short-term borrowings increased ¥53.8 billion, accounts payable-other and long-term borrowings decreased ¥53.8 billion and ¥77.4 billion respectively. As a result, liabilities decreased ¥151.6 billion compared with the end of the previous fiscal year, to ¥1,362.2 billion.

(Net assets)

In net assets, while profit attributable to owners of parent was ¥56.7 billion, cash dividends paid were ¥54.8 billion and foreign currency translation adjustments decreased ¥80.1 billion. As a result, net assets decreased ¥110.6 billion compared with the end of the previous fiscal year, to ¥2,171.3 billion.

Due to a decrease of assets by ¥262.3 billion, the ratio of total equity to total assets increased 1.5% compared with the end of the previous fiscal year, to 59.7%.

(3) Explanation of Projections of Consolidated Results

There are no changes in consolidated projections announced on February 17, 2016.

2. Other Information (Notes)

(1) Application of special accounting treatments for consolidated quarterly financial statements

(Calculation for income tax expense)

Income tax expense was calculated based upon an estimated effective tax rate for fiscal 2016.

(2) Changes in accounting policy, changes in accounting estimates, and restatements

Changes in accounting policy

(Application of Accounting Standard for Business Combinations, etc)

The Company has applied the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) and other relevant standards from the first quarter of fiscal 2016. As a result, the difference arising from changes in ownership interests in its subsidiary when the Companies continue to have control of the subsidiary is accounted for as capital surplus, and acquisition-related costs are treated as expenses in the consolidated fiscal year in which they occurred. Also, for any business combinations on or after the beginning of the first quarter of fiscal 2016, the adjustments of the purchase price allocation following the determination of the provisional accounting treatment are reflected in the quarterly consolidated financial statements for the quarter in which the business combination occurred. In addition, the presentation of net income has been changed, and the presentation of minority interests has been changed to non-controlling interests. To reflect these changes in presentation, the quarterly consolidated financial statements for the first quarter of the previous fiscal year and consolidated financial statements for the previous fiscal year have been reclassified.

In accordance with the transitional treatment provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, these accounting standards have been applied from the beginning of fiscal 2016 and thereafter.

There is no effect on the consolidated statement of income.

(Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

The Company has applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force ("PITF") No. 18, March 26, 2015) from the first quarter of fiscal 2016. In accordance with the transitional treatment provided in PITF No. 18, the overseas subsidiary "BRIDGESTONE HOSE AMERICA INC." amortizes goodwill for which it has selected amortization treatment based on Financial Accounting Standards Board ("FASB") Accounting Standards Codification, Topic 350, "Intangible-Goodwill and Other" using the remaining amortization period of goodwill on the consolidated financial statements.

There is no effect on the consolidated statement of income.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Balance Sheet

	(Yen in millions)	
	FY 2015 (As of December 31, 2015)	FY 2016 1Q (As of March 31, 2016)
Assets		
Current Assets		
Cash and deposits	387,652	384,514
Notes and accounts receivable	488,832	448,006
Short-term investments	217,348	162,685
Merchandise and finished products	370,046	374,517
Work in process	35,877	35,950
Raw materials and supplies	149,815	139,469
Other	192,340	170,099
Allowance for doubtful accounts	(33,357)	(33,900)
Total Current Assets	1,808,557	1,681,344
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	537,244	511,092
Machinery, equipment and vehicles, net	523,389	494,408
Other, net	443,257	422,392
Total tangible fixed assets	1,503,891	1,427,893
Intangible fixed assets	68,388	64,070
Investments and other assets		
Investments in securities	299,129	250,361
Other	121,760	114,182
Allowance for doubtful accounts	(5,880)	(4,317)
Total investments and other assets	415,009	360,226
Total Fixed Assets	1,987,289	1,852,191
Total Assets	3,795,846	3,533,535

(Yen in millions)

	FY 2015 (As of December 31,2015)	FY 2016 1Q (As of March 31,2016)
Liabilities		
Current Liabilities		
Notes and accounts payable	181,973	179,897
Short-term borrowings	125,908	179,720
Commercial Paper	—	7,887
Current portion of bonds	30,000	30,000
Lease obligations	1,137	1,047
Income taxes payable	50,523	33,576
Provision for recall	1,196	1,181
Accounts payable-other	164,491	110,638
Other	279,883	262,913
Total Current Liabilities	835,114	806,863
Long-term Liabilities		
Bonds	90,000	90,000
Long-term borrowings	188,275	110,798
Lease obligations	6,256	5,789
Net defined benefit liability	259,521	237,798
Other	134,668	110,952
Total Long-term Liabilities	678,720	555,339
Total Liabilities	1,513,835	1,362,203
Net Assets		
Shareholders' Equity		
Common stock	126,354	126,354
Capital surplus	123,025	123,020
Retained earnings	2,014,497	2,016,414
Treasury stock-at cost	(56,212)	(56,195)
Total Shareholders' equity	2,207,664	2,209,593
Accumulated Other Comprehensive Income		
Net unrealized gain(loss) on available-for-sale securities	192,324	160,836
Deferred gain(loss) on derivative instruments	(776)	(814)
Foreign currency translation adjustments	(55,406)	(135,530)
Remeasurements of defined benefit plans	(134,736)	(123,093)
Total accumulated other comprehensive income	1,404	(98,603)
Stock Acquisition Rights	2,469	2,456
Non-controlling Interests	70,473	57,885
Total Net Assets	2,282,011	2,171,331
Total Liabilities and Net Assets	3,795,846	3,533,535

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive IncomeConsolidated Statement of Income
First Quarter

(Yen in millions)

	FY2015 1Q (Three months ended March 31, 2015)	FY2016 1Q (Three months ended March 31, 2016)
Net Sales	893,656	825,799
Cost of Sales	541,471	486,134
Gross Profit	352,184	339,665
Selling, General and Administrative Expenses		
Goods freightage expenses	37,803	36,088
Advertising and promotion expenses	29,674	29,091
Salaries, allowances and bonuses	64,182	64,284
Retirement benefit expenses	7,037	5,172
Depreciation	7,407	7,900
Research and development expenses	23,216	24,227
Other	66,604	64,442
Total selling, general and administrative expenses	235,927	231,207
Operating Income	116,257	108,457
Non-operating Income		
Interest income	1,466	1,390
Dividend income	632	482
Foreign currency exchange gain	162	—
Gain on sales of investment securities	—	1,590
Other	3,710	2,716
Total non-operating income	5,971	6,179
Non-operating expenses		
Interest expense	3,004	2,727
Foreign currency exchange loss	—	4,015
Other	3,512	4,400
Total non-operating expenses	6,516	11,143
Ordinary Income	115,712	103,494
Extraordinary Income		
Gain on sales of investment securities	7,988	—
Total extraordinary income	7,988	—
Extraordinary Loss		
Loss related to Reorganization of R&D and Manufacturing Base	—	2,683
Total extraordinary Loss	—	2,683
Income before Income Taxes and Non-controlling Interests	123,701	100,811
Income taxes	48,888	41,502
Income before Non-controlling interests	74,813	59,309
Profit attributable to non-controlling interests	3,218	2,566
Profit attributable to owners of parent	71,594	56,742

Consolidated Statement of Comprehensive Income
First Quarter

(Yen in millions)

	FY 2015 1Q (Three months ended March 31, 2015)	FY 2016 1Q (Three months ended March 31, 2016)
Income before Non-controlling Interests	74,813	59,309
Other Comprehensive Income (loss)		
Unrealized gain (loss) on available-for-sale securities	15,831	(31,488)
Deferred gain (loss) on derivative instruments	1,718	208
Foreign currency translation adjustments	(45,873)	(82,007)
Remeasurements of defined benefit plans	4,885	11,794
Share of other comprehensive income in affiliates	(1,186)	(960)
Total other comprehensive income	(24,624)	(102,453)
Comprehensive Income	50,188	(43,144)
Comprehensive income attribute to:		
Owners of parent	47,539	(43,265)
Non-controlling Interests	2,649	121

(3) Notes to the Consolidated Financial Statements

(Notes regarding going concern assumption)

Not applicable

(Notes regarding significant changes in the amount of shareholders' equity)

Not applicable

(Segment Information)

Information about Sales and Income (Loss) by reportable segment

FY 2015 First Quarter (Three months ended March 31, 2015)

(Yen in millions)

	Tires	Diversified Products	Total	Adjustments (Note)	Consolidated
Net sales:					
External customers	750,494	143,161	893,656	—	893,656
Inter-segment	1,266	3,958	5,224	(5,224)	—
Total	751,760	147,120	898,880	(5,224)	893,656
Segment income (Operating income)	109,428	6,828	116,257	—	116,257

(Note) Adjustments of segment income refer to elimination of intersegment transactions.

FY 2016 First Quarter (Three months ended March 31, 2016)

(Yen in millions)

	Tires	Diversified Products	Total	Adjustments (Note)	Consolidated
Net sales:					
External customers	677,984	147,815	825,799	—	825,799
Inter-segment	1,742	1,871	3,613	(3,613)	—
Total	679,727	149,686	829,413	(3,613)	825,799
Segment income (Operating income)	100,409	8,035	108,445	12	108,457

(Note) Adjustments of segment income refer to elimination of intersegment transactions.