

Consolidated Financial Statements for the First Half of the Fiscal Year Ending December 31, 2018

August 9, 2018

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, Chairman of the Board
CEO and Representative Executive Officer

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Scheduled date of quarterly securities report submission:

August 9, 2018

Scheduled date of dividend payment commencement:

September 3, 2018

Supplementary information for the quarterly financial statements to be prepared:

Yes

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

Yes

Stock exchange listings: Tokyo, Nagoya, Fukuoka
URL:<https://www.bridgestone.com/>

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

1. Consolidated Results for the First Half of Fiscal 2018 (January 1, 2018 - June 30, 2018)

(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, 2018	1,775,408	1.9	199,434	(1.4)	190,764	(2.6)	134,618	2.1
Six months ended June 30, 2017	1,742,847	5.8	202,340	(7.3)	195,827	(8.5)	131,839	6.9

(Note) Comprehensive Income: Six months ended June 30, 2018 ¥ 45,915 million [(66.3)%]
Six months ended June 30, 2017 ¥136,076 million [- %]

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended June 30, 2018	179.08	178.76
Six months ended June 30, 2017	169.83	169.53

(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, 2018	3,789,530	2,382,482	61.4
As of December 31, 2017	3,959,038	2,402,738	59.2

(Reference) Total equity: As of June 30, 2018 ¥2,326,419million
As of December 31, 2017 ¥2,342,147million

2. Dividends

	Annual Dividend				
	1st quarter end	2nd quarter end	3rd quarter end	Year -end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2017	—	70.00	—	80.00	150.00
FY 2018	—	80.00	—	—	—
FY 2018 (Projection)	—	—	—	80.00	160.00

(Note) Changes from the latest forecasts released: No

3. Consolidated Projected Results for Fiscal 2018 (January 1, 2018 - December 31, 2018)

(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 2018	3,700,000	1.6	430,000	2.6	403,000	0.6	305,000	5.8	405.73

(Note) Changes from the latest forecasts released: Yes

*** Notes**

- (1) Changes in principal subsidiaries during the six months ended June 30, 2018 : 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): | |
| June 30, 2018 | 761,536,421 shares |
| December 31, 2017 | 813,102,321 shares |
| 2) Number of shares of treasury stock at period end: | |
| June 30, 2018 | 9,793,592 shares |
| December 31, 2017 | 61,375,611 shares |
| 3) Average outstanding number of shares (during the first half): | |
| First Half ended June 30, 2018 | 751,733,584 shares |
| First Half ended June 30, 2017 | 776,290,082 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 2018 announced on February 16, 2018 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.

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Consolidated Financial Statements and Other Information (Notes)**(1) Consolidated Balance Sheet**

(Yen in millions)

	FY 2017 (As of December 31, 2017)	FY 2018 1H (As of June 30, 2018)
Assets		
Current Assets		
Cash and deposits	511,895	422,407
Notes and accounts receivable	503,412	562,904
Short-term investments	221,680	158,480
Merchandise and finished products	397,253	413,741
Work in process	36,787	38,993
Raw materials and supplies	156,142	157,039
Other	176,926	176,664
Allowance for doubtful accounts	(17,062)	(22,185)
Total Current Assets	1,987,036	1,908,047
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	555,770	546,732
Machinery, equipment and vehicles, net	517,639	496,474
Other, net	399,636	381,179
Total Tangible Fixed Assets	1,473,046	1,424,386
Intangible fixed assets		
Goodwill	43,781	39,551
Other	61,248	59,833
Total Intangible fixed assets	105,029	99,384
Investments and other assets		
Investments in securities	278,802	243,113
Other	116,714	115,966
Allowance for doubtful accounts	(1,591)	(1,367)
Total Investments and Other Assets	393,925	357,712
Total Fixed Assets	1,972,002	1,881,483
Total Assets	3,959,038	3,789,530

(Yen in millions)

	FY 2017 (As of December 31, 2017)	FY 2018 1H (As of June 30, 2018)
Liabilities		
Current Liabilities		
Notes and accounts payable	232,698	232,802
Short-term borrowings	124,606	122,881
Current portion of bonds	20,000	—
Lease obligations	14,117	17,584
Income taxes payable	66,453	25,653
Provision for reorganization of R&D and manufacturing base	—	7,526
Accounts payable-other	169,144	134,190
Other	283,526	252,236
Total Current Liabilities	910,545	792,874
Long-term Liabilities		
Bonds	220,000	220,000
Long-term borrowings	51,728	47,826
Lease obligations	28,576	27,497
Provision for reorganization of R&D and manufacturing base	8,322	—
Net defined benefit liability	202,864	193,456
Other	134,263	125,393
Total Long-term Liabilities	645,754	614,173
Total Liabilities	1,556,300	1,407,048
Net Assets		
Shareholders' Equity		
Common stock	126,354	126,354
Capital surplus	122,984	122,078
Retained earnings	2,342,822	2,265,927
Treasury stock-at cost	(206,052)	(32,872)
Total Shareholders' Equity	2,386,108	2,481,487
Accumulated Other Comprehensive Income		
Net unrealized gain(loss) on available-for-sale securities	176,686	151,399
Deferred gain(loss) on derivative instruments	(55)	1,610
Foreign currency translation adjustments	(93,479)	(171,299)
Remeasurements of defined benefit plans	(127,112)	(136,778)
Total Accumulated Other Comprehensive Income	(43,960)	(155,067)
Stock Acquisition Rights	3,629	3,604
Non-controlling Interests	56,961	52,457
Total Net Assets	2,402,738	2,382,482
Total Liabilities and Net Assets	3,959,038	3,789,530

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

(Yen in millions)

	FY 2017 1H (Six months ended June 30, 2017)	FY 2018 1H (Six months ended June 30, 2018)
Net Sales	1,742,847	1,775,408
Cost of Sales	1,068,137	1,089,608
Gross Profit	674,709	685,799
Selling, General and Administrative Expenses		
Goods freightage expenses	82,049	88,766
Advertising and promotion expenses	59,163	58,278
Salaries, allowances and bonuses	128,781	132,178
Retirement benefit expenses	11,002	10,940
Depreciation	16,280	17,389
Research and development expenses	49,063	49,382
Other	126,028	129,430
Total Selling, General and Administrative Expenses	472,369	486,365
Operating Income	202,340	199,434
Non-operating Income		
Interest income	2,144	2,582
Dividend income	5,768	5,153
Other	9,968	11,494
Total Non-operating Income	17,881	19,230
Non-operating Expenses		
Interest expense	5,172	7,226
Foreign currency exchange loss	5,347	4,911
Other	13,875	15,762
Total Non-operating Expenses	24,394	27,900
Ordinary Income	195,827	190,764
Extraordinary Loss		
Loss related to civil litigation in the Americas	4,484	—
Expenses related to relocation of head office of Americas Operations	3,123	—
Total Extraordinary Loss	7,607	—
Income before Income Taxes and Non-controlling Interests	188,219	190,764
Income Taxes	52,329	51,679
Income before Non-Controlling Interests	135,889	139,084
Profit Attributable to Non-controlling Interests	4,050	4,465
Profit Attributable to Owners of Parent	131,839	134,618

Consolidated Statement of Comprehensive Income
First Half

(Yen in millions)

	FY 2017 1H (Six months ended June 30, 2017)	FY 2018 1H (Six months ended June 30, 2018)
Income before Non-controlling Interests	135,889	139,084
Other Comprehensive Income (loss)		
Unrealized gain (loss) on available-for-sale securities	7,753	(25,270)
Deferred gain (loss) on derivative instruments	1,311	5
Foreign currency translation adjustments	(18,521)	(78,992)
Remeasurements of defined benefit plans	10,283	11,193
Share of other comprehensive income in affiliates	(640)	(104)
Total Other Comprehensive Income	186	(93,168)
Comprehensive Income	136,076	45,915
Comprehensive income attributable to:		
Owners of parent	132,866	44,390
Non-controlling interests	3,209	1,525

(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 has completed cancellation of its own shares (51,565,900 shares) on January 19, 2018, based on the resolution at the board of directors held on February 17, 2017. As a result, capital surplus decreased by ¥905 million compared with the end of the previous fiscal year, to ¥122,078 million, retained earnings decreased by ¥172,220 million compared with the end of the previous fiscal year, to ¥2,265,927 million, and treasury stock-at cost decreased by ¥173,126 million compared with the end of the previous fiscal year, to ¥32,872 million.

(Application of special accounting treatments for Consolidated Quarterly Financial Statements)

Calculation for income tax expenses

Income tax expenses was calculated based upon an estimated effective tax rate for fiscal 2018.

(Changes in accounting policies, Changes in accounting estimates and Restatements)

Changes in accounting policies

(Adoption of Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income)

The certain overseas subsidiaries have early adopted ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (revised on February 14, 2018)" from the beginning of fiscal 2018.

Changes in deferred tax assets and deferred tax liabilities resulting from change in tax rate following the enactment of the "Tax Cuts and Jobs Act" by the U.S. federal government on December 22, 2017 were included in the accumulated consolidated net profit of the previous fiscal year. On the other hand, changes in tax effects above recognized through accumulated other comprehensive income were stranded in accumulated other comprehensive income in the previous fiscal year. Due to the adoption of "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", subsidiaries reclassified stranded tax effects resulting from change in tax rate above from accumulated other comprehensive income to retained earnings. In accordance with the transitional treatment prescribed in this accounting policy, reclassification was made at the beginning of fiscal 2018.

As a result, retained earnings increased by ¥20,879 million and remeasurements of defined benefit plans decreased by ¥20,879 million at the beginning of fiscal 2018. This change in accounting policy have no effect on consolidated statement of income for the first half of fiscal 2018.