

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

August 9, 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

Code number:5108

Representative: Masaaki Tsuya,

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

Stock exchange listings: Tokyo, Nagoya, Fukuoka

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Scheduled date of quarterly securities report submission:

August 10, 2017

Scheduled date of dividend payment commencement:

September 1, 2017

Supplementary information for the quarterly financial statements to be prepared:

Yes

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

Yes

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

## 1. Consolidated Results for the First Half of Fiscal 2017 (January 1, 2017 - June 30, 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	%
Six months ended June 30, 2017	1,742,847	5.8	202,340	(7.3)	195,827	(8.5)	131,839	6.9
Six months ended June 30, 2016	1,646,567	(11.3)	218,241	(8.2)	213,935	(8.2)	123,353	(14.7)

(Note) Comprehensive Income: Six months ended June 30, 2017 ¥136,076 million [—%]  
Six months ended June 30, 2016 (¥126,445) million [—%]

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended June 30, 2017	169.83	169.53
Six months ended June 30, 2016	157.49	157.25

(2) Consolidated Financial Position

	Total assets	Net assets	Ratio of total equity to total assets
	Yen in millions	Yen in millions	%
As of June 30, 2017	3,804,981	2,341,634	60.0
As of December 31, 2016	3,716,030	2,345,899	61.5

(Reference) Total equity: As of June 30, 2017 ¥2,283,409 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	—	70.00	—	—	—
FY 2017 (Projection)	—	—	—	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
FY 2017	3,700,000	10.9	464,000	3.2	439,000	1.5	289,000	8.8	374.53

(Note) Changes from the latest forecasts released: Yes

**\* Notes**

- (1) Changes in principal subsidiaries during the six months ended June 30, 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): |                    |
| June 30, 2017   | 813,102,321 shares |
| December 31, 2016   | 813,102,321 shares |
| 2) Number of shares of treasury stock at period end:                      |                    |
| June 30, 2017   | 46,893,056 shares  |
| December 31, 2016   | 29,844,837 shares  |
| 3) Average outstanding number of shares (during the first half):          |                    |
| First Half ended June 30, 2017  | 776,290,082 shares |
| First Half ended June 30, 2016  | 783,232,525 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

Projections of consolidated results for fiscal 2017 announced on February 17, 2017 are revised in this document. 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. For details, refer to "1. Qualitative Information for the First Half of Fiscal 2017, (3) Explanation of Projections of Consolidated Results", on Page 5.

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## 1. Qualitative Information for the First Half 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 1H (Six months ended June 30, 2017)	FY 2016 1H (Six months ended June 30, 2016)	Increase (Decrease)	
	Yen in billions	Yen in billions	Yen in billions	%
Net sales	1,742.8	1,646.5	96.2	6
Operating income	202.3	218.2	(15.9)	(7)
Ordinary income	195.8	213.9	(18.1)	(8)
Profit attributable to owners of parent	131.8	123.3	8.4	7

In the first half of fiscal 2017 (January 1 to June 30, 2017), the operating environment surrounding the Companies was as follows: an unclear situation continued due to the 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 half of fiscal 2017 were ¥1,742.8 billion, an increase of 6% from the first half of fiscal 2016; operating income was ¥202.3 billion, a decrease of 7%, ordinary income was ¥195.8 billion, a decrease of 8%, due in part to increasing raw material costs; and profit attributable to owners of parent was ¥131.8 billion, an increase of 7%.

## 2) Segment Information

		FY2017 1H (Six months ended June 30, 2017)	FY2016 1H (Six months ended June 30, 2016)	Increase (Decrease)	
		Yen in billions	Yen in billions	Yen in billions	%
Tires	Net Sales	1,439.7	1,352.7	86.9	6
	Operating income	185.1	198.6	(13.4)	(7)
Diversified Products	Net Sales	310.7	301.0	9.6	3
	Operating income	17.1	19.5	(2.4)	(12)
Consolidated Results	Net Sales	1,742.8	1,646.5	96.2	6
	Operating income	202.3	218.2	(15.9)	(7)

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 addition, the Companies implemented price increases appropriately to respond to the rising prices of raw materials, which started in the previous year.

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

As a result, net sales in the tires segment during the first half of fiscal 2017 were ¥1,439.7 billion, an increase of 6% from the first half of fiscal 2016; operating income was ¥185.1 billion, a decrease of 7%, due to increasing raw material costs.

In the diversified products segment, net sales were ¥310.7 billion, an increase of 3% from the first half of fiscal 2016; while operating income was ¥17.1 billion, a decrease of 12% due to a decrease in the profit of Domestic Business and 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 half of fiscal 2017 were as follows.

### **(Assets)**

In assets, merchandise and finished products, and intangible fixed assets increased by ¥48.8 billion and ¥35.1 billion respectively. As a result, assets increased by ¥88.9 billion compared with the end of the previous fiscal year, to ¥3,804.9 billion.

### **(Liabilities)**

In liabilities, while accounts payable-other decreased by ¥51.4 billion, bonds increased by ¥150.0 billion. As a result, liabilities increased by ¥93.2 billion compared with the end of the previous fiscal year, to ¥1,463.3 billion.

### **(Net assets)**

In net assets, while profit attributable to owners of parent was ¥131.8 billion, cash dividends paid were ¥54.8 billion and a decline due to the acquisition of treasury stock was ¥78.3 billion. As a result, net assets decreased by ¥4.2 billion compared with the end of the previous fiscal year, to ¥2,341.6 billion.

Consequently, the ratio of total equity to total assets decreased by 1.5 points compared with the end of the previous fiscal year, to 60.0%.

**(3) Explanation of Projections of Consolidated Results**

The Companies' operating environment will continue to require careful attention due to such factors as fluctuations in exchange rates and the prices of raw materials and feedstock, an ongoing lack of clarity in the global economic situation and international political conditions that remain unstable.

Amid such a challenging business environment, the Companies project the following results through the implementation of Mid-Term Management Plan initiatives.

FY 2017 projections (Fiscal Year ending December 31, 2017)

		FY 2017 Projections (Revised)	FY 2017 Projections (Previous)	Increase (Decrease)		(Ref.) FY 2016 Results
		Yen in billions	Yen in billions	Yen in billions	%	Yen in billions
Net sales		3,700.0	3,630.0	70.0	2	3,337.0
Operating income		464.0	452.0	12.0	3	449.5
Ordinary income		439.0	433.0	6.0	1	432.5
Profit attributable to owners of parent		289.0	280.0	9.0	3	265.5
Exchange Rate	Yen	Yen	Yen	—	%	Yen
	yen/dollar	111	110		1	109
	yen/euro	122	114		7	120

**(Revision of the projections)**

An actual result of net sales and profit attributable to owners of parent for the first half of the fiscal year ending December 31, 2017, exceeded the projections previously announced on February 17, 2017, while operating income and ordinary income was below the projections. Additionally, the Company reviewed its consolidated financial projections for the second half of the fiscal year ending December 31, 2017, which were not updated on May 11, 2017, and revised its full-year consolidated financial projections for the fiscal year ending December 31, 2017.

**Forward-Looking Statements**

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 results to differ substantially from management's projections and plans, and the statement are not guarantees of future business performance.

## **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 1H (As of June 30, 2017)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and deposits	483,006	472,069
Notes and accounts receivable	455,218	443,109
Short-term investments	167,697	172,941
Merchandise and finished products	377,412	426,283
Work in process	35,469	40,226
Raw materials and supplies	144,527	156,469
Other	174,997	199,278
Allowance for doubtful accounts	(16,179)	(17,264)
<b>Total Current Assets</b>	<b>1,822,150</b>	<b>1,893,114</b>
<b>Fixed Assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures, net	526,688	520,083
Machinery, equipment and vehicles, net	505,685	492,556
Other, net	416,752	403,063
<b>Total Tangible Fixed Assets</b>	<b>1,449,126</b>	<b>1,415,702</b>
<b>Intangible fixed assets</b>		
Goodwill	22,935	44,266
Other	51,208	65,065
<b>Total Intangible fixed assets</b>	<b>74,144</b>	<b>109,332</b>
<b>Investments and other assets</b>		
Investments in securities	263,549	278,175
Other	108,790	110,469
Allowance for doubtful accounts	(1,730)	(1,812)
<b>Total Investments and Other Assets</b>	<b>370,609</b>	<b>386,831</b>
<b>Total Fixed Assets</b>	<b>1,893,880</b>	<b>1,911,866</b>
<b>Total Assets</b>	<b>3,716,030</b>	<b>3,804,981</b>

(Yen in millions)

	FY 2016 (As of December 31, 2016)	FY 2017 1H (As of June 30, 2017)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable	195,603	223,616
Short-term borrowings	174,678	130,111
Commercial paper	—	26,541
Current portion of bonds	—	20,000
Lease obligations	1,017	1,151
Income taxes payable	22,722	51,390
Accounts payable-other	168,714	117,288
Other	287,099	266,441
<b>Total Current Liabilities</b>	<b>849,834</b>	<b>836,540</b>
<b>Long-term Liabilities</b>		
Bonds	90,000	220,000
Long-term borrowings	70,458	65,100
Lease obligations	6,616	7,001
Provision for reorganization of R&D and manufacturing base	13,951	9,139
Net defined benefit liability	215,072	201,236
Other	124,198	124,329
<b>Total Long-term Liabilities</b>	<b>520,296</b>	<b>626,806</b>
<b>Total Liabilities</b>	<b>1,370,130</b>	<b>1,463,346</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Common stock	126,354	126,354
Capital surplus	123,005	123,002
Retained earnings	2,163,115	2,240,022
Treasury stock-at cost	(56,151)	(134,533)
<b>Total Shareholders' Equity</b>	<b>2,356,323</b>	<b>2,354,845</b>
<b>Accumulated Other Comprehensive Income</b>		
Net unrealized gain(loss) on available-for-sale securities	174,197	181,951
Deferred gain(loss) on derivative instruments	(1,720)	(747)
Foreign currency translation adjustments	(107,242)	(125,622)
Remeasurements of defined benefit plans	(137,698)	(127,017)
<b>Total Accumulated Other Comprehensive Income</b>	<b>(72,463)</b>	<b>(71,436)</b>
Stock Acquisition Rights	2,975	3,704
Non-controlling Interests	59,063	54,521
<b>Total Net Assets</b>	<b>2,345,899</b>	<b>2,341,634</b>
<b>Total Liabilities and Net Assets</b>	<b>3,716,030</b>	<b>3,804,981</b>

**(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**

Consolidated Statement of Income First Half	(Yen in millions)	
	FY2016 1H (Six months ended June 30, 2016)	FY2017 1H (Six months ended June 30, 2017)
Net Sales	1,646,567	1,742,847
Cost of Sales	967,233	1,068,137
Gross Profit	679,334	674,709
Selling, General and Administrative Expenses		
Goods freightage expenses	72,795	82,049
Advertising and promotion expenses	61,250	59,163
Salaries, allowances and bonuses	125,256	128,781
Retirement benefit expenses	9,447	11,002
Depreciation	15,408	16,280
Research and development expenses	48,101	49,063
Other	128,831	126,028
Total Selling, General and Administrative Expenses	461,092	472,369
Operating Income	218,241	202,340
Non-operating Income		
Interest income	2,139	2,144
Dividend income	5,967	5,768
Other	9,916	9,968
Total Non-operating Income	18,023	17,881
Non-operating Expenses		
Interest expense	5,282	5,172
Foreign currency exchange loss	7,560	5,347
Other	9,487	13,875
Total Non-operating Expenses	22,330	24,394
Ordinary Income	213,935	195,827
Extraordinary Loss		
Loss related to civil litigation in the Americas	—	4,484
Expenses related to relocation of head office of Americas Operations	—	3,123
Loss related to reorganization of R&D and manufacturing base	6,861	—
Total Extraordinary Loss	6,861	7,607
Income before Income Taxes and Non-controlling Interests	207,074	188,219
Income Taxes	78,792	52,329
Income before Non-Controlling Interests	128,281	135,889
Profit Attributable to Non-controlling Interests	4,928	4,050
Profit Attributable to Owners of Parent	123,353	131,839

Consolidated Statement of Comprehensive Income  
First Half

(Yen in millions)

	FY 2016 1H (Six months ended June 30, 2016)	FY 2017 1H (Six months ended June 30, 2017)
Income before Non-controlling Interests	128,281	135,889
Other Comprehensive Income (loss)		
Unrealized gain (loss) on available-for-sale securities	(55,806)	7,753
Deferred gain (loss) on derivative instruments	1,013	1,311
Foreign currency translation adjustments	(222,932)	(18,521)
Remeasurements of defined benefit plans	24,948	10,283
Share of other comprehensive income in affiliates	(1,949)	(640)
Total Other Comprehensive Income	(254,726)	186
Comprehensive Income	(126,445)	136,076
Comprehensive income attributable to:		
Owners of parent	(124,174)	132,866
Non-controlling interests	(2,270)	3,209

**(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 (17,053,400 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 by ¥78,382 million compared with the end of the previous fiscal year, to ¥134,533 million.

(Segment Information)

Information about Sales and Income (Loss) by reportable segment

FY 2016 First Half (Six months ended June 30, 2016)

(Yen in millions)

	Tires	Diversified Products	Total	Adjustments (Note)	Consolidated
Net sales:					
External customers	1,349,476	297,090	1,646,567	—	1,646,567
Inter-segment	3,299	3,996	7,296	(7,296)	—
Total	1,352,775	301,087	1,653,863	(7,296)	1,646,567
Segment income (Operating income)	198,627	19,599	218,227	14	218,241

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

FY 2017 First Half (Six months ended June 30, 2017)

(Yen in millions)

	Tires	Diversified Products	Total	Adjustments (Note)	Consolidated
Net sales:					
External customers	1,434,956	307,891	1,742,847	—	1,742,847
Inter-segment	4,811	2,828	7,640	(7,640)	—
Total	1,439,768	310,719	1,750,488	(7,640)	1,742,847
Segment income (Operating income)	185,178	17,175	202,353	(13)	202,340

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