

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending December 31, 2017

May 11, 2017

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 TANSIN". 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

Stock exchange listings: Tokyo, Nagoya, Fukuoka

Code number:5108

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

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

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Scheduled date of quarterly securities report submission: May 12, 2017

Scheduled date of dividend payment commencement: —

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 2017 (January 1, 2017 - March 31, 2017)

(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, 2017	851,893	3.2	103,060	(5.0)	96,889	(6.4)	59,239	4.4
Three months ended March 31, 2016	825,799	(7.6)	108,457	(6.7)	103,494	(10.6)	56,742	(20.7)

(Note) Comprehensive Income: Three months ended March 31, 2017 ¥40,310 million [—%]
Three months ended March 31, 2016 (¥43,144) million [—%]

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended March 31, 2017	75.80	75.69
Three months ended March 31, 2016	72.45	72.35

(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, 2017	3,531,021	2,296,223	63.4
As of December 31, 2016	3,716,030	2,345,899	61.5

(Reference) Total equity: As of March 31, 2017 ¥2,240,075 million
As of December 31, 2016 ¥2,283,860 million

2. Dividends

	Annual Dividend				
	1st quarter end	2nd quarter end	3rd quarter end	Year -end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2016	—	70.00	—	70.00	140.00
FY 2017	—				
FY 2017 (Projection)		70.00	—	70.00	140.00

(Note) Changes from the latest forecasts released: No

3. Consolidated Projected Results for Fiscal 2017 (January 1, 2017 - December 31, 2017)

(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 2017	1,710,000	3.9	211,000	(3.3)	204,000	(4.6)	130,000	5.4	166.73
	3,630,000	8.8	452,000	0.5	433,000	0.1	280,000	5.4	359.62

(Note) Changes from the latest forecasts released: No

*** Notes**

- (1) Changes in principal subsidiaries during the three months ended March 31, 2017 : 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. | : No |
| 2) Changes in accounting policy other than 1) | : Yes |
| 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, 2017 | 813,102,321 shares |
| December 31, 2016 | 813,102,321 shares |
| 2) Number of shares of treasury stock at period end | |
| March 31, 2017 | 35,796,131 shares |
| December 31, 2016 | 29,844,837 shares |
| 3) Average outstanding number of shares (during the first quarter) | |
| First Quarter ended March 31, 2017 | 781,536,518 shares |
| First Quarter ended March 31, 2016 | 783,230,882 shares |

* Implementation status about the quarterly review

These financial statements are exempt from quarterly review.

* 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 2017

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 2017 1Q (Three months ended March 31, 2017)	FY 2016 1Q (Three months ended March 31, 2016)	Increase (Decrease)	
	Yen in billions	Yen in billions	Yen in billions	%
Net sales	851.8	825.7	26.0	3
Operating income	103.0	108.4	(5.3)	(5)
Ordinary income	96.8	103.4	(6.6)	(6)
Profit attributable to owners of parent	59.2	56.7	2.4	4

In the first quarter of fiscal 2017 (January 1 to March 31, 2017), the operating environment surrounding the Companies was as follows: prices of raw materials had continued to rise rapidly and unclear situation continued due to uncertainty of the global economy while the Japanese domestic economy continued gradual recovery. The United States economy continued steady recovery. The European economy continued to show gradual recovery but remained unstable as a result of the United Kingdom leaving the European Union and related issues. In Asia, the Chinese economic growth had shown the signs of recovery. Overall, overseas economies were gradually recovering but still weak while the political and economic situation remained unstable. In addition, tire demand for mining vehicles increased along with rising commodity 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 its business.” Stepping up efforts on a global scale, we focused on promoting brand strategies through sponsorship and support activities for the Olympic and Paralympic Games Tokyo 2020. The Companies also expanded sales of highly competitive products and services in global markets through promoting innovation, while building and enhancing a solutions business that extends beyond the mere sales of products. Moreover, the Companies continuously strives to implement various measures for management reform, aimed at reforming governance structure and effectively utilizing management resources by investing appropriate costs.

As a result, net sales in the first quarter of fiscal 2017 were ¥851.8 billion, an increase of 3% from the first quarter of fiscal 2016; operating income was ¥103.0 billion, a decrease of 5%, ordinary income was ¥96.8 billion, a decrease of 6%, due in part to increasing raw material costs; and profit attributable to owners of parent was ¥59.2 billion, an increase of 4%.

2) Segment Information

		FY 2017 1Q (Three months ended March 31, 2017)	FY 2016 1Q (Three months ended March 31, 2016)	Increase (Decrease)	
		Yen in billions	Yen in billions	Yen in billions	%
Tires	Net Sales	707.9	679.7	28.2	4
	Operating income	95.6	100.4	(4.8)	(5)
Diversified Products	Net Sales	147.4	149.6	(2.2)	(2)
	Operating income	7.6	8.0	(0.3)	(5)
Consolidated Results	Net Sales	851.8	825.7	26.0	3
	Operating income	103.0	108.4	(5.3)	(5)

In the tire segment, the Companies worked to maximize sales momentum by introducing appealing new products globally, reinforcing fundamental competencies, and responding promptly to demand fluctuation in each region.

In Japan, the unit sales of tires for passenger cars and light trucks increased steadily, and the unit sales of tires for trucks and buses increased firmly, compared to the first quarter of fiscal 2016. In the Americas, the unit sales of tires for passenger cars and light trucks in North America remained unchanged from the first quarter of fiscal 2016 and the unit sales of tires for trucks and buses increased strongly compared to the first quarter of fiscal 2016. In Europe, the unit sales of tires for passenger cars and light trucks increased strongly compared to the first quarter of fiscal 2016 and the unit sales of tires for trucks and buses exceeded sales of the first quarter of fiscal 2016. In China and Asia Pacific, the unit sales of tires for passenger cars and light trucks increased substantially compared to the first quarter of fiscal 2016 and the unit sales of tires for trucks and buses exceeded sales of the first quarter of fiscal 2016. In the specialty tire business, sales of large and ultra-large off-the-road radial tires for construction and mining vehicles increased substantially compared to the first quarter of fiscal 2016.

As a result, net sales in the tires segment during the first quarter of fiscal 2017 were ¥707.9 billion, an increase of 4% from the first quarter of fiscal 2016; operating income was ¥95.6 billion, a decrease of 5%, due to increasing raw material costs.

In the diversified products segment, net sales were ¥147.4 billion, a decrease of 2% from the first quarter of fiscal 2016; and operating income was ¥7.6 billion, a decrease of 5% due to a decrease in the profit of domestic 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 2017 were as follows.

(Assets)

In assets, cash and deposits, and tangible fixed assets decreased ¥133.6 billion and ¥46.1 billion respectively. As a result, assets decreased ¥185.0 billion compared with the end of the previous fiscal year, to ¥3,531.0 billion.

(Liabilities)

In liabilities, short-term borrowings and accounts payable-other decreased ¥57.1 billion and ¥47.5 billion respectively. As a result, liabilities decreased ¥135.3 billion compared with the end of the previous fiscal year, to ¥1,234.7 billion.

(Net assets)

In net assets, while profit attributable to owners of parent was ¥59.2 billion, cash dividends paid were ¥54.8 billion, a decline due to the acquisition of treasury stock was ¥27.1 billion and foreign currency translation adjustments decreased ¥35.7 billion. As a result, net assets decreased ¥49.6 billion compared with the end of the previous fiscal year, to ¥2,296.2 billion.

Due to a decrease of assets by ¥185.0 billion, the ratio of total equity to total assets increased 1.9 points compared with the end of the previous fiscal year, to 63.4%.

(3) Explanation of Projections of Consolidated Results

There are no changes in consolidated projections announced on February 17, 2017.

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 2017.

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

Changes in accounting policy

(Application of International Financial Reporting Standards (IFRS) to Foreign Subsidiaries)

BRIDGESTONE EUROPE NV/SA (BSEU) has applied IFRS from the first quarter of fiscal 2017, formerly "Generally Accepted Accounting Principles (US GAAP)". In determining initial application of IFRS in BSEU, the Company comprehensively evaluates factors including accounting trends and the plan for voluntary application of IFRS as the Companies.

As BSEU applied the revision in this policy retrospectively and the cumulative effect of the revision was reflected on the net assets at the beginning of fiscal 2016, the consolidated financial statements for the previous fiscal year changed. The main changes were as follows: retained earnings at the beginning of previous fiscal year decreased ¥7,280 million and foreign currency translation adjustments increased ¥7,667 million.

3. Consolidated Quarterly Financial Statements**(1) Consolidated Balance Sheet**

(Yen in millions)

	FY 2016 (As of December 31, 2016)	FY 2017 1Q (As of March 31, 2017)
Assets		
Current Assets		
Cash and deposits	483,006	349,376
Notes and accounts receivable	455,218	439,544
Short-term investments	167,697	149,759
Merchandise and finished products	377,412	386,926
Work in process	35,469	38,705
Raw materials and supplies	144,527	160,405
Other	174,997	171,533
Allowance for doubtful accounts	(16,179)	(15,662)
Total Current Assets	1,822,150	1,680,588
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	526,688	514,812
Machinery, equipment and vehicles, net	505,685	488,670
Other, net	416,752	399,455
Total Tangible Fixed Assets	1,449,126	1,402,938
Intangible fixed assets	74,144	73,956
Investments and other assets		
Investments in securities	263,549	269,744
Other	108,790	105,391
Allowance for doubtful accounts	(1,730)	(1,598)
Total Investments and Other Assets	370,609	373,537
Total Fixed Assets	1,893,880	1,850,433
Total Assets	3,716,030	3,531,021

(Yen in millions)

	FY 2016 (As of December 31, 2016)	FY 2017 1Q (As of March 31, 2017)
Liabilities		
Current Liabilities		
Notes and accounts payable	195,603	209,039
Short-term borrowings	174,678	117,578
Commercial paper	—	1,795
Lease obligations	1,017	991
Income taxes payable	22,722	25,801
Accounts payable-other	168,714	121,184
Other	287,099	265,408
Total Current Liabilities	849,834	741,799
Long-term Liabilities		
Bonds	90,000	90,000
Long-term borrowings	70,458	65,742
Lease obligations	6,616	6,374
Provision for reorganization of R&D and manufacturing base	13,951	10,849
Net defined benefit liability	215,072	201,240
Other	124,198	118,791
Total Long-term Liabilities	520,296	492,999
Total Liabilities	1,370,130	1,234,798
Net Assets		
Shareholders' Equity		
Common stock	126,354	126,354
Capital surplus	123,005	123,005
Retained earnings	2,163,115	2,167,499
Treasury stock-at cost	(56,151)	(83,250)
Total Shareholders' Equity	2,356,323	2,333,608
Accumulated Other Comprehensive Income		
Net unrealized gain(loss) on available-for-sale securities	174,197	179,179
Deferred gain(loss) on derivative instruments	(1,720)	493
Foreign currency translation adjustments	(107,242)	(143,015)
Remeasurements of defined benefit plans	(137,698)	(130,191)
Total Accumulated Other Comprehensive Income	(72,463)	(93,533)
Stock Acquisition Rights	2,975	2,968
Non-controlling Interests	59,063	53,179
Total Net Assets	2,345,899	2,296,223
Total Liabilities and Net Assets	3,716,030	3,531,021

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

(Yen in millions)

	FY 2016 1Q (Three months ended March 31, 2016)	FY 2017 1Q (Three months ended March 31, 2017)
Net Sales	825,799	851,893
Cost of Sales	486,134	519,788
Gross Profit	339,665	332,104
Selling, General and Administrative Expenses		
Goods freightage expenses	36,088	40,295
Advertising and promotion expenses	29,091	27,566
Salaries, allowances and bonuses	64,284	64,382
Retirement benefit expenses	5,172	5,250
Depreciation	7,900	8,204
Research and development expenses	24,227	23,375
Other	64,442	59,970
Total Selling, General and Administrative Expenses	231,207	229,044
Operating Income	108,457	103,060
Non-operating Income		
Interest income	1,390	1,249
Dividend income	482	501
Reversal of provision for reorganization of R&D and manufacturing base	—	1,562
Other	4,306	3,807
Total Non-operating Income	6,179	7,120
Non-operating Expenses		
Interest expense	2,727	2,018
Foreign currency exchange loss	4,015	4,069
Other	4,400	7,203
Total Non-operating Expenses	11,143	13,291
Ordinary Income	103,494	96,889
Extraordinary Loss		
Loss related to civil litigation in the Americas	—	4,484
Expenses related to relocation of head office of Americas Operations	—	2,096
Loss related to reorganization of R&D and manufacturing base	2,683	—
Total Extraordinary Loss	2,683	6,581
Income before Income Taxes and Non-controlling Interests	100,811	90,308
Income Taxes	41,502	28,841
Income before Non-Controlling Interests	59,309	61,467
Profit Attributable to Non-controlling Interests	2,566	2,227
Profit Attributable to Owners of Parent	56,742	59,239

Consolidated Statement of Comprehensive Income
First Quarter

(Yen in millions)

	FY 2016 1Q (Three months ended March 31, 2016)	FY 2017 1Q (Three months ended March 31, 2017)
Income before Non-controlling Interests	59,309	61,467
Other Comprehensive Income (loss)		
Unrealized gain (loss) on available-for-sale securities	(31,488)	4,981
Deferred gain (loss) on derivative instruments	208	2,439
Foreign currency translation adjustments	(82,007)	(35,686)
Remeasurements of defined benefit plans	11,794	7,914
Share of other comprehensive income in affiliates	(960)	(806)
Total Other Comprehensive Income	(102,453)	(21,157)
Comprehensive Income	(43,144)	40,310
Comprehensive income attribute to:		
Owners of parent	(43,265)	38,169
Non-controlling interests	121	2,140

(3) Notes to the Consolidated Financial Statements

(Notes regarding going concern assumption)

Not applicable

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

The company acquired its own shares (5,954,700 shares) based on the resolution at the board of directors held on February 17, 2017. Due mainly to the acquisition, treasury stock - at cost increased ¥27,099 million compared with the end of the previous fiscal year, to ¥83,250 million.

(Segment Information)

Information about Sales and Income (Loss) by reportable segment

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.

FY 2017 First Quarter (Three months ended March 31, 2017)

(Yen in millions)

	Tires	Diversified Products	Total	Adjustments (Note)	Consolidated
Net sales:					
External customers	706,310	145,582	851,893	—	851,893
Inter-segment	1,647	1,823	3,471	(3,471)	—
Total	707,958	147,406	855,364	(3,471)	851,893
Segment income (Operating income)	95,601	7,650	103,252	(192)	103,060

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