Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Annual Securities Report

(Filed pursuant to Article 24, paragraph (1) of the Financial Instruments and Exchange Act of Japan)
Business year
From January 1, 2022 To December 31, 2022
(104th Fiscal Period)

Bridgestone Corporation

(E01086)

104th Fiscal Period (from January 1, 2022 to December 31, 2022)

Annual Securities Report

1 This document was prepared for printing by adding a table of contents and pages to the Annual Securities Report, which is in accordance with Article 24, paragraph (1) of the Financial Instruments and Exchange Act, submitted as data on March 28, 2023 using the Electronic Data Processing System for Disclosure (EDINET) prescribed in Article 27-30, paragraph (2) of the aforementioned act.

2 The document does not include the attachments to the Annual Securities Report submitted as described above, but the Audit Report is bound in an unpaginated booklet.

Bridgestone Corporation

Table of Contents

Annual Securities Report for the 104th Fiscal Period

Audit Report

Cover

[Document Submitted]	Annual Securities Report
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
[Filed to]	Director of the Kanto Local Finance Bureau
[Date of Submission]	March 28, 2023
[Business Year]	104th Fiscal Period (from January 1, 2022 to December 31, 2022)
[Company Name]	Bridgestone Corporation
[Company Name (in English)]	BRIDGESTONE CORPORATION
[Position and Name of Representative]	Shuichi Ishibashi Member of the Board Global CEO and Representative Executive Officer
[Location of Head Office]	3-1-1 Kyobashi, Chuo-ku, Tokyo
[Phone No.]	+81-3 6836 3162
[Contact for Communications]	Keisuke Murakami, Director, Global Financial Accounting Division
[Nearest Contact]	3-1-1 Kyobashi, Chuo-ku, Tokyo
[Phone No.]	+81-3 6836 3162
[Contact for Communications]	Keisuke Murakami, Director, Global Financial Accounting Division
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Fukuoka Stock Exchange (2-14-2 Tenjin, Chuo-ku, Fukuoka)

Part I Information on the Company

I. Overview of the Company

1. Key financial data and trends

(1) Consolidated financial data

Term		International Financial Reporting Standards				
		Transition date	101st	102nd	103rd	104th
Year ended		January 1, 2019	December 2019	December 2020	December 2021	December 2022
Revenue	Yen in millions	–	3,507,243	2,695,224	3,246,057	4,110,070
Profit before tax	Yen in millions	–	335,510	27,412	377,594	423,458
Profit (loss) attributable to owners of parent	Yen in millions	–	240,111	(23,301)	394,037	300,367
Comprehensive income attributable to owners of parent	Yen in millions	–	227,517	(108,005)	581,731	556,793
Equity attributable to owners of parent	Yen in millions	2,439,799	2,349,378	2,149,958	2,629,883	2,965,806
Total assets	Yen in millions	4,252,677	4,277,016	4,189,327	4,574,892	4,961,818
Total equity attributable to owners of parent per share	Yen	3,245.23	3,336.92	3,053.35	3,734.23	4,333.76
Basic earnings (loss) per share	Yen	–	332.31	(33.09)	559.56	432.29
Diluted earnings (loss) per share	Yen	–	331.76	(33.09)	558.71	431.70
Ratio of equity attributable to owners of parent to total assets	%	57.4	54.9	51.3	57.5	59.8
Ratio of profit on equity attributable to owners of parent to total assets	%	–	10.0	(1.0)	16.5	10.7
Price earnings ratio	Times	–	12.2	–	8.8	10.9
Net cash provided by (used in) operating activities	Yen in millions	–	505,029	526,947	281,538	268,483
Net cash provided by (used in) investing activities	Yen in millions	–	(261,875)	(155,378)	131,701	(338,004)
Net cash provided by (used in) financing activities	Yen in millions	–	(240,458)	18,077	(379,321)	(364,109)
Cash and cash equivalents at end of period	Yen in millions	433,916	432,924	810,546	787,542	518,905
Number of employees	Persons	143,509	143,589	138,036	135,636	129,262

(Notes) 1. The Bridgestone Group (the "Group") prepares its consolidated financial statements based on International Financial Reporting Standards (IFRS) from the 102nd fiscal period.

2. Price earnings ratio is not listed for the 102nd fiscal period due to there being a basic loss per share.

3. The average number of temporary employees is omitted since the number is below 10% of the number of employees.

4. On March 31, 2021, FIRESTONE BUILDING PRODUCTS COMPANY, LLC (hereinafter "FSBP"), a subsidiary of Bridgestone Corporation (the "Company"), was sold to Holcim Participations (US) Inc. FSBP has thus been categorized as discontinued operations. Accordingly, the amounts of revenue and profit before tax for the 102nd fiscal period have been reclassified to present the respective amounts of continuing operations, excluding the discontinued operations.

5. On December 10, 2021, the Company decided to newly establish a wholly owned subsidiary through an absorption-type company split which will succeed the Company's anti-vibration rubber business, and after transferring all ownership of the Group's anti-vibration rubber business to the wholly owned subsidiary, it will sell all shares of stock in the wholly owned subsidiary to Anhui Zhongding Holding (Group) Co., Ltd. (hereinafter "AZ"). The anti- vibration rubber business has thus been categorized as discontinued operations. Accordingly, the amounts of revenue and profit before tax for the

102nd fiscal period have been reclassified to present the respective amounts of continuing operations, excluding the discontinued operations.

6. On December 10, 2021, the Company decided to newly establish a wholly owned subsidiary through an absorption-type company split which will succeed the Company's chemical products solutions business, and after transferring all ownership of the Group's chemical products solutions business to the wholly owned subsidiary, it will sell all shares of stock in the wholly owned subsidiary to Endeavour United II Investment Business Limited Partnership (hereinafter "EUF-2"), which is organized, managed, and operated by an investment fund Endeavour United Co., Ltd. (hereinafter "EU"). The chemical products solutions business has thus been categorized as discontinued operations. Accordingly, the amounts of revenue and profit before tax for the 102nd fiscal period have been reclassified to present the respective amounts of continuing operations, excluding the discontinued operations.

Term		J-GAAP		
		100th	101st	102nd
Year ended		December 2018	December 2019	December 2020
Net sales	Yen in millions	3,650,111	3,525,600	2,999,018
Ordinary Profit	Yen in millions	381,132	316,823	173,802
Profit (loss) attributable to owners of parent	Yen in millions	291,642	292,598	(2,016)
Comprehensive income	Yen in millions	162,160	237,629	(99,079)
Total equity	Yen in millions	2,436,162	2,344,290	2,119,718
Total assets	Yen in millions	3,840,269	3,946,505	3,876,270
Total equity per share	Yen	3,163.71	3,250.37	2,942.56
Earnings (loss) per share	Yen	387.95	404.95	(2.86)
Diluted earnings per share	Yen	387.28	404.28	–
Equity ratio	%	61.9	58.0	53.5
Return on equity	%	12.4	12.5	(0.1)
Price earnings ratio	Times	10.9	10.0	–
Net cash provided by (used in) operating activities	Yen in millions	360,955	464,457	483,938
Net cash provided by (used in) investing activities	Yen in millions	(243,061)	(266,910)	(157,772)
Net cash provided by (used in) financing activities	Yen in millions	(159,094)	(198,601)	61,086
Cash and cash equivalents at end of period	Yen in millions	433,916	435,319	810,546
Number of employees	Persons	143,509	143,589	138,036

(Notes) 1. The average number of temporary employees is omitted since the number is below 10% of the number of employees.

2. At the beginning of the 101st fiscal period, the Group adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc." (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). This standard was applied retrospectively to key financial data for the 100th fiscal period and the key financial data reflects the retrospective adoption of these accounting standards, etc.

3. Various figures derived from generally accepted accounting principles in Japan (Japanese GAAP) for the 102nd fiscal period have not been audited in accordance with the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

4. Diluted earnings per share is not listed for the 102nd fiscal period due to there being a net loss per share despite their being potential shares.

5. Price earnings ratio is not listed for the 102nd fiscal period due to there being a net loss per share.

(2) Financial data for the Company

Term		100th	101st	102nd	103rd	104th
Year ended		December 2018	December 2019	December 2020	December 2021	December 2022
Net sales	Yen in millions	889,413	867,267	691,683	839,528	981,660
Ordinary Profit	Yen in millions	218,951	203,233	96,155	292,915	231,918
Profit	Yen in millions	176,069	224,719	82,914	167,024	164,341
Common stock	Yen in millions	126,354	126,354	126,354	126,354	126,354
Total number of shares issued	Thousands of shares	761,536	761,536	713,698	713,698	713,698
Total equity	Yen in millions	1,442,509	1,312,152	1,294,084	1,373,813	1,304,356
Total assets	Yen in millions	1,977,911	1,975,746	2,097,389	2,135,579	1,911,361
Total equity per share	Yen	1,914.12	1,859.05	1,833.40	1,946.44	1,902.07
Dividend per share [Interim dividend amount]	Yen	160 [80]	160 [80]	110 [50]	170 [85]	175 [85]
Earnings per share	Yen	234.21	311.00	117.76	237.18	236.52
Diluted earnings per share	Yen	233.80	310.49	117.57	236.83	236.20
Equity ratio	%	72.8	66.2	61.6	64.2	68.1
Return on equity	%	12.2	16.4	6.4	12.5	12.3
Price earnings ratio	Times	18.1	13.1	28.7	20.9	19.8
Dividend payout ratio	%	68.3	51.4	93.4	71.7	74.0
Number of employees	Persons	14,075	14,567	14,858	14,745	13,903
Total shareholder return [Comparative indicator: TOPIX (dividend included)]	% %	83.9 [84.0]	83.8 [99.2]	72.8 [106.6]	105.9 [120.2]	104.4 [117.2]
Highest share price	Yen	5,515.0	4,734.0	4,082.0	5,467.0	5,509.0
Lowest share price	Yen	3,906.0	3,888.0	2,861.5	3,307.0	4,042.0

(Notes) 1. The average number of temporary employees is omitted since the number is below 10% of the number of employees.

2. From April 4, 2022, the highest share price and lowest share price are those recorded on the Tokyo Stock Exchange (Prime Market). Prior to that, the prices were those recorded on the Tokyo Stock Exchange (First Section).

3. At the beginning of the 101st fiscal period, the Group adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). This standard was applied retrospectively to key financial data for the 100th fiscal period and the key financial data reflects the retrospective adoption of these accounting standards, etc.

4. At the beginning of the 104th fiscal period, the Group adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations. The key financial data for the 104th fiscal period reflects the adoption of these accounting standards, etc.

2. History

Date	Event
March 1931	Established Bridgestone Tire Co., Ltd in the city of Kurume, Fukuoka Prefecture in Japan. Commenced production of automotive tires.
October 1935	Commenced production of golf balls
May 1937	Relocated head office to Tokyo
September 1937	Commenced production of V-belts and rubber hoses
February 1942	Changed name to Nippon Tire Co., Ltd.
October 1949	Company split with the establishment of Bridgestone Cycle Company (now, BRIDGESTONE CYCLE CO., LTD.)
February 1951	Renamed back to Bridgestone Tire Co., Ltd.
October 1961	Listed on the Tokyo and Osaka Stock Exchanges
June 1967	Established joint venture in Thailand, Thai Japan Tyre Co., Ltd. (now, THAI BRIDGESTONE CO., LTD.)
September 1972	Established joint venture Bridgestone Spalding Co., Ltd. (now, BRIDGESTONE SPORTS CO., LTD.)
September 1973	Established joint venture in Indonesia, P.T. Bridgestone Tire Indonesia (now, PT BRIDGESTONE TIRE INDONESIA)
December 1980	Acquired Uniroyal Holdings Limited (now, BRIDGESTONE AUSTRALIA LTD.) in Australia
November 1982	Established BRIDGESTONE TIRE MANUFACTURING (U.S.A.), INC. in the U.S. (May 1990, merged with BRIDGESTONE/FIRESTONE, INC. (now, BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC))
April 1984	Changed name to Bridgestone Corporation
January 1988	Established Bridgestone Finance Europe B.V. in the Netherlands (now, such operations have been succeeded by BRIDGESTONE TREASURY SINGAPORE PTE. LTD. in Singapore)
May 1988	Acquired the Firestone Tire & Rubber Company. (now, BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC)
January 1989	Established BRIDGESTONE FINANCE CORPORATION
January 1993	Consolidated the sports business into BRIDGESTONE SPORTS CO., LTD.
December 1994	Bridgestone/Firestone Europe S.A. (now, BRIDGESTONE EUROPE NV/SA) became a holding-company structure for European operations with sales and logistics functions in Europe consolidated in that company
December 1994	Established BMAH Corporation (now, BRIDGESTONE AMERICAS, INC.) in the U.S.
January 1997	Acquired Fedstone (Pty) Limited (now, BRIDGESTONE SOUTH AFRICA HOLDINGS (PTY) LTD.), with the consolidated subsidiary Firestone South Africa (Pty) Ltd. in South Africa (now, BRIDGESTONE SOUTH AFRICA (PTY) LTD.)
July 1998	Established Bridgestone/Firestone Poland Sp. z o.o. (now, BRIDGESTONE POZNAN SP. Z O.O.) in Poland
November 1999	Established Bridgestone Middle East FZE (now, BRIDGESTONE MIDDLE EAST & AFRICA FZE) in the United Arab Emirates
March 2000	Established BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD. in Thailand
December 2001	BRIDGESTONE/FIRESTONE, INC. (now, BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC) split and reorganized by business with BRIDGESTONE/FIRESTONE AMERICAS HOLDING, INC. (now, BRIDGESTONE AMERICAS, INC.) as a holding company for management of businesses in the Americas
February 2003	Established BRIDGESTONE (WUXI) TIRE CO., LTD. in China
October 2004	Established BRIDGESTONE (CHINA) INVESTMENT CO., LTD. in China
August 2005	Acquired PT. Goodyear Sumatra Plantation (now PT BRIDGESTONE SUMATRA RUBBER ESTATE) in Indonesia
July 2006	Established BRIDGESTONE ASIA PACIFIC PTE. LTD. in Singapore
May 2007	BRIDGESTONE AMERICAS HOLDING, INC. (now, BRIDGESTONE AMERICAS, INC.) acquired Bandag, Incorporated (now, BRIDGESTONE BANDAG, LLC)
June 2014	Acquired Masthead Industries, LLC (now BRIDGESTONE HOSE AMERICA, INC.) in the U.S.
May 2017	BRIDGESTONE EUROPE NV/SA acquired Ets Paul Ayme (Holding) & Ayme er Fils SAS (now FIRST STOP AYME SAS) in France
April 2019	BRIDGESTONE EUROPE NV/SA acquired Tom Tom Telematics B.V. (now BRIDGESTONE MOBILITY SOLUTIONS B.V.) in Netherlands
September 2021	BRIDGESTONE AMERICAS, INC. acquired AZUGA HOLDINGS, INC.
December 2021	BRIDGESTONE MINING SOLUTIONS AUSTRALIA PTY. LTD. acquired OTRACO INTERNATIONAL PTY. LTD.

3. Description of business

The Bridgestone Group (the “Group”) comprises Bridgestone Corporation (the “Company”), 255 subsidiaries (of which 255 are consolidated subsidiaries), and 134 associates and joint ventures (of which 134 are accounted for using the equity method). The Group is engaged in the businesses below through its reporting segments “Japan,” “Americas,” “Europe, Russia, Middle East, India and Africa,” and “China, Asia-Pacific,” as well as through other segments.

Name of segment	Major businesses	Major companies	
Japan	Tire business Solutions business Chemical and industrial products and diversified products business [Golf goods, bicycles, etc.]	[Controlling, manufacturing and sales]	Bridgestone Corporation
		[Controlling of tire sales]	BRIDGESTONE TIRE SOLUTION JAPAN CO., LTD.
		[Tire sales]	BRIDGESTONE RETAIL JAPAN CO., LTD. BRIDGESTONE MINING SOLUTIONS AUSTRALIA PTY. LTD.
		[Chemical and industrial product sales]	BRIDGESTONE DIVERSIFIED PRODUCTS JAPAN CO., LTD.
		[Manufacturing and sales of golf goods]	BRIDGESTONE SPORTS CO., LTD.
		[Manufacturing and sales of bicycles, etc.]	BRIDGESTONE CYCLE CO., LTD.
Americas	Tire business Solutions business Diversified products business [Air springs]	[Controlling]	BRIDGESTONE AMERICAS, INC.
		[Manufacturing and sales of tires]	BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC BRIDGESTONE BANDAG, LLC BRIDGESTONE CANADA INC. BRIDGESTONE DE MEXICO, S.A. DE C.V. BRIDGESTONE DO BRASIL INDUSTRIA E COMERCIO LTDA. BRIDGESTONE ARGENTINA S.A.I.C.
		[Tire sales]	BRIDGESTONE RETAIL OPERATIONS, LLC
		[Manufacturing and sales of raw materials for tires]	FIRESTONE POLYMERS, LLC
		[Manufacturing and sales of air springs]	FIRESTONE INDUSTRIAL PRODUCTS COMPANY, LLC
Europe, Russia, Middle East, India and Africa	Tire business Solutions business	[Controlling and sales]	BRIDGESTONE EUROPE NV/SA
		[Manufacturing and sales of tires]	BRIDGESTONE POZNAN SP. Z O.O. BRIDGESTONE STARGARD SP. Z O.O. BRIDGESTONE HISPANIA MANUFACTURING S.L.U. BRIDGESTONE INDIA PRIVATE LTD. BRIDGESTONE SOUTH AFRICA (PTY) LTD.
		[Tire sales]	FIRST STOP AYME SAS BRIDGESTONE MIDDLE EAST & AFRICA FZE

Name of segment	Major businesses	Major companies	
China, Asia-Pacific	Tire business Solutions business	[Controlling and sales]	BRIDGESTONE ASIA PACIFIC PTE. LTD. BRIDGESTONE (CHINA) INVESTMENT CO., LTD.
		[Manufacturing and sales of tires]	BRIDGESTONE (WUXI) TIRE CO., LTD. THAI BRIDGESTONE CO., LTD. BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD. PT BRIDGESTONE TIRE INDONESIA
		[Tire sales]	BRIDGESTONE AUSTRALIA LTD.
Other	Diversified products business [Others]	[Finance]	BRIDGESTONE FINANCE CORPORATION BRIDGESTONE TREASURY SINGAPORE PTE. LTD.

(Notes)
1. The tire business mainly comprises tires and tubes for passenger cars, trucks, buses, construction and off-the-road mining vehicles, industrial and agricultural machinery, aircraft, motorcycles, and scooters, as well as tire-related products, automotive maintenance and repair services, raw materials for tires, and other products.
2. The solutions business utilizes tires and tire-related and mobility-related data to provide high added value and new value.
3. The chemical and industrial products business mainly comprises industrial rubber products, building materials, hoses and other products.

4. Subsidiaries and associates

Name	Location	Common stock / Investment in capital (Yen in millions)	Description of major businesses	Ownership ratio of voting rights (%)	Relationship			
					Officers serving concurrently	Loans	Business transactions	Leasing of facilities
(Consolidated subsidiaries)								
BRIDGESTONE TIRE SOLUTION JAPAN CO., LTD.	Chuo-ku, Tokyo	710	Controlling the sales of automotive tires for the domestic market, sales of automotive tires and development and deployment of solutions business	100.0	Yes	No	Purchase of products from the Company	Business facilities
BRIDGESTONE RETAIL JAPAN CO., LTD.	Chuo-ku, Tokyo	300	Sales of automotive tires and automotive products	(100.0) 100.0	Yes	No	No	Business facilities
BRIDGESTONE PLANT ENGINEERING CO., LTD.	Hiki-gun, Saitama	100	Manufacturing, sales, installation and maintenance of industrial machinery, etc.	100.0	Yes	No	Supply, installation and maintenance of industrial machinery, etc. to the Company	Business facilities
BRIDGESTONE LOGISTICS CO., LTD.	Chuo-ku, Tokyo	400	Shipping and warehousing	100.0	Yes	No	Shipping and warehousing of the Company's products	Business facilities
BRIDGESTONE DIVERSIFIED PRODUCTS JAPAN CO., LTD.	Chuo-ku, Tokyo	400	Sales of industrial rubber products and sales and installation of building materials	100.0	Yes	No	Purchase of products from and supply of products to the Company	Business facilities
BRIDGESTONE SPORTS CO., LTD.	Chuo-ku, Tokyo	3,000	Manufacturing and sales of sporting goods	100.0	Yes	No	No	Business facilities
BRIDGESTONE CYCLE CO., LTD.	Ageo, Saitama	10,120	Manufacturing and sales of bicycles	100.0	Yes	No	No	Business facilities
BRIDGESTONE FINANCE CORPORATION	Kodaira, Tokyo	50	Loaning of cash, factoring and entrusted service for accounting and payroll	100.0	Yes	No	Settlement of some of the Company's payables and partially entrusted service for accounting	No
BRIDGESTONE AMERICAS, INC.	U.S.	USD in thousands 127,000	Controlling businesses in Americas	100.0	Yes	No	No	No
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC	U.S.	USD in thousands 1	Manufacturing and sales of automotive tires	(100.0) 100.0	Yes	No	Purchase of products and raw materials from and supply of products to the Company	No
BRIDGESTONE RETAIL OPERATIONS, LLC	U.S.	USD in thousands 1	Sales of automotive tires, maintenance and repairing of vehicles and sale of automotive goods.	(100.0) 100.0	No	No	No	No
BRIDGESTONE BANDAG, LLC	U.S.	USD in thousands 1	Manufacturing and sales of retread material and supply of related techniques	(100.0) 100.0	No	No	Supply of products to the Company	No
FIRESTONE POLYMERS, LLC	U.S.	USD in thousands 1	Manufacturing and sales of synthetic rubber	(100.0) 100.0	No	No	Supply of raw materials to the Company	No
FIRESTONE INDUSTRIAL PRODUCTS COMPANY, LLC	U.S.	USD in thousands 1	Manufacturing and sales of air springs	(100.0) 100.0	No	No	No	No
BRIDGESTONE CANADA INC.	Canada	CAD in thousands 127,553	Manufacturing and sales of automotive tires and automotive parts	(100.0) 100.0	No	No	Purchase of products from the Company	No
BRIDGESTONE DE MEXICO, S.A. DE C.V.	Mexico	MXN in thousands 455,998	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	Purchase of products from the Company	No

Name	Location	Common stock / Investment in capital (Yen in millions)	Description of major businesses	Ownership ratio of voting rights (%)	Relationship			
					Officers serving concurrently	Loans	Business transactions	Leasing of facilities
BRIDGESTONE DO BRASIL INDUSTRIA E COMERCIO LTDA.	Brazil	BRL in thousands 509,788	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	Purchase of products and raw materials from the Company	No
BRIDGESTONE ARGENTINA S.A.I.C.	Argentina	ARS in thousands 201,242	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	Purchase of products from the Company	No
BRIDGESTONE EUROPE NV/SA	Belgium	EUR in thousands 2,063,963	Controlling businesses in Europe, Russia, Middle East, India and Africa, and sales of automotive tires	100.0	Yes	Yes	Purchase of products from and supply of products to the Company	No
BRIDGESTONE POZNAN SP. Z O.O.	Poland	PLN in thousands 558,059	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	Purchase of raw materials from the Company	No
BRIDGESTONE STARGARD SP. Z O.O.	Poland	PLN in thousands 572,650	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	No	No
FIRST STOP AYME SAS	France	EUR in thousands 22,178	Sales of automotive tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE TATABANYA TERMELO KFT.	Hungary	HUF in thousands 30,938,000	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE HISPANIA MANUFACTURING S.L.U.	Spain	EUR in thousands 3	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE MIDDLE EAST & AFRICA FZE	U.A.E.	AED in thousands 17,000	Sales of automotive tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE INDIA PRIVATE LTD.	India	INR in thousands 7,737,041	Manufacturing and sales of automotive tires	(100.0) 100.0	Yes	No	Purchase of products from and supply of products to the Company	No
BRIDGESTONE SOUTH AFRICA (PTY) LTD.	South Africa	ZAR in thousands 207	Manufacturing and sales of automotive tires	(75.0) 75.0	No	No	Purchase of products and raw materials from the Company	No
BRIDGESTONE ASIA PACIFIC PTE. LTD.	Singapore	SGD in thousands 1,623,782	Controlling tire businesses in China and Asia-Pacific and sales of automotive tires	100.0	Yes	No	Purchase of products from the Company	No
BRIDGESTONE (CHINA) INVESTMENT CO., LTD.	China	USD in thousands 347,665	Controlling tire businesses in China and sales of automotive tires	100.0	Yes	No	Purchase of products from the Company	No
BRIDGESTONE (SHENYANG) TIRE CO., LTD.	China	USD in thousands 183,180	Manufacturing and sales of automotive tires	(100.0) 100.0	Yes	No	Supply of products to the Company	No
BRIDGESTONE (WUXI) TIRE CO., LTD.	China	USD in thousands 255,040	Manufacturing and sales of automotive tires	(100.0) 100.0	Yes	No	Supply of products to the Company	No
BRIDGESTONE (HUIZHOU) TIRE CO., LTD.	China	USD in thousands 160,000	Manufacturing and sales of automotive tires	(10.0) 100.0	Yes	No	No	No
BRIDGESTONE TIRE MANUFACTURING VIETNAM LLC	Vietnam	USD in thousands 447,800	Manufacturing and sales of automotive tires	(100.0) 100.0	Yes	No	Supply of products to the Company	No
THAI BRIDGESTONE CO., LTD.	Thailand	THB in thousands 400,000	Manufacturing and sales of automotive tires	(69.2) 69.2	Yes	No	Supply of products to the Company	No
BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD.	Thailand	THB in thousands 6,921,000	Manufacturing and sales of automotive tires	(100.0) 100.0	Yes	No	Supply of products to the Company	No

Name	Location	Common stock / Investment in capital (Yen in millions)	Description of major businesses	Ownership ratio of voting rights (%)	Relationship			
					Officers serving concurrently	Loans	Business transactions	Leasing of facilities
PT BRIDGESTONE TIRE INDONESIA	Indonesia	IDR in thousands 10,358,400	Manufacturing and sales of automotive tires	(54.3) 54.3	Yes	No	Purchase of raw materials from and supply of products to the Company	No
BRIDGESTONE AUSTRALIA LTD.	Australia	AUD in thousands 205,820	Sales of automotive tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE SPECIALTY TIRE MANUFACTURING (THAILAND) CO., LTD.	Thailand	THB in thousands 11,900,000	Manufacturing and sales of tires for construction and mining vehicles and aircraft tires	100.0	Yes	Yes	Supply of products to the Company	No
BRIDGESTONE MINING SOLUTIONS AUSTRALIA PTY. LTD.	Australia	AUD in thousands 7,000	Sales and supplying related services of tires for construction and mining vehicles and conveyor belts, etc.	100.0	Yes	No	Purchase of products from the Company	No
BRIDGESTONE SINGAPORE PTE LTD.	Singapore	USD in thousands 674	Sales and purchase of natural rubber	100.0	Yes	No	Supply of raw materials to the Company	No
BRIDGESTONE TREASURY SINGAPORE PTE. LTD.	Singapore	USD in thousands 450,700	Loaning of cash and factoring	100.0	Yes	No	Collection agency for some of the Company's receivables	No
Other: 214 companies								
(Equity-method associates and others) TIREHUB, LLC	U.S.	USD in thousands 20,862	Sales of automotive tires	(50.0) 50.0	No	No	No	No
BRISA BRIDGESTONE SABANCI LASTIK SANAYI VE TICARET A.S.	Turkey	TRY in thousands 305,117	Manufacturing and sales of automotive tires	43.6	Yes	No	Purchase of products and raw materials from the Company	No
Other: 132 companies								

(Notes) 1. BRIDGESTONE TIRE SOLUTION JAPAN CO., LTD., BRIDGESTONE AMERICAS, INC., BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC, BRIDGESTONE CANADA INC., BRIDGESTONE ARGENTINA S.A.I.C., BRIDGESTONE EUROPE NV/SA, BRIDGESTONE POZNAN SP. Z O.O., BRIDGESTONE STARGARD SP. Z O.O., BRIDGESTONE TATABANYA TERMELO KFT., BRIDGESTONE INDIA PRIVATE LTD., BRIDGESTONE ASIA PACIFIC PTE. LTD., BRIDGESTONE (CHINA) INVESTMENT CO., LTD., BRIDGESTONE (SHENYANG) TIRE CO., LTD., BRIDGESTONE (WUXI) TIRE CO., LTD., BRIDGESTONE (HUIZHOU) TIRE CO., LTD., BRIDGESTONE TIRE MANUFACTURING VIETNAM LLC, BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD., BRIDGESTONE AUSTRALIA LTD., BRIDGESTONE SPECIALTY TIRE MANUFACTURING (THAILAND) CO., LTD., BRIDGESTONE SINGAPORE PTE LTD., and BRIDGESTONE TREASURY SINGAPORE PTE. LTD. are specified subsidiaries.

2. Figures in parentheses in the ownership ratio of voting rights column indicate indirect ownership ratio.
3. An insolvent company and the amount of insolvency are as follows:
   BRIDGESTONE APM COMPANY 16,313 million yen
4. Revenues of BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (hereinafter "BATO") and BRIDGESTONE RETAIL OPERATIONS, LLC (hereinafter "BSRO") (excluding internal sales from intercompany transactions within the Group) exceed 10% of the consolidated revenue.

			(Yen in millions)
Major financial information	BATO	(1) Revenue	1,161,841
		(2) Profit before tax	171,946
		(3) Profit	130,852
		(4) Total equity	1,407,345
		(5) Total assets	1,662,361
	BSRO	(1) Revenue	623,935
		(2) Profit before tax	39,684
		(3) Profit	31,526
		(4) Total equity	258,340
		(5) Total assets	444,962

5. Employees

(1) Consolidated companies

(As of December 31, 2022)

Name of segment	Number of employees
Japan	27,049
Americas	50,198
Europe, Russia, Middle East, India and Africa	21,591
China, Asia-Pacific	19,084
Other	8,059
Company-wide (common)	3,281
Total	129,262

(Notes) 1. The number of employees represents the number of active employees.
2. The number of employees in the Japan segment includes the number of employees at tire plants in Japan that produce tires for other segments.
3. The decrease of 7,911 employees in the Japan segment compared to the previous fiscal year is mainly due to the transfer of the anti-vibration rubber business and the chemical products solutions business.

(2) Status of the Company

(As of December 31, 2022)

Number of employees	Average age (Years)	Average length of service (Years)	Average annual salary (Thousands of yen)
13,903	41.5	15.2	7,485

Name of segment	Number of employees
Japan	9,994
Other	628
Company-wide (common)	3,281
Total	13,903

(Notes) 1. The number of employees represents the number of active employees.
2. The average annual salary includes bonuses and extra wages.

(3) Labor union

The Company’s labor union is a member of the Japanese Trade Union Confederation (JTUC-RENGO). There are currently no particular matters concerning relations with the labor union that require mentioning. Labor-management relations are founded on mutual trust and are extremely amicable.

Stable labor-management relations are maintained at consolidated subsidiaries and there are no particular matters that require mentioning.

(4) Percentage of female employees in managerial positions and rate of employees who took childcare leave

Since its founding in 1931, the Group has a history of accepting diverse talent and globally fostering diversity through the acquisition of Firestone Tire & Rubber Company in the U. S. in 1988, etc. We believe that diversity will become increasingly important for the future growth of the Company. As stated in the “2030 Long Term Strategic Aspiration” announced in August 2022, the Group will strive to enhance corporate value by added value creation aligned with its business strategy. At the same time, we will accelerate various initiatives based on the Group’s talent strategy, which aims to allow diverse talents to shine through spreading success and gaining confidence of individuals.

1) Percentage of female employees in managerial positions

The percentage of female employees in managerial positions by segment in the Group is as follows. The group total has increased steadily compared to the previous fiscal year.

(As of December 31, 2022)

	Top managerial positions	Managerial positions	Junior managerial positions	Total
Japan	6.1%	4.3%	6.4%	5.3%
Americas	25.5%	23.2%	10.4%	14.8%
Europe, Russia, Middle East, India and Africa	15.1%	14.6%	18.8%	17.6%
China, Asia-Pacific	12.6%	19.0%	23.6%	22.8%
Total	10.7%	11.6%	12.5%	12.1%
(Figures in parentheses are figures from the previous fiscal year)	(10.4%)			(10.6%)

(Notes) 1. The percentages are based on the number of active employees.
2. "Japan" includes the "Other" and "Company-wide (common)" segments.
3. Top managerial positions refer to managerial positions with a reporting line no more than two levels below the CEO in each company.
4. Managerial positions include all managerial positions excluding "Top managerial positions" and "Junior managerial positions."
5. Junior managerial positions refer to first-line managers, junior managers and the lowest level of management within a company's management hierarchy.

The Company has set a goal of increasing the percentage of female managers to 7.5% by the end of 2025. As of December 2022, this percentage stands at 3.4%, and the Company is working steadily toward this goal.

(Notes) 1. Female managers of the Company refer to line managers (executive and management levels), specialists and coordinators.
2. The Company's target and result for the percentage of female managers include those seconded to other regions or other companies belonging to the Company.

2) Rate of employees who took childcare leave

The result of employees of the Company who took childcare leave is as follows: In particular, the rate of male employees who took childcare leave has increased steadily compared to the previous fiscal year (12.2%).

(As of December 31, 2022)

	Number of employees who took childcare leave	Rate of employees who took childcare leave
Male	96	15.6%
Female	51	100.0%

(Notes) 1. The rate of employees who took childcare leave is calculated by the formula: "Employees who started childcare leave/Employees (or their spouses) who gave birth × 100."
2. The number of male employees who took childcare leave after childbirth is added to the number of male employees who took childcare leave.

(5) Wage disparities between male and female employees

There is no disparity in the wage structure or system between male and female employees in the Company.

However, there is a difference between male and female employees as a result of current talent portfolio in terms of job categories and the percentage of managers, resulting in wage disparities. In promoting "developing various opportunities for diverse talents to shine," which is the axis of our talent strategy, we are putting efforts to have our talent portfolio more balanced, including enhancing participation of female managers in key positions.

Wage disparities between male and female employees in the Company are as follows:

(As of December 31, 2022)

	Wage disparities between male and female employees (Ratio of women's wages to men's wages)
All employees	80.6%
Of which, regular (permanent) employees	81.6%
Of which, fixed-term employees	73.4%

II. Business Overview

1. Management policy, management environment and issues to be addressed

Changes are accelerating in the surrounding business environment in a wide range of areas, including international relations, politics, economy, environmental issues, and technological innovation, and have become commonplace. In addition to the impact of COVID-19, changes in the international situation triggered by Russia's invasion of Ukraine, fluctuations in raw material and energy prices, and rapid inflation continue to have a significant impact on the global economy and people's lives. Also, sustainability initiatives including climate change countermeasures are becoming more and more important on a global scale. In the mobility industry, these efforts are linked to the CASE and MaaS movements, such as the acceleration of the shift to EVs and digitalization, and the value demanded of tires continues to change dramatically.

In order to survive these unpredictable times, the Group announced the "2030 Long Term Strategic Aspiration," its roadmap toward 2030. Looking ahead to the 100th anniversary of our founding in 2031, we will accelerate our transformation to a resilient "excellent" Bridgestone that transforms change to opportunity, unperturbed by continuous change and remaining robust and flexible like rubber.

2023, the final year of our Mid Term Business Plan (2021-2023: revenue of 3,300 billion yen, adjusted operating profit of 450 billion yen, adjusted operating profit ratio of 13%, ROIC of 10%, and ROE of 12%) which aims to return to a strong Bridgestone capable of adapting to change, is an important year in building foundations for future growth, and we will continue driving initiatives based on three axes. The first of these is to "Tackle past negative legacies without delay," the second is to "Focus on execution and delivering results for immediate issues," and the third is to "Lay foundation for future growth" with the year 2030 as a milestone.

With regard to our "past negative legacies," by 2022, we have almost completed the business portfolio and manufacturing footprint restructuring planned in our Mid Term Business Plan (2021-2023). We plan to complete the first step in the rebuilding of earning power by continuing to promote expense and cost structure reformation, including streamlining fixed costs. From the previous fiscal year, we have also begun full-scale efforts to resolve issues in the areas of corporate culture change and talent development. By the end of 2023, we plan to materialize the enhancement of talent creativity, which creates a virtuous cycle of value creation where reinforcing talent investment leads to increasing added value, and set it as a global management KPI from the Mid Term Business Plan (2024-2026).

Regarding "immediate issues," mindset focused on execution and results with agile PDCA (Plan-Do-Check-Act) cycles has penetrated across the group through the process of overcoming the turbulent business environment in 2022. In the premium tire business, we will further focus on the premium tire area, striving to further expand sales and increase market share of premium products such as passenger car high-rim diameter (HRD) tires and off-the-road tires for mining vehicles. In addition, we will improve business quality even in a severe business environment, through reinforcement of strategic price management based on proving the value of our products and services.

As for "laying foundation for future growth," we will strengthen our management structure and implement strategic growth investments in the premium tire business, the solutions business, the diversified products business, and the exploratory business, using the "2030 Long Term Strategic Aspiration" as a roadmap and with sustainability at the core of management. In the premium tire business, in order to reinforce the premium segment, we will strengthen our structure to "produce and sell" tires by increasing production capacity to handle premium products on a global basis. In addition, by expanding the value of our innovative tire technology "ENLITEN" for passenger car tires and truck and bus tires to products and business models as a business strategy, and by providing new value by linking "Bridgestone MasterCore," the Dan-Totsu product for off-the-road tires for mining vehicles, with mining solutions, we will create both social value and customer value and drive the creation of Bridgestone's "new premium." In the creation of "new premium," we will accelerate technology innovation based three types of "mastering": "mastering rubber" and "mastering road contact" in the development of materials and tires, and "mastering manufacturing" which includes the promotion of green and smart factories as well as sustainability initiatives. In our solutions business, our growth business, we will amplify the value of Dan-Totsu products by maximizing safety and peace of mind, as well as productivity and economic value during customers' tire "use" based on retreading and the Group's unique Real x Digital platform. In addition, building a structure for growth mainly in Europe and the U.S. which are mature mobility markets, we will determine synergy with the premium tire business, growth potential, and profitability of each solution, and allocate resources to the determined business for expansion. For the chemical and industrial products and diversified products business, we will continue to sharply focus on areas where our core competencies can be leveraged. As for the exploratory business, we will promote commercialization of the recycle business, the soft-robotics business, and the guayule business based on co-creation.

To implement these measures, we will build a foundation for "new glocal & portfolio management" as a management structure adapted to each region's business base, mobility maturity and market characteristics. As part of such effort, we have adopted a Joint-Global COO structure and divided our market into the Bridgestone EAST synergy area, which consists of the Japan and Asia businesses, our home market with a long history, and the Bridgestone WEST synergy area, which consists of the Europe and North America businesses with high mobility maturity. We will work to evolve the glocal management that we have established so far by promoting collaboration and integration of technology development, supply chains, management functions and organizations related to the solutions business within each area in accordance with their business environment and business operations.

With regard to sustainability, which is at the core of our management and business, we are working to establish the Group's unique sustainability business model that ensures the link between business model and sustainability initiatives to realize carbon neutrality and circular economy across the value chain—"produce and sell" and "use" of products, and their "renew" to raw material. Particularly on the environmental front, we set our long-term environmental vision toward 2050 in 2012, and "Milestone 2030," the mid-term environmental targets for 2030 to realize this vision.

In terms of carbon neutrality, we have set clear-cut targets of reducing CO_2 emissions (Scopes 1, 2) (Note 1) by 50% in 2030 compared to our 2011 baseline, and achieving carbon neutrality by 2050. We estimate an approximate 29% reduction in 2022, setting the goal of a 30% reduction from the 2011 level in 2023. To achieve these targets, we will promote the installation of solar power panels at our global plants and advance efforts to switch electricity sourced from outside providers to renewable energy-derived electricity.

Through such efforts, we will conduct initiatives aimed at achieving the goal of increasing the ratio of renewable energy (electricity) in the Group to 50% by 2023 and to 100% by 2030. As for the reduction of CO_2 emissions across the value chain (Scope 3) (Note 1), we will drive initiatives with the target of contributing to reducing more than five times the total of Scope 1 and Scope 2 emissions by 2030 (base year: 2020) throughout the lifecycle of our products, services, and solutions. In order to realize a circular economy, we aim to increase the ratio of recycled and renewable resources to 40% by 2030 and to achieve 100% of sustainable material by 2050. Regarding the ratio of recycled and renewable resources, we estimate having achieved a ratio of approximately 37% in 2022, and aim to achieve a ratio of recycled and renewable resources of 37% or more by 2023. In order to achieve 100% sustainable material, we will evolve our ENLITEN business strategy and product strategy including retreading, and promote the utilization of renewable resources in the recycle business, the natural rubber business, and the guayule business.

In addition, as the business environment is constantly changing, we will strengthen our structure to cope with global management risk unperturbed by change. The Global Management Risk Committee, which consists of the top management of each regional business, conducts wide-ranging discussions on management risks and has set three priority management items. The first is geopolitical risk. We analyzed the business impact when risks occur, considered measures to minimize it, and have begun to implement measures. The second item is our response to TRWP (Tire Road Wear Particles). TRWP is the result of friction between the tire and the road surface, and is a mixture of the tread, which is the surface of the tire, and road pavement materials. In response to TRWP, which is an industry-wide issue, as an industry leader, the Group is leading tire industry projects under the World Business Council for Sustainable Development (WBCSD), as well as initiatives by regional industry groups. Furthermore, in collaboration with other industry players and academic institutions, we are investigating the environmental and health impacts of tires throughout their lifecycle. Going forward, we will continue driving relevant initiatives, including promotion of long-life products and linkage with the solutions business. The third item is our response to cyberattacks. In the first quarter of 2022, a cyberattack occurred in the Group's U.S. subsidiary, and we implemented emergency measures in each region.

In the future, in order to strengthen our response to such situations, we established a global cyber security team and will promote fundamental measures.

Going forward, with the "Bridgestone E8 Commitment" (Note 2) as the axis and guiding vectors to drive management while earning the trust of future generations, we will commit to the realization of a sustainable society by co-creating value together with various stakeholders, such as society, partners, and customers, achieving both sustainability and corporate growth.

The Group is working toward promoting a talent strategy aligned with its business strategy. As the axis of our talent strategy, we aim to develop various opportunities for diverse talents to shine through spreading success and gaining confidence of individuals as well as increase corporate value by creating added value aligned with the business strategy. To transform to a resilient "excellent" Bridgestone, it is essential to enhance the talent creativity of each and every talent, the driving force behind this transformation. Reinforcing talent investment leads to increasing added value. We need to create this virtuous cycle of value creation and will proceed with initiatives to achieve this.

- The Group's Talent Development Policy

  The Group promotes talent development based on a talent strategy aligned with its business strategy. We believe that "focus on quality," "respect for being on-site," "being attentive and supportive of customer problems," and "challenging spirit," all of which are in the Company's DNA, are essential to transform to a resilient "excellent" Bridgestone that transforms change into opportunity, unperturbed by continuous change and remaining robust and flexible like rubber, as set forth in the "2030 Long Term Strategic Aspiration." We will accelerate various initiatives to support employee growth so that the growth of the Company and that of each and every employee go hand in hand.

  "Focus on quality" is a strength shared by the entire Group, and we intend to further develop it as the foundation of the Company's business strategy. Regarding "respect for being on-site," we are encouraging employees to take on challenges on-site through the "Genba (On-site) 100-Day Challenge Program" in Japan, encouraging transformation of mind-set and behavior. In addition, to amplify the value of tires throughout the entire value chain of "produce and sell" and "use" phases by strengthening the alignment between the Group's "Dan-Totsu" products and the solutions business, we must "be more attentive and supportive of customer problems." In response to an increasingly diverse society and needs of customers, and for our diverse talent to shine, we are actively promoting DE&I. Specifically, in order to respect diverse values and promote diversity in decision-making as an organization, we are increasingly focusing on promoting the development and assignment of female leaders, and in Japan, strengthening mid-career recruitment and retention of highly specialized talents. Regarding "challenging spirit," especially in the exploratory business, in addition to forming alliances with external partners, we have established a new corporate venture, Softrobotics Ventures, bringing together diverse talents with an entrepreneurial spirit to create new businesses from scratch to take on the "challenge" of early commercialization. In the digital field, we are developing and acquiring advanced digital talents globally, and in Japan, we have introduced the "Digital 100-Day Training" covering a wide range of levels. With regard to the development of management talents, "Bridgestone NEXT100," a program to develop the next-generation management leaders, promotes intensive development by nominating approximately 100 talents globally each year to participate in various management/executive meetings as well as overseas business school training programs.

- Policy for internal workplace environment development concerning the Group's talents

  Based on the belief that the success of diverse talents leads to the creation of value as expressed in the "Bridgestone E8 Commitment," the Group has created a workplace environment where each and every employee can play an active role. Positioning the improvement of employee engagement as one of the key issues in globally promoting culture changes in line with the "Bridgestone E8 Commitment," we have started to conduct monitoring through engagement surveys and share good practices from each region. Specifically, in Japan, we have introduced a training program in Kurume, the place of our founding, for newly appointed managers or new employees, providing an opportunity to further experience the founder's thoughts, Bridgestone DNA and the Bridgestone Essence (corporate philosophy). Also in Japan, in order to develop a foundation for diverse talents to shine, the Group is implementing a variety of initiatives unique to Bridgestone, including holding DE & I management workshops for all managerial positions and supporting the use of FemTech to address women-specific health issues using technology. At the manufacturing sites, we are also implementing quick-impact investments that reflect the voices of workers who work at “Genba (on-site)” and are working to enhance benefits, improve the workplace environment, and reduce the workload.

(Notes)1. Scope 1 refers to CO_2 emitted directly by a company (emissions from boilers at in-house plants, etc.), and Scope 2 refers to indirect emissions from energy sources (CO_2 emissions from energy, such as electric power supplied by other companies and consumed in-house). Scope 3 refers to CO_2 emissions during the stages of procurement of materials, logistics, use by customers, and disposal or recycling in the product lifecycle.

2. Bridgestone Group established the “Bridgestone E8 Commitment,” our corporate commitment, to realize our vision, “Toward 2050, Bridgestone continues to provide social value and customer value as a sustainable solutions company.” With this commitment as the “axis to drive management while earning the trust of future generations,” we are committed to the realization of a sustainable society by co-creating 8 Bridgestone-like values starting with the letter “E” (Energy, Ecology, Efficiency, Extension, Economy, Emotion, Ease, and Empowerment) through Bridgestone-like purpose and process, together with employees, society, our partners and customers.

2. Business risks

The following provides an overview of risks concerning the state of business and financial information described in this Annual Securities Report that may have a bearing on investors' decisions. The Group is aware of these risks, and systematic efforts are made to prevent or minimize the impact of related adverse events on operations.

Nonetheless, the potential exists for unforeseen or unpredictable risks other than those described below to negatively affect the operations, business results, and financial position of the Group.

All references to possible future developments in the text are as of March 28, 2023, the filing date of this Annual Securities Report.

(Processes for evaluating and managing risks)

Every year, the Group evaluates and identifies risks faced by various regions and the Group as a whole in terms of their potential impact and likelihood of occurrence. By allowing management to be conducted in an autonomous and continuous manner through clarifying who is responsible for managing the risk, not only for the Group as a whole, but also for every business, Strategic Business Unit (SBU), and division, our Group's risk evaluation and management system is able to deal with serious management risks under the direct supervision of the Global CEO.

(1) Risks related to demand and macroeconomic conditions

The Group conducts research and development (R&D), procurement, production, logistics, sales and other business activities on a global scale. Operating results and financial position are thus subject to trends in demand, interest rates, exchange rates, share prices, and other economic variables in the countries and regions where we operate. In the current fiscal year, the Group's revenue by region was 51% from operations in the Americas; 22% from Europe, Russia, Middle East, India and Africa; 14% from Japan; and 13% from China and the Asia-Pacific region. An economic downturn in any of these regions could exert a major adverse effect on the operating results and financial position of the Group.

The Group's business is closely tied to the automobile industry; therefore, the operating results and financial position of the Group are strongly affected by business conditions in the global automobile industry. Demand for replacement tires in each country where the Group operates depends on national trends in consumer spending, automotive fuel prices, and a range of other local market variables. Any combination of trends that might cause demand for replacement tires to decline, or to grow at a slower rate, could adversely affect the operating results and financial position of the Group.

Furthermore, some of the Group's products, such as hydraulic hoses and large and ultra-large off-the-road radial tires for mining and construction vehicles, are affected by business conditions in the resources industry and the civil engineering and construction industries. If these factors reduce demand or slow its projected rise, the Group's operating results and financial position may be adversely affected.

Moreover, demand for winter tires (which make a sizable contribution to sales in regions such as Japan, Europe, and North America) is closely related to seasonal weather trends. A mild winter and a decline in demand in these regions could adversely affect, to some extent, the operating results and financial position of the Group.

(2) Legal, regulatory, and litigation risk

The Group's operations around the world are subject to diverse national (and, in Europe, supranational) laws and regulations, including trade, investment, foreign exchange transactions, taxation systems (including transfer pricing), anticompetitive practices, environmental protection, and protection of personal information. Laws and regulations that affect the Group's business activities have been established and introduced. These include labeling systems and regulations regarding tire performance and regulations regarding chemicals in Japan and overseas. Accordingly, new or revised laws and regulations could limit the scope of business activities, raise operating costs, or otherwise adversely affect the operating results and financial position of the Group.

The Group could be subject to lawsuits or to investigations by governmental authorities with regard to its business activities in Japan or in overseas markets. In the event that an important lawsuit is filed or investigation by governmental authorities has commenced, the Group's operating results and financial position could be affected.

(3) Risks related to operational disruption

・Natural disasters, wars, terrorist actions, civil strife, and social and political unrest

Globally dispersed operations expose the Group to a broad range of natural and man-made risks that could constitute force majeure, including natural disasters, such as earthquakes and floods, wars, terrorist actions, civil strife, boycotts, epidemics, energy supply problems, and general social or political unrest. Such events have the potential to adversely affect the operating results and financial position of the Group. Also, factors such as abrupt, substantial fluctuations in political or economic matters in Japan or overseas could hinder the continuation of the Group's business activities. Such events have the potential to affect the Group's operating results and financial position.

The risk of earthquakes is particularly high in Japan where the Group has numerous key facilities. Management systematically promotes the seismic reinforcement of the Group's facilities in Japan based on an order of priority determined from the results of site analyses using seismic diagnostics. In addition, a business continuity plan (hereinafter "BCP") has been created in order to facilitate a swift response in event of an earthquake and the quick restoration of operations. Operation of this BCP is subject to regular review and improvement. The Group has also formulated a BCP designed to prioritize the wellbeing and safety of employees, families, and all related parties while minimizing the Group's losses stemming from the spread of H1N1 influenza, COVID-19, and other diseases caused by unknown pathogens. The content of this BCP is continuously expanded based on feedback from its implementation. Despite the preventive measures, such serious risks could disrupt or reduce the scale of operations or cause damage to facilities, necessitating expensive repairs or restoration work. The costs involved could adversely affect the Group's operating results and financial position.

Operational disruptions at those plants where the production of certain products or materials is concentrated have the potential to cause greater problems due to the increased possibility of a supply interruption, which could result in claims for compensation based on breach of supply contracts, or in an erosion of customer confidence in the Group as a reliable source of supply. Any such developments could have a significantly adverse impact on the operating results and financial position of the Group.

・Information technology (IT) systems failures

With the drastic rise in the importance of information systems in the Group's business activities, the Group is striving to protect systems and data through advancing security and other measures. However, failure of such information systems due to external causes, such as natural disasters and cyberattacks, or through human error, could result in the halt of major operations and services and theft or leakage of confidential or personal information and data, with the possibility of hindering further business activities. Such incidents bear the potential to damage the Group's brand image and lower social trust, adversely affecting its operating results and financial position.

・Industrial action

Prolonged strikes or other industrial action due to unfruitful labor-management negotiation could cause operational disruptions, and thereby adversely affect the operating results and financial position of the Group. Management strives to minimize the risk of labor unrest by fostering good labor-management relations throughout global operations.

(4) Risks related to climate change and natural capital loss

We see growing global interest in climate change and natural capital loss, as well as an accelerated move toward a decarbonized society, as represented by the Paris Agreement, and a nature-positive world as adopted as the Kunming-Montreal Global Biodiversity Framework, which aims to halt and reverse ecosystem and nature capital loss to put nature on a path to recovery. Amid the situation, the Group recognizes the risks and opportunities related to climate change and natural capital loss in an integrated manner and reflects them in its business strategy. The main risks we identify in this category are “transition risks” associated with the transition to a decarbonized society and a society where nature can coexist, and “physical risks” due to climate change and natural capital loss. Transition risks in Japan and overseas in response to climate change and natural capital loss involve the introduction of systems and regulations related to carbon taxes, reduction obligations for CO_2 emissions, emissions trading schemes, fuel-efficient tires, the recycling of used tires, water withdrawal, and sustainable natural rubber. If the R&D expenses required to meet the changing needs of society and customers do not produce sufficient results, there is a risk that the Group’s operating results and financial position may be adversely affected in ways that include limitations on business activities and increased costs. Physical risks include the risk of business activity interruption from stronger typhoons and increased frequency of flooding and drought, risks related to the procurement raw materials from poor harvests of natural rubber due to changes in rainfall patterns, and the risk that less snowfall will reduce demand for winter tires. On the other hand, we also see these changes in society and customer needs as new opportunities for growth.

Based on the Group’s awareness of the transition risks and opportunities, the Group has set a long-term goal for 2050 of becoming carbon neutral, 100% sustainable materialization, and no net loss of biodiversity, with targets set for 2030 to reduce absolute CO_2 emissions (Scope 1 and 2) by 50% compared with 2011 levels, contribute to global CO_2 emissions reductions across the lifecycles and value chain (Scope 3) of the Group’s products and services that exceeds five times the amount of CO_2 emissions (Scope 1 and 2) generated by the Group’s operations compared with 2020 levels, increase the ratio of our use of raw materials derived from recycled or renewable resources to 40%, and promote water stewardship plans to reduce water risks at production bases in water-stressed areas. The Group is working to meet these targets with efforts that include developing new technology that helps reduce CO_2 emissions, reducing emissions at production bases of the Group, reducing the impact on natural capital from water withdrawal in water-stressed areas, promoting the development and sales of fuel-efficient tires, expanding our retread tire business, and reducing CO_2 emissions across the supply chain and impact on natural capital through collaboration with suppliers. In making investment decisions, we take into account the cost of CO2 emissions and the benefits of reduction on internal carbon pricing so that we can evaluate the transition risks and opportunities. We are also working to reduce CO_2 emissions across the value chain and the impact of various environmental burdens on natural capital through efforts to build a recycling business that converts used tires back into raw materials and to improve productivity in the natural rubber business.

Concerning physical risks and their associated opportunities, in line with our BCP, we continue to set up systems to ensure an appropriate response should a crisis occur, as well as support for resumption of business activities. We are also working to diversify our sources of natural rubber through efforts to commercialize guayule, a rubber-producing plant that grows in arid regions.

(5) Risks related to corporate and brand image

The Group strives to enhance its corporate and brand image consistently through global business activities. Systematic efforts are made to ensure compliance with all applicable laws and regulations and to promote the highest ethical standards. Programs are in place across the Group to prevent industrial incidents, particularly fires and any accidents that could cause occupational injuries, and to respond immediately to any accidents that occur. Despite such preventive measures, serious ethical lapses or industrial accidents, which are by their nature unpredictable, have the potential to adversely affect the operating results and financial position of the Group by damaging the image and reputation of the Group, diminishing the general public’s confidence in the Group, or leading to a drop in share price.

(6) Currency risk

The global distribution of the Group’s R&D, production, logistics, procurement of raw materials and sales activities requires business transactions in numerous currencies. The Group employs foreign currency forward contracts to hedge foreign currency-denominated trade receivables and payables, and currency swaps to hedge foreign currency-denominated loans and borrowings in an effort to minimize the effects of short-term exposure to exchange rate fluctuations. However, hedging cannot insulate the Group’s operations completely from foreign exchange market trends since these operations include extensive import and export activities worldwide. Fluctuations in exchange rates can thus have an adverse effect on the operating results and financial position of the Group. Exchange rate fluctuations also affect the consolidated performance of the Group because results are reported in yen. Changes in exchange rates affect the values recorded for revenue, expenses, assets, and liabilities in all countries outside Japan when translated into yen. In general terms, yen appreciation against other leading currencies tends to depress the financial results, while yen depreciation tends to have a favorable impact.

(7) Risks related to competition

The Group encounters numerous competitors across its entire product lineup. Competitive price pressures have the potential to adversely affect the operating results and financial position of the Group. In addition, the Group faces a constant risk of demands for price reductions from large corporate clients. The Group strives to maintain profitability in the face of downward price pressures by continually seeking to reduce the cost, raise productivity, enhance brand image, develop new markets, and launch new products that provide greater value to customers. However, management cannot guarantee that such efforts will always be sufficient to offset the effects of competition.

The Group's strategy is based on maintaining a highly competitive technological edge. The Group targets the development and introduction of products equipped with new and advanced technologies, and then aims to persuade customers of the value inherent in such technical advances to secure prices sufficient to ensure that profits fully offset the costs of development. Fierce competition in various fields can sometimes prevent the Group from recovering development costs through pricing, which can also have an adverse effect on operating results and financial position.

(8) Risks related to product defects

The Group holds customer safety as its highest priority. The Group invests considerable resources in establishing and maintaining high quality standards for all products manufactured and sold. Management is particularly sensitive to the importance of quality assurance in tires and other products closely associated with human safety. The Group has honed its quality assurance capabilities by upgrading information systems related to product performance, collecting pertinent market information, and establishing systems to provide early warning of any potential safety issues that may arise before they become problems. Nonetheless, such efforts cannot guarantee the complete prevention of product defects or eliminate the chance of an extensive product recall because product defects could occur due to unpredictable factors. Any such defects or recalls could result in customer claims for damages, as well as associated litigation costs, replacement costs, and damage to the Group's reputation. Product liability claims, class-action lawsuits, and other litigation pose a particular risk in the U.S.

(9) Risks related to raw materials procurement

Disruption of supplies of raw materials has the potential to affect performance adversely. The Group uses large quantities of natural rubber in tires and other rubber products, most of which are supplied from Southeast Asia. The availability of natural rubber supplies in quantities sufficient for manufacturing purposes is subject to disruption due to natural disasters, wars, terrorist actions, civil strife, other social or political unrest, and strikes in addition to the threat of poor harvests.

Supply shortages due to tight supply of raw materials or capacity constraints are also potential problems with other basic raw materials, and could adversely affect the Group's operating results and financial position.

The Group relies on in-house upstream raw materials operations and on third-party suppliers for important raw materials. Any disruption of activity to those operations or suppliers and any other events that impede the Group's plants that use those raw materials could adversely affect the Group's operating results and financial position.

Increases in the costs of raw materials due to tight supply, trade for speculative purposes, and other reasons are also potentially detrimental to the operating results and financial position of the Group. Management cannot guarantee that price rises can always be passed on to customers or that ongoing efforts to raise productivity will be sufficient to compensate for any sharp increases in raw materials costs.

(10) Risks related to pension costs and obligations

Pension-related costs and obligations are reliant on actuarial assumptions concerning discount rates and a number of other variables. If these assumptions were to change significantly as a result of changes in interest rates or the fair value of plan assets (including pension assets), or other factors were to necessitate a change in the underlying assumptions, there could be an increase in pension-related costs and obligations, as well as a material impact on the operating results and financial position of the Group.

(11) Risks related to intellectual property

The Group treats intellectual property as an important business resource. Systematic efforts are made to employ intellectual property effectively in improving the competitive position of the Group, to protect intellectual property rights from infringement, and to avoid infringing the intellectual property rights of other parties. Despite such safeguards, any actual or alleged infringement of third-party intellectual property rights by the Group could have a negative impact on the use of certain materials or technologies by the Group, and could potentially also trigger the payment of compensatory damages. Any such outcome could have a negative effect on the operating results and financial position of the Group. Conversely, if claims by the Group of intellectual property rights infringement against third parties are not upheld, the Group could also suffer direct or indirect losses through the diminished differentiation or competitiveness of its products in global markets.

3. Management analysis of financial position, operating results and cash flows

At the end of the previous fiscal year, the Company classified the assets and liabilities of the anti-vibration rubber business and the chemical products solutions business as assets held for sale and liabilities directly associated with assets held for sale, placing these businesses in the category of discontinued operations.

The Company has accordingly classified the anti-vibration rubber business and chemical products solutions business as discontinued operations in the fiscal year ended December 31, 2022 as well.

Details are described in “V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 6. Operating Segments.”

All references to possible future developments in the text are as of the filing date of this Annual Securities Report.

(1) Overview of operating results, etc.

Overview of the financial position, operating results, and cash flows of the Group for the current fiscal year is as follows.

1) Financial position and operating results

a. Overall performance

	2022	2021	Increase (Decrease)	
			Amount	Ratio
	Yen in billions	Yen in billions	Yen in billions	%
Revenue	4,110.1	3,246.1	+864.0	+27
Adjusted operating profit	482.6	394.3	+88.3	+22
Operating profit	441.3	376.8	+64.5	+17
Profit before tax	423.5	377.6	+45.9	+12
Profit attributable to owners of parent	300.4	394.0	(93.7)	(24)

The Group has been working based on its Mid Term Business Plan (2021-2023), released in February 2021, with the aim of accomplishing its vision of “continuing to provide social value and customer value as a sustainable solutions company toward 2050” under its mission of “Serving Society with Superior Quality” of the Bridgestone Essence (corporate philosophy). Guided by this mission and vision, we have set the “Bridgestone E8 Commitment” as the focus and vector of our corporate activities, and we are moving forward along the path of the “2030 Long Term Strategic Aspiration,” which depicts the vision we want to achieve in 2031, the 100th anniversary of our founding.

In the operating environment surrounding the Group during the current fiscal year, while restrictions on economic activity due to COVID-19 have been relaxed in many countries, raw material prices have skyrocketed and supply chains have been in turmoil due to the prolonged situation in Ukraine and the lockdowns in China, and accelerating inflation has heightened uncertainty about the outlook for the global economy. With regard to replacement tires, the economic slowdown, mainly in the US and Europe, gradually materialized, and tire demand slowed significantly in the fourth quarter. On the other hand, demand for passenger car and light truck tires remained relatively strong in areas such as high-rim diameter tires (18 inches or more) and premium brands for truck and bus tires in North America. With regard to new vehicle tires, in the first half of the fiscal year, demand continued to decline due to the impact of reduced vehicle production caused by semiconductor shortages. In the second half, however, as the production of new vehicles started to recover, the sluggish demand showed signs of recovery. Moreover, in terms of costs, in addition to the sharp rise in crude oil prices reflecting geopolitical risks, persistently surging rates for ocean freight, energy costs, and labor costs put pressure on the Group’s profitability.

In this business environment, the Group worked to respond quickly to the unprecedented sharp rise in raw material prices and high inflation. In addition to further strengthening “strategic price management” and “premium business strategy” in each region, we responded flexibly to fluctuations in tire demand through flexible supply management based on our global production system, which is one of the Group’s strengths, and worked to ensure profitability and expand sales at the same time.

As a result, the Group’s revenue in the current fiscal year was 4,110.1 billion yen, a year-on-year increase of 27%; adjusted operating profit was 482.6 billion yen, a year-on-year increase of 22%; operating profit was 441.3 billion yen, a year-on-year increase of 17%; profit before tax was 423.5 billion yen, a year-on-year increase of 12%; and profit attributable to owners of parent was 300.4 billion yen, a year-on-year decrease of 24%.

The decrease in profit attributable to owners of parent compared to the previous fiscal year is due to the recording of a gain on the sale of the U.S. building materials business in the previous fiscal year.

b. Performance by business segment

		2022	2021	Increase (Decrease)	
				Amount	Ratio
		Yen in billions	Yen in billions	Yen in billions	%
Japan	Revenue	1,036.3	873.0	+163.3	+19
	Adjusted operating profit	140.3	117.0	+23.3	+20
Americas	Revenue	1,988.0	1,454.6	+533.4	+37
	Adjusted operating profit	251.2	190.6	+60.5	+32
Europe, Russia, Middle East, India and Africa	Revenue	870.0	693.9	+176.1	+25
	Adjusted operating profit	66.4	42.1	+24.2	+58
China, Asia-Pacific	Revenue	457.0	386.9	+70.2	+18
	Adjusted operating profit	39.9	42.0	(2.1)	(5)
Other	Revenue	80.5	66.4	+14.0	+21
	Adjusted operating profit	7.3	5.1	+2.2	+44
Consolidated Results	Revenue	4,110.1	3,246.1	+864.0	+27
	Adjusted operating profit	482.6	394.3	+88.3	+22

Looking at the results in each segment for the fiscal year ended December 31, 2022, with regard to replacement tires, the economic slowdown, mainly in the US and Europe, gradually materialized, and tire demand slowed significantly in the fourth quarter. On the other hand, demand for passenger car and light truck tires remained relatively strong in areas such as high-rim diameter tires (18 inches or more) and premium brands for truck and bus tires in North America. With regard to new vehicle tires, in the first half of the fiscal year, demand continued to decline due to the impact of reduced vehicle production caused by semiconductor shortages. In the second half, however, as the production of new vehicles started to recover, the sluggish demand showed signs of recovery. Results for each segment are as follows.

[Japan]

Unit sales of tires for passenger cars and light trucks, and unit sales of tires for trucks and buses trended firmly, surpassing the unit sales in the previous fiscal year. As a result of the strong performance of the mining and construction tire business, revenue was 1,036.3 billion yen, a year-on-year increase of 19%, and adjusted operating profit was 140.3 billion yen, a year-on-year increase of 20%.

[Americas]

In North America, unit sales of tires for passenger cars and light trucks, and unit sales of tires for trucks and buses trended firmly, surpassing the unit sales in the previous fiscal year. As a result, revenue was 1,988.0 billion yen, a year-on-year increase of 37%, and adjusted operating profit was 251.2 billion yen, a year-on-year increase of 32%.

[Europe, Russia, Middle East, India and Africa]

In Europe, unit sales of tires for passenger cars and light trucks trended favorably, surpassing the unit sales in the previous fiscal year, and unit sales of tires for trucks and buses trended strongly, surpassing the unit sales in the previous fiscal year. As a result, revenue was 870.0 billion yen, a year-on-year increase of 25%, and adjusted operating profit was 66.4 billion yen, a year-on-year increase of 58%.

[China, Asia-Pacific]

Unit sales of tires for passenger cars and light trucks, and unit sales of tires for trucks and buses decreased compared to the previous fiscal year. On the other hand, as a result of a higher selling price caused by price increases in various countries and the further depreciation of the yen pushing up revenue, revenue was 457.0 billion yen, a year-on-year increase of 18%, and adjusted operating profit was 39.9 billion yen, a year-on-year decrease of 5%.

(Note) The amounts for segment results include inter-segment transactions that have been eliminated when calculating the consolidated results.

c. Financial position

(Current assets)

Current assets were 2,512.7 billion yen, increasing by 219.8 billion yen, or 10%, from the end of the previous fiscal year, as cash and cash equivalents decreased by 268.6 billion yen, but trade and other receivables increased by 205.0 billion yen and inventories increased by 255.2 billion yen.

(Non-current assets)

Non-current assets were 2,449.2 billion yen, increasing by 167.1 billion yen, or 7%, from the end of the previous fiscal year, as other financial assets decreased by 35.9 billion yen, but property, plant and equipment increased by 128.8 billion yen, and intangible assets increased by 23.5 billion yen.

(Current liabilities)

Current liabilities were 1,085.8 billion yen, increasing by 62.4 billion yen, or 6%, from the end of the previous fiscal year, as bonds and borrowings decreased by 42.1 billion yen and liabilities directly associated with assets held for sale decreased by 32.9 billion yen, but trade and other payables increased by 90.5 billion yen, and other current liabilities increased by 21.9 billion yen.

(Non-current liabilities)

Non-current liabilities were 863.6 billion yen, decreasing by 12.6 billion yen, or 1%, from the end of the previous fiscal year, as provisions increased by 11.8 billion yen, but bonds and borrowings decreased by 11.1 billion yen, and retirement benefit liabilities decreased by 16.9 billion yen.

Furthermore, total interest-bearing debt(Note) recorded in both current liabilities and non-current liabilities decreased by 44.0 billion yen, or 5%, from the end of the previous fiscal year, to 767.2 billion yen.

(Note) Interest-bearing debt includes bonds and borrowings, and lease liabilities.

(Equity)

Total equity was 3,012.5 billion yen, increasing by 337.1 billion yen, or 13%, from the end of the previous fiscal year, as we recorded profit attributable to owners of parent of 300.4 billion yen, despite a decrease of 119.0 billion yen due to dividends (owners of parent).

As a result, total assets at the end of the current fiscal year was 4,961.8 billion yen, increasing by 386.9 billion yen, or 8%, from the end of the previous fiscal year. Furthermore, the ratio of equity attributable to owners of parent to total assets for the current fiscal year was 59.8%, increasing by 2.3 percentage points from the end of the previous fiscal year.

2) Cash flows

	2022	2021	Increase (Decrease)
			Amount
	Yen in billions	Yen in billions	Yen in billions
Net cash provided by (used in) operating activities	268.5	281.5	(13.1)
Net cash provided by (used in) investing activities	(338.0)	131.7	(469.7)
Net cash provided by (used in) financing activities	(364.1)	(379.3)	+15.2
Effect of exchange rate changes on cash and cash equivalents	65.2	48.4	+16.8
Net increase (decrease) in cash and cash equivalents	(368.5)	82.3	(450.7)
Cash and cash equivalents at beginning of period	787.5	810.5	(23.0)
Net increase (decrease) in cash and cash equivalents included in assets held for sale	99.8	(105.3)	+205.1
Cash and cash equivalents at end of period	518.9	787.5	(268.6)

The Group's cash and cash equivalents (hereinafter "net cash") decreased 268.6 billion yen during the current fiscal year, to 518.9 billion yen, compared with a decrease of 23.0 billion yen during the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities decreased 13.1 billion yen compared with the previous fiscal year, to 268.5 billion yen. The principal contributors to the cash provided included profit before tax of 423.5 billion yen, compared with 377.6 billion yen in the previous fiscal year, and depreciation and amortization of 282.1 billion yen, compared with 250.4 billion yen in the previous fiscal year. These contributors offset an increase in trade and other receivables of 139.6 billion yen, compared with 69.9 billion yen in the previous fiscal year, an increase in inventories of 195.4 billion yen, compared with 140.2 billion yen in the previous fiscal year, and income taxes paid of 86.2 billion yen, compared with 147.7 billion yen in the previous fiscal year.

(Cash flows from investing activities)

Net cash used in investing activities totaled 338.0 billion yen, compared with 131.7 billion yen provided in the previous fiscal year. The principal contributor to the cash used was payments for purchase of property, plant and equipment of 221.3 billion yen, compared with 161.0 billion yen in the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities decreased 15.2 billion yen compared with the previous fiscal year, to 364.1 billion yen. The principal contributors to the cash used were repayments of short-term borrowings of 182.5 billion yen, compared with 220.3 billion yen in the previous fiscal year, repayments of long-term borrowings of 54.1 billion yen, compared with 109.1 billion yen in the previous fiscal year, redemption of bonds of 40.0 billion yen (no such redemption in the previous fiscal year), purchase of treasury stock of 100.0 billion yen, compared with 10 million yen in the previous fiscal year, and dividends paid to owners of parent of 119.0 billion yen, compared with 102.1 billion yen in the previous fiscal year. These contributors offset proceeds from short-term borrowings of 204.1 billion yen, compared with 94.7 billion yen in the previous fiscal year.

3) Production, orders received and sales

a. Production results

The production results by segment for the current fiscal year are as follows.

Name of segment	Amount (Yen in millions)	YoY Change (%)
Japan	768,040	+16.5
Americas	1,641,896	+38.6
Europe, Russia, Middle East, India and Africa	777,383	+27.3
China, Asia-Pacific	350,181	+12.3
Total	3,537,500	+27.9

(Note) The amounts are based on selling prices.

b. Orders received

Apart from undertaking made-to-order production for a small number of special products such as special hoses, all the Group's production is made to stock.

c. Sales results

The sales results by segment for the current fiscal year are as follows.

Name of segment	Amount (Yen in millions)	YoY Change (%)
Japan	889,692	+16.0
Americas	1,970,276	+36.5
Europe, Russia, Middle East, India and Africa	856,443	+24.8
China, Asia-Pacific	376,713	+14.6
Other	16,907	(16.2)
Corporate or elimination	40	+39.9
Total	4,110,070	+26.6

(2) Management’s analysis and discussion of the operating results, etc.

The following section describes management’s understanding, analysis and discussion of the Group’s operating results, etc.

All references to possible future developments in the text are as of March 28, 2023, the filing date of this Annual Securities Report.

1) Significant accounting estimates and assumptions used in such estimates

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) pursuant to the provisions of Article 93 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (hereinafter the “Regulation on Consolidated Financial Statements”). Significant accounting policies, accounting estimates, and assumptions used in such estimates for preparing the consolidated financial statements are described in “3. Significant Accounting Policies” and “4. Significant Accounting Estimates and Judgements Involving Estimates” of “V. Financial Information, 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements.”

2) Understanding, analysis and discussion of the operating results, etc. for the current fiscal year

The Group’s operating results, etc. for the current fiscal year are as follows.

Factors that have a material impact on the Group’s operating results and measures taken to address such factors are described in “1. Management policy, management environment and issues to be addressed.”

(Revenue, adjusted operating profit and operating profit)

Revenue increased by 864.0 billion yen (up 27% year-on-year) to 4,110.1 billion yen, driven by strategic price management and effects of the weak yen.

Adjusted operating profit increased by 88.3 billion yen (up 22% year-on-year) to 482.6 billion yen, driven by strategic price management and effects of the weak yen. Operating profit increased by 64.5 billion yen (up 17% year-on-year) to 441.3 billion yen, affected by the above.

As a result, the adjusted operating profit ratio was 11.7%, down 0.4 percentage points from fiscal year 2021.

Status by segment is described in “(1) Overview of operating results, etc.”

(Profit attributable to owners of parent)

Profit attributable to owners of parent decreased by 93.7 billion yen (down 24% year-on-year) to 300.4 billion yen. This was mainly due to a decrease of 91.3 billion yen in profit (loss) from discontinued operations, an increase of 49.2 billion yen in income tax expense and an increase of 25.7 billion yen in finance costs, despite an increase of 64.5 billion yen in operating profit.

3) Capital financing and liquidity

Cash and cash equivalents decreased by 268.6 billion yen to 518.9 billion yen compared to the end of fiscal year 2021. The status of cash flow by business activity is described in “(1) Overview of operating results, etc.”

Regarding financing, in addition to borrowings from financial institutions, we will continue to diversify our funding sources to diversify risks and reduce interest costs with methods such as direct financing through domestic corporate bonds and commercial paper, securitization of trade receivable, or leasing.

Funds will primarily be used to strengthen our management structure with sustainability at the core of management and implement strategic growth investments in the premium tire business, the solutions business, the chemical and industrial products and diversified products business, and the exploratory business. We will do this while utilizing funds to maintain a strong financial position and to return an appropriate level of profit to our shareholders.

4) Objective indicators for assessing the status of achievement of the management policy, management strategy and management goals

As described in “1. Management policy, management environment and issues to be addressed,” the Group sees 2023, the base year for our “2030 Long Term Strategic Aspiration” and also the final year of our Mid Term Business Plan (2021-2023: revenue of 3,300 billion yen, adjusted operating profit of 450 billion yen, adjusted operating profit ratio of 13%, ROIC of 10%, and ROE of 12%) which aims to return to a strong Bridgestone capable of adapting to change, as an important year in building foundations for future growth.

In fiscal year 2022, revenue was 4,110.1 billion yen (up 864.0 billion yen year-on-year), adjusted operating profit was 482.6 billion yen (up 88.3 billion yen year-on-year), adjusted operating profit ratio was 11.7% (down 0.4 percentage points year-on-year), ROIC was 9.4% (up 0.4 percentage points year-on-year), and ROE was 10.9% (down 2.0 percentage points year-on-year).

(Note) ROE is calculated based on the amount of profit attributable to owners of parent from continuing operations.

4. Important business contracts

Not applicable.

5. Research and development activities

Guided by our vision of "Toward 2050, Bridgestone continues to provide social value and customer value as a sustainable solutions company," and using the "2030 Long Term Strategic Aspiration" as a roadmap, we are taking on the challenge of amplifying the value of our Dan-Totsu products by positioning the premium tire business as a core business and enhancing its linkage with the solutions business. We are also promoting various initiatives to create social value and customer value in the chemical and industrial products and diversified products business, as well as in the exploratory business. As we strive to realize the "2030 Long Term Strategic Aspiration," technology innovations will be a new core competency that will be our strength. The Group's technology innovations will be conducted through three types of mastering: "mastering rubber," "mastering road contact," and "mastering manufacturing." We will drive R&D activities based on these three types of mastering, and accelerate innovation by combining our strong "real" capabilities cultivated on-site (genba) over the years, with "digital." Through this, we will develop Dan-Totsu products and Dan-Totsu solutions.

To promote technology innovations, we redeveloped our R&D base in Kodaira, Tokyo and built the "Bridgestone Innovation Park," a global innovation hub. In April 2022, we launched the innovation center "B-Innovation," a place for "co-creation" to create new value with various partners and link it to business, and the test course "B-Mobility," where we can promptly test and verify technology and product prototypes using actual vehicles. In order to maximize the value generated from innovation through co-creation with various stakeholders, we will continue to develop places for co-creation. At the same time, we will drive culture transformation to value the autonomy of employees, through the introduction of the Activity Based Working (ABW) concept, which allows each employee to freely design their own diverse work style. In July 2022, "B-Innovation" received the LEED (Leadership in Energy and Environmental Design) GOLD certification, a program for assessing the environmental performance of buildings and urban environments. We will also continue promoting ongoing efforts to realize and support a sustainable society.

With the Bridgestone Innovation Park at the core, the Group's innovation sites "Digital Garage" in Europe and "Mobility Lab" in the U.S. will collaborate while drawing on their respective strengths to accelerate innovation.

In our premium tire business, we are promoting the creation of the Group's unique "new premium," and are developing innovative tire technologies "ENLITEN" and "MasterCore" that will form the basis of Dan-Totsu products, with an eye on sustainability and the evolution of mobility.

Tires with ENLITEN technology contribute to resource conservation and reduction of environmental impact by reducing weight, lowering rolling resistance, and improving wear resistance, while at the same time achieving compatibility with various performance characteristics such as driving performance and durability, which have traditionally been trade-offs. We will expand the value of ENLITEN from technology to products and business models: by contributing to the extension in driving range of electric vehicles as a "new premium in the EV era" for passenger car tires, and by combining product strategies and solutions that consider all processes until retreading as a "new premium in the circular business era" for truck and bus tires. Furthermore, MasterCore, which is adopted in off-the-road tires for mining vehicles, combines our proprietary new technologies including materials, structure, and manufacturing technologies such as in-house steel cords to realize outstanding durability performance. It also enables performance such as durability, vehicle speed, and payload to be customized and improved in response to each customer's operational conditions and mine layout without sacrificing other performances.

With ENLITEN and MasterCore as core elements of the "new premium," we will promote the simultaneous creation of value that can sometimes be contradictory, such as the reduction of environmental impact and business growth, and work to achieve a balance of both social value and customer value.

Furthermore, Bridgestone Commonality Modularity Architecture (BCMA), the technology that supports the "new premium," divides the tire into three modules in the development and production processes: carcass (the tire skeleton), belt (which reinforces the tire), and tread (the tire surface). Module 1 (carcass) and Module 2 (belt) are shared among different products to simplify the value chain from development to production and sales, whereas Module 3 (tread) is used to customize performance and differentiate products. In addition to customizing performance according to each customer's situation of use, we will realize the improvement of productivity and the optimization of costs by streamlining the development and manufacturing processes. Furthermore, by sharing modules, tire production can be flexibly adapted to the market environment and sales strategies of each region, thereby enabling the maximization of sales opportunities and the streamlining of inventory management and distribution costs. Through promoting BCMA, we will improve earnings across the entire value chain and build a business model that maximizes customer value.

Moreover, to evolve manufacturing that can provide a sustainable and stable supply of premium tires, we will systematically promote the transition to green and smart factories. We strive to maximize customer value while reducing environmental impact across the entire value chain, including streamlining development and manufacturing processes.

In the solutions business, our growth business, we are promoting the development of technologies for tire-centric solutions for truck and bus tires. We are expanding individual management of tires across their lifecycle from new products to retread and maintenance from Europe to the global market using Radio Frequency Identification (RFID), an automatic recognition technology that enables contactless reading and writing of information using wireless communication. We are also developing a next-generation RFID system for tires that maximizes data communication performance through co-creation with TOPPAN FORMS CO., LTD. Furthermore, we will provide solutions to contribute to further safety and cost optimization of customers' operations through a combination of services such as "real-time monitoring" utilizing "Tirematics," a digital tire monitoring tool that encourages a better way to "use" tires.

In our specialty tire business, we have combined "Bridgestone MasterCore," our Dan-Totsu product for off-the-road tires for mining vehicles, with digital tools to monitor vehicles and tires, as part of our efforts to develop mining solutions that optimize mining operations.

Through co-creation with Tier IV, Inc., which provides solutions necessary for the development and operation of safe autonomous vehicles with peace of mind, we will contribute to the evolution of mobility such as in the research and development and practical application of autonomous driving.

In our chemical and industrial products and diversified products business and exploratory business, we launched the "EVERTIRE INITIATIVE" which encourages co-creation toward the recycling of tires, and have started implementation of initiatives as our recycle business mainly in Japan and the U.S. In Japan, we are advancing a joint project with ENEOS Corporation for the social implementation of chemical recycling technologies for used tires. This project, supported by the Green Innovation Fund established by the Ministry of Economy, Trade and Industry, aims to contribute to the improvement of resource recycling and carbon neutrality in the value chain of the tire and rubber, and petrochemical industries through co-creation combining the knowledge and technological capabilities of companies and academia.

In addition, we started a piece-picking (carrying out items one by one) demonstration experiment at a logistics site using a soft-robot hand toward the commercialization of the soft-robotics business. We aim to commercialize the soft-robotics business on a small scale in the next Mid Term Business Plan (2024-2026) through co-creation with various partners.

As an initiative to achieve a sustainable and stable supply of natural rubber and improvement of their productivity, we developed an optimization system for Para rubber tree plantation that utilizes big data through academic advice from the Institute of Statistical Mathematics, part of the Research Organization of Information and Systems of the Inter-University Research Institute, aiming for contribution to the realization of higher yield at rubber farms, and are working on stably increasing the productivity of natural rubber without expanding the plantation area. Furthermore, to diversify natural rubber sources, we are also working to achieve practical use of natural rubber derived from the guayule plant, which can be grown in arid regions. In the U.S., where we established the guayule research and development farm and research center, we will continue to promote research and development activities and investments with the goal of commercialization. In Japan, we have succeeded in developing a technology to efficiently and stably increase guayule seedlings from high-quality seeds through joint research with Kirin Holdings Company, Limited. Through co-creation with various partners, we will continue promoting activities with the aim of achieving practical use and commercialization.

Based on co-creation, we also focus on promoting Digital Transformation (DX). We are also training and hiring digital talent, including data scientists who can analyze and develop advanced AI and algorithms. Through a wide range of exchanges in the digital field, including the establishment of the "Bridgestone × Tohoku University Co-creation Lab” on the Tohoku University campus, we will foster digital talent and promote Bridgestone’s DX by deepening collaboration with new partners.

In collaboration with U.S.-based Teledyne Brown Engineering, Inc., we are also developing tires for the crewed lunar terrain vehicle in the Artemis Project led by the National Aeronautics and Space Administration (NASA). We will contribute to international space exploration missions that take on the challenge of the harsh lunar environment while carrying the dreams of humankind.

R&D expenses for the Group as a whole for fiscal year 2022 totaled 112.2 billion yen.

(Note) Since some of the Group’s R&D activities are not tied to specific segments and the results of such activities may appear in multiple segments, the description of their status and amounts by segment have not been included.

III. Facilities

1. Overview of capital expenditures

When considering capital expenditures, the Group carries out strategic investment activities while limiting investees to a selected few with an eye toward maximizing return on capital investment. Based on this approach, we made strategic growth investments in the current fiscal year, including investments to strengthen production at existing plants to meet our premium strategy and to build our IT infrastructure. Furthermore, we continued to invest in solution networks and in the technological innovation center Bridgestone Innovation Park. As a result, capital expenditures totaled 317.1 billion yen.

On a per-segment basis, the Group's capital expenditures consisted of: Japan: 62.0 billion yen; the Americas: 138.8 billion yen; Europe, Russia, the Middle East, India and Africa: 49.9 billion yen; China, Asia-Pacific: 34.8 billion yen; Other: 31.8 billion yen.

In addition, the transfer of the chemical products solutions business of BRIDGESTONE DIVERSIFIED CHEMICAL PRODUCTS CO., LTD. and others in the Japan segment to EUF-2, which is organized, managed, and operated by EU, was planned at the end of the previous fiscal year, and was completed in August 2022.

The Group plans to conduct separate transfer targeting a company at a later time.

2. Major facilities

(1) The Company

(As of December 31, 2022)

Name of business location	Location	Name of segment	Description of facilities	Carrying amount (Yen in millions)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (Area in thousands of m^2)	Other	Right-of-use assets (Area in thousands of m^2)	Total	
Kurume Plant	Kurume, Fukuoka	Japan	Production facilities	7,942	3,556	1,043 (457)	860	98 (11)	13,499	959
Tokyo AC Tire Plant	Kodaira, Tokyo	Japan	Production facilities	1,693	1,092	–	56	0 (0)	2,842	188
Yokohama Plant	Totsuka-ku, Yokohama	Japan	Production facilities	9,258	774	667 (177)	518	3,344 (-)	14,560	511
Nasu Plant	Nasushiobara, Tochigi	Japan	Production facilities	2,539	2,964	1,220 (195)	688	1,159 (40)	8,570	721
Hikone Plant	Hikone, Shiga	Japan	Production facilities	10,405	14,664	1,166 (658)	2,061	1,017 (-)	29,314	1,426
Shimonoseki Plant	Shimonoseki, Yamaguchi	Japan	Production facilities	5,221	3,962	4,106 (285)	1,576	66 (-)	14,931	722
Tosu Plant	Tosu, Saga	Japan	Production facilities	1,898	4,079	948 (182)	1,367	11 (-)	8,302	706
Tochigi Plant	Nasushiobara, Tochigi	Japan	Production facilities	4,512	7,070	1,372 (151)	1,075	3,573 (444)	17,602	848
Kumamoto Plant	Tamana, Kumamoto	Japan	Production facilities	1,865	2,618	1,690 (142)	411	376 (6)	6,961	560
Amagi Plant	Asakura, Fukuoka	Japan	Production facilities	2,862	4,170	911 (376)	862	12 (1)	8,818	847
Hofu Plant	Hofu, Yamaguchi	Japan	Production facilities	6,044	6,370	1,515 (482)	1,765	467 (-)	16,162	904
Seki Plant	Seki, Gifu	Japan	Production facilities	1,810	1,444	2,709 (150)	111	362 (-)	6,435	227
Iwata Plant	Iwata, Shizuoka	Japan	Production facilities	2,971	78	4,299 (115)	77	9 (-)	7,434	106
Saga Plant	Miyaki-gun, Saga	Japan	Production facilities	5,583	3,999	2,908 (236)	426	22 (-)	12,938	538
Kitakyushu Plant	Wakamatsu-Ku, Kitakyushu	Japan	Production facilities	13,741	6,411	4,703 (374)	1,293	29 (-)	26,177	486
Technical Center	Kodaira, Tokyo	Corporate	Other facilities	39,449	10,317	2,047 (3,036)	7,776	2,390 (630)	61,979	2,396
Chemical & Industrial Products Technology Center	Totsuka-ku, Yokohama	Japan	Other facilities	2,854	293	–	64	–	3,210	341
Headquarters and others	Chuo-ku, Tokyo and others	Corporate	Other facilities	11,523	108	25,125 (267)	822	2,141 (12)	39,720	1,417

(2) Domestic subsidiaries

(As of December 31, 2022)

Company name	Location	Name of segment	Description of facilities	Carrying amount (Yen in millions)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (Area in thousands of m^2)	Other	Right-of-use assets (Area in thousands of m^2)	Total	
BRIDGESTONE SPORTS CO., LTD.	Chuo-ku, Tokyo and others	Japan	Production facilities and others	542	286	1,839 (57)	200	642 (-)	3,510	310
BRIDGESTONE CYCLE CO., LTD.	Ageo, Saitama and others	Japan	Production facilities and others	1,948	436	1,720 (127)	183	1,453 (-)	5,740	602

(3) Overseas subsidiaries

(Americas)

(As of December 31, 2022)

Company name (Name of business location)	Location	Name of segment	Description of facilities	Carrying amount (Yen in millions)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (Area in thousands of m^2)	Other	Right-of-use assets (Area in thousands of m^2)	Total	
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (La Vergne Plant)	U.S.	Americas	Production facilities	3,068	9,030	45 (550)	284	65 (-)	12,491	980
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Wilson Plant)	U.S.	Americas	Production facilities	11,312	27,779	18 (1,803)	421	152 (-)	39,682	1,838
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Warren Plant)	U.S.	Americas	Production facilities	8,449	12,930	532 (3,662)	229	26 (-)	22,166	1,046
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Aiken Plant)	U.S.	Americas	Production facilities	18,585	21,377	1,011 (2,353)	760	111 (-)	41,844	1,590
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Aiken Off Road Plant)	U.S.	Americas	Production facilities	37,184	15,076	387 (2,206)	422	50 (-)	53,119	553
BRIDGESTONE CANADA INC. (Joliette Plant)	Canada	Americas	Production facilities	9,398	19,443	7 (552)	736	131 (-)	29,716	1,581
BRIDGESTONE DE MEXICO, S.A. DE C.V. (Cuernavaca Plant)	Mexico	Americas	Production facilities	8,508	16,285	3 (368)	1,158	7 (-)	25,961	1,465
BRIDGESTONE DO BRASIL INDUSTRIA E COMERCIO LTDA. (Sao Paulo Plant)	Brazil	Americas	Production facilities	3,273	14,552	83 (408)	1,248	2,580 (-)	21,736	3,125
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Technical Center)	U.S.	Americas	Other facilities	8,375	3,781	230 (26,247)	171	36 (-)	12,593	558

(Europe, Russia, Middle East, India and Africa)

(As of December 31, 2022)

Company name (Name of business location)	Location	Name of segment	Description of facilities	Carrying amount (Yen in millions)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (Area in thousands of m^2)	Other	Right-of-use assets (Area in thousands of m^2)	Total	
BRIDGESTONE POZNAN SP. Z O.O. (Poznan Plant)	Poland	Europe, Russia, Middle East, India and Africa	Production facilities	18,326	14,830	177 (35)	1,876	1,300 (300)	36,510	1,984
BRIDGESTONE STARGARD SP. Z O.O. (Stargard Plant)	Poland	Europe, Russia, Middle East, India and Africa	Production facilities	12,923	6,814	531 (1,000)	848	148 (-)	21,264	1,070
BRIDGESTONE TATABANYA TERMELO KFT. (Tatabanya Plant)	Hungary	Europe, Russia, Middle East, India and Africa	Production facilities	10,592	10,542	1,169 (659)	2,126	121 (-)	24,551	1,383
BRIDGESTONE HISPANIA MANUFACTURING S.L.U. (Bilbao Plant)	Spain	Europe, Russia, Middle East, India and Africa	Production facilities	2,917	9,099	9 (150)	1,383	314 (-)	13,722	866
BRIDGESTONE HISPANIA MANUFACTURING S.L.U. (Burgos Plant)	Spain	Europe, Russia, Middle East, India and Africa	Production facilities	4,762	18,767	– (301)	1,886	990 (-)	26,405	1,430
BRIDGESTONE INDIA PRIVATE LTD. (Pune Plant)	India	Europe, Russia, Middle East, India and Africa	Production facilities	6,353	5,715	–	821	2,976 (759)	15,865	1,912
BRIDGESTONE EUROPE NV/SA (Technical Center)	Italy	Europe, Russia, Middle East, India and Africa	Other facilities	5,798	3,284	1,069 (1,749)	142	198 (-)	10,490	563

(China, Asia-Pacific)

(As of December 31, 2022)

Company name (Name of business location)	Location	Name of segment	Description of facilities	Carrying amount (Yen in millions)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (Area in thousands of m^2)	Other	Right-of-use assets (Area in thousands of m^2)	Total	
BRIDGESTONE (TIANJIN) TIRE CO., LTD. (Tianjin Plant)	China	China, Asia-Pacific	Production facilities	5,548	15,799	–	1,817	681 (249)	23,845	1,425
BRIDGESTONE (WUXI) TIRE CO., LTD. (Wuxi Plant)	China	China, Asia-Pacific	Production facilities	6,634	12,479	–	2,486	500 (286)	22,099	1,374
THAI BRIDGESTONE CO., LTD. (Nong Khae Plant)	Thailand	China, Asia-Pacific	Production facilities	4,711	3,392	2,972 (1,215)	2,864	–	13,939	2,559
BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD. (Chonburi Plant)	Thailand	China, Asia-Pacific	Production facilities	4,605	7,318	3,243 (611)	2,864	71 (-)	18,101	2,137
PT BRIDGESTONE TIRE INDONESIA (Karawang Plant)	Indonesia	China, Asia-Pacific	Production facilities	1,685	2,734	152 (368)	975	4 (-)	5,550	1,579
BRIDGESTONE SPECIALTY TIRE MANUFACTURING (THAILAND) CO., LTD.	Thailand	Japan	Production facilities and others	11,320	4,793	4,291 (822)	1,207	23 (-)	21,634	709

(Notes)
1. The amounts are based on carrying amounts excluding construction in progress.
2. Land for the Company's Tokyo AC Tire Plant is presented as part of the Technical Center because their plots are not separated.
3. Land for the Company's Technical Center includes 2,497,000 m^2 of land, as well as 630,000 m^2 of land recorded as right-of-use assets, for test course sites under its management (located in Shibetsu, Hokkaido and Nasushiobara, Tochigi).
4. Land for the Company's Chemical & Industrial Products Technology Center is presented as part of the Yokohama Plant because their plots are not separated.
5. Land for BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC's Technical Center includes 24,281,000 m^2 of land for test course sites.
6. No major facilities are currently idle.

3. Plans for addition and retirement of facilities

(1) Plan for expansion of significant facilities as of the end of the current fiscal year

Company name (Name of business location)	Location	Name of segment	Description of facilities	Planned investment amount (Yen in millions)	Starting timing	Planned completion timing
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Warren Plant)	U.S.	Americas	Production facilities	Approx. 70,000	Second half of 2022	Second half of 2026

(2) Plans for addition and retirement of facilities in the next fiscal year (January 1, 2023 to December 31, 2023)

1) Additions

The breakdown by segment is as follows.

Name of segment	Amount of planned capital expenditures (Yen in millions)	Key descriptions and purposes of facilities, etc.
Japan	81,000	Investment to strengthen production at existing plants to meet our premium strategy, investment to build our IT infrastructure, investment in solution networks, etc.
Americas	187,000	The same as above
Europe, Russia, Middle East, India and Africa	66,000	The same as above
China, Asia-Pacific	54,000	The same as above
Other	56,000	The same as above
Total	444,000	–

(Notes)1. The amount of planned capital expenditures in the Japan segment includes the amounts of planned capital expenditures at tire plants in Japan that produce tires for other segments.

2. Funds required for the planned capital expenditures are scheduled to be covered by funds on hand, borrowings and leases.

2) Retirements

There are no plans for the retirement or sale of significant facilities, except for the retirement or sale of facilities for recurring upgrades.

IV. Status of the Company

1. Shares of the Company

(1) Total number of shares authorized, etc.

1) Total number of shares authorized

Class	Total number of shares authorized to be issued (Shares)
Common stock	1,450,000,000
Total	1,450,000,000

2) Total number of shares issued

Class	Number of shares issued as of the end of the fiscal year (Shares) (December 31, 2022)	Number of shares issued as of the filing date (Shares) (March 28, 2023)	Stock exchange on which the Company is listed or authorized financial instruments business association to which the Company is registered	Details
Common stock	713,698,221	713,698,221	Tokyo Stock Exchange (Prime Market) Fukuoka Stock Exchange	Number of shares per unit: 100 shares
Total	713,698,221	713,698,221	–	–

(2) Stock acquisition rights

1) Stock option plans

Date of resolution	March 26, 2009	March 30, 2010	March 29, 2011
Classification and number of eligible individuals	Members of the Board of the Company: 9 Vice President-Officers not concurrently serving as members of the Board of the Company: 20	Members of the Board of the Company: 8 Vice President-Officers not concurrently serving as members of the Board of the Company: 25	Members of the Board of the Company: 9 Vice President-Officers not concurrently serving as members of the Board of the Company: 36
Number of stock acquisition rights (Notes 1 and 2)	97 units [77 units]	215 units	547 units
Type, details, and number of shares underlying the stock acquisition rights (Notes 1 and 3)	Common stock 9,700 shares [7,700 shares]	Common stock 21,500 shares	Common stock 54,700 shares
Exercise price (Note 1)	1 yen	Same as left	Same as left
Exercise period (Note 1)	From May 1, 2009 to April 30, 2029	From May 6, 2010 to April 30, 2030	From May 2, 2011 to April 30, 2031
Issue price and amount of common stock to be increased when shares are issued upon exercise of the stock acquisition rights (Note 1)	Issue price: 1,265 yen Amount of common stock to be increased: 633 yen	Issue price: 1,401 yen Amount of common stock to be increased: 701 yen	Issue price: 1,657 yen Amount of common stock to be increased: 829 yen
Exercise conditions (Note 1)	(Note 4)	Same as left	Same as left
Matters concerning transfer of stock acquisition rights (Note 1)	Any acquisition of the stock acquisition rights through transfer must be approved by the Company's Board of Directors. (Note 5)	Same as left	Same as left
Matters concerning granting of stock acquisition rights in the event of reorganization (Note 1)	–	–	–

Date of resolution	March 27, 2012	March 26, 2013	March 25, 2014
Classification and number of eligible individuals	Members of the Board of the Company: 9 Vice President-Officers not concurrently serving as members of the Board of the Company: 35	Members of the Board of the Company excluding outside directors: 4 Vice President-Officers not concurrently serving as members of the Board of the Company: 36	Members of the Board of the Company excluding outside directors: 4 Vice President-Officers not concurrently serving as members of the Board of the Company: 46
Number of stock acquisition rights (Notes 1 and 2)	899 units [840 units]	1,235 units [1,195 units]	1,054 units
Type, details, and number of shares underlying the stock acquisition rights (Notes 1 and 3)	Common stock 89,900 shares [84,000 shares]	Common stock 123,500 shares [119,500 shares]	Common stock 105,400 shares
Exercise price (Note 1)	1 yen	Same as left	Same as left
Exercise period (Note 1)	From May 1, 2012 to April 30, 2032	From May 1, 2013 to April 30, 2033	From May 1, 2014 to April 30, 2034
Issue price and amount of common stock to be increased when shares are issued upon exercise of the stock acquisition rights (Note 1)	Issue price: 1,649 yen Amount of common stock to be increased: 825 yen	Issue price: 3,314 yen Amount of common stock to be increased: 1,657 yen	Issue price: 3,154 yen Amount of common stock to be increased: 1,577 yen
Exercise conditions (Note 1)	(Note 4)	Same as left	Same as left
Matters concerning transfer of stock acquisition rights (Note 1)	Any acquisition of the stock acquisition rights through transfer must be approved by the Company’s Board of Directors. (Note 5)	Same as left	Same as left
Matters concerning granting of stock acquisition rights in the event of reorganization (Note 1)	–	–	–

Date of resolution	March 24, 2015	April 21, 2016	April 27, 2017
Classification and number of eligible individuals	Members of the Board of the Company excluding outside directors: 3 Vice President-Officers not concurrently serving as members of the Board of the Company: 48	Members of the Board of the Company excluding non-executive members of the Board: 2 Executive officers of the Company not concurrently serving as members of the Board: 8 Vice President-Officers of the Company not concurrently serving as executive officers: 41	Plan A Members of the Board of the Company excluding non-executive members of the Board: 2 Executive officers of the Company not concurrently serving as members of the Board: 5 Vice President-Officers of the Company not concurrently serving as executive officers: 45 Plan B Executive officers of the Company not concurrently serving as members of the Board: 1 Vice President-Officers of the Company not concurrently serving as executive officers: 2
Number of stock acquisition rights (Notes 1 and 2)	1,179 units [1,161 units]	1,742 units	Plan A 1,785 units Plan B 71 units
Type, details, and number of shares underlying the stock acquisition rights (Notes 1 and 3)	Common stock 117,900 shares [116,100 shares]	Common stock 174,200 shares	Common stock Plan A 178,500 shares Plan B 7,100 shares
Exercise price (Note 1)	1 yen	Same as left	Same as left
Exercise period (Note 1)	From May 1, 2015 to April 30, 2035	From May 7, 2016 to May 6, 2036	Plan A From May 13, 2017 to May 12, 2037 Plan B From July 6, 2017 to July 5, 2037
Issue price and amount of common stock to be increased when shares are issued upon exercise of the stock acquisition rights (Note 1)	Issue price: 4,100 yen Amount of common stock to be increased: 2,050 yen	Issue price: 2,885 yen Amount of common stock to be increased: 1,443 yen	Plan A Issue price: 3,578 yen Amount of common stock to be increased: 1,789 yen Plan B Issue price: 3,672 yen Amount of common stock to be increased: 1,836 yen
Exercise conditions (Note 1)	(Note 4)	Same as left	Same as left
Matters concerning transfer of stock acquisition rights (Note 1)	Any acquisition of the stock acquisition rights through transfer must be approved by the Company's Board of Directors. (Note 5)	Same as left	Same as left
Matters concerning granting of stock acquisition rights in the event of reorganization (Note 1)	–	–	–

(Notes) 1. The information is as of the end of the current fiscal year (December 31, 2022). As for the information that has changed between the end of the current fiscal year and the last day of the month prior to the filing date (February 28, 2023), the information as of the last day of the month prior to the filing date is presented in brackets. For all other matters, there has been no change in the information since the end of the current fiscal year.

2. The number of shares underlying each stock acquisition right is 100.
3. In case of the following events subsequent to the day of allotment, the number of shares to be granted shall be adjusted accordingly.
   (1) If the Company conducts a share split (including a gratis allotment of shares; hereinafter the same for share splits) or share consolidation, the number of shares to be granted shall be adjusted in accordance with the following formula, and the total number of shares underlying the stock acquisition rights shall be the number of shares to be granted after adjustment multiplied by the total number of stock acquisition rights yet to be exercised or acquired by the Company.

   Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or consolidation

   (Any fractions less than one share shall be rounded down when calculating the number of shares to be granted.)

   (2) In case of a compelling event that requires an adjustment to the number of shares to be granted, such as the Company reducing its common stock or conducting a merger or company split, the number of shares to be granted shall be adjusted to a reasonable extent, taking account of the factors such as the conditions of the reduction in common stock, the merger or company split, and the total number of shares underlying the stock acquisition rights shall be the number of shares to be granted after adjustment multiplied by the total number of stock acquisition rights yet to be exercised or acquired by the Company. Any fractions less than one share shall be rounded down when calculating the number of shares to be granted.
4. (1) Even during the exercise period, a stock acquisition right holder may not exercise his/her stock acquisition rights while he/she is holding a position of member of the Board, executive officer, or vice president-officer of the Company (including the day on which he/she retires).
   (2) Stock acquisition rights may not be exercised in part.
   (3) Other exercise conditions are prescribed in the stock acquisition right allotment agreement executed between the Company and the stock acquisition right holder.
5. Other details are prescribed in the subscription requirements and the stock acquisition right allotment agreement executed between the Company and the stock acquisition right holder.

2) Shareholder rights plans

Not applicable.

3) Other stock acquisition rights

Not applicable.

(3) Exercises of moving strike convertible bonds

Not applicable.

(4) Changes in the total number of shares issued, common stock and legal capital surplus

Date	Increase (decrease) in the total number of shares issued (Thousands of shares)	Total number of shares issued (Thousands of shares)	Increase (decrease) in common stock (Yen in millions)	Balance of common stock (Yen in millions)	Increase (decrease) in legal capital surplus (Yen in millions)	Balance of legal capital surplus (Yen in millions)
January 19, 2018 (Note)	(51,565)	761,536	–	126,354	–	122,079
January 21, 2020 (Note)	(47,838)	713,698	–	126,354	–	122,079

(Note) The decreases are due to retirements of treasury stock.

(5) Distribution of shares by shareholder category

(As of December 31, 2022)

Category	Status of shares (Number of shares per unit: 100 shares)								Number of shares less than one unit (shares)
	National and local govern-ments	Financial institutions	Financial instruments business operators	Other corpora-tions	Foreign shareholders		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	1	223	52	885	885	179	91,462	93,687	–
Number of share units held	8	2,192,182	551,993	1,048,578	1,822,667	1,462	1,516,548	7,133,438	354,421
Ratio to total shares (%)	0.00	30.73	7.74	14.70	25.55	0.02	21.26	100.00	–

(Notes) 1. Treasury stock (29,345,738 shares) is included in “Individuals and others” (293,457 units) and “Number of shares less than one unit” (38 shares). All 29,345,738 shares of treasury stock were the shares effectively held as of December 31, 2022.

2. “Other corporations” and “Number of shares less than one unit” include 16 units and 20 shares registered in the name of Japan Securities Depository Center, Inc., respectively.

(6) Major shareholders

(As of December 31, 2022)

Name	Address	Number of shares held (Thousands of shares)	Ratio of the number of shares held to the total number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	103,655	15.15
Ishibashi Foundation	1-7-2 Kyobashi, Chuo-ku, Tokyo	76,693	11.21
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	39,837	5.82
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	22,474	3.28
Hiroshi Ishibashi	Minato-ku, Tokyo	21,000	3.07
Nagasaka Corporation	1-7-2 Kyobashi, Chuo-ku, Tokyo	16,325	2.39
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	13,218	1.93
Japan Securities Finance Co., Ltd.	1-2-10 Nihonbashi Kayabacho, Chuo-ku, Tokyo	11,307	1.65
JPMorgan Securities Japan Co., Ltd.	2-7-3 Marunouchi, Chiyoda-ku, Tokyo	10,846	1.58
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	10,694	1.56
Total	–	326,050	47.64

(Notes) 1. Ishibashi Foundation is a public interest incorporated foundation, established for the purpose of contributing to the sound development of society through business that popularizes and improves fine arts as well as through donation and grants program that support artistic, cultural and educational activities.

2. Shares held by trust banks include shares owned in the trustees' capacity.
3. The Company holds 29,346 thousand shares of treasury stock, which are not included in the table above.
4. According to the change report of the statement of large-volume holdings, which was made available for public inspection on January 10, 2023, the shares of the Company were held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holder as of December 30, 2022 with the detail shown below. The above table is based on the shareholder register, as the Company was unable to confirm the status of shares effectively held by these companies as of December 31, 2022. The detail of the change report of the statement of large-volume holdings is as follows:

(As of December 30, 2022)

Name	Address	Number of shares held (Thousands of shares)	Ratio of the number of shares held to the total number of shares issued (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo	21,555	3.02
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	14,449	2.02
Total	–	36,004	5.04

(7) Voting rights

1) Total number of shares issued

(As of December 31, 2022)

Category	Number of shares		Number of voting rights (Units)	Details
Shares without voting rights		–	–	–
Shares with restricted voting rights (Treasury stock, etc.)		–	–	–
Shares with restricted voting rights (Other)		–	–	–
Shares with full voting rights (Treasury stock, etc.)	(Own holdings of treasury stock) Common stock	29,345,700	–	–
	(Cross-shareholdings) Common stock	10,000	–	
Shares with full voting rights (Other)	Common stock	683,988,100	6,839,881	–
Shares less than one unit	Common stock	354,421	–	–
Total number of shares issued		713,698,221	–	–
Total number of voting rights		–	6,839,881	–

(Note) The number of shares in the "Shares with full voting rights (Other)" field includes 1,600 shares registered in the name of Japan Securities Depository Center, Inc. The number of voting rights includes 16 units of voting rights relating to shares with full voting rights registered in the name of Japan Securities Depository Center, Inc.

2) Treasury stock

(As of December 31, 2022)

Name of shareholder	Address	Number of shares held under own name	Number of shares held under the names of others	Total number of shares held	Ratio of the number of shares held to the total number of shares issued (%)
Bridgestone Corporation	3-1-1 Kyobashi, Chuo-ku, Tokyo	29,345,700	–	29,345,700	4.11
Bridgestone Tire Nagano Hanbai Co., Ltd.	2-18-20 Koyaminami, Matsumoto City, Nagano	10,000	–	10,000	0.00
Total	–	29,355,700	–	29,355,700	4.11

2. Acquisition of treasury stock, etc.

[Class of stock] Acquisition of common stock pursuant to Article 155, items (iii), (vii), and (xiii) of the Companies Act

(1) Acquisition by resolution of the Shareholders' Meeting

Not applicable.

(2) Acquisition by resolution of the Board of Directors

Acquisition of common stock pursuant to Article 155, item (iii) of the Companies Act

Category	Number of shares	Total amount (Yen)
Resolution at the Board of Directors (February 15, 2022) (Timing: February 17 to December 13, 2022)	25,000,000 (up to)	100,000,000,000 (up to)
Treasury stock acquired prior to the current fiscal year	–	–
Treasury stock acquired in the current fiscal year	20,225,300	99,999,502,624
Total number of shares and total amount of outstanding shares of resolution	4,774,700	497,376
Ratio of non-exercised portion at the end of the current fiscal year (%)	19.1	0.0
Treasury stock acquired during the period after the reporting period to the Filing Date	–	–
Ratio of non-exercised portion as of the Filing Date (%)	19.1	0.0

(3) Items not based on resolution of the Shareholders' Meeting or Board of Directors

Acquisition of common stock pursuant to Article 155, item (vii) of the Companies Act

Category	Number of shares	Total amount (Yen)
Treasury stock acquired in the current fiscal year	870	4,325,187
Treasury stock acquired during the period after the reporting period to the Filing Date	82	393,610

(Note) Treasury stock acquired during the period after the reporting period to the Filing Date does not include shares acquired through demand for purchase of shares from shareholders holding less than one unit of shares between March 1, 2023 and the Filing Date of the Annual Securities Report.

Acquisition of common stock pursuant to Article 155, item (xiii) of the Companies Act

Category	Number of shares	Total amount (Yen)
Treasury stock acquired in the current fiscal year	7,200	29,102,400
Treasury stock acquired during the period after the reporting period to the Filing Date	800	3,233,600

(Note) This was an acquisition without contribution of some common stock allocated to the corporate executive manager and executive managers as restricted stock compensation.

Treasury stock acquired during the period after the reporting period to the Filing Date does not include shares acquired through acquisition without contribution between March 1, 2023 and the Filing Date of the Annual Securities Report.

(4) Status of disposal and ownership of acquired treasury stock

Category	Current fiscal year		The period after the reporting period to the Filing Date	
	Number of shares	Total disposal amount (Yen)	Number of shares	Total disposal amount (Yen)
Acquired treasury stock that was offered to subscribers	–	–	–	–
Acquired treasury stock that was cancelled	–	–	–	–
Acquired treasury stock that was transferred due to merger, share exchange, share issuance and company split	–	–	–	–
Other				
(Through exercise of stock option)	142,800	615,991,896	13,700	63,870,744
(Through granting of performance-based stock compensation)	71,200	302,931,587	–	–
(Through granting of restricted stock compensation)	104,800	423,621,512	78,600	366,440,274
(Sales due to demand for sales of shares from shareholders holding less than one unit of shares)	46	207,162	–	–
Number of treasury stock held	29,345,738	–	29,254,320	–

(Note) The status of disposal and ownership of acquired treasury stock in the period after the reporting period to the Filing Date does not include treasury stock caused by the exercise of stock options between March 1, 2023 and the Filing Date of the Annual Securities Report, and treasury stock from sales due to demand for sales of shares from shareholders holding less than one unit of shares.

3. Dividend policy

The Company regards the interests of shareholders as an important management priority and follows a basic policy of strengthening our management base in preparation for future business developments while working to improve business results. In regard to distributing profits to shareholders, the Company conducts shareholder returns while maintaining an appropriate financial position and securing the internal reserves necessary to rebuild earning power mainly in our core businesses and for strategic growth investments to expand our solutions business, one of our growth businesses. In determining dividend payments, the Company comprehensively evaluates factors including business results, financial positions for the relevant fiscal period, medium-term earnings forecasts, investment plans, and cash flows. Based on these considerations, the Company strives to live up to the expectations of shareholders by striving to achieve stable and continuous increases of dividend payments targeting a consolidated payout ratio of 40% by sustainably enhancing our corporate value.

The Company pays dividends of surplus twice a year, comprising year-end and interim dividends. Year-end dividends are subject to a resolution of the Annual Shareholders' Meeting, while interim dividends are subject to a resolution of the Board of Directors. In addition, the Articles of Incorporation prescribe that the Company may, by resolution of the Board of Directors, distribute interim dividends with the date of record for such dividends being June 30 each year.

Based on the above policy, the dividend for the 104th Fiscal Period is set at an annual dividend of 175 yen per share, comprising an interim dividend of 85 yen per share and a year-end dividend of 90 yen per share.

Further, the Company strives to strengthen the long-term stability of our management base by using internal reserves to establish and strengthen production and sales systems and advance R&D activities in Japan and overseas.

The appropriation of surplus through dividends relating to the current fiscal year is as follows.

Date of resolution	Total dividend amount (Yen in millions)	Dividend per share (Yen)
August 10, 2022: Resolution of the Board of Directors	59,180	85
March 28, 2023: Resolution of the Annual Shareholders' Meeting	61,592	90

4. Status of corporate governance

(1) Overview of corporate governance

1) Basic approach to corporate governance and implementation of measures

a. Basic approach to corporate governance

The Company considers the enhancement of corporate governance to be one of its most important management priorities. The Company believes that working to increase management quality and enhance the transparency of decision-making is indispensable and, accordingly, continually strives to strengthen corporate governance. This ensures that the Group continues to fulfill its founding mission as stated in the Bridgestone Essence (corporate philosophy): “Serving Society with Superior Quality.”

Based on this approach, in accordance with the responsibility and authority delineated in the Administrative Authority Rules, and in line with the Policy Management Rules, the Company is committed to developing, communicating, and abiding by fair, transparent decision-making and management policies and governs the behavior of the entire executive organization.

b. Overview of the corporate governance system

In March 2016, the Company transitioned to the “Company with Nominating Committee, etc.” model of corporate governance, and has subsequently made continuous efforts to strengthen its corporate governance system. As part of these efforts, the Company amended its Articles of Incorporation at the Annual Shareholders’ Meeting held on March 26, 2021, abolishing the Chairman of the Board system in favor of a system in which the chairperson of the Shareholders’ Meeting and the chairperson of the Board of Directors are each appointed according to their respective roles.

These changes were made to continue enriching explanations on the Company’s management to its shareholders by selecting the chairperson of the Shareholders’ Meeting from among representative executive officers at a meeting of the Board of Directors, and to further enhance the function of overseeing execution by appointing the chairperson of the Board of Directors from among members of the Board (including outside directors) at a meeting of the Board of Directors.

These amendments also expressly state in the Articles of Incorporation that the Board of Directors will appoint the persons that convene the Shareholders’ Meeting and meetings of the Board of Directors.

At the Annual Shareholders’ Meeting held on March 28, 2023, 12 members of the Board (nine men and three women) were elected, including eight outside directors (five men and three women). In accordance with the aforementioned amendments to the Articles of Incorporation, the chairperson of the Shareholders’ Meeting, the chairperson of the Board of Directors, and the persons that convene Shareholders’ Meeting and meetings of the Board of Directors are appointed via resolution by the Board of Directors.

In addition, items related to decisions on basic management policies, important business execution matters, and other matters that must be determined by the Board of Directors are stipulated in the Articles of Incorporation, the Board of Directors’ Rules, and Administrative Authority Rules. These matters are determined after careful deliberations by the Board of Directors.

The Company has established and maintains a corporate governance system that functions through the appropriate, active performance of duties by the Nominating Committee, the Audit Committee, and the Compensation Committee, in conjunction with oversight of the executive officers and members of the Board by the Board of Directors. The Nominating Committee has three members, all of whom are outside directors. This committee determines standards and policies for the fair and transparent appointment and dismissal of members of the Board and makes appropriate proposals to the Board of Directors for the appointment and dismissal of the representative executive officers under a fair and transparent succession plan. The Audit Committee has seven members, consisting of five outside directors and two internal non-executive members of the Board. This committee conducts audits regarding the business execution of executive officers and the execution of duties of members of the Board. The two internal non-executive members of the Board has been appointed as full-time members of the Audit Committee by the Audit Committee. The Compensation Committee has three members, all of whom are outside directors. This committee deliberates on such matters as the details of remuneration for members of the Board and executive officers.

In addition, to further increase the transparency of corporate governance, the Governance Committee and the Compliance Committee have been established as advisory committees to the Board of Directors. These advisory committees to the Board of Directors deliberate on the corporate governance system and related matters and on future compliance activities as a whole and submit reports to the Board of Directors. Both advisory committees are each composed of all eight outside directors, and the internal non-executive members of the Board, who are members of the Audit Committee, participate as observers.

The composition of the Board of Directors and each committee is as follows.

Name	Position	Board of Directors	Nominating Committee	Compensa-tion Committee	Audit Committee	Governance Committee	Compliance Committee
Shuichi Ishibashi	Member of the Board (Executive Officer)*	○	–	–	–	–	–
Masahiro Higashi	Member of the Board (Executive Officer)	○	–	–	–	–	–
Scott Trevor Davis	Outside Director	◎	○	○	–	◎	○
Yuri Okina	Outside Director	○	○	◎	–	○	○
Kenichi Masuda	Outside Director	○	◎	○	–	○	◎
Kenzo Yamamoto	Outside Director	○	–	–	◎	○	○
Yojiro Shiba	Outside Director	○	–	–	○	○	○
Yoko Suzuki	Outside Director	○	–	–	○	○	○
Yukari Kobayashi	Outside Director	○	–	–	○	○	○
Yasuhiro Nakajima	Outside Director	○	–	–	○	○	○
Akira Matsuda	Member of the Board (Non-executive Officer)	○	–	–	○	–	–
Tsuyoshi Yoshimi	Member of the Board (Non-executive Officer)	○	–	–	○	–	–

As of March 28, 2023

(Note) ○ indicates a member, ◎ indicates the chairperson of the body (the chairperson of the Board of Directors or the chairperson of the committee).

* indicates the chairperson of the Shareholders' Meeting.

The following indicates attendance at meetings of the Board of Directors of members of the Board and statutory committees during the current fiscal year (January 1, 2022 to December 31, 2022) as of March 28, 2023.

Name	Board of Directors	Nominating Committee	Compensation Committee	Audit Committee
Shuichi Ishibashi	13 of 14 (93%)	–	–	–
Masahiro Higashi	14 of 14 (100%)	–	–	–
Scott Trevor Davis	14 of 14 (100%)	21 of 21 (100%)	13 of 13 (100%)	–
Yuri Okina	14 of 14 (100%)	21 of 21 (100%)	13 of 13 (100%)	–
Kenichi Masuda	14 of 14 (100%)	21 of 21 (100%)	13 of 13 (100%)	–
Kenzo Yamamoto	14 of 14 (100%)	–	–	21 of 21 (100%)
Yojiro Shiba	14 of 14 (100%)	–	–	21 of 21 (100%)
Yoko Suzuki	14 of 14 (100%)	–	–	21 of 21 (100%)
Tsuyoshi Yoshimi	14 of 14 (100%)	–	–	21 of 21 (100%)

Matters considered at the Board of Directors and statutory and advisory committees are as follows:

・ Board of Directors

During the current fiscal year, while confirming the progress of the Mid Term Business Plan (2021-2023) toward achieving the mid- to long-term business strategies decided at the Board of Directors meeting in April 2020, the Board received reports and information sharing from operating divisions involved in business execution in a timely and appropriate manner, centered on reports from the Global CEO and Representative Executive Officer of discussions at the Global Executive Committee (hereinafter "Global EXCO"), and through deliberations on quarterly financial results and individual matters. The Board also discussed themes based on proposals from outside directors, from diverse perspectives. In the above discussions, particular emphasis was placed on sustainability initiatives, solutions strategy, glocal management structure, and investment in human capital.

<Statutory Committees>

・ Nominating Committee

While exchanging views on management strategies with executive officers in Japan and abroad, including the Global CEO, and with management of strategic business units (SBUs), the Committee deliberated on the Board succession planning and proposals related to the election of representative executive officers, and decided on proposals for the election of members of the Board, including new nominees for members of the Board, to be submitted to the Annual Shareholders' Meeting.

・ Audit Committee

As described in "4 (3) 1) Audit by the Audit Committee."

・ Compensation Committee

As described in "4 (4) 1) d. Activities of the Compensation Committee."

<Advisory Committees>

・ Governance Committee

The Committee deliberates on the evaluation results of the effectiveness of the Board of Directors' functions and given matters, and makes recommendations to the Board of Directors, thereby leading to the continuous improvement of corporate governance. The Committee also evaluates the Company's efforts to improve its governance system and proposes to enhance its effectiveness. Specifically, it deliberates on the contents of the "Report on the Corporate Governance Code," which explains the Company's initiatives and views on all the principles of the Corporate Governance Code, and reports its findings to the Board of Directors.

・ Compliance Committee

The Committee oversees compliance-related systems and activities by receiving reports on, and discussing compliance activities in the Group, the penetration status of the Bridgestone Code of Conduct in the Group on a global basis, and the operation status of the BridgeLine, a whistleblowing system.

Operating divisions involved in business execution adopts a system where four executive officers, two of whom are representative executive officers, make decisions on the execution of operations delegated by the Board of Directors and assume responsibility for the execution of those decisions as Global CEO, Joint Global COO (two persons) and Global CTO, and together with the Global CFO, are collectively responsible for management. Moreover, the CEO and COO have been placed in charge of each SBU, which comprise domestic and overseas Group companies as well as internal companies and employ a system of mutual checks. The Company has established the Global EXCO, which comprises these executive officers of the Company as well as persons responsible for major business entities, as the highest global level executive body within the Group. This committee aims to strengthen the checks and balances of the Group by debating and discussing management strategy and issues (including sustainability) from a global perspective, which improves the transparency of the decision-making process.

In addition, each operating division involved in business execution maintains a system for reporting to the appropriate representative executive officers of said divisions regarding the status of execution of duties. This information is also regularly and promptly reported to the Board of Directors in order to aid in their deliberations, and these actions ensure that the Group maintains an effective supervisory function.

Global EXCO Members are as follows.

Name	Position
Shuichi Ishibashi	Global CEO (Representative Executive Officer)
Masahiro Higashi	Joint Global COO (Representative Executive Officer)
Paolo Ferrari	Joint Global COO (Executive Officer) Global CSO BSAM CEO
Masato Banno	Global CTO (Senior Vice President and Executive Officer)
Thomas Higgins	Global CBSO (Vice President and Senior Officer) Secretary General of Global EXCO
Scott Damon	BSAM COO (Vice President and Senior Officer)
Laurent Dartoux	BSEMIA CEO (Vice President and Senior Officer)
Yoshikazu Shida	Global Corporate Strategy and Talent Creativity Enhancement (Vice President and Senior Officer)
Emilio Tiberio	BSEMIA COO and CTO (Vice President and Senior Officer)
Nizar Trigui	BRIDGESTONE MOBILITY SOLUTIONS CEO (Vice President and Senior Officer)
Nobuyuki Tamura	G-MICA (Vice President and Senior Officer)
Yasuhiro Morita	BSCAP CEO (Executive Director)
Naoki Hishinuma	Global CFO (Executive Director)

As of March 28, 2023

(Note) Meanings of abbreviations are as follows.

CSO: Chief Business Solutions Officer

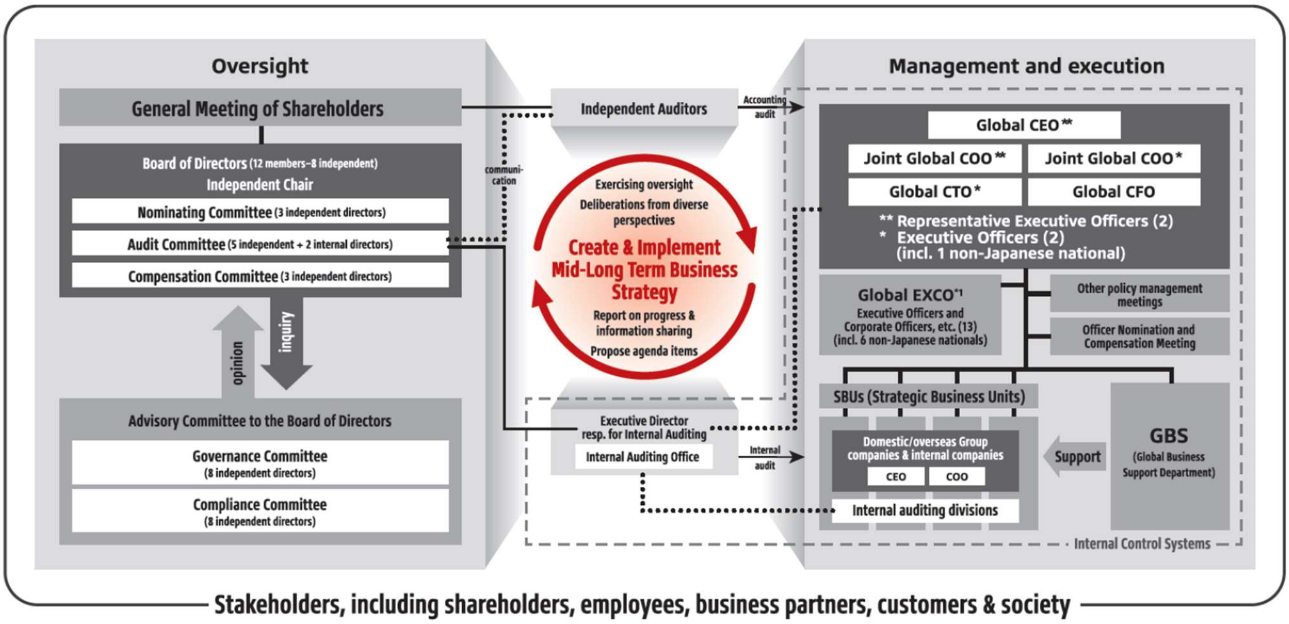
CTO: Chief Technology Officer

CBSO: Chief Business Strategic Officer

c. Reasons for adopting current corporate governance system

Under the corporate mission, the Group has set forth a vision that states, "Toward 2050, Bridgestone continues to provide social value and customer value as a sustainable solutions company." Thus, building an optimal corporate governance system is a top priority, and we believe that continually improving the quality of management and ensuring transparency in decision-making are absolutely essential. As part of this enhancement of the governance system, the Company has adopted the current system to both further strengthen internal controls and evolve into a sustainable solutions company capable of proactively addressing the changing business environment.

The following chart provides an overview of the Company's corporate governance system.



Joint Global COO: Responsible for global operations in two areas: Japan & Asia, Americas & Europe.
Global CTO: Global Chief Technology Officer
*1 Global EXCO: Global Executive Committee

As of March 28, 2023

d. Status of the development and implementation of internal control systems

At the Company's Board of Directors' meeting held on December 20, 2021, the following policies were resolved regarding the development of internal control systems required pursuant to the provisions of Article 416, paragraph (1), items (i) (b) and (e) of the Companies Act.

1. Fundamental principles for the development of the Company's internal control systems

   Under the corporate mission of "Serving Society with Superior Quality," the Company has set its vision in 2020 as: "Toward 2050, Bridgestone continues to provide social value and customer value as a sustainable solutions company," and has been engaged in management to realize the vision since.

   As part of the initiatives undertaken, segregation between oversight and execution of the duties, oversight by the Board of Directors, and appropriate and more efficient business operations are all regarded as the fundamental principles that the Company should consider in the refinement of its internal control systems.

   With the understanding of the above, the Company's Board of Directors determines policies for development and implementation of internal control systems.

   In order to further strengthen internal controls, evolve into a sustainable solutions company to be able to proactively address the changing business environment, and continue to implement the ever more effective and efficient planning and execution of our business activities in accordance with the policies on the development of the internal control systems, the Company's Board of Directors delegates the development and implementation of internal control systems that are in line with the set policies to the Representative Executive Officers and oversee the implementation work.

2. Matters that are necessary in the execution of duties by the Audit Committee

   (1) In order to assist the work of the Audit Committee, the Company appoints an Executive Director dedicated to audit, and under the Executive Director, establishes a department dedicated to assist the Audit Committee with their duties.

   Decisions on the selection and replacement of the Executive Director dedicated to audit are made based on prior consultations with and consent of the Audit Committee. The same applies when the Audit Committee requests replacement of the Executive Director.

The performance assessment of the Executive Director dedicated to audit takes the performance evaluations conducted by the Audit Committee into consideration.

(2) A person designated by the Audit Committee is required to report on matters predetermined by the Audit Committee periodically or without delay.

The Company prohibits unfavorable treatment of Members of the Board, Executive Officers, Vice President-Senior Officers, and employees of the Company, and the Members of the Board, Corporate Auditors, Corporate Officers, and employees of subsidiaries for reporting matters to the Audit Committee.

(3) All the expenses associated with the execution of duties by the Audit Committee are fully compensated.

(4) In order to ensure an effective audit by the Audit Committee, opportunities are created for Members of the Audit Committee to gain an understanding of the flow of important decision-making practices in the Company and the status of business operations.

3. Systems to ensure that the execution of duties by Executive Officers complies with relevant laws and regulations and the Articles of Incorporation, and matters that are necessary for the appropriate execution of business operations by the Company and the corporate group consisting of the Company and its subsidiaries.

(1) Information concerning execution of duties by Executive Officers is documented without delay and adequately retained. Any significant information related to the execution of business is reported to the Board of Directors without delay.

(2) A risk management system is developed and implemented to manage risks of incurring losses.

(3) In order to ensure the efficient execution of duties by Executive Officers, under the appropriate delegation of authority from the Board of Directors to the Representative Executive Officer, internal policies are maintained, and appropriate authorities required for the execution of duties are reallocated.

(4) In order to ensure that execution of duties by the Executive Officers, Vice President-Senior Officers, and employees complies with relevant laws and regulations and the Articles of Incorporation, systems for J-SOX Act compliance are developed and implemented in accordance with "System for Ensuring Appropriateness of Statements on Finance and Accounting and Other information," set forth in Article 24-4-4 of the Financial Instruments and Exchange Act of Japan (the so-called "J-SOX Act").

(5) In order to ensure proper execution of business operations at subsidiaries, policies are communicated across the Group; authorities are appropriately reallocated; a reporting framework for subsidiaries to report their execution of business to the Company is developed and implemented; and audits are conducted globally.

Risk management systems, compliance systems, systems against organized crime and other violent groups, and systems for J-SOX Act compliance are developed and implemented within each subsidiary.

2) Overview of agreement limiting damage compensation liability

The Company has entered into agreements with Members of the Board (excluding persons who are Executive Members of the Board, etc.) that limits his/her damage compensation liability of Article 423, paragraph (1) of the Companies Act, pursuant to Article 25, paragraph (2) of the Articles of Incorporation of the Company based on the provision in Article 427, paragraph (1) of the Companies Act. The maximum amount of his/her liability based on said agreement shall be the higher of either 10 million yen or the minimum liability amount prescribed in Article 425, paragraph (1) of the Companies Act.

3) Overview of directors and officers liability insurance agreement with directors and officers as insureds

The Company has entered into a directors and officers liability insurance agreement provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, insuring Members of the Board, Executive

Officers, and Vice President-Senior Officers to cover any liability or dispute resolution costs that may result from claims for damages related to the performance of their duties. However, certain exclusions apply, including for damages arising from actions taken with the knowledge that they violate laws or regulations. The insurance premiums are fully borne by the Company.

4) Number of Members of the Board

The Articles of Incorporation state that the number of Members of the Board of the Company shall be not more than 15.

5) Requirements for election of Members of the Board

The Articles of Incorporation state that the resolution for election of Members of the Board shall be made with shareholders present at a meeting who hold shares representing one-third (1/3) or more of the voting rights of shareholders who are entitled to exercise voting rights, by a majority of the voting rights of the attending shareholders.

6) Matters to be resolved at the Shareholders' Meeting that can be resolved by the Board of Directors

The Articles of Incorporation state that the following matters can be resolved by the Board of Directors without resolution of the Shareholders' Meeting.

- The ability to purchase treasury stock

  (To enable a flexible response)
- The ability to exempt Members of the Board from liability

  (To enable the full demonstration of capabilities expected in their roles)
- The ability to exempt Executive Officers from liability

  (To enable the full demonstration of capabilities expected in their roles)
- The ability to distribute interim dividends

  (To provide stable return of profits to shareholders)

The additional rule in the Articles of Incorporation states that the Company may exempt the liability of any person who served as a Corporate Auditor prior to the transition to a Company with Nominating Committee, etc.

7) Special resolution requirements for Shareholders' Meetings

For the smooth operation of the Shareholders' Meetings, the Articles of Incorporation state that with respect to special resolution requirements for Shareholders' Meetings set forth in Article 309, paragraph (2) of the Companies Act, resolutions may be adopted on the condition that shareholders holding at least one-third (1/3) of the voting rights granted to all shareholders are present at the meeting and that a majority of at least two-thirds (2/3) of those voting rights is obtained.

(2) Members of the Board and Executive Officers

1) List of Members of the Board and Executive Officers

Members of the Board and Executive Officers include 11 males and 3 females. (Percentage of female Members of the Board and Executive Officers: 21.4%)

a. Members of the Board

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Member of the Board	Shuichi Ishibashi	January 19, 1954	April 1977	Joined Bridgestone Tire Co., Ltd. (currently Bridgestone Corporation)	Note 2	19,000
			June 2003	Director, Consumer Tires Business		
			January 2005	Vice President and Officer		
			July 2012	Vice President and Senior Officer		
			January 2014	Senior Vice President		
			January 2016	Executive Vice President		
			March 2016	Executive Vice President and Executive Officer		
			January 2019	Vice Chair and Representative Executive Officer		
			March 2020	Member of the Board and Representative Executive Officer and Global CEO (present)		
Member of the Board	Masahiro Higashi	February 11, 1961	April 1985	Joined Bridgestone Corporation	Note 2	15,100
			January 2013	Director, Global Customer and Market Research Division and Director, Advanced Business Planning Division		
			October 2013	Vice President and Officer		
			March 2017	Vice President and Senior Officer		
			January 2019	Senior Vice President and Executive Officer		
			January 2020	Vice Chair and Representative Executive Officer		
			July 2020	Representative Executive Officer, Global COO, and Global CAO		
			March 2021	Member of the Board, Representative Executive Officer, Global COO and Global CAO		
			September 2021	Member of the Board, Representative Executive Officer and Global COO		
			May 2022	Member of the Board, Representative Executive Officer and Joint Global COO (present)		
Member of the Board Note 1	Scott Trevor Davis	December 26, 1960	April 1990	Researcher, The Japan Institute of Labour (currently The Japan Institute for Labour Policy and Training)	Note 2	1,000
			April 2001	Professor, Department of International Economics, Reitaku University		
			April 2006	Professor, Department of Global Business, College of Business, Rikkyo University (present)		
			March 2011	Member of the Board as Outside Director, Bridgestone Corporation (present)		

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Member of the Board Note 1	Yuri Okina	March 25, 1960	April 1984	Joined Bank of Japan	Note 2	–
			April 1992	Joined The Japan Research Institute, Limited		
			April 1994	Senior Researcher, The Japan Research Institute, Limited		
			April 2000	Chief Researcher, The Japan Research Institute, Limited		
			June 2006	Counselor, The Japan Research Institute, Limited		
			March 2014	Member of the Board as Outside Director, Bridgestone Corporation (present)		
			June 2014	Vice Chairman of the Institute, The Japan Research Institute, Limited		
			April 2018	Chairperson of the Institute, The Japan Research Institute, Limited (present)		
Member of the Board Note 1	Kenichi Masuda	January 11, 1963	April 1988	Attorney-at-law (present)	Note 2	–
			January 1997	Partner, Anderson Mori (Japanese law firm: currently Anderson Mori & Tomotsune) (present)		
			March 2011	Outside Corporate Auditor, Bridgestone Corporation		
			March 2016	Member of the Board as Outside Director, Bridgestone Corporation (present)		
Member of the Board Note 1	Kenzo Yamamoto	January 21, 1954	April 1976	Joined Bank of Japan	Note 2	2,700
			December 2003	General Manager for the Americas and Chief Representative in New York, Bank of Japan		
			July 2005	Director-General, Payment and Settlement Systems Department, Bank of Japan		
			July 2006	Director-General, Financial System and Bank Examination Department, Bank of Japan		
			May 2008	Executive Director, Bank of Japan		
			June 2012	Chairman, NTT Data Institute of Management Consulting, Inc.		
			March 2016	Member of the Board as Outside Director, Bridgestone Corporation (present)		
			June 2018	Representative, Office KY Initiative (present)		
Member of the Board Note 1	Yojiro Shiba	August 7, 1950	April 1974	Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)	Note 2	–
			March 2003	Managing Executive Officer, Mizuho Bank, Ltd.		
			May 2005	Executive Officer, Oriental Land Co., Ltd.		
			April 2009	Representative Director and Executive Vice President Officer, Oriental Land Co., Ltd.		
			June 2013	External Director, AMUSE INC.		
			June 2015	Director and Vice Chairman, AMUSE INC.		
			March 2018	Member of the Board as Outside Director, Bridgestone Corporation (present)		
			April 2019	Representative Director and President, AMUSE INC.		

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Member of the Board Note 1	Yoko Suzuki	September 21, 1970	April 1998 April 1998 November 2002 March 2018	Attorney-at-law (present) Joined Takagi Godo Law Office Partner, Suzuki Sogo Law Office (present) Member of the Board as Outside Director, Bridgestone Corporation (present)	Note 2	2,900
Member of the Board Note 1	Yukari Kobayashi	April 17, 1963	April 1987 July 2002 January 2007 January 2007 March 2016 January 2018 February 2018 September 2018 March 2020 March 2023	Joined IBM Japan, Ltd. Senior Manager, Overall Management of System Products Marketing, IBM Japan, Ltd. Director in charge of Public Sector, Global Business Service, IBM Japan, Ltd. Executive Officer, IBM Business Consulting Services KK Growth Leader for Mercer Far East Zone; Chief of Staff, Mercer Japan Ltd. Director, Mercer Investment Solutions Ltd. Chief Operating Officer, Mercer Japan Ltd. Corporate Officer; Corporate Strategy Management Lead, Area Transformation Lead, and Chief of Staff, Microsoft Japan Co., Ltd. Representative Partner, Amanda Life Consulting LLC (present) Member of the Board as Outside Director, Bridgestone Corporation (present)	Note 2	–
Member of the Board Note 1	Yasuhiro Nakajima	October 13, 1961	April 1984 March 1995 July 2007 July 2012 July 2014 July 2017 July 2022 March 2023	Joined Hitachi, Ltd. Certified Public Accountant (present) Representative Partner, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Aarata LLC) Executive Officer (Leader of Quality Management), PricewaterhouseCoopers Aarata General Manager, Nagoya Office, PricewaterhouseCoopers Aarata LLC Oversight Board Member, PricewaterhouseCoopers Aarata LLC Representative, Nakajima CPA Office (present) Member of the Board as Outside Director, Bridgestone Corporation (present)	Note 2	–
Member of the Board	Akira Matsuda	January 16, 1963	April 1987 September 1989 January 2011 March 2014 January 2017 January 2019 January 2022 March 2023	Joined Bridgestone Corporation Seconded to BRIDGESTONE/FIRESTONE INC. (currently BRIDGESTONE AMERICAS, INC.) (USA) Director, eco-Activities Promotion Division, Bridgestone Corporation Vice President and Officer, Environment Vice President and Senior Officer, Responsible for Global Innovation Vice President and Senior Officer; CQMO, Responsible for Quality Management Lead Expert; CQMO; Assistant to Executive Vice President, Responsible for Quality Management Member of the Board (present)	Note 2	3,800

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Member of the Board	Tsuyoshi Yoshimi	May 26, 1964	April 1988 January 2010 September 2012 October 2013 March 2017 March 2019	Joined Bridgestone Corporation Seconded to BRIDGESTONE ASIA PACIFIC PTE. LTD. (Singapore) Seconded to BRIDGESTONE (CHINA) INVESTMENT CO., LTD. (Shanghai) Director, Finance Division, Bridgestone Corporation Vice President and Officer, Auditing Member of the Board (present)	Note 2	2,700
Total						47,200

(Notes) 1. Of the Members of the Board, Mr. Scott Trevor Davis, Ms. Yuri Okina, Mr. Kenichi Masuda, Mr. Kenzo Yamamoto, Mr. Yojiro Shiba, Ms. Yoko Suzuki, Ms. Yukari Kobayashi and Mr. Yasuhiro Nakajima are outside directors.
2. The terms of office of Members of the Board shall expire at the close of the Annual Shareholders' Meeting relating to the last business year that ends within one year after their election at the Annual Shareholders' Meeting held on March 28, 2023.
3. The Company is a Company with Nominating Committee, etc. The structure of committees is described in "4 (1) Overview of corporate governance."
4. Meanings of abbreviations are as follows.
CAO: Chief Administrative Officer CQMO: Chief Quality Management Officer

b. Executive Officers

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Representative Executive Officer Global CEO	Shuichi Ishibashi	January 19, 1954	April 1977 June 2003 January 2005 July 2012 January 2014 January 2016 March 2016 January 2019 March 2020	Joined Bridgestone Tire Co., Ltd. (currently Bridgestone Corporation) Director, Consumer Tires Business Vice President and Officer Vice President and Senior Officer Senior Vice President Executive Vice President Executive Vice President and Executive Officer Vice Chair and Representative Executive Officer Members of the Board, Representative Executive Officer and Global CEO (present)	Note 1	19,000
Representative Executive Officer Joint Global COO (Responsible for BSJP and BSCAP) Chairman of the Board, BRIDGESTONE ASIA PACIFIC PTE. LTD. Concurrently responsible for BSJP Chairman and Representative Board Member, BRIDGESTONE TIRE SOLUTION JAPAN CO., LTD., Chairman and Representative Board Member, BRIDGESTONE CYCLE CO., LTD.	Masahiro Higashi	February 11, 1961	April 1985 January 2013 October 2013 March 2017 January 2019 January 2020 July 2020 March 2021 September 2021 May 2022	Joined Bridgestone Corporation Director, Global Customer and Market Research Division and Director, Advanced Business Planning Division Vice President and Officer Vice President and Senior Officer Senior Vice President and Executive Officer Vice Chair and Representative Executive Officer Representative Executive Officer, Global COO, and Global CAO Members of the Board, Representative Executive Officer, Global COO and Global CAO Members of the Board, Representative Executive Officer and Global COO Members of the Board, Representative Executive Officer and Joint Global COO (present)	Note 1	15,100

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Executive Officer Joint Global COO (Responsible for BSAM and BSEMIA) Global CSO BSAM Member of the Board, CEO and President	Paolo Ferrari	April 10, 1970	September 2016 January 2017 January 2018 January 2019 May 2022	Joined BRIDGESTONE EUROPE NV/SA Members of the Board, President and CEO Vice President and Senior Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer Executive Officer and Joint Global COO (present)	Note 1	5,000
Senior Vice President and Executive Officer Responsible for Technology, Quality Management Global CTO	Masato Banno	September 18, 1963	April 1986 July 2016 January 2017 January 2018 January 2019	Joined Bridgestone Corporation Director, Tire Development Division No. 3 Vice President and Officer Vice President and Senior Officer Executive Officer and Senior Vice President (present)	Note 1	8,200
Total						47,300

(Notes) 1. The terms of office of Executive Officers shall expire at the close of the first meeting of the Board of Directors convened after the close of the Annual Shareholders' Meeting relating to the last business year that ends within one year after their election.

2. Meanings of abbreviations are as follows.
CSO: Chief Business Solutions Officer CTO: Chief Technology Officer

2) Outside Directors and Outside Corporate Auditors

The Company has elected eight outside directors (as of March 28, 2023).

The Company believes that outside directors contribute to the strengthening of corporate governance, including maintaining appropriate decision-making at meetings of the Board of Directors. To that end, the outside directors provide independent opinions concerning deliberations, etc. on proposals at the Board of Directors that reflect their wealth of experience and expertise, which are based on their diverse backgrounds and fields of specialization.

To ensure the appropriate composition of the Board of Directors, the nominees for the Company's outside directors are determined through strict appointment procedures at the Company's Nominating Committee in accordance with the "Nominating Policy for Appointment to the Board" (described at the end) prescribed by the Company's Nominating Committee, and the reasons for appointment are as follows.

Name	Main occupation	Reasons for appointment
Scott Trevor Davis	Professor, Department of Global Business, College of Business, Rikkyo University	Mr. Scott Trevor Davis has excellent academic knowledge in the field of sociology and international business administration, as well as abundant wisdom regarding CSR and sustainability in Japan and overseas. Since his appointment as Outside Director of the Company, he has been contributing to appropriate decision making of the Board of Directors. Since 2021, he has been playing a leading and substantial role as Chairperson of the Board of Directors in further enhancing deliberations at the Board meetings, etc. In addition to participating in active deliberations as a member of the Nominating Committee and a member of the Compensation Committee, he has also been playing a leading role as Chairperson of the Governance Committee in the discussion to further enhance the Company's governance framework. In view of these experience, insights and achievements, Mr. Scott Trevor Davis is expected to continue to fulfill these roles, and the Company has determined that he would appropriately execute the duties of an Outside Director.
Yuri Okina	Chairperson of the Institute, The Japan Research Institute, Limited	Ms. Yuri Okina has significant research experience regarding financial systems and financial administration, as well as abundant knowledge of economics and financial situations. Since her appointment as Outside Director of the Company, she has been contributing to appropriate decision making of the Board of Directors. Since 2016, she has been playing a leading and substantial role as Chairperson of the Compensation Committee in developing a compensation design that promises a more adequately incentivizing effect, etc., while also participating in active deliberations as a member of the Nominating Committee. In view of these experience, insights and achievements, Ms. Yuri Okina is expected to continue to fulfill these roles, and the Company has determined that she qualifies for Outside Director.

Name	Main occupation	Reasons for appointment
Kenichi Masuda	Attorney-at-law (Partner of Anderson Mori & Tomotsune)	Mr. Kenichi Masuda has abundant professional career and experience as an attorney-at-law at law firms in Japan and overseas, as well as his expertise as represented by his current experience of teaching corporate law at a graduate school of law. Since his appointment as Outside Director of the Company, he has been contributing to appropriate decision making of the Board of Directors. Since 2021, he has been playing a leading and substantial role as Chairperson of the Nominating Committee in the succession planning of Members of the Board, etc. In addition to participating in active deliberations as a member of the Compensation Committee, he has also been playing a leading role as Chairperson of the Compliance Committee in the discussion to further improve the Company's compliance framework. In view of these experience, insights and achievements, Mr. Kenichi Masuda is expected to continue to fulfill these roles, and the Company has determined that he would appropriately execute the duties of an Outside Director.
Kenzo Yamamoto	Representative, Office KY Initiative	Mr. Kenzo Yamamoto has abundant expertise on financial market and financial systems, as well as his deep insight regarding corporate management and risk management. Since his appointment as Outside Director of the Company, he has been contributing to appropriate decision making of the Board of Directors. Since 2018, he has been playing a leading and substantial role as Chairperson of the Audit Committee in strengthening our auditing system on a global scale, etc. In view of these experience, insights and achievements, Mr. Kenzo Yamamoto is expected to continue to fulfill these roles, and the Company has determined that he qualifies for Outside Director.
Yojiro Shiba	–	Mr. Yojiro Shiba has insights into the creation of value and establishment of business from the perspective of customers based on his deep insight as the result of abundant corporate management experience in the financial industry and entertainment business industry. Since his appointment as Outside Director of the Company, he has been contributing to appropriate decision making of the Board of Directors. As a member of the Audit Committee, he has been participating in active deliberations and working to promote the strengthening of our auditing system on a global scale, etc. In view of these experience, insights and achievements, Mr. Yojiro Shiba is expected to continue to fulfill these roles, and the Company has determined that he qualifies for Outside Director.

Name	Main occupation	Reasons for appointment
Yoko Suzuki	Attorney-at-law (Partner of Suzuki Sogo Law Office)	Ms. Yoko Suzuki has high expertise as an attorney-at-law, and abundant experience and deep insight as an outside auditor and auditor of other companies and various associations. Since her appointment as Outside Director of the Company, she has been contributing to appropriate decision making of the Board of Directors. As a member of the Audit Committee, she has been participating in active deliberations and working to promote the strengthening of our auditing system on a global scale, etc. In view of these experience, insights and achievements, Ms. Yoko Suzuki is expected to continue to fulfill these roles, and the Company has determined that she would appropriately execute the duties of an Outside Director.
Yukari Kobayashi	Representative Partner, Amanda Life Consulting LLC	Ms. Yukari Kobayashi has deep insight regarding the digital field and business strategy through her extensive practical and management experience in the IT and consulting industries. In view of these experience and insights, she is expected to contribute to appropriate decision making of the Board of Directors, and the Company has determined that she qualifies for a new Outside Director.
Yasuhiro Nakajima	Certified Public Accountant (Representative of Nakajima CPA Office)	Mr. Yasuhiro Nakajima has abundant professional career and experience in accounting audit and advisory services as a Certified Public Accountant, and possesses expertise such as that involved in his teaching of accounting and audit at a university. In view of these experience and insights, he is expected to contribute to appropriate decision making of the Board of Directors, and the Company has determined that he would appropriately execute the duties of a new Outside Director.

As a result of comparison with the Company’s Guidelines for Determining Whether Outside Directors Are Sufficiently Independent, Mr. Scott Trevor Davis, Ms. Yuri Okina, Mr. Kenichi Masuda, Mr. Kenzo Yamamoto, Mr. Yojiro Shiba, Ms. Yoko Suzuki, Ms. Yukari Kobayashi, and Mr. Yasuhiro Nakajima, who are outside directors with no relationship of special interests with the Company, and there is no concern that conflicts of interest with general shareholders would arise, the Company has designated them independent outside directors. The Company’s Guidelines for Determining Whether Outside Directors Are Sufficiently Independent are described at the end.

In addition, outside directors’ holdings of the Company’s stock are described under “4 (2) 1) a. Members of the Board.”

[Nominating Policy for Appointment to the Board]

The nominated candidates shall possess the character and insight required to be able to put the Bridgestone Essence (corporate philosophy) into practice, the experience necessary to supervise the execution of business as a member of the Board, and the tenacity needed to perform the duties expected of a member of the Board of the Company.

(Outside Directors)

The Company takes into account the following:

(1) The candidate's expertise, experience and ability to make judgments from an independent perspective.

(2) The candidate's absence of connections with the Group that would undermine their independence from the Group.*

*Specifically, the candidate's ability to meet the conditions for independence as set out in the Company's "Guidelines for Determining Whether Outside Directors Are Sufficiently Independent"

(Members of the Board other than Outside Directors)

The Company takes into account the following:

(1) The candidate's scope of knowledge and experience regarding the business and its operations.

(2) The candidate's managerial ability to delineate the Company's ideal direction while taking actions informed by the changing business environment.

[Guidelines for Determining Whether Outside Directors Are Sufficiently Independent]

To ensure that the Company achieves the objectivity and transparency necessary for appropriate corporate governance, it is best that outside directors be as independent as possible.

The Company has accordingly established these guidelines concerning the requisite independence of Outside Directors in the Company. If any of the following items applies to an Outside Director (or to a candidate for such position. The same applies hereafter), they shall be deemed to lack the required level of independence for the Company. A person who:

1. In the past was an Executing Person of the Company or a consolidated subsidiary of the Company (collectively, the "Group") (Note 1)
2. Is a major shareholder of the Company (Note 2)
3. Is an Executing Person of a company or entity to which one of the following is applicable:
   (1) A major supplier or customer of the Group (Note 3)
   (2) A major lender to the Group (Note 4)
   (3) A company or entity of which the Group holds 10% or more of the voting shares
4. Is a certified public accountant belonging to an auditing firm that is an accounting auditor of the Group
5. Is a professional, such as a consultant, accountant, tax accountant, attorney-at-law, judicial scrivener, or patent attorney who has received a large amount (Note 5) of money or other assets from the Group
6. Is a person who has received a large amount of donation from the Group (Note 6)
7. Is an Executing Person of another company, which position constitutes an interlocking director or corporate auditor position (Note 7) for the Outside Director

8. Has a close relative (Note 8) to which any of the above items 1 through 7 applies (but other than with respect to item 4 or 5, limited to a significant person (Note 9))
9. Is a person to which any of the above items 2 through 8 has applied within the last five years
10. Notwithstanding the above, is a person with respect to which any other particular factors exist that could create a conflict of interest with the Company

(Notes) 1. This means one who is currently an executive member of the Board, executive officer, vice president-officer or other similar person or employee (each, for purpose of these Guidelines, an "Executing Person") or who has been an Executing Person of the Group at any time in the past.

2. A "major shareholder" shall mean a shareholder holding 5% or more of the voting shares, either in their own name or a third party's name, as of the end of the Company's fiscal year. If the major shareholder is an organization such as a company (or other legal entity) or partnership, it shall mean an Executing Person of the organization.

3. A "major supplier or customer" means a supplier or customer of the Group's products whose annual total transactions with the Group exceeds 2% of the Company's consolidated aggregate sales or 2% of the consolidated aggregate sales of the other party. In addition, automobile manufacturers which are customers of the Group's tire products, and synthetic rubber manufacturers and steel cord manufacturers which are suppliers to the Group are considered major suppliers or customers regardless of actual annual transaction amounts.

4. A "major lender" means a financial institution from which the Group receives loans where the outstanding loan amount as of the end of the Company's fiscal year exceeds 2% of the Company's consolidated gross assets or 2% of the financial institution's consolidated gross assets.

5. "Large amount" means the occurrence of either of the following in response to the professional's provision of services:

   (1) In the event that the professional is providing services to the Group as an individual, the receipt by the professional from the Group of compensation (excluding remuneration for services as a member of the Board or executive officer) of an amount exceeding 10 million yen per year.

   (2) In the event the professional services are provided to the Group by an organization such as a company (or other legal entity) or a partnership, the receipt by the organization from the Group of the total amount of compensation exceeding 2% of the annual aggregate income of the organization. Even if not more than 2%, if the organization receives more than 10 million yen per year as compensation for services in which the professional was directly involved, it is considered a "large amount."

6. This means the recipient of a donation exceeding 10 million yen per year from the Group. If the recipient is an organization such as a company (or other legal entity) or a partnership, any member of the organization who is directly involved with the research, education or other activity related to the donation.

7. "Interlocking director or corporate auditor position" means an Executing Person of the Group who is an Outside Director or Corporate Auditor for another company, where an Executing Person of such other company is also an Outside Director of the Company.

8. A "close relative" means a spouse or a relative within two degrees of family relation.

9. A "significant person" means a member of the Board, executive officer, vice president-officer or an Executing Person who is a division manager or above, or an Executing Person with authority similar to any of the foregoing.

3) Mutual cooperation of oversight or audit performed by Outside Directors with internal audit, the Audit Committee audit and accounting audit, as well as relationship with the internal control department

Outside Directors consider financial statements and policies for development of internal control systems, and directly or indirectly receive reports from the internal control department, through deliberation of proposals at the Board of Directors such as information on operations based on such development policies, providing effective oversight of executive officers and members of the Board. Mutual cooperation of oversight or audit performed by Outside Directors with internal audit, and the Audit Committee audit and accounting audit are described in “4. (3) Status of audit.”

(3) Status of audit

1) Audit by the Audit Committee

The Company's Audit Committee consists of a total of seven members, comprising five outside directors and two full-time members. Mr. Yasuhiro Nakajima, a member of the Audit Committee, has abundant professional experience in accounting audit and consulting as a Certified Public Accountant, as well as considerable knowledge in finance and accounting. Mr. Tsuyoshi Yoshimi, a full-time member of the Audit Committee, was in charge of accounting operations of the Company for many years and has considerable knowledge in finance and accounting.

In order to assist with the duties of the Audit Committee, the Company has assigned a corporate executive manager dedicated to audit, and established a department led by such corporate executive manager that is dedicated to assist the Audit Committee with their duties. Decisions on the appointment and replacement of the corporate executive manager dedicated to audit are made with the consent of the Audit Committee, while the performance assessment of such corporate executive manager is determined by taking the performance evaluations conducted by the Audit Committee into consideration.

The Audit Committee convened a total of 21 meetings during the current fiscal year. The total time of the meetings came to 73 hours, which works out to around three and a half hours per meeting. The status of attendance by individual members of the Audit Committee is as follows.

Position	Name	Attendance at Audit Committee meetings
Chairperson of the Audit Committee	Kenzo Yamamoto	21 of 21 (100%)
Member of the Audit Committee (Note)	Keikou Terui	21 of 21 (100%)
Member of the Audit Committee (Note)	Seiichi Sasa	21 of 21 (100%)
Member of the Audit Committee	Yojiro Shiba	21 of 21 (100%)
Member of the Audit Committee	Yoko Suzuki	21 of 21 (100%)
Full-time member of the Audit Committee (Note)	Hideo Hara	21 of 21 (100%)
Full-time member of the Audit Committee	Tsuyoshi Yoshimi	21 of 21 (100%)

(Note) Retiring on March 28, 2023.

There were 14 resolutions passed by the Audit Committee during the current fiscal year. The main content of these resolutions was related to audit policies and planning, assignment of duties of committee members, agreement on audit fees of the accounting auditor, and appointment of the accounting auditor. There were also 136 reports. These reports included the audit report from the accounting auditor, reports from the Internal Auditing Department on internal audits and Group internal audit activities, risk management activity reports from operating divisions involved in business execution, and reports on the activities of the full-time members of the Audit Committee.

The Audit Committee conducts audits through cooperation with the Internal Auditing Department and the accounting auditors. Key matters considered by the Audit Committee during the current fiscal year were as follows.

a. The auditing policy, audit plans and the distribution of duties

The Audit Committee has formulated an audit plan with the following items as priority issues to confirm for the current fiscal year: the status of our efforts regarding the Bridgestone E8 Commitment newly established in March 2022; the impact on our business and internal control systems of the reorganization of production bases and businesses and strategic growth investments that we are pursuing in our mid- to long-term business plan; and the status of the improvement of the Group's risk management system and response to business risks such as cyberattacks, war, and COVID-19.

b. Development and implementation status of internal control systems

Based on the "Three Lines of Defense" approach, the Audit Committee checks the status of improvements made to the monitoring system for the Group's internal control through cooperation with the Internal Auditing Department and provides advice accordingly. The committee also receives direct reports on and checks the status of internal control, including risk management, with respect to IT security, human resources and labor, quality management, etc.

c. The development status of the Group's internal audit systems

The Audit Committee checks the development status of the Group's internal audit systems through cooperation with local audit committees established at overseas SBUs and internal audit divisions in Japan and abroad as well as reports on the Group's internal audit activities provided by the Internal Auditing Department.

d. The appropriateness of the accounting auditor's audit plans, audit methods, and results

The Audit Committee receives and checks the content of reports on audit plans, quarterly review results, and accounting audit results provided by the accounting auditor. The committee also receives an explanation of the key audit matters (KAM) from the accounting auditor and checks the status.

e. Evaluation and appointment of the accounting auditor

The Audit Committee evaluates matters including audit plans, auditing systems, independence, specialization, and status of performance of duties, based on reports that are received from the accounting auditor and relevant internal departments. The Committee also reviews the process for appointing a new accounting auditor and implements it in coordination with relevant internal divisions. As a result, the Audit Committee has decided to replace the accounting auditor for the 105th Fiscal Period (fiscal year 2023) and has requested to submit the proposal for the Annual Shareholders' Meeting. The process for selecting the accounting auditor is as follows.

Process	Timing	Activities
Sending a request for audit proposal	June 2021	Prepared a request for proposal covering items to be confirmed by the Company and sent it to the candidate audit firms.
Information provision from the Company	July 2021 – September 2021	Provided each audit firm with the information necessary to prepare audit proposals
Receipt of report on audit proposal	November 19, 2021	Received presentations of audit proposals from each audit firm, followed by a question-and-answer session
Discussions among members of the Audit Committee	November 2021 – October 2022	Members of the Audit Committee participating in the process held multiple discussions on the proposals
Exchange of views with the executive side	November 2021 – October 2022	Exchanged views with relevant internal divisions multiple times as discussions among members of the Audit Committee progressed
Resolution at the Audit Committee on the details of the proposal for the appointment of an accounting auditor to be submitted to the Shareholders' Meeting	November 8, 2022	Resolved to appoint KPMG AZSA LLC as a candidate for accounting auditor for the 105th Fiscal Period (fiscal year 2023)

The Audit Committee audits the execution of duties by Members of the Board and Executive Officers as well as the internal control systems. These duties are performed under the auditing policy and audit plans determined by the Audit Committee, and, among other actions, and involve inquiry into the status of business execution (including risk management), reviewing reports from the Internal Auditing Department and the full-time members of the Audit Committee, engaging in opinion exchanges with Representative Executive Officers, attending meetings of the Global EXCO and other important meetings, holding onsite visits at major Group companies and business locations in Japan and overseas, and conducting interviews with members of the respective audit committees and corporate auditors at these sites. The Audit Committee also receives reports and explanations on audit plans, audit methods, and results from the accounting auditor, and then verifies the appropriateness of the results.

In addition to the duties above, the full-time members of the Audit Committee engage in daily information gathering in cooperation with the Internal Auditing Department and others to improve audit effectiveness. Other members of the committee also attend Global EXCO and other meetings, and conduct onsite visits at major domestic and overseas Group companies.

When there are spikes in COVID-19 infections, the Audit Committee uses web conferencing tools to hold its meetings as a preventive measure. Some in-person visits to major Group companies overseas have not been possible due to COVID-19; however, web conferencing tools have been used to facilitate online interviews as an alternative. The accounting auditors have also provided reports regarding the impact of COVID-19 on accounting audits and the Company has confirmed the status of the accounting auditor's response to ensure appropriate auditing. Should another abnormal event that could hinder the performance of audits occur in the future, we will ensure that proper audits can still be performed by utilizing web conferencing tools and other digital technologies and by further strengthening cooperation with accounting auditors.

2) Status of internal audits

The Group's internal auditing organization is comprised of the Internal Auditing Department and the SBU internal audit divisions established at each SBU. The Internal Auditing Department receives instructions from and reports directly to the Audit Committee, independent of any operating divisions involved in business execution, from the perspective of ensuring effective audits. It also reports directly to the Global CEO.

The Internal Auditing Department formulates an annual audit plan, reports to the Audit Committee, and conducts internal audits primarily of the effectiveness of Group governance and internal control on each function, operating division, and Group companies in Japan and overseas. In addition, the Internal Auditing Department supervises activities of the Group's internal audit system and works with the internal audit divisions at each SBU on activities aimed at establishing an optimal internal audit system for the Group. Moreover, in January 2022, the internal audit functions that had been dispersed among the operating divisions of the Company were consolidated into a new division to further strengthen the internal audit function within Japan. As of March 28, 2023, the Internal Auditing Department had 32 employees, and internal audit divisions of overseas SBUs had approximately 80 employees.

The Audit Committee, the Group's internal auditing organization (comprising the Internal Auditing Department and SBU internal audit divisions), and the accounting auditor exchange information and opinions as necessary and generally maintain close contact, thereby working to further increase audit efficiency and effectiveness. Each department in charge of internal control provides regular reports to the Audit Committee concerning the status of the development and operational status of their assigned internal control.

3) Status of accounting audits

a. Auditing firm

Deloitte Touche Tohmatsu LLC

b. Consecutive audit period

Since 2001

c. Certified public accountants who performed the audit

Mr. Yasuhiko Haga

Mr. Takuma Ueki

Ms. Akiko Fujiharu

d. Composition of assistants involved in auditing operations

24 certified public accountants, two associate members of the Japanese Institute of Certified Public Accountants, and 50 other staff members are involved in the accounting auditing operations.

e. Policy and reasons for appointment of accounting auditor

To ensure the appropriate performance of duties by the accounting auditor, the Audit Committee appoints an appropriate accounting auditor from perspectives such as the quality control system, auditing systems, audit plans and audit fee levels.

The Audit Committee dismisses the accounting auditor with a unanimous resolution in the event where it determines the accounting auditor falls under any items of Article 340, paragraph (1) of the Companies Act. In this case, the members of the Audit Committee appointed by the Audit Committee must report its decision and the reason for dismissal to the first Shareholders' Meeting after the dismissal. In addition to the above, in the circumstances where the Audit Committee deems it necessary for securing an appropriate auditing system or for its improvement, the Audit Committee determines details of the proposal for non-reappointment of the accounting auditor, based on which the Board of Directors submits the proposal to the Shareholders' Meeting.

According to the above policy, as a result of receiving the necessary reports and evaluation based on predetermined evaluation criteria concerning the auditing systems, independence, audit plans, and status of performance of duties of Deloitte Touche Tohmatsu LLC, the current accounting auditor, the Audit Committee has reappointed the same firm as the accounting auditor for the 104th Fiscal Period (fiscal year 2022).

At the 104th Annual Shareholders' Meeting held on March 28, 2023, KPMG AZSA LLC was newly elected as the Company's accounting auditor. For reasons for selecting KPMG AZSA LLC, please refer to the extraordinary securities report in "f. Change of accounting auditor."

f. Change of accounting auditor

At the 104th Annual Shareholders' Meeting held on March 28, 2023, the election of the accounting auditor was resolved as follows.

104th Fiscal Period (from January 1, 2022 to December 31, 2022) (Consolidated and Non-consolidated)
Deloitte Touche Tohmatsu LLC

105th Fiscal Period (from January 1, 2023 to December 31, 2023) (Consolidated and Non-consolidated)
KPMG AZSA LLC

The matters included in the extraordinary securities report are as follows.

(a) Name of the auditing certified public accountants, etc. pertaining to the change

A) Name of the elected auditing certified public accountant, etc.

KPMG AZSA LLC

B) Name of the retiring auditing certified public accountant, etc.

Deloitte Touche Tohmatsu LLC

(b) Date of the change

March 28, 2023 (The date of the 104th Annual Shareholders' Meeting)

(c) Date on which the retiring auditing certified public accountant, etc. assumed the position as auditing certified public accountant, etc.

March 29, 2001

(d) Matters concerning the opinion, etc. on audit reports prepared by the retiring auditing certified public accountant, etc. during the most recent three years

Not applicable.

(e) Reason and background that led to the decision to make the change or the change

The term of office of the Company's Independent Auditor, Deloitte Touche Tohmatsu LLC, expired at the close of the 104th Annual Shareholders' Meeting held on March 28, 2023. Due to the fact that Deloitte Touche Tohmatsu LLC has served as the Company's Independent Auditor for many years, and taking into consideration the rotation system used for auditing firms in other countries, the Audit Committee decided to accept proposals from multiple auditing firms on a periodic basis and compare said proposals. The Audit Committee concluded that the appointment of KPMG AZSA LLC as the new Independent Auditor would bring a new perspective to auditing. Furthermore, the Audit Committee deemed that KPMG AZSA LLC's specialization, independence, quality management system, global auditing structure, and the like all well meet the requirements set by the Audit Committee.

(f) Opinion on the reason and background that led to the change set forth in (e) above

A) Opinions of the retiring auditing certified public accountant, etc.

We have received a reply that they have no particular opinion.

B) Opinion of the Audit Committee

The Committee deems it appropriate.

g. Evaluation of the accounting auditor

The Audit Committee prescribes evaluation criteria that conforms with the practical guidelines prescribed by the Japan Audit & Supervisory Board Members Association, and evaluates the accounting auditor annually in light of such criteria. When conducting such evaluation, the Audit Committee deliberates on reports mainly on matters, including the auditing systems, independence, specialization, audit plans, and status of performance of duties that are received from the accounting auditors and relevant internal departments.

From the standpoint of independence of the accounting auditor, the Audit Committee has established a new policy unique to the Company to limit non-audit fees provided by the accounting auditor and its group and receives regular reports from the accounting auditor to verify the status thereof.

4) Audit fees

a. Fees to auditing certified public accountants, etc.

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services (Yen in millions)	Fees for non-audit services (Yen in millions)	Fees for audit services (Yen in millions)	Fees for non-audit services (Yen in millions)
The Company	233	2	239	6
Consolidated subsidiaries	234	–	238	–
Total	467	2	477	6

(Notes) 1. The audit agreement entered into by the accounting auditors and the Company does not separately stipulate the fee amounts for the audit under the Companies Act, the audit under the Financial Instruments and Exchange Act, and the audit on consolidated financial statements in the English language. Furthermore, those three amounts cannot be practically distinguished from one another, so this report lists the total amount that should be paid to the accounting auditors.

2. The details of non-auditing services provided to the Company by auditing certified public accountants, etc. are as follows.

(Previous fiscal year)

Services (non-auditing services) other than those set forth in Article 2, paragraph (1) of the Certified Public Accountants Act for which the Company has paid fees to the accounting auditors are the English translation services for consolidated financial statements and other documents.

(Current fiscal year)

Services (non-auditing services) other than those set forth in Article 2, paragraph (1) of the Certified Public Accountants Act for which the Company has paid fees to the accounting auditors are the English translation services for annual securities reports and other documents.

3. In regard to fees for audit services in the previous fiscal year, additional fees other than the above came to 26 million yen.

b. Fees to companies in the same network as the auditing certified public accountants, etc. (i.e., the Deloitte network) (excluding a.)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services (Yen in millions)	Fees for non-audit services (Yen in millions)	Fees for audit services (Yen in millions)	Fees for non-audit services (Yen in millions)
The Company	–	30	–	28
Consolidated subsidiaries	1,937	964	2,392	522
Total	1,937	994	2,392	550

(Note) The details of non-auditing services provided by companies in the same network as the auditing certified public accountants, etc. (i.e., the Deloitte network) are as follows.

(Previous fiscal year)

Non-auditing services provided to the Company and consolidated subsidiaries are advisory services concerning tax and IT, etc.

(Current fiscal year)

Non-auditing services provided to the Company and consolidated subsidiaries are advisory services concerning tax and IT, etc.

c. Details of fees for other important audit services

Not applicable.

d. Policy for determining audit fees

The Company determines audit fees paid to its accounting auditors based on verification of the number of required man-hours and the appropriateness of the amounts according to the audit plans. The consent of the Audit Committee is obtained for such determination.

e. Reasons for the Audit Committee's consent to the audit fees

As a result of confirmation and consideration of the details of the accounting auditors' audit plans, the trend of the previous audits and the actual fees, the basis of calculation for the fee quotation and non-audit fees, the Audit Committee deems the fees for services set forth in Article 2, paragraph (1) of the Certified Public Accountants Act to be reasonable and provides the consent pursuant to Article 399, paragraph (1) of the Companies Act.

(4) Remuneration for Members of the Board and Executive Officers

1) Board Members' and Executive Officers' remuneration for the current fiscal year

a. Total amount of remuneration, amount of each type of remuneration, and the number of recipients by the categories of Members of the Board and Executive Officers

<table>
<tr><th rowspan="3">Position category</th><th colspan="6">Amount of each type of remuneration (Yen in millions)</th><th rowspan="3">Number of recipients (in persons)</th></tr>
<tr><th rowspan="2">Fixed remuneration</th><th colspan="3">Performance-based remuneration</th><th rowspan="2">Stock compensation (Special Awards)</th><th rowspan="2">Total</th></tr>
<tr><th>Annual bonuses</th><th>Stock compensation (PSU)</th><th>Stock compensation (RSU, etc.)</th></tr>
<tr><td>Members of the Board (Internal)</td><td>107</td><td>–</td><td>–</td><td>–</td><td>–</td><td>107</td><td>4</td></tr>
<tr><td>Members of the Board (Outside)</td><td>169</td><td>–</td><td>–</td><td>–</td><td>–</td><td>169</td><td>8</td></tr>
<tr><td>Executive Officers</td><td>239</td><td>287</td><td>211</td><td>198</td><td>156</td><td>1,092</td><td>5</td></tr>
<tr><td>Total</td><td>515</td><td>287</td><td>211</td><td>198</td><td>156</td><td>1,368</td><td>15</td></tr>
</table>

(Notes) 1. Allowance for Executive Officers who hold concurrent positions as Members of the Board (additional allowance for Members of the Board with concurrent duties) is included in the total amount of remuneration for Members of the Board.

2. The amount of fixed remuneration in the above table (total amount of base remuneration, additional allowance for Members of the Board with concurrent duties, additional allowance for the chairpersons, and additional allowance for committee chairs) is the total amount of remuneration paid during fiscal year 2022 (fully paid in cash).

3. Of the annual bonuses in the above table, Group-wide performance-based bonus is the amount expected to be paid in March 2023 based on the results of business performance, etc. of fiscal year 2022 (fully paid in cash), and performance-based bonus (area of responsibility) is the total amount of the actual payment during fiscal year 2022 (reflecting the previous fiscal year's business performance) and the standard amount expected to be paid in March 2023 (fully paid in cash; including the amount of actual payment to Directors who retired at the end of January 2023).

4. The stock compensation of the performance-based remuneration in the above table represents the total amount expensed up to fiscal year 2022 (including amount of actual payment to Directors who retired at the end of January 2023; excluding the portion disclosed in prior years).
   - The Performance Share Unit (PSU) is awarded in the form of shares of the Company's common stock or other securities according to Group-wide performance over a three-year period. (50% is paid in cash equivalent to the market value; however, those retiring before the relevant period ends are paid fully in cash equivalent to the market value.)
   - The Restricted Stock Unit, etc. (RSU, etc.) is a system introduced in fiscal year 2022, under which RSU and Restricted Stock (RS) are granted according to the evaluation of initiatives related to sustainability, including ESG, and transformation in each fiscal year. Transfer restriction for RS will be lifted at the time of retirement, and for RSU, cash is paid equivalent to the market value of the number of stock units at the time of the lifting of the RS transfer restriction. The ratio of emphasis on RS and RSU is set at 50:50.

5. Special Awards were specially provided in RS and RSU in February 2022, in appreciation of the fact that over the past two years starting in 2020, although COVID-19 has dramatically changed the business climate unexpectedly and within a short period of time, the Company has steadily implemented various measures faster than originally planned while formulating business strategies for Bridgestone 3.0 and setting specific targets, and at the same time, with the expectation that these management initiatives will continue to contribute to further enhancement of corporate value. RS has a three-year restriction, and for RSU, cash is paid equivalent to the market value of the number of stock units at the time of the lifting of the RS transfer restriction. The ratio of emphasis on RS and RSU is set at 50:50. There are no plans to provide Special Awards in 2023.

6. Two Executive Officers who hold concurrent positions as Members of the Board are included in the numbers of Members of the Board (Internal) and Executive Officers, respectively.

b. Total amount of consolidated remuneration for persons received consolidated remuneration of 100 million yen or more.

Names and principal positions related to the current fiscal year	Company category	Position category	Total amount of consolidated remuneration (Yen in millions)					
			Fixed remuneration	Performance-based remuneration			Stock compensation (Special Awards)	Total
				Annual bonuses	Stock compensation (PSU)	Stock compensation (RSU, etc.)		
Shuichi Ishibashi, Global CEO	The Company	Member of the Board	11	–	–	–	–	395
		Executive Officer	84	111	70	69	50	
Masahiro Higashi, Joint Global COO	The Company	Member of the Board	11	–	–	–	–	302
		Executive Officer	63	86	49	53	40	
Paolo Ferrari, Joint Global COO	The Company	Executive Officer	–	–	51	37	35	872
	BSAM (Note 1)	Member of the Board, CEO and President	171	567 (Note 2)	11	–	–	
Masuo Yoshimatsu, Global CFO	The Company	Executive Officer	47 (Note 3)	43 (Note 4)	27 (Note 4)	19 (Note 4)	–	136
Masato Banno, Global CTO	The Company	Executive Officer	46	46	19	21	30	162

(Notes) 1. The remuneration of executives at BRIDGESTONE AMERICAS, INC. (BSAM) is determined taking into account business performance, etc. of BSAM, following investigation, analysis and consideration of matters such as market levels for remuneration of directors and executive officers in the incumbent's location of the United States when determining remuneration. Fixed remuneration includes an amount equivalent to fringe benefits.

2. In addition to annual bonuses, the followings are listed: the confirmed amount paid for the long-term incentive plan pertaining to FY2020 to FY2022; the amount recorded as expense relating to FY2021 to FY2022 for the long-term incentive plan pertaining to FY2021 to FY2023; and the amount recorded as expense relating to FY2022 for the long-term incentive plan pertaining to FY2022 to FY2024. (However, this excludes the portion disclosed in prior years.)

3. The amount includes an unaccompanied duty allowance.

4. The amount is the actual amount paid upon retirement at the end of January 2023.

c. Calculation method and evaluation results of performance-based remuneration

(a) Short-term incentives (annual bonuses)

<Group-wide performance-based bonus>

・ The Group-wide performance-based bonus for fiscal year 2022 was paid at 133.9% of the standard amount, in accordance with the evaluation of the performance indicators as follows.
(Recipients: Global CEO and Representative Executive Officer, Joint Global COO and Representative Executive Officer, Senior Vice Presidents and Executive Officers)

Performance indicator	Fluctuation range of payment rate	Target for fiscal year 2022* (Yen in billions)	Results for fiscal year 2022 (Yen in billions)	Payment rate
Amount of consolidated adjusted operating profit	0-150%	Maximum: 510.0 Target: 425.0 Threshold: 340.0	482.63	133.9%

* In its Mid Term Business Plan and other initiatives, the Company aims to become a more resilient and highly profitable company, and accordingly, has positioned adjusted operating profit as one of its key management indices and selected it as an appropriate indicator for the annual evaluation of executive remuneration.

Bonus payment by individual = Standard amount by position (Group-wide performance-based bonus) × Payment rate 133.9%

<Performance-based bonus (area of responsibility)>

・ The amount of bonus payment for Senior Vice Presidents and Executive Officers for fiscal year 2022 has been determined by the Compensation Committee at a meeting held in March 2023, based on the individual performance evaluation for the functions for which they are responsible.
(Recipients: Senior Vice Presidents and Executive Officers)

Bonus payment by individual	=	Standard amount by position (Performance-based bonus (area of responsibility))	×	Payment rate (Individual performance evaluation) (0~150%)

・ Since Senior Vice Presidents and Executive Officers have important roles and responsibilities not only for improving consolidated financial performance but also for improving Group-wide functions over the medium to long term, the ratio of emphasis on Group-wide performance bonus (based on evaluation of consolidated financial performance) and performance-based bonus for area of responsibility (based on individual performance evaluation) is set at 60:40 on a standard amount basis.

(b) Mid- to long-term incentives (stock compensation)

<Performance Share Unit (PSU)>

・ The 2020 Plan (evaluation period: 2020 to 2022), for which the evaluation was finalized in fiscal year 2022, resulted in a payment of 73.9% of the standard number of shares, based on the evaluation of performance indicators as follows. 50% is delivered in the form of the Company's common stock, and the remaining 50% is paid in cash equivalent to the market value.

(Recipients: Global CEO and Representative Executive Officer, Joint Global COO and Representative Executive Officer, Joint Global COO and Executive Officer, Senior Vice Presidents and Executive Officers)

Performance indicator	Evaluation ratio	Fluctuation range of payment rate	Target for fiscal years 2020 to 2022 (Three-year average)(*1)		Results (Three-year average)	Payment rate
Consolidated ROE	80%	0-200%	Maximum:	14%	7.6%	70.0%
			Target:	10%		
			Threshold:	6%		
Amount of consolidated adjusted operating profit	20%	0-200%	Maximum:	459.1 billion yen	366.63 billion yen	89.6%
			Target:	382.6 billion yen		
			Threshold:	306.1 billion yen		
				Payment rate (weighted-average)		73.9%

Number of shares by individual	=	Standard number of shares by position(*2)	×	Payment rate 73.9%

*1. As the Company placed emphasis on ROA, operating profit ratio, and ROE as mid-term management index until 2020, ROE and operating profit (amount and ratio) were selected as performance indicators in the PSU 2020 Plan. However, from fiscal year 2021, the Company changed performance indicators for the PSU 2021 Plan (evaluation period: 2021 to 2023) to consolidated ROIC and consolidated ROE in the final fiscal year of the evaluation period, based on the management index listed in the Mid Term Business Plan, etc.

*2. The "standard number of shares by position" above is calculated by dividing the standard amount by position by the Company's stock price at the beginning of the performance evaluation period.

<Restricted Stock Unit (RSU, etc.)>

・ To promote transformation from a long-term perspective and encourage the achievement of the sustainability business framework, the Company has adopted sustainability incentives as new mid- to long-term incentives from fiscal year 2022. Since the amount of RSU, etc. provided based on this framework varies from 0% to 120% in accordance with the evaluation of sustainability and transformation initiatives in each fiscal year, and the results of these efforts are reflected in the corporate value (price of Company shares) over the mid- to long-term, vesting of RSU, etc. shall be at the time of retirement. 50% of the amount to be paid shall be delivered as RSU, and cash equivalent to the market value of the number of stock units shall be paid at the time of retirement. The remaining 50% shall be delivered in the form of the Company's stock (RS), on which transfer restriction shall be lifted at the time of retirement.

・ The payment of RSU, etc. for fiscal year 2022 was 110% of the standard amount, in overall consideration of achievement status of the sustainability targets ((1) establishment of "Bridgestone E8 Commitment" as

corporate commitment to evolve into a sustainable solutions company toward 2050 and communication with stakeholders both inside and outside of the Company, (2) investment in and development of people to increase added value and job satisfaction, (3) carbon neutrality, including reduction of CO_2 emissions, and (4) circular economy, including increasing the ratio of recycled and renewable resources). The Compensation Committee commended the achievement of the targets for fiscal year 2022, specifically the major quantitative targets set forth in the Mid Term Business Plan (such as reducing CO_2 emissions and increasing the ratio of recycled and renewable resources). The Compensation Committee also commended the establishment of "Bridgestone E8 Commitment," which serves as the axis to drive the Company's management from a long-term perspective. Through the commitment, the Company promotes activities to facilitate understanding and permeation on a global basis, which steadily links corporate measures to the development of young people and human resources who will lead the future of the Company. The number of individual stock units to be provided as RSU and the number of individual shares to be delivered as RS are calculated by dividing the "Amount of RSU, etc. payments by individual" stated below by the Company's stock price at the time of the share unit provision and share delivery.
(Recipients: Global CEO and Representative Executive Officer, Joint Global COO and Representative Executive Officer, Joint Global COO and Executive Officer, Senior Vice Presidents and Executive Officers)

Amount of RSU, etc. payments by individual	=	Standard amount by position	×	Payment rate 110%

d. Activities of the Compensation Committee

(a) The number of meetings of the Compensation Committee and attendance of members

In fiscal year 2022, the Compensation Committee held 13 meetings mainly regarding the amount of executive compensation, with full attendance for every meeting. In addition, a third-party human resources and remuneration consultant provided objective and specialized input necessary for deliberations, as necessary.

(b) Specific matters to be deliberated and considered at the Compensation Committee

The Compensation Committee mainly deliberated, decided, or confirmed the following during fiscal year 2022.

- Discussed the evaluation of performance-based remuneration for the previous fiscal year (consolidated financial performance evaluation for Group-wide performance-based bonus, individual performance evaluation for performance-based bonus (area of responsibility), and consolidated financial performance evaluation for PSU) and determined the amount to be paid to each individual and the number of shares to be delivered.
- Determined the standard amount and the number of stock units to be granted to each individual under the new remuneration system including new mid- to long-term incentives (RSU, etc.) introduced in fiscal year 2022 and the single-year individual remuneration (Special Award) for fiscal year 2022.
- Discussed and decided on the performance-based remuneration targets for fiscal year 2022 (consolidated financial performance targets related to Group-wide performance-based bonus and PSU, and sustainability-related initiative targets related to RSU, etc.).
- Deliberated the appropriateness of the current remuneration level and composition of Joint Global COO and Executive Officer Paolo Ferrari for fiscal year 2022, in light of the size of his role and responsibilities as well as the remuneration level and practices of his place of residence. Deliberated the review of his remuneration in connection with his appointment as Joint Global COO.
- Deliberated the appropriateness of remuneration, etc. paid by major overseas Group companies to their Chair, CEO, and COO based on reports received on such remuneration, etc.
- In reviewing the remuneration system for the subsequent fiscal year, the Committee compared the level and composition of remuneration for Members of the Board and Executive Officers with those of major companies in Japan operating globally to verify their appropriateness, and confirmed that the current remuneration is in line with the Company's remuneration principles and is appropriate in terms of level and composition. Meanwhile, the Committee discussed redefining the incentives for the Joint Global

COO and Representative Executive Officer for the subsequent fiscal year, and reflecting a portion of the annual bonus in the performance-based bonus (area of responsibility).

(c) Adequacy and appropriateness of individual remuneration for Members of the Board and Executive Officers

Individual remunerations for Members of the Board and Executive Officers for the current fiscal year are set by the Compensation Committee, composed solely of Independent Outside Directors, by carrying out multifaceted discussions including consistency of remunerations with the policy for setting remunerations based on objective and specialized information necessary for deliberations, as described in paragraphs (a) and (b) above. Therefore, the Committee has determined that the individual remunerations for Members of the Board and Executive Officers are in line with the policy and are adequate.

2) Policy for setting Board Members' and Executive Officers' remuneration for the subsequent fiscal year

a. Method for deciding the policy for setting Board Members' and Executive Officers' remuneration and key points for the subsequent fiscal year

(a) Method for deciding the policy for setting Board Members' and Executive Officers' remuneration

The policy for setting remuneration by position and individual remunerations to the Company's Board Members and Executive Officers is determined by the Compensation Committee, composed solely of Independent Outside Directors, by taking into account changes in the business environment and opinions of our shareholders and investors, upon obtaining the information necessary for deliberations from third-party human resources and remuneration consultants who possess abundant global experience and insight.

(b) Key points for the policy for setting Board Members' and Executive Officers' remuneration

With regard to remuneration of Joint Global COO and Representative Executive Officer, in the course of re-discussing the importance of his responsibility for the performance of his responsible areas, the Committee has decided to redefine the nature of incentives for the subsequent fiscal year and to reflect a portion of the annual bonus in the performance-based bonus (area of responsibility). There are no other particular matters that require mentioning regarding the policy for setting Board Members' and Executive Officers' remuneration for the subsequent fiscal year.

b. Policy for setting Board Members' and Executive Officers' remuneration

(a) Principles of remuneration

The Company designs the remuneration system for Board Members and Executive Officers based on the following remuneration principles.

Principles of remuneration	1. Attract and cultivate superior talent 2. Support a competitive remuneration level 3. Provide motivation for the execution of business strategies 4. Provide motivation for enhancing shareholder value

(b) Remuneration system

<Executive Officers>

Remuneration of Executive Officers consists of the following.

Type of remuneration		Overview	
Fixed		Base remuneration	・ Monthly cash remuneration determined based on role and responsibilities (position, etc.) of each Executive Officer
Variable	Short-term incentives	Performance-based bonus (Group-wide)	・ Cash remuneration paid based on the evaluation of Group-wide performance (consolidated adjusted operating profit) for each fiscal year
		Performance-based bonus (area of responsibility)	・ Cash remuneration paid based on the individual performance evaluation for each fiscal year (Recipients: Executive Officers other than the Global CEO)
	Mid- to long-term incentives	Performance Share Unit (PSU)	・ Remuneration provided for sharing value with shareholders and raising motivation to contribute to achievement of mid-term performance targets and the improvement of corporate value ・ Shares, etc. delivered according to Group-wide performance (ROIC and ROE) over a three-year period (50% is paid in cash equivalent to the market value)
		Restricted Stock Unit, etc. (RSU, etc.)	・ Remuneration provided for sharing value with shareholders and encouraging executive officers to realize the mid- to long-term business strategies with sustainability at the core ・ RSU, etc. are provided according to the evaluation of sustainability and transformation initiatives in each fiscal year, and vest at time of retirement. (50% is provided as stock units, and cash equivalent to the market value is paid at time of retirement. The remaining 50% is provided as restricted stock, and the transfer restriction is lifted upon retirement.)

<Members of the Board>

・ Remuneration for Members of the Board who do not concurrently serve as Executive Officers consists of a fixed "base remuneration," "additional allowance for the chairpersons" when an Outside Director assumes the position of Chairperson of the Board of Directors, and "additional allowance for committee chairs" when an Outside Director assumes the position of chairperson of statutory or voluntary committees. This is in view of their role to contribute to the improvement of corporate performance and value over the medium- to long-term by supervising overall execution from an independent and objective perspective.

・ If an Executive Officer concurrently serves as a Member of the Board, he/she will receive, in addition to his/her remuneration as an Executive Officer, "additional allowance for Members of the Board with concurrent duties" for his/her role and responsibilities as a Member of the Board.

(c) Method of setting remuneration levels and composition ratio of remuneration

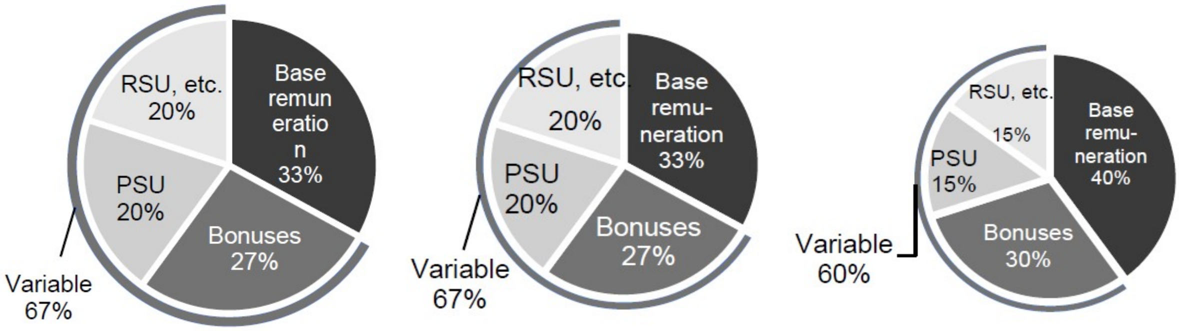
<Executive Officers>

・ The Company sets remuneration for Executive Officers at an appropriate amount according to each Executive Officer's role and position by referring to remuneration levels, etc. of other major companies in Japan, which are equal or greater in size (net sales and market capitalization) and profitability (operating profit ratio) than the Company and operate globally in the same manner as the Company (hereinafter the "Peer Companies").

・ While base remuneration is set at a middle level of the Peer Companies, the ratio of variable remuneration is, in principle, set higher for higher positions with greater responsibility for business performance and corporate value, by referring to European companies. The Company aims to set the total remuneration at a level that ensures a certain level of competitiveness among the Peer Companies.

・ The following charts show the composition ratio of remuneration for Executive Officers by position if the variable remuneration is the standard amount.

<Global CEO and Representative Executive Officer> <Joint Global COO and Representative Executive Officer> <Senior Vice President and Executive Officer>



<Members of the Board>

・ Remuneration for Members of the Board who do not concurrently serve as Executive Officers is set in consideration of factors such as remuneration levels at the Peer Companies and companies with Nominating Committee, etc., the roles and functions expected of each Member of the Board, and the workload involved in executing their duties.

(d) Performance indicators of performance-based remuneration and reasons for the selection

・ The Company selects the following as performance indicators of performance-based remuneration based on the mid- to long-term business strategies and the Mid Term Business Plan.

Short-term incentives(*1)		
Performance-based bonus (Group-wide)		Performance-based bonus (area of responsibility)
<Enhancement of earning power and profitability> Consolidated adjusted operating profit		<Achievement in area of responsibility/strategic targets> Individual performance evaluation
100%		100%
Mid- to long-term incentives(*2)		
PSU		RSU, etc.
<Review of business portfolio> <Improvement of profitability over mid-term>		<Realization of transformation/sustainability business framework>
ROIC	ROE	Evaluation of sustainability
80%	20%	100%

*1. The ratio of emphasis on Group-wide performance-based bonus and performance-based bonus (area of responsibility) is set at 60:40 in view of the roles and responsibilities Executive Officers bear. (The Global CEO and Representative Executive Officer only receives Group-wide performance-based bonuses).

*2. The ratio of emphasis on PSU (financial evaluation) and RSU, etc. (non-financial evaluation) is set at 50:50 uniformly for all Executive Officers.

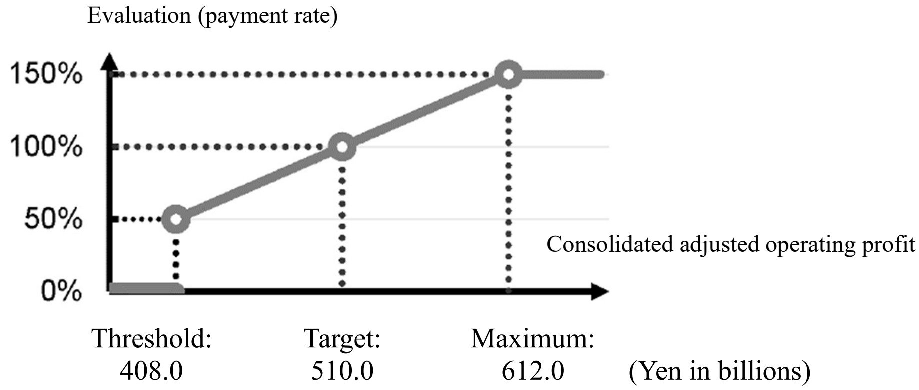
(e) Short-term incentives (annual bonuses)

<Group-wide performance-based bonus>

・ The amount of individual performance-based bonus is determined within a range of 0% to 150% of the standard amount, according to the degree to which targets of consolidated adjusted operating profit are achieved.
(Recipients: Global CEO and Representative Executive Officer, Joint Global COO and Representative Executive Officer, Senior Vice Presidents and Executive Officers)

Bonus payment by individual	=	Standard amount by position (Group-wide performance-based bonus)	×	Evaluation of consolidated adjusted operating profit (0-150%)

<Target for fiscal year 2023>



- Target: Full-year forecast amount publicly-announced in February 2023
- Maximum: Target + 20% (the payment rate is 150% if the actual profit exceeds the forecast amount)
- Threshold: Target - 20% (the payment rate is 0% if the actual profit falls below the forecast amount)

- The Compensation Committee may adjust (increase or decrease) the payment rate of the Group-wide performance-based bonus if it determines that performance, corporate value or brand value have been or could potentially be significantly impacted by an event (including changes in the external environment) that was not anticipated at the beginning of the period.

<Performance-based bonus (area of responsibility)>

- The amount of individual bonuses for Joint Global COO and Representative Executive Officers and Senior Vice Presidents and Executive Officers is Group-wide performance-based bonus plus performance-based bonus (area of responsibility), which is variable within a range of 0% to 150% of the standard amount, determined according to the individual performance evaluation related to their area of responsibility and functions. The ratio of emphasis on Group-wide performance-based bonus and performance-based bonus (area of responsibility) is set at 60:40 for Executive Officers, in consideration of the roles and responsibilities of each.
  (Recipients: Joint Global COO and Representative Executive Officer, Senior Vice Presidents and Executive Officers)

Bonus payment by individual	=	Standard amount by position (Performance-based bonus (area of responsibility))	×	Individual performance evaluation (0-150%)

- The individual performance evaluation of Joint Global COO and Representative Executive Officer is based on the achievement of performance in the responsible areas as the person in charge of the business. The Compensation Committee determines the final evaluation by comprehensively considering important initiatives in light of the business environment in the area of responsibility.
- The individual performance evaluation of Senior Vice President and Executive Officers is designed to evaluate the efforts and results of each individual, as they play an important role and responsibility in improving Group-wide functions over the medium to long term as functional managers.

(f) Mid- to long-term incentives (stock compensation)

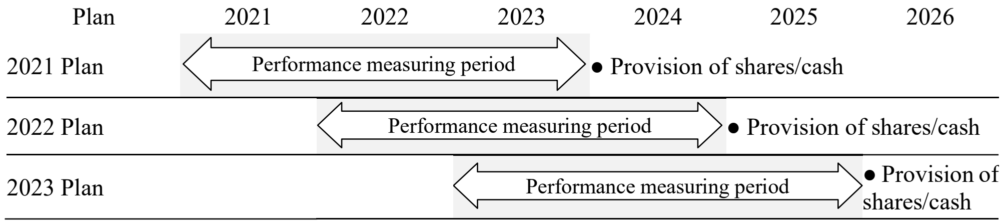
<Performance Share Unit (PSU)>

- The Company's PSU is a plan in which the Company's common stock, etc. are delivered in a number calculated based on its consolidated results (ROIC and ROE) at the end of the performance measuring period (a three-year period). The number of shares, etc. to be delivered to each Executive Officer is determined within a range of 0% to 200% of the preset standard number of shares by position. 50% of the number of shares calculated is paid in cash equivalent to the market value (those retiring before the evaluation period ends are paid fully in cash equivalent to the market value).
  (Recipients: Global CEO and Representative Executive Officer, Joint Global COO and Representative Executive Officer, Joint Global COO and Executive Officer, Senior Vice Presidents and Executive Officers)

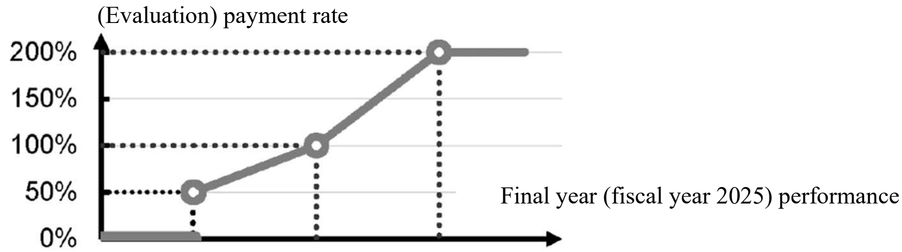
Number of shares by individual = Standard number of shares by position* × [Evaluation of consolidated ROIC (0-200%) × 80% + Evaluation of consolidated ROE (0-200%) × 20%]

* The “standard number of shares by position” above is calculated by dividing the standard amount by position by the Company’s stock price at the beginning of the performance evaluation period.

<Image of the performance measuring period of the PSU plan by year>



<Target for 2023 Plan>



	Threshold:	Target:	Maximum:
Consolidated ROIC	6%	10%	14%
Consolidated ROE	8%	12%	16%

- Target: Figure set as a medium- to long-term target*
- Maximum: Target + 4 points (the payment rate is 200% if the actual performance exceeds the target figure)
- Threshold: Target - 4 points (the payment rate is 0% if the actual performance falls below the target figure)

* *If the target figure for fiscal year 2025 is changed in the Mid Term Business Plan (2024-2026), the Company will consider and discuss again the need to revise the target figure.

<Restricted Stock Unit, etc. (RSU, etc.)>

- The number of RSU, etc. of the Company to be granted is determined within a range of 0% to 120% of the standard amount, according to the evaluation of the efforts related to transformations and sustainability, including ESG, in each fiscal year. Since achievement in sustainability and transformation initiatives are reflected in the corporate value (the Company’s stock price) over the medium- to long-term, vesting of RSU, etc. shall be at the time of retirement. 50% of the amount to be paid shall be delivered as RSU, and cash equivalent to the market value of the number of stock units shall be paid at the time of retirement. The remaining 50% shall be delivered in the form of the Company’s stock (RS), on which transfer restriction shall be lifted at the time of retirement. In order to ensure objectivity, fairness, and effectiveness as an incentive, the Compensation Committee, composed of Outside Directors, will make the final evaluation after verifying the appropriateness of self-evaluation of executive side. The number of individual stock units to be provided as RSU and the number of individual shares to be delivered as RS are calculated by dividing the “Amount of RSU, etc. payments by individual” stated below by the Company’s stock price at the time of the share unit provision and share delivery.
  (Recipients: Global CEO and Representative Executive Officer, Joint Global COO and Representative Executive Officer, Joint Global COO and Executive Officer, Senior Vice Presidents and Executive Officers)

Amount of RSU, etc. payments by individual = Standard amount by position × Sustainability evaluation (0-120%)

<Image of the sustainability evaluation period and transfer restriction period of the RSU, etc. plan by year>

Plan	2022	2023	2024	...	20XX	Time of retirement
2022 Plan	Sustainability evaluation	● 50%: Provision of RSU ● 50%: Delivery of RS				● Cash payment ● Lifting of the transfer restriction
2023 Plan		Sustainability evaluation	● 50%: Provision of RSU ● 50%: Delivery of RS			● Cash payment ● Lifting of the transfer restriction

(g) Other important matters

<Remuneration of foreign Executive Officers>

・ Notwithstanding the provisions set forth in (b) through (e) above, the remuneration, etc. of foreign Executive Officers shall be determined individually, based on "(a) Principles of remuneration," taking into consideration the remuneration levels and practices in the human resources market that are assumed in light of their place of residence. However, in light of their responsibilities for the entire Group as an Executive Officer of the Company, the same structure as other Executive Officers will be applied to them with respect to "(f) Mid- to long-term incentives (stock compensation)."

<Process for deciding individual remuneration>

・ The details of individual remunerations to the Company's Members of the Board and Executive Officers are determined by the Compensation Committee, composed solely of Independent Outside Directors, in accordance with the policy for setting Board Members' and Executive Officers' remuneration. If any Members of the Board or Executive Officers of the Company hold concurrent positions as executives for any subsidiaries, the Compensation Committee also deliberates on the remuneration to be paid by those subsidiaries. The main roles and powers of the Compensation Committee are as follows.

<Main roles and powers of the Compensation Committee>

Matters for resolution	Matters for deliberation
・ Policy for setting Board Members' and Executive Officers' remuneration ・ Details of remuneration for individual Members of the Board and Executive Officers based on the aforementioned policy	・ In the event that Member of the Board or Executive Officer is concurrently an executive of a Group company, the remuneration paid by such Group company ・ Remuneration paid by Group companies for the Chair, CEO and COO of key overseas Group companies ・ Report on the status of execution of duties by the Compensation Committee reported to Members of the Board

(h) Reference: Statement pertaining to performance-related remuneration as prescribed in Article 34, paragraph (1), item (iii) of the Corporation Tax Act

Group-wide performance-based bonus and Performance Share Unit (PSU) for the Company's Executive Officers are designed as performance-related remuneration as prescribed in Article 34, paragraph (1), item (iii) of the Corporation Tax Act in order to allow the full amount to be treated as a deductible expense. The calculation method for these is determined by a resolution of the Compensation Committee, composed solely of Independent Outside Directors. The details of the calculation method are as follows.

A. Group-wide performance-based bonus for fiscal year 2023

Individual amount of group-wide performance-based bonus is to be calculated by position and determined in accordance with the following calculation method at the meeting of the Compensation Committee scheduled for the first quarter of 2024. The performance indicator used as the basis for calculating the pay amount is consolidated adjusted operating profit, and the performance measuring period for this indicator is from January 1, 2023 to December 31, 2023.

(A) Calculation method

Amount of payment by individual = Standard amount by position(*1) × Payment rate(*2)

*1 Standard amounts by position are as follows:

Position	Global CEO and Representative Executive Officer	Joint Global COO and Representative Executive Officer	Senior Vice President and Executive Officer
Standard amount by position (per person)	83.23 million yen	38.59 million yen	22.46 million yen

*2 The payment rate is calculated by the following formula, and any fraction after the decimal point resulting from the calculation is rounded off to the first decimal place.

Consolidated adjusted operating profit (fiscal year 2023 results)	Less than 408.0 billion yen	Between 408.0 billion yen and 612.0 billion yen	612.0 billion yen or more
Payment rate	0%	50% + {100% × (Consolidated adjusted operating profit - 408.0 billion yen) ÷ 204.0 billion yen}	150%

(B) Upper limit for payment by individual

Position	Global CEO and Representative Executive Officer	Joint Global COO and Representative Executive Officer	Senior Vice President and Executive Officer
Upper limit for payment by individual[*3]	124.85 million yen	57.89 million yen	33.69 million yen

*3 The upper limit for payment by individual is the "defined amount" prescribed in Article 34, paragraph (1), item (iii) (a) 1. of the Corporation Tax Act.

(C) Timing of payment

Payments will be made in a lump sum in March following the end of the performance measuring period, based on the payment amounts by individual calculated using the above calculation method.

B. PSU 2023 Plan (performance measuring period: 2023 to 2025)

The number of shares of the Company's common stock to be delivered as PSU ("Number of PSU Shares to Be Delivered") and the amount of money to be paid ("Amount of PSU Cash to Be Paid") to each individual will be calculated and determined in accordance with the following calculation method at the first meeting of the Compensation Committee following the finalization of the consolidated financial statements for the fiscal year ending December 31, 2025.

(A) Overview of the Company's PSU

The Company determines the Number of PSU Shares to Be Delivered and the Amount of PSU Cash to Be Paid to each Executive Officer according to the results of performance indicators (actual results) during a predetermined performance measuring period. The performance indicators used as the basis for calculating the Number of PSU Shares to Be Delivered and the Amount of PSU Cash to Be Paid under the 2023 Plan are consolidated ROIC and consolidated ROE, and the performance measuring period for these indicators is from January 1, 2023 to December 31, 2025.

The Company shall pay "monetary compensation claims to provide in-kind contributions" to each Executive Officer in order to deliver shares of the Company's common stock to each Executive Officer. The amount of such monetary compensation claims is determined by the Compensation Committee to the extent that is not particularly favorable to each Executive Officer subscribing to the Company's common stock.

The Company will deliver shares of common stock of the Company to each Executive Officer by issuing new shares or disposing of treasury stock. Each Executive Officer shall be granted the Company's common stock by making in-kind contribution to the Company of the aforementioned monetary compensation claims to provide in-kind contributions.

(B) Calculation method

The Number of PSU Shares to Be Delivered and the Amount of PSU Cash to Be Paid by individual are calculated and determined by position as follows. Any fraction of less than 100 shares in the Number of PSU Shares to Be Delivered and any fraction of less than 10,000 yen in the Amount of PSU Cash to Be Paid shall be rounded up to 100 shares and 10,000 yen, respectively.

- Number of PSU Shares to Be Delivered = Standard number of shares by position(*1) × 50% × Payment rate(*2)
- Amount of PSU Cash to Be Paid = Standard number of shares by position(*1) × 50% × Payment rate(*2) × the Company's stock price(*3)

*1 Standard number of shares by position is as follows: In the period between the determination of this calculation method by the Compensation Committee and the determination by the Compensation Committee of the Number of PSU Shares to Be Delivered and the Amount of PSU Cash to Be Paid to each Executive Officer according to the results of the performance indicators, if the total number of shares issued by the Company changes due to consolidation of stock or stock split (including a free distribution of the Company's stock; the same definition applies to stock splits described below), the below standard number of shares by position shall be adjusted by multiplying the ratio of such consolidation of stock or stock split, and the number of shares after the adjustment will be used in the calculation.

Position	Global CEO and Representative Executive Officer	Joint Global COO and Representative Executive Officer	Joint Global COO and Executive Officer	Senior Vice President and Executive Officer
Standard number of shares by position (per person)	12,600 shares	9,700 shares	9,700 shares	3,800 shares

*2 The payment rate is calculated by the following formula, and any fraction after the decimal point resulting from the calculation is rounded off to the first decimal place.

- Payment rate = Payment rate A(*a) × 0.8 + Payment rate B(*b) × 0.2

*a The payment rate A is calculated by the following formula based on consolidated ROIC results (%) for fiscal year 2025, and any fraction after the decimal point resulting from the calculation is rounded off to the first decimal place.

Consolidated ROIC results (%, fiscal year 2025)	Less than 6%	From 6% to 10%	From 10% to 14%	14% or more
Payment rate A	0%	50% + {50% × (Consolidated ROIC results(%) - 6%) ÷ 4%}	100% + {100% × (Consolidated ROIC results(%) - 10%) ÷ 4%}	200%

*b The payment rate B is calculated by the following formula based on consolidated ROE results (%) for fiscal year 2025, and any fraction after the decimal point resulting from the calculation is rounded off to the first decimal place.

Consolidated ROE results (%, fiscal year 2025)	Less than 8%	From 8% to 12%	From 12% to 16%	16% or more
Payment rate B	0%	50% + {50% × (Consolidated ROE results(%) - 8%) ÷ 4%}	100% + {100% × (Consolidated ROE results(%) - 12%) ÷ 4%}	200%

*3 The Company's stock price uses the daily average closing price of the Company's stock on the Tokyo Stock Exchange for the month preceding the day of the resolution made by the Company's Board of Directors concerning the new issuance of common stock of the Company or disposal of treasury stock for delivery according to this plan, following the performance measuring period.

(C) Maximum Number of PSU Shares to Be Delivered and maximum Amount of PSU Cash to Be Paid to each individual

Position(*4)	Global CEO and Representative Executive Officer	Joint Global COO and Representative Executive Officer	Joint Global COO and Executive Officer	Senior Vice President and Executive Officer
Maximum Number of PSU Shares to Be Delivered(*5)	12,600 shares	9,700 shares	9,700 shares	3,800 shares
Maximum Amount of PSU Cash to Be Paid(*5)	90.33 million yen	69.54 million yen	69.54 million yen	27.25 million yen

*4 Positions are based on the position held by each Executive Officer immediately following the conclusion of the Annual Shareholders' Meeting for the fiscal year preceding the beginning of the performance measuring period (fiscal year 2022).

*5 The "maximum Number of PSU Shares to Be Delivered" and "maximum Amount of PSU Cash to Be Paid" are respectively the "defined number" and "defined amount" as prescribed in Article 34, paragraph (1), item (iii) (a) 1. of the Corporation Tax Act.

(D) Conditions for delivery and payment

The Company shall deliver and pay in May 2026 to each Executive Officer who meets the following three conditions, shares of the Company's stock and cash equivalent to the Number of PSU Shares to Be Delivered and the Amount of PSU Cash to Be Paid to each individual calculated based on the above calculation method.

- Hold a position of Executive Officer of the Company during the period from the day of the Annual Shareholders' Meeting convened on March 28, 2023 until the day of the Annual Shareholders' Meeting scheduled to be convened in March 2026 (hereafter "Relevant Period"), and during the performance measuring period corresponding to the Relevant Period.
- No engagement in illegal acts (criminal conduct related to professional duties, breach of trust against the Company, and acts that incur serious disciplinary measures or require censure).
- Other matters that the Company's Compensation Committee and its Board for Directors deems as necessary to be achieved for the stock compensation plan

Treatment if an Executive Officer changes roles during the Relevant Period

(E) If a person becomes an Executive Officer or is promoted or demoted, or otherwise subject to a change in position during the Relevant Period, the standard number of shares by position for such person shall be the number calculated with the following formula.

- Standard number of shares by position of the person who changes roles = Standard number of shares by position prior to the change of roles(*6) + (Standard number of shares by position after the change of roles - Standard number of shares by position prior to the change of roles(*6)) × Number of months after the change of roles in Relevant Period(*7) ÷ 36

*6 In the event of assuming office as a new Executive Officer, calculated with the "Standard number of shares by position prior to the change of roles" set at 0.

*7 Fractions of less than one month are to be rounded up to one full month.

Similarly, the maximum Number of PSU Shares to Be Delivered and the maximum Amount of PSU Cash to Be Paid will be proportionally divided according to the position prior to and after the change of roles and the number of months after the change of roles.

- If a person retires as an Executive Officer during the Relevant Period, the standard number of shares by position for such person shall be the number calculated with the following formula.
- Standard number of shares by position of the person who retires = Standard number of shares by position during tenure(*8) × Number of months in office in Relevant Period(*9) ÷ 36

*8 In the event of promotion, demotion, or change in position during the term of office of an Executive Officer, the standard number of shares by position shall be calculated in accordance with the treatment in (E) above.

*9 Fractions of less than one month are to be rounded up to one full month.

(F) If an Executive Officer retires during the Relevant Period and all mandate or employment relationship with the Company is terminated, the Company will provide a cash payment equivalent to the Amount of PSU Cash to Be Paid in lieu of the delivery of shares of the Company's stock equivalent to the Number of PSU Shares to Be Delivered. That is, regardless of the calculation method stated in (B) above, the total amount of cash to be paid in PSU will be calculated based on the following calculation method and will be paid upon retirement if the conditions for delivery and payment set forth in (D) above are met. The maximum amount of cash to be paid in PSU shall be an amount equal to twice the "maximum Amount of PSU Cash to Be Paid" set forth in (C) above. Any fraction of less than 10,000 yen in the Amount of PSU Cash to Be Paid shall be rounded up.

- Amount of PSU Cash to Be Paid = Standard number of shares by position of the retiring officer × Payment rate (*10) × Price of Company shares (*11)

*10 The payment rate is for the standard amount regardless of the most recent performance within the performance measuring period.

*11 The Company's share price shall be the average closing price of the Company's stock on the Tokyo Stock Exchange for the month preceding the month of the date of retirement.

If an Executive Officer retires during the Relevant Period and continues to hold a position other than Executive Officer until the end of the Relevant Period, the calculation method for the Number of PSU Shares to Be Delivered and the Amount of PSU Cash to Be Paid, and the timing of delivery of shares of the Company's stock and cash equivalent thereto shall be in accordance with the provisions of (A) through (F) above, as with other incumbent Executive Officers.

Treatment if there is a restructuring of the organization or abolition of the PSU during the Relevant Period

(G) If, during the Relevant Period, a resolution concerning a merger with the Company being the non-surviving company, a company split with compensation for the split granted to the Company's shareholders, a share exchange or share transfer whereby the Company becomes a wholly-owned subsidiary, the consolidation of stock for only the fractions held by Eligible Executive Officers, the acquisition of shares or sale of shares pursuant to whole acquisition clause is approved at the Shareholders' Meeting (or at the Board of Directors, if not convened) and becomes effective or if the abolition of the PSU is approved by the Company's Compensation Committee and becomes effective, regardless of the calculation method stated in (B) above, the Company shall pay cash in the amount obtained by multiplying the number of months from the first month of the Relevant Period to the month in which such approval was made divided by 36 by the standard number of shares by position(*12) for each Executive Officer on the day of such approval, the payment rate(*13) calculated at the time of such approval, and the daily average closing price of the Company's stock on the Tokyo Stock Exchange for the month preceding the day of such approval, as long as the conditions for delivery and payment prescribed in (D) above are reached. The maximum amount of cash to be paid in PSU shall be an amount equal to twice the "maximum Amount of PSU Cash to Be Paid" set forth in (C) above. Any fraction of less than 10,000 yen in the amount of cash paid shall be rounded up.

*12 If (E) or (F) above applies to an Executive Officer (in the case of a retired Executive Officer, only if he/she continues to hold a position other than Executive Officer at the Company after retirement until the date of approval), the result based on the calculation method described in (E) or (F) above shall be applied as the standard number of shares by position of such Executive Officer.

*13 The payment rate is calculated according to the method described in (B)*2 above, but the consolidated ROIC results (%) and consolidated ROE results (%), which are the basis for the calculation, shall be the results for the most recent fiscal year listed in the Annual Securities Report filed by the date of such approval instead of the results for fiscal year 2025.

(5) Stock holdings

1) Standards and approach for classification of investment stocks

The Company distinguishes between investment stocks for pure investment purposes—shares held for gaining profit through changes in share value and dividends—and strategic shareholdings, which are all other shares held in accordance with the Company shareholding policy. The Company does not hold any investment stocks for pure investment purposes.

2) Investment stocks held for purposes other than pure investment

a. Shareholding policy and method for verifying appropriateness for holding as well as details regarding verification of the appropriateness of holding shares for each individual security performed by the Board of Directors and other parties

(a) Shareholding policy for strategic shareholdings

The Company defines strategic shareholdings as holdings that contribute toward increased corporate value of the Company and are held out of necessity from the Company's business strategy perspective or with the goal of maintaining or strengthening relationships with businesses or collaborative industries. The Company will not hold strategic shareholdings for reasons outside of this definition.

(b) Verifying appropriateness of strategic shareholdings

The Company confirms the appropriateness of its holdings on an annual basis, including an assessment of securities for which there are holdings, number of shares held, holding ratios, and other factors. These assessments are then verified by the Board of Directors. Appropriateness of holding is comprehensively determined by operating divisions involved in business execution in accordance with the shareholding policy of the Company, taking into account a quantitative evaluation of the economic rationale corresponding to the cost of capital and other relevant factors for each individual stock holding. Shareholdings that are not judged as appropriate based on the results of this verification process are reduced after establishing a dialogue and gaining the understanding of the business partner for the holding in question. As a result, the number of strategic shareholdings is decreased year on year.

b. Number of securities and balance sheet amounts

	Number of securities	Balance sheet amounts (Yen in millions)
Unlisted shares	40	1,464
Shares other than unlisted shares	32	58,646

(Securities for which the number of shares increased during the current fiscal year)

	Number of securities	Total acquisition cost for the increase in the number of shares (Yen in millions)	Reason for increasing number of shares
Unlisted shares	2	1,000	To co-create further social and customer value and improve corporate value
Shares other than unlisted shares	–	–	–

(Securities for which the number of shares decreased during the current fiscal year)

	Number of securities	Total sale value related to the decrease in the number of shares (Yen in millions)
Unlisted shares	5	2

Shares other than unlisted shares	4	3,279

(Note) Decrease or increase in the number of shares of the above securities does not include changes due to consolidation of stock, stock splits, stock transfers, stock exchanges, mergers, and others.

c. Information on the number of specific investment stocks and deemed shareholdings by security, and the amount recorded on the balance sheet

Specific Investments Stocks

Name	Current fiscal year Number of shares Balance sheet amount (Yen in millions)	Previous fiscal year Number of shares Balance sheet amount (Yen in millions)	Purpose of holding, quantitative effect of holding (Note 1) and reasons for the increase in the number of shares	Ownership of the Company's shares
Toyota Motor Corporation	9,799,450	9,799,450	Maintain/strengthen business and collaborative relationships	Yes
	17,762	20,633		
JSR Corporation	6,325,160	6,525,160	Maintain/strengthen business and collaborative relationships	No
	16,370	28,548		
Toyo Tire Corporation	5,000,000	5,000,000	Maintain/strengthen business and collaborative relationships	Yes
	7,485	8,970		
Nokian Tyres PLC	4,167,653	4,167,653	Business strategy	No
	5,743	18,162		
Sumitomo Mitsui Financial Group, Inc.	562,224	562,224	Business strategy	Yes
	2,978	2,217		
FUJI KYUKO CO., LTD.	244,510	244,510	Maintain/strengthen business and collaborative relationships	No
	1,169	998		
Yellow Hat Ltd.	527,076	527,076	Maintain/strengthen business and collaborative relationships	Yes
	946	871		
Otsuka Holdings Co., Ltd.	200,000	200,000	Maintain/strengthen business and collaborative relationships	No
	861	834		
Fukuyama Transporting Co., Ltd.	200,162	200,162	Maintain/strengthen business and collaborative relationships	No
	613	786		
Kintetsu Group Holdings Co., Ltd.	124,281	124,281	Maintain/strengthen business and collaborative relationships	No
	541	400		
Idemitsu Kosan Co., Ltd.	171,200	171,200	Maintain/strengthen business and collaborative relationships	No
	526	503		
Nishi-Nippon Railroad Co., Ltd.	212,237	212,237	Maintain/strengthen business and collaborative relationships	No
	524	554		
Seino Holdings Co., Ltd.	391,229	391,229	Maintain/strengthen business and collaborative relationships	No
	459	456		
AUTOBACS SEVEN Co., Ltd.	313,632	313,632	Maintain/strengthen business and collaborative relationships	No
	453	440		

Name	Current fiscal year Number of shares Balance sheet amount (Yen in millions)	Previous fiscal year Number of shares Balance sheet amount (Yen in millions)	Purpose of holding, quantitative effect of holding (Note 1) and reasons for the increase in the number of shares	Ownership of the Company's shares
SENKO Group Holdings Co., Ltd.	366,888	366,888	Maintain/strengthen business and collaborative relationships	No
	354	340		
Niigata kotsu Co., Ltd.	163,870	163,870	Maintain/strengthen business and collaborative relationships	No
	339	337		
ISEKI & CO., LTD.	270,970	270,970	Maintain/strengthen business and collaborative relationships	Yes
	318	374		
Sankyu Inc.	51,514	51,514	Maintain/strengthen business and collaborative relationships	No
	249	246		
Hankyu Hanshin Holdings, Inc.	57,983	57,983	Maintain/strengthen business and collaborative relationships	No
	227	189		
SAN-AI OBBLI CO., LTD. (Note 2)	153,550	153,550	Maintain/strengthen business and collaborative relationships	No
	192	205		
ITOCHU ENEX CO., LTD.	101,386	101,386	Maintain/strengthen business and collaborative relationships	No
	106	101		
Hiroshima Electric Railway Co., Ltd.	120,000	120,000	Maintain/strengthen business and collaborative relationships	No
	98	96		
Central Japan Railway Company	5,000	5,000	Maintain/strengthen business and collaborative relationships	No
	81	77		
Mie Kotsu Group Holdings, Inc.	121,536	121,536	Maintain/strengthen business and collaborative relationships	No
	59	59		
Nissin Shoji Co., Ltd.	50,000	50,000	Maintain/strengthen business and collaborative relationships	No
	45	46		
Daiwa Motor Transportation Co., Ltd.	42,000	42,000	Maintain/strengthen business and collaborative relationships	No
	34	32		
Inoue Rubber (Thailand) Public Co., Ltd.	597,100	2,781,600	Maintain/strengthen business and collaborative relationships	No
	32	171		
S LINE CO., LTD.	29,700	29,700	Maintain/strengthen business and collaborative relationships	No
	24	27		
SAKAI HEAVY INDUSTRIES, LTD.	5,808	5,808	Maintain/strengthen business and collaborative relationships	No
	20	16		

Name	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding (Note 1) and reasons for the increase in the number of shares	Ownership of the Company's shares
	Number of shares	Number of shares		
	Balance sheet amount (Yen in millions)	Balance sheet amount (Yen in millions)		
AIR WATER INC.	10,000	10,000	Maintain/strengthen business and collaborative relationships	No
	15	18		
KAMEI CORPORATION	12,100	12,100	Maintain/strengthen business and collaborative relationships	No
	15	13		
ORIX CORPORATION	5,000	5,000	Maintain/strengthen business and collaborative relationships	No
	11	12		
Mitsubishi UFJ Financial Group, Inc. (Note 3)	–	2,780,580	–	No
	–	1,738		
Mizuho Financial Group, Inc. (Note 3)	–	212,072	–	Yes
	–	310		

(Notes) 1. Although the quantitative effect of holding shares for each security is not published for the purpose of business confidentiality, the appropriateness of each individual holding is comprehensively determined by operating divisions involved in business execution in accordance with the shareholding policy of the Company, taking into account a quantitative evaluation of the economic rationale corresponding to the cost of capital and other relevant factors, and is then verified by the Board of Directors.

2. SAN-AI OIL Co., Ltd. changed its name to SAN-AI OBBLI CO., LTD. effective April 1, 2022.

3. A dash ("-") signifies that there are no holdings for the security in question.

Deemed Shareholdings

Not applicable.

3) Investment stocks for pure investment purposes

Not applicable.

4) Investment stocks for which the purpose of holding was changed from pure investment purposes during the current fiscal year

Not applicable.

V. Financial Information

1. Method for preparation of the consolidated financial statements and the non-consolidated financial statements

   (1) The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to the provisions of Article 93 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; the "Regulation on Consolidated Financial Statements").

   (2) The non-consolidated financial statements of the Company have been prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; the "Regulation on Financial Statements").

   The Company is allowed to file specified financial statements under the Financial Instruments and Exchange Act and prepares non-consolidated financial statements pursuant to Article 127 of the Regulation on Financial Statements.

2. Audit certification

   The consolidated financial statements and the non-consolidated financial statements for the fiscal year from January 1, 2022 to December 31, 2022 were audited by Deloitte Touche Tohmatsu LLC in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Special effort to ensure the appropriateness of consolidated financial statements, etc., and development of a system for preparing consolidated financial statements, etc. appropriately in accordance with IFRS

   The Company makes special effort to ensure the appropriateness of the consolidated financial statements, etc., and develop a system for preparing consolidated financial statements, etc. appropriately in accordance with IFRS. The details are as follows:

   (1) In order to develop a system that ensures a proper understanding of the contents of accounting standards, etc. and apply them to the consolidated financial statements, etc., the Company joins the Financial Accounting Standards Foundation to gather information, and attends various seminars hosted by said Foundation.

   (2) In addition, the Company develops the Group's accounting policy in accordance with IFRS and practices accounting procedures based on the policy to appropriately prepare the consolidated financial statements in accordance with IFRS. The Company obtains press releases and standards published by the International Accounting Standards Board as needed, understands the latest standards and weighs their implications to the Company, and updates the Group's accounting policy in a timely manner.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
		Yen in millions	Yen in millions
Assets			
Current assets			
Cash and cash equivalents	8,20	787,542	518,905
Trade and other receivables	9,35	741,612	946,608
Inventories	10	630,140	885,305
Other financial assets	11,35	11,769	15,107
Other current assets	12	87,029	118,031
Subtotal		2,258,092	2,483,956
Assets held for sale	13	34,778	28,694
Total current assets		2,292,870	2,512,650
Non-current assets			
Property, plant and equipment	14,16, 20	1,427,903	1,556,665
Right-of-use assets	17	294,065	301,278
Goodwill	15,16	123,680	136,406
Intangible assets	15,16	136,432	159,920
Investments accounted for using equity method		25,131	38,894
Other financial assets	11,35	140,376	104,509
Deferred tax assets	18	76,790	81,625
Other non-current assets	12,23	57,644	69,871
Total non-current assets		2,282,022	2,449,168
Total assets		4,574,892	4,961,818

	Notes	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
		Yen in millions	Yen in millions
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	19,35	517,010	607,498
Bonds and borrowings	20,35	149,976	107,866
Lease liabilities	20,35	54,853	56,033
Income taxes payable		40,320	53,780
Other financial liabilities	20,35	26,656	34,074
Provisions	21	48,691	51,615
Other current liabilities	22	151,417	173,340
Subtotal		988,923	1,084,204
Liabilities directly associated with assets held for sale	13	34,478	1,596
Total current liabilities		1,023,401	1,085,800
Non-current liabilities			
Bonds and borrowings	20,35	356,672	345,584
Lease liabilities	20,35	249,638	257,684
Other financial liabilities	20,35	15,339	18,075
Retirement benefit liabilities	23	171,981	155,112
Provisions	21	25,540	37,302
Deferred tax liabilities	18	43,810	38,712
Other non-current liabilities		13,157	11,092
Total non-current liabilities		876,137	863,560
Total liabilities		1,899,538	1,949,360
Equity			
Common stock	24	126,354	126,354
Capital surplus	24	122,126	119,517
Treasury stock	24	(38,123)	(136,814)
Other components of equity	24	111,859	358,523
Retained earnings	24	2,307,667	2,498,226
Total equity attributable to owners of parent		2,629,883	2,965,806
Non-controlling interests		45,471	46,651
Total equity		2,675,354	3,012,458
Total liabilities and equity		4,574,892	4,961,818

2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

	Notes	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
		Yen in millions	Yen in millions
Continuing operations			
Revenue	6,26	3,246,057	4,110,070
Cost of sales	10,14, 15,17, 23	1,929,612	2,516,821
Gross profit		1,316,444	1,593,249
Selling, general and administrative expenses	14,15, 17,23, 27,34	928,620	1,158,523
Other income	6,28	14,565	39,111
Other expenses	6,16, 23,28	25,590	32,538
Operating profit		376,799	441,298
Finance income	29	10,807	18,283
Finance costs	23,29	16,219	41,898
Share of profit (loss) of investments accounted for using equity method		6,207	5,775
Profit before tax		377,594	423,458
Income tax expense	18	63,234	112,452
Profit from continuing operations		314,360	311,006
Discontinued operations			
Profit (loss) from discontinued operations	14,15, 16,17, 23,31	86,168	(5,141)
Profit		400,528	305,865
Profit attributable to			
Owners of parent		394,037	300,367
Non-controlling interests		6,491	5,497
Profit		400,528	305,865
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)			
Continuing operations	32	437.19	439.69
Discontinued operations	32	122.37	(7.40)
Total	32	559.56	432.29
Diluted earnings (loss) per share (Yen)			
Continuing operations	32	436.53	439.09
Discontinued operations	32	122.18	(7.39)
Total	32	558.71	431.70

Consolidated Statement of Comprehensive Income

	Notes	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
		Yen in millions	Yen in millions
Profit		400,528	305,865
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net change in fair value of financial assets measured through other comprehensive income	30,35	14,446	(19,733)
Remeasurements of defined benefit plans	23,30	16,316	8,057
Share of other comprehensive income of investments accounted for using equity method	30	(18)	(0)
Total of items that will not be reclassified to profit or loss		30,743	(11,677)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	30	163,596	258,117
Effective portion of change in fair value of cash flow hedges	30	264	2,704
Share of other comprehensive income of investments accounted for using equity method	30	(3,576)	10,220
Total of items that may be reclassified to profit or loss		160,285	271,041
Other comprehensive (loss) income, net of tax		191,028	259,364
Comprehensive (loss) income		591,557	565,229
Comprehensive income attributable to			
Owners of parent		581,731	556,793
Non-controlling interests		9,826	8,436
Comprehensive (loss) income		591,557	565,229

3) Consolidated Statement of Changes in Equity

Previous fiscal year (Year ended December 31, 2021)

	Note	Equity attributable to owners of parent						
					Other components of equity			
		Common stock	Capital surplus	Treasury stock	Stock acquisition rights	Exchange differences on translation of foreign operations	Effective portion of change in fair value of cash flow hedges	Net change in fair value of financial assets measured through other comprehensive income
		Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2021		126,354	122,116	(38,657)	3,125	(112,257)	(9)	49,290
Profit		–	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	156,939	753	14,428
Total comprehensive income		–	–	–	–	156,939	753	14,428
Purchase of treasury stock	24	–	–	(11)	–	–	–	–
Disposal of treasury stock	24	–	–	544	(128)	–	–	–
Dividends	25	–	–	–	–	–	–	–
Changes in ownership interests of owners in subsidiaries under control		–	10	–	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	–	–	–	(281)
Other changes		–	–	–	–	–	–	–
Total transactions with owners, etc.		–	10	533	(128)	–	–	(281)
Balance at December 31, 2021		126,354	122,126	(38,123)	2,997	44,682	744	63,436

	Note	Equity attributable to owners of parent					
		Other components of equity					
		Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
		Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2021		–	(59,851)	1,999,996	2,149,958	45,333	2,195,291
Profit		–	–	394,037	394,037	6,491	400,528
Other comprehensive income		15,574	187,694	–	187,694	3,334	191,028
Total comprehensive income		15,574	187,694	394,037	581,731	9,826	591,557
Purchase of treasury stock	24	–	–	–	(11)	–	(11)
Disposal of treasury stock	24	–	(128)	(114)	302	–	302
Dividends	25	–	–	(102,107)	(102,107)	(9,217)	(111,324)
Changes in ownership interests of owners in subsidiaries under control		–	–	–	10	(124)	(114)
Transfer from other components of equity to retained earnings		(15,574)	(15,855)	15,855	–	–	–
Other changes		–	–	–	–	(347)	(347)
Total transactions with owners, etc.		(15,574)	(15,983)	(86,366)	(101,806)	(9,688)	(111,494)
Balance at December 31, 2021		–	111,859	2,307,667	2,629,883	45,471	2,675,354

Current fiscal year (Year ended December 31, 2022)

	Note	Equity attributable to owners of parent						
					Other components of equity			
		Common stock	Capital surplus	Treasury stock	Stock acquisition rights	Exchange differences on translation of foreign operations	Effective portion of change in fair value of cash flow hedges	Net change in fair value of financial assets measured through other comprehensive income
		Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2022		126,354	122,126	(38,123)	2,997	44,682	744	63,436
Profit		–	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	265,629	2,237	(19,734)
Total comprehensive income		–	–	–	–	265,629	2,237	(19,734)
Purchase of treasury stock	24	–	–	(100,033)	–	–	–	–
Disposal of treasury stock	24	–	–	1,343	(324)	–	–	–
Dividends	25	–	–	–	–	–	–	–
Changes in ownership interests of owners in subsidiaries under control		–	(303)	–	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	–	–	–	(1,144)
Transactions with non-controlling interests and other	35	–	(2,306)	–	–	–	–	–
Other changes		–	–	–	–	–	–	–
Total transactions with owners, etc.		–	(2,609)	(98,690)	(324)	–	–	(1,144)
Balance at December 31, 2022		126,354	119,517	(136,814)	2,673	310,311	2,980	42,558

	Note	Equity attributable to owners of parent				Non-controlling interests	Total
		Other components of equity					
		Remeasurements of defined benefit plans	Total	Retained earnings	Total		
		Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2022		–	111,859	2,307,667	2,629,883	45,471	2,675,354
Profit		–	–	300,367	300,367	5,497	305,865
Other comprehensive income		8,293	256,425	–	256,425	2,939	259,364
Total comprehensive income		8,293	256,425	300,367	556,793	8,436	565,229
Purchase of treasury stock	24	–	–	(5)	(100,038)	–	(100,038)
Disposal of treasury stock	24	–	(324)	(198)	820	–	820
Dividends	25	–	–	(119,042)	(119,042)	(4,709)	(123,751)
Changes in ownership interests of owners in subsidiaries under control		–	–	–	(303)	(1,708)	(2,012)
Transfer from other components of equity to retained earnings		(8,293)	(9,437)	9,437	–	–	–
Transactions with non-controlling interests and other	35	–	–	–	(2,306)	–	(2,306)
Other changes		–	–	–	–	(839)	(839)
Total transactions with owners, etc.		(8,293)	(9,762)	(109,808)	(220,869)	(7,256)	(228,125)
Balance at December 31, 2022		–	358,523	2,498,226	2,965,806	46,651	3,012,458

4) Consolidated Statement of Cash Flows

	Note	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
		Yen in millions	Yen in millions
Cash flows from operating activities			
Profit before tax		377,594	423,458
Profit (loss) before tax from discontinued operations	31	140,506	(24,815)
Depreciation and amortization		250,448	282,108
Impairment losses		5,495	18,216
Loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell	31	142,712	19,161
Increase (decrease) in retirement benefit liabilities		(7,111)	(22,008)
Interest and dividend income		(10,888)	(18,679)
Interest expenses		11,625	14,858
Foreign currency exchange loss (gain)		(8,813)	(3,894)
Share of loss (profit) of investments accounted for using equity method		(6,207)	(5,775)
Loss (gain) on sale of fixed assets		(3,480)	(14,296)
Business and plant restructuring income		(2,562)	(4,942)
Business and plant restructuring expenses		25,269	7,435
Loss on retirement of fixed assets		4,090	2,625
Decrease (increase) in trade and other receivables		(69,927)	(139,608)
Decrease (increase) in inventories		(140,209)	(195,404)
Increase (decrease) in trade and other payables		91,617	52,515
Increase (decrease) in consumption tax payables		(12,136)	(13,733)
Increase (decrease) in provision for product warranties		(2,357)	15,427
Other		(355,491)	(44,332)
Subtotal		430,173	348,317
Interest and dividends received		12,418	20,898
Interest paid		(13,372)	(14,570)
Income taxes paid		(147,680)	(86,162)
Net cash provided by (used in) operating activities		281,538	268,483
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(161,040)	(221,293)
Proceeds from sale of property, plant and equipment		9,999	27,685
Payments for purchase of intangible assets		(23,951)	(33,433)
Purchase of investment securities		(4,356)	(3,719)
Proceeds from sales of investments in securities		466	2,856
Payments of long-term loans receivable		(12,262)	(28,943)
Collection of loans receivable		14,102	19,494
Payments for sale of discontinued operations		–	(115,720)
Proceeds from sale of discontinued operations		363,754	–
Other		(55,011)	15,068
Net cash provided by (used in) investing activities		131,701	(338,004)

	Note	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
		Yen in millions	Yen in millions
Cash flows from financing activities			
Proceeds from short-term borrowings	33	94,667	204,077
Repayments of short-term borrowings	33	(220,281)	(182,482)
Proceeds from long-term borrowings	33	26,534	554
Repayments of long-term borrowings	33	(109,073)	(54,114)
Redemption of bonds	33	–	(40,000)
Repayments of lease liabilities	33	(59,689)	(65,810)
Purchase of treasury stock		(10)	(100,004)
Dividends paid to owners of parent		(102,118)	(119,021)
Dividends paid to non-controlling interests		(9,218)	(4,709)
Other		(133)	(2,600)
Net cash provided by (used in) financing activities		(379,321)	(364,109)
Effect of exchange rate changes on cash and cash equivalents		48,353	65,158
Net increase (decrease) in cash and cash equivalents		82,271	(368,473)
Cash and cash equivalents at beginning of period		810,546	787,542
Net increase (decrease) in cash and cash equivalents included in assets held for sale	13	(105,275)	99,836
Cash and cash equivalents at end of period	8	787,542	518,905

Notes to Consolidated Financial Statements

1. Reporting Entity

Bridgestone Corporation (the “Company”) is a stock company located in Japan. The Company’s consolidated financial statements, which were prepared for the reporting period ended December 31, represent the Company and its subsidiaries (the “Group”) as well as the Company’s interests in its associates and joint ventures.

The detail of the Group’s business is stated in Note “6. Operating Segments”.

2. Basis of Preparation

(1) Statement of compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) pursuant to the provisions of Article 93 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), as the Group satisfies the requirements for “specified company complying with designated international accounting standards” set forth in Article 1-2 of the same regulation.

The consolidated financial statements were approved on March 28, 2023 by Shuichi Ishibashi, Member of the Board, Global CEO and Representative Executive Officer of the Company, and Naoki Hishinuma, Executive Director and Global CFO of the Company.

(2) Basis of measurement

The consolidated financial statements of the Group have been prepared based on historical cost, except for items such as financial instruments that are measured at fair value as stated in Note “3. Significant Accounting Policies”.

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency adopted by the Company, and figures less than one million yen are rounded off to the nearest million yen.

(4) Changes in presentations

(Consolidated statement of cash flows)

“Increase (decrease) in accounts payable – bonuses,” “Gains on sale of discontinued operations,” and “Increase (decrease) in provision related to business and plant restructuring expenses” that were stated as separate line items under “Cash flows from operating activities” for the previous fiscal year, are included in “Other” under “Cash flows from operating activities” from the current fiscal year, as their amounts have become immaterial. “Increase (decrease) in provision for product warranties” included in “Other” under “Cash flows from operating activities” for the previous fiscal year, is separately stated from the current fiscal year, as its amount has become material. The consolidated financial statements of the previous fiscal year have been reclassified to reflect these changes in presentation.

As a result, 9,086 million yen stated in “Increase (decrease) in accounts payable – bonuses,” (303,521) million yen stated in “Gains on sale of discontinued operations,” (21,340) million yen stated in “Increase (decrease) in provision related to business and plant restructuring expenses,” and (42,073) million yen under “Other” were reclassified for the previous fiscal year, as “Increase (decrease) in provision for product warranties” in the amount of (2,357) million yen and “Other” in the amount of (355,491) million yen.

“Proceeds from sales of investments in securities” included in “Other” under “Cash flows from investing activities” for the previous fiscal year, is separately stated from the current fiscal year, as its amount has become material. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, (54,545) million yen stated in “Other” under “Cash flows from investing activities” for the previous fiscal year was reclassified as “Proceeds from sales of investments in securities” in the amount of 466 million yen and “Other” in the amount of (55,011) million yen.

“Purchase of treasury stock” included in “Other” under “Cash flows from financing activities” for the previous fiscal year, is separately stated from the current fiscal year, as its amount has become material. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, (143) million yen stated in “Other” under “Cash flows from financing activities” for the previous fiscal year was reclassified as “Purchase of treasury stock” in the amount of (10) million yen and “Other” in the amount of (133) million yen.

3. Significant Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

A subsidiary is an entity under the control of the Group. The Group controls an entity when it is exposed to or has rights to variable returns arising from its involvement in the entity and has an ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group gains control until the date that control is lost. If any accounting policies applied by a subsidiary differ from those of the Group, adjustments are made to the subsidiary's financial statements where needed to bring them in line with the Group's accounting policies. The balances of payables and receivables and transactions within the Group, as well as unrealized gains or losses arising from internal transactions within the Group, are eliminated when preparing the consolidated financial statements.

Comprehensive income of subsidiaries is attributed to owners of parent and non-controlling interests, even if this results in a negative balance in non-controlling interests.

When the closing date of a subsidiary is different from that of the Group, the subsidiary implements its financial statements based on the provisional accounting as of the Group's closing date. The main subsidiary with a different closing date is BRIDGESTONE INDIA PRIVATE LTD., which adopts a closing date of March 31 due to the local legal system where it operates.

Changes in the Group's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions, and the difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration is directly recognized in equity as interests attributable to the shareholders of the Company.

If the Group loses control over a subsidiary, gains and losses derived from the loss of control are recognized in profit or loss.

2) Associates

An associate is an entity which the Group does not control, but exerts significant influence on financial and operating policies thereof. The equity method is applied to associates from the date that the Group has significant influence to the date that it loses the significant influence.

3) Joint ventures

A joint venture is an entity jointly controlled by two or more parties, including the Group under the contractually agreed sharing of control over economic activities of the joint venture, which exists only when strategic financial and operating decisions related to the relevant activities require unanimous consent of the parties sharing control.

The equity method is applied to joint ventures held by the Group.

(2) Business combinations

Business combinations are accounted for by the acquisition method. Consideration for acquisition is measured as the sum of the acquisition-date fair values of the assets transferred, liabilities assumed, and equity instruments issued by the Group in exchange of control over the acquired company. If consideration for acquisition exceeds the fair value of identifiable assets and liabilities, such excess is recorded as goodwill in the consolidated statement of financial position. Conversely, if the consideration is less than the fair value, the difference is immediately recognized in profit or loss in the consolidated statement of profit or loss. Acquisition costs that are attributable to a business combination are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the fiscal year in which the business combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The provisional values recognized at the acquisition date are retrospectively adjusted to reflect new information obtained during a certain designated period (the "measurement period") on facts and circumstances that existed at the acquisition date and, if known at the acquisition date, would have affected the measurement of the amounts recognized. Additional assets or liabilities are recognized if this new information is known to have resulted in the additional recognition of assets or liabilities. The measurement period may not exceed one year.

The acquisition of additional non-controlling interests is accounted for as an equity transaction, and accordingly, it does not recognize goodwill attributable to such transactions.

Business combinations under common control (i.e., transactions in which all of the combining entities and/or businesses are ultimately controlled by the same party or parties both before and after the business combination and the common control is not transitory) are accounted for at carrying amount.

(3) Foreign currency translation

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each entity of the Group by using the exchange rate at the date of the transaction or a rate that approximates such rate.

At the end of each reporting period, monetary items denominated in foreign currencies are translated into functional currencies using the exchange rate at the end of each reporting period. Non-monetary items at fair value denominated in foreign currencies are translated at an exchange rate of the date when their fair values are measured.

Exchange differences arising from translation or settlement of monetary items denominated in foreign currencies are recognized in profit or loss. However, those translation differences arising from financial assets measured through other comprehensive income as well as from cash flow hedges are recognized in other comprehensive income.

2) Financial statements of foreign operations

Assets and liabilities of foreign operations, including any goodwill arising on the acquisition of a foreign operation and any fair value adjustments, are translated into presentation currency using the exchange rate at the end of the reporting period. Additionally, income and expenses of foreign operations are translated into presentation currency using average exchange rates during the period, except where the exchange rates fluctuate significantly.

Exchange differences arising from translation of the financial statements of foreign operations are recognized in other comprehensive income. For disposals of entire interests in foreign operations and partial disposals of interests resulting in loss of control or loss of significant influence, translation differences are recognized in profit or loss as part of the gain or loss on disposal.

(4) Financial instruments

1) Financial assets other than derivatives

a. Initial recognition and measurement

Trade and other receivables are initially recognized on the date when they are incurred. All other financial assets are initially recognized on the date when the Group becomes a party to the contract on such financial instruments.

At initial recognition, financial assets other than derivatives, which meet both of the following requirements, are classified as financial assets measured at amortized cost, while the rest are classified as financial assets measured at fair value.

- The assets are held based on the business model whose objective is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value are classified into either financial assets whose changes in fair values after acquisition are recognized in profit or loss (“financial assets measured at fair value through profit or loss”) and financial assets whose changes in fair values after acquisition are recognized in other comprehensive income (“financial assets measured at fair value through other comprehensive income”).

At initial recognition, equity instruments that are not designated as financial assets measured at fair value through other comprehensive income and debt instruments that do not meet the requirements for the amortized cost measurement are classified as financial assets measured at fair value through profit or loss.

Equity instruments that are not held for trading are, in principle, designated as financial assets measured at fair value through other comprehensive income at initial recognition.

All the financial assets, except for those classified as financial assets measured at fair value through profit or loss, are measured at fair value plus transaction costs directly attributable to the acquisition of the assets.

b. Subsequent measurement

Financial assets after the initial recognition are as follows, depending on respective classifications:

(a) Financial assets measured at amortized cost

After initial recognition, financial assets measured at amortized cost are measured at amortized cost by using the effective interest method.

(b) Financial assets measured at fair value through profit or loss

After initial recognition, financial assets measured at fair value through profit or loss are remeasured at fair value as of each closing date, and changes in fair values and dividends are recognized in profit or loss.

(c) Financial assets measured at fair value through other comprehensive income

Changes in fair values measured after initial recognition are recognized in other comprehensive income. Such amounts are reclassified into retained earnings in case of derecognition or a significant decline in the fair values. Dividends from such financial assets are recognized in profit or loss as finance income in the period when the Group’s right to receive payment of the dividends is established.

c. Derecognition

Financial assets are derecognized when the right to receive benefits expires or all the risk and rewards of ownership of the financial assets are transferred to other entities.

2) Impairment of financial assets measured at amortized cost

To account for impairment of items such as financial assets measured at amortized cost, the Group recognizes an allowance for doubtful accounts against expected credit losses on such financial assets.

At each reporting date, financial assets are assessed whether there has been a significant increase in credit risk on financial instruments since initial recognition.

If credit risk on a financial instrument has not increased significantly since initial recognition, the allowance for doubtful accounts associated with the relevant financial instrument is measured at an amount equal to 12-month expected credit losses. In contrast, if credit risk on a financial instrument has increased significantly since initial recognition, the allowance for doubtful accounts associated with the relevant financial instrument is measured at an amount equal to lifetime expected credit losses.

However, the allowance for doubtful accounts for trade receivables and the like are always measured at an amount equal to lifetime expected credit losses.

Expected credit losses of financial instruments are estimated in a way that reflect the following items:

- Unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Time value of money
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amounts of these measurements are recognized in profit or loss. If an event occurs after recognition of an impairment loss that results in a decrease of the impairment loss, such decrease is reversed in profit or loss.

The carrying amount of these financial assets is directly reduced for the impairment when they are expected to become non-recoverable in the future, offsetting the carrying amount by the allowance for doubtful accounts.

3) Financial liabilities other than derivatives

a. Initial recognition and measurement

Debt securities issued by the Group are initially recognized at the date of issuance. All other financial liabilities are recognized on the date when the Group becomes a party to the contract on such financial instruments.

Financial liabilities other than derivatives are classified into either financial liabilities measured at amortized cost or financial liabilities measured at fair value through profit or loss at initial recognition.

All the financial liabilities are initially measured at fair value, while financial liabilities measured at amortized cost are measured at fair value less directly attributable transaction costs.

b. Subsequent measurement

Financial liabilities after the initial recognition are as follows, depending on respective classifications:

(a) Financial liabilities measured at amortized cost

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost by using the effective interest method.

(b) Financial liabilities measured at fair value through profit or loss

After initial recognition, financial liabilities measured at fair value through profit or loss are remeasured at fair value as of each closing date with any changes in fair values being recognized in profit or loss.

c. Derecognition

Financial liabilities are derecognized when the obligation is discharged, canceled or expired.

4) Derivatives and hedge accounting

The Group uses derivatives, including forward exchange contracts and interest rate swap transactions, for the purpose of hedging foreign currency fluctuation risk and interest rate fluctuation risk.

At the inception of the hedge, the Group designates and documents the hedging relationship between a hedging instrument and a hedged item as well as the Group's risk management objective and strategy concerning the hedge. That documentation includes the hedging relationship, the risk management objective and strategy for undertaking the hedge, as well as the assessment of the hedge effectiveness.

These hedges are expected to be highly effective in offsetting changes in the fair value or the cash flows; however, the Group assesses, on an ongoing basis, whether they actually remained highly effective throughout the hedge period.

Derivatives are initially recognized at fair value. After initial recognition, derivatives are measured at fair value and the subsequent changes in fair value are accounted for as follows:

a. Fair value hedges

Fair value changes on derivatives are recognized in profit or loss.

Fair value changes on hedged items attributable to hedged risks are recognized in profit or loss with the carrying amounts of the hedged items being adjusted.

b. Cash flow hedges

For the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, changes in fair value are recognized in other comprehensive income. When cash flows of the hedged item affect profit or loss, they, together with the hedged item, are immediately recognized in profit or loss.

For the ineffective portion of hedge, the changes in fair value are recognized in profit or loss.

The Group discontinues hedging accounting when the hedging instrument is expired, sold, terminated, or exercised, when the hedge no longer qualifies for hedge accounting, or when the hedge designation is revoked.

c. Derivatives not designated as hedging instruments

Fair value changes on derivatives are recognized in profit or loss.

5) Offsetting financial instruments

A financial asset and a financial liability are offset and the net amount presented only when the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(5) Fair value measurement

Certain assets and liabilities are recognized at fair value. The fair value of such assets and liabilities is determined based on market information, such as quoted market price or valuation techniques including the market approach, the income approach and the cost approach. The inputs used in the fair value measurement are categorized into the following three levels.

Level 1: Fair value that is measured by using quoted prices in active markets

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price

Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

(6) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities not exceeding three months from the acquisition date, that are readily convertible into cash and subject to insignificant risk of changes in value.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is calculated by primarily using the moving-average method. Net realizable value is determined at the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

(8) Property, plant and equipment

Property, plant and equipment are measured by using the cost model, and stated at cost less any accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes any costs directly associated with its acquisition, and the costs of dismantling and removing the item and restoring the site on which it is located, as well as the borrowing costs eligible for capitalization.

The depreciation of property, plant and equipment other than land and construction in progress is calculated using the straight-line method over the following estimated useful lives. The estimated useful life of each main asset item is as follows.

Buildings and structures:	10 to 50 years
Machinery and vehicles:	3 to 17 years
Tools, furniture and fixtures:	2 to 20 years

The depreciation method for property, plant and equipment is reviewed at the end of each reporting period, and any change thereof is accounted for as a change in accounting estimate.

(9) Goodwill and intangible assets

1) Goodwill

The Group recognizes goodwill arising from business combinations as an asset as of the date when control is obtained (the acquisition date). The measurement of goodwill at initial recognition is presented in “(2) Business combinations”.

Goodwill is stated at cost less accumulated impairment losses. The Group does not amortize goodwill, but tests for impairment annually or whenever there is any indication of impairment. For the purpose of impairment test, goodwill obtained in business combinations is allocated to a cash-generating unit or groups of cash-generating units that are expected to benefit from the synergies of the combination on and after the acquisition date.

Impairment losses of goodwill are recognized in profit or loss and not reversed subsequently.

2) Intangible assets

The Group measures intangible assets using the cost model and stated at cost less any accumulated amortization and any accumulated impairment losses.

Separately acquired intangible assets are initially measured at cost, while the cost of intangible assets acquired in a business combination is measured at fair value as of the acquisition date. Expenditures for internally generated intangible assets are recognized as an expense incurred during the period, except for development costs eligible for capitalization.

Intangible assets with finite useful lives are amortized by using the straight-line method over their respective estimated useful lives. If there is an indication of impairment, they are tested for impairment. The estimated useful life of each main asset item is as follows.

Software:	1 to 10 years
Trademarks:	1 to 10 years

The amortization method for intangible assets with finite useful lives is reviewed at the end of each reporting period, and any change thereof is accounted for as a change in accounting estimate.

Intangible assets with indefinite useful lives are not amortized but subject to impairment test, and stated at cost less any accumulated impairment losses. Intangible assets are tested for impairment individually or at cash-generating unit level annually or whenever there is any indication of impairment.

(10) Leases

1) Lessee

At inception of a contract, the Group recognizes a right-of-use asset and a lease liability for lease components other than short-term leases and leases for which the underlying asset is of low value. At the commencement date, the Group measures the right-of-use asset at cost and the lease liability at the present value of the lease payments that are not paid at that date.

The lease term is determined as the non-cancellable period of a lease, together with both: periods covered by an option to extend the lease (if the Group is reasonably certain to exercise that option); and periods covered by an option to terminate the lease (if the Group is reasonably certain not to exercise that option).

After the commencement date, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses. The Group applies the depreciation requirements in International Accounting Standards (IAS) 16 “Property, Plant and Equipment” in depreciating the right-of-use asset. The Group also applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and

- remeasuring the carrying amount to reflect changes to the lease payments or a lease modification, or to reflect revised in-substance fixed lease payments.

2) Lessor

Rental income is recognized on a straight-line basis over the lease term. Rental income arising from subleased properties is recognized in other income.

(11) Impairment of non-financial assets

The Group assesses, for each fiscal year, whether there is any indication that an asset may be impaired. If any such indication exists (or if the impairment test is required each year), the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or a cash-generating unit is measured at the higher of its fair value less costs to sell and its value in use. When the carrying amount of the asset or the cash-generating unit exceeds the recoverable amount, the Group recognizes an impairment loss for the asset and reduces the carrying amount of the asset to its recoverable amount. In calculating the asset's value in use, the estimated future cash flows are discounted to the present value by using a pre-tax discount rate that reflects current market assessments of the time value of money and other factors such as the risks specific to the asset. The fair value less costs to sell is calculated by using an appropriate valuation model supported by indications of fair value available to the Group.

The Group assesses whether there is any indication that an impairment loss recognized in prior years for asset other than goodwill may have decreased or may no longer exist due to a change in assumptions used to determine the recoverable amount or other reasons. If any such indication exists, the Group estimates the recoverable amount of the asset or the cash-generating unit. Then if such recoverable amount exceeds the carrying amount of the asset or the cash-generating unit, the Group reverses an impairment loss to the extent not exceeding the lower of the estimated recoverable amount and the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

(12) Assets held for sale and discontinued operations

An asset or asset group that is expected to be recovered through a sale transaction rather than through continuing use is classified as an asset or disposal group held for sale if it is highly probable that the asset or asset group will be sold within one year from the end of the reporting period; the asset or asset group is available for immediate sale in its present condition; and the management of the Group is committed to such sale. An asset held for sale is not depreciated or amortized and measured at the lower of its carrying amount and fair value less costs to sell. A discontinued operation is recognized if the operation includes a component of an entity that either has been disposed of or is classified as held for sale, represents a separate line of business of the Group or geographical area, and is part of a plan to dispose of a separate line of business of the Group or geographical area.

(13) Employee benefits

1) Short-term employee benefits

The undiscounted amount of short-term employee benefits is recognized as an expense in the period in which the employees render related services. The bonuses and paid absences are recognized as a liability and an expense when the Group has a present legal or constructive obligation to pay the benefits in return for the past services rendered by employees, and the Group can make a reliable estimate of the amount.

2) Post-employment benefits

The Group has adopted a defined benefit plan (such as a corporate pension plan and a lump-sum retirement benefit plan) and a defined contribution plan as the post-employment benefit plans for its employees.

The Group determines the present value of defined benefit obligation as well as the related current service cost and past service cost by using the projected unit credit method. The discount rate is determined by first setting the discount period based on the periods until the dates on which the benefits for each fiscal year will be paid, and then by referencing to market yields on high-grade corporate bonds and the like at the end of the reporting period corresponding the discount period. The defined benefit plan liability or asset is determined by subtracting the fair value of the plan assets from the present value of the defined benefit obligation. Remeasurements of defined benefit plans are recognized in a lump sum in other comprehensive income when they arise, and reclassified to retained earnings immediately. Past service cost is recognized in profit or loss for the period in which it is incurred.

The Group accounts for the defined contribution plan by recognizing an expense when the Group makes contribution to the plan.

Certain consolidated subsidiaries primarily in the United States have adopted a defined benefit retirement plan and a post-employment medical benefit plan to prepare for the retirement benefits to the employees. A post-employment medical benefit plan in the United States is included in the net defined benefit liability due to the nature similar to the retirement benefits.

(14) Share-based payment

The Group has adopted the stock option plan and pre-delivery type restricted share-based remuneration plan as an equity-settled share-based payment plan as well as the Performance Share Units (PSU) plan and the Restricted Stock Units (RSU) plan as a cash-settled share-based payment plan. Stock options are estimated at fair value at the date of grant, taking into account the estimated number of options to be vested, and recognized as expenses over the vesting periods in the consolidated statement of profit or loss while corresponding increases to equity are recognized in the consolidated statement of financial position. Fair value of stock options granted is calculated, in accordance with various terms of such options, using the Black-Scholes model. Pre-delivery type restricted share-based remuneration is measured at fair value on the grant date and recognized in the consolidated statement of profit or loss as expenses over the vesting period from the grant date, and the same amount is recognized as an increase in equity in the consolidated statement of financial position. The fair value of pre-delivery type restricted share-based remuneration is measured by reference to the fair value of granted shares of the Company.

For the PSU plan, the Group recognizes awards as an expense over the vesting period, recording the same amount as an increase in a liability. As of the reporting date and the settlement date, the Group remeasures the fair value of the liability and recognizes any changes in fair value in profit or loss. The RSU plan is measured at the standard amount of compensation by position and recognized in the consolidated statement of profit or loss as expenses over the vesting period, and the same amount is recognized as an increase in liabilities in the consolidated statement of financial position. As of the date of allotment and the day of lifting of transfer restriction of the Company's shares, the Group remeasures the fair value of the liability and recognizes any changes in fair value in profit or loss.

(15) Provisions

The Group recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation. The present value of the expenditures is calculated by using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability with uncertainty of the occurrence of obligating events being reflected in the estimated future cash flows.

Provisions that the Group recognizes are mainly as follows:

1) Provision for compensation for industrial accidents

The Group estimates and records an amount based on past and current experience to prepare for the payment of the medical expenses, the absence from work compensation, etc. incurred as a result of industrial accidents. The expected timing of future outflow of economic benefits is mainly after one year from the end of the current fiscal year.

2) Provision for loss on litigation

To prepare for the expenditures of litigation-related expenses, the Group estimates and records an amount of compensation for damages, settlement package, etc. that is currently expected to be incurred in the future. The outflow of the economic benefits is supposed to occur mainly within one year from the end of the current fiscal year.

3) Provision for product warranties

To prepare for the expenditures for after-sales and other services for products sold, the Group estimates and records an amount to be incurred based on past experience. Also, this was the recording of a related liability included in the provision for product warranties following the recall of certain models of standard and power assisted bicycles manufactured by BRIDGESTONE CYCLE CORPORATION, a consolidated subsidiary of the Company. The expected replacement costs are calculated by multiplying the number of rims subject to the recall, replacement costs per unit and an expected replacement rate based on past recalls. The outflow of the economic benefits is supposed to occur mainly within one year from the end of the current fiscal year.

(16) Revenue

The Group recognizes revenue at an amount reflecting the amount of consideration to which the Group expects to be entitled in exchange for transferring the goods and services to the customer based on the following five-step approach, except for interest and dividend income, etc. received under IFRS 9 “Financial Instruments”:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group engages in production and sale of tires and tubes, sale of wheels and accessories, production and sale of retread material and provision of related technology, auto maintenance and repair services, and business of chemical and industrial products, etc.

In these businesses, because customers mainly obtain control over the product at the time of delivery of the product, the performance obligations are considered to be satisfied at that time, and revenue is recognized at the time of delivery of the product.

In addition, consideration for performance obligations is mainly received within one year from satisfaction of the performance obligations, and contains no significant financing component.

Revenue is measured at an amount of consideration promised in a contract with a customer less estimated future returns, discounts and rebates. The amount of returns is estimated and calculated based on an expected return rate derived from the past data and the like. As for discounts and rebates, the amount of future payments is mainly estimated and calculated based on contracts and the like until actual results are confirmed.

(17) Government grants

Government grants are recognized at fair value when conditions for the receipt of grants have been met and reasonable assurance for the receipt could be obtained.

When government grants are related to the items of expense, government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grant is intended to compensate. For grants related to assets, the amount of the grant is deducted from the cost of the asset.

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized and form part of the cost of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognized as expenses in the period in which they are incurred.

(19) Income taxes

Income taxes consist of current tax and deferred tax. These are recognized in profit or loss, excluding tax arising from the items recognized in other comprehensive income or directly in equity, and tax arising from business combinations.

Current taxes are measured at an expected amount of taxes to be paid to or of refund from the taxation authorities. The amount of tax is calculated based on the tax rates and the tax laws that have been enacted, or substantially enacted by the reporting date.

Deferred taxes are recognized for the temporary differences between the carrying amount of assets and liabilities for accounting purposes and their tax bases, unused tax losses carryforward and unused tax credits carryforward as of the reporting date.

Deferred tax assets and liabilities are not recognized for following temporary differences:

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting profit nor taxable income (loss)
- Deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint arrangements when it is probable that the temporary difference will not reverse in the foreseeable future or when it is not probable that taxable profit will be available against which the temporary difference can be utilized.
- Taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint arrangement when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax liability is recognized for all taxable temporary differences in principle, and a deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

Carrying amount of deferred tax assets is reviewed each period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to use all or part of the benefit of the deferred tax assets. Unrecognized deferred tax assets are reviewed each period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates and by the tax laws that are expected to apply to the period when the assets are realized or the liabilities are settled based on the tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

For uncertain income tax positions, the Group recognizes an asset or a liability at a reasonably estimated amount if the tax position has a high probability of being accepted based on a tax law interpretation.

Deferred tax assets and liabilities are offset against each other if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and when either of the following are met: income taxes are levied by the same taxation authority on the same taxable entity; or income taxes are levied by the same taxation authority on different taxable entities, but they either have the intention to settle current tax liabilities and current tax assets on a net basis or plan to realize assets and settle liabilities simultaneously.

(20) Treasury stock

Treasury stock is measured at cost and presented as a deduction from equity. No gain or loss is recognized on the purchase, sale or retirement of treasury stock. The difference between the carrying amount and the consideration thereof at the time of sale is recognized as equity.

(21) Dividends

Of the dividend distributions to the shareholders of the Company, the year-end dividend is recognized as a liability for the period that includes the date of resolution by the Company's shareholders' meeting, while the interim dividend is recognized as a liability for the period that includes the date of resolution by the Board of Directors.

(22) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to owners of parent by the weighted-average number of shares of ordinary shares outstanding adjusted by the number of shares of treasury stock during the period. Diluted earnings per share are calculated taking into consideration the effect of all potential shares with dilutive effect.

(23) Adjusted operating profit

Adjusted operating profit is determined by adding or subtracting certain adjustment items to or from pre adjusted metrics.

Reconciliations: Business and plant restructuring income and expenses, impairment losses, gain on reversal of impairment losses, loss on disaster, insurance claim income, and other gains and losses with large amounts related to one time event

Management of the Group determines the adjustment items based on whether they can help provide effective comparative information on the Group performance and appropriately reflect how the businesses are managed. The adjusted operating profit is presented in Note "6. Operating Segments".

Adjusted operating profit is not defined by IFRS and not necessarily comparable to metrics similarly named by other companies.

4. Significant Accounting Estimates and Judgements Involving Estimates

In preparing the consolidated financial statements in accordance with IFRS, the Group is required to establish judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effect of any changes in accounting estimates is recognized in the reporting period in which the change was made and in future periods.

The items involving estimates and judgments that significantly affect the amounts in the consolidated financial statements are listed as follows:

- Impairment of non-financial assets (Note "16. Impairment of Non-financial Assets")
- Recoverability of deferred tax assets (Note "18. Income Taxes")
- Provisions (Note "21. Provisions")
- Measurements of defined benefit obligations (Note "23. Employee Benefits")
- Fair value measurement of financial instruments (Note "35. Financial Instruments")
- Uncertain income tax positions (Note "18. Income Taxes")
- Measurement of disposal groups classified as held for sale (Note "13. Assets Held for Sale")

5. New Standards and Interpretations Not Yet Adopted

While there are newly issued or revised standards and interpretations that were issued on or before the date of approval of the consolidated financial statements but have not yet been early adopted by the Group, none of them have a material impact on the Group's consolidated financial statements.

6. Operating Segments

(1) Description of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available, and which are subject to regular review by the Board of Directors for the purpose of making decisions about the allocation of management resource and assessing the segments' performance.

The Group has four reportable segments: "Japan," "Americas," "Europe, Russia, Middle East, India and Africa," and "China, Asia-Pacific". The reportable segments have been organized for the purpose of disclosing business results more appropriately based on the Strategic Business Units (SBU)—the classification of the Group's businesses for management control purposes. In the aforementioned segment structure, the Group engages in production and sale of tires and tubes, sale of wheels and accessories, production and sale of retread material and provision of related technology, auto maintenance and repair services, and products business of chemical and industrial products, etc.

The Group has classified its US building materials business, anti-vibration rubber business, and chemical products solutions business as discontinued operations, thereby deducting such discontinued operations from monetary amounts of the previous and current fiscal years. Details on discontinued operations are presented in Note "31. Discontinued Operations".

(2) Revenues and performances of reportable segment

Revenue and business results of the continuing operations by reportable segment of the Group are detailed in the table below. The Board of Directors assesses the segment performance and determines resource allocation after reviewing revenues and adjusted operating profit. Internal sales or transfers between segments are determined primarily at selling prices based on arm's length transaction prices or total cost.

Previous fiscal year (Year ended December 31, 2021)

(Yen in millions)

	Reportable segments					Other	Corporate or elimination	Consoli-dated total
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total			
Revenue								
External revenue	767,138	1,443,758	686,140	328,817	3,225,853	20,175	28	3,246,057
Inter-segment revenue	105,903	10,865	7,781	58,033	182,582	46,243	(228,825)	–
Total revenue	873,041	1,454,624	693,921	386,851	3,408,436	66,418	(228,797)	3,246,057
Segment profit (loss)								
Adjusted operating profit	116,966	190,646	42,104	41,999	391,715	5,071	(2,447)	394,340
Other items								
Depreciation and amortization	61,985	88,731	43,142	31,001	224,859	7,122	13,918	245,899
Impairment losses	962	1,111	–	1,662	3,734	–	–	3,734

Current fiscal year (Year ended December 31, 2022)

(Yen in millions)

	Reportable segments					Other	Corporate or elimination	Consoli-dated total
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total			
Revenue								
External revenue	889,692	1,970,276	856,443	376,713	4,093,124	16,907	40	4,110,070
Inter-segment revenue	146,599	17,756	13,577	80,292	258,224	63,559	(321,783)	–
Total revenue	1,036,291	1,988,032	870,020	457,005	4,351,348	80,466	(321,744)	4,110,070
Segment profit (loss)								
Adjusted operating profit	140,251	251,183	66,350	39,937	497,720	7,299	(22,390)	482,629
Other items								
Depreciation and amortization	67,606	113,139	45,158	31,378	257,281	7,474	17,353	282,108
Impairment losses	1,959	155	13,581	1,797	17,492	–	–	17,492
Gain on reversal of impairment losses on fixed assets	–	–	–	36	36	–	–	36

Reconciliation from adjusted operating profit to profit before tax

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Adjusted operating profit (Note 1)	394,340	482,629
Adjustment items (income) (Note 2)	3,567	6,193
Adjustment items (expenses) (Note 5)	21,107	47,524
Operating profit	376,799	441,298
Finance income	10,807	18,283
Finance costs	16,219	41,898
Share of profit (loss) of investments accounted for using equity method	6,207	5,775
Profit before tax	377,594	423,458

(Note 1) For adjusted operating profit, adjustment items (income and expenses) are excluded from operating profit.

(Note 2) The major breakdown of adjustment items (income) is as follows:

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Insurance claim income	1,005	1,216
Business and plant restructuring income	(Note 3) 2,562	(Note 4) 4,942
Gain on reversal of impairment losses on fixed assets	–	36
Adjustment items (income)	3,567	6,193

(Note 3) This was primarily the recording of gain on sale of fixed assets, etc. due to the closure of bicycle manufacturing plants in Japan.

(Note 4) Mainly reversal of impairment losses and gain on sale of fixed assets associated with the reorganization of overseas tire plants are recorded.

(Note 5) The major breakdown of adjustment items (expenses) is as follows:

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Impairment losses (Note 6)	3,734	17,492
Cost of sales (loss on disaster)	637	5,979
Other expenses (loss on disaster)	419	211
Business and plant restructuring expenses	(Note 7) 13,757	(Note 8) 7,435
Other expense with large amounts related to one time event	(Note 9) 2,560	(Note 10) 16,407
Adjustment items (expenses)	21,107	47,524

(Note 6) The major breakdown of impairment losses is presented in Note "16. Impairment of Non-financial Assets".

(Note 7) This was primarily the recording of expenses related to the closure of overseas tire plants, expenses due to the withdrawal from the conveyor belt business and expenses related to the sale of an overseas raw materials plant.

(Note 8) This was primarily the recording of expenses relating to the reorganization of overseas tire plants.

(Note 9) This was the recording of expenses relating to inspections, repairs, etc. of the affected standard and power assisted bicycles following the recall of certain models of standard and power assisted bicycles manufactured by BRIDGESTONE CYCLE CORPORATION, a consolidated subsidiary of the Company.

(Note 10) This was the recording of expenses relating to parts replacement, etc. of the affected standard and power assisted bicycles following the recall of certain models of standard and power assisted bicycles manufactured by BRIDGESTONE CYCLE CORPORATION, a consolidated subsidiary of the Company.

(3) Information about geographical areas

The breakdown of revenue from external customers and non-current assets by geographical area is as follows:

Revenue from external customers

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Japan	537,879	575,517
Americas	1,518,554	2,094,941
[of which, the U.S.]	[1,223,980]	[1,660,688]
Europe, Russia, Middle East, India and Africa	743,607	909,980
China, Asia-Pacific	446,016	529,632
Total	3,246,057	4,110,070

(Note) Revenues are broken down by location of sales destination.

Non-current assets

(Yen in millions)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Japan	522,891	524,189
Americas	829,166	991,792
Europe, Russia, Middle East, India and Africa	405,778	421,165
China, Asia-Pacific	253,636	267,560
Total	2,011,470	2,204,706

(Note) Non-current assets are broken down by location of each asset and do not include financial instruments, deferred tax assets and assets associated with employee benefits.

(4) Information about major customers

Disclosures are omitted because there are no external customers for which sales account for 10% or more of revenue in the consolidated statement of profit or loss.

7. Business Combinations

Previous fiscal year (Year ended December 31, 2021)

As stated in Note “37. Subsidiaries and Associates, etc. (2) Loss of control of subsidiaries”.

Current fiscal year (Year ended December 31, 2022)

As stated in Note “37. Subsidiaries and Associates, etc. (2) Loss of control of subsidiaries”.

8. Cash and Cash Equivalents

The breakdown of “Cash and cash equivalents” is as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Cash and deposits (maturing within three months)	787,542	518,905
Total	787,542	518,905

9. Trade and Other Receivables

The breakdown of "Trade and other receivables" is as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Notes and accounts receivable	721,796	911,246
Accounts receivable - other	50,638	65,399
Other	6,920	8,684
Allowance for doubtful accounts	(37,742)	(38,720)
Total	741,612	946,608

Trade and other receivables are presented net of allowance for doubtful accounts in the consolidated statement of financial position.

Trade and other receivables are classified as financial assets measured at amortized cost.

The changes in allowance for doubtful accounts are presented in Note "35. Financial Instruments (3) Credit risk management 2) Changes in allowance for doubtful accounts".

10. Inventories

The breakdown of "Inventories" is as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Finished products	401,545	562,245
Work in process	35,604	46,200
Raw materials and supplies	189,802	273,283
Other	3,189	3,577
Total	630,140	885,305

The amounts of inventories recognized as expenses during the previous fiscal year and the current fiscal year are 1,894,207 million yen and 2,445,276 million yen, respectively.

11. Other Financial Assets

(1) Breakdown of other financial assets

The breakdown of "Other financial assets" is as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Equity instruments	107,814	56,120
Long-term loans receivable	7,158	17,450
Derivative assets	2,586	11,079
Other	34,588	34,968
Total	152,146	119,617
Current assets	11,769	15,107
Non-current assets	140,376	104,509
Total	152,146	119,617

Equity instruments are classified as financial assets measured at fair value through other comprehensive income, long-term loans receivable are measured at amortized cost, and derivative assets are measured at fair value through profit or loss, respectively.

(2) Financial assets measured at fair value through other comprehensive income

Major issuers of financial assets measured at fair value through other comprehensive income and their fair value are as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Issuers	Yen in millions	Yen in millions
Toyota Motor Corporation	20,633	17,762
Toyo Tire Corporation	8,970	7,485
Sumitomo Mitsui Financial Group, Inc.	2,217	2,978
Fuji Kyuko Co., Ltd.	998	1,169
Yellow Hat Ltd.	871	946
Otsuka Holdings Co., Ltd.	834	861

These stocks are designated as financial assets measured at fair value through other comprehensive income as they are held for the purpose of mainly maintaining and strengthening business and collaborative relationship and for their strategic importance to the Group.

(3) Derecognition of financial assets measured at fair value through other comprehensive income

To improve its asset efficiency and to review its business relationship and for other purposes, the Group derecognizes the financial assets measured at fair value through other comprehensive income by selling a portion of those assets.

The fair values at the time of sale and cumulative gains (losses) recognized in other comprehensive income are as follows:

(Yen in millions)

Previous fiscal year (Year ended December 31, 2021)		Current fiscal year (Year ended December 31, 2022)	
Fair value	Cumulative gains (losses)	Fair value	Cumulative gains (losses)
78	71	3,327	1,654

When financial assets measured at fair value through other comprehensive income are derecognized or the fair value declines significantly, cumulative gains (losses) recognized in other comprehensive income are reclassified to retained earnings. The amounts of cumulative gains (losses), net of tax, which were recognized in other comprehensive income and subsequently reclassified into retained earnings, are 281 million yen and 1,144 million yen for the previous fiscal year and the current fiscal year, respectively.

12. Other Assets

The breakdown of "Other current assets" and "Other non-current assets" is as follows:

(1) Other current assets

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Prepaid expenses	32,590	42,552
Consumption tax receivables	27,878	44,029
Other	26,561	31,450
Total	87,029	118,031

(2) Other non-current assets

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Retirement benefit assets (Note 1)	28,254	19,434
Other (Note 2)	29,389	50,437
Total	57,644	69,871

(Note 1) The details of retirement benefit assets are presented in Note "23. Employee Benefits (1) Post-employment benefits 3) Reconciliation of defined benefit obligations and plan assets".

(Note 2) "Other" mainly consists of spare parts and income taxes receivable.

13. Assets Held for Sale

The breakdown of assets held for sale and liabilities directly associated with assets held for sale is as follows.

(1) Assets held for sale

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Cash and cash equivalents	105,275	5,440
Trade and other receivables	24,955	1,382
Inventories	16,511	1,089
Property, plant and equipment	24,594	6,729
Other financial assets (non-current)	51	22,112
Other	6,103	828
Accumulated loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell	(142,712)	(8,887)
Total	34,778	28,694

(2) Liabilities directly associated with assets held for sale

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Trade and other payables	18,314	1,291
Other	16,164	304
Total	34,478	1,596

Assets held for sale and directly associated liabilities for the previous fiscal year, which were mainly in the anti-vibration rubber business and the chemical products solutions business, have been classified as assets held for sale as the Group decided to sell those operations.

Assets held for sale and directly associated liabilities for the current fiscal year, which were mainly in the anti-vibration rubber business, the chemical products solutions business and part of other financial assets (shares) held by the Company have been classified as assets held for sale as the Group decided to sell those operations. Details for the anti-vibration rubber business and the chemical products solutions business are provided in Note "31. Discontinued Operations".

For the disposal groups classified as assets held for sale, the anti-vibration rubber business and the chemical products solutions business are measured at fair value less cost to sell as the fair value less cost to sell is less than the carrying amount. As a result, a recognized loss of 19,161 million yen was recorded in "loss from discontinued operations". The fair value has been classified as Level 3 in the hierarchy because it was assessed based on the selling price. Other financial assets (shares) are listed stocks, and the fair value thereof has been classified as Level 1 in the hierarchy.

14. Property, Plant and Equipment

The changes in the carrying amount of "Property, plant and equipment," as well as cost, accumulated depreciation and accumulated impairment losses are as follows:

Carrying amount	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2021	530,452	425,028	79,944	166,621	178,552	11,545	1,392,141
Acquisition	–	–	–	–	177,335	–	177,335
Depreciation (Note 1)	(37,643)	(96,453)	(40,267)	–	2,158	(4,125)	(176,330)
Impairment losses	(2,655)	(4,939)	(964)	(620)	(314)	(54)	(9,546)
Sale or disposal	(2,383)	(1,704)	(1,755)	(916)	(2,331)	(313)	(9,402)
Decrease by sale of subsidiary	(3,955)	(10,335)	(1,454)	(957)	(2,181)	(19)	(18,901)
Transfer from construction in progress	60,451	111,003	33,883	–	(208,533)	3,196	–
Foreign exchange differences	34,594	31,526	4,185	5,134	11,542	676	87,656
Transfer to assets held for sale	(9,886)	(8,228)	(1,172)	(3,396)	(702)	(136)	(23,520)
Other changes	(304)	3,364	3,324	(216)	2,458	(157)	8,470
Balance at December 31, 2021	568,671	449,262	75,724	165,650	157,984	10,613	1,427,903
Acquisition	–	–	–	–	231,293	–	231,293
Depreciation (Note 1)	(42,318)	(108,717)	(43,417)	–	344	(4,844)	(198,952)
Impairment losses	(5,503)	(6,851)	(1,098)	(59)	(3,128)	(100)	(16,739)
Sale or disposal	(2,681)	(2,314)	(1,077)	(4,614)	(779)	(253)	(11,718)
Transfer from construction in progress	33,265	95,502	41,642	1,175	(175,882)	4,298	–
Foreign exchange differences	47,850	45,317	7,349	8,880	16,202	520	126,117
Other changes (Note 2)	(3,364)	(1,511)	5,858	367	(2,806)	215	(1,239)
Balance at December 31, 2022	595,920	470,688	84,981	171,399	223,228	10,449	1,556,665

(Note 1) Depreciation of property, plant and equipment is included in "Cost of sales," "Selling, general and administrative expenses" and "Profit (loss) from discontinued operations" in the consolidated statement of profit or loss.

(Note 2) "Decrease by sale of subsidiary" and "Transfer to assets held for sale" in the current fiscal year are included in "Other changes".

Cost	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2021	1,163,103	2,187,209	573,326	172,392	195,809	53,857	4,345,696
Balance at December 31, 2021	1,228,916	2,255,923	567,266	171,359	172,456	56,254	4,452,174
Balance at December 31, 2022	1,331,732	2,460,890	624,511	177,087	241,006	60,588	4,895,815

Accumulated depreciation and accumulated impairment loss	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2021	632,651	1,762,182	493,383	5,771	17,256	42,313	2,953,555
Balance at December 31, 2021	660,246	1,806,661	491,542	5,709	14,471	45,642	3,024,270
Balance at December 31, 2022	735,812	1,990,202	539,530	5,688	17,778	50,139	3,339,150

15. Goodwill and Intangible Assets

(1) Changes during the period

The changes in the carrying amount of "Goodwill" and "Intangible assets" as well as cost, accumulated amortization and accumulated impairment losses are as follows:

Carrying amount	Goodwill	Trademarks	Software	Other (Note 3)	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2021	97,646	15,226	48,013	54,242	215,127
Acquisition	–	2	–	23,949	23,951
Acquisition due to business combinations (Note 1)	31,740	2,959	253	14,928	49,880
Amortization (Note 2)	–	(400)	(11,350)	(4,804)	(16,554)
Sale and retirement	–	–	(657)	(85)	(742)
Impairment losses	–	–	(78)	(75)	(153)
Decrease by sale of subsidiary	(11,980)	(4,710)	(184)	(5,132)	(22,006)
Transfer of accounts	–	–	16,479	(16,479)	–
Foreign exchange differences	6,283	1,230	1,543	2,705	11,761
Other	(10)	(22)	6,226	(7,345)	(1,152)
Balance at December 31, 2021	123,680	14,285	60,245	61,904	260,112
Acquisition	92	11	–	33,330	33,433
Amortization (Note 2)	–	(427)	(15,749)	(6,269)	(22,445)
Sale and retirement	–	–	(253)	(134)	(387)
Impairment losses	(1,433)	–	(67)	(9)	(1,509)
Foreign exchange differences	14,021	1,677	3,394	6,154	25,246
Transfer of accounts	–	–	24,789	(24,789)	–
Other (Note 4)	46	(1,569)	2,376	1,020	1,875
Balance at December 31, 2022	136,406	13,977	74,735	71,207	296,325

(Note 1) In the current fiscal year, the provisional accounting treatment for the business combinations was finalized, and the figures for the previous fiscal year have been retrospectively adjusted.

(Note 2) Amortization of intangible assets is included in "Cost of sales," "Selling, general and administrative expenses" and "Profit (loss) from discontinued operations" in the consolidated statement of profit or loss.

(Note 3) "Software in progress" is included in "Other".

(Note 4) "Acquisition due to business combinations" and "Decrease by sale of subsidiary" in the current fiscal year are included in "Other".

Cost	Goodwill	Trademarks	Software	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2021	99,776	16,520	82,761	81,580	280,637
Balance at December 31, 2021	125,888	16,018	104,589	91,296	337,791
Balance at December 31, 2022	140,238	16,302	136,603	110,702	403,845

Accumulated amortization and impairment losses	Goodwill	Trademarks	Software	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2021	2,130	1,294	34,748	27,338	65,510
Balance at December 31, 2021	2,209	1,733	44,344	29,392	77,679
Balance at December 31, 2022	3,832	2,325	61,868	39,495	107,520

(2) Material goodwill and intangible assets

The material goodwill and intangible assets recorded in the consolidated statement of financial position primarily represents the goodwill recognized through the acquisition of BRIDGESTONE MOBILITY SOLUTIONS B.V. and the carrying amounts of the goodwill are 57,768 million yen and 62,619 million yen as of the previous fiscal year-end and the current fiscal year-end, respectively. In addition, the goodwill recognized by this acquisition was allocated to cash generating units which were expected to benefit from the synergies and belongs to WEBFLEET SOLUTIONS cash-generating unit and BRIDGESTONE EUROPE cash-generating unit.

16. Impairment of Non-financial Assets

(1) Impairment losses

For measuring impairment losses, the Group groups assets for business based on the categories, which are adopted for internal management purposes, while grouping assets to be disposed of (assets planned to be disposed of by retirement, sale, etc.) and idle assets individually.

Impairment losses of 10,651 million yen recognized in the previous fiscal year consisted of 7,689 million yen recorded as “other expenses” (of which, “business and plant restructuring expenses” are 3,955 million yen) and 2,962 million yen recorded as “profit (loss) from discontinued operations”. In recording these impairment losses, the carrying amounts have been reduced to the recoverable amounts mainly for operating assets with reduced profitability, assets to be disposed of through retirement or sale, and idle assets with no plans for use. The recoverable amounts of the assets are principally measured at their fair value. The fair value has been classified as Level 3 in the hierarchy.

Loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell is presented in Note “31. Discontinued Operations”.

Impairment losses of 19,333 million yen recognized in the current fiscal year consist of 18,610 million yen recorded as “other expenses” (of which, “business and plant restructuring expenses” are 1,118 million yen) and 724 million yen recorded as “profit (loss) from discontinued operations”.

The components of the impairment losses of 19,333 million yen by item are 16,739 million yen for property, plant and equipment, 1,538 million yen for goodwill and intangible assets, and 1,056 million yen for others. The breakdown by segment (excluding the amount recorded in business and plant restructuring expenses and profit (loss) from discontinued operations) is as follows:

(Yen in millions)

Cash-generating unit	Segments					Other	Consolidated total
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total		
Russian tire business	–	–	13,581	–	13,581	–	13,581
Other	1,959	155	–	1,797	3,911	–	3,911
Total	1,959	155	13,581	1,797	17,492	–	17,492

The major reasons for the impairment losses are as follows:

As announced on March 14, 2022, the Company resolved to suspend production in Russia and tire exports to Russia. Accordingly, the carrying amount of assets for business use in the Russian tire business was reduced by 13,581 million yen to the recoverable amount because at this point in time, the revenue previously estimated for the Russian tire business is uncertain. The recoverable amount of the asset was measured by its value in use, which was calculated by discounting future cash flows at a discount rate of

15% or more. In addition, this impairment loss was recorded in "other expenses" in the consolidated statement of profit or loss.

The breakdown of these impairment losses is as follows:

(Yen in millions)

Cash-generating unit	Segment	Type of assets	Amount
Russian tire business	Europe, Russia, Middle East, India and Africa	Buildings and structures	4,948
		Machinery and vehicles	5,051
		Other	3,582
Total			13,581

(2) Impairment test of goodwill

The Group conducts an impairment test on goodwill every period or whenever there is any indication of impairment.

Among goodwill allocated to each cash-generating unit in the current fiscal year, the principal goodwill is recognized in WEBFLEET SOLUTIONS cash-generating unit and the impairment test was conducted as follows.

The recoverable amount of goodwill in the impairment test is calculated based on value in use. The value in use reflects past experience and external sources of information and is based on the Group's business plan for the next three years as approved by the management. After the three-year plan, the Company discounts the future cash flows to the present value using a discount rate of 8.9% of the cash-generating unit, using the future growth rate reduced from 13.8% in the fourth year to 2.3% in the tenth year and the same 2.3% on and after the eleventh year as the continuous growth rate considering inflation.

The value in use in the previous fiscal year reflects past experience and external sources of information and is based on the Group's business plan for the next two years as approved by the management. After the two-year plan, the Company discounts the future cash flows to the present value using a discount rate of 8.1% of the cash-generating unit, using the future growth rate reduced from 9.9% in the third year to 2% in the ninth year and the same 2% on and after the tenth year as the continuous growth rate considering inflation.

There is a risk of impairment when key assumptions used for the impairment test change. However, as the value in use sufficiently exceeds the carrying amount of the cash-generating unit, the Group determines that it is highly unlikely that value in use falls below the carrying amount even if key assumptions used in the impairment test fluctuates by a reasonably foreseeable extent.

In addition, out of the total goodwill related to the acquisition of BRIDGESTONE MOBILITY SOLUTIONS B.V. of 62,619 million yen (as of the previous fiscal year-end: 57,768 million yen), the carrying amount allocated to WEBFLEET SOLUTIONS cash-generating unit as of the current fiscal year-end is 56,065 million yen (as of the previous fiscal year-end: 51,722 million yen). The group determines that the amount of the goodwill allocated to cash-generating units other than WEBFLEET SOLUTIONS is not material compared to the amount recorded in the consolidated financial statements.

17. Lease Transactions

Lessee

The Group enters into lease contracts for buildings and structures, etc.

(1) Items related to right-of-use assets

The carrying amount, depreciation and additions to "Right-of-use assets" are as follows:

Carrying amount	Buildings and structures	Other	Total
	Yen in millions	Yen in millions	Yen in millions
Balance at December 31, 2021	235,404	58,662	294,065
Balance at December 31, 2022	244,282	56,996	301,278

Depreciation (Note)	Buildings and structures	Other	Total
	Yen in millions	Yen in millions	Yen in millions
Previous fiscal year (Year ended December 31, 2021)	45,284	12,201	57,485
Current fiscal year (Year ended December 31, 2022)	50,945	12,873	63,818

(Note) Depreciation of right-of-use assets is included in "Cost of sales," "Selling, general and administrative expenses" and "Profit (loss) from discontinued operations" in the consolidated statement of profit or loss.

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Additions to right-of-use assets	60,275	57,326

(2) Expenses and cash outflows for leases

The lease expenses are as follows:

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Interest expense on lease liabilities	5,707	7,480
Recognition exemptions: expenses for short-term leases	1,555	1,473
Recognition exemptions: expenses for leases of low-value assets	482	342
Expense relating to variable lease payments not included in the measurement of lease liabilities	2,747	4,243

Total cash outflows for leases are as follows:

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Total cash outflow for leases	64,507	71,886

(3) Maturity analysis for lease liabilities

The details are presented in Note "35. Financial Instruments (4) Liquidity risk management".

18. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of items giving rise to "Deferred tax assets" and "Deferred tax liabilities" and the changes thereof are as follows:

Previous fiscal year (Year ended December 31, 2021)

	As of January 1, 2021	Recognized in net profit or loss	Recognized in other comprehensive income	Other	As of December 31, 2021
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Deferred tax assets					
Accrued expenses	12,531	(7)	–	1,847	14,371
Retirement benefit liabilities	40,459	(1,975)	(3,425)	1,479	36,538
Unrealized gains	12,331	4,081	–	–	16,412
Unused tax losses carryforward	7,536	5,797	–	651	13,984
Other	44,279	23,843	(143)	(5,884)	62,095
Total deferred tax assets	117,136	31,739	(3,568)	(1,907)	143,400
Deferred tax liabilities					
Property, plant and equipment, and intangible assets	60,056	4,121	–	6,397	70,574
Financial assets	16,364	–	5,994	–	22,358
Reserve for advanced depreciation of fixed assets	17,262	(3,145)	–	–	14,118
Other	2,536	1,051	(21)	(197)	3,369
Total deferred tax liabilities	96,218	2,027	5,973	6,201	110,419
Net deferred tax assets	20,918	29,712	(9,541)	(8,108)	32,981

Current fiscal year (Year ended December 31, 2022)

	As of January 1, 2022	Recognized in net profit or loss	Recognized in other comprehensive income	Other	As of December 31, 2022
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Deferred tax assets					
Accrued expenses	14,371	(1,344)	–	3,182	16,209
Retirement benefit liabilities	36,538	(1,309)	(3,275)	3,056	35,010
Unrealized gains	16,412	10,871	–	–	27,283
Unused tax losses carryforward	13,984	(3,089)	–	(332)	10,563
Other	62,095	(8,440)	1,480	2,123	57,258
Total deferred tax assets	143,400	(3,311)	(1,795)	8,029	146,323
Deferred tax liabilities					
Property, plant and equipment, and intangible assets	70,574	(9,903)	–	8,995	69,666
Financial assets	22,358	–	(6,708)	–	15,650
Reserve for advanced depreciation of fixed assets	14,118	(714)	–	–	13,404
Other	3,369	477	572	271	4,689
Total deferred tax liabilities	110,419	(10,140)	(6,136)	9,266	103,409
Net deferred tax assets	32,981	6,829	4,341	(1,237)	42,914

The breakdown of deferred tax assets and liabilities in the consolidated statement of financial position is as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Deferred tax assets	76,790	81,625
Deferred tax liabilities	43,810	38,712
Net deferred tax assets	32,981	42,914

Deferred tax assets recognized by taxable entities that have suffered a loss in either the previous fiscal year or the current fiscal year are 6,215 million yen and 972 million yen as of December 31, 2021 and 2022, respectively. For recognizing these deferred tax assets, the Group considers if deductible temporary differences and a part or all of unused tax losses carryforward can be used for future taxable income. For an assessment of the recoverability of deferred tax assets, the Group considers deferred tax liabilities planned to be reversed and expected future taxable income and tax planning. As for recognition of deferred tax assets, the Group determines it is highly probable that these tax benefits will be realized based on the taxable income level in the past and the prediction of future taxable income in the period during which deferred tax assets can be recognized.

The deductible temporary differences and unused tax losses carryforward for which deferred tax assets were not recognized are as follows:

(Yen in millions)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Deductible temporary differences	101,371	133,241
Unused tax losses carryforward	182,290	190,404
Total	283,661	323,645

The unused tax losses carryforward and unused tax credits carryforward for which deferred tax assets were not recognized will expire as follows:

(Yen in millions)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Unused tax losses carryforward		
Within five years	27,500	36,089
After five years	154,790	154,315
Total unused tax losses carryforward	182,290	190,404
Unused tax credits carryforward		
Within five years	4,679	1,105
After five years	6,902	5,788
Total unused tax credits carryforward	11,580	6,893

Total temporary differences arising from the investments in subsidiaries and associates or interests in joint arrangements, which are not recognized as deferred tax liabilities as of the previous fiscal year-end and the current fiscal year-end amount to 330,749 million yen and 423,009 million yen, respectively.

Deferred tax liabilities related to the above temporary differences are not recognized as the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse it in the foreseeable future.

(2) Income tax expense

The breakdown of "Income tax expense" is as follows.

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Current income tax expense	68,552	131,651
Deferred income tax expense	(5,318)	(19,198)
Total income tax expense	63,234	112,452

Income taxes recognized on sale of the financial assets measured at fair value through other comprehensive income are as follows:

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Income tax expense	95	148

(3) Reconciliation of effective tax rate

The breakdown of the primary factors contributing to differences between the statutory effective tax rates and the effective income tax rates after adjustments for tax effect accounting is as follows:

The Company is subject to corporation tax, inhabitant tax and business tax. The statutory effective tax rates calculated based on these taxes are 30.6% and 30.6% for the previous fiscal year and the current fiscal year, respectively. However, overseas consolidated subsidiaries are subject to local corporate and other taxes.

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	%	%
Statutory effective tax rate	30.6	30.6
(Adjustments)		
Differences in applicable tax rates of consolidated subsidiaries	(3.9)	(4.1)
Tax adjustments for overseas subsidiaries	1.2	(1.2)
Repayment of capital from a consolidated subsidiary	(8.2)	–
Other	(3.0)	1.3
Effective income tax rates after adjustments for tax effect accounting	16.7	26.6

Effective income tax rates after adjustments for tax effect accounting, which factors in discontinued operations for the previous fiscal year and the current fiscal year were 22.7% and 23.3%, respectively.

(4) Uncertain income tax positions

As for the repayment of capital received from BRIDGESTONE AMERICAS, INC., a consolidated subsidiary, in the previous fiscal year, the Company accounted for the transaction by recognizing deductible expenses as loss on transfer of shares for tax purposes. In the previous fiscal year, the Company excluded some deductible expenses to calculate its taxable income, for accounting purposes, with respect to this matter which gives rise to some uncertain tax treatments under the Japan's tax law. The Company had engaged third-party legal, tax professionals, etc. to consider plausible tax treatments and estimated its taxable income using either the expected value method or the most likely amount method considering various scenarios and assumptions. As a result, although deferred tax assets would be 91,100 million yen higher if all the deductible expenses were included in calculating taxable income, the Company has lowered its deferred tax assets by 60,000 million yen, relative to amounts under the aforementioned treatment. There has been no change in the judgement on the treatment of this matter, and the Company continues the same treatment as the previous fiscal year.

A potential situation whereby such uncertain tax treatment differs from the final interpretation of Japan's tax law according to the tax authorities could materially affect the income tax expense amount of the subsequent fiscal year.

19. Trade and Other Payables

The breakdown of "Trade and other payables" is as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Notes and accounts payable	237,516	296,619
Accounts payable - other	171,203	189,108
Accrued expenses	108,292	121,771
Total	517,010	607,498

Trade and other payables (excluding accrued expenses) are classified as financial liabilities measured at amortized cost.

20. Bonds and Borrowings (Including Other Financial Liabilities)

(1) Breakdown of financial liabilities

The breakdown of "Bonds and borrowings," "Lease liabilities" and "Other financial liabilities" is as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)	Average interest rate (Note 1)	Repayment deadline
	Yen in millions	Yen in millions	%	
Short-term borrowings	62,996	92,247	2.3	–
Current portion of long-term borrowings	46,985	15,620	0.7	–
Current portion of bonds	39,995	–	–	–
Long-term borrowings	47,112	35,928	1.5	January 2024 – November 2027
Bonds	309,560	309,656	0.3	April 2024 – April 2029
Short-term lease liabilities	54,853	56,033	2.6	–
Long-term lease liabilities	249,638	257,684	2.7	January 2024 – October 2105
Other	41,995	52,148	–	–
Total	853,134	819,315	–	–
Current liabilities	231,485	197,973	–	–
Non-current liabilities	621,649	621,343	–	–
Total	853,134	819,315	–	–

(Note 1) "Average interest rate" represents the weighted average interest rates for the interest rates and balances as of the end of the current fiscal year.

(Note 2) Bonds and borrowings are categorized as financial liabilities measured at amortized cost.

The terms for the different bonds that have been issued are summarized below:

(Yen in millions)

Company name	Issue	Issuance date	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)	Interest rate (%)	Collateral	Maturity date
Bridgestone Corporation	The 9th unsecured bonds	April 21, 2017	39,995	–	0.1	None	April 21, 2022
Bridgestone Corporation	The 10th unsecured bonds	April 21, 2017	49,959	49,977	0.2	None	April 19, 2024
Bridgestone Corporation	The 11th unsecured bonds	April 21, 2017	59,914	59,930	0.3	None	April 21, 2027
Bridgestone Corporation	The 12th unsecured bonds	April 19, 2019	49,954	49,974	0.1	None	April 19, 2024
Bridgestone Corporation	The 13th unsecured bonds	April 19, 2019	49,924	49,941	0.2	None	April 17, 2026
Bridgestone Corporation	The 14th unsecured bonds	April 19, 2019	99,808	99,834	0.4	None	April 19, 2029
Total		–	349,554	309,656	–	–	–

(2) Assets pledged as collateral for liabilities

Assets pledged as collateral are as follows:

Assets pledged as collateral	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Cash and cash equivalents	209	219
Property, plant and equipment	494	493
Total	703	712

21. Provisions

"Provisions" is recorded as current liabilities and non-current liabilities in the consolidated statement of financial position.

The breakdown of "Provisions" and the changes are as follows:

Previous fiscal year (Year ended December 31, 2021)

	Provision for compensation for industrial accidents	Provision for loss on litigation	Provision for product warranties	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2021	11,739	16,139	8,975	51,682	88,536
Increase during period	8,229	9,557	3,904	23,346	45,036
Decrease (used)	(8,231)	(5,405)	(6,030)	(31,123)	(50,789)
Decrease (reversed)	(972)	(2,306)	(306)	(6,387)	(9,971)
Exchange difference	1,253	1,696	189	2,324	5,461
Other	–	(80)	65	(4,027)	(4,042)
Balance at December 31, 2021	12,018	19,601	6,797	35,815	74,231

Current fiscal year (Year ended December 31, 2022)

	Provision for compensation for industrial accidents	Provision for loss on litigation	Provision for product warranties	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2022	12,018	19,601	6,797	35,815	74,231
Increase during period	9,089	12,081	21,181	9,180	51,531
Decrease (used)	(11,377)	(9,291)	(5,469)	(10,977)	(37,114)
Decrease (reversed)	(594)	(2,366)	(138)	(2,724)	(5,822)
Exchange difference	1,837	667	229	2,088	4,821
Other	879	413	(72)	50	1,270
Balance at December 31, 2022	11,852	21,105	22,528	33,432	88,917

(1) Provision for compensation for industrial accidents

The Group estimates and records an amount based on past and current experience to prepare for the payment of the medical expenses, the absence from work compensation, etc. incurred as a result of industrial accidents. The outflow of the economic benefits is supposed to occur mainly during the period one year after the end of the current fiscal year.

(2) Provision for loss on litigation

To prepare for the expenditures of litigation-related expenses, the Group estimates and records an amount of compensation for damages, settlement package, etc. that is currently expected to be incurred in the future. The outflow of the economic benefits is supposed to occur mainly within one year from the end of the current fiscal year.

(3) Provision for product warranties

To prepare for the expenditures for after-sales and other services for products sold, the Group estimates and records an amount to be incurred based on past experience. Also, the amount of repair costs relating to the replacement of stainless steel rim products of the affected standard and power assisted bicycles, which is currently expected to be incurred in the future, is recorded as 15,416 million yen in other expenses in the consolidated statement of profit or loss, and the related liability is included in the provision for product warranties following the recall of certain models of standard and power assisted bicycles manufactured by BRIDGESTONE CYCLE CORPORATION, a consolidated subsidiary of the Company. The expected replacement costs are calculated by multiplying the number of rims subject to the recall, replacement costs per unit and an expected replacement rate based on past recalls. The expected timing of future outflow of economic benefits is mainly after one year from the end of the current fiscal year.

(4) Other

"Other" includes asset retirement obligations, provision for environmental expenses, etc.

22. Other Current Liabilities

The breakdown of "Other current liabilities" is as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Bonuses to officers and employees	46,606	50,166
Refund liabilities	33,347	42,028
Provision for unused paid absences	23,125	25,137
Contract liabilities	14,548	18,532
Consumption tax payables	9,228	10,343
Other	24,563	27,134
Total	151,417	173,340

The details of contract liabilities are presented in Note "26. Revenue".

23. Employee Benefits

(1) Post-employment benefits

The Group has adopted both funded and unfunded defined benefit plans and defined contribution plans as retirement benefits for its employees. The funded defined benefit plans are managed by pension funds that are legally segregated from the Group. The board of directors of pension funds and pension trustees are required by law to act in the best interests of the participants and are responsible for managing the plan assets in accordance with the prescribed policies.

The Group's defined benefit plans are exposed to the following risks:

(i) Investment risk

The present value of the defined benefit obligations is calculated based on a discount rate that is determined by reference to market yields on high-grade corporate bonds at the end of fiscal year. In the event that the investment yields for the plan assets fall below the discount rate, there is a risk of reduction in equity because of the worsened funded status.

(ii) Interest rate risk

In the event that the discount rate is reduced due to a decline in market yields on high-grade corporate bonds, the present value of the defined benefit obligations increases, resulting in a risk of reduction in equity because of the worsened funded status.

1) Reconciliation of defined benefit obligations

The changes in the defined benefit obligations are as follows:

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Present value of defined benefit obligations at beginning of period (Note 1)	870,802	737,616
Service cost	15,872	16,041
Interest expense	12,769	15,654
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	6,306	1,422
Actuarial gains and losses arising from changes in financial assumptions	(20,456)	(138,925)
Actuarial gains and losses arising from experience adjustments	1,191	1,681
Past service cost and settlement of plan	(Note 2) (119,466)	(18,635)
Benefits paid	(71,681)	(71,314)
Exchange differences on translation of foreign operations	58,674	71,884
Other	(16,395)	1,050
Present value of defined benefit obligations at end of period (Note 1)	737,616	616,474

(Note 1) The weighted-average durations of the defined benefit obligations of the Group are 13.0 years and 10.9 years as of the previous fiscal year-end and the current fiscal year-end, respectively.

(Note 2) The decrease was mainly due to a buyout of part of retirement benefits conducted by a US subsidiary.

2) Reconciliation of plan assets

The changes in the plan assets are as follows:

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Fair value of the plan assets at beginning of period	700,882	594,285
Interest revenue	10,089	12,513
Remeasurements		
Return on plan assets	6,235	(115,046)
Contribution from employers (Note 1) (Note 2)	22,545	14,697
Benefits paid	(67,740)	(66,676)
Settlement of plan (Note 3)	(115,097)	–
Exchange differences on translation of foreign operations	49,830	60,860
Other	(12,459)	(10,056)
Fair value of the plan assets at end of period	594,285	490,577

(Note 1) The Group and its pension funds, in accordance with the laws and regulations, periodically conduct financial verifications and recalculate the amount of contributions for the purpose of appropriating funds for future benefit accruals and maintaining a balanced pension fund in case of a deficit.

(Note 2) The Group plans to make contribution of 15,053 million yen in the subsequent fiscal year.

(Note 3) The decrease was due to a buyout of part of retirement benefits conducted by a US subsidiary.

3) Reconciliation of defined benefit obligations and plan assets

The relationship between the defined benefit obligations, the plan assets and the defined benefit liabilities (assets) in the consolidated statement of financial position is as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Present value of the funded defined benefit obligations	658,773	549,374
Fair value of the plan assets	(594,285)	(490,577)
Subtotal	64,488	58,797
Present value of the unfunded defined benefit obligations	78,843	67,099
Effect of asset ceiling	396	9,782
Defined benefit liabilities (assets)	143,727	135,678
Amounts on the consolidated statement of financial position		
Retirement benefit liabilities	171,981	155,112
Retirement benefit assets	(28,254)	(19,434)
Defined benefit liabilities (assets) in the consolidated statement of financial position	143,727	135,678

4) Major components of plan assets

The major components of plan assets by category are as follows:

	Previous fiscal year (As of December 31, 2021)			Current fiscal year (As of December 31, 2022)		
	Quoted price in active markets		Total	Quoted price in active markets		Total
	Quoted	Unquoted		Quoted	Unquoted	
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Debt instruments	294,715	5,222	299,937	221,649	7,107	228,756
Japan	10,034	1,066	11,100	8,495	2,434	10,929
Overseas	284,681	4,156	288,837	213,154	4,673	217,827
Equity instruments	29,373	12,853	42,226	26,776	9,770	36,546
Japan	1,157	–	1,157	856	–	856
Overseas	28,216	12,853	41,069	25,920	9,770	35,690
Cash and cash equivalents	25,087	32,560	57,647	20,987	20,919	41,906
Alternative investments (Note)	51,754	90,312	142,066	51,123	78,616	129,739
Other	1,010	51,399	52,409	851	52,779	53,630
Total	401,939	192,346	594,285	321,386	169,191	490,577

(Note) Alternative investments include investments, such as trusteed pension assets, real estate fund, and hedge fund, etc.

The investment management policy of the Group for the major plans is as follows:

(Japan)

The Company’s policy aims for managing plan assets to secure stable returns over the medium to long term so that it can ensure payment of defined benefit obligations in the future, in accordance with internal regulations. More specifically, the Group sets a target return and asset allocation that is within the range of tolerable risk defined annually, and it manages its managing assets by keeping such allocation. When assessing the asset allocation, the Group examines whether to introduce the type of plan assets that is closely linked to changes in defined benefit obligations.

Furthermore, in the event of an unexpected event in the market environment, the Group is able to temporarily adjust the weighting of risk assets in accordance with the internal regulations.

(Overseas)

The policies for managing plan assets of these foreign subsidiaries are established by pension trustees and the managements of these foreign subsidiaries in accordance with the laws of each country. The objective of such policies is to secure investment income that exceeds the changes in the value of liabilities while managing the risks arising from defined benefit obligations.

The core part of the plan assets is invested in bonds linked to the defined benefit obligations. The remaining part of the plan assets is invested mainly in the stocks to earn long-term income.

5) Reconciliation of the effect of the asset ceiling

The changes in the effect of the asset ceiling are as follows:

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Effect of asset ceiling at beginning of period	367	396
Remeasurements		
Change in the effect of asset ceiling	(8)	9,367
Exchange differences on translation of foreign operations	37	19
Effect of asset ceiling at end of period	396	9,782

6) Items related to actuarial assumptions

Significant actuarial assumptions for each fiscal year are as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	%	%
Discount rate	2.1	4.0

(Note) Valuation of the defined benefit obligations includes a judgment of future uncertain events. Sensitivity of the defined benefit obligation to changes in the major base rate as of the end of the fiscal year is as follows: Although the sensitivity assumes that all the other variables remain constant, practically they do not always change independently. Negative figures represent a decrease in the defined benefit obligations and positive figures an increase in them.

	Changes in base rate	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
		Yen in millions	Yen in millions
Discount rate	0.5% increase	(58,154)	(45,285)
	0.5% decrease	61,552	55,755

7) Defined contribution plan

The amounts of contributions paid to the defined contribution plan are 14,819 million yen and 19,439 million yen for the previous fiscal year and the current fiscal year, respectively.

(2) Employee benefit expenses

Employee benefit expenses that are included in “Cost of sales,” “Selling, general and administrative expenses,” “Other expenses,” “Finance costs” and “Profit (loss) from discontinued operations” in the consolidated statement of profit or loss are as follows:

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Employee benefit expenses	14,183	8,915

24. Equity and Other Components of Equity

(1) Common stock and capital surplus

The Companies Act provides that at least half of the paid-in capital shall be appropriated as common stock, and the remaining amount may be appropriated as legal capital surplus within capital surplus. The Companies Act also provides that legal capital surplus may be appropriated as common stock pursuant to a resolution at the shareholders’ meeting.

1) Number of shares authorized

The numbers of authorized shares are 1,450,000,000 shares and 1,450,000,000 shares as of the previous fiscal year-end and the current fiscal year-end, respectively.

2) Number of shares issued and fully paid

The changes in the number of shares issued and the balances of common stock and capital surplus are as follows:

	Number of issued shares of common stock	Common stock	Capital surplus
	Shares	Yen in millions	Yen in millions
Beginning of the previous fiscal year (As of January 1, 2021)	713,698,221	126,354	122,116
Increase (decrease)	–	–	10
Previous fiscal year (As of December 31, 2021)	713,698,221	126,354	122,126
Increase (decrease)	–	–	(2,609)
Current fiscal year (As of December 31, 2022)	713,698,221	126,354	119,517

(Note) The shares issued by the Company are shares of common stock with no par value and have no restrictions on any rights.

(2) Treasury stock

The changes in the number of shares and balance of treasury stock are as follows:

	Number of shares	Amount
	Shares	Yen in millions
Beginning of the previous fiscal year (As of January 1, 2021)	9,566,508	38,657
Increase (decrease) (Note 2)	(132,294)	(533)
Previous fiscal year (As of December 31, 2021)	9,434,214	38,123
Increase (decrease) (Note 3)	19,914,524	98,690
Current fiscal year (As of December 31, 2022)	29,348,738	136,814

(Note 1) The Company has adopted the stock option and appropriated shares of treasury stock for the delivery of shares upon exercise of these options. The terms of the contract and the amounts, etc. are presented in Note "34. Share-based Payment".

(Note 2) The main factors of the increase (decrease) in treasury stock during the previous fiscal year were an increase due to the purchase of shares less than one unit and a decrease due to the exercise of stock options.

(Note 3) The main factors of the increase (decrease) in treasury stock during the current fiscal year were an increase due to acquisition based on a resolution of the Board of Directors, a decrease due to exercise of stock options, and a decrease due to disposal as PSUs and restricted share-based remuneration.

Note, the number of treasury stock acquired based on the resolution of the Board of Directors in the current fiscal year was 20,225,300 shares and the total acquisition amount was 100,000 million yen.

(3) Other components of equity

1) Stock acquisition rights

The Company has adopted the stock option plan and issued stock acquisition rights in accordance with the Companies Act. The terms of the contract and the amounts, etc. are presented in Note "34. Share-based Payment".

2) Exchange differences on translation of foreign operations

The exchange differences on translation of foreign operations occur when the financial statements of the foreign operations prepared using foreign currencies are consolidated.

3) Effective portion of change in fair value of cash flow hedges

The Company hedges the fluctuation risk of variability in future cash flows through hedges, and this is the portion of the changes in fair value of the derivative instruments designated as cash flow hedges, which are deemed to be effective.

4) Net change in fair value of financial assets measured through other comprehensive income

This is the valuation difference of the fair values of financial assets measured through other comprehensive income.

5) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans include actuarial gains and losses that arise from the present value of defined benefit obligations, the return on plan assets (except for amounts included in net interest), and changes in the effect of the asset ceiling (except for amounts included in net interest).

They are recognized in other comprehensive income when they arise, and reclassified from other components of equity to retained earnings immediately.

(4) Retained earnings

The Companies Act provides that an amount equal to 10% of the dividends paid from surplus shall be transferred to legal capital surplus and legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings equals 25% of the nominal value of common stock. The amount accumulated in legal retained earnings may be used to offset deficit. Furthermore, such legal retained earnings may be reversed pursuant to a resolution at the shareholders' meeting.

25. Dividends

(1) The amount of dividends paid

Previous fiscal year (Year ended December 31, 2021)

	Class of stock	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Yen in millions	Yen		
Annual Shareholders' Meeting, March 26, 2021	Common stock	42,248	60	December 31, 2020	March 29, 2021
Board of Directors' Meeting, August 10, 2021	Common stock	59,859	85	June 30, 2021	September 1, 2021

Current fiscal year (Year ended December 31, 2022)

	Class of stock	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Yen in millions	Yen		
Annual Shareholders' Meeting, March 23, 2022	Common stock	59,863	85	December 31, 2021	March 24, 2022
Board of Directors' Meeting, August 10, 2022	Common stock	59,180	85	June 30, 2022	September 1, 2022

(2) Dividends that will be effective in the subsequent fiscal year of the record date

Previous fiscal year (Year ended December 31, 2021)

	Class of stock	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Yen in millions	Yen		
Annual Shareholders' Meeting, March 23, 2022	Common stock	59,863	85	December 31, 2021	March 24, 2022

Current fiscal year (Year ended December 31, 2022)

	Class of stock	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Yen in millions	Yen		
Annual Shareholders' Meeting, March 28, 2023	Common stock	61,592	90	December 31, 2022	March 29, 2023

26. Revenue

(1) Disaggregation of revenue

The breakdown of revenue from continuing operations is as follows.

Previous fiscal year (Year ended December 31, 2021)

(Yen in millions)

	Reportable segments					Other	Corporate or elimination	Consolidated total
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total			
Tires	567,266	1,404,814	686,140	328,817	2,987,038	19,159	28	3,006,225
Other (Note 1)	199,871	38,944	–	–	238,816	1,016	–	239,832
Total external revenue	767,138	1,443,758	686,140	328,817	3,225,853	20,175	28	3,246,057
Revenue recognized from contracts with customers	750,688	1,439,323	677,524	328,817	3,196,352	20,175	28	3,216,555
Revenue recognized from other sources (Note 2)	16,450	4,436	8,616	–	29,502	–	–	29,502

(Note 1) “Other” includes businesses such as chemical and industrial products, sporting goods and bicycles that the Company operates in.

(Note 2) Revenue recognized from other sources includes lease income based on IFRS 16.

Current fiscal year (Year ended December 31, 2022)

(Yen in millions)

	Reportable segments					Other	Corporate or elimination	Consolidated total
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total			
Tires	669,476	1,921,055	856,443	376,713	3,823,688	15,813	40	3,839,540
Other (Note 1)	220,215	49,221	–	–	269,436	1,094	–	270,530
Total external revenue	889,692	1,970,276	856,443	376,713	4,093,124	16,907	40	4,110,070
Revenue recognized from contracts with customers	867,200	1,964,477	843,522	376,713	4,051,912	16,907	40	4,068,858
Revenue recognized from other sources (Note 2)	22,492	5,799	12,921	–	41,212	–	–	41,212

(Note 1) “Other” includes businesses such as chemical and industrial products, sporting goods and bicycles that the Company operates in.

(Note 2) Revenue recognized from other sources includes lease income based on IFRS 16.

(2) Contract balances

Contract balances of the Group consist of receivables, contract assets and contract liabilities arising from contracts with customers. In the consolidated statement of financial position, receivables arising from contracts with customers are presented as “Trade and other receivables,” while the contract assets and contract liabilities are as follows:

(Yen in millions)

	Beginning of the previous fiscal year (As of January 1, 2021)	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Contract assets	1,184	1,851	4,953
Contract liabilities	39,277	18,404	23,117

A significant change in the balance of contract liabilities during the previous fiscal year, was due to the sale of FSBP classified as discontinued operations which accounted for a decrease of 25,643 million yen. Details are presented in Note “31. Discontinued Operations” and Note “37. Subsidiaries and Associates, etc. (2) Loss of control of subsidiaries”. The beginning balances of 13,267 million yen and 14,548 million yen of contract liabilities for the previous fiscal year and the current fiscal year are recognized as revenue in each fiscal year. The amount of revenue recognized in the current fiscal year from performance obligations satisfied in the previous periods is not material.

The contract assets are presented as “Other current assets” and “Other non-current assets” in the consolidated statement of financial position.

The contract assets primarily relate to unbilled accounts receivable on product design and development for customers.

Generally, contract assets increase when the Company transfers goods or services to customers before the customers pay consideration or the payment is due (excluding receivables for which the right to consideration is unconditional), and decrease when the Company bills customers.

The contract liabilities are presented as “Other current liabilities” and “Other non-current liabilities” in the consolidated statement of financial position.

The contract liabilities, except for contract liabilities related to FSBP, which were reduced by sales, primarily relate to advances received from customers in association with maintenance services for automobiles.

Generally, contract liabilities increase when the Company receives consideration from customers before the Company transfers goods or services to the customers, and decrease when the Company satisfies its performance obligations.

(3) Transaction price allocated to the remaining performance obligations

The amounts of revenue from continuing operations related to the unsatisfied (or partially unsatisfied) performance obligations that is expected to be recognized in the future at the end of the fiscal year are as follows:

(Yen in millions)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Within one year	25,725	29,719
Over one year and within five years	36,503	51,799

As the Group has applied the practical expedient provided in paragraph 121 of IFRS 15, it does not disclose information about the remaining performance obligation that has an original expected duration of one year or less. Among consideration from contracts with customers, there is no significant amount that is not included in transaction price.

27. Selling, General and Administrative Expenses

The breakdown of “Selling, general and administrative expenses” is as follows:

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Freight	187,315	264,847
Advertising and sales promotional expenses	84,409	106,913
Employee benefit expenses	279,533	325,507
Depreciation and amortization	89,785	101,406
Research and development expenses (Note)	95,480	112,192
Other	192,099	247,660
Total	928,620	1,158,523

(Note) All research and development expenses recognized as expenses are included in “Selling, general and administrative expenses”.

28. Other Income and Other Expenses

The breakdown of “Other income” and “Other expenses” is as follows:

(1) Other income

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Gain on sale of fixed assets	3,470	14,246
Business and plant restructuring income (Note 1)	2,562	4,942
Other	8,532	19,923
Total	14,565	39,111

(Note 1) The breakdown of “Business and plant restructuring income” is presented in Note “6. Operating Segments”.

(2) Other expenses

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Impairment losses (Note 2)	3,734	17,492
Business and plant restructuring expenses (Note 3)	13,757	7,435
Loss on retirement of fixed assets	4,031	2,576
Other	4,068	5,035
Total	25,590	32,538

(Note 2) The breakdown of “Impairment losses” is presented in Note “16. Impairment of Non-financial Assets”.

(Note 3) The breakdown of "Business and plant restructuring expenses" is presented in Note "6. Operating Segments".

29. Finance Income and Finance Costs

The breakdown of "Finance income" and "Finance costs" is as follows:

(1) Finance income

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Interest income (Note)	8,502	15,708
Dividend income (Note)	2,222	2,224
Other	83	351
Total	10,807	18,283

(2) Finance costs

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Interest expenses (Note)	11,299	14,122
Foreign currency exchange loss	899	19,059
Net interest of defined benefit plans	2,481	3,041
Other	1,539	5,676
Total	16,219	41,898

(Note) "Interest income" and "Interest expenses" arise from financial assets and financial liabilities measured at amortized cost respectively.

In addition, "Dividend income" arises from financial assets measured at fair value through other comprehensive income.

30. Other Comprehensive Income

The analysis of "Other comprehensive income" by item in terms of the amount that occurred during each fiscal year, the amount reclassified to profit or loss and the impact of tax effects are as follows:

Previous fiscal year (Year ended December 31, 2021)

	Amount that occurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Items that will not be reclassified to profit or loss					
Net change in fair value of financial assets measured through other comprehensive income	19,701	–	19,701	(5,255)	14,446
Remeasurements of defined benefit plans	19,741	–	19,741	(3,425)	16,316
Share of other comprehensive income of investments accounted for using equity method	(18)	–	(18)	–	(18)
Total of items that will not be reclassified to profit or loss	39,424	–	39,424	(8,681)	30,743
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	163,596	–	163,596	–	163,596
Effective portion of change in fair value of cash flow hedges	(2,612)	2,974	362	(98)	264
Share of other comprehensive income of investments accounted for using equity method	(3,489)	(87)	(3,576)	–	(3,576)
Total of items that may be reclassified to profit or loss	157,496	2,887	160,383	(98)	160,285
Total	196,920	2,887	199,807	(8,779)	191,028

Current fiscal year (Year ended December 31, 2022)

	Amount that occurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Items that will not be reclassified to profit or loss					
Net change in fair value of financial assets measured through other comprehensive income	(28,340)	–	(28,340)	8,607	(19,733)
Remeasurements of defined benefit plans	11,332	–	11,332	(3,275)	8,057
Share of other comprehensive income of investments accounted for using equity method	(0)	–	(0)	–	(0)
Total of items that will not be reclassified to profit or loss	(17,009)	–	(17,009)	5,332	(11,677)
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	258,117	–	258,117	–	258,117
Effective portion of change in fair value of cash flow hedges	(8,312)	12,105	3,793	(1,089)	2,704
Share of other comprehensive income of investments accounted for using equity method	10,449	(230)	10,220	–	10,220
Total of items that may be reclassified to profit or loss	260,255	11,875	272,130	(1,089)	271,041
Total	243,246	11,875	255,121	4,243	259,364

31. Discontinued Operations

(1) US building materials business

BRIDGESTONE AMERICAS, INC., a U.S. subsidiary of the Company, has concluded an agreement with LafargeHolcim Ltd., a Swiss building materials manufacturer, regarding the sale of FSBP, a subsidiary of BRIDGESTONE AMERICAS, INC. in the Americas segment, to Holcim Participations (US) Inc., the U.S. subsidiary of LafargeHolcim Ltd., on January 6, 2021 (local time), and the sale was completed on March 31, 2021.

Therefore, FSBP and its subsidiaries are classified as discontinued operations.

1) Profit or loss from discontinued operations

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Profit or loss from discontinued operations		
Income (Note)	352,134	(620)
Expenses	(41,822)	–
Profit (loss) before tax from discontinued operations	310,312	(620)
Income tax expense (Note)	(78,331)	27
Profit (loss) from discontinued operations	231,980	(594)

(Note) A gain on sale of 303,521 million yen relating to the transfer of FSBP was included in the previous fiscal year.

The income tax expense corresponding to that was (71,045) million yen.

An adjustment of (620) million yen on gain on sale relating to the change in the sales price of FSBP was included in the current fiscal year.

The income tax expense corresponding to that was 157 million yen.

2) Cash flow from discontinued operations

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	(307)	–
Net cash provided by (used in) investing activities	356,520	(1,359)
Net cash provided by (used in) financing activities	–	–
Total	356,213	(1,359)

(2) Anti-vibration rubber business

On December 10, 2021, the Company made the decision to transfer its anti-vibration rubber business (hereinafter the “Business Operations”) to AZ. This entails the Company establishing a new wholly owned subsidiary (hereinafter “PROSPIRA CORPORATION”) to which it would transfer the Business Operations by carrying out an absorption-type demerger (hereinafter the “Corporate Demerger”), then integrating the Business Operations of the Group into PROSPIRA CORPORATION, and subsequently transferring all shares of PROSPIRA CORPORATION to AZ (hereinafter the “Share Transfer,” with the Corporate Demerger and the Share Transfer hereinafter referred to as the “Business Transaction”). The Group completed the Business Transaction on September 1, 2022. The Group plans to conduct separate transfer targeting a company at a later time.

The Group has accordingly classified the Business Operations of the Company, BRIDGESTONE APM COMPANY, and BRIDGESTONE NCR CO., LTD. (hereinafter BSNCR; Note) as discontinued operations as well as PROSPIRA CORPORATION, PROSPIRA MANUFACTURING JAPAN CO., LTD, PROSPIRA NTEC JAPAN CO., LTD, PROSPIRA INDIA AUTOMOTIVE PRODUCTS PRIVATE LIMITED, PROSPIRA (THAILAND) CO., LTD., PROSPIRA AMERICA CORPORATION and PROSPIRA CHINA CO., LTD.

(Note) BRIDGESTONE NCR CO., LTD. changed its name to BRIDGESTONE INDUSTRIAL PRODUCTS (THAILAND) CO., LTD. effective January 4, 2023.

1) Profit or loss from discontinued operations

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Profit or loss from discontinued operations		
Income	58,583	49,901
Expenses (Note)	(173,471)	(64,856)
Loss before tax from discontinued operations	(114,888)	(14,955)
Income tax expense (Note)	18,394	9,350
Loss from discontinued operations	(96,494)	(5,605)

(Note) Expenses for the previous fiscal year included a loss on business transfer of 7,452 million yen and a loss of 97,715 million yen recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell, both of which were recognized upon having concluded a contract with AZ. Income tax expense includes effects of 18,372 million yen recognized as deferred tax assets against a loss on business transfer incurred upon having concluded a contract with AZ and a loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell.

Expenses for the current fiscal year included a loss on business transfer to AZ of 4,254 million yen and a loss of 6,147 million yen recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell. The income tax expense corresponding to that is 4,294 million yen.

In addition, the Company consulted with external tax professionals to determine whether loss for tax purposes against loss on business transfer incurred when executing the business transfer should be recognized (applicability of deductible temporary difference).

2) Cash flow from discontinued operations

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	(12,973)	(10,197)
Net cash provided by (used in) investing activities	(2,527)	(86,825)
Net cash provided by (used in) financing activities	(142)	(66)
Total	(15,642)	(97,088)

(3) Chemical products solutions business

On December 10, 2021, the Company made the decision to transfer its chemical products solutions business (hereinafter the “Business Operations”) to EUF-2. This entails the Company establishing a new wholly owned subsidiary (hereinafter “ARCHEM INC.”) to which it would transfer the Business Operations by carrying out an absorption-type demerger (hereinafter the “Corporate Demerger”), then integrating the Business Operations of the Group into ARCHEM INC., and subsequently transferring all shares of ARCHEM INC. to EUF-2, which is structured, managed, and operated by EU (hereinafter the "Share Transfer," with the Corporate Demerger and the Share Transfer hereinafter referred to as the "Business Transaction"). The Group completed the Business Transaction on August 1, 2022. The Group plans to conduct separate transfer targeting a company at a later time.

The Group has accordingly classified Business Operations of the Company, BSNCR, and BRIDGESTONE PRECISION MOLDING PHILIPPINES, INC., as discontinued operations as well as BRIDGESTONE CHEMITECH CO., LTD. (BSCT), BRIDGESTONE DIVERSIFIED CHEMICAL PRODUCTS CO., LTD. (BDCP), ARCHEM INC., BRIDGESTONE APM FOAMING COMPANY, BRIDGESTONE CHEMICAL PRODUCTS MALAYSIA SDN. BHD., ARCHEM (THAILAND) CO., LTD., BRIDGESTONE ELECTRONIC MATERIALS (HONG KONG) Ltd. (BEM), BRIDGESTONE (KAIPING) DIVERSIFIED PRODUCTS CO., LTD., GUANGZHOU ARCHEM AUTO COMPONENT CO., LTD., and ARCHEM (WUHAN) CO., LTD.

1) Profit or loss from discontinued operations

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Profit or loss from discontinued operations		
Income (Note)	56,132	42,295
Expenses (Note)	(111,049)	(51,534)
Loss before tax from discontinued operations	(54,918)	(9,239)
Income tax expense (Note)	5,600	10,297
Profit (loss) from discontinued operations	(49,317)	1,058

(Note) Expenses for the previous fiscal year included a loss on business transfer of 4,056 million yen incurred upon having concluded a contract with EU, and a loss of 44,996 million yen recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell. Income tax expense includes effects of 5,362 million yen recognized as deferred tax assets against a loss on business transfer incurred upon having concluded a contract with EU and a loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell.

Expenses for the current fiscal year included a gain on business transfer to EU of 5,691 million yen and a loss of 13,014 million yen recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell. The income tax expense corresponding to that is 5,080 million yen.

In addition, the Company consulted with external tax professionals to determine whether loss for tax purposes against loss on business transfer incurred when executing the business transfer should be recognized (applicability of deductible temporary difference).

2) Cash flow from discontinued operations

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	(5,225)	(2,949)
Net cash provided by (used in) investing activities	(3,459)	(37,854)
Net cash provided by (used in) financing activities	(846)	(368)
Total	(9,530)	(41,172)

32. Earnings per Share

(1) Basic earnings (loss) per share

Basic earnings (loss) per share and its basis for the calculation are as follows:

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Profit attributable to owners of parent (Yen in millions)	394,037	300,367
Profit not attributable to common shareholders of parent (Yen in millions)	–	–
Profit used for calculating basic earnings per share (Yen in millions)	394,037	300,367
Profit from continuing operations used for calculating basic earnings per share (Yen in millions)	307,868	305,508
Profit (loss) from discontinued operations used for calculating basic earnings per share (Yen in millions)	86,168	(5,141)
Weighted-average number of shares of common stock (Thousands of shares)	704,192	694,823
Basic earnings (loss) per share		
Continuing operations (Yen)	437.19	439.69
Discontinued operations (Yen)	122.37	(7.40)
Basic earnings (loss) per share (Yen)	559.56	432.29

(2) Diluted earnings (loss) per share

Diluted earnings (loss) per share and its basis for the calculation are as follows:

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Profit used for calculating basic earnings per share (Yen in millions)	394,037	300,367
Adjustment to profit (Yen in millions)	–	–
Profit used to calculate diluted earnings per share (Yen in millions)	394,037	300,367
Profit from continuing operations used to calculate diluted earnings per share (Yen in millions)	307,868	305,508
Profit (loss) from discontinued operations used to calculate diluted earnings per share (Yen in millions)	86,168	(5,141)
Weighted-average number of shares of common stock (Thousands of shares)	704,192	694,823
Increase in common stock		
Increase from stock options (Thousands of shares)	1,067	953
Weighted-average number of shares of common stock after dilution (Thousands of shares)	705,258	695,776
Diluted earnings (loss) per share		
Continuing operations (Yen)	436.53	439.09
Discontinued operations (Yen)	122.18	(7.39)
Diluted earnings (loss) per share (Yen)	558.71	431.70

33. Cash Flow Information

Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities are as follows:

Previous fiscal year (Year ended December 31, 2021)

	As of January 1, 2021	Changes with cash flows	Changes without cash flows			As of December 31, 2021
			Acquisition	Exchange differences on translation of foreign operations	Other	
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Long-term borrowings	170,902	(82,539)	–	5,734	–	94,097
Short-term borrowings	185,693	(125,614)	–	2,918	–	62,996
Bonds	349,442	–	–	–	112	349,554
Lease liabilities	300,153	(59,689)	62,354	12,124	(10,451)	304,491
Total liabilities related to financing activities	1,006,190	(267,842)	62,354	20,775	(10,339)	811,139

Current fiscal year (Year ended December 31, 2022)

	As of January 1, 2022	Changes with cash flows	Changes without cash flows			As of December 31, 2022
			Acquisition	Exchange differences on translation of foreign operations	Other	
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Long-term borrowings	94,097	(53,560)	–	11,010	–	51,548
Short-term borrowings	62,996	21,595	–	7,655	–	92,247
Bonds	349,554	(40,000)	–	–	102	309,656
Lease liabilities	304,491	(65,810)	59,651	21,752	(6,368)	313,716
Total liabilities related to financing activities	811,139	(137,775)	59,651	40,418	(6,266)	767,167

34. Share-based Payment

The Company has adopted the stock option plan, the PSU plan, the RSU, etc. plan and restricted share-based remuneration plan. The details of the stock option plan are presented in “1. Information on Stock, etc.” of “IV. Information about Reporting Company,” and those of the PSU, the RSU, etc. in “4. Corporate Governance, etc.” of “IV. Information about Reporting Company”.

(1) Stock option plan

The Group has not granted any new stock options since July 5, 2017.

1) Terms of the contracts, etc.

	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 26, 2009	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 30, 2010	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 29, 2011	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 27, 2012
Persons granted	Nine directors of the Company and 20 corporate officers not concurrently serving as directors of the Company	Eight directors of the Company and 25 corporate officers not concurrently serving as directors of the Company	Nine directors of the Company and 36 corporate officers not concurrently serving as directors of the Company	Nine directors of the Company and 35 corporate officers not concurrently serving as directors of the Company
Class and number of shares granted	Common stock: 110,000 shares	Common stock: 118,500 shares	Common stock: 154,500 shares	Common stock: 202,000 shares
Date of grant	May 1, 2009	May 6, 2010	May 2, 2011	May 1, 2012
Vesting conditions	No vesting condition	No vesting condition	No vesting condition	No vesting condition
Target service period	No specified service period	No specified service period	No specified service period	No specified service period
Exercise period	From May 1, 2009 to April 30, 2029	From May 6, 2010 to April 30, 2030	From May 2, 2011 to April 30, 2031	From May 1, 2012 to April 30, 2032

	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 26, 2013	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 25, 2014	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 24, 2015	Resolution at Board of Directors’ Meeting held on April 21, 2016
Persons granted	Four directors of the Company and 36 corporate officers not concurrently serving as directors of the Company	Four directors of the Company and 46 corporate officers not concurrently serving as directors of the Company	Three directors of the Company and 48 corporate officers not concurrently serving as directors of the Company	Two directors of the Company excluding non-executive directors, eight executive officers not concurrently serving as directors and 41 corporate officers
Class and number of shares granted	Common stock: 196,000 shares	Common stock: 131,900 shares	Common stock: 142,500 shares	Common stock: 208,800 shares
Date of grant	May 1, 2013	May 1, 2014	May 1, 2015	May 6, 2016
Vesting conditions	No vesting condition	No vesting condition	No vesting condition	No vesting condition
Target service period	No specified service period	No specified service period	No specified service period	No specified service period
Exercise period	From May 1, 2013 to April 30, 2033	From May 1, 2014 to April 30, 2034	From May 1, 2015 to April 30, 2035	From May 7, 2016 to May 6, 2036

	Resolution at Board of Directors' Meeting held on April 27, 2017 Plan A	Resolution at Board of Directors' Meeting held on April 27, 2017 Plan B
Persons granted	Two directors of the Company excluding non-executive directors, five executive officers not concurrently serving as directors and 45 corporate officers	One executive officer not concurrently serving as director and two corporate officers
Class and number of shares granted	Common stock: 206,500 shares	Common stock: 14,300 shares
Date of grant	May 12, 2017	July 5, 2017
Vesting conditions	No vesting condition	No vesting condition
Target service period	No specified service period	No specified service period
Exercise period	From May 13, 2017 to May 12, 2037	From July 6, 2017 to July 5, 2037

2) Changes in the number of stock options

	Previous fiscal year (Year ended December 31, 2021)		Current fiscal year (Year ended December 31, 2022)	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
	Shares	Yen	Shares	Yen
Balance at beginning of period	1,084,000	1	1,025,200	1
Effect of share split	–	–	–	–
Granted	–	–	–	–
Exercised	58,800	1	142,800	1
Forfeited	–	–	–	–
Balance at end of period	1,025,200	1	882,400	1
Exercisable balance as of end of period	1,025,200	1	882,400	1

(Note 1) The number of stock options is presented by converting it into the number of shares.

(Note 2) All the stock options have been granted at an exercise price of 1 yen per share.

(Note 3) The weighted-average stock price of the exercised stock options at exercise during the period is 4,855 yen for the current fiscal year. As for the previous fiscal year, it was 4,991 yen.

(Note 4) The weighted-average remaining contractual lives of the outstanding stock options as of the previous fiscal year-end and the current fiscal year-end were 12.5 years and 11.8 years, respectively.

(2) PSU

As previously mentioned, the Company has introduced the PSU.

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Number of shares granted (Shares)	37,200	71,200
Weighted-average fair value at grant date (Yen)	4,393	5,052

(Note) The carrying amounts of liabilities arising from share-based remuneration transactions are 1,243 million yen and 1,224 million yen as of the previous fiscal year-end and the current fiscal year-end, respectively.

(3) RSU, etc.

As previously mentioned, the Company has introduced the RSU, etc.

There were no carrying amounts of liabilities arising from share-based remuneration transactions as of the end of the previous fiscal year. As of the end of the current fiscal year, it was 260 million yen.

(4) Restricted share-based remuneration plan

The Company has introduced a share-based remuneration plan to grant restricted shares to corporate executive managers and executive managers from January 2021 with the aim of sharing values with shareholders regarding stock price fluctuation, thereby incentivizing them to make a contribution toward an increase in the stock price and corporate values of the Company.

This plan grants allotment of the Company's common stock to those eligible for the allotment by providing monetary remuneration claims, and those eligible persons pay all of said monetary remuneration claims in the form of contribution in kind. The Company concludes a restricted share allotment agreement with those eligible for the allotment whereby they are restricted to transfer the allotted common stock of the Company to a third party, pledge them as collateral and dispose of them for a certain period prescribed in the allotment agreement (hereinafter, the "Transfer Restriction Period") (such restrictions are hereinafter referred to as the "Transfer Restriction").

The Transfer Restriction shall be lifted for all of the restricted shares as of the expiry of the Transfer Restriction Period on the condition that those eligible for the allotment continued to assume the positions of corporate executive manager and executive manager (hereinafter, the "Positions Eligible for Allotment") during the Transfer Restriction Period. However, when those eligible for the allotment lose the status of Positions Eligible for Allotment of the Company before the expiry of the Transfer Restriction Period with a reason deemed valid by the Global CEO following the deliberations of Officer Nomination and Compensation Meeting of the Company, the Transfer Restriction shall be lifted at a point in time immediately following the said loss of the positions. Meanwhile, when there are shares for which the Transfer Restriction is not lifted as of the expiry of the Transfer Restriction Period, the Company will acquire such restricted shares without consideration per its scheme.

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Note 2) (Year ended December 31, 2022)
Date of grant	May 31, 2021	From February 28, 2022 to March 31, 2022
Number of shares granted (Shares)	38,700	104,800
Fair value at grant date (Yen) (Note 1)	3,578	4,915
Settlement method	Equity-settled	Equity-settled
Transfer Restriction Period	From May 31, 2021 to December 31, 2023	From February 28, 2022 to February 28, 2025

(Note 1) Fair value is measured based on the average of the daily closing prices of the Company's common stock on the Tokyo Stock Exchange for the one month immediately preceding the resolution date of the Board of Directors.

(Note 2) This includes Special Award granted in February 2022 to the executive officers.

(5) Share-based remuneration expenses

Share-based remuneration expenses included in the “Selling, general and administrative expenses” in the consolidated statement of profit or loss are as follows:

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Stock option	–	–
PSU	1,407	997
RSU, etc.	–	260
Restricted share-based remuneration	138	515

35. Financial Instruments

(1) Capital management

The Group conducts capital management with the aim of increasing capital efficiency to realize maintaining a proper financial constitution and return to stockholders, while securing the internal reserves necessary for “Restructuring of the earning power on our core business,” “Strategic investments for growth for the expansion of our growing solution business” and “Strategic investments for growth on exploring businesses”.

As management indicators, the Group utilizes ROE and ROIC as items to be managed for measuring capital efficiency. The Group will also enhance to restructuring and actions based on a financial strategic foundation which supports the Mid-Term Management Plan through the realization of portfolio management by “Restructuring of the earning power” using ROIC and conducting a financial assessment at the planning and acting stage of investments.

(2) Matters related to risk management

The Group is exposed to financial risks (e.g., credit risk, liquidity risk, foreign exchange fluctuation risk, interest rate fluctuation risk and market price fluctuation risk) in the process of its management activities and it manages risks based on a specific policy in order to avoid said risks.

(3) Credit risk management

The Group is exposed to credit risk such as a counterparty’s default on contractual obligations resulting in financial losses to the Group. With respect to trade receivables, the Group regularly monitors the financial position of significant customers and manage the due dates and the receivables balance of each customer to promptly detect and minimize the risk of defaults resulting from deterioration of a customer’s financial position, and when full or partial collection of the receivables is considered impossible, or extremely difficult, it is deemed to be a default. The Group enters into derivative transactions only with highly rated financial institutions in order to minimize counterparty risk.

The carrying amounts after impairment presented in the consolidated statement of financial position represent the Group’s maximum exposure to credit risk of financial assets.

The Group’s credit risk exposure related to notes and accounts receivable, etc. is as follows: The Group measures the future expected credit losses to record allowance for doubtful accounts on notes and accounts receivable, etc., taking into account probability of recoverability and if there has been a significant increase in credit risk, etc. Whether credit risk increases significantly or not, it is assessed based on the changes in the default risk. For this purpose, the financial condition of the counterpart, past experience, provisions that have already been recorded and past due information are taken into consideration. Allowance for doubtful accounts on trade receivables is always measured at an amount equal to lifetime expected credit losses, which may be measured either on an individual or collective basis, depending on the nature and size of the transaction. If one or several of the following events that can affect the estimated future cash flows of the trade receivables adversely occur, the Group assesses expected credit losses on an individual receivable basis as credit-impaired trade receivables. The Group does not expose itself to significant concentrations of credit risk from specific supplier or customer.

- significant financial difficulty of the debtor
- a breach of contract such as a default or past due event
- the probability that the debtor will enter bankruptcy or other financial reorganization

1) Credit risk exposure related to trade and other receivables, etc.

Notes and accounts receivable, etc.

(Yen in millions)

	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Credit-impaired financial assets	Total
Previous fiscal year (As of December 31, 2021)	714,695	17,146	731,840
Current fiscal year (As of December 31, 2022)	905,535	18,930	924,465

Other financial assets

(Yen in millions)

	Financial assets for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses		Total
		Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
Previous fiscal year (As of December 31, 2021)	87,223	2,364	600	90,188
Current fiscal year (As of December 31, 2022)	114,959	145	649	115,753

2) Changes in allowance for doubtful accounts

Allowance for doubtful accounts against notes and accounts receivable, etc.

(Yen in millions)

	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Credit-impaired financial assets	Total
Balance at January 1, 2021	21,184	16,705	37,889
Increase during period	3,179	998	4,177
Decrease during period (utilized)	(1,001)	(1,074)	(2,075)
Decrease during period (reversed)	(3,021)	(1,132)	(4,153)
Other	754	1,591	2,345
Balance at December 31, 2021	21,094	17,088	38,182
Increase during period	2,090	3,573	5,663
Decrease during period (utilized)	(1,433)	(942)	(2,375)
Decrease during period (reversed)	(2,861)	(4,099)	(6,960)
Other	2,647	2,027	4,674
Balance at December 31, 2022	21,538	17,647	39,185

Allowance for doubtful accounts against other financial assets

(Yen in millions)

	Financial assets for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses		Total
		Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
Balance at January 1, 2021	67	348	620	1,035
Increase during period	–	118	–	118
Decrease during period (utilized)	–	–	(37)	(37)
Decrease during period (reversed)	(1)	(146)	–	(147)
Other	–	–	17	17
Balance at December 31, 2021	66	320	600	987
Increase during period	124	96	–	220
Decrease during period (utilized)	–	(139)	–	(139)
Decrease during period (reversed)	(1)	(145)	–	(147)
Other	1	–	49	51
Balance at December 31, 2022	190	131	650	971

(4) Liquidity risk management

The Group is exposed to liquidity risk when it is not able to repay liabilities on the due date due to deterioration of the financing environment. Payment terms of payables, such as notes and accounts payable, and accounts payable - other are approximately within one year.

Based on a cash flow plan that incorporates estimated cash inflows and outflows arising from business activities, the Group practices fund management effectively by recognizing the future fund position in advance. The Group also strives to diversify sources of financing such as borrowings or bonds in order to reduce liquidity risk. In addition, the Group keeps necessary credit facilities to manage liquidity risk by having commitment lines with several financial institutions.

Balances of financial liabilities (including derivative financial instruments) by due date as of the end of each fiscal year are as follows:

Previous fiscal year (As of December 31, 2021)

(Yen in millions)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	517,010	517,010	517,010	–	–	–	–	–
Bonds and borrowings	506,648	507,093	149,981	16,044	126,322	4,584	50,000	160,162
Lease liabilities	304,491	343,981	59,529	50,097	40,167	32,277	25,932	135,979
Subtotal	1,328,149	1,368,084	726,520	66,141	166,489	36,861	75,932	296,141
Derivative financial liabilities (Note)								
Forward exchange contracts	2,570	2,570	2,570	–	–	–	–	–
Currency swap contracts	3,561	3,561	(1,041)	74	4,528	–	–	–
Commodity swap contracts	(54)	(54)	(54)	–	–	–	–	–
Interest rate swap contracts	(124)	(124)	–	–	(124)	–	–	–
Subtotal	5,953	5,953	1,475	74	4,404	–	–	–
Total	1,334,102	1,374,037	727,995	66,215	170,893	36,861	75,932	296,141

Current fiscal year (As of December 31, 2022)

(Yen in millions)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	607,498	607,498	607,498	–	–	–	–	–
Bonds and borrowings	453,451	453,795	107,866	132,196	1,042	50,033	62,501	100,157
Lease liabilities	313,716	351,572	62,641	55,007	42,858	35,014	27,625	128,427
Subtotal	1,374,665	1,412,865	778,005	187,203	43,900	85,047	90,126	228,584
Derivative financial liabilities (Note)								
Forward exchange contracts	(5,062)	(5,062)	(5,062)	–	–	–	–	–
Currency swap contracts	7,848	7,848	(358)	8,207	–	–	–	–
Commodity swap contracts	592	592	592	–	–	–	–	–
Interest rate swap contracts	(1,297)	(1,297)	–	(1,297)	–	–	–	–
Subtotal	2,081	2,081	(4,828)	6,910	–	–	–	–
Total	1,376,746	1,414,946	773,177	194,113	43,900	85,047	90,126	228,584

(Note) Receivables and payables incurred by derivative transactions are presented in net amount.

Total amount of committed line and the amount undrawn are as follows:

(Yen in millions)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Total amount of committed line	153,385	170,926
The amount drawn	863	2,720
The amount undrawn	152,522	168,206

(5) Foreign currency risk management

The Group engages in business, such as development, purchase, production, distribution and sales, globally and conducts international transactions in regions around the world, and therefore, the fluctuation of foreign currency rates has an impact on the Group's performance.

The Company and certain subsidiaries use mainly forward exchange contracts to hedge foreign currency fluctuation risk identified by currency on a monthly basis for receivables and payables in foreign currencies. When receivables and payables in foreign currencies are expected from forecasted transactions, forward exchange contracts and currency option contracts may be used, depending on exchange rate conditions. In addition, currency swap contracts are used to hedge foreign currency exchange fluctuation risk associated with loans and borrowings denominated in foreign currencies.

The Group limits derivative transactions to actual demand under internal regulations and does not enter into derivative transactions for speculative purposes.

Foreign currency sensitivity analysis

For the financial instruments held by the Group at each fiscal year-end, the impact of appreciation of the foreign currencies against the yen by 1 yen on profit before tax is as follows:

The figures below do not include the impact of translation of financial instruments denominated in functional currencies, assets and liabilities as well as revenues and costs of foreign operations into yen.

This analysis is based on the assumption that other variable factors (such as balances, interest rate, etc.) are constant.

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Profit before tax	(104)	(54)

(6) Interest rate risk management

Some of borrowings, etc. with floating interest rates in the Group are exposed to interest rate fluctuation risk. The Group uses interest rate swap transactions for the purpose of hedging interest rate fluctuation risk on borrowings.

The Group limits derivative transactions to actual demand under internal regulations and does not enter into derivative transactions for speculative purposes.

Interest rate sensitivity analysis

As for the financial instruments held by the Group at each fiscal year-end, the impact of interest rate hikes by 1% on profit before tax is as follows:

This analysis is applicable to the financial instruments subject to the effects of changes in interest rates, assuming other variable factors such as the effects of the changes in currency rates remain constant.

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Profit before tax	(270)	(238)

(7) Market price fluctuation risk management

Investment securities in the Group consist primarily of equity securities of business partners and are exposed to market price fluctuation risk.

The Group regularly monitors market prices and financial positions of the issuers with whom it has business relations, and appropriately reviews the status of these securities considering the relationships with the issuers.

Sensitivity of share price fluctuation risk

The sensitivity analysis of the listed stocks the Group holds to share price fluctuation risk is as follows: The analysis shows the impact of drops in market prices of the listed stocks by 1% on other comprehensive income before tax effect, assuming other variables remain constant.

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Other comprehensive income	(912)	(384)

(8) Fair value measurement

The fair value hierarchy of the financial instruments is categorized into the following three levels based on the inputs to the valuation techniques used.

Level 1: Fair value that is measured by using quoted prices in active markets

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price

Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

1) Financial instruments measured at fair value

The methods for measuring of major financial instruments measured at fair value are as follows:

(i) Derivative assets and derivative liabilities

Derivative assets and derivative liabilities are included in other financial assets and other financial liabilities, respectively, and those are classified as financial assets and financial liabilities measured at fair value through profit or loss. These are forward exchange contracts, currency swap contracts and interest rate swap contracts, etc., which are measured based on the model using largely observable inputs such as foreign currency rates and interest rates.

(ii) Shares, etc.

Shares, etc. are included in other financial assets, classified into financial assets measured at fair value through profit or loss, or financial assets measured at fair value through other comprehensive income. The shares categorized in Level 1 are the listed stocks traded in active market, which are measured at a quoted price on the exchange. The shares categorized in Level 3 are unlisted stocks, which are primarily measured by using the net asset-based valuation model (i.e., a method of measuring enterprise value based on the net assets of the share issuing company, adjusted for any items that should be adjusted due to marked-to-market, if any).

The fair value hierarchy of financial instruments measured at fair value is as follows:

Previous fiscal year (As of December 31, 2021)

	Level 1	Level 2	Level 3	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Derivative assets	–	2,586	–	2,586
Shares, etc.	91,164	–	16,650	107,814
Total	91,164	2,586	16,650	110,400
Derivative liabilities	–	8,538	–	8,538
Total	–	8,538	–	8,538

Current fiscal year (As of December 31, 2022)

	Level 1	Level 2	Level 3	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Derivative assets	–	11,079	–	11,079
Shares, etc.	38,399	–	19,251	57,650
Total	38,399	11,079	19,251	68,729
Derivative liabilities	–	13,160	–	13,160
Total	–	13,160	–	13,160

Transfers between levels of the fair value hierarchy are recognized at the end of each fiscal year. There was no transfer between Level 1 and Level 2 for the previous fiscal year and the current fiscal year.

The changes in assets and liabilities measured at fair value by using Level 3 inputs on a recurring basis from the beginning to the end of the previous and current fiscal years are as follows:

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Balance at beginning of period	10,891	16,650
Gains and losses		
Profit or loss (Note 1)	–	97
Other comprehensive income (Note 2)	1,637	(1,971)
Purchases	3,870	3,668
Sale and collection	(117)	(220)
Other	368	1,026
Balance at end of period	16,650	19,251

(Note 1) Amount is included in "finance income" and "finance costs" in the consolidated statement of profit or loss.

(Note 2) Amount is included in "Net change in fair value of financial assets measured through other comprehensive income" in the consolidated statement of comprehensive income.

The financial instruments categorized as Level 3 in the fair value hierarchy financial assets, are classified into financial assets measured at fair value through profit or loss, or financial assets measured at fair value through other comprehensive income for which quoted market prices are not readily available. The fair values of such financial instruments are calculated based on the Group's accounting policy. When measuring the fair values, the Group determines the most appropriate valuation technique considering the nature of the assets, etc. with reasonably estimated input.

In addition, for written put options on shares of a subsidiary granted by the Group to owners of non-controlling interests, the present value of their exercise price is recognized as financial liabilities (current liabilities). At initial recognition, the amount is reduced from capital surplus.

The written put options are measured at the present value of their exercise price, and the carrying amount at the end of the current fiscal year was 3,771 million yen and included in other financial liabilities in the consolidated statement of financial position.

These financial liabilities are not included in the table above.

2) Financial instruments measured at amortized cost

The valuation technique for the fair value of the financial instruments measured at amortized cost is as follows:

The table below does not include financial instruments where the carrying amounts of which reasonably approximate the fair values and it is not material.

Bonds and borrowings

The fair values of bonds are based on the market prices. The fair values of the borrowings are calculated based on the present value and by discounting the total principal and interest over the remaining term at an interest rate that would be applied if similar borrowings were newly made.

Previous fiscal year (As of December 31, 2021)

	Carrying amount	Level 1	Level 2	Level 3	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Bonds and borrowings	356,672	–	358,550	–	358,550
Total	356,672	–	358,550	–	358,550

Current fiscal year (As of December 31, 2022)

	Carrying amount	Level 1	Level 2	Level 3	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Bonds and borrowings	345,584	–	342,020	–	342,020
Total	345,584	–	342,020	–	342,020

(9) Hedge accounting

Risk management strategy

The Group uses, as derivative transactions, such as forward exchange contracts and currency option contracts to mitigate foreign currency fluctuation risk associated with the foreign currency-denominated receivables and payables as well as foreign currency-denominated forecast transaction. It uses currency swap contracts, if required, to mitigate risk of changes in currency rate and interest rate associated with the foreign currency-denominated loans and borrowings. The Group also engages in interest rate swap contracts, if required, to mitigate risk of changes in interest rate of the borrowings. It uses commodity swap contracts, if required, to mitigate price fluctuation risk from raw materials. With respect to the execution and management of derivative transactions, the Group complies with the internal regulations that stipulate transaction authority, and engages in the derivative transactions with only highly rated financial institutions to mitigate counterparty credit risk. Hedge ratio is appropriately determined based on the economic relationship between the hedging instrument and hedged item as well as its risk management strategies. There is no material ineffective portion of hedge as the Group applies hedge accounting only when the critical terms of hedging instruments and hedged items match exactly.

The Group uses derivatives when it is economically rational to do so, including the cases where the hedging relationship does not meet the requirements to qualify for hedge accounting.

The carrying amounts and changes in fair value of the hedging instruments that qualify for hedge accounting in each fiscal year are as follows:

Previous fiscal year (As of December 31, 2021)

(Yen in millions)

Hedging type	Hedging instruments	Contract amount	Carrying amount (Note)	
			Assets	Liabilities
Cash flow hedges	Foreign currency derivatives	35,748	5	535
	Interest rate derivatives	26,102	124	–
Total		61,850	129	535

Current fiscal year (As of December 31, 2022)

(Yen in millions)

Hedging type	Hedging instruments	Contract amount	Carrying amount (Note)	
			Assets	Liabilities
Cash flow hedges	Foreign currency derivatives	53,281	1,765	105
	Interest rate derivatives	28,294	1,297	–
Total		81,575	3,062	105

(Note) The carrying amounts of these derivatives are recorded in "Other financial assets" or "Other financial liabilities" in the consolidated statement of financial position, and the amounts due for more than one year are categorized as non-current assets or non-current liabilities.

The expected duration of cash flows from the cash flow hedges is approximately four months to eight months for foreign currency contracts, which is expected to be largely the same as the expected duration of the impact on net profit or loss.

For the previous and current fiscal years, there are no material amounts recognized in profit or loss, which are related to the ineffective portions of hedges and portions excluded from assessment of hedge effectiveness.

The changes in the cash flow hedge reserve arising from the hedging instruments designated as cash flow hedges are as follows:

Previous fiscal year (Year ended December 31, 2021)

	Effective portion of change in fair value of cash flow hedges			
	Foreign currency risk	Interest rate risk	Commodity-related risk	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2021	(13)	–	4	(9)
Other comprehensive income				
Amount that occurred during the period (Note 1)	(2,284)	165	(4)	(2,123)
Amount of reclassification adjustment (Note 2)	2,974	–	–	2,974
Tax effect	(57)	(41)	–	(98)
Balance at December 31, 2021	620	124	–	744

Current fiscal year (Year ended December 31, 2022)

	Effective portion of change in fair value of cash flow hedges			
	Foreign currency risk	Interest rate risk	Commodity-related risk	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2022	620	124	–	744
Other comprehensive income				
Amount that occurred during the period (Note 1)	(10,344)	1,564	–	(8,780)
Amount of reclassification adjustment (Note 2)	12,105	–	–	12,105
Tax effect	(698)	(391)	–	(1,089)
Balance at December 31, 2022	1,683	1,297	–	2,980

(Note 1) The changes in fair value of the hedged items used as the basis for recognizing the ineffective portion matches the changes in fair value of the hedging instruments.

(Note 2) The amount was reclassified as the hedged items affected net profit or loss, and it was recognized as "Other income," "Other expenses" or "Finance income" and "Finance costs" in the consolidated statement of profit or loss.

(10) Transfer of financial instruments

The Group liquidates a part of its trade receivables. Some of these trade receivables entail a payment obligation on the Group if the debtor fails to make a payment. The Group does not derecognize those trade receivables because they do not qualify for derecognition of financial assets.

The trade receivables transferred in such a way that did not qualify for derecognition are recorded as "Trade and other receivables" at the amount of 108,876 million yen as of the end of the previous fiscal year. In addition, the proceeds arising upon the transfer of the assets are recorded at the amount of 23,004 million yen, as the related liabilities in "Bonds and borrowings" as at the above date.

36. Related Party

(1) Related party transactions

Previous fiscal year (Year ended December 31, 2021)

Not applicable.

Current fiscal year (Year ended December 31, 2022)

Not applicable.

(2) Remuneration for key management personnel

The remuneration for key management personnel of each fiscal year is as follows:

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
	Yen in millions	Yen in millions
Remuneration and bonuses	647	802
Share-based payment	215	565
Total	862	1,368

37. Subsidiaries and Associates, etc.

(1) Information on significant subsidiaries

The significant subsidiaries and associates of the Group as of the end of the current fiscal year are presented in “4. Subsidiaries and associates” of “I. Overview of the Company” of “Part I Information on the Company”.

(2) Loss of control of subsidiaries

Previous fiscal year (Year ended December 31, 2021)

1) Sale of subsidiaries

BRIDGESTONE AMERICAS, INC., a U.S. subsidiary of the Company, has concluded an agreement with LafargeHolcim Ltd., a Swiss building materials manufacturer, regarding the sale of FSBP, a subsidiary of BRIDGESTONE AMERICAS, INC. in the Americas segment, to Holcim Participations (US) Inc., the U.S. subsidiary of LafargeHolcim Ltd., on January 6, 2021 (local time), and the sale was completed on March 31, 2021.

As a result of the sale, BRIDGESTONE AMERICAS, INC. has lost its control of FSBP and its subsidiaries.

The breakdown of assets and liabilities at the time of loss of control of FSBP, consideration received and the balance of proceeds from sale are as follows.

2) Major breakdown of assets and liabilities as of the current date of loss of control

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)
Breakdown of assets at time of loss of control	
Current assets	64,084
Non-current assets	52,118
Breakdown of liabilities at time of loss of control	
Current liabilities	31,777
Non-current liabilities	30,834

3) Cash flows arising from the loss of control

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)
Consideration received in cash	383,374
Of assets at time of loss of control, cash and cash equivalents	2,708
Proceeds from sale of discontinued operations	380,666

(Note 1) Cash flows associated with loss of control are recorded in “Proceeds from sale of discontinued operations” under cash flows from investing activities in consolidated statement of cash flows.

(Note 2) Gains arising from loss of control of 303,521 million yen and the associated income tax expense of 71,045 million yen are recorded under “Profit (loss) from discontinued operations” in consolidated statement of profit or loss.

Current fiscal year (Year ended December 31, 2022)

1) Anti-vibration rubber business

a. Sale of subsidiaries

On December 10, 2021, the Group made the decision to transfer its anti-vibration rubber business (hereinafter the "Business Operations") to AZ. This entails the Group establishing a new PROSPIRA CORPORATION to which it would transfer the Business Operations by carrying out an absorption-type demerger (the "Corporate Demerger"), then integrating the Business Operations of the Group into PROSPIRA CORPORATION, and subsequently transferring all shares of PROSPIRA CORPORATION to AZ (hereinafter the "Share Transfer," with the Corporate Demerger and the Share Transfer hereinafter referred to as the "Business Transaction"). The Group completed the Business Transaction on September 1, 2022. The Group plans to conduct separate transfer targeting a company at a later time.

As a result of the sale, the Group has lost its control of PROSPIRA CORPORATION and its subsidiaries.

The breakdown of assets and liabilities at the time of loss of control of anti-vibration rubber business, consideration received and the balance of proceeds from sale are as follows.

b. Major breakdown of assets and liabilities as of the current date of loss of control

(Yen in millions)

	Current fiscal year (Year ended December 31, 2022)
Breakdown of assets at time of loss of control	
Current assets	108,705
Non-current assets	11,407
Breakdown of liabilities at time of loss of control	
Current liabilities	12,972
Non-current liabilities	2,848

c. Cash flows arising from the loss of control

(Yen in millions)

	Current fiscal year (Year ended December 31, 2022)
Consideration received in cash	0
Of assets at time of loss of control, cash and cash equivalents	82,655
Payments for sale of discontinued operations	(82,655)

(Note 1) Cash flows associated with loss of control are recorded in "Payments for sale of discontinued operations" under cash flows from investing activities in consolidated statement of cash flows.

(Note 2) Details on the transactions are presented in Note "31. Discontinued Operations".

2) Chemical products solutions business

a. Sale of subsidiaries

On December 10, 2021, the Group made the decision to transfer its chemical products solutions business (hereinafter the "Business Operations") to EUF-2. This entails the Group newly establishing ARCHEM INC. to which it would transfer the Business Operations by carrying out an absorption-type demerger (hereinafter the "Corporate Demerger"), then integrating the Business Operations of the Group into ARCHEM INC., and subsequently transferring all shares of ARCHEM

INC. to EUF-2, which is structured, managed, and operated by EU (hereinafter the “Share Transfer,” with the Corporate Demerger and the Share Transfer hereinafter referred to as the “Business Transaction”). The Group completed the Business Transaction on August 1, 2022. The Group plans to conduct separate transfer targeting a company at a later time.

As a result of the sale, the Group has lost its control of ARCHEM INC. and its subsidiaries.

The breakdown of assets and liabilities at the time of loss of control of the chemical products solutions business, consideration received and the balance of proceeds from sale are as follows.

b. Major breakdown of assets and liabilities as of the current date of loss of control

(Yen in millions)

	Current fiscal year (Year ended December 31, 2022)
Breakdown of assets at time of loss of control	
Current assets	55,925
Non-current assets	18,761
Breakdown of liabilities at time of loss of control	
Current liabilities	22,309
Non-current liabilities	3,670

c. Cash flows arising from the loss of control

(Yen in millions)

	Current fiscal year (Year ended December 31, 2022)
Consideration received in cash	0
Of assets at time of loss of control, cash and cash equivalents	32,932
Payments for sale of discontinued operations	(32,932)

(Note 1) Cash flows associated with loss of control are recorded in “Payments for sale of discontinued operations” under cash flows from investing activities in consolidated statement of cash flows.

(Note 2) Details on the transactions are presented in Note “31. Discontinued Operations”.

(3) Significant associates and jointly controlled entities

There are no significant associates and jointly controlled entities of the Group.

38. Commitments

Commitments for the acquisition of assets after the closing date of each fiscal year are as follows:

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	Yen in millions	Yen in millions
Acquisition of property, plant and equipment	39,665	87,196
Acquisition of intangible assets	1,510	5,406
Total	41,175	92,602

39. Subsequent Events

Not applicable.

(2) Other

Quarterly information for the current fiscal year

(Cumulative period)	Three months ended March 31, 2022	Six months ended June 30, 2022	Nine months ended September 30, 2022	Fiscal year ended December 31, 2022
Revenue (Yen in millions)	891,011	1,886,341	2,976,923	4,110,070
Profit before tax (Yen in millions)	93,109	180,164	304,305	423,458
Profit attributable to owners of parent (Yen in millions)	53,836	92,942	188,748	300,367
Basic earnings per share (Yen)	76.63	132.70	270.48	432.29

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	76.63	56.05	138.25	162.73

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheet

(Yen in millions)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	349,998	100,571
Notes receivable	1,251	596
Accounts receivable	*1 301,816	*1 320,482
Finished products	41,822	47,289
Work in process	7,323	8,406
Raw materials and supplies	31,415	57,996
Short-term loans receivable for subsidiaries and associates	*1 38,527	*1 28,929
Accounts receivable - other	*1 19,439	*1 25,175
Income taxes refund receivable	8,872	–
Other current assets	*1 4,648	*1 19,556
Allowance for doubtful accounts	(12,719)	(16,895)
Total current assets	792,392	592,106
Fixed assets		
Property, plant and equipment		
Buildings, net	104,726	101,108
Structures, net	8,187	8,632
Machinery and equipment, net	43,630	44,138
Vehicles and carriers, net	1,082	1,441
Tools, furniture and fixtures, net	12,353	15,213
Land	63,426	59,733
Construction in progress	24,798	22,881
Total property, plant and equipment	258,203	253,146
Intangible assets	14,582	22,278
Investments and other assets		
Investment in securities	90,615	61,580
Investments in subsidiaries and associates	799,371	801,974
Investments in subsidiaries and associates, other than stock	55,024	52,557
Long-term loans receivable for subsidiaries and associates	*1 86,893	*1 93,231
Deferred tax assets	35,620	31,202
Other assets	2,904	3,315
Allowance for doubtful accounts	(26)	(28)
Total investments and other assets	1,070,402	1,043,831
Total fixed assets	1,343,187	1,319,255
Total assets	2,135,579	1,911,361

(Yen in millions)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Liabilities		
Current liabilities		
Accounts payable	*1 105,258	*1 102,547
Current portion of bonds	40,000	–
Lease obligations	163	107
Accounts payable - other	*1 74,400	*1 63,995
Accrued expenses	*1 29,941	*1 30,610
Income taxes payable	–	18,152
Deposits received	6,061	5,617
Allowance for losses on business transfer	133,565	5,923
Asset retirement obligation	–	536
Other current liabilities	4,744	13,179
Total current liabilities	394,133	240,667
Long-term liabilities		
Bonds	310,000	310,000
Lease obligations	242	139
Accrued pension and liability for retirement benefits	47,782	44,028
Provision for environmental remediation	263	57
Asset retirement obligation	2,910	2,401
Other long-term liabilities	6,435	9,713
Total long-term liabilities	367,633	366,338
Total liabilities	761,766	607,005
Equity		
Shareholders’ equity		
Common stock	126,354	126,354
Capital surplus		
Capital reserve	122,079	122,079
Total capital surplus	122,079	122,079
Retained earnings		
Legal reserve	31,279	31,279
Other retained earnings		
Reserve for advanced depreciation of fixed assets	31,806	29,859
General reserve	789,311	789,311
Retained earnings brought forward	259,445	306,534
Total retained earnings	1,111,840	1,156,982
Treasury stock	(38,123)	(136,813)
Total shareholders’ equity	1,322,151	1,268,602
Net unrealized gain (loss) and translation adjustments		
Net unrealized gain (loss) on available-for-sale securities	48,950	31,783
Deferred gain (loss) on derivative instruments	(285)	1,298
Total net unrealized gain (loss) and translation adjustments	48,665	33,081
Stock acquisition rights	2,997	2,673
Total equity	1,373,813	1,304,356
Total liabilities and equity	2,135,579	1,911,361

2) Non-consolidated Statement of Profit or Loss

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Net sales	*1 839,528	*1 981,660
Cost of sales	*1 527,034	*1 623,412
Gross profit	312,493	358,248
Selling, general and administrative expenses	*2 208,539	*2 250,960
Operating profit	103,954	107,288
Non-operating Income		
Interest income	*1 1,141	*1 1,577
Dividend income	*1 194,960	*1 130,382
Other	*1 2,146	*1 4,408
Total non-operating income	198,247	136,367
Non-operating expenses		
Interest expense	*1 988	842
Removal and disassembly expense	1,469	1,311
Foreign currency exchange loss	1,624	5,969
Other	5,205	3,614
Total non-operating expenses	9,286	11,736
Ordinary profit	292,915	231,918
Extraordinary income		
Gain on sale of fixed assets	–	*3 6,189
Total extraordinary income	–	6,189
Extraordinary loss		
Impairment loss	*4 2,025	–
Loss on business transfer	*4,*5 141,074	*1,*5 24,561
Loss on business of subsidiaries and associates	*6 10,816	*6 15,995
Loss on valuation of investment securities	–	6,656
Total extraordinary loss	153,915	47,213
Profit before income taxes	139,000	190,894
Income taxes - current	1,689	18,057
Income taxes - deferred	(29,714)	8,497
Total income taxes	(28,025)	26,553
Profit	167,024	164,341

3) Non-consolidated Statement of Changes in Equity

Previous fiscal year (Year ended December 31, 2021)

(Yen in millions)

	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings					
		Capital reserve	Legal reserve	Other retained earnings				
				Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	Reserve for special account for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward
Beginning balance	126,354	122,079	31,279	0	26,430	10,037	789,311	189,979
Changes in the year								
Cash dividends								(102,107)
Reversal of reserve for special depreciation				(0)				0
Provision of reserve for advanced depreciation of fixed assets					5,375			(5,375)
Reversal of reserve for special account for advanced depreciation of fixed assets						(10,037)		10,037
Profit								167,024
Purchase of treasury stock								
Disposal of treasury stock								(114)
Net changes in items other than shareholders' equity								
Total changes in the year	–	–	–	(0)	5,375	(10,037)	–	69,466
Ending balance	126,354	122,079	31,279	–	31,806	–	789,311	259,445

	Shareholders' equity		Net unrealized gain (loss) and translation adjustments		Stock acquisition rights
	Treasury stock	Total shareholders' equity	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	
Beginning balance	(38,656)	1,256,814	34,558	(414)	3,125
Changes in the year					
Cash dividends		(102,107)			
Reversal of reserve for special depreciation		–			
Provision of reserve for advanced depreciation of fixed assets		–			
Reversal of reserve for special account for advanced depreciation of fixed assets		–			
Profit		167,024			
Purchase of treasury stock	(11)	(11)			
Disposal of treasury stock	544	431			
Net changes in items other than shareholders' equity			14,392	128	(128)
Total changes in the year	533	65,336	14,392	128	(128)
Ending balance	(38,123)	1,322,151	48,950	(285)	2,997

Current fiscal year (Year ended December 31, 2022)

(Yen in millions)

	Shareholders' equity							
		Capital surplus	Retained earnings					
				Other retained earnings				
	Common stock	Capital reserve	Legal reserve	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward	Treasury stock	Total shareholders' equity
Beginning balance	126,354	122,079	31,279	31,806	789,311	259,445	(38,123)	1,322,151
Cumulative effects of changes in accounting policies						(9)		(9)
Restated balance	126,354	122,079	31,279	31,806	789,311	259,437	(38,123)	1,322,142
Changes in the year								
Cash dividends						(119,042)		(119,042)
Reversal of reserve for advanced depreciation of fixed assets				(1,947)		1,947		–
Profit						164,341		164,341
Purchase of treasury stock						(5)	(100,033)	(100,038)
Disposal of treasury stock						(143)	1,343	1,199
Net changes in items other than shareholders' equity								
Total changes in the year	–	–	–	(1,947)	–	47,097	(98,690)	(53,540)
Ending balance	126,354	122,079	31,279	29,859	789,311	306,534	(136,813)	1,268,602

	Net unrealized gain (loss) and translation adjustments		Stock acquisition rights
	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	
Beginning balance	48,950	(285)	2,997
Cumulative effects of changes in accounting policies			
Restated balance	48,950	(285)	2,997
Changes in the year			
Cash dividends			
Reversal of reserve for advanced depreciation of fixed assets			
Profit			
Purchase of treasury stock			
Disposal of treasury stock			
Net changes in items other than shareholders' equity	(17,168)	1,583	(324)
Total changes in the year	(17,168)	1,583	(324)
Ending balance	31,783	1,298	2,673

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

1. Valuation policies and methods for assets

(1) Valuation policies and methods for investments in securities

Investments in subsidiaries and associates — The moving-average cost method

Available-for-sale securities

Marketable securities — Fair value based on the market price, etc., at the closing date (unrealized gain and loss, net of tax is recorded in equity, and the moving-average method is used to calculate the cost of securities sold)

Non-marketable securities — Primarily the moving-average cost method

Note that investments provided to limited investment partnerships and other organizations are based on the most recent available financial statements according to the financial reporting date specified in contracts with the partnership. They incorporate a net amount of equivalent equity.

(2) Valuation policies and methods for derivatives

Fair value

(3) Valuation policies and methods for inventories

The moving-average cost method (for carrying amounts on the balance sheet, method in which carrying amounts are lowered based on a decline in profitability)

2. Depreciation method for fixed assets

(1) Property, plant and equipment

The declining-balance method

(2) Intangible assets

The straight-line method

3. Accounting policies for reserves and allowances

(1) Allowance for doubtful accounts

In order to reserve for loss from the nonpayment of claims, the actual credit loss rate is used to calculate the amount to be recorded for general claims, and for designated claims for which there is a concern of nonpayment, an amount based on the evaluation of potential loss in the receivables outstanding is recorded.

(2) Allowance for losses on business transfer

In order to reserve for loss arising from a business transfer, the estimated amount to be incurred in the future is recorded.

(3) Accrued pension and liability for retirement benefits

In order to reserve for retirement benefits for employees, an amount based on the estimated amount of projected benefit obligations and pension plan assets as of the current fiscal year-end is recorded.

1) Method of attributing projected benefits to periods

Projected benefits are attributed to periods of service up to the end of the current fiscal year on a benefit formula basis.

2) Method of recognizing unrecognized actuarial gain/loss and past service cost

Past service cost is treated as an expense using the straight-line method over a fixed number of years (10 years) within the average remaining years of service of the employees in the year in which the past service costs occur.

Actuarial gain/loss is treated as an expense using the straight-line method over a fixed number of years (10 years) within the average remaining years of service of the employees in the year in which the gain/loss occurs, recorded from the subsequent fiscal year.

(4) Provision for environmental remediation

In order to reserve for outlays for legally required removal and disposal of PCB, etc., the estimated amount of future obligations is recorded.

4. Accounting policies for revenue and expenses

The Company recognizes revenue at an amount reflecting the amount of consideration to which the Company expects to be entitled in exchange for transferring the goods and services to the customer based on the following five-step approach, except for interest and dividend income, etc.:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company engages in production and sale of tires and tubes, production and sale of retread material and provision of related technology, and business of chemical and industrial products, etc.

In these businesses, because customers mainly obtain control over the product at the time of delivery of the product, the performance obligations are considered to be satisfied at that time, and revenue is recognized at the time of delivery of the product.

In addition, consideration for performance obligations is mainly received within one year from satisfaction of the performance obligations, and contain no significant financing component.

5. Accounting policies for the translation of foreign currency-denominated assets and liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the end of the fiscal year. The foreign currency exchange gain and loss from translation are recognized in income.

6. Hedge accounting

(1) Hedge accounting method

Deferred hedge accounting is applied.

(2) Hedging instruments and items covered

Instruments	Items covered
Forward foreign exchange contracts	Foreign currency-denominated monetary claims and obligations and forecasted foreign currency-denominated transactions
Foreign currency swaps	Borrowings and bonds
Interest rate swaps	Borrowings
Commodity swaps	Raw materials

(3) Hedging policy

Forward exchange contracts are used only to cover actual foreign exchange needs, and foreign currency swaps are made to match the principal amount and term of the hedged foreign currency-denominated obligation. Interest rate swaps are entered into for the amount of borrowings only. Commodity swaps are entered into for the trade amount of raw materials. It is the Company's policy not to use any derivative transactions for speculative purposes.

(4) Method for evaluating the effectiveness of hedges

The validity of hedges is evaluated based on a comparison of total fluctuations in the cash flow or fluctuations in the market value of the hedged item with the total fluctuations in the cash flow or fluctuations in the market value of the hedging instrument.

(Significant accounting estimates)

1. Impairment on fixed assets

(1) Amount recorded in the financial statements for the current fiscal year

(Yen in millions)

	Previous fiscal year	Current fiscal year
Property, plant and equipment	258,203	253,146
Intangible assets	14,582	22,278

(2) Other information that contributes to understanding of users of the financial statements

The notes have been omitted since the same information has been provided in "3. Significant Accounting Policies (11) Impairment of non-financial assets" in the notes to the consolidated financial statements.

2. Recoverability of deferred tax assets

(1) Amount recorded in the financial statements for the current fiscal year

(Yen in millions)

	Previous fiscal year	Current fiscal year
Deferred tax assets	35,620	31,202

(2) Other information that contributes to understanding of users of the financial statements

The notes have been omitted since the same information has been provided in "3. Significant Accounting Policies (19) Income taxes" in the notes to consolidated financial statements. In addition, as for the repayment of capital received from BRIDGESTONE AMERICAS, INC., a subsidiary of the Company, in the previous fiscal year the Company accounted for the transaction by recognizing deductible expenses as loss on transfer of shares for tax purposes, while the Company's investments in subsidiaries and associates were reduced by the same amount for accounting purposes. In the previous fiscal year, the Company excluded some deductible expenses to calculate its taxable income with respect to this matter which gives rise to some uncertain tax treatments under the Japan's tax law. The Company had engaged third-party legal, tax professionals, etc. to consider plausible tax treatments and estimate reasonably its taxable income considering various scenarios and assumptions. As a result, although deferred tax assets would be 91,100 million yen higher if all the deductible expenses were included in calculating taxable income, the Company has lowered its deferred tax assets by 60,000 million yen, relative to amounts under the aforementioned treatment. There has been no change in the judgement on the treatment of this matter, and the Company continues the same treatment as the previous fiscal year. A potential situation whereby the accounting estimate differs from the final interpretation of Japan's tax law according to the tax authorities could materially affect the amount of taxable profit for the subsequent fiscal year.

3. Accrued pension and liability for retirement benefits

(1) Amount recorded in the financial statements for the current fiscal year

(Yen in millions)

	Previous fiscal year	Current fiscal year
Accrued pension and liability for retirement benefits	47,782	44,028

(2) Other information that contributes to understanding of users of the financial statements

The notes have been omitted since the same information has been provided in "3. Significant Accounting Policies (13) Employee benefits 2) Post-employment benefits" in the notes to the consolidated financial statements.

4. Allowance for losses on business transfer

(1) Amount recorded in the financial statements for the current fiscal year

(Yen in millions)

	Previous fiscal year	Current fiscal year
Allowance for losses on business transfer	133,565	5,923

(2) Other information that contributes to understanding of users of the financial statements

In order to reserve for a loss expected to be incurred in connection with a transfer of the anti-vibration rubber business and the chemical products solutions business, the amount expected to be incurred in the future was recorded for such losses that can be reasonably estimated at the end of the current fiscal year.

Note that any unpredictable change in the external environment and other factors may materially affect the amount of losses on business transfer to be recognized in the financial statements of the subsequent fiscal year.

5. Valuation of investments in subsidiaries and associates and investments in subsidiaries and associates, other than stock

(1) Amount recorded in the financial statements for the current fiscal year

(Yen in millions)

	Previous fiscal year	Current fiscal year
Non-marketable investments in subsidiaries and associates and investments in subsidiaries and associates	839,150	854,531

(2) Other information that contributes to understanding of users of the financial statements

For non-marketable investments in subsidiaries and associates and investments in subsidiaries and associates, the Company's policy is to compare the carrying amount of investments to the actual value based on the net asset amount of each company, and recognize an impairment loss when the actual value declines by 50% or more compared to the carrying amount of investments. Note that in cases where any change in the external environment and other factors materially affects the actual value, this may also affect valuation of investments in subsidiaries and associates and investments in subsidiaries and associates, other than stock for the subsequent fiscal year.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application of the new accounting policy, assuming it has been applied to the periods prior to the beginning of the current fiscal year, has been added to or subtracted from retained earnings at the beginning of the current fiscal year, and the new accounting policy has been applied from the said beginning balance.

Major changes due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations are as follows.

Revenue recognition relating to subcontract processing with supply of materials for value (the "transaction")

As for the transaction that falls under a repurchase agreement, the method was changed to recognize supplied products as financial assets and recognize only the net amount equivalent to the processing fee as revenue at the time of resale to the supplier, when the Company is the receiver.

As a result, in the current fiscal year, net sales decreased by 2,519 million yen and cost of sales decreased by 2,524 million yen, compared to amounts before the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations. Effects on the beginning balance of retained earnings and per share information for the current fiscal year are insignificant.

(Application of Accounting Standard for Fair Value Measurement, etc.)

From the beginning of the current fiscal year, the Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations, and the new accounting policies prescribed in the Accounting Standard and relevant ASBJ regulations are applied prospectively in accordance with the transitional treatment prescribed in paragraph 19 of the "Accounting Standard for Fair Value Measurement" and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no effect of this application on the financial statements.

(Changes in presentations)

(Non-consolidated statement of profit or loss)

In the previous fiscal year, “Loss on retirement of fixed assets” was disclosed separately in “Non-operating Expenses” section. During the current fiscal year, the amount has become less material and such an amount is included in “Other”. The non-consolidated financial statements of the previous fiscal year have been reclassified to reflect these changes in presentation.

As a result, 987 million yen presented as “Loss on retirement of fixed assets” in the “Non-operating Expenses” section in the non-consolidated statement of profit or loss for the previous fiscal year has been restated as “Other”.

(Non-consolidated balance sheet)

*1 Monetary receivables from and payables to subsidiaries and associates

(Yen in millions)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Short-term monetary receivables	298,794	307,558
Long-term monetary receivables	86,893	93,231
Short-term monetary payables	73,518	64,623

2 Guarantees

(Yen in millions)

Previous fiscal year (As of December 31, 2021)		Current fiscal year (As of December 31, 2022)	
(1) Guarantees on commercial papers issued by BRIDGESTONE EUROPE NV/SA	40,980	(1) Guarantees on commercial papers issued by BRIDGESTONE EUROPE NV/SA	70,735
(2) Guarantees on bank borrowings of employees in consolidated subsidiary (mortgages), etc.	21	(2) Guarantees on bank borrowings of employees in consolidated subsidiary (mortgages), etc.	18
Total	41,001	Total	70,753

3 Balance of trade notes (without letter of credit) discounted

(Yen in millions)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
	129	–

(Non-consolidated statement of profit or loss)

*1 Transactions with subsidiaries and associates

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Net sales	637,949	776,009
Purchases, etc.	252,685	296,699
Transactions other than operating transactions	214,233	154,590

*2 Selling, general and administrative expenses

Major items and amounts are as follows:

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2021)	Current fiscal year (Year ended December 31, 2022)
Freight	75,859	107,739
Retirement benefit expenses	924	796
Depreciation	4,038	4,371
Research and development expenses	63,916	70,788

In the previous fiscal year, selling expenses accounted for approximately 40% of selling, general and administrative expenses, and in the current fiscal year, selling expenses again accounted for approximately 50%.

*3 Gain on sale of fixed assets

Current fiscal year (Year ended December 31, 2022)

Mainly relates to gain on the sale of land.

*4 Impairment losses

Previous fiscal year (Year ended December 31, 2021)

The Company classifies the assets it uses for its business based on the categories used within the Company to manage those assets. Assets to be disposed of (assets that are scheduled to be scrapped, sold off, etc.) and idle assets are grouped by property.

In the fiscal year 2021, the carrying amount of business-use assets whose profitability decreased and assets to be disposed of which are scheduled to be scrapped or sold off were reduced to recoverable amounts. Those reductions were recognized as an impairment loss of 2,025 million yen and a loss on business transfer of 545 million yen, totaling 2,570 million yen.

A breakdown of that impairment loss is: 1,619 million yen for machinery and equipment; 343 million yen for buildings and structures; 214 million yen for tools, furniture and fixtures; 209 million yen for construction in progress; and 185 million yen for others.

(Yen in millions)

Purpose	Type of assets	Locations	Amount
Assets used in the course of business operations	Machinery and equipment; and some others	Totsuka, Yokohama; and others	1,551
Assets to be disposed of	Machinery and equipment; and some others	Totsuka, Yokohama; Kodaira, Tokyo; and others	1,020

The recoverable amounts for business-use assets were primarily estimated based on their value-in-use and memorandum value. Future cash flows in measurement of the value-in-use were calculated using the discount rate of 7.0%. Of the assets to be disposed of, the recoverable amount for assets to be sold off was measured based on their net selling price. The recoverable amount for assets to be scrapped was evaluated based on their memorandum value.

*5 Loss on business transfer

Previous fiscal year (Year ended December 31, 2021)

Based on the decision to transfer the anti-vibration rubber business and the chemical products solutions business, the related following expenses were recorded.

(Yen in millions)

	Anti-vibration rubber business	Chemical products solutions business
Provision of allowance for losses on business transfer	105,762	27,803
Loss on valuation of shares of subsidiaries and associates	2,586	1,675
Impairment losses	545	–
Other	1,572	1,130
Total	110,465	30,609

Current fiscal year (Year ended December 31, 2022)

Based on the decision and execution to transfer the anti-vibration rubber business and the chemical products solutions business, the related following expenses were recorded.

(Yen in millions)

	Anti-vibration rubber business	Chemical products solutions business
Related loss due to business transfer	10,231	4,005
Loss on valuation of shares of subsidiaries and associates	3,569	2,787
Provision of allowance for doubtful accounts	1,555	2,413
Total	15,356	9,205

*6 Loss on business of subsidiaries and associates

Previous fiscal year (Year ended December 31, 2021)

Taking into consideration the financial condition of certain subsidiaries and associates, related losses have been recorded.

Current fiscal year (Year ended December 31, 2022)

Taking into consideration the financial condition of certain subsidiaries and associates, related losses have been recorded.

(Tax effect accounting)

1 Major components of deferred tax assets and liabilities

(Yen in millions)

	Previous fiscal year (As of December 31, 2021)		Current fiscal year (As of December 31, 2022)	
Deferred tax assets				
Accrued pension and liability for retirement benefits		14,621		13,473
Investments in subsidiaries and associates	(Note 1)	14,988	(Note 1)	20,259
Depreciable assets	(Note 1)	11,944		11,005
Accrued expenses		5,357		5,723
Allowance for losses on business transfer	(Note 1)	21,541	(Note 1)	1,813
Unused tax losses carryforward (Note 2)		6,189		3,858
Other		13,815	(Note 1)	17,746
Deferred tax assets subtotal		88,456		73,875
Valuation allowance		(19,786)		(14,784)
Total deferred tax assets		68,670		59,092
Deferred tax liabilities				
Reserve for advanced depreciation of fixed assets		(14,024)		(13,165)
Net unrealized gain on available-for-sale securities		(18,221)		(13,444)
Other		(806)	(Note 1)	(1,280)
Total deferred tax liabilities		(33,051)		(27,890)
Deferred tax assets, net		35,620		31,202

(Note 1) This includes deferred tax assets associated to loss on business transfer recorded in the previous fiscal year, which consist of the anti-vibration rubber business of 18,171 million yen and the chemical products solutions business of 5,362 million yen. Also, the breakdown for the current fiscal year for the anti-vibration rubber business was 8,179 million yen and the chemical products solutions business was 4,703 million yen.

(Note 2) The result of reasonably estimating tax deductible expenses arising from the repayment of capital from BRIDGESTONE AMERICAS, INC. was taken into consideration. For details, please refer to “(Significant accounting estimates), 2. Recoverability of deferred tax assets”.

2 Reconciliation of the statutory effective tax rate and the effective income tax rates after adjustments for tax effect accounting

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Items not categorized as temporary differences	(40.2)	(19.5)
Valuation allowance	(3.0)	(2.6)
Repayment of capital from a subsidiary (Note 1)	(22.3)	–
Loss on business transfer (Note 2)	13.9	(2.4)
Adjustment due to the Advance Pricing Agreement system	1.3	7.9
Other	(0.5)	(0.1)
Effective income tax rates after adjustments for tax effect accounting	(20.2)	13.9

(Note 1) This is due to the repayment of capital from BRIDGESTONE AMERICAS, INC.

(Note 2) This is due to losses on the transfer of the anti-vibration rubber business and the chemical products solutions business.

(Changes in presentations)

"Adjustment due to the Advance Pricing Agreement system," which was included in "Other" in the previous fiscal year was disclosed separately as a line item in the current fiscal year because the amount became material. The notes of the previous fiscal year have been reclassified to reflect these changes in presentation.

As a result, the 0.8% that was displayed as "Other" in the previous fiscal year has been reclassified as "Adjustment due to the Advance Pricing Agreement system" 1.3% and "Other" (0.5%).

(Revenue recognition)

As for information that serves as the basis for understanding revenue arising from contracts with customers, the notes have been omitted since the same information has been provided in "(Significant accounting policies) 4. Accounting policies for revenue and expenses."

4) Non-consolidated supplementary schedules

Schedule of property, plant and equipment, etc.

(Yen in millions)

Category	Type of assets	Beginning balance	Increase	Decrease	Depreciation and amortization	Ending balance	Accumulated depreciation
Property, plant and equipment	Buildings	104,726	6,949	1,957	8,611	101,108	201,786
	Structures	8,187	1,957	211	1,301	8,632	30,562
	Machinery and equipment	43,630	17,803	548	16,746	44,138	665,377
	Vehicles and carriers	1,082	1,001	43	601	1,441	11,064
	Tools, furniture and fixtures	12,353	16,237	290	13,087	15,213	159,962
	Land	63,426	84	3,777	–	59,733	–
	Construction in progress	24,798	42,587	44,504	–	22,881	–
	Total	258,203	86,619	51,330	40,345	253,146	1,068,750
Intangible assets	Total	14,582	11,798	44	4,059	22,278	11,448

Schedule of allowances

(Yen in millions)

Account item	Beginning balance	Increase	Decrease	Ending balance
Allowance for doubtful accounts	12,746	4,303	126	16,923
Allowance for losses on business transfer	133,565	1,234	128,876	5,923
Provision for environmental remediation	263	37	244	57

(2) Details of Major Assets and Liabilities

This information is omitted as the consolidated financial statements are prepared.

(3) Other

Not applicable.

VI. Administrative Information on the Company's Shares

Business year	From January 1 to December 31
Annual Meeting of Shareholders	March
Record date	December 31
Record dates for dividends of surplus	June 30 (Interim dividend) December 31 (Year-end dividend)
Number of shares constituting one unit	100 shares
Sale or purchase of shares less than one unit	
Handling office	(Special account) Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Administrator of shareholders' register	(Special account) Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Forwarding office	–
Handling charge for selling or purchase	The amount separately stipulated as the amount equivalent to share brokerage fees
Method of public notice	The method of public notices of the Company shall be electronic public notices; provided, however, that if the Company is unable to give an electronic public notice because of an accident or any other unavoidable reason, public notices of the Company may be given in "The Nikkei" newspaper published in Tokyo. (URL for public notice: https://www.bridgestone.co.jp/)
Special benefits for shareholders	None

(Note) With regard to shares less than one unit held by the shareholder, a shareholder of the Company may not exercise any rights other than rights provided in each item of Article 189, paragraph (2) of the Companies Act, and the right to claim that which is set forth in the Company's Articles of Incorporation (to claim the right to make additional purchase of shares less than one unit).

VII. Reference Information on the Company

1. Information on the parent company or equivalent of the Company

The Company does not have a parent company or equivalent.

2. Other reference information

From the beginning of the current fiscal year until the filing date of this securities report, the Company has filed the following documents.

(1)	Annual securities report and appendices, and written confirmation	(The 103rd Fiscal Period)	From January 1, 2021 to December 31, 2021	Filed to Director-General of Kanto Local Finance Bureau on March 23, 2022.
(2)	Internal control system report and appendices			Filed to Director-General of Kanto Local Finance Bureau on March 23, 2022.
(3)	Quarterly securities reports and written confirmations	(First quarter of the 104th Fiscal Period)	From January 1, 2022 to March 31, 2022	Filed to Director-General of Kanto Local Finance Bureau on May 11, 2022.
		(Second quarter of the 104th Fiscal Period)	From April 1, 2022 to June 30, 2022	Filed to Director-General of Kanto Local Finance Bureau on August 10, 2022.
		(Third quarter of the 104th Fiscal Period)	From July 1, 2022 to September 30, 2022	Filed to Director-General of Kanto Local Finance Bureau on November 10, 2022.
(4)	Extraordinary securities report	Extraordinary securities report based on Article 19, paragraph (2), item (ix)-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.		Filed to Director-General of Kanto Local Finance Bureau on March 28, 2022.
(5)	Extraordinary securities report	Extraordinary securities report based on Article 19, paragraph (2), item (xii) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.		Filed to Director-General of Kanto Local Finance Bureau on September 29, 2022.
(6)	Extraordinary securities report	Extraordinary securities report based on Article 19, paragraph (2), item (ix)-4 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.		Filed to Director-General of Kanto Local Finance Bureau on November 8, 2022.
(7)	Securities registration statement (Disposal of treasury stock as restricted share-based remuneration) and appendices			Filed to Director-General of Kanto Local Finance Bureau on January 26, 2023.
(8)	Securities registration statement (Disposals of treasury stock as Performance Share Units and Restricted Stock Units) and appendices			Filed to Director-General of Kanto Local Finance Bureau on March 28, 2023.

(9)	Notification for revision of securities registration statement	Notification for revision pertaining to the securities registration statement filed on January 26, 2023	Filed to Director-General of Kanto Local Finance Bureau on February 16, 2023.
(10)	Shelf registration statement (Straight bonds) and appendices		Filed to Director-General of Kanto Local Finance Bureau on May 20, 2022.
(11)	Amended shelf registration statement (Straight bonds)		Filed to Director-General of Kanto Local Finance Bureau on August 1, 2022; September 29, 2022; November 8, 2022; and November 10, 2022.
(12)	Share buyback report		Filed to Director-General of Kanto Local Finance Bureau on April 15, 2022; May 13, 2022; June 15, 2022; July 15, 2022; August 10, 2022; September 15, 2022; October 14, 2022; November 15, 2022; December 15, 2022; and January 13, 2023.

Part II Information About Company Which Provides Guarantee to Reporting Company

Not applicable.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

March 28, 2023

To the Board of Directors of
Bridgestone Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Yasuhiko Haga

Designated Engagement Partner,
Certified Public Accountant:

Takuma Ueki

Designated Engagement Partner,
Certified Public Accountant:

Akiko Fujiharu

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193 2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Bridgestone Corporation and its consolidated subsidiaries (the "Group") included in the Financial Information, namely, the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1, 2022 to December 31, 2022, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Reasonableness of the accounting for the transfer of the anti-vibration rubber business and the chemical products solutions business</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>As described in sections "(2) Anti vibration rubber business" and "(3) Chemical products solutions business" of Note 31, "Discontinued Operations," to the consolidated financial statements, on December 10, 2021, Bridgestone Corporation (the "Company") entered into a contract to transfer the Group's anti vibration rubber business to Anhui Zhongding Holding (Group) Co., Ltd., and on the same date, entered into a contract to transfer its chemical products solutions business to Endeavor United II Investment Business Limited Partnership, a fund that was structured, managed and operated by Endeavor United Co., Ltd. With the exception of certain subsidiaries that were subject to the transfer, the transfer of the anti vibration rubber business and the chemical products solutions business was completed on September 1, 2022, and August 1, 2022, respectively.

In the consolidated statement of profit or loss of the current fiscal year, due to the contract of the transfer of the anti vibration rubber business, the Bridgestone Group (the "Group") recognized a loss on business transfer of 4,254 million yen, and a loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell of 6,147 million yen, which were recorded in "Profit (loss) from discontinued operations." Due to the contract of the transfer of the chemical products solutions business, the Group recognized a gain on business transfer of 5,691 million yen, and a loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell of 13,014 million yen, which were also recorded in "Profit (loss) from discontinued operations."

For the purpose of business transfers, the Company established PROSPIRA CORPORATION and ARCHEM INC. as wholly owned subsidiaries (hereinafter collectively referred to as the "New Companies") to which each of its business operation was transferred via an absorption type demerger, then integrated the business operations of the Group into the New Companies. In both transfers, the process to calculate the carrying amounts of transferred assets and liabilities for the New Companies,</td><td>Our audit procedures related to the accounting treatment for the business transfer included the following, among others:

(1) Evaluation of internal controls

We tested the design and operating effectiveness of the Company's internal controls over the accounting treatment for the business transfers. Specifically, we focused on the following controls:

• Controls to assess the economic rationale of the business transfers

• Controls to review the appropriateness of the accounting treatment of the loss on business transfer

(2) Validation of the accounting treatment for the business transfers

To evaluate the appropriateness of the accounting treatment of the loss on business transfer, the following procedures were performed:

• We inspected relevant supporting documents including the contracts for the business transfers and the board of directors' meeting minutes to understand the outline of the transactions and evaluated the economic rationale of the terms of the transactions based on the contracts, such as the transaction prices.

• In order to test the reasonableness of the calculation method for the carrying amounts of transferred businesses, which were used as the basis for determining the profit or loss on each business transfer, we examined if the transferred assets and liabilities were properly classified and aggregated. Specifically, we inspected the contract of business transfer and relevant</td></tr>
</table>

which is used as a basis for the computation of the profit or loss on business transfers, is complex, as the business integration involved the Company's specification of transferred assets and liabilities in the divesture of transferred business from several businesses as well as execution of several capital increases and loans to the New Companies and other consolidated subsidiaries. Therefore, we identified the accounting for the transfer of the anti vibration rubber business and the chemical products solutions business as a key audit matter.	supporting documents, inquired of management to understand a series of transactions from the transfer of business to the New Companies through the sale of shares of the New Companies. We also assessed if the transferred assets and liabilities were appropriately classified and aggregated in accordance with the applicable accounting standards through inspection of supporting calculations and by performing independent re computation or agreeing to other relevant documents.

<table>
<tr><th colspan="2">Reasonableness of the valuation of the provision for product warranties related to the recall</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was
Addressed in the Audit</th></tr>
<tr><td>As described in section "(3) Provision for product warranties" of Note 21, "Provisions" to the consolidated financial statements, the Company recognized 15,416 million yen of other expenses on its consolidated statement of profit or loss along with the related provision for product warranties to account for the product recall of the stainless steel rim products for certain models of standard and power assisted bicycles manufactured by BRIDGESTONE CYCLE CORPORATION, a consolidated subsidiary, ("the consolidated subsidiary"), which started on October 11, 2022. Such expenses were estimated at the amount of replacement costs expected to be incurred in the future related to the recall.

The provision for product warranties related to the recall was recognized based on a reasonably expected amount of replacement costs that would be incurred and paid by the consolidated subsidiary upon customers’ requests for replacing the rim products subject to the recall that were manufactured by the consolidated subsidiary.

The expected replacement costs are calculated by multiplying the number of rims subject to the recall, replacement costs per unit and an expected replacement rate. Estimates of the replacement costs per unit and the expected replacement rate are affected by the key assumptions involving judgments made by management.

Specifically, the expected replacement rate is determined by considering historical data of past recall cases that differ from the ongoing recall with respect to the period from production to date of recall. Accordingly, it is not easy to estimate and involves a high degree of estimation uncertainty.

As the estimation of the provision for product warranties related to the recall is quantitatively material and involves significant assumptions and judgment made by management, we identified the valuation of the provision for product warranties related to the recall as a key audit matter.</td><td>Our audit procedures, with the assistance of the component auditor, for the reasonableness of valuation of the provision for product warranties related to the recall included the following, among others:

(1) Evaluation of internal controls

We tested the design and operating effectiveness of the Company's internal controls over the evaluation of the provision for product warranties related to the recall. Specifically, we focused on the following control:

• Control by personnel responsible for finance to ensure that supporting documents for the expected replacement rate and the replacement costs are prepared and verified by each responsible department, and determine that the amount of the provision is calculated based on the assumptions and data included in the supporting documents, and approve the amount with the written approval form

(2) Test of valuation of the provision for product warranties related to the recall

To evaluate the reasonableness of the valuation of the provision for product warranties related to the recall, the following procedures were performed:

• We inspected relevant supporting documents including “the notice of starting product recall” submitted to the Ministry of Economy, Trade and Industry and the board of directors' meeting minutes and made inquiries of the personnel responsible for the quality control to understand the outline of the recall and the cause of the product malfunction.

• Inspected internal approval materials, “the notice of starting product recall” submitted to the Ministry of Economy, Trade and Industry and available external information to test the consistency of the estimated number of rims subject to recall.

• Assessed the reasonableness of the replacement costs per unit and other costs incurred related to the recall by inquiring</td></tr>
</table>

	of the personnel responsible for the quality control, inspecting relevant supporting documents, and comparing with track record of other recall cases. • Assessed the reasonableness of management’s key assumption of the expected replacement rate by comparing with the historical replacement rates by the period from production to date of recall in past recall cases. • Compared the actual results with the replacement costs per unit and the replacement rate initially expected for the past recall case in order to assess the reasonableness of management’s key assumptions used for the provision.

Other Information

Management is responsible for the other information. The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards.

The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193 2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Bridgestone Corporation as of December 31, 2022.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Bridgestone Corporation as of December 31, 2022, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and the Audit Committee for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. The Audit Committee is responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management’s report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

March 28, 2023

To the Board of Directors of
Bridgestone Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Yasuhiko Haga

Designated Engagement Partner,
Certified Public Accountant:

Takuma Ueki

Designated Engagement Partner,
Certified Public Accountant:

Akiko Fujiharu

Opinion

Pursuant to the first paragraph of Article 193 2 of the Financial Instruments and Exchange Act, we have audited the non consolidated financial statements of Bridgestone Corporation (the "Company") included in the Financial Section, namely, the non consolidated balance sheet as of December 31, 2022, and the non consolidated statement of profit or loss and non consolidated statement of changes in equity for the 104th fiscal year from January 1, 2022 to December 31, 2022, and a summary of significant accounting policies and other explanatory information, and the supplementary schedules.

In our opinion, the accompanying non consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non consolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the non consolidated financial statements of the current period. The matter was addressed in the context of our audit of the non consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Reasonableness of the accounting for the transfer of the anti-vibration rubber business and the chemical products solutions business	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
On December 10, 2021, the Company entered into a contract to transfer Bridgestone group's anti vibration rubber business to Anhui Zhongding Holding (Group) Co., Ltd., and on the same date, entered into an agreement to transfer its chemical products solutions business to Endeavor United II Investment Business Limited Partnership, a fund that was structured, managed, and operated by Endeavor United Co., Ltd. With the exception of certain group companies that were subject to the transfer, the transfer of the anti vibration rubber business and the chemical products solutions business was completed on September 1, 2022, and August 1, 2022, respectively. As described in "*5 Loss on business transfer" of "Non-consolidated statement of profit or loss" in Notes to non-consolidated financial statements, as a result of the decision and execution of business transfers, the Company recognized a loss on business transfer of 15,356 million yen from the transfer of the anti vibration rubber business, 9,205 million yen from the transfer of the chemical products solutions business in extraordinary loss of the non consolidated statement of profit or loss for the current fiscal year. For the purpose of business transfers, the Company established PROSPIRA CORPORATION and ARCHEM INC. as wholly owned subsidiaries (hereinafter collectively referred to as the "New Companies") to which each of its business operation was transferred via an absorption type demerger, then integrated the business operations of the group into the New Companies. In both transfers, the process to calculate the loss on business transfer based on the carrying amounts of transferred shares of the New Company is complex, as the business integration involved the Company’s specification of transferred assets and liabilities in the divesture of transferred business from several businesses as well as execution of several capital increases and loans to the New Companies and other affiliated companies. Therefore, we identified the accounting for the transfer of the anti vibration rubber business and the chemical products solutions business as a key audit matter.	Our audit procedures related to the accounting treatment for the business transfer included the following, among others: (1) Evaluation of internal controls We tested the design and operating effectiveness of the Company's internal controls over the accounting treatment for the business transfers. Specifically, we focused on the following controls: • Controls to assess the economic rationale of the business transfers • Controls to review the appropriateness of the accounting treatment of the business transfers (2) Validation of the accounting treatment for the business transfers To evaluate the appropriateness of the accounting treatment for the business transfers the following procedures were performed: • We inspected relevant supporting documents including the contracts for the business transfers and the board of directors' meeting minutes to understand the outline of the transactions and evaluated the economic rationale of the terms of the transactions based on the contracts, such as the transaction prices. • In order to test the reasonableness of the calculation method for the loss on business transfer, we examined if the transferred assets and liabilities were properly classified and aggregated. Specifically, we inspected the contract of business transfer and relevant supporting documents, inquired of management to understand a series of transactions from the transfer of business to the New Companies through the sale of shares of the New Companies. We also assessed if the transferred assets and liabilities were appropriately classified and aggregated in accordance with the applicable accounting standards through inspection of supporting calculations and by performing independent re-computation as well as agreeing to other relevant documents.

Other Information

Management is responsible for the other information. The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the non consolidated financial statements and our auditor's report thereon.

Our opinion on the non consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Non consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the non consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the non consolidated financial statements, including the disclosures, and whether the non consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the non consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

Cover

[Document Submitted]	Internal Control System Report
[Article of the Applicable Law Requiring Submission of This Document]	Article 24-4-4, paragraph (1) of the Financial Instruments and Exchange Act
[Filed to]	Director of the Kanto Local Finance Bureau
[Date of Submission]	March 28, 2023
[Company Name]	Bridgestone Corporation
[Company Name (in English)]	BRIDGESTONE CORPORATION
[Position and Name of Representative]	Shuichi Ishibashi Member of the Board Global CEO and Representative Executive Officer
[Position and Name of Chief Financial Officer]	Naoki Hishinuma Executive Director Global CFO
[Location of Head Office]	3-1-1 Kyobashi, Chuo-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Fukuoka Stock Exchange (2-14-2 Tenjin, Chuo-ku, Fukuoka)

1 Basic Framework of Internal Control over Financial Reporting

Member of the Board, Global CEO and Representative Executive Officer Shuichi Ishibashi, as well as Executive Director and Global CFO Naoki Hishinuma are responsible for designing and operating the Company’s internal control over financial reporting. They design and operate internal control over financial reporting in accordance with the basic framework of internal control presented in “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” issued by the Business Accounting Council.

Internal control achieves its objectives to a reasonable extent given that all individual components of internal control are integrated and function as a whole. Therefore, internal control over financial reporting may not fully prevent or detect misstatements.

2 Scope of Assessment, Assessment Date and Assessment Procedure

Assessment of internal control over financial reporting was carried out as of December 31, 2022, which is the final day of the current fiscal year, in accordance with generally accepted assessment standards for internal control over financial reporting.

In this assessment, the business processes to be assessed are selected after an assessment of internal control that has a significant impact on overall financial reporting on a consolidated basis (company-level internal control) is carried out, and in consideration of the results of the said assessment. In assessing the said business processes, an assessment of the effectiveness of internal control is conducted by identifying the key controls that would have a material impact on the reliability of financial reporting after analyzing the selected business processes and by assessing the status of design and operation of the said key controls.

The scope of assessment of internal control over financial reporting is determined to be the scope that is necessary from the viewpoint of materiality of the impact on the reliability of financial reporting regarding the Company, its consolidated subsidiaries and its equity-method affiliates. The materiality of the impact on the reliability of financial reporting is determined in consideration of the materiality of quantitative and qualitative impacts. The scope of assessment of business process-level internal control is determined reasonably in light of the results of an assessment of company-level internal control carried out with respect to all business locations excluding immaterial locations.

To determine the scope of assessment of business process-level internal control, “significant business locations” are selected. They are composed of business locations whose revenue (before elimination of intra-group transactions) reaches approximately two thirds of the revenue in the previous fiscal year, as well as other qualitatively significant business locations. At the selected significant business locations, business processes leading to revenue, accounts receivable and inventories which are deemed as accounting items that are closely associated with a company’s business purpose, are included in the scope of the assessment. In addition, the scope of assessment includes other business locations as well as selected significant business locations with respect to certain business processes. Specifically, business processes that have a high risk of misstatement and relate to significant accounting items involving estimates and forecasts, and business processes relating to a business or operation dealing with high-risk transactions, are added to the scope of assessment as business processes with substantial significance in terms of effects on financial reporting, regardless of whether they occur at selected significant business locations.

3 Assessment Result

As a result of the above assessment, we judge that the Company’s internal control over its financial reporting is effective as of the end of the current fiscal year.

4 Additional Matters

Not applicable.

5 Significant Matters

Not applicable.

Cover

[Document Submitted]	Written Confirmation
[Article of the Applicable Law Requiring Submission of This Document]	Article 24-4-2, paragraph (1) of the Financial Instruments and Exchange Act
[Filed to]	Director of the Kanto Local Finance Bureau
[Date of Submission]	March 28, 2023
[Company Name]	Bridgestone Corporation
[Company Name (in English)]	BRIDGESTONE CORPORATION
[Position and Name of Representative]	Shuichi Ishibashi Member of the Board Global CEO and Representative Executive Officer
[Position and Name of Chief Financial Officer]	Naoki Hishinuma Executive Director Global CFO
[Location of Head Office]	3-1-1 Kyobashi, Chuo-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Fukuoka Stock Exchange (2-14-2 Tenjin, Chuo-ku, Fukuoka)

1 Appropriateness of Descriptions in Annual Securities Report

Member of the Board, Global CEO and Representative Executive Officer Shuichi Ishibashi, as well as Executive Director and Global CFO Naoki Hishinuma have confirmed that this Annual Securities Report for the 104th fiscal year (January 1, 2022 through December 31, 2022) is reasonably and fairly stated in accordance with the Financial Instruments and Exchange Act.

2 Significant Matters

There are no significant matters to report.