

Message to our stakeholders



Before starting my message, on behalf of the Bridgestone Group, I would like to express our deepest condolences to the families who have lost loved ones, and to express our sympathy for those who have lost their homes and their business, or who have been impacted in other ways, as a result of The 2011 off the Pacific coast of Tohoku Earthquake and Tsunami on March 11, 2011. We will assist the relief efforts for those devastated by the disaster. We truly hope for a swift recovery of the people and those areas.

Overview of fiscal 2010

In the fiscal year ended December 2010, the Bridgestone Group's consolidated net sales increased 10%, to ¥2,861.6 billion. Operating income rose 120%, to ¥166.5 billion, and net income increased by ¥97.9 billion, to ¥98.9 billion.

First of all, I would like to summarize the past two years since the Lehman collapse and the period that encompasses the once-in-a-century global economic crisis instead of only summarizing the previous year. Before the global economic crisis, the Bridgestone Group had been operating our businesses quite smoothly, which was made easier by the ever-growing world economy. After September 2008, structural changes in

the world economy emerged and we experienced a drastic decrease in demand on a global basis. This greatly affected the businesses of our Group. In the midst of such sweeping changes, we implemented various measures to enhance our business operating capabilities based on the "Lean and Strategic" concept. In 2009, we steadily carried out "what can we do immediately to be much leaner and more strategic because the time is right," while we might have hesitated to do so under normal circumstances. The initiatives include the restructuring of operations in Australia and New Zealand, and the realignment of steel cord business. These steps were to prepare us for the new business environment after the Lehman collapse. We positioned the year 2010 as "a new start from a basis of considerably decreased demand" and implemented such measures as streamlining current assets and investing management resources efficiently and strategically. Summing up the post global economic crisis period, I believe that our efforts to cultivate a "Lean and Strategic" corporate culture and to manage business operations through the Mid-term Management Plan (MTP) as the core tool have worked well.

Bridgestone's operating environment

Before introducing our initiatives in 2011 and subsequent years, I would like to explain about the changes in the operating environment surrounding Bridgestone. Bridgestone anticipates three major changes in its operating environment. The first is an underlying trend of yen appreciation and continued high prices for natural rubber and other raw materials. In 2010, the yen appreciated by about ¥6 against the dollar and by about ¥14 against the Euro, compared with the previous year. In addition, the price of natural rubber has continued to increase at an unprecedented rate. We recognize that economic conditions have reached the point where it is difficult for Bridgestone to secure profits under its previous business model.

The second is the growing presence of emerging countries, such as China and India. The portion of global GDP accounted for by emerging countries has been increasing year after year, and a series of free-trade agreements accelerates the trend. Moreover, with regard to the number of vehicle sales, we forecast that it has been growing remarkably in emerging countries, while we forecast that it will take some time to recover to the level before the Lehman collapse in developed countries, such as U.S., Europe and Japan. We will see the same growth in tire demand in emerging countries, and under such circumstances, and it is essential to be perceptive to changes in emerging countries and we have to take appropriate actions to those changes with speed.

The third is a major shift in the values of customers, primarily in developed countries. Due to uncertainty about the future course of economic conditions, there is a growing emphasis in developed countries on purchasing only those goods and services that are truly necessary, eliminating unnecessary purchases. Therefore, we must evaluate what our customers truly value and how these values drive buying decisions. Meanwhile, current cost competitiveness and the speed of development are the key factors for success in emerging countries, but it is necessary to take action based on the expectation that these markets will rapidly progress to the same level as developed countries.

Formulation of Mid-term Management Plan (MTP)

An environment marked by significant change in the structure of markets calls for the formulation and implementation of solid management policies. The Company's management resources extend throughout the world, and accordingly it is essential that we have the Mid-term Management Plan (MTP), which is optimum for the Group management. I would like to reemphasize that they are fundamental in the realization of our ultimate management goal, to be the "World's undisputed No. 1 tire and rubber company in both name and reality."

The MTP outlines the Bridgestone Group's future vision and the course that we have charted toward the achievement of that vision. A distinctive feature of the Group's approach to its MTP is the implementation of annual rolling updates with a five-year horizon. By flexibly reinforcing, adding, or updating the plan's initiatives in accordance with changes in the operating environment each year, we can respond effectively to those changes while maintaining consistency in our operational activities.

Continued implementation of "Lean and Strategic" management stance

Based on the changes in operating environment and the MTP which consistently remains as our core management tool, I would like to explain about my initiatives in 2011 and subsequent years. In accordance with the approach of "agile and careful," we will implement initiatives based on the concept of "Lean and Strategic," which means to bolster our competitiveness in global markets, make optimal use of our assets and advance the efficiency of the Group's organization. The concept has been the basis of our operations in the past two years, and will continue to be the same in the coming years.

Competing on a different ground

The distinctive feature of the Group's initiatives, based on the "Lean and Strategic" management stance, is to draw on Bridgestone's diverse resources to create a major competitive

advantage that cannot be easily followed by our competitors. We define this approach as “competing on a different ground,” and there are five areas formulating the approach. The Group strongly emphasizes the importance of increasing the speed and the efficiency in achieving the targets, taking into consideration of the changes in business environment.

The first is “expanding strategic tire products and businesses.” In passenger car radial tires, we will provide customers with products that leverage advanced technologies superior to those of other companies. Particularly for runflat tires, we will rapidly create markets and expand original equipment fitment by new-technology Third-Generation Runflat tires, which reflect the Group’s technological prowess. For truck and bus tires, we intend to cater to demand from customers and society for safety, fuel efficiency, and reduction of expenses by globally developing a solutions business that utilizes retread tires. For specialty tires, in response to the continued heavy demand for minerals, we plan to expand the production at the Kitakyushu Plant, by moving forward with a phase 3 increase in production capacity.

The second is “reinforcing fundamental competencies,” which in other words are measures to strengthen competitiveness throughout our supply chain. The measures include “specification optimization,” which is the development contributing to the environment through the reduction of raw materials consumption, while enhancing safety.

The third is “securing our position in emerging countries.” Primarily in those emerging countries such as China, India and Brazil, we plan to implement initiatives such as promotion of “ECOPIA” brand into the market, formulation of retread and solutions business, and expansion of retail network. At the same time, we will increase production capacity to meet growing demand in those markets.

The fourth is implementing “‘selection and concentration’ in diversified products business,” whose aim is to penetrate globally for “concentrated” businesses, including adhesive film for solar modules, whose demand is rapidly increasing and will contribute to the spread of green energy, and electronic paper,

which the Group has the leading-edge technology with color and flexibility.

The fifth is “enhancing environmental activities, eco-friendly products and businesses.” We have set targets working toward the realization of sustainable society and we endeavor to achieve those targets by breaking them down into individual initiatives, such as to launch eco-friendly products and to implement eco-friendly businesses and achieving them one by one.

Shareholder returns

The interests of shareholders are an important management priority for Bridgestone Corporation. Accordingly, our basic policy calls for our businesses to generate sustained dividends as a return to shareholders. Based on a comprehensive analysis of such factors as the recovery in our results and our future financial position, for the fiscal year ended December 2010 we set year-end dividends at ¥10 per share. Together with interim dividends of ¥10 per share, this resulted in dividends for the year of ¥20 per share, an increase of ¥4 per share year on year. On behalf of the Bridgestone Group, I would like to express my sincere gratitude for your kind support in 2010, and kindly request for the same support in 2011.

Looking ahead, though the operating environment, including the impact of raw material costs, will be challenging, the Bridgestone Group remains steadfastly committed to its goal of being the “World’s undisputed No. 1 tire and rubber company in both name and reality.” As we move forward, we will continue working to meet the expectations of shareholders, investors, and all other stakeholders.

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Shoshi Arakawa
Chairman of the Board, CEO and President