

Consolidated Financial Statements
for the Fiscal Year Ended December 31, 2022
<under IFRS>

February 16, 2023

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, Fukuoka
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Scheduled date of annual shareholders' meeting: March 28, 2023
Scheduled date of securities report submission: March 28, 2023
Scheduled date of dividend payment commencement: March 29, 2023
Supplementary information for the financial statements to be prepared: Yes
Meeting to explain the financial statements to be held: Yes

(All amounts are rounded off the nearest million yen)

1. Consolidated Results for Fiscal 2022 (January 1, 2022 - December 31, 2022)

(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 | % |
| Fiscal 2022 | 4,110,070 | 26.6 | 482,629 | 22.4 | 441,298 | 17.1 | 305,508 | (0.8) |
| Fiscal 2021 | 3,246,057 | 20.4 | 394,340 | 90.1 | 376,799 | 503.0 | 307,868 | — |

| | 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 |
| Fiscal 2022 | 300,367 | (23.8) | 565,229 | (4.5) | 432.29 | 431.70 |
| Fiscal 2021 | 394,037 | — | 591,557 | — | 559.56 | 558.71 |

| | Percentages including discontinued operations | | Percentages for continuing operations | | | |
|-------------|---|------|--|----------------------------------|-------------------------|--|
| | Return on equity attributable to owners of parent | | Ratio of profit before tax to total assets | Adjusted operating profit margin | Operating profit margin | |
| | | % | | | | |
| Fiscal 2022 | | 10.7 | 8.9 | 11.7 | 10.7 | |
| Fiscal 2021 | | 16.5 | 8.6 | 12.1 | 11.6 | |

(Reference) Share of profit (loss) of investments accounted for using equity method:

Fiscal 2022: ¥5,775 million
Fiscal 2021: ¥6,207 million

- (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 19, "Segment information" under "4. Consolidated Financial Statements and Primary Notes, (6) Notes to the Consolidated Financial Statements."
2. The Group classified the US building materials business, anti-vibration rubber business, and chemical products solutions business as discontinued operations in the fiscal year ended December 31, 2021. For the fiscal year ended December 31, 2022, revenue, adjusted operating profit, operating profit and profit attributable to owners of parent are presented in amounts from continuing operations that exclude discontinued operations.
For details on discontinued operations, please refer to page 25, "Discontinued operations" under "4. Consolidated Financial Statements and Primary Notes, (6) Notes to the Consolidated Financial Statements."

(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 | Equity attributable to owners of parent per share |
|-------------|-----------------|-----------------|---|--|---|
| | Yen in millions | Yen in millions | Yen in millions | % | Yen |
| Fiscal 2022 | 4,961,818 | 3,012,458 | 2,965,806 | 59.8 | 4,333.76 |
| Fiscal 2021 | 4,574,892 | 2,675,354 | 2,629,883 | 57.5 | 3,734.23 |

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|-------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Yen in millions | Yen in millions | Yen in millions | Yen in millions |
| Fiscal 2022 | 268,483 | (338,004) | (364,109) | 518,905 |
| Fiscal 2021 | 281,538 | 131,701 | (379,321) | 787,542 |

2. Dividends

| | Dividend per share | | | | |
|--------------------------|--------------------|-----------------|-----------------|-----------|--------|
| | 1st quarter end | 2nd quarter end | 3rd quarter end | Year -end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal 2021 | – | 85.00 | – | 85.00 | 170.00 |
| Fiscal 2022 | – | 85.00 | – | 90.00 | 175.00 |
| Fiscal 2023 (Projection) | – | 100.00 | – | 100.00 | 200.00 |

| | Total dividends | Dividend payout ratio (Consolidated) | Ratio of dividends to equity attributable to owners of parent (Consolidated) |
|--------------------------|-----------------|--------------------------------------|--|
| | Yen in millions | % | % |
| Fiscal 2021 | 119,722 | 30.4 | 5.0 |
| Fiscal 2022 | 120,771 | 40.5 | 4.3 |
| Fiscal 2023 (Projection) | | 40.9 | |

3. Consolidated Financial Results Forecasts for Fiscal 2023 (January 1, 2023 - December 31, 2023)

(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 2023 | 4,150,000 | 1.0 | 510,000 | 5.7 | 335,000 | 11.5 | 489.52 |

(Note) 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: ¥340,000 million
- Basic earnings per share: ¥496.82

* Notes

(1) Changes in principal subsidiaries during fiscal 2022: 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):

| | |
|-------------------|--------------------|
| December 31, 2022 | 713,698,221 shares |
| December 31, 2021 | 713,698,221 shares |

2) Number of shares of treasury stock at period end

| | |
|-------------------|-------------------|
| December 31, 2022 | 29,348,738 shares |
| December 31, 2021 | 9,434,214 shares |

3) Average number of shares outstanding during the period

| | |
|--|--------------------|
| Fiscal 2022 year ended December 31, 2022 | 694,822,759 shares |
| Fiscal 2021 year ended December 31, 2021 | 704,191,725 shares |

(Reference) Summary of Non-consolidated Results

Non-consolidated Results for Fiscal 2022 (January 1, 2022 - December 31, 2022)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|-------------|-----------------|------|------------------|------|-----------------|--------|-----------------|-------|
| | Yen in millions | % | Yen in millions | % | Yen in millions | % | Yen in millions | % |
| Fiscal 2022 | 981,660 | 16.9 | 107,288 | 3.2 | 231,918 | (20.8) | 164,341 | (1.6) |
| Fiscal 2021 | 839,528 | 21.4 | 103,954 | 59.0 | 292,915 | 204.6 | 167,024 | 101.4 |

| | Basic earnings per share | | Diluted earnings per share | |
|-------------|--------------------------|-----|----------------------------|-----|
| | Yen | Yen | Yen | Yen |
| Fiscal 2022 | 236.52 | | 236.20 | |
| Fiscal 2021 | 237.18 | | 236.83 | |

(2) Non-consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------|-----------------|-----------------|--------------|----------------------|
| | Yen in millions | Yen in millions | % | Yen |
| Fiscal 2022 | 1,911,361 | 1,304,356 | 68.1 | 1,902.07 |
| Fiscal 2021 | 2,135,579 | 1,373,813 | 64.2 | 1,946.44 |

(Reference) Equity: Fiscal 2022 ¥1,301,683 million Fiscal 2021 ¥1,370,816 million

(Note) The figures presented in the non-consolidated operating results have been calculated in accordance with generally accepted accounting principles in Japan (J-GAAP).

<Reasons for differences in non-consolidated results compared to those of the previous fiscal year>

In the fiscal year ended December 31, 2022, there is a difference between the actual results of the Company's net sales for the previous fiscal year and the current fiscal year, mainly due to an increase in sales resulting from strong demand and the impact of yen depreciation.

* Financial results reports are exempt from audit 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. For further details, please see page 6, "Projections for fiscal 2023" under "2. Operating Results (1) Analysis of Operating Results."

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1. Notice Regarding Cash Dividends for Fiscal 2022

At the meeting of the Board of Directors held today, the Company decided to distribute cash dividends with a record date of December 31, 2022 as follows.

(1) Details of dividends

| | Resolved amount | Latest forecast (announced on February 15, 2022) | Actual results (Fiscal 2021) |
|---|-------------------|--|---------------------------------|
| Record date | December 31, 2022 | December 31, 2022 | December 31, 2021 |
| Dividend per share (Yen) | 90 | 85 | 85 |
| Total amount of dividends (Yen in Millions) | 61,592 | – | 59,863 |
| Effective date | March 29, 2023 | – | March 24, 2022 |
| Source of dividends | Retained earnings | – | Retained earnings |

(2) Reason

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 continuous increases of dividend payment amount through a stable consolidated payout ratio of 40% by sustainably enhancing our corporate value.

For fiscal 2022, in accordance with the above policy, the year-end cash dividend will be revised to ¥90 per share, an increase of ¥5 per share from the previous forecast. Combining this with the interim cash dividend of ¥85 per share, the Company plans to pay an annual cash dividend of ¥175 per share.

This matter will be discussed at the 104th Annual Shareholders' Meeting scheduled to be held on March 28, 2023.

(Reference) The breakdown of annual dividend

| Record date | Dividend per share (Yen) | | |
|-------------|--------------------------|----------|--------------|
| | 2nd quarter end | Year-end | Annual total |
| Fiscal 2022 | 85 | 90 | 175 |
| Fiscal 2021 | 85 | 85 | 170 |

2. Operating Results

The Bridgestone Corporation is referred to as the “Company,” and the Company and its subsidiaries are referred to as the “Group.”

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.

The details are described under “(Segment information).”

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

(1) Analysis of Operating Results

[Operating results for fiscal 2022]

1) Sales and earnings

| | Fiscal 2022 | Fiscal 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. 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 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 fiscal 2022, 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 current 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 fiscal 2022 were ¥4,110.1 billion, a year-on-year increase of 27%; adjusted operating profit was ¥482.6 billion, a year-on-year increase of 22%; operating profit was ¥441.3 billion, a year-on-year increase of 17%; profit before tax was ¥423.5 billion, a year-on-year increase of 12%; and profit attributable to owners of parent was ¥300.4 billion, 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 US building materials business in the previous fiscal year.

2) Segment information

| | | Fiscal 2022 | Fiscal 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, whereas 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 current 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 fiscal 2021. As a result of the strong performance of the mining and construction tire business, revenue was ¥1,036.3 billion, a year-on-year increase of 19%, and adjusted operating profit was ¥140.3 billion, 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 fiscal 2021. As a result, revenue was ¥1,988.0 billion, a year-on-year increase of 37%, and adjusted operating profit was ¥251.2 billion, 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 fiscal 2021, and unit sales of tires for trucks and buses trended strongly, surpassing the unit sales in fiscal 2021. As a result, revenue was ¥870.0 billion, a year-on-year increase of 25%, and adjusted operating profit was ¥66.4 billion, 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 fiscal 2021. 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, a year-on-year increase of 18%, and adjusted operating profit was ¥39.9 billion, a year-on-year decrease of 5%.

(Note) The amounts for segment results include inter-segment transactions that are eliminated in calculating the consolidated results.

(2) Analysis of Financial Position

1) Financial position

(Current assets)

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

(Non-current assets)

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

(Current liabilities)

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

(Non-current liabilities)

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

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

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

(Equity)

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

As a result, total assets at the end of fiscal 2022 was ¥4,961.8 billion, increasing by ¥386.9 billion, or 8%, from the end of the previous fiscal year. Furthermore, the ratio of equity attributable to owners of parent to total assets for fiscal 2022 was 59.8%, increasing by 2.3 percentage points from the end of the previous fiscal year.

2) Cash flows

| | Fiscal 2022 | Fiscal 2021 | Increase (Decrease) |
|---|-----------------|-----------------|------------------------|
| | | | Amount |
| | Yen in billions | Yen in billions | Yen in billions |
| Cash flows from operating activities | 268.5 | 281.5 | (13.1) |
| Cash flows from investing activities | (338.0) | 131.7 | (469.7) |
| Cash flows from 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 during fiscal 2022, to ¥518.9 billion, compared with a decrease of ¥23.0 billion during the previous fiscal year.

(Cash flows from operating activities)

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

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥338.0 billion, compared with ¥131.7 billion 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, compared with ¥161.0 billion in the previous fiscal year.

(Cash flows from financing activities)

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

3) Trends in cash flow indicators

| | Fiscal 2020 | Fiscal 2021 | Fiscal 2022 |
|--|-------------|-------------|-------------|
| Ratio of equity attributable to owners of parent to total assets (%) | 51.3 | 57.5 | 59.8 |
| Ratio of equity attributable to owners of parent to total assets on market value basis (%) | 56.9 | 76.2 | 64.7 |
| Interest-bearing debt to cash flow ratio (years) | 1.9 | 2.9 | 2.9 |
| Interest coverage ratio (times) | 37.7 | 21.1 | 18.4 |

(Note) Ratio of equity attributable to owners of parent to total assets: Total equity attributable to owners of parent / Total assets

Ratio of equity attributable to owners of parent to total assets on market value basis: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest payments

- * All indices are calculated using consolidated financial figures.
- * Market capitalization is calculated as closing share price at the end of period × number of issued shares at the end of period (excluding treasury stock).
- * For cash flow, the figure for net cash provided by operating activities in the consolidated statements of cash flows is used. For interest-bearing debt, the sum for all liabilities in the consolidated statement of financial position for which interest is paid is used. For interest payments, the figure for interest expenses paid in the consolidated statements of cash flows is used.

(3) Basic Policy for the Appropriation of Profits and Dividends for Fiscal 2022 and 2023

Regarding the interests of shareholders as an important management priority, the Company 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 continuous increases of dividend payment amount through a stable consolidated payout ratio of 40% by sustainably enhancing our corporate value.

The Company pays dividends twice a year, comprising year-end and interim cash dividends. Year-end cash dividends are subject to a resolution of the annual shareholders' meeting, while interim cash dividends are subject to a resolution of the Board of Directors. Further, the Company strives to strengthen the long-term stability of our management base by using internal reserves to improve and expand production and sales systems and advance R&D activities in Japan and overseas.

For fiscal 2022, the Company plans to pay a cash dividend of ¥175 per share, comprising a year-end cash dividend of ¥90 per share and an interim cash dividend of ¥85 per share.

For fiscal 2023, the Company plans to pay a cash dividend of ¥200 per share, comprising an interim cash dividend of ¥100 per share and a year-end cash dividend of ¥100 per share.

3. Basic Policy on the Selection of Accounting Standard

The Group has voluntarily adopted the International Financial Reporting Standards (IFRS) with respect to its consolidated financial statements commencing with fiscal 2020 with the aim of heightening the quality of the Group's business management.

4. Consolidated Financial Statements and Primary Notes**(1) Consolidated Statement of Financial Position**

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

| | As of December 31, 2021 | As of December 31, 2022 |
|---|----------------------------|----------------------------|
| | Millions of yen | Millions of yen |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 517,010 | 607,498 |
| Bonds and borrowings | 149,976 | 107,866 |
| Lease liabilities | 54,853 | 56,033 |
| Income taxes payable | 40,320 | 53,780 |
| Other financial liabilities | 26,656 | 34,074 |
| Provisions | 48,691 | 51,615 |
| Other current liabilities | 151,417 | 173,340 |
| Subtotal | 988,923 | 1,084,204 |
| Liabilities directly associated with assets held for sale | 34,478 | 1,596 |
| Total current liabilities | 1,023,401 | 1,085,800 |
| Non-current liabilities | | |
| Bonds and borrowings | 356,672 | 345,584 |
| Lease liabilities | 249,638 | 257,684 |
| Other financial liabilities | 15,339 | 18,075 |
| Retirement benefit liabilities | 171,981 | 155,112 |
| Provisions | 25,540 | 37,302 |
| Deferred tax liabilities | 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 | 126,354 | 126,354 |
| Capital surplus | 122,126 | 119,517 |
| Treasury stock | (38,123) | (136,814) |
| Other components of equity | 111,859 | 358,523 |
| Retained earnings | 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

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|--|--|--|
| | Millions of yen | Millions of yen |
| Continuing operations | | |
| Revenue | 3,246,057 | 4,110,070 |
| Cost of sales | 1,929,612 | 2,516,821 |
| Gross profit | 1,316,444 | 1,593,249 |
| Selling, general and administrative expenses | 928,620 | 1,158,523 |
| Other income | 14,565 | 39,111 |
| Other expenses | 25,590 | 32,538 |
| 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 |
| Income tax expense | 63,234 | 112,452 |
| Profit from continuing operations | 314,360 | 311,006 |
| Discontinued operations | | |
| Profit (loss) from discontinued operations | 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 | 437.19 | 439.69 |
| Discontinued operations | 122.37 | (7.40) |
| Total | 559.56 | 432.29 |
| Diluted earnings (loss) per share (Yen) | | |
| Continuing operations | 436.53 | 439.09 |
| Discontinued operations | 122.18 | (7.39) |
| Total | 558.71 | 431.70 |

(3) Consolidated Statement of Comprehensive Income

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|--|--|--|
| | Millions of yen | Millions of yen |
| 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 | 14,446 | (19,733) |
| Remeasurements of defined benefit plans | 16,316 | 8,057 |
| Share of other comprehensive income of investments accounted for using equity method | (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 | 163,596 | 258,117 |
| Effective portion of change in fair value of cash flow hedges | 264 | 2,704 |
| Share of other comprehensive income of investments accounted for using equity method | (3,576) | 10,220 |
| Total of items that may be reclassified to profit or loss | 160,285 | 271,041 |
| Other comprehensive income, net of tax | 191,028 | 259,364 |
| Comprehensive income | 591,557 | 565,229 |
| Comprehensive income attributable to | | |
| Owners of parent | 581,731 | 556,793 |
| Non-controlling interests | 9,826 | 8,436 |
| Comprehensive income | 591,557 | 565,229 |

(4) Consolidated Statement of Changes in Equity

Fiscal year ended December 31, 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 | – | – | – | – | 156,939 | 753 | 14,428 |
| Total comprehensive income | – | – | – | – | 156,939 | 753 | 14,428 |
| Purchase of treasury stock | – | – | (11) | – | – | – | – |
| Disposal of treasury stock | – | – | 544 | (128) | – | – | – |
| Dividends | – | – | – | – | – | – | – |
| 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 |

| | 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 | – | – | 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 | – | – | – | (11) | – | (11) |
| Disposal of treasury stock | – | (128) | (114) | 302 | – | 302 |
| Dividends | – | – | (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 |

Fiscal year ended December 31, 2022

| | Equity attributable to owners of parent | | | | | | |
|--|---|-----------------|-----------------|--------------------------|---|---|--|
| | Other components of equity | | | | | | Net change in fair value of financial assets measured through other comprehensive income |
| | 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 | |
| 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, 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 | – | – | (100,033) | – | – | – | – |
| Disposal of treasury stock | – | – | 1,343 | (324) | – | – | – |
| Dividends | – | – | – | – | – | – | – |
| 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 | – | (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 |

| | Equity attributable to owners of parent | | | | | |
|--|---|-----------------|-------------------|-----------------|---------------------------|-----------|
| | Other components of equity | | | | Non-controlling interests | Total |
| | Remeasurements of defined benefit plans | Total | Retained earnings | Total | | |
| Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | |
| 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 | – | – | (5) | (100,038) | – | (100,038) |
| Disposal of treasury stock | – | (324) | (198) | 820 | – | 820 |
| Dividends | – | – | (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 | – | – | – | (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 |

(5) Consolidated Statement of Cash Flows

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|--|--|--|
| | Millions of yen | Millions of yen |
| Cash flows from operating activities | | |
| Profit before tax | 377,594 | 423,458 |
| Profit (loss) before tax from discontinued operations | 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 selling costs | 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) |
| Payments for 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) |

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|---|--|--|
| | Millions of yen | Millions of yen |
| Cash flows from financing activities | | |
| Proceeds from short-term debt | 94,667 | 204,077 |
| Repayments of short-term debt | (220,281) | (182,482) |
| Proceeds from long-term debt | 26,534 | 554 |
| Repayments of long-term debt | (109,073) | (54,114) |
| Redemption of bonds | - | (40,000) |
| Repayments of lease liabilities | (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 | (105,275) | 99,836 |
| Cash and cash equivalents at end of period | 787,542 | 518,905 |

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

Not applicable

(Segment information)**(1) Overview of reporting segments**

The Group's reporting segments are components of the Group for which discrete financial information is available, and that the Board of Directors and the Management Committee regularly review in order to decide the allocation of business resources and assess operating performance.

The Group has four reportable segments consisting of the "Japan," "Americas," "Europe, Russia, Middle East, India and Africa," and "China, Asia-Pacific" segments, structured as such to disclose business results more appropriately based on Strategic Business Units (SBU)—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 services, auto maintenance and repair services, and products business including Chemical and Industrial Products.

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 fiscal year ended December 31, 2021, and the fiscal year ended December 31, 2022. Details on discontinued operations are presented in "discontinued operations" under Notes to the Consolidated Financial Statements.

(2) Segment revenue and business results

Revenue and business results of the continuing operations by reportable segment of the Group are as follows. 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.

Fiscal year ended December 31, 2021

(Millions of yen)

| | Reportable segments | | | | | Other | Corporate or elimination | Consolidated 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 |

Fiscal year ended December 31, 2022

(Millions of yen)

| | Reportable segments | | | | | Other | Corporate or elimination | Consolidated 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)

(Millions of yen)

| | Fiscal year ended December 31, 2021 | Fiscal 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:

(Millions of yen)

| | Fiscal year ended December 31, 2021 | Fiscal 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 sales of fixed assets due to the closure of bicycle manufacturing plants in Japan.

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

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

(Millions of yen)

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|--|--|--|
| Impairment losses | (Note 6) 3,734 | (Note 7) 17,492 |
| Cost of sales (loss on disaster) | 637 | 5,979 |
| Other expenses (loss on disaster) | 419 | 211 |
| Business and plant restructuring expenses | (Note 8) 13,757 | (Note 9) 7,435 |
| Other expense with large amounts related to one time event | (Note 10) 2,560 | (Note 11) 16,407 |
| Adjustment items (expenses) | 21,107 | 47,524 |

(Note 6) The major breakdown of impairment losses is impairment on property, plant and equipment. The carrying amount has been reduced to the recoverable amount and recorded mainly for operating assets with reduced profitability, assets to be disposed of through retirement or sale, and idle assets with no plans for use.

(Note 7) Details are presented below in “Impairment of non-financial assets” under Notes to the Consolidated Financial Statements.

(Note 8) This was primarily the recording of expenses relating to the closure of overseas tire plants, expenses incurred in withdrawal from the conveyor belt business, and expenses related to the sale of overseas raw material plants.

(Note 9) This was primarily the recording of expenses relating to the reorganization of overseas tire plants.

(Note 10) This was the recording of expenses relating to inspections, repairs, etc. of the affected standard and power assist bicycles following the recall of certain models of standard and power assist bicycles manufactured by Bridgestone Cycle Corporation, a consolidated subsidiary of the Company.

(Note 11) This was the recording of expenses relating to part replacement, etc. of the affected standard and power assist bicycles following the recall of certain models of standard and power assist bicycles manufactured by Bridgestone Cycle Corporation, a consolidated subsidiary of the Company.

(Impairment of non-financial assets)

Impairment losses in the fiscal year ended December 31, 2022 of ¥19,333 million (¥1,118 million of that recorded as business and plant restructuring expenses and ¥724 million as profit (loss) from discontinued operations) are mainly due to the following reasons.

“Europe, Russia, Middle East, India, and Africa” segment

As announced on March 14, 2022, the Company resolved to suspend production in Russia and tire exports to Russia. As a result, the previously estimated revenue from the Russian tire business is not expected to be realized at this time, and 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. 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.

(Selling, general and administrative expenses)

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

(Millions of yen)

| | Fiscal year ended December 31, 2021 | Fiscal 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 |
| Others | 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.

(Other income and other expenses)

The breakdown of “Other income” and “Other expenses” is as follows:

(1) Other income

(Millions of yen)

| | Fiscal year ended December 31, 2021 | Fiscal 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 |
| Others | 8,532 | 19,923 |
| Total | 14,565 | 39,111 |

(Note 1) The major breakdown of “Business and plant restructuring income” is presented in “Segment information.”

(2) Other expenses

(Millions of yen)

| | Fiscal year ended December 31, 2021 | Fiscal 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 |
| Others | 4,068 | 5,035 |
| Total | 25,590 | 32,538 |

(Note 2) The major breakdown of “Impairment losses” is presented in “Segment information” and “Impairment of non-financial assets.”

(Note 3) The major breakdown of “Business and plant restructuring expenses” is presented in “Segment information.”

(Finance income and finance costs)

The breakdown of “Finance income” and “Finance costs” is as follows:

(1) Finance income

(Millions of yen)

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|------------------------|--|--|
| Interest income (Note) | 8,502 | 15,708 |
| Dividend income (Note) | 2,222 | 2,224 |
| Others | 83 | 351 |
| Total | 10,807 | 18,283 |

(2) Finance costs

(Millions of yen)

| | Fiscal year ended December 31, 2021 | Fiscal 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 |
| Others | 1,539 | 5,676 |
| Total | 16,219 | 41,898 |

(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)**(1) US building materials business**

BRIDGESTONE AMERICAS, INC., a US subsidiary of the Company, has concluded an agreement with LafargeHolcim Ltd., a Swiss building materials manufacturer, regarding the sale of FIRESTONE BUILDING PRODUCTS COMPANY, LLC (FSBP), a subsidiary of BRIDGESTONE AMERICAS, INC. in the Americas segment, to Holcim Participations (US) Inc., the US 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.

(i) Profit or loss from discontinued operations

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|---|--|--|
| | Millions of yen | Millions of yen |
| 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 | <u>231,980</u> | <u>(594)</u> |

(Note) A gain on sale of ¥303,521 million relating to the transfer of FSBP is included in the fiscal year ended December 31, 2021.

The income tax expense corresponding to that is negative ¥71,045 million.

An adjustment of negative ¥620 million on gain on sale relating to the transfer of FSBP due to a change in the sales price is included in the fiscal year ended December 31, 2022.

The income tax expense corresponding to that is ¥157 million.

(ii) Cash flow from discontinued operations

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|---|--|--|
| | Millions of yen | Millions of yen |
| 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 | <u>356,213</u> | <u>(1,359)</u> |

(2) Anti-vibration rubber business

On December 10, 2021, the Company made the decision to transfer its anti-vibration rubber business (the “Business Operations”) to Anhui Zhongding Holding (Group) Co., Ltd. (AZ). This entails the Company establishing a new wholly-owned subsidiary (Prospira Corporation) to which it transfers 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 (the “Share Transfer,” with the Corporate Demerger and the Share Transfer hereinafter referred to as the “Business Transaction”). The Company completed the Business Transaction on September 1, 2022. The Company plans to later conduct separate transfers targeting some companies.

The Company has accordingly classified the Business Operations of the Company, Bridgestone APM Company, and Bridgestone NCR Co., Ltd. (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.

(i) Profit or loss from discontinued operations

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|--|--|--|
| | Millions of yen | Millions of yen |
| 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 fiscal year ended December 31, 2021, include a loss on business transfer of ¥7,452 million incurred upon having concluded a contract with AZ and a loss of ¥97,715 million recognized upon having measured the disposal group consisting of discontinued operations at fair value less selling costs. Income tax expense includes effects of ¥18,372 million 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 selling costs.

Expenses for the fiscal year ended December 31, 2022, include a loss on business transfer to AZ of ¥4,254 million and a loss of ¥6,147 million recognized upon having measured the disposal group consisting of discontinued operations at fair value less selling costs. The income tax expense corresponding to that is ¥4,294 million.

In addition, the Company turns to external tax professionals to determine the advisability of recognizing loss for tax purposes against loss on business transfer incurred when executing the business transfer (applicability of deductible temporary difference).

(ii) Cash flow from discontinued operations

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|---|--|--|
| | Millions of yen | Millions of yen |
| 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 a decision to transfer its chemical products solutions business (the “Business Operations”) to Endeavour United II Investment Business Limited Partnership (EU Investment Partnership). This entails the Company establishing a new wholly-owned subsidiary (Archem Inc.) to which it transfers the Business Operations by carrying out an absorption-type demerger (the “Corporate Demerger”), then integrating the Business Operations of the Group into Archem Inc., and subsequently transferring all shares of Archem Inc. to EU Investment Partnership, which is structured, managed, and operated by Endeavour United Co., Ltd. (the “Share Transfer,” with the Corporate Demerger and the Share Transfer hereinafter referred to as the “Business Transaction”). The Company completed the Business Transaction on August 1, 2022. The Company plans to later conduct separate transfers targeting some companies.

The Company has accordingly classified Business Operations of the Company, BSNCR, and Bridgestone Precision Molding Philippines, Inc. (BPMP), 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.

(i) Profit or loss from discontinued operations

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|--|--|--|
| | Millions of yen | Millions of yen |
| 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 fiscal year ended December 31, 2021, include a loss on business transfer of ¥4,056 million incurred upon having concluded a contract with EU, and a loss of ¥44,996 million recognized upon having measured the disposal group consisting of discontinued operations at fair value less selling costs. Income tax expense includes effects of ¥5,362 million 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 selling costs. Expenses for the fiscal year ended December 31, 2022, include a gain on business transfer to EU of ¥5,691 million and a loss of ¥13,014 million recognized upon having measured the disposal group consisting of discontinued operations at fair value less selling costs. The income tax expense corresponding to that is ¥5,080 million.

In addition, the Company turns to external tax professionals to determine the advisability of recognizing loss for tax purposes against loss on business transfer incurred when executing the business transfer (applicability of deductible temporary difference).

(ii) Cash flow from discontinued operations

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|---|--|--|
| | Millions of yen | Millions of yen |
| 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) |

(Per share information)**(1) Basic earnings (loss) per share**

Basic earnings (loss) per share and its basis for the calculation are as follows:

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|--|--|--|
| Profit attributable to owners of parent (Millions of yen) | 394,037 | 300,367 |
| Profit not attributable to common shareholders of parent (Millions of yen) | – | – |
| Profit used for calculating basic earnings per share (Millions of yen) | 394,037 | 300,367 |
| Profit from continuing operations used for calculating basic earnings per share (Millions of yen) | 307,868 | 305,508 |
| Profit (loss) from discontinued operations used for calculating basic earnings per share (Millions of yen) | 86,168 | (5,141) |
| Weighted-average number of shares of common stock (Thousands of shares) | 704,192 | 694,823 |
| Basic earnings (loss) per share (Yen) | | |
| 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 is as follows:

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|---|--|--|
| Profit used for calculating basic earnings per share (Millions of yen) | 394,037 | 300,367 |
| Adjustment to profit (Millions of yen) | – | – |
| Profit used to calculate diluted earnings per share (Millions of yen) | 394,037 | 300,367 |
| Profit from continuing operations used to calculate diluted earnings per share (Millions of yen) | 307,868 | 305,508 |
| Profit (loss) from discontinued operations used to calculate diluted earnings per share (Millions of yen) | 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 (Yen) | | |
| Continuing operations (Yen) | 436.53 | 439.09 |
| Discontinued operations (Yen) | 122.18 | (7.39) |
| Diluted earnings (loss) per share (Yen) | 558.71 | 431.70 |

(Significant subsequent events)

Not applicable

5. Other

(1) Changes in Members of the Board of Directors

- 1) New Members of the Board of Directors Current occupation in parentheses
To be assumed after approval at the Company's Annual Shareholders' Meeting on March 28, 2023

| | | |
|---------------------|-------------------|---|
| Member of the Board | Yukari Kobayashi | [Representative Partner, Amanda Life Consulting, LLC] |
| Member of the Board | Yasuhiro Nakajima | [Certified Public Accountant (Representative, Nakajima Certified Public Accountant Office)] |
| Member of the Board | Akira Matsuda | [Lead Expert, CQMO, Quality Management] |

* Ms. Yukari Kobayashi and Mr. Yasuhiro Nakajima are candidates for outside directors as set forth in Article 2(xv) of the Companies Act.

- 2) Resigning Member of the Board of Directors Plan after resignation in parentheses
Effective March 28, 2023

| | | |
|---------------------|--------------|-------|
| Member of the Board | Keikou Terui | [—] |
| Member of the Board | Seiichi Sasa | [—] |
| Member of the Board | Hideo Hara | [—] |

* Mr. Keikou Terui and Mr. Seiichi Sasa are outside director as set forth in Article 2(xv) of the Companies Act.

- 3) Re-elected Members of the Board of Directors Current occupation in parentheses

To be assumed after approval at the Company's Annual Shareholders' Meeting on March 28, 2023

| | | |
|--|-------------------|--|
| Member of the Board Global CEO and Representative Executive Officer | Shuichi Ishibashi | [Member of the Board Global CEO and Representative Executive Officer] |
| Member of the Board Representative Executive Officer Joint Global COO (In charge of BSJP and BSCAP) Chairman of Bridgestone Asia Pacific Pte. Ltd. Concurrently responsible for BSJP Chairman and Representative Board Member of Bridgestone Tire Solution Japan Co., Ltd. Chairman and Representative Board Member of Bridgestone Cycle Co., Ltd. | Masahiro Higashi | [Member of the Board Representative Executive Officer Joint Global COO (In charge of BSJP and BSCAP) Chairman of Bridgestone Asia Pacific Pte. Ltd. Concurrently responsible for BSJP Chairman and Representative Board Member of Bridgestone Tire Solution Japan Co., Ltd. Chairman and Representative Board Member of Bridgestone Cycle Co., Ltd.] |

| | | |
|---------------------|--------------------|-------------------------|
| Member of the Board | Scott Trevor Davis | [Member of the Board] |
| Member of the Board | Yuri Okina | [Member of the Board] |
| Member of the Board | Kenichi Masuda | [Member of the Board] |
| Member of the Board | Kenzo Yamamoto | [Member of the Board] |
| Member of the Board | Yojiro Shiba | [Member of the Board] |
| Member of the Board | Yoko Suzuki | [Member of the Board] |
| Member of the Board | Tsuyoshi Yoshimi | [Member of the Board] |

* Mr. Scott Trevor Davis, Ms. Yuri Okina, Mr. Kenichi Masuda, Mr. Kenzo Yamamoto, Mr. Yojiro Shiba and Ms. Yoko Suzuki are candidates for outside directors as set forth in Article 2(xv) of the Companies Act.

4) Members of the Nominating Committee Current occupation in parentheses
 To be assumed after approval at the Board Meeting on March 28, 2023

| | | |
|---------------------|--------------------|-------------------------|
| Member of the Board | Scott Trevor Davis | [Member of the Board] |
| Member of the Board | Yuri Okina | [Member of the Board] |
| Member of the Board | Kenichi Masuda | [Member of the Board] |

* Mr. Scott Trevor Davis, Ms. Yuri Okina and Mr. Kenichi Masuda are candidates for outside directors as set forth in Article 2(xv) of the Companies Act.

5) Members of the Audit Committee Current occupation in parentheses
 To be assumed after approval at the Board Meeting on March 28, 2023

| | | |
|---------------------|-------------------|---|
| Member of the Board | Kenzo Yamamoto | [Member of the Board] |
| Member of the Board | Yojiro Shiba | [Member of the Board] |
| Member of the Board | Yoko Suzuki | [Member of the Board] |
| Member of the Board | Yukari Kobayashi | [—] |
| Member of the Board | Yasuhiro Nakajima | [—] |
| Member of the Board | Akira Matsuda | [Lead Expert, CQMO, Quality Management] |
| Member of the Board | Tsuyoshi Yoshimi | [Member of the Board] |

* Mr. Kenzo Yamamoto, Mr. Yojiro Shiba, Ms. Yoko Suzuki, Ms. Yukari Kobayashi and Mr. Yasuhiro Nakajima are candidates for outside directors as set forth in Article 2(xv) of the Companies Act.

5) Members of the Compensation Committee Current occupation in parentheses
 To be assumed after approval at the Board Meeting on March 28, 2023

| | | |
|---------------------|--------------------|-------------------------|
| Member of the Board | Scott Trevor Davis | [Member of the Board] |
| Member of the Board | Yuri Okina | [Member of the Board] |
| Member of the Board | Kenichi Masuda | [Member of the Board] |

* Mr. Scott Trevor Davis, Ms. Yuri Okina and Mr. Kenichi Masuda are candidates for outside directors as set forth in Article 2(xv) of the Companies Act.