

Consolidated Financial Statements
for the First Half of the Fiscal Year Ending December 31, 2021
<under IFRS>

August 10, 2021

These financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), have been translated for reference only from the original Japanese-language document "KESSAN TANSIN." The entire format is pursuant to the requirements or guidance of Tokyo Stock Exchange. As for the contents, if there are any differences or discrepancies between the original Japanese-language and the English translation, the original Japanese-language supersedes this English translation.

Company name: **Bridgestone Corporation** Stock exchange listings: Tokyo, Nagoya, Fukuoka
 Code number: 5108 URL: <https://www.bridgestone.com/>
 Representative: Shuichi Ishibashi, Member of the Board
 Global CEO and Representative Executive Officer
 Contact: Kentaro Saji, General Manager, IR Department
 Telephone: +81-3-6836-3100
 Scheduled date of quarterly securities report submission: August 10, 2021
 Scheduled date of dividend payment commencement: September 1, 2021
 Supplementary information for the quarterly financial statements to be prepared: Yes
 Meeting to explain the quarterly financial statements to be held: Yes

(All amounts are rounded off the nearest million yen)

1. Consolidated Results for the First Half of Fiscal 2021 (January 1, 2021 - June 30, 2021)

(1) Consolidated Operating Results (Percentage figures represent year-on-year changes)

	Figures for continuing operations (Note 2)							
	Revenue		Adjusted operating profit (Note 1)		Operating profit		Profit attributable to owners of parent	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
Six months ended June 30, 2021	1,568,789	24.2	176,173	369.3	169,698	–	123,619	–
Six months ended June 30, 2020	1,262,917	–	37,537	–	9,177	–	(30,214)	–

	Figures including discontinued operations					
	Profit attributable to owners of parent		Comprehensive income		Basic earnings per share	Diluted earnings per share
	Yen in millions	%	Yen in millions	%	Yen	Yen
Six months ended June 30, 2021	352,320	–	477,569	–	500.35	499.58
Six months ended June 30, 2020	(22,044)	–	(112,269)	–	(31.31)	(31.31)

- (Notes) 1. The Group utilizes "adjusted operating profit" in place of the previously employed J-GAAP-based operating income. For details on reconciliations, please refer to page 12, "Reconciliation from adjusted operating profit to profit before tax" under "2. Condensed Quarterly Consolidated Financial Statements and Primary Notes (6) Notes to the Condensed Quarterly Consolidated Financial Statements."
2. The Company has classified FIRESTONE BUILDING PRODUCTS COMPANY, LLC (hereinafter "FSBP") and its subsidiaries as discontinued operations from the first quarter of the fiscal year ending December 31, 2021. Accordingly, profit from discontinued operations on the consolidated statement of profit or loss is presented separately from the continuing operations. Note that for the six months ended June 30, 2020, the amounts for revenue, adjusted operating profit, operating profit and profit attributable to owners of parent of the continuing operations have been restated using the same classification of operations as that used for 2021. Therefore, the year-on-year percentage changes for these amounts are not presented.

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Yen in millions	Yen in millions	Yen in millions	%
As of June 30, 2021	4,436,430	2,624,017	2,580,693	58.2
As of December 31, 2020	4,189,327	2,195,291	2,149,958	51.3

2. Dividends

	Dividend per share				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	–	50.00	–	60.00	110.00
Fiscal 2021	–	85.00			
Fiscal 2021 (Projection)			–	85.00	170.00

(Note) Changes from the latest forecasts released: Yes

3. Consolidated Financial Results Forecasts for Fiscal 2021 (January 1, 2021 - December 31, 2021)

(Percentage figures represent year-on-year changes)

	Figures for continuing operations				Figures including discontinued operations			
	Revenue		Adjusted operating profit		Profit attributable to owners of parent		Basic earnings per share	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen	
Fiscal 2021	3,320,000	18.3	360,000	84.7	325,000	–	461.53	

(Note) Changes from the latest forecasts released: Yes

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.

Accordingly, the Company has classified FSBP and its subsidiaries as discontinued operations from the first quarter of the fiscal year ending December 31, 2021, and in the Consolidated Financial Results Forecasts for Fiscal 2021, revenue and adjusted operating profit show figures for continuing operations and exclude discontinued operations. Note that the amounts for revenue and adjusted operating profit for the fiscal year ended December 31, 2020 used for calculating the year-on-year percentage changes have been restated using the same classification of operations as that used for 2021, and are approximations that may change as a result of the accounting audits.

Amounts for profit attributable to owners of parent, and basic earnings per share for continuing operations only are as follows:

- Profit attributable to owners of parent: ¥230,000 million
- Basic earnings per share: ¥326.62

* Notes

(1) Changes in principal subsidiaries during the six months ended June 30, 2021: No
(Changes in specified subsidiaries involving change in consolidation scope)

(2) Changes in accounting policies and changes in accounting estimates

- 1) Changes in accounting policies required by IFRS : No
- 2) Changes in accounting policies other than 1) : No
- 3) Changes in accounting estimates : No

(3) Number of issued shares (common stock)

1) Total number of issued shares at period end (including treasury stock):

June 30, 2021	713,698,221 shares
December 31, 2020	713,698,221 shares

2) Number of shares of treasury stock at period end:

June 30, 2021	9,475,976 shares
December 31, 2020	9,566,508 shares

3) Average number of shares outstanding during the period (during the first half):

First Half ended June 30, 2021	704,148,046 shares
First Half ended June 30, 2020	704,093,432 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Statement regarding appropriate use of forward-looking statements and other notes

Forecasts based on our projections and plans for the future in this document contain unpredictable elements that may cause fluctuations. As such, they do not constitute guarantees by the Company of the achievement of those forecasts. Accordingly, actual business results may differ substantially from the Company's current assessment.

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1. Qualitative Information on Consolidated Financial Results for the Six Months

(1) Explanation regarding information on consolidated financial results forecasts and other forward-looking statements

[Revision of consolidated financial results forecasts for the fiscal year ending December 31, 2021]

1) Consolidated financial results forecasts (from January 1, 2021 to December 31, 2021)

	Revenue	Adjusted operating profit	Profit attributable to owners of parent	Basic earnings per share
	Yen in millions	Yen in millions	Yen in millions	Yen
Previous forecasts (A)	3,010,000	260,000	261,000	370.67
Revised forecasts (B)	3,320,000	360,000	325,000	461.53
Differences (B-A)	+310,000	+100,000	+64,000	+90.86
Change (%)	10.3	38.5	24.5	24.5
(Reference) FY2020 results	2,805,410	194,896	(23,301)	(33.09)

2) Reason for revisions

The full-year consolidated financial results forecast announced in February 2021 was based on the assumption that the global economy would return to pre-COVID-19 levels of 2019 in 2023, as there were no prospects for stemming the spread of COVID-19. The Company forecast was created in the assumption that global tire demand in 2021 would remain at a certain low level compared with 2019. However, from the second half of 2020, countries around the world made progress in balancing infection countermeasures with economic activity, and coming into 2021, the advance of the COVID-19 vaccination program has further accelerated the moved toward recovery in the global economy. As a result, global tire demand in the first half of 2021 has shown a dramatic recovery at a pace exceeding the Group's expectations. In particular, demand for truck and bus tires and construction vehicle tires has grown significantly, underpinned by solid construction and transport demand. The Group's replacement tire sales for the first half have also recovered to a level on par with 2019. In addition, in the Group's current initiatives to improve profitability centered on "expense and cost structure reform" and "strengthening the premium business strategy" with a view to "rebuilding earning power," measures in each field have been progressing at a pace that exceeds the initial plan targets and profitability of its businesses has substantially improved.

In this situation, as the earnings for the six months ended June 30, 2021 exceeded the forecast announced in February 2021, the Company reexamined its full-year forecast and decided to revise its financial results forecasts.

*On March 31, 2021, the Company's subsidiary FSBP was sold to Holcim Participations (US) Inc., and has therefore been classified as a discontinued operation. Accordingly, in the consolidated financial results forecasts for fiscal 2021 and the actual results for fiscal 2020, revenue and adjusted operating profit have been restated to show figures for continuing operations excluding discontinued operations. Note, however, that the amounts presented for fiscal 2020 are approximations that may change as a result of the accounting audits.

3) Notes concerning financial results forecasts

Financial results forecasts are based on currently available information and contain risks and uncertainties. Please bear in mind, therefore, that the actual financial results may differ substantially

from the current forecast due to the economic environment, market trends, and foreign exchange rates in the Group's business domains going forward.

[Determination of dividends of surplus and revisions to the dividends forecast]

1) Dividends of surplus (cash dividends)

	Determined amount	Latest dividends forecast (announced on February 16, 2021)	FY2020 Interim dividend result
Record date	June 30, 2021	June 30, 2021	June 30, 2020
Cash dividends per share	¥85	¥60	¥50
Total dividends	¥59,859 million	–	¥35,206 million
Effective date	September 1, 2021	–	September 1, 2020
Source of dividend	Retained earnings	–	Retained earnings

2) Reason for the determination of dividends

The Company's basic policies on profit distribution and dividends are as follows.

- Policy on profit distribution – 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.
- Policy on dividends – 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 achieve continuous increases of dividend payment amount through a stable consolidated payout ratio of 40% by sustainably enhancing our corporate value.

In the period under review the Company was determined to achieve early recovery from the slump in business performance that accompanied last year's impact from COVID-19. Accordingly, while focusing on production and sales activities to capture the recovery in demand, the Company has been committed to speedily making intrinsic improvements at a comprehensive level in line with the Mid Term Business Plan. As a result, the Company's business performance over the six-month period is at a level that exceeds the projections announced in February 2021, and performance for the full-year is expected to substantially exceed the original forecast.

Taking into account the recovery in business performance thus far, and as a result of consideration of profit distribution based on the Company's basic policies, the Company has decided to revise its dividend amount in order to meet the expectations of shareholders through increased return.

3) Revisions to the forecasts of cash dividends

	Cash dividends per share (yen)		
	2nd quarter end	Year-end	Total
Previous forecasts	¥60	¥70	¥130
Revised forecasts	¥85	¥85	¥170
FY2021 results	¥85	–	–
FY2020 results	¥50	¥60	¥110

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes**(1) Condensed Quarterly Consolidated Statement of Financial Position**

	As of December 31, 2020	As of June 30, 2021
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	810,546	952,995
Trade and other receivables	667,761	659,594
Inventories	491,240	566,896
Other financial assets	7,277	7,018
Other current assets	76,279	85,071
Subtotal	2,053,104	2,271,574
Non-current assets held for sale	1,425	3,234
Total current assets	2,054,529	2,274,808
Non-current assets		
Property, plant and equipment	1,392,141	1,402,839
Right-of-use assets	290,122	291,995
Goodwill	97,646	90,261
Intangible assets	117,481	112,141
Investments accounted for using equity method	24,543	25,549
Other financial assets	113,222	130,307
Deferred tax assets	49,409	55,255
Other non-current assets	50,234	53,274
Total non-current assets	2,134,798	2,161,621
Total assets	4,189,327	4,436,430

	As of December 31, 2020	As of June 30, 2021
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	420,140	418,564
Bonds and borrowings	293,978	158,561
Lease liabilities	53,966	53,744
Income taxes payable	34,978	71,995
Other financial liabilities	29,342	29,423
Provisions	64,806	50,955
Other current liabilities	144,526	135,988
Subtotal	1,041,736	919,229
Liabilities directly associated with non-current assets held for sale	12	1,610
Total current liabilities	1,041,748	920,839
Non-current liabilities		
Bonds and borrowings	412,060	357,639
Lease liabilities	246,187	247,122
Other financial liabilities	13,937	20,435
Net defined benefit liability	191,679	192,631
Provisions	23,730	24,615
Deferred tax liabilities	28,491	37,647
Other non-current liabilities	36,205	11,485
Total non-current liabilities	952,288	891,574
Total liabilities	1,994,036	1,812,413
Equity		
Common stock	126,354	126,354
Capital surplus	122,116	122,116
Treasury stock	(38,657)	(38,291)
Other components of equity	(59,851)	59,689
Retained earnings	1,999,996	2,310,825
Total equity attributable to owners of parent	2,149,958	2,580,693
Non-controlling interests	45,333	43,324
Total equity	2,195,291	2,624,017
Total liabilities and equity	4,189,327	4,436,430

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

(Six months ended June 30, 2021)

	Six months ended June 30, 2020	Six months ended June 30, 2021
	Millions of yen	Millions of yen
Continuing operations		
Revenue	1,262,917	1,568,789
Cost of sales	820,792	949,891
Gross profit	442,125	618,898
Selling, general and administrative expenses	414,344	442,061
Other income	2,885	3,375
Other expenses	21,489	10,514
Operating profit	9,177	169,698
Finance income	3,904	5,148
Finance costs	13,200	7,861
Impairment loss related to shares using equity method	18,442	–
Share of profit (loss) of investments accounted for using equity method	(3,620)	2,956
Profit (loss) before tax	(22,181)	169,940
Income tax expense	6,982	42,497
Profit (loss) from continuing operations	(29,164)	127,444
Discontinued operations		
Profit from discontinued operations	8,170	228,701
Profit (loss)	(20,994)	356,145
Profit (loss) attributable to		
Owners of parent	(22,044)	352,320
Non-controlling interests	1,050	3,825
Profit (loss)	(20,994)	356,145
Earnings (loss) per share		
Basic earnings (loss) per share (Yen)		
Continuing operations	(42.91)	175.56
Discontinued operations	11.60	324.79
Total	(31.31)	500.35
Diluted earnings (loss) per share (Yen)		
Continuing operations	(42.91)	175.29
Discontinued operations	11.60	324.29
Total	(31.31)	499.58

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Six months ended June 30, 2021)

	Six months ended June 30, 2020	Six months ended June 30, 2021
	Millions of yen	Millions of yen
Profit (loss)	(20,994)	356,145
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	(8,868)	11,156
Remeasurements of defined benefit plans	(8,509)	708
Share of other comprehensive income of investments accounted for using equity method	(5)	10
Total of items that will not be reclassified to profit or loss	(17,382)	11,875
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(73,475)	110,595
Effective portion of change in fair value of cash flow hedges	452	(186)
Share of other comprehensive income of investments accounted for using equity method	(872)	(860)
Total of items that may be reclassified to profit or loss	(73,894)	109,549
Other comprehensive income, net of tax	(91,276)	121,424
Comprehensive income	(112,269)	477,569
Comprehensive income attributable to		
Owners of parent	(109,689)	472,685
Non-controlling interests	(2,580)	4,884
Comprehensive income	(112,269)	477,569

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

Six months ended June 30, 2020

	Equity attributable to owners of parent							
	Common stock	Capital surplus	Treasury stock	Stock acquisition rights	Other components of equity			Net change in fair value of financial assets measured through other comprehensive income
					Exchange differences on translation of foreign operations	Effective portion of change in fair value of cash flow hedges		
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2020	126,354	121,998	(232,330)	3,275	(18,968)	(325)	58,678	
Profit (loss)	–	–	–	–	–	–	–	
Other comprehensive income	–	–	–	–	(72,125)	657	(8,873)	
Total comprehensive income	–	–	–	–	(72,125)	657	(8,873)	
Purchase of treasury stock	–	–	(2)	–	–	–	–	
Disposal of treasury stock	–	–	193,608	(119)	–	–	–	
Dividends	–	–	–	–	–	–	–	
Changes in ownership interests of owners in subsidiaries under control	–	32	–	–	–	–	–	
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	896	
Other changes	–	–	–	–	–	–	–	
Total transactions with owners, etc.	–	32	193,606	(119)	–	–	896	
Balance at June 30, 2020	126,354	122,030	(38,724)	3,157	(91,094)	332	50,701	

	Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Total				
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2020	–	42,661	2,290,696	2,349,378	53,099	2,402,477
Profit (loss)	–	–	(22,044)	(22,044)	1,050	(20,994)
Other comprehensive income	(7,304)	(87,646)	–	(87,646)	(3,630)	(91,276)
Total comprehensive income	(7,304)	(87,646)	(22,044)	(109,689)	(2,580)	(112,269)
Purchase of treasury stock	–	–	–	(2)	–	(2)
Disposal of treasury stock	–	(119)	(193,489)	0	–	0
Dividends	–	–	(56,325)	(56,325)	(5,447)	(61,772)
Changes in ownership interests of owners in subsidiaries under control	–	–	–	32	1,039	1,071
Transfer from other components of equity to retained earnings	7,304	8,200	(8,200)	–	–	–
Other changes	–	–	–	–	(56)	(56)
Total transactions with owners, etc.	7,304	8,081	(258,014)	(56,294)	(4,465)	(60,758)
Balance at June 30, 2020	–	(36,904)	2,010,638	2,183,395	46,055	2,229,450

Six months ended June 30, 2021

	Equity attributable to owners of parent						
	Common stock	Capital surplus	Treasury stock	Stock acquisition rights	Other components of equity		
					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
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2021	126,354	122,116	(38,657)	3,125	(112,257)	(9)	49,290
Profit	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	108,468	(17)	11,167
Total comprehensive income	–	–	–	–	108,468	(17)	11,167
Purchase of treasury stock	–	–	(4)	–	–	–	–
Disposal of treasury stock	–	–	370	(37)	–	–	–
Dividends	–	–	–	–	–	–	–
Changes in ownership interests of owners in subsidiaries under control	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	(40)
Other changes	–	–	–	–	–	–	–
Total transactions with owners, etc.	–	–	365	(37)	–	–	(40)
Balance at June 30, 2021	126,354	122,116	(38,291)	3,088	(3,789)	(26)	60,416

	Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Total				
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2021	–	(59,851)	1,999,996	2,149,958	45,333	2,195,291
Profit	–	–	352,320	352,320	3,825	356,145
Other comprehensive income	747	120,365	–	120,365	1,060	121,424
Total comprehensive income	747	120,365	352,320	472,685	4,884	477,569
Purchase of treasury stock	–	–	–	(4)	–	(4)
Disposal of treasury stock	–	(37)	(31)	302	–	302
Dividends	–	–	(42,248)	(42,248)	(6,705)	(48,953)
Changes in ownership interests of owners in subsidiaries under control	–	–	–	–	(124)	(124)
Transfer from other components of equity to retained earnings	(747)	(787)	787	–	–	–
Other changes	–	–	–	–	(65)	(65)
Total transactions with owners, etc.	(747)	(825)	(41,491)	(41,951)	(6,894)	(48,844)
Balance at June 30, 2021	–	59,689	2,310,825	2,580,693	43,324	2,624,017

(5) Condensed Quarterly Consolidated Statement of Cash Flows

	Six months ended June 30, 2020	Six months ended June 30, 2021
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit (loss) before tax	(22,181)	169,940
Profit before tax from discontinued operations	11,029	305,021
Depreciation and amortization	133,118	121,702
Impairment losses	11,890	1,690
Increase (decrease) in net defined benefit liability	(9,723)	(4,871)
Interest and dividend income	(3,999)	(4,102)
Interest expenses	7,452	5,384
Foreign currency exchange loss (gain)	(1,751)	(4,163)
Share of loss (profit) of investments accounted for using equity method	3,620	(2,956)
Loss (gain) on sale of fixed assets	(496)	(583)
Business and plant restructuring expenses	4,726	5,118
Loss on retirement of fixed assets	977	1,280
Gains on sale of discontinued operations	—	(298,364)
Decrease (increase) in trade and other receivables	126,506	(2,181)
Decrease (increase) in inventories	26,966	(71,710)
Increase (decrease) in trade and other payables	(103,574)	17,260
Increase (decrease) in provision related to business and plant restructuring	(3)	(13,410)
Other	(608)	(39,832)
Subtotal	183,949	185,223
Interest and dividends received	4,047	5,653
Interest paid	(7,789)	(5,514)
Income taxes paid	(35,031)	(69,964)
Net cash provided by (used in) operating activities	145,177	115,398
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(102,528)	(75,973)
Proceeds from sale of property, plant and equipment	5,657	2,167
Payments for purchase of intangible assets	(8,233)	(8,652)
Payments of long-term loans receivable	(4,138)	(8,659)
Collection of loans receivable	650	8,162
Proceeds from sale of discontinued operations	—	356,606
Other	4,460	(7,649)
Net cash provided by (used in) investing activities	(104,131)	266,001

	Six months ended June 30, 2020	Six months ended June 30, 2021
	Millions of yen	Millions of yen
Cash flows from financing activities		
Proceeds from short-term debt	291,794	38,886
Repayments of short-term debt	(152,534)	(153,508)
Proceeds from long-term debt	114,502	26,476
Repayments of long-term debt	(210)	(108,367)
Repayments of lease liabilities	(27,987)	(30,203)
Dividends paid (owners of parent)	(56,308)	(42,248)
Dividends paid (non-controlling interests)	(5,374)	(6,705)
Other	(145)	(61)
Net cash provided by (used in) financing activities	163,737	(275,730)
Effect of exchange rate changes on cash and cash equivalents	(9,014)	36,835
Net increase (decrease) in cash and cash equivalents	195,769	142,503
Cash and cash equivalents at beginning of period	432,924	810,546
Cash and cash equivalents included in assets held for sale	—	(55)
Cash and cash equivalents at end of period	628,694	952,995

(6) Notes to the Condensed Quarterly Consolidated Financial Statements**(Notes regarding going concern assumption)**

Not applicable

(Reconciliation from adjusted operating profit to profit before tax)

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Adjusted operating profit (Note 1)	37,537	176,173
Adjusted items (income) (Note 2)	31	944
Adjusted items (expenses) (Note 3)	28,392	7,420
Operating profit	9,177	169,698
Finance income	3,904	5,148
Finance costs	13,200	7,861
Impairment loss related to shares using equity method	18,442	–
Share of profit (loss) of investments accounted for using equity method	(3,620)	2,956
Profit (loss) before tax	(22,181)	169,940

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

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

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Insurance claim income	4	876
Business and plant restructuring income	27	68
Adjusted items (income)	31	944

(Note 3) The major breakdown of adjusted items (expenses) is as follows:

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Impairment losses	(Note 4) 11,890	1,690
Cost of sales (loss on disaster)	(Note 5) 9,675	311
Other expenses (loss on disaster)	(Note 6) 2,101	301
Business and plant restructuring expenses	(Note 7) 4,726	(Note 8) 5,118
Adjusted items (expenses)	28,392	7,420

(Note 4) The major breakdown of impairment losses is impairment on property, plant and equipment of ¥10,539 million (of which ¥450 million was recorded for business and plant restructuring expenses). Details are presented below in "Impairment of non-financial assets" under Notes to the Condensed Quarterly Consolidated Financial Statements.

- (Note 5) This was primarily the recording of fixed costs, etc. arising from the period when operations were temporarily suspended at plants, etc. due to official requests and declarations by the national and local governments to prevent the spread of COVID-19.
- (Note 6) This was primarily the recording of expenses, etc., which were the direct result of the preparation for and cancellation of events that were cancelled due to official requests and declarations by the national and local governments to prevent the spread of COVID-19. Note that the major breakdown of “Other expenses” is presented below in “Other income and other expenses.”
- (Note 7) This was primarily the recording of expenses relating to the transfer of the unit bath business.
- (Note 8) This was primarily the recording of expenses relating to the closure of overseas tire plants.

(Impairment of non-financial assets)

Six months ended June 30, 2020

(Impairment of property, plant and equipment)

Impairment loss on property, plant and equipment recognized in the six months ended June 30, 2020 of ¥10,539 million is mainly the result of the carrying amount of assets related to property, plant and equipment in the “Europe, Russia, Middle East, India, and Africa” segment (assets for business use in Russia) being reduced by ¥9,840 million to the recoverable amount because the intended revenue is no longer expected as a result of changes in the business environment, such as the impacts of COVID-19. The recoverable amount of these assets was measured by value in use, which was calculated by discounting future cash flows at a discount rate of 10.3%. In addition, this impairment loss was recorded in “other expenses” in the condensed quarterly consolidated statement of profit or loss.

(Impairment of investments accounted for using equity method)

Impairment loss on investments accounted for using equity method recognized in the six months ended June 30, 2020 of ¥18,442 million is mainly the result of the carrying amount of assets related to investments in TIREHUB, LLC, which is a jointly controlled entity in the “Americas” segment being reduced by ¥17,286 million to the recoverable amount because the intended revenue is no longer expected as a result of changes in the business environment, such as the impacts of COVID-19. The recoverable amount of these assets was measured by value in use, which was calculated by discounting future cash flows at a discount rate of 11.5%. In addition, this impairment loss was recorded in “impairment loss related to shares using equity method” in the condensed quarterly consolidated statement of profit or loss.

(Selling, general and administrative expenses)

The breakdown of "Selling, general and administrative expenses" is as follows:

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Sales fare	68,441	83,556
Advertising and sales promotion expenses	41,474	35,981
Employee benefit expenses	122,249	140,569
Depreciation and amortization	42,912	44,270
Research and development expenses (Note)	47,858	48,440
Other	91,410	89,246
Total	414,344	442,061

(Note) All research and development expenses recognized as expenses are included in selling, general and administrative expenses.

(Other income and other expenses)

The breakdown of "Other income" and "Other expenses" is as follows:

(1) Other income

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Insurance claim income	4	876
Gain on sale of fixed assets	495	583
Loss on tax purpose reduction entry of fixed assets, grant and subsidies	442	245
Other	1,945	1,670
Total	2,885	3,375

(2) Other expenses

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Business and plant restructuring expenses (Note 1)	4,726	5,118
Impairment losses (Note 2)	11,890	1,690
Loss on retirement of fixed assets	977	1,280
Loss on disaster (Note 1)	2,101	301
Other	1,795	2,125
Total	21,489	10,514

(Note 1) The main components of the items business and plant restructuring expenses and loss on disaster are presented in "Reconciliation from adjusted operating profit to profit before tax."

(Note 2) The major breakdown of "Impairment losses" is presented in "Impairment of non-financial assets."

(Finance income and finance costs)

The breakdown of "Finance income" and "Finance costs" is as follows:

(1) Finance income

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Interest income (Note)	2,163	2,936
Dividend income (Note)	1,625	1,166
Foreign currency exchange gain	–	979
Other	115	67
Total	3,904	5,148

(2) Finance costs

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Interest expenses (Note)	7,452	5,288
Net interest of defined benefit plans	1,964	1,219
Loss on valuation of derivatives	1,847	87
Other	1,938	1,265
Total	13,200	7,861

(Note) Interest income and interest expenses are in relation to financial assets and financial liabilities measured at amortized cost. In addition, dividend income is in relation to financial assets measured at fair value through other comprehensive income.

(Discontinued operations)

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, for the six months ended June 30, 2021, FSBP and its subsidiaries are classified as discontinued operations, and a restated presentation is given for the six months ended June 30, 2020, with those operations classified as discontinued operations.

(1) Profit or loss from discontinued operations

	Six months ended June 30, 2020	Six months ended June 30, 2021
	Millions of yen	Millions of yen
Profit or loss from discontinued operations		
Income (Note)	93,010	346,021
Expenses	(81,981)	(41,000)
Profit before tax from discontinued operations	11,029	305,021
Income tax expense (Note)	(2,859)	(76,320)
Profit from discontinued operations	8,170	228,701

(Note) A gain on sale of ¥298,364 million relating to the transfer of FSBP is included in the six months ended June 30, 2021. The income tax expense corresponding to that is ¥69,318 million.

(2) Cash flow from discontinued operations

	Six months ended June 30, 2020	Six months ended June 30, 2021
	Millions of yen	Millions of yen
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	3,163	(301)
Net cash provided by (used in) investing activities	(2,662)	349,513
Net cash provided by (used in) financing activities	1,080	-
Total	1,580	349,213

(Subsequent events)

Not applicable