

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

November 8, 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:

November 8, 2018

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)

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 Three Quarters of Fiscal 2018 (January 1, 2018 - September 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	%
Nine months ended September 30, 2018	2,674,192	0.4	290,864	(3.0)	276,544	(4.2)	219,464	11.0
Nine months ended September 30, 2017	2,663,080	8.9	299,736	(9.0)	288,652	(9.9)	197,771	8.0

(Note) Comprehensive Income: Nine months ended September 30, 2018 ¥195,342 million [(18.2)%]
Nine months ended September 30, 2017 ¥238,729 million [—%]

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended September 30, 2018	291.94	291.43
Nine months ended September 30, 2017	256.35	255.89

(2) Consolidated Financial Position

	Total assets	Net assets	Ratio of total equity to total assets
	Yen in millions	Yen in millions	%
As of September 30, 2018	3,922,881	2,468,743	61.5
As of December 31, 2017	3,959,038	2,402,738	59.2

(Reference) Total equity: As of September 30, 2018 ¥2,412,442 million
As of December 31, 2017 ¥2,342,147 million

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	3,650,000	0.2	410,000	(2.2)	385,000	(3.9)	305,000	5.8	405.73

(Note) Changes from the latest forecasts released: Yes

*** Notes**

- (1) Changes in principal subsidiaries during the nine months ended September 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): | |
| September 30, 2018 | 761,536,421 shares |
| December 31, 2017 | 813,102,321 shares |
| 2) Number of shares of treasury stock at period end: | |
| September 30, 2018 | 9,737,078 shares |
| December 31, 2017 | 61,375,611 shares |
| 3) Average outstanding number of shares (during the first three quarters): | |
| First Three Quarters ended September 30, 2018 | 751,746,400 shares |
| First Three Quarters ended September 30, 2017 | 771,498,418 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 August 9, 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.

[Index]

<u>Consolidated Financial Statements and Other Information (Notes)</u>	...P2
(1) Consolidated Balance Sheet	...P2
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	...P4
Consolidated Statement of Income	...P4
Consolidated Statement of Comprehensive Income	...P5
(3) Notes to the Consolidated Financial Statements	...P6
(Notes regarding going concern assumption)	...P6
(Notes regarding significant changes in the amount of shareholders' equity)	...P6
(Application of special accounting treatments for Consolidated Quarterly Financial Statements)	...P6
(Changes in accounting policies, Changes in accounting estimates and Restatements)	...P6

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

(Yen in millions)

	FY 2017 (As of December 31, 2017)	FY 2018 Q3 (As of September 30, 2018)
Assets		
Current Assets		
Cash and deposits	511,895	389,501
Notes and accounts receivable	503,412	586,048
Short-term investments	221,680	165,556
Merchandise and finished products	397,253	433,889
Work in process	36,787	44,039
Raw materials and supplies	156,142	169,218
Other	176,926	191,628
Allowance for doubtful accounts	(17,062)	(22,511)
Total Current Assets	1,987,036	1,957,369
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	555,770	549,918
Machinery, equipment and vehicles, net	517,639	492,967
Other, net	399,636	407,262
Total Tangible Fixed Assets	1,473,046	1,450,147
Intangible fixed assets		
Goodwill	43,781	41,558
Other	61,248	61,159
Total Intangible fixed assets	105,029	102,717
Investments and other assets		
Investments in securities	278,802	293,634
Other	116,714	120,349
Allowance for doubtful accounts	(1,591)	(1,336)
Total Investments and Other Assets	393,925	412,646
Total Fixed Assets	1,972,002	1,965,512
Total Assets	3,959,038	3,922,881

(Yen in millions)

	FY 2017 (As of December 31, 2017)	FY 2018 Q3 (As of September 30, 2018)
Liabilities		
Current Liabilities		
Notes and accounts payable	232,698	241,483
Short-term borrowings	124,606	153,692
Commercial paper	—	132
Current portion of bonds	20,000	70,000
Lease obligations	14,117	14,762
Income taxes payable	66,453	8,790
Provision for reorganization of R&D and manufacturing base	—	7,525
Accounts payable-other	169,144	132,027
Other	283,526	279,672
Total Current Liabilities	910,545	908,086
Long-term Liabilities		
Bonds	220,000	150,000
Long-term borrowings	51,728	36,221
Lease obligations	28,576	27,937
Provision for reorganization of R&D and manufacturing base	8,322	—
Net defined benefit liability	202,864	192,148
Other	134,263	139,744
Total Long-term Liabilities	645,754	546,051
Total Liabilities	1,556,300	1,454,138
Net Assets		
Shareholders' Equity		
Common stock	126,354	126,354
Capital surplus	122,984	121,997
Retained earnings	2,342,822	2,290,578
Treasury stock-at cost	(206,052)	(32,683)
Total Shareholders' Equity	2,386,108	2,506,246
Accumulated Other Comprehensive Income		
Net unrealized gain(loss) on available-for-sale securities	176,686	165,005
Deferred gain(loss) on derivative instruments	(55)	2,540
Foreign currency translation adjustments	(93,479)	(124,596)
Remeasurements of defined benefit plans	(127,112)	(136,754)
Total Accumulated Other Comprehensive Income	(43,960)	(93,804)
Stock Acquisition Rights	3,629	3,469
Non-controlling Interests	56,961	52,831
Total Net Assets	2,402,738	2,468,743
Total Liabilities and Net Assets	3,959,038	3,922,881

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive IncomeConsolidated Statement of Income
First Three Quarters

(Yen in millions)

	FY 2017 Q3 (Nine months ended September 30, 2017)	FY 2018 Q3 (Nine months ended September 30, 2018)
Net Sales	2,663,080	2,674,192
Cost of Sales	1,653,396	1,657,500
Gross Profit	1,009,683	1,016,691
Selling, General and Administrative Expenses		
Goods freightage expenses	124,841	135,559
Advertising and promotion expenses	85,660	84,080
Salaries, allowances and bonuses	193,823	197,368
Retirement benefit expenses	18,681	15,746
Depreciation	24,719	26,506
Research and development expenses	73,035	75,018
Other	189,185	191,547
Total Selling, General and Administrative Expenses	709,947	725,826
Operating Income	299,736	290,864
Non-operating Income		
Interest income	3,924	3,868
Dividend income	6,202	5,603
Other	12,293	12,663
Total Non-operating Income	22,420	22,135
Non-operating Expenses		
Interest expense	7,881	10,207
Foreign currency exchange loss	7,082	6,591
Other	18,539	19,655
Total Non-operating Expenses	33,504	36,455
Ordinary Income	288,652	276,544
Extraordinary Income		
Gain on establishment in jointly controlled entity	—	30,180
Gain on sales of investment securities	10,441	—
Total Extraordinary Income	10,441	30,180
Extraordinary Loss		
Loss related to civil litigation in the Americas	4,484	—
Expenses related to relocation of head office of Americas Operations	3,831	—
Total Extraordinary Loss	8,316	—
Income before Income Taxes and Non-controlling Interests	290,777	306,725
Income Taxes	86,296	80,634
Income before Non-Controlling Interests	204,480	226,090
Profit Attributable to Non-controlling Interests	6,709	6,626
Profit Attributable to Owners of Parent	197,771	219,464

Consolidated Statement of Comprehensive Income
First Three Quarters

(Yen in millions)

	FY 2017 Q3 (Nine months ended September 30, 2017)	FY 2018 Q3 (Nine months ended September 30, 2018)
Income before Non-controlling Interests	204,480	226,090
Other Comprehensive Income (loss)		
Unrealized gain (loss) on available-for-sale securities	12,244	(11,669)
Deferred gain (loss) on derivative instruments	1,356	(285)
Foreign currency translation adjustments	7,496	(29,497)
Remeasurements of defined benefit plans	13,668	11,257
Share of other comprehensive income in affiliates	(516)	(551)
Total Other Comprehensive Income	34,248	(30,747)
Comprehensive Income	238,729	195,342
Comprehensive income attributable to:		
Owners of parent	232,279	190,499
Non-controlling interests	6,449	4,843

(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 ¥121,997 million, retained earnings decreased by ¥172,220 million compared with the end of the previous fiscal year, to ¥2,290,578 million, and treasury stock-at cost decreased by ¥173,126 million compared with the end of the previous fiscal year, to ¥32,683 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 three quarters of fiscal 2018.