

Consolidated Financial Statements

for the First Three Quarters of the Fiscal Year Ending December 31, 2016

November 9, 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 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

Contact: Naoki Hishinuma, Treasurer, General Manager

Telephone: +81-3-6836-3100

Scheduled date of quarterly securities report submission:

November 10, 2016

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 Three Quarters of Fiscal 2016 (January 1, 2016 - September 30, 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	%
Nine months ended September 30, 2016	2,444,802	(13.2)	329,425	(13.0)	320,384	(12.4)	183,057	(6.2)
Nine months ended September 30, 2015	2,817,330	5.7	378,646	10.6	365,689	7.9	195,120	(13.5)

(Note) Comprehensive Income: Nine months ended September 30, 2016 (¥71,873) million [- %]
Nine months ended September 30, 2015 ¥127,020 million [(42.5%)]

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended September 30, 2016	233.72	233.36
Nine months ended September 30, 2015	249.13	248.81

(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, 2016	3,278,031	2,081,867	61.9
As of December 31, 2015	3,795,846	2,282,011	58.2

(Reference) Total equity As of September 30, 2016 ¥2,027,581 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	—	70.00	—		
FY 2016 (Projection)				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 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 2016	3,340,000	(11.9)	453,000	(12.4)	434,000	(14.4)	257,000	(9.6)	328.13

(Note) Changes from the latest forecasts released: No

* Notes

- (1) Changes in principal subsidiaries during the nine months ended September 30, 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): | |
| September 30, 2016 | 813,102,321 shares |
| December 31, 2015 | 813,102,321 shares |
| 2) Number of shares of treasury stock at period end | |
| September 30, 2016 | 29,850,091 shares |
| December 31, 2015 | 29,878,493 shares |
| 3) Average outstanding number of shares (during the first three quarters) | |
| First Three Quarters ended September 30, 2016 | 783,236,067 shares |
| First Three Quarters ended September 30, 2015 | 783,198,855 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.

[Index]

1. <u>Qualitative Information for the First Three Quarters of Fiscal 2016</u>	...P2
(1) Explanation of Consolidated Operating Results	...P2
(2) Explanation of Consolidated Financial Position	...P4
(3) Explanation of Projections of Consolidated Results	...P4
2. <u>Other Information (Notes)</u>	...P5
(1) Application of special accounting treatments for consolidated quarterly financial statements	...P5
(2) Changes in accounting policy, changes in accounting estimates, and restatements	...P5
3. <u>Consolidated Quarterly Financial Statements</u>	...P6
(1) Consolidated Balance Sheet	...P6
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	...P8
Consolidated Statement of Income	...P8
Consolidated Statement of Comprehensive Income	...P9
(3) Notes to the Consolidated Financial Statements	...P10
(Notes regarding going concern assumption)	...P10
(Notes regarding significant changes in the amount of shareholders' equity)	...P10
(Segment Information)	...P10

1. Qualitative Information for the First Three Quarters 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

	FY2016 3Q	FY2015 3Q	Increase	
	(Nine months ended September 30, 2016)	(Nine months ended September 30, 2015)	(Decrease)	
	Yen in billions	Yen in billions	Yen in billions	%
Net sales	2,444.8	2,817.3	(372.5)	(13)
Operating income	329.4	378.6	(49.2)	(13)
Ordinary income	320.3	365.6	(45.3)	(12)
Profit attributable to owners of parent	183.0	195.1	(12.0)	(6)

In the first three quarters of fiscal 2016 (January 1 to September 30, 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. The United States economy continued recovery supported by an increase in consumer spending. The outlook of European economy has increased uncertainty. 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 because of the issues of the UK leaving the EU, etc. In addition, tire demand for mining vehicles decreased by lower 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 our business.” Stepping up efforts on a global scale, the Companies were working harder than ever to advance brand strategy through Olympic TOP Partner and Select Paralympic Partnerships, 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 solely sales of products. Moreover, the Companies were continuing to implement a range of measures for management reforms. In the first three quarters 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 three quarters of fiscal 2016 were ¥2,444.8 billion, a decrease of 13% from the first three quarters of fiscal 2015; operating income was ¥329.4 billion, a decrease of 13%, ordinary income was ¥320.3 billion, a decrease of 12%; and profit attributable to owners of parent was ¥183.0 billion, a decrease of 6%.

2) Segment Information

		FY 2016 3Q (Nine months ended September 30, 2016)	FY 2015 3Q (Nine months ended September 30, 2015)	Increase (Decrease)	
		Yen in billions	Yen in billions	Yen in billions	%
Tires	Net Sales	2,013.0	2,358.4	(345.3)	(15)
	Operating income	300.3	345.9	(45.5)	(13)
Diversified Products	Net Sales	442.5	474.3	(31.8)	(7)
	Operating income	29.0	32.7	(3.7)	(11)
Consolidated Results	Net Sales	2,444.8	2,817.3	(372.5)	(13)
	Operating income	329.4	378.6	(49.2)	(13)

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 remained unchanged from the first three quarters of fiscal 2015 and the unit sales of tires for trucks and buses increased firmly compared to the first three quarters of fiscal 2015. In the Americas, the unit sales of tires for passenger cars and light trucks in North America increased firmly and the unit sales of tires for trucks and buses decreased compared to the first three quarters 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 strongly and the unit sales of tires for trucks and buses increased steadily compared to the first three quarters 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 steadily compared to the first three quarters 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 three quarters of fiscal 2016 were ¥2,013.0 billion, a decrease of 15% from the first three quarters of fiscal 2015; operating income was ¥300.3 billion, a decrease of 13%.

In the diversified products segment, net sales were ¥442.5 billion, a decrease of 7% from the first three quarters of fiscal 2015 and operating income was ¥29.0 billion, a decrease of 11% from the first three quarters of fiscal 2015 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 three quarters of fiscal 2016 were as follows.

(Assets)

In assets, notes and accounts receivable, tangible fixed assets, and investments in securities decreased ¥96.7 billion, ¥202.0 billion, and ¥66.7 billion respectively. As a result, assets decreased ¥517.8 billion compared with the end of the previous fiscal year, to ¥3,278.0 billion.

(Liabilities)

In liabilities, while short-term borrowings increased ¥53.1 billion, accounts payable-other, long-term borrowings, and net defined benefit liability decreased ¥61.5 billion, ¥125.4 billion, and ¥69.6 billion respectively. As a result, liabilities decreased ¥317.6 billion compared with the end of the previous fiscal year, to ¥1,196.1 billion.

(Net assets)

In net assets, while profit attributable to owners of parent was ¥183.0 billion, cash dividends paid were ¥109.6 billion, and net unrealized gain on available-for-sale securities and foreign currency translation adjustments decreased ¥44.9 billion and ¥238.8 billion respectively. As a result, net assets decreased ¥200.1 billion compared with the end of the previous fiscal year, to ¥2,081.8 billion.

Due to a decrease of assets by ¥517.8 billion, the ratio of total equity to total assets increased 3.7% compared with the end of the previous fiscal year, to 61.9%.

(3) Explanation of Projections of Consolidated Results

There are no changes in consolidated projections announced on August 9, 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 three quarters 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 3Q (As of September 30, 2016)
Assets		
Current Assets		
Cash and deposits	387,652	354,201
Notes and accounts receivable	488,832	392,044
Short-term investments	217,348	151,836
Merchandise and finished products	370,046	356,529
Work in process	35,877	34,881
Raw materials and supplies	149,815	129,114
Other	192,340	172,413
Allowance for doubtful accounts	(33,357)	(13,688)
Total Current Assets	1,808,557	1,577,332
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	537,244	483,286
Machinery, equipment and vehicles, net	523,389	451,265
Other, net	443,257	367,284
Total Tangible Fixed Assets	1,503,891	1,301,836
Intangible fixed assets	68,388	64,297
Investments and other assets		
Investments in securities	299,129	232,360
Other	121,760	106,213
Allowance for doubtful accounts	(5,880)	(4,009)
Total Investments and Other Assets	415,009	334,564
Total Fixed Assets	1,987,289	1,700,699
Total Assets	3,795,846	3,278,031

(Yen in millions)

	FY 2015 (As of December 31, 2015)	FY 2016 3Q (As of September 30, 2016)
Liabilities		
Current Liabilities		
Notes and accounts payable	181,973	173,828
Short-term borrowings	125,908	179,042
Current portion of bonds	30,000	—
Lease obligations	1,137	963
Income taxes payable	50,523	12,682
Provision for recall	1,196	1,001
Accounts payable - other	164,491	102,911
Other	279,883	244,807
Total Current Liabilities	835,114	715,235
Long-term Liabilities		
Bonds	90,000	90,000
Long-term borrowings	188,275	62,840
Lease obligations	6,256	5,481
Net defined benefit liability	259,521	189,879
Other	134,668	132,727
Total Long-term Liabilities	678,720	480,928
Total Liabilities	1,513,835	1,196,164
Net Assets		
Shareholders' Equity		
Common stock	126,354	126,354
Capital surplus	123,025	123,009
Retained earnings	2,014,497	2,087,484
Treasury stock - at cost	(56,212)	(56,160)
Total Shareholders' Equity	2,207,664	2,280,687
Accumulated Other Comprehensive Income		
Net unrealized gain(loss) on available-for-sale securities	192,324	147,399
Deferred gain(loss) on derivative instruments	(776)	(547)
Foreign currency translation adjustments	(55,406)	(294,224)
Remeasurements of defined benefit plans	(134,736)	(105,733)
Total Accumulated Other Comprehensive Income	1,404	(253,105)
Stock Acquisition Rights	2,469	3,033
Non-controlling Interests	70,473	51,252
Total Net Assets	2,282,011	2,081,867
Total Liabilities and Net Assets	3,795,846	3,278,031

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

(Yen in millions)

	FY 2015 3Q (Nine months ended September 30, 2015)	FY 2016 3Q (Nine months ended September 30, 2016)
Net Sales	2,817,330	2,444,802
Cost of Sales	1,709,514	1,437,975
Gross Profit	1,107,816	1,006,827
Selling, General and Administrative Expenses		
Goods freightage expenses	119,561	109,063
Advertising and promotion expenses	94,528	86,051
Salaries, allowances and bonuses	199,491	184,319
Retirement benefit expenses	18,891	14,125
Depreciation	23,977	23,335
Research and development expenses	70,018	71,097
Other	202,700	189,408
Total Selling, General and Administrative Expenses	729,169	677,401
Operating Income	378,646	329,425
Non-operating Income		
Interest income	4,262	3,215
Dividend income	6,508	6,382
Gain on sales of investment securities	—	4,769
Other	14,912	9,009
Total Non-operating Income	25,683	23,376
Non-operating Expenses		
Interest expense	9,497	7,967
Foreign currency exchange loss	8,076	10,193
Other	21,066	14,256
Total Non-operating Expenses	38,640	32,418
Ordinary Income	365,689	320,384
Extraordinary Income		
Gain on sales of investment securities	13,631	—
Total Extraordinary Income	13,631	—
Extraordinary Loss		
Loss related to reorganization of R&D and manufacturing base	—	17,649
Loss on deconsolidation of a subsidiary	42,348	—
Total Extraordinary Loss	42,348	17,649
Income before Income Taxes and Non-controlling Interests	336,972	302,735
Income Taxes	133,210	112,454
Income before Non-controlling Interests	203,761	190,280
Profit Attributable to Non-controlling Interests	8,640	7,223
Profit Attributable to Owners of Parent	195,120	183,057

Consolidated Statement of Comprehensive Income

First Three Quarters

(Yen in millions)

	FY 2015 3Q (Nine months ended September 30, 2015)	FY 2016 3Q (Nine months ended September 30, 2016)
Income before Non-controlling Interests	203,761	190,280
Other Comprehensive Income (loss)		
Unrealized gain (loss) on available-for-sale securities	6,301	(44,908)
Deferred gain (loss) on derivative instruments	1,630	461
Foreign currency translation adjustments	(93,741)	(244,257)
Remeasurements of defined benefit plans	11,844	28,832
Share of other comprehensive income in affiliates	(2,775)	(2,281)
Total Other Comprehensive Income	(76,740)	(262,154)
Comprehensive Income	127,020	(71,873)
Comprehensive income attribute to:		
Owners of parent	126,073	(71,453)
Non-controlling interests	946	(420)

(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 Three Quarters (Nine months ended September 30, 2015)

(Yen in millions)

	Tires	Diversified Products	Total	Adjustments (Note)	Consolidated
Net sales:					
External customers	2,354,025	463,305	2,817,330	—	2,817,330
Inter-segment	4,404	11,071	15,475	(15,475)	—
Total	2,358,430	474,376	2,832,806	(15,475)	2,817,330
Segment income (Operating income)	345,919	32,762	378,682	(35)	378,646

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

FY 2016 First Three Quarters (Nine months ended September 30, 2016)

(Yen in millions)

	Tires	Diversified Products	Total	Adjustments (Note)	Consolidated
Net sales:					
External customers	2,008,284	436,518	2,444,802	—	2,444,802
Inter-segment	4,756	6,007	10,764	(10,764)	—
Total	2,013,040	442,525	2,455,566	(10,764)	2,444,802
Segment income (Operating income)	300,395	29,016	329,411	14	329,425

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