Annual Securities Report

(Filed pursuant to Article 24, paragraph (1) of the Financial Instruments and Exchange Act of Japan)
Business year
From January 1, 2021 To December 31, 2021
(103rd Fiscal Period)

Bridgestone Corporation

(E01086)

103rd Fiscal Period (from January 1, 2021 to December 31, 2021)

Annual Securities Report

1 This document was prepared for printing by adding a table of contents and pages to the Annual Securities Report, which is in accordance with Article 24, paragraph (1) of the Financial Instruments and Exchange Act, submitted as data on March 23, 2022 using the Electronic Data Processing System for Disclosure (EDINET) prescribed in Article 27-30, paragraph (2) of the aforementioned act.

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

Bridgestone Corporation

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Audit Report

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[Document Submitted]	Annual Securities Report
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
[Filed to]	Director of the Kanto Local Finance Bureau
[Date of Submission]	March 23, 2022
[Business Year]	103rd Fiscal Period (from January 1, 2021 to December 31, 2021)
[Company Name]	Bridgestone Corporation
[Company Name (in English)]	BRIDGESTONE CORPORATION
[Position and Name of Representative]	Shuichi Ishibashi Member of the Board Global CEO and Representative Executive Officer
[Location of Head Office]	3-1-1 Kyobashi, Chuo-ku, Tokyo
[Phone No.]	+81-3 6836 3162
[Contact for Communications]	Keisuke Murakami, Director of G Financial Accounting Division
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[Contact for Communications]	Keisuke Murakami, Director of G Financial Accounting Division
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Fukuoka Stock Exchange (2-14-2 Tenjin, Chuo-ku, Fukuoka)

Part I Information on the Company

I. Overview of the Company

1. Key financial data and trends

(1) Consolidated financial data

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

(Notes)
1. The Group prepares its consolidated financial statements based on International Financial Reporting Standards (IFRS) from the 102nd fiscal period.
2. Revenue does not include consumption taxes.
3. Price earnings ratio is not listed for the 102nd fiscal period due to there being a basic loss per share.
4. The average number of temporary employees is omitted since the number is below 10% of the number of employees.
5. On March 31, 2021, FIRESTONE BUILDING PRODUCTS COMPANY, LLC (hereinafter “FSBP”), the Company’s subsidiary, was sold to Holcim Participations (US) Inc. FSBP thus been categorized as discontinued operations. Accordingly, the amounts of revenue and profit before tax for the 102nd fiscal period have been reclassified to present the respective amounts of continuing operations, excluding the discontinued operations.
6. On December 10, 2021, the Company decided to newly establish a wholly owned subsidiary through an absorption-type company split which will succeed the Company’s anti-vibration rubber business, and after transferring all ownership of the Group’s anti-vibration rubber business to the wholly owned subsidiary, it will sell all shares of stock in the wholly owned subsidiary to Anhui Zhongding Holding (Group) Co., Ltd. (hereinafter “AZ”). The anti- vibration rubber business has thus been categorized as discontinued operations. Accordingly, the amounts of revenue and profit

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

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

Term		J-GAAP			
		99th	100th	101st	102nd
Year ended		December 2017	December 2018	December 2019	December 2020
Revenue	Yen in millions	3,643,427	3,650,111	3,525,600	2,999,018
Ordinary profit	Yen in millions	400,564	381,132	316,823	173,802
Profit (loss) attributable to owners of parent	Yen in millions	288,275	291,642	292,598	(2,016)
Comprehensive income	Yen in millions	325,654	162,160	237,629	(99,079)
Net assets	Yen in millions	2,402,738	2,436,162	2,344,290	2,119,718
Total assets	Yen in millions	3,959,038	3,840,269	3,946,505	3,876,270
Net assets per share	Yen	3,115.69	3,163.71	3,250.37	2,942.56
Earnings (loss) per share	Yen	375.67	387.95	404.95	(2.86)
Diluted earnings per share	Yen	375.01	387.28	404.28	–
Equity ratio	%	59.2	61.9	58.0	53.5
Return on equity	%	12.5	12.4	12.5	(0.1)
Price earnings ratio	Times	13.9	10.9	10.0	–
Net cash provided by (used in) operating activities	Yen in millions	418,109	360,955	464,457	483,938
Net cash provided by (used in) investing activities	Yen in millions	(200,777)	(243,061)	(266,910)	(157,772)
Net cash provided by (used in) financing activities	Yen in millions	(190,069)	(159,094)	(198,601)	61,086
Cash and cash equivalents at end of period	Yen in millions	501,797	433,916	435,319	810,546
Number of employees	Persons	142,669	143,509	143,589	138,036

(Notes) 1. Revenue does not include consumption taxes.

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

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

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

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

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

(2) Financial data for the Company

Term		99th	100th	101st	102nd	103rd
Year ended		December 2017	December 2018	December 2019	December 2020	December 2021
Revenue	Yen in millions	858,081	889,413	867,267	691,683	839,528
Ordinary profit	Yen in millions	249,871	218,951	203,233	96,155	292,915
Profit for the year	Yen in millions	180,194	176,069	224,719	82,914	167,024
Common stock	Yen in millions	126,354	126,354	126,354	126,354	126,354
Total number of shares issued	Thousands of shares	813,102	761,536	761,536	713,698	713,698
Net assets	Yen in millions	1,441,733	1,442,509	1,312,152	1,294,084	1,373,813
Total assets	Yen in millions	2,053,696	1,977,911	1,975,746	2,097,389	2,135,579
Net assets per share	Yen	1,913.06	1,914.12	1,859.05	1,833.40	1,946.44
Dividend per share	Yen	150	160	160	110	170
[Interim dividend amount]	Yen	[70]	[80]	[80]	[50]	[85]
Earnings per share	Yen	234.82	234.21	311.00	117.76	237.18
Diluted earnings per share	Yen	234.41	233.80	310.49	117.57	236.83
Equity ratio	%	70.0	72.8	66.2	61.6	64.2
Return on equity	%	12.3	12.2	16.4	6.4	12.5
Price earnings ratio	Times	22.3	18.1	13.1	28.7	20.9
Dividend payout ratio	%	63.9	68.3	51.4	93.4	71.7
Number of employees	Persons	13,706	14,075	14,567	14,858	14,745
Total shareholder return	%	127.9	107.9	107.7	94.1	135.2
[Comparative indicator: TOPIX (dividend included)]	%	[122.2]	[102.7]	[121.3]	[130.3]	[146.9]
Highest share price	Yen	5,605.0	5,515.0	4,734.0	4,082.0	5,467.0
Lowest share price	Yen	3,973.0	3,906.0	3,888.0	2,861.5	3,307.0

(Notes) 1. Revenue does not include consumption taxes.
2. The average number of temporary employees is omitted since the number is below 10% of the number of employees.
3. The highest share price and lowest share price are those recorded on the Tokyo Stock Exchange (First Section).
4. At the beginning of the 101st fiscal period, the Group adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). This new standard was applied retrospectively to key financial data for the 100th fiscal period and the key financial data reflects the retrospective adoption of these accounting standards, etc.

2. History

Date	Event
March 1931	Established Bridgestone Tire Co., Ltd in the city of Kurume, Fukuoka Prefecture in Japan. Commenced production of automotive tires.
October 1935	Commenced production of golf balls
May 1937	Relocated head office to Tokyo
September 1937	Commenced production of V-belts and rubber hoses
February 1942	Changed name to Nippon Tire Co., Ltd.
October 1949	Company split with the establishment of Bridgestone Cycle Company (now, Bridgestone Cycle Corporation)
February 1951	Renamed back to Bridgestone Tire Co., Ltd.
October 1961	Listed on the Tokyo and Osaka Stock Exchanges
June 1967	Established joint venture in Thailand, Thai Japan Tyre Co., Ltd. (now, Thai Bridgestone Co., Ltd.)
September 1972	Established joint venture Bridgestone Spalding Co., Ltd. (now, Bridgestone Sports Co., Ltd.)
September 1973	Established joint venture in Indonesia, P.T. Bridgestone Tire Indonesia
December 1980	Acquired Uniroyal Holdings Limited (now, Bridgestone Australia Limited) in Australia
November 1982	Established Bridgestone Tire Manufacturing (U.S.A.), INC. in the U.S. (May 1990, merged with Bridgestone/Firestone, INC. (now, Bridgestone Americas Tire Operations, LLC))
April 1984	Changed name to Bridgestone Corporation
January 1988	Established Bridgestone Finance Europe B.V. in the Netherlands (now, such operations have been succeeded by Bridgestone Treasury Singapore PTE. LTD. of Singapore)
May 1988	Acquired the Firestone Tire & Rubber Company. (now, Bridgestone Americas Tire Operations, LLC)
January 1989	Established Bridgestone Finance Co., Ltd.
January 1993	Consolidated the sports business into Bridgestone Sports Co., Ltd.
December 1994	Bridgestone/Firestone Europe S.A. (now, Bridgestone Europe NV/SA) became a holding-company structure for European operations with sales and logistics functions in Europe consolidated in that company
December 1994	Established BMAH Corporation (now, Bridgestone Americas, Inc.) in the U.S.
January 1997	Acquired Fedstone (Pty) Limited (now, Bridgestone South Africa Holdings (Pty) Ltd.), with the consolidated subsidiary Firestone South Africa (Pty) Ltd. of South Africa (now, Bridgestone South Africa (Pty) Ltd.)
July 1998	Established Bridgestone/Firestone Poland Sp. z o.o. (now, Bridgestone Poznan Sp. z o.o.) in Poland
November 1999	Established Bridgestone Middle East FZE (now, Bridgestone Middle East & Africa FZE) in the United Arab Emirates
March 2000	Established Bridgestone Tire Manufacturing (Thailand) Co., Ltd. in Thailand
December 2001	Bridgestone/Firestone, Inc. (now, Bridgestone Americas Tire Operations, LLC) split and reorganized by business with Bridgestone/Firestone Americas Holding, Inc. (now, Bridgestone Americas, Inc.) as a holding company for management of businesses in the Americas
February 2003	Established Bridgestone (Wuxi) Tire Co., Ltd. in China
October 2004	Established Bridgestone (China) Investment Co., Ltd. in China
August 2005	Acquired P.T. Goodyear Sumatra Plantation (now P.T. Bridgestone Sumatra Rubber Estate) in Indonesia
July 2006	Established Bridgestone Asia Pacific Pte Ltd. in Singapore
May 2007	Bridgestone Americas Holding, Inc. (now, Bridgestone Americas, Inc.) acquired Bandag, Incorporated (now, Bridgestone Bandag, LLC)
June 2014	Acquired Masthead Industries, LLC (now Bridgestone Hose America, Inc.) in the U.S.
May 2017	Bridgestone Europe NV/SA acquired Ets Paul Ayme (Holding) & Ayme er Fils SAS (now First Stop Ayme SAS) in France
April 2019	Bridgestone Europe NV/SA acquired Tom Tom Telematics B.V. (now Bridgestone Mobility Solutions B.V.) in Netherlands
September 2021	Bridgestone Americas, Inc. acquired Azuga Holdings, Inc.
December 2021	Bridgestone Mining Solutions Australia Pty. Ltd. acquired Otraco International Pty. Ltd.

3. Description of business

The Bridgestone Group (the “Group”) comprises Bridgestone Corporation (the “Company”), 278 subsidiaries (of which 278 are consolidated subsidiaries), and 136 associates and joint ventures (of which 136 are accounted for using the equity method). The Group is engaged in the businesses below through its reporting segments “Japan,” “Americas,” “Europe, Russia, Middle East, India and Africa,” and “China, Asia-Pacific,” as well as through other segments.

Reporting segments were reorganized from the first quarter ended March 31, 2021. Details are described in “V. Financial Information, 1. Consolidated Financial Statements, Etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 6. Operating Segments.”

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

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

(Notes) 1. The tire business mainly comprises tires and tubes for passenger cars, trucks, buses, construction and off-the-road mining vehicles, industrial and agricultural machinery, aircraft, motorcycles, and scooters, as well as tire-related products, automotive maintenance and repair services, raw materials for tires, and other products.

2. The solutions business utilizes tires and tire-related and mobility-related data to provide high added value and new value.

4. Subsidiaries and associates

Name	Location	Common stock / Investment in capital (Yen in millions)	Description of major businesses	Ownership ratio of voting rights (%)	Relationship			
					Officers serving concurrently	Loans	Business transactions	Leasing of facilities
(Consolidated subsidiaries)								
BRIDGESTONE TIRE SOLUTION JAPAN CO., LTD.	Chuo-ku, Tokyo	710	Controlling the sales of automotive tires for the domestic market, sales of automotive tires and development and deployment of solutions business	100.0	Yes	No	Purchase of products from the Company	Business facilities
BRIDGESTONE RETAIL JAPAN CO., LTD.	Chuo-ku, Tokyo	300	Sales of automotive tires and automotive products	(100.0) 100.0	Yes	No	No	Business facilities
BRIDGESTONE PLANT ENGINEERING CO., LTD.	Hiki-gun, Saitama	100	Manufacturing, sales, installation and maintenance of industrial machinery, etc.	100.0	Yes	No	Supply, installation and maintenance of industrial machinery, etc. to the Company	Business facilities
BRIDGESTONE LOGISTICS CO., LTD.	Chuo-ku, Tokyo	400	Shipping and warehousing	100.0	Yes	No	Shipping and warehousing of the Company's products	Business facilities
BRIDGESTONE DIVERSIFIED PRODUCTS JAPAN CO., LTD.	Chuo-ku, Tokyo	400	Sales of industrial rubber products and sales and installation of building materials	100.0	Yes	No	Purchase of products from and supply of products to the Company	Business facilities
BRIDGESTONE SPORTS CO., LTD.	Chuo-ku, Tokyo	3,000	Manufacturing and sales of sporting goods	100.0	Yes	No	No	Business facilities
BRIDGESTONE CYCLE CORPORATION	Ageo, Saitama	1,870	Manufacturing and sales of bicycles	100.0	Yes	No	No	Business facilities
BRIDGESTONE FINANCE CO., LTD.	Kodaira, Tokyo	50	Loaning of cash, factoring and entrusted service for accounting and payroll	100.0	Yes	No	Settlement of some of the Company's payables and partially entrusted service for accounting	No
BRIDGESTONE AMERICAS, INC.	U.S.A.	USD in thousands 127,000	Controlling businesses in Americas	100.0	Yes	No	No	No
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC	U.S.A.	USD in thousands 1	Manufacturing and sales of automotive tires	(100.0) 100.0	Yes	No	Purchase of products and raw materials from and supply of products to the Company	No
BRIDGESTONE RETAIL OPERATIONS, LLC	U.S.A.	USD in thousands 1	Sales of automotive tires, maintenance and repairing of vehicles and sale of automotive goods.	(100.0) 100.0	No	No	No	No
BRIDGESTONE BANDAG, LLC	U.S.A.	USD in thousands 1	Manufacturing and sales of retread material and supply of related techniques	(100.0) 100.0	No	No	Supply of products to the Company	No
FIRESTONE POLYMERS, LLC	U.S.A.	USD in thousands 1	Manufacturing and sales of synthetic rubber	(100.0) 100.0	No	No	Supply of raw materials to the Company	No
BRIDGESTONE CANADA INC.	Canada	CAD in thousands 127,553	Manufacturing and sales of automotive tires and automotive parts	(100.0) 100.0	No	No	Purchase of products from the Company	No
BRIDGESTONE DE MEXICO, S.A. DE C.V.	Mexico	MXN in thousands 455,998	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	Purchase of products from the Company	No

Name	Location	Common stock / Investment in capital (Yen in millions)	Description of major businesses	Ownership ratio of voting rights (%)	Relationship			
					Officers serving concurrently	Loans	Business transactions	Leasing of facilities
BRIDGESTONE DO BRASIL INDUSTRIA E COMERCIO LTDA.	Brazil	BRL in thousands 458,788	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	Purchase of products and raw materials from the Company	No
BRIDGESTONE ARGENTINA S.A.I.C.	Argentina	ARS in thousands 201,242	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	Purchase of products from the Company	No
BRIDGESTONE EUROPE NV/SA	Belgium	EUR in thousands 2,063,963	Controlling businesses in Europe, Russia, Middle East, India and Africa, and sales of automotive tires	100.0	Yes	Yes	Purchase of products from and supply of products to the Company	No
BRIDGESTONE POZNAN SP. Z O.O.	Poland	PLN in thousands 558,059	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	Purchase of raw materials from the Company	No
BRIDGESTONE STARGARD SP. Z O.O.	Poland	PLN in thousands 572,650	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE TATABANYA TERMELO KFT.	Hungary	HUF in thousands 30,938,000	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE HISPANIA MANUFACTURING S.L.U.	Spain	EUR in thousands 3	Manufacturing and sales of automotive tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE MIDDLE EAST & AFRICA FZE	United Arab Emirates	AED in thousands 17,000	Sales of automotive tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE INDIA PRIVATE LTD.	India	INR in thousands 7,737,041	Manufacturing and sales of automotive tires	(100.0) 100.0	Yes	No	Purchase of products from and supply of products to the Company	No
BRIDGESTONE SOUTH AFRICA (PTY) LTD.	Republic of South Africa	ZAR in thousands 207	Manufacturing and sales of automotive tires	(75.0) 75.0	No	No	Purchase of products and raw materials from the Company	No
BRIDGESTONE ASIA PACIFIC PTE. LTD.	Singapore	SGD in thousands 1,623,782	Controlling tire businesses in China and Asia-Pacific and sales of automotive tires	100.0	Yes	No	Purchase of products from the Company	No
BRIDGESTONE (CHINA) INVESTMENT CO., LTD.	China	USD in thousands 347,665	Controlling tire businesses in China and sales of automotive tires	100.0	Yes	No	Purchase of products from the Company	No
BRIDGESTONE (SHENYANG) TIRE CO., LTD.	China	USD in thousands 183,180	Manufacturing and sales of automotive tires	(100.0) 100.0	Yes	No	No	No
BRIDGESTONE (WUXI) TIRE CO., LTD.	China	USD in thousands 255,040	Manufacturing and sales of automotive tires	(100.0) 100.0	Yes	No	Supply of products to the Company	No
BRIDGESTONE (HUIZHOU) TIRE CO., LTD.	China	USD in thousands 160,000	Manufacturing and sales of automotive tires	(10.0) 100.0	Yes	No	No	No
BRIDGESTONE TIRE MANUFACTURING VIETNAM LLC	Vietnam	USD in thousands 447,800	Manufacturing and sales of automotive tires	(100.0) 100.0	Yes	No	Supply of products to the Company	No
THAI BRIDGESTONE CO., LTD.	Thailand	THB in thousands 400,000	Manufacturing and sales of automotive tires	(69.2) 69.2	Yes	No	Supply of products to the Company	No
BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD.	Thailand	THB in thousands 6,921,000	Manufacturing and sales of automotive tires	(100.0) 100.0	Yes	No	Supply of products to the Company	No
P.T. BRIDGESTONE TIRE INDONESIA	Indonesia	IDR in thousands 10,358,400	Manufacturing and sales of automotive tires	(54.3) 54.3	Yes	No	Purchase of raw materials from and supply of products to the Company	No

Name	Location	Common stock / Investment in capital (Yen in millions)	Description of major businesses	Ownership ratio of voting rights (%)	Relationship			
					Officers serving concurrently	Loans	Business transactions	Leasing of facilities
BRIDGESTONE AUSTRALIA LTD.	Australia	AUD in thousands 205,820	Sales of automotive tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE SPECIALTY TIRE MANUFACTURING (THAILAND) CO., LTD.	Thailand	THB in thousands 11,900,000	Manufacturing and sales of tires for construction and mining vehicles and aircraft tires	100.0	Yes	Yes	Supply of products to the Company	No
BRIDGESTONE MINING SOLUTIONS AUSTRALIA PTY. LTD.	Australia	AUD in thousands 7,000	Sales and supplying related services of tires for construction and mining vehicles and conveyor belts, etc.	100.0	No	No	Purchase of products from the Company	No
BRIDGESTONE SINGAPORE PTE LTD.	Singapore	USD in thousands 674	Sales and purchase of natural rubber	100.0	Yes	No	Supply of raw materials to the Company	No
BRIDGESTONE TREASURY SINGAPORE PTE. LTD.	Singapore	USD in thousands 450,700	Loaning of cash and factoring	100.0	Yes	No	Collection agency for some of the Company's receivables	No
Other: 239 companies								
(Equity-method associates and others) TIREHUB, LLC	U.S.A.	USD in thousands 20,862	Sales of automotive tires	(50.0) 50.0	No	No	No	No
BRISA BRIDGESTONE SABANCI LASTIK SANAYI VE TICARET A.S.	Turkey	TRY in thousands 305,117	Manufacturing and sales of automotive tires	43.6	Yes	No	Purchase of products and raw materials from the Company	No
Other: 134 companies								

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

2. Figures in parentheses in the ownership ratio of voting rights column indicate indirect ownership ratio.

3. Revenues of BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (hereinafter "BATO") and BRIDGESTONE RETAIL OPERATIONS, LLC (hereinafter "BSRO") (excluding internal sales from intercompany transactions within the Group) exceed 10% of the consolidated revenue.

(Yen in millions)

Major financial information	BATO	(1) Revenue	840,596
		(2) Profit before tax	122,017
		(3) Profit	93,417
		(4) Total equity	1,101,236
		(5) Total assets	1,338,965
	BSRO	(1) Revenue	476,734
		(2) Profit before tax	35,982
		(3) Profit	26,869
		(4) Total equity	196,438
		(5) Total assets	256,941

5. Employees

(1) Consolidated companies

(As of December 31, 2021)

Name of segment	Number of employees
Japan	34,960
Americas	49,803
Europe, Russia, Middle East, India and Africa	21,090
China, Asia-Pacific	18,416
Other	8,117
Company-wide (common)	3,250
Total	135,636

(Notes) 1. The number of employees represents the number of active employees.
2. The number of employees in the Japan segment includes the number of employees at the tire plants in Japan that produce tires for other segments.

(2) Status of the Company

(As of December 31, 2021)

Number of employees	Average age (Years)	Average length of service (Years)	Average annual salary (Thousands of yen)
14,745	41.0	14.9	7,301

Name of segment	Number of employees
Japan	10,836
Other	659
Company-wide (common)	3,250
Total	14,745

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

(3) Labor union

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

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

II. Business Overview

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

Changes are accelerating in the surrounding business environment in a wide range of areas, including international relations, politics, economy, environmental issues, and technological innovation. Specifically, the ongoing COVID-19 pandemic since 2020 continues to have a tremendous impact on our economies and lives worldwide. The world is paying more attention to climate change countermeasures as well. These trends are driving the mobility industry to developments in CASE and MaaS, as seen in the accelerating shift to electric vehicles. Profits in the mobility industry as a whole had trended downward as it adjusted to structural changes led by diversifying players in the industry, which also caused the structure of the tire industry to change. While the industry went on a recovery track in 2021, changes are accelerating in the business environment. Survival depends on strength and the ability to adapt to change.

Against this backdrop, the Group is pressing ahead with transforming to a "strong Bridgestone," capable of adapting to changes in the environment, in line with our Mid Term Business Plan (2021-2023). We are working on this based on three axes. First, we will reflect on the period from 2015 to 2019 when profits were on a declining trend, and "tackle past negative legacies without delay" Second, we will promptly respond to changes in the business environment and "focus on execution and delivering results". Third, with 2030 as our milestone, we will "lay foundation for the future growth." To promote this transformation, we have chosen return on invested capital (ROIC) as our critical management index, and are also strengthening portfolio management. The performance indicators forecast in the Mid Term Business Plan (2021-2023) are as follows for 2023: revenue of 3,300 billion yen, adjusted operating profit of 450 billion yen, adjusted operating profit ratio of 13%, ROIC of 10%, and ROE of 12%.

In order to tackle our past negative legacies, we are addressing the Group's declining profits and working on rebuilding our earning power. In the medium and long-term timespan, we are steadily restructuring manufacturing footprints and the business portfolio in all of our business domains, including the tire business, diversified products business, and internal manufacturing business. This helps reduce fixed costs and promote expense and cost structure reformation.

We are tackling current issues by promoting "Flexible Agile Management," a method of supply chain management that maximizes supply and sales opportunities by promptly responding to changes in the business environment and tire demand at the global level. In addition, we have been promoting sales expansion of high value-added products such as passenger car high-rim diameter (HRD) tires, our new premium tires with the innovative tire technology "ENLITEN," which realizes both environmental and driving performance, and "Bridgestone MasterCore" off-the-road tires for mining vehicles. This is part of our relentless efforts to strengthen our premium business strategy and improve the quality of business.

We will also strategically make investments for growth aimed at mid-long term growth, laying foundation for the future. In our core business, we will rebuild our manufacturing footprints and supply system in the mid-long term and work on the expansion of ENLITEN. While we are strengthening the development of ENLITEN as an innovative tire technology optimized for EVs, we will expand its value to products and business models as ENLITEN business strategy going forward. The ENLITEN business strategy will be developed as our new premium strategy for EV era to simultaneously create value that can sometimes be contradictory, such as reducing environmental footprint while achieving business growth, and customizing tire performance for individual customers while streamlining the entire value chain from manufacturing to sales and optimizing costs. We will work on growth businesses by continuing strategic growth investments in various regions with an eye to offering our solutions globally. We will conduct M&As to enhance mobility solutions and reinforce retail service business based on the Group's global retail network in a bid to expand the solutions business.

In order to ensure global optimization of these measures and investments, the Group has put in place a foundation for financial strategies through efforts such as establishing a new global controller function. The global controller function will assist with prompt decision-making while strictly examining invested capital and associated returns from individual investment activities, and rigorously monitor the progress after decisions have been made to flexibly propose improvements as appropriate.

We have also launched exploratory businesses in domains where the Group's strengths and core competencies can be leveraged. We will start exploring recycle, soft-robotics, and guayule businesses, and continue searching technologies and business models toward commercialization based on co-creation. By doing so, we will continue to support the mobility and movement of people and objects.

We also continue to promote Bridgestone’s Human Resource Transformation (HRX) as human resources and organizational structure to support the execution of Mid Term Business Plan. To enable the optimal allocation and success of diverse talent while maintaining a lean organizational structure, we are strengthening measures such as introducing a job-based employment and a job-matching system where individuals register their skills and experiences so they will be appointed to positions where the assets will be useful.

Regarding sustainability that we place at the core of management and business, we will advance our efforts along the “Bridgestone E8 Commitment”. This commitment respresents 8 Bridgestone-like values that the Group will commit to creating through Bridgestone-like “purpose” and “process,” and will serve as the axis to drive management while earning the trust of future generations. We will seek to create a unique Sustainability Business Model in which our efforts toward achieving carbon neutrality and creating a circular economy synergize with our business model. In 2012, we set a long-term environmental vision toward 2050, and to achieve this vision, we have formulated “Milestone 2030,” the mid-term environmental targets for 2030. We are working on the reduction of CO2 emissions based on the Milestone, which sets forth clear-cut targets to reduce total CO2 emissions (Scopes 1, 2) (Note) by 50% in 2030 compared to our emissions in 2011, and to achieve carbon neutrality by 2050. In 2021, we made a strong progress toward achieving the CO2 emissions (Scopes 1, 2) target, seeking further reductions such as by adopting renewable energy. As for the reduction of CO2 emissions across the value chain (Scope 3) (Note), we will undertake further efforts with the target of contributing to the reduction of CO2 at least five times the sum of Scope 1 and Scope 2 emissions by 2030 (base year: 2020) through our product and service lifecycles by offering solutions. Furthermore, to ramp up our contributions toward a circular economy, we aim to increase our use of recycled and renewable materials to 40% of our resources by 2030.

Positioning sustainability at the core, the Group will continue to create both social and customer value, and gain a competitive advantage, so that we can work with society, our partners, and customers to realize a sustainable society.

(Note) Scope 1 refers to CO2 emitted directly by a company (emissions from boilers at in-house plants, etc.), and Scope 2 refers to indirect emissions from energy sources (CO2 emissions from energy, such as electric power supplied by other companies and consumed in-house). Scope 3 refers to CO2 emissions during the stages of procurement of materials, logistics, use by customers, and disposal or recycling in the product lifecycle.

2. Business risks

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

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

All references to possible future developments in the text are as of March 23, 2022, the filing date of this Annual Securities Report.

(Processes for evaluating and managing risks)

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

(1) Risks related to demand and macroeconomic conditions

The Group conducts research and development (R&D), procurement, production, logistics, sales and other business activities on a global scale. Operating results and financial position are thus subject to trends in demand, interest rates, exchange rates, share prices, and other economic variables in the countries and regions where we operate. In the fiscal year under review, the Group's revenue by region was 46% from operations in the Americas; 23% from Europe, Russia, Middle East, India and Africa; 17% from Japan; and 14% from China and the Asia-Pacific region. An economic downturn in any of these regions could exert a major adverse effect on the operating results and financial position of the Group.

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

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

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

(2) Legal, regulatory, and litigation risk

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

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

(3) Risks related to operational disruption

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

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

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

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

・Information technology (IT) systems failures

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

・Industrial action

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

(4) Risks related to climate change

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

Based on the Group’s awareness of the risks associated with the transition to a decarbonized society, the Company has set a long-term goal for 2050 of becoming carbon neutral, with targets set for 2030 to 1) reduce absolute CO_2 emissions (Scope 1 and 2) by 50% compared with 2011 levels and 2) contribute to global CO_2 emissions reductions across the lifecycles and value chains (Scope 3) of the Group’s products and services that exceeds five times the amount of CO_2 emissions (Scope 1 and 2) generated by the Group’s operations by 2030 compared with 2020 levels. The Group is working to meet these targets with efforts that include developing new technology that helps reduce CO_2 emissions, reducing emissions at production bases, promoting the development and sales of fuel-efficient tires, and expanding our retread tire business. In making investment decisions, we take into account the cost of CO_2 emissions and the benefits of reduction on internal carbon pricing so that we can evaluate the risks associated with the transition to a decarbonized society and assess opportunities. We are also working to reduce CO_2 emissions across the value chain through efforts to build a recycling business that converts used tires back into raw materials.

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

(5) Risks related to corporate and brand image

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

(6) Currency risk

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

(7) Risks related to competition

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

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

(8) Risks related to product defects

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

(9) Risks related to raw materials procurement

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

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

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

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

(10) Risks related to pension costs and obligations

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

(11) Risks related to intellectual property

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

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

BRIDGESTONE AMERICAS, INC., the Company's U.S. subsidiary, 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. It occurred on January 6, 2021 (local time), and the sale was completed on March 31, 2021.

On December 10, 2021, the Company decided to establish a wholly owned subsidiary through an absorption-type company split which will succeed the Group's anti-vibration rubber business. After transferring all ownership of that business to the wholly owned subsidiary, the Company will sell all of its shares of stock in the new subsidiary to AZ.

On December 10, 2021, the Company also decided to establish a wholly owned subsidiary through an absorption-type company split which will succeed the Group's chemical products solutions business. After transferring all ownership of that business to the wholly owned subsidiary, the Company will sell all of its shares of stock in the new subsidiary to EU Investment Partnership, which is organized, managed, and operated by EU.

As such, the US building materials business, anti-vibration rubber business and chemical products solutions business have been categorized as discontinued operations effective from the current consolidated fiscal year. The prior year's figures have also been reclassified.

Details are described in "V. Financial Information, 1. Consolidated Financial Statements, Etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 6. Operating Segments."

(1) Overview of operating results, etc.

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

1) Financial position and operating results

Reporting segments were reorganized from the first quarter ended March 31, 2021. Furthermore, the figures for the previous fiscal year have been reclassified in accordance with the new segment classifications for year-on-year comparisons.

a. Overall performance

	Fiscal 2021	Fiscal 2020	Increase (decrease)	
			Amount	Ratio
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	3,246.1	2,695.2	+550.8	+20
Adjusted operating profit	394.3	207.4	+186.9	+90
Operating profit	376.8	62.5	+314.3	+503
Profit before tax	377.6	27.4	+350.2	–
Profit (loss) attributable to owners of parent	394.0	(23.3)	+417.3	–

Under the mission of "Serving Society with Superior Quality" of the Bridgestone Essence, the Group announced its Mid Term Business Plan (2021-2023), which is currently underway, with the aim of realizing its vision: "Toward 2050, Bridgestone continues to provide social value and customer value as a sustainable solutions company," in February 2021.

In the operating environment surrounding the Group during fiscal year 2021, the global economy headed for recovery as countries around the world started to balance COVID-19 countermeasures and economic activities, as well as made major progress in vaccinations. Global tire demand for new vehicles was impacted by reduced vehicle production caused by semiconductor shortage from the third quarter. However, demand for tires for replacement market remained robust thanks to a vigorous used vehicle market supported by the shortage of new vehicles in addition to economic activities rebounding in various countries. On the cost front, natural rubber and crude oil prices remained high in line with the recovery of the global economy since 2020, while costs including ocean freight unit prices, energy costs, and labor costs continued to soar, putting downward pressure on the profitability of the Group. Furthermore, in North America, the tight supply due to market-wide labor shortages hampered the robust demand for replacement market tires, and suppliers struggled to fulfill orders.

In this environment, the Group accelerated initiatives to improve profitability pivoting on expense and cost structure reforms while strengthening its premium business strategy, which is aimed at rebuilding earning power. The Group leveraged its strength in the global production system to flexibly manage supply and responded in an agile manner to rising demand for replacement market tires. This led to expanded sales.

As a result, the Group's consolidated revenue for the fiscal year 2021 was 3,246.1 billion yen (up 20% year-on-year), adjusted operating profit was 394.3 billion yen (up 90% year-on-year), operating profit was 376.8 billion yen (up 503% year-on-year), profit before tax was 377.6 billion yen (compared to profit of 27.4 billion yen for the previous fiscal year). The Group recorded profit attributable to owners of parent of 394.0 billion yen (compared to a loss of 23.3 billion yen for the previous fiscal year).

The Group is promoting business portfolio and manufacturing footprint restructuring as part of the rebuilding of earning power. In the current period, we carried out restructuring from a medium to long-term perspective in all of our businesses, including tires, diversified products, and internal manufacturing, starting with the announcement of the sale of our building products operations in the U.S. in January.

b. Performance by business segment

		Fiscal 2021	Fiscal 2020	Increase (decrease)	
				Amount	Ratio
		Billions of yen	Billions of yen	Billions of yen	%
Japan	Revenue	873.0	776.3	+96.7	+12
	Adjusted operating profit	117.0	91.0	+25.9	+29
Americas	Revenue	1,454.6	1,163.9	+290.8	+25
	Adjusted operating profit	190.6	109.6	+81.1	+74
Europe, Russia, Middle East, India and Africa	Revenue	693.9	550.4	+143.5	+26
	Adjusted operating profit (loss)	42.1	(20.9)	+63.0	–
China, Asia-Pacific	Revenue	386.9	323.6	+63.2	+20
	Adjusted operating profit	42.0	24.9	+17.1	+68
Other	Revenue	66.4	51.5	+15.0	+29
	Adjusted operating profit	5.1	0.5	+4.6	+981
Consolidated Results	Revenue	3,246.1	2,695.2	+550.8	+20
	Adjusted operating profit	394.3	207.4	+186.9	+90

During fiscal year 2021, tire demand for new vehicles was adversely affected by reduced vehicle production caused by semiconductor shortages. However, demand for replacement market tires remained robust thanks to a vigorous used vehicle market, in addition to economic activities rebounding in various countries. Results for fiscal year 2021 by segment are as follows:

[Japan]

The unit sales of tires for passenger cars and light trucks trended favorably, surpassing the unit sales in fiscal year 2020. The unit sales of tires for trucks and buses substantially exceeded the unit sales in fiscal year 2020. As a result, revenue in the segment during fiscal year 2021 was 873.0 billion yen (up 12% year-on-year), while adjusted operating profit was 117.0 billion yen (up 29% year-on-year).

[Americas]

In North America, the unit sales of tires for passenger cars and light trucks trended favorably, surpassing the unit sales in fiscal year 2020. The unit sales of tires for trucks and buses substantially exceeded the unit sales in fiscal year 2020. As a result, revenue in the segment during fiscal year 2021 was 1,454.6 billion yen (up 25% year-on-year), while adjusted operating profit was 190.6 billion yen (up 74% year-on-year).

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

In Europe, the unit sales of tires for passenger cars and light trucks trended favorably, steadily surpassing the unit sales in fiscal year 2020. The unit sales of tires for trucks and buses substantially exceeded the unit sales in fiscal year 2020. As a result, revenue in the segment during fiscal year 2021 was 693.9 billion yen (up 26% year-on-year), while adjusted operating profit was 42.1 billion yen (compared to a loss of 20.9 billion yen in fiscal year 2020).

[China, Asia-Pacific]

The unit sales of tires for passenger cars and light trucks trended favorably, surpassing the unit sales in fiscal year 2020. Similarly, the unit sales of tires for trucks and buses substantially exceeded the unit sales in fiscal year 2020. As a result, revenue in the segment during fiscal year 2021 was 386.9 billion yen (up 20% year-on-year), while adjusted operating profit was 42.0 billion yen (up 68% year-on-year).

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

c. Financial position

(Current assets)

Current assets were 2,292.9 billion yen, increasing by 238.3 billion yen (12% year-on-year) as cash and cash equivalents decreased by 23.0 billion yen, but trade and other receivables increased by 73.9 billion yen and inventories increased by 138.9 billion yen.

(Non-current assets)

Non-current assets were 2,282.0 billion yen, increasing by 147.2 billion yen (7% year-on-year) as property, plant and equipment increased by 35.8 billion yen, goodwill increased by 27.7 billion yen and deferred tax assets increased by 27.4 billion yen.

(Current liabilities)

Current liabilities were 1,023.4 billion yen, decreasing by 18.3 billion yen (2% year-on-year) as trade and other payables increased by 96.9 billion yen and liabilities directly associated with assets held for sale increased by 34.5 billion yen, but bonds and borrowings decreased by 144.0 billion yen.

(Non-current liabilities)

Non-current liabilities were 876.1 billion yen, decreasing by 76.2 billion yen (8% year-on-year) as deferred tax liabilities increased by 15.3 billion yen, but bonds and borrowings decreased by 55.4 billion yen and retirement benefit liabilities decreased by 19.7 billion yen.

Furthermore, total interest-bearing debt[Note] recorded in both current liabilities and non-current liabilities decreased by 195.1 billion yen (19% year-on-year) to 811.1 billion yen.

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

(Equity)

Total equity was 2,675.4 billion yen, increasing by 480.1 billion yen (22% year-on-year) as we recorded profit attributable to owners of parent of 394.0 billion yen, despite a decrease of 102.1 billion yen due to dividends (owners of parent).

As a result, total assets at the end of fiscal 2021 were 4,574.9 billion yen, increasing by 385.6 billion yen (9% year-on-year). Furthermore, the ratio of equity attributable to owners of parent to total assets for fiscal 2021 was 57.5%, increasing by 6.2 percentage points from the end of the previous fiscal year.

2) Cash flows

	Fiscal 2021	Fiscal 2020	Increase (decrease)
			Amount
	Billions of yen	Billions of yen	Billions of yen
Net cash provided by (used in) operating activities	281.5	526.9	(245.4)
Net cash provided by (used in) investing activities	131.7	(155.4)	+287.1
Net cash provided by (used in) financing activities	(379.3)	18.1	(397.4)
Effect of exchange rate changes on cash and cash equivalents	48.4	(12.0)	+60.4
Net increase (decrease) in cash and cash equivalents	82.3	377.6	(295.4)
Cash and cash equivalents at beginning of period	810.5	432.9	+377.6
Cash and cash equivalents included in assets held for sale	(105.3)	–	(105.3)
Cash and cash equivalents at end of period	787.5	810.5	(23.0)

The Group's cash and cash equivalents (hereinafter "net cash") decreased by 23.0 billion yen during the fiscal year 2021, to 787.5 billion yen, compared with an increase of 377.6 billion yen during the fiscal year 2020.

(Cash flows from operating activities)

Net cash provided by operating activities decreased 245.4 billion yen compared with the fiscal year 2020, to 281.5 billion yen. The principal contributors to the cash provided included profit before tax of 377.6 billion yen, compared with 27.4 billion yen in fiscal year 2020, and depreciation and amortization of 250.4 billion yen, compared with 267.5 billion yen in fiscal year 2020. These contributors offset an increase in trade and other receivables of 69.9 billion yen, compared with a decrease of 56.9 billion yen in fiscal year 2020, an increase in inventories of 140.2 billion yen, compared with a decrease of 128.8 billion yen in fiscal year 2020, and income taxes paid of 147.7 billion yen, compared with 71.7 billion yen in fiscal year 2020.

(Cash flows from investing activities)

Net cash provided by investing activities totaled 131.7 billion yen, compared with 155.4 billion yen used in the fiscal year 2020. The principal contributors to the cash provided included proceeds from the sale of discontinued operations of 363.8 billion yen, compared with no proceeds in fiscal year 2020; this offset the purchase of property, plant and equipment of 161.0 billion yen, compared with 200.7 billion yen in fiscal year 2020, and the purchase of intangible assets of 24.0 billion yen, compared with 17.4 billion yen in fiscal year 2020.

(Cash flows from financing activities)

Net cash used in financing activities totaled 379.3 billion yen, compared with 18.1 billion yen provided in fiscal year 2020. The principal contributors to the cash used were repayments of short-term borrowings of 220.3 billion yen, compared with 248.4 billion yen in fiscal year 2020, repayments of long-term borrowings of 109.1 billion yen, compared with 3.4 billion in fiscal year yen 2020, repayments of lease liabilities of 59.7 billion yen, compared with 57.1 billion yen in fiscal year 2020, and dividends paid (owners of parent) of 102.1 billion yen, compared with 91.5 billion yen in fiscal year 2020. These contributors offset proceeds from short-term borrowings of 94.7 billion yen, compared with 309.4 billion yen in fiscal year 2020.

3) Production, orders received and sales

a. Production results

The production results by segment for the fiscal year under review were as follows.

Name of segment	Amount (Yen in millions)	YoY Change (%)
Japan	659,448	+15.6
Americas	1,185,037	+41.2
Europe, Russia, Middle East, India and Africa	610,490	+43.3
China, Asia-Pacific	311,842	+27.6
Total	2,766,817	+33.0

(Notes) 1. The amounts are based on selling prices.
2. The amounts do not include consumption taxes.

b. Orders received

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

c. Sales results

The sales results by segment for the fiscal year under review were as follows.

Name of segment	Amount (Yen in millions)	YoY Change (%)
Japan	767,138	+10.2
Americas	1,443,758	+24.7
Europe, Russia, Middle East, India and Africa	686,140	+25.5
China, Asia-Pacific	328,817	+16.4
Other	20,175	+67.8
Corporate or elimination	28	(10.3)
Total	3,246,057	+20.4

(Note) The amounts do not include consumption taxes.

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

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

All references to possible future developments in the text are as of March 23, 2022, the filing date of this Annual Securities Report.

1) Significant accounting estimates and assumptions used in such estimates

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

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

The Group's operating results, etc. for the fiscal year under review were as follows.

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

(Revenue, adjusted operating profit and operating profit)

Revenue increased by 550.8 billion yen (up 20% year-on-year) to 3,246.1 billion yen, driven by increased demand for tires due to the recovery of economic activity worldwide.

Adjusted operating profit increased by 186.9 billion yen (up 90% year-on-year) to 394.3 billion yen, driven by increased demand for tires due to the recovery of economic activity worldwide. In addition to the above, operating profit increased by 314.3 billion yen (up 503% year-on-year) to 376.8 billion yen due to an impairment loss of 73.3 billion yen and a decrease of 29.1 billion yen in business portfolio and plant restructuring expenses.

As a result, the adjusted operating profit ratio was 12.1%, up 4.5 percentage points from fiscal year 2020.

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

(Profit (loss) attributable to owners of parent)

Profit (loss) attributable to owners of parent was 394.0 billion yen (compared to a loss of 23.3 billion yen in fiscal year 2020). This was mainly due to an increase in operating profit of 314.3 billion yen.

3) Capital financing and liquidity

Cash and cash equivalents decreased 23.0 billion yen to 787.5 billion yen compared to the end of fiscal year 2020. The status of cash flow by business activity is described in "(1) Overview of operating results, etc."

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

Funds will primarily be used to rebuild earning power in our core businesses, for strategic growth investments to expand our flourishing solutions business, and for exploratory businesses. We will do this while utilizing funds to maintain a strong financial position and to return an appropriate level of profit to our shareholders.

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

As described in “1. Management policy, management environment and issues to be addressed,” the Group’s performance indicators forecast in the Mid-Term Business Plan (2021-2023) are as follows for 2023: revenue of 3,300 billion yen, adjusted operating profit of 450 billion yen, adjusted operating profit ratio of 13%, ROIC of 10%, and ROE of 12%.

In fiscal year 2021, revenue was 3,246.1 billion yen (up 550.8 billion yen year-on-year), adjusted operating profit was 394.3 billion yen (up 186.9 billion yen year-on-year), adjusted operating profit ratio was 12.1% (up 4.5 percentage points year-on-year), ROIC was 9.0% (up 3.9 percentage points year-on-year), and ROE was 12.9% (compared with -0.9% in fiscal year 2020).

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

4. Important business contracts

(US building materials business)

BRIDGESTONE AMERICAS, INC., the Company’s U.S. subsidiary, 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. It occurred on January 6, 2021 (local time), and the sale was completed on March 31, 2021.

Details are described in “V. Financial Information, 1. Consolidated Financial Statements, Etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 31. Discontinued Operations,” as well as in “37. Subsidiaries and Associates, Etc., (2) Loss of control of subsidiaries.”

(Anti-vibration rubber business)

On December 10, 2021, the Company decided to newly establish a wholly owned subsidiary (hereinafter the “New Company”) through an absorption-type company split (hereinafter the “Company Split”), which will succeed the Company’s anti-vibration rubber business (hereinafter the “Business Operations”), and after integrating the Business Operations of the Group into the New Company, to transfer all shares of the stock of the New Company to AZ (hereinafter the “Share Transfer,” and collectively with the Company Split, hereinafter the “Business Transaction”).

Details are described in “V. Financial Information, 1. Consolidated Financial Statements, Etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 31. Discontinued Operations.”

The outline of the Business Transaction is as follows.

1) Method of the Company Split

Absorption-type split in which the Company becomes the splitting company in the absorption-type split and New Company becomes the successor company.

2) Business Transaction schedule

Date of the Share Transfer agreement	December 10, 2021
Conclusion date of the Company Split agreement	April 2022 (planned)
Effective date of the Company Split	July 2022 (planned)
Execution date of the Share Transfer	July 2022 (planned)

3) Assets and liabilities to be split off and their respective carrying amounts

Item	Carrying amount
Total assets	14,648 million yen
Total liabilities	11,834 million yen

The above figures are as of December 31, 2021. The actual amounts of assets and liabilities to be split off will be determined after adjusting the above figures for any increase or decrease up to the effective date.

4) Details of the allotment concerning the Company Split

At the time of the Company Split, the New Company will not issue any monetary or other compensation to the Company.

5) Basis for calculation of the allotment of shares related to the Company Split

The valuation of the business to be succeeded will be calculated based on the carrying amount finalized after the date of split.

6) Overview of the successor company to the Company Split (as of December 31, 2021)

Name	Undecided
Location	Undecided
Position and Name of Representative	Undecided
Contents of business	Undecided
Common stock	Undecided

(Chemical products solutions business)

On December 10, 2021, the Company decided to newly establish a wholly owned subsidiary (hereinafter the “New Company”) through an absorption-type company split (hereinafter the “Company Split”), which will succeed the Company’s chemical products solutions business (hereinafter the “Business Operations”), and after integrating the Business operations of the Group into the New Company, to transfer all shares of the stock of the New Company to EU Investment Partnership, which is organized, managed, and operated by EU (hereinafter the “Share Transfer,” and collectively with the Company Split, hereinafter the “Business Transaction”).

Details are described in “V. Financial Information, 1. Consolidated Financial Statements, Etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 31. Discontinued Operations.”

The outline of the Business Transaction is as follows.

1) Method of the Company Split

Absorption-type split in which the Company becomes the splitting company of the absorption-type split and New Company becomes the successor company.

2) Business Transaction schedule

Date of the Share Transfer agreement	December 10, 2021
Conclusion date of the Company Split agreement	May 2022 (planned)
Effective date of the Company Split	August 2022 (planned)
Execution date of the Share Transfer	August 2022 (planned)

3) Assets and liabilities to be split off and their respective carrying amounts

Item	Carrying amount
Total assets	14,128 million yen
Total liabilities	10,657 million yen

The above figures are as of December 31, 2021. The actual amounts of assets and liabilities to be split off will be determined after adjusting the above figures for any increase or decrease up to the effective date.

4) Details of the allotment concerning the Company Split

At the time of the Company Split, the New Company will issue 100 shares of common stock to the Company.

5) Basis for calculation of the allotment of shares related to the Company Split

The valuation of the business to be succeeded will be calculated based on the carrying amount finalized after the date of split.

6) Overview of the successor company to the Company Split (as of December 31, 2021)

Name	Undecided
Location	Undecided
Position and Name of Representative	Undecided
Contents of business	Undecided
Common stock	Undecided

5. Research and development activities

As steps toward realizing the vision of the Group, we are further reinforcing our core tire business, and leveraging its strength to expand our solutions business, which is our growth business, on a global scale. We are also developing our exploratory businesses, including the recycle business that recovers and reuses tires as raw material and the guayule business that seeks to diversify sources of natural rubber. In addition to strengthening each of them, we sustainably reinvest value generated from each business throughout the value chain and aim for amplifying value. These initiatives are all based on technology innovation. We will work on R&D activities with a focus on technology innovation, and accelerate innovation by combining our strong "real," which we have long accumulated on site (genba), with "digital." Through this, we will develop Dan-Totsu products and Dan-Totsu solutions.

In our tire business, we have developed "ENLITEN," an innovative tire technology optimized for use on electric vehicles (EVs). ENLITEN contributes to reduce CO2 emissions and improve resource productivity through less resource utilization and increased fuel efficiency, improve safety and peace of mind through enhanced driving performance, and also increase driving range in electric vehicles. Tires with ENLITEN technology have already been adopted in electric vehicles and other vehicles of major new vehicle manufacturers in Japan and overseas, and we have delivered them to emerging manufacturers as well. We will also work on co-creating value with new partners.

A tire is made of the components casings and belts. We are driving the development of commonality and modularity technology which simplifies case-belt combination by having common combination between different products and differentiates ourselves by customizing the tread performance based on each customer's conditons of use. We call these development initiatives commonality and modularity technology. We will work to maximize customer value while reducing the environmental footprint throughout our value chain, including streamlining our development and manufacturing processes.

In our solutions business, a growth business, we are developing and expanding mobility solutions centered on Webfleet Solutions, a digital fleet solutions provider in Europe. In September 2021, we completed the acquisition of Azuga Holdings Inc. in the U.S. We will scale up our mobility solutions development through collaboration with them. In mining solutions, we have combined "Bridgestone MasterCore," the Dan-Totsu product for off-the-road tires for mining vehicles, with digital tools for monitoring vehicles and tires, as part of our efforts to develop mining solutions that optimize mining operations.

As an initiative to achieve sustainable and stable supply and improvement of productivity of natural rubber, we have developed an optimization system for Para rubber tree plantation that utilizes big data through the academic advice from the Institute of Statistical Mathematics at Research Organization of information and systems in Japan, aiming for contribution to the realization of higher yield at rubber farms. We are working on stably increasing the productivity of natural rubber without expanding the plantation area. Furthermore, to diversify our sources of natural rubber, we are also working to achieve practical use of natural rubber derived from the guayule plant, which can be grown in dry regions. We have succeeded in developing a technology to efficiently and stably increase guayule seedlings from high-quality seeds through joint research with Kirin Holdings Company, Limited. We are continuing co-creation with various partners to develop technologies and business models to achieve practical use.

In order to promote Digital Transformation (DX), which is critical for the development of tires, solutions, and technology that combine "real" and "digital," we are also training and hiring digital talent, including data scientists who can analyze and develop advanced AI and algorithms. We established the "Bridgestone × Tohoku University Co-creation Lab" on the Tohoku University campus as we strive to expand cooperation with external entities in the digital field.

The Group has been participating in an international space exploration mission together with the Japan Aerospace Exploration Agency (JAXA) and Toyota Motor Corporation that tackles the harsh surface of the moon, following the dream of humanity. In line with this initiative, the Group is developing tires for the manned moon rover "LUNAR CRUISER."

In order to promote these technology innovations, we have redeveloped our R&D base in Kodaira, Tokyo, to build "Bridgestone Innovation Park," a global innovation hub. In December 2021, we completed construction of the innovation center “B-Innovation,” which materializes ideas through co-creation with external partners, as well as the mini-test course “B-Mobility,” where engineers can experience their technologies come to life. We are planning to hold opening ceremonies for these facilities in the first half of 2022, and will expand activities that will lead to interaction with empathy and eventually co-creation with as more partners as possible.

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

R&D expenses for the Group as a whole for fiscal year 2021 totaled 95.5 billion yen.

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

III. Facilities

1. Overview of capital expenditures

When considering capital investment, the Group carries out strategic investment activities while limiting investees to a selected few with an eye towards maximizing return on capital investment. Based on this approach, we focused on rebuilding our earning power during the period under review, by expanding the sales ratio of premium products, enhancing our cost competitiveness by making investments toward increased productivity at existing plants, and making investments such as building our IT infrastructure. Furthermore, we continued to invest in solution networks as a strategic growth investment and in the construction of the technological innovation center Bridgestone Innovation Park, a project ongoing since the previous fiscal year. As a result, capital investment totaled 262.0 billion yen.

On a per-segment basis, the Group's capital investment consisted of:
Japan: 56.9 billion yen;
the Americas: 102.2 billion yen;
Europe, Russia, Middle East, India, and Africa: 43.4 billion yen;
China, Asia-Pacific: 20.1 billion yen;
Other: 39.3 billion yen.

In addition, in the Europe, Russia, Middle East, India and Africa segment, the plan was to cease activity at the Bethune Plant owned by BRIDGESTONE FRANCE S.A.S. in the previous fiscal year, but the closure was completed in April 2021.

2. Major facilities

(1) The Company

(As of December 31, 2021)

Name of business location	Location	Name of segment	Description of facilities	Carrying amount (Yen in millions)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (Area in thousands of m^2)	Other	Right-of-use assets (Area in thousands of m^2)	Total	
Kurume Plant	Kurume, Fukuoka	Japan	Production facilities	8,031	3,980	1,043 (457)	721	30 (11)	13,806	975
Tokyo AC Tire Plant	Kodaira, Tokyo	Japan	Production facilities	1,760	1,124	–	75	1 (0)	2,960	181
Yokohama Plant	Totsuka-ku, Yokohama	Japan	Production facilities	9,671	831	623 (167)	438	3,423 (–)	14,986	545
Nasu Plant	Nasushiobara, Tochigi	Japan	Production facilities	2,429	3,070	1,220 (195)	728	1,407 (40)	8,854	700
Hikone Plant	Hikone, Shiga	Japan	Production facilities	10,681	17,027	1,166 (658)	1,956	1,133 (–)	31,964	1,439
Shimonoseki Plant	Shimonoseki, Yamaguchi	Japan	Production facilities	5,241	4,116	4,106 (285)	1,118	8 (–)	14,589	736
Tosu Plant	Tosu, Saga	Japan	Production facilities	1,857	3,967	948 (182)	1,341	7 (–)	8,120	721
Tochigi Plant	Nasushiobara, Tochigi	Japan	Production facilities	4,460	7,075	1,372 (151)	839	3,926 (444)	17,672	837
Kumamoto Plant	Tamana, Kumamoto	Japan	Production facilities	1,580	2,440	1,690 (142)	312	350 (6)	6,372	532
Amagi Plant	Asakura, Fukuoka	Japan	Production facilities	2,711	4,181	911 (376)	370	8 (1)	8,182	827
Hofu Plant	Hofu, Yamaguchi	Japan	Production facilities	6,025	4,440	1,515 (482)	1,004	644 (–)	13,629	907
Seki Plant	Seki, Gifu	Japan	Production facilities	1,900	1,516	2,709 (150)	131	388 (–)	6,644	231
Iwata Plant	Iwata, Shizuoka	Japan	Production facilities	3,161	83	4,531 (116)	93	18 (–)	7,887	318
Saga Plant	Miyaki-gun, Saga	Japan	Production facilities	5,878	4,015	2,908 (236)	442	17 (–)	13,260	543
Kitakyushu Plant	Wakamatsu-Ku, Kitakyushu	Japan	Production facilities	14,334	6,962	4,703 (374)	1,238	6 (–)	27,244	488
Technical Center	Kodaira, Tokyo	Corporate	Other facilities	37,481	9,157	2,000 (3,030)	5,937	2,837 (638)	57,412	2,460
Chemical & Industrial Products Technology Center	Totsuka-ku, Yokohama	Japan	Other facilities	3,003	282	–	112	9 (–)	3,406	668
Headquarters and others	Chuo-ku, Tokyo and others	Corporate	Other facilities	13,018	114	26,198 (369)	911	6,039 (12)	46,279	1,637

(2) Domestic subsidiaries

(As of December 31, 2021)

Company name	Location	Name of segment	Description of facilities	Carrying amount (Yen in millions)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (Area in thousands of m^2)	Other	Right-of-use assets (Area in thousands of m^2)	Total	
BRIDGESTONE SPORTS CO., LTD.	Chuo-ku, Tokyo and others	Japan	Production facilities Other	879	217	2,286 (63)	250	919 (–)	4,550	307
BRIDGESTONE CYCLE CORPORATION	Ageo, Saitama and others	Japan	Production facilities Other	2,172	491	1,728 (130)	250	1,512 (–)	6,153	653

(3) Overseas subsidiaries

(Americas)

(As of December 31, 2021)

Company name (Name of business location)	Location	Name of segment	Description of facilities	Carrying amount (Yen in millions)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (Area in thousands of m^2)	Other	Right-of-use assets (Area in thousands of m^2)	Total	
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (La Vergne Plant)	U.S.A.	Americas	Production facilities	2,757	8,004	39 (550)	166	147 (–)	11,113	914
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Wilson Plant)	U.S.A.	Americas	Production facilities	10,198	27,568	15 (1,803)	341	119 (–)	38,241	1,881
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Warren Plant)	U.S.A.	Americas	Production facilities	7,686	12,741	461 (3,662)	205	28 (–)	21,121	1,014
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Aiken Plant)	U.S.A.	Americas	Production facilities	17,002	22,883	876 (2,353)	672	178 (–)	41,611	1,546
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Aiken Off Road Plant)	U.S.A.	Americas	Production facilities	33,776	17,259	305 (2,206)	265	60 (–)	51,665	507
BRIDGESTONE CANADA INC. (Joliette Plant)	Canada	Americas	Production facilities	8,300	19,408	6 (552)	622	52 (–)	28,389	1,298
BRIDGESTONE DE MEXICO, S.A. DE C.V. (Cuernavaca Plant)	Mexico	Americas	Production facilities	6,631	13,154	4 (368)	68	7 (–)	19,865	1,244
BRIDGESTONE DO BRASIL INDUSTRIA E COMERCIO LTDA. (Sao Paulo Plant)	Brazil	Americas	Production facilities	2,900	7,941	63 (408)	553	187 (–)	11,645	3,487
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Technical Center)	U.S.A.	Americas	Other facilities	6,297	3,236	199 (26,247)	202	65 (–)	9,998	507

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

(As of December 31, 2021)

Company name (Name of business location)	Location	Name of segment	Description of facilities	Carrying amount (Yen in millions)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (Area in thousands of m^2)	Other	Right-of-use assets (Area in thousands of m^2)	Total	
BRIDGESTONE POZNAN SP. Z O.O. (Poznan Plant)	Poland	Europe, Russia, Middle East, India and Africa	Production facilities	16,760	11,957	167 (35)	1,798	1,252 (300)	31,933	1,975
BRIDGESTONE STARGARD SP. Z O.O. (Stargard Plant)	Poland	Europe, Russia, Middle East, India and Africa	Production facilities	12,529	6,487	500 (1,000)	808	156 (–)	20,480	999
BRIDGESTONE TATABANYA TERMELO KFT. (Tatabanya Plant)	Hungary	Europe, Russia, Middle East, India and Africa	Production facilities	10,877	12,208	1,171 (659)	2,073	82 (–)	26,411	1,305
BRIDGESTONE HISPANIA MANUFACTURING S.L.U. (Bilbao Plant)	Spain	Europe, Russia, Middle East, India and Africa	Production facilities	2,585	8,245	8 (150)	1,419	189 (–)	12,446	864
BRIDGESTONE HISPANIA MANUFACTURING S.L.U. (Burgos Plant)	Spain	Europe, Russia, Middle East, India and Africa	Production facilities	3,440	14,014	– (301)	1,307	951 (–)	19,712	1,437
BRIDGESTONE INDIA PRIVATE LTD. (Pune Plant)	India	Europe, Russia, Middle East, India and Africa	Production facilities	6,425	7,611	–	614	2,909 (759)	17,559	1,897
BRIDGESTONE EUROPE NV/SA (Technical Center)	Italy	Europe, Russia, Middle East, India and Africa	Other facilities	5,080	3,380	986 (1,749)	143	215 (–)	9,805	559

(China, Asia-Pacific)

(As of December 31, 2021)

Company name (Name of business location)	Location	Name of segment	Description of facilities	Carrying amount (Yen in millions)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (Area in thousands of m^2)	Other	Right-of-use assets (Area in thousands of m^2)	Total	
BRIDGESTONE (TIANJIN) TIRE CO., LTD. (Tianjin Plant)	China	China, Asia-Pacific	Production facilities	5,629	16,678	–	1,691	677 (249)	24,675	1,443
BRIDGESTONE (WUXI) TIRE CO., LTD. (Wuxi Plant)	China	China, Asia-Pacific	Production facilities	6,998	13,987	–	2,472	492 (286)	23,949	1,341
THAI BRIDGESTONE CO., LTD. (Nong Khae Plant)	Thailand	China, Asia-Pacific	Production facilities	5,591	2,332	2,666 (1,215)	3,549	–	14,138	2,486
BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD. (Chonburi Plant)	Thailand	China, Asia-Pacific	Production facilities	4,756	8,334	2,908 (611)	2,877	86 (–)	18,962	1,947
BRIDGESTONE SPECIALTY TIRE MANUFACTURING (THAILAND) CO., LTD.	Thailand	Japan	Production facilities and others	10,879	3,519	3,873 (822)	722	25 (–)	19,018	693

(Notes) 1. The amounts are based on carrying amounts excluding construction in progress.
2. Land for the Company's Tokyo AC Tire Plant is presented as part of the Technical Center, because their plots are not separated.
3. Land for the Company's Technical Center includes 2,489,000 m^2 of land, as well as 638,000 m^2 of land recorded as right-of-use assets, for test course sites under its management (located in Shibetsu, Hokkaido and Nasushiobara, Tochigi).
4. Land for the Company's Chemical & Industrial Products Technology Center is presented as part of the Yokohama Plant, because their plots are not separated.
5. Land for BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC's Technical Center includes 24,281,000 m^2 of land for test course sites.
6. No major facilities are currently idle.

3. Plans for addition and retirement of facilities

Plans for addition and retirement of facilities in the next fiscal year (January 1, 2022 to December 31, 2022) are as follows.

(1) Additions

The breakdown by segment is as follows.

Name of segment	Amount of planned capital expenditures (Yen in millions)	Key descriptions and purposes of facilities, etc.
Japan	62,000	Expansion of the sales ratio of premium products to rebuild earning power, enhancement of our cost competitiveness by making investments toward increased productivity at existing plants, investment in building our IT infrastructure, and investment in solution networks as a strategic growth investment
Americas	122,000	The same as above
Europe, Russia, Middle East, India and Africa	45,000	The same as above
China, Asia-Pacific	34,000	The same as above
Other	42,000	The same as above
Total	305,000	–

(Notes) 1. The amount of planned capital expenditures in the Japan segment includes the amounts of planned capital expenditures at tire plants in Japan that produce tires for other segments.
2. Funds required for the planned capital expenditures are scheduled to be covered by funds on hand, borrowings and leases.
3. The amounts do not include consumption taxes.

(2) Retirements

In the Japan segment, the Company made the decision to transfer the chemical products solutions business of Bridgestone Diversified Chemical Products Co., Ltd. and others to EU.

This transfer is scheduled to be completed by the end of August 2022, subject to regulatory approvals and other customary closing conditions.

IV. Status of the Company

1. Shares of the Company

(1) Total number of shares authorized, etc.

1) Total number of shares authorized

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

2) Total number of shares issued

Class	Number of shares issued as of the end of the fiscal year (Shares) (December 31, 2021)	Number of shares issued as of the filing date (Shares) (March 23, 2022)	Stock exchange on which the Company is listed or authorized financial instruments business association to which the Company is registered	Details
Common stock	713,698,221	713,698,221	Tokyo Stock Exchange Fukuoka Stock Exchange Listed on the First Section of the Tokyo Stock Exchange (Note)	Number of shares per unit: 100 shares
Total	713,698,221	713,698,221	–	–

(Note) The Company applied for delisting from the Nagoya Stock Exchange (First Section) on October 29, 2021 and was delisted on December 19, 2021.

(2) Stock acquisition rights

1) Stock option plans

Date of resolution	March 26, 2009	March 30, 2010	March 29, 2011
Classification and number of eligible individuals	Members of the Board of the Company: 9 Vice President-Officers not concurrently serving as members of the Board of the Company: 20	Members of the Board of the Company: 8 Vice President-Officers not concurrently serving as members of the Board of the Company: 25	Members of the Board of the Company: 9 Vice President-Officers not concurrently serving as members of the Board of the Company: 36
Number of stock acquisition rights (Notes 1 and 2)	197 units [177 units]	370 units [345 units]	697 units [637 units]
Type, details, and number of shares underlying the stock acquisition rights (Notes 1 and 3)	Common stock 19,700 shares [17,700 shares]	Common stock 37,000 shares [34,500 shares]	Common stock 69,700 shares [63,700 shares]
Exercise price (Note 1)	1 yen	Same as left	Same as left
Exercise period (Note 1)	From May 1, 2009 to April 30, 2029	From May 6, 2010 to April 30, 2030	From May 2, 2011 to April 30, 2031
Issue price and amount of common stock to be increased when shares are issued upon exercise of the stock acquisition rights (Note 1)	Issue price: 1,265 yen Amount of common stock to be increased: 633 yen	Issue price: 1,401 yen Amount of common stock to be increased: 701 yen	Issue price: 1,657 yen Amount of common stock to be increased: 829 yen
Exercise conditions (Note 1)	(Note 4)	Same as left	Same as left
Matters concerning transfer of stock acquisition rights (see Note 1)	Any acquisition of the stock acquisition rights through transfer must be approved by the Company's Board of Directors. (Note 5)	Same as left	Same as left
Matters concerning granting of stock acquisition rights in the event of reorganization (Note 1)	–	–	–

Date of resolution	March 27, 2012	March 26, 2013	March 25, 2014
Classification and number of eligible individuals	Members of the Board of the Company: 9 Vice President-Officers not concurrently serving as members of the Board of the Company: 35	Members of the Board of the Company excluding outside directors: 4 Vice President-Officers not concurrently serving as members of the Board of the Company: 36	Members of the Board of the Company excluding outside directors: 4 Vice President-Officers not concurrently serving as members of the Board of the Company: 46
Number of stock acquisition rights (Notes 1 and 2)	1,357 units [1,312 units]	1,575 units	1,150 units [1,133 units]
Type, details, and number of shares underlying the stock acquisition rights (Notes 1 and 3)	Common stock 135,700 shares [131,200 shares]	Common stock 157,500 shares	Common stock 115,000 shares [113,300 shares]
Exercise price (Note 1)	1 yen	Same as left	Same as left
Exercise period (Note 1)	From May 1, 2012 to April 30, 2032	From May 1, 2013 to April 30, 2033	From May 1, 2014 to April 30, 2034
Issue price and amount of common stock to be increased when shares are issued upon exercise of the stock acquisition rights (Note 1)	Issue price: 1,649 yen Amount of common stock to be increased: 825 yen	Issue price: 3,314 yen Amount of common stock to be increased: 1,657 yen	Issue price: 3,154 yen Amount of common stock to be increased: 1,577 yen
Exercise conditions (Note 1)	(Note 4)	Same as left	Same as left
Matters concerning transfer of stock acquisition rights (Note 1)	Any acquisition of the stock acquisition rights through transfer must be approved by the Company’s Board of Directors. (Note 5)	Same as left	Same as left
Matters concerning granting of stock acquisition rights in the event of reorganization (Note 1)	–	–	–

Date of resolution	March 24, 2015	April 21, 2016	April 27, 2017
Classification and number of eligible individuals	Members of the Board of the Company excluding outside directors: 3 Vice President-Officers not concurrently serving as members of the Board of the Company: 48	Members of the Board of the Company excluding non-executive members of the Board: 2 Executive officers of the Company not concurrently serving as members of the Board: 8 Vice President-Officers of the Company not concurrently serving as executive officers: 41	Plan A Members of the Board of the Company excluding non-executive members of the Board: 2 Executive officers of the Company not concurrently serving as members of the Board: 5 Vice President-Officers of the Company not concurrently serving as executive officers: 45 Plan B Executive officers of the Company not concurrently serving as members of the Board: 1 Vice President-Officers of the Company not concurrently serving as executive officers: 2
Number of stock acquisition rights (Notes 1 and 2)	1,224 units [1,205 units]	1,768 units [1,742 units]	Plan A 1,843 units Plan B 71 units
Type, details, and number of shares underlying the stock acquisition rights (Notes 1 and 3)	Common stock 122,400 shares [120,500 shares]	Common stock 176,800 shares [174,200 shares]	Common stock Plan A 184,300 shares Plan B 7,100 shares
Exercise price (Note 1)	1 yen	Same as left	Same as left
Exercise period (Note 1)	From May 1, 2015 to April 30, 2035	From May 7, 2016 to May 6, 2036	Plan A From May 13, 2017 to May 12, 2037 Plan B From July 6, 2017 to July 5, 2037
Issue price and amount of common stock to be increased when shares are issued upon exercise of the stock acquisition rights (Note 1)	Issue price: 4,100 yen Amount of common stock to be increased: 2,050 yen	Issue price: 2,885 yen Amount of common stock to be increased: 1,443 yen	Plan A Issue price: 3,578 yen Amount of common stock to be increased: 1,789 yen Plan B Issue price: 3,672 yen Amount of common stock to be increased: 1,836 yen
Exercise conditions (Note 1)	(Note 4)	Same as left	Same as left
Matters concerning transfer of stock acquisition rights (Note 1)	Any acquisition of the stock acquisition rights through transfer must be approved by the Company’s Board of Directors. (Note 5)	Same as left	Same as left
Matters concerning granting of stock acquisition rights in the event of reorganization (Note 1)	–	–	–

(Notes) 1 The information is as of the end of the fiscal year under review (December 31, 2021). As for the information that has changed between the end of the fiscal year under review and the last day of the month prior to the filing date (February

28, 2022), the information as of the last day of the month prior to the filing date is presented in brackets. For all other matters, there has been no change in the information since the end of the fiscal year under review.

2 The number of shares underlying each stock acquisition right is 100.

3 In case of the following events subsequent to the day of allotment, the number of shares to be granted shall be adjusted accordingly.

(1) If the Company conducts a share split (including a gratis allotment of shares; hereinafter the same for share splits) or share consolidation, the number of shares to be granted shall be adjusted in accordance with the following formula, and the total number of shares underlying the stock acquisition rights shall be the number of shares to be granted after adjustment multiplied by the total number of stock acquisition rights yet to be exercised or acquired by the Company.

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

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

(2) In case of a compelling event that requires an adjustment to the number of shares to be granted, such as the Company reducing its common stock or conducting a merger or company split, the number of shares to be granted shall be adjusted to a reasonable extent, taking account of the factors such as the conditions of the reduction in common stock, the merger or company split, and the total number of shares underlying the stock acquisition rights shall be the number of shares to be granted after adjustment multiplied by the total number of stock acquisition rights yet to be exercised or acquired by the Company. Any fractions less than one share shall be rounded down when calculating the number of shares to be granted.

4 (1) Even during the exercise period, a stock acquisition right holder may not exercise his/her stock acquisition rights while he/she is holding a position of member of the Board, executive officer, or vice president-officer of the Company (including the day on which he/she retires).

(2) Stock acquisition rights may not be exercised in part.

(3) Other exercise conditions are prescribed in the stock acquisition right allotment agreement executed between the Company and the stock acquisition right holder.

5 Other details are prescribed in the subscription requirements and the stock acquisition right allotment agreement executed between the Company and the stock acquisition right holder.

2) Shareholder rights plans

Not applicable.

3) Other stock acquisition rights

Not applicable.

(3) Exercises of moving strike convertible bonds

Not applicable.

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

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

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

(5) Distribution of shares by shareholder category

(As of December 31, 2021)

Category	Status of shares (Number of shares per unit: 100 shares)								Number of shares less than one unit (shares)
	National and local govern-ments	Financial institutions	Financial instruments business operators	Other corpora-tions	Foreign shareholders		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	–	244	51	822	937	139	86,594	88,787	–
Number of share units held	–	2,249,293	503,018	1,041,768	2,035,495	700	1,303,928	7,134,202	278,021
Ratio to total shares (%)	–	31.53	7.05	14.60	28.53	0.01	18.28	100.00	–

(Notes) 1. Treasury stock (9,431,214 shares) is included in “Individuals and others” (94,312 units) and “Number of shares less than one unit” (14 shares). All 9,431,214 shares of treasury stock were the shares effectively held as of December 31, 2021.

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

(6) Major shareholders

(As of December 31, 2021)

Name	Address	Number of shares held (Thousands of shares)	Ratio of the number of shares held to the total number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	93,176	13.23
Ishibashi Foundation	1-7-2 Kyobashi, Chuo-ku, Tokyo	76,693	10.89
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	30,766	4.37
Hiroshi Ishibashi	Minato-ku, Tokyo	21,000	2.98
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	17,685	2.51
Nagasaka Corporation	1-7-2 Kyobashi, Chuo-ku, Tokyo	16,325	2.32
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	13,218	1.88
Japan Securities Finance Co., Ltd.	1-2-10 Nihonbashi Kayabacho, Chuo-ku, Tokyo	11,122	1.58
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	9,978	1.42
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Custody Operations Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	9,881	1.40
Total	–	299,843	42.58

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

2. Shares held by trust banks include shares owned in the trustees' capacity.

(7) Voting rights

1) Total number of shares issued

(As of December 31, 2021)

Category	Number of shares	Number of voting rights (Units)	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury stock, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury stock, etc.)	(Own holdings of treasury stock) Common stock 9,431,200	–	–
	(Cross-shareholdings) Common stock 10,000	–	
Shares with full voting rights (Other)	Common stock 703,979,000	7,039,790	–
Shares less than one unit	Common stock 278,021	–	–
Total number of shares issued	713,698,221	–	–
Total number of voting rights	–	7,039,790	–

(Notes) 1. The number of shares in the “Shares with full voting rights (Other)” field includes 1,600 shares registered in the name of Japan Securities Depository Center, Inc.

2. The number of voting rights in the “Shares with full voting rights (Other)” and “Total number of voting rights” fields include 16 units of voting rights relating to shares registered in the name of Japan Securities Depository Center, Inc.

2) Treasury stock

(As of December 31, 2021)

Name of shareholder	Address	Number of shares held under own name	Number of shares held under the names of others	Total number of shares held	Ratio of the number of shares held to the total number of shares issued (%)
Bridgestone Corporation	3-1-1 Kyobashi, Chuo-ku, Tokyo	9,431,200	–	9,431,200	1.32
Bridgestone Tire Nagano Hanbai Co., Ltd.	2-18-20 Koyaminami, Matsumoto City, Nagano	10,000	–	10,000	0.00
Total	–	9,441,200	–	9,441,200	1.32

2. Acquisition of treasury stock, etc.

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

(1) Acquisition by resolution of the Shareholders' Meeting

Not applicable.

(2) Acquisition by resolution of the Board of Directors

Category	Number of shares	Total amount (Yen)
Resolution at the Board of Directors (February 15, 2022) (Timing: February 17 to December 13, 2022)	25,000,000 (up to)	100,000,000,000 (up to)
Treasury stock acquired prior to the fiscal year under review	–	–
Treasury stock acquired in the fiscal year under review	–	–
Total number of shares and total amount of outstanding shares of resolution	–	–
Ratio of non-exercised portion at the end of the fiscal year under review (%)	–	–
Treasury stock acquired during the period after the reporting period to the Filing Date	1,314,100	6,564,176,000
Ratio of non-exercised portion as of the Filing Date (%)	94.7	93.4

(Note) Treasury stock acquired during the period after the reporting period to the Filing Date does not include shares acquired through the purchase of treasury stock between March 1, 2022 and the Filing Date of the Annual Securities Report.

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

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

Category	Number of shares	Total amount (Yen)
Treasury stock acquired in the fiscal year under review	2,106	10,164,689
Treasury stock acquired during the period after the reporting period to the Filing Date	89	447,085

(Note) Treasury stock acquired during the period after the reporting period to the Filing Date does not include shares acquired through demand for purchase of shares from shareholders holding less than one unit of shares between March 1, 2022 and the Filing Date of the Annual Securities Report.

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

Category	Number of shares	Total amount (Yen)
Treasury stock acquired in the fiscal year under review	300	1,212,600
Treasury stock acquired during the period after the reporting period to the Filing Date	1,000	4,042,000

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

Treasury stock acquired during the period after the reporting period to the Filing Date does not include shares acquired through acquisition without contribution between March 1 2022 and the Filing Date of the Annual Securities Report.

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

Category	Fiscal year under review		The period after the reporting period to the Filing Date	
	Number of shares	Total disposal amount (Yen)	Number of shares	Total disposal amount (Yen)
Acquired treasury stock that was offered to subscribers	–	–	–	–
Acquired treasury stock that was cancelled	–	–	–	–
Acquired treasury stock that was transferred due to merger, share exchange, share issuance and company split	–	–	–	–
Other				
(Through exercise of stock option)	58,800	237,674,875	21,200	85,694,381
(Through granting of performance-based stock compensation)	37,200	156,426,174	–	–
(Through granting of restricted stock compensation)	38,700	150,363,516	104,800	423,621,512
Number of treasury stock held	9,431,214	–	10,620,403	–

(Note) The status of disposal and ownership of acquired treasury stock in the period after the reporting period to the Filing Date does not include treasury stock caused by the exercise of stock options between March 1, 2022 and the Filing Date of the Annual Securities Report, and treasury stock from sales due to demand for sales of shares from shareholders holding less than one unit of shares.

3. Dividend policy

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

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

Based on the above policy, the dividend for the 103rd Fiscal Period is set at an annual dividend of 170 yen per share, comprising an interim dividend of 85 yen per share and a year-end dividend of 85 yen per share.

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

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

Date of resolution	Total dividend amount (Yen in millions)	Dividend per share (Yen)
August 10, 2021: Resolution of the Board of Directors	59,859	85
March 23, 2022: Resolution of the Annual Shareholders' Meeting	59,863	85

4. Status of corporate governance

(1) Overview of corporate governance

1) Basic approach to corporate governance and implementation of measures

(A) Basic approach to corporate governance

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

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

(B) Overview of the corporate governance system

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

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

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

At the Annual Shareholders' Meeting held on March 23, 2022, 12 members of the Board (ten men and two women) were elected, including eight outside directors (six men and two women). In accordance with the aforementioned amendments to the Articles of Incorporation, the chairperson of the Shareholders' Meeting, the chairperson of the Board of Directors, and the persons that convene Shareholders' Meeting and meetings of the Board of Directors are appointed via resolution by the Board of Directors.

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

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

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

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

Name	Position	Board of Directors	Nominating Committee	Compensa- tion Committee	Audit Committee	Governance Committee	Compliance Committee
Shuichi Ishibashi	Member of the Board (Executive Officer)*	○	–	–	–	–	–
Masahiro Higashi	Member of the Board (Executive Officer)	○	–	–	–	–	–
Scott Trevor Davis	Outside Director	◎	○	○	–	◎	○
Yuri Okina	Outside Director	○	○	◎	–	○	○
Kenichi Masuda	Outside Director	○	◎	○	–	○	◎
Kenzo Yamamoto	Outside Director	○	–	–	◎	○	○
Keikou Terui	Outside Director	○	–	–	○	○	○
Seiichi Sasa	Outside Director	○	–	–	○	○	○
Yojiro Shiba	Outside Director	○	–	–	○	○	○
Yoko Suzuki	Outside Director	○	–	–	○	○	○
Hideo Hara	Member of the Board (Non-executive Officer)	○	–	–	○	–	–
Tsuyoshi Yoshimi	Member of the Board (Non-executive Officer)	○	–	–	○	–	–

As of March 23, 2022

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

* indicates the chairperson of the Shareholders' Meeting.

The following indicates attendance at meetings of the Board of Directors of members of the Board and statutory committees during the fiscal year under review (January 1, 2021 to December 31, 2021) as of March 23, 2022.

Name	Board of Directors	Nominating Committee	Compensation Committee	Audit Committee
Shuichi Ishibashi	16 of 16 (100%)	–	–	–
Masahiro Higashi	11 of 11 (100%)	–	–	–
Scott Trevor Davis	15 of 16 (94%)	19 of 19 (100%)	14 of 14 (100%)	–
Yuri Okina	16 of 16 (100%)	19 of 19 (100%)	14 of 14 (100%)	–
Kenichi Masuda	16 of 16 (100%)	19 of 19 (100%)	14 of 14 (100%)	–
Kenzo Yamamoto	16 of 16 (100%)	–	–	18 of 18 (100%)
Keikou Terui	16 of 16 (100%)	–	–	18 of 18 (100%)
Seiichi Sasa	16 of 16 (100%)	–	–	18 of 18 (100%)
Yojiro Shiba	16 of 16 (100%)	–	–	18 of 18 (100%)
Yoko Suzuki	16 of 16 (100%)	–	–	18 of 18 (100%)
Hideo Hara	16 of 16 (100%)	–	–	18 of 18 (100%)
Tsuyoshi Yoshimi	16 of 16 (100%)	–	–	18 of 18 (100%)

(Note) Mr. Masahiro Higashi was newly elected as a Member of the Board at the 102nd Annual Shareholders' Meeting held on March 26, 2021, and accordingly, the total number of the Board of Directors meetings he was able to attend is different from that of other members of the Board.

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

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

Global EXCO Members are as follows.

Name	Position
Shuichi Ishibashi	Global CEO (Representative Executive Officer)
Masahiro Higashi	Global COO (Representative Executive Officer)
Paolo Ferrari	Global CSO (Executive Vice President and Executive Officer) BSAM CEO
Masuo Yoshimatsu	Global CFO (Senior Vice President and Executive Officer)
Masato Banno	Global CTO (Senior Vice President and Executive Officer)
Thomas Higgins	Global CBSO (Vice President and Senior Officer) Secretary General of Global EXCO
Scott Damon	BSAM COO (Vice President and Senior Officer)
Laurent Dartoux	BSEMIA CEO (Vice President and Senior Officer)
Yoshikazu Shida	BSCAP CEO (Vice President and Senior Officer)
Emilio Tiberio	BSEMIA COO and CTO (Vice President and Senior Officer)
Nizar Trigui	BSAM CTO (Vice President and Senior Officer)

As of March 23, 2022

(Note) Meanings of abbreviations are as follows.

CSO: Chief Business Solutions Officer

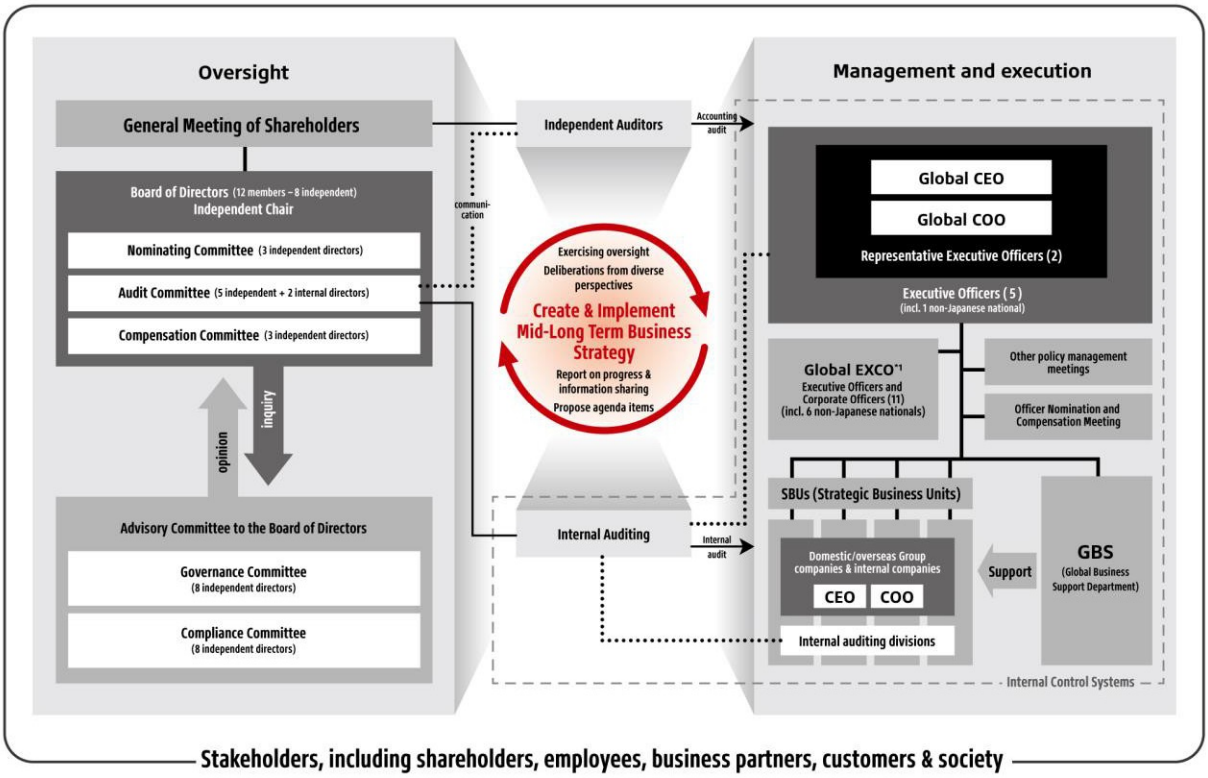
CTO: Chief Technology Officer

CBSO: Chief Business Strategic Officer

(C) Reasons for adopting current corporate governance system

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

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



*1 Global EXCO: Global Executive Committee

As of March 23, 2022

(D) Status of the development and implementation of internal control systems

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

1. Basic approach to the development and implementation of the Company’s internal control systems

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

   As part of the initiatives, the Company maintains a basic approach of segregation between oversight and execution of the duties, oversight of execution by the Board of Directors, and the realization of appropriate and more efficient business operations by operating divisions involved in business execution and will further refine its internal control systems.

   The Company’s Board of Directors determines policies for development and implementation of internal control systems, with the understanding of the above.

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

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

   (1) In order to assist the work of the Audit Committee, the Company appoints a corporate executive

manager dedicated to audit, and establishes a department led by such corporate executive manager that is dedicated to assist the Audit Committee with their duties.

Decisions on the appointment and replacement of the corporate executive manager dedicated to audit are made based on prior consultations with and consent of the Audit Committee. The same applies when the Audit Committee requests replacement of the corporate executive manager.

The performance assessment of the corporate executive manager dedicated to audit is determined by taking the performance evaluations conducted by the Audit Committee into consideration.

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

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

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

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

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

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

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

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

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

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

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

2) Overview of agreement limiting damage compensation liability

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

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

The Company has entered into a directors and officers liability insurance agreement provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, insuring Members of the Board, Executive Officers, and Vice President-Senior Officers to cover any liability or dispute resolution costs that may result from claims for damages related to the performance of their duties. However, certain exclusions apply, including for damages arising from actions taken with the knowledge that they violate laws or regulations. The insurance premiums are fully borne by the Company.

4) Number of Members of the Board

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

5) Requirements for election of Members of the Board

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

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

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

1. The ability to purchase treasury stock

   (To enable a flexible response)

2. The ability to exempt Members of the Board from liability

   (To enable the full demonstration of capabilities expected in their roles)

3. The ability to exempt Executive Officers from liability

   (To enable the full demonstration of capabilities expected in their roles)

4. The ability to distribute interim dividends

   (To provide stable return of profits to shareholders)

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

7) Special resolution requirements for Shareholders' Meetings

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

(2) Members of the Board and Executive Officers

1) List of Members of the Board and Executive Officers

Members of the Board and Executive Officers include 13 males and 2 females. (Percentage of female Members of the Board and Executive Officers: 13.3%)

(1) Members of the Board

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Member of the Board	Shuichi Ishibashi	January 19, 1954	April 1977	Joined Bridgestone Tire Co., Ltd. (currently Bridgestone Corporation)	Note 2	15,900
			June 2003	Director, Consumer Tires Business		
			January 2005	Vice President and Officer		
			July 2012	Vice President and Senior Officer		
			January 2014	Senior Vice President		
			January 2016	Executive Vice President		
			March 2016	Executive Vice President and Executive Officer		
			January 2019	Vice Chair and Representative Executive Officer		
			March 2020	Member of the Board and Representative Executive Officer Global CEO (present)		
Member of the Board	Masahiro Higashi	February 11, 1961	April 1985	Joined Bridgestone Corporation	Note 2	12,400
			January 2013	Director, Global Customer and Market Research Division and Director, Advanced Business Planning Division		
			October 2013	Vice President and Officer		
			March 2017	Vice President and Senior Officer		
			January 2019	Senior Vice President and Executive Officer		
			January 2020	Vice Chair and Representative Executive Officer		
			July 2020	Representative Executive Officer, Global COO, and Global CAO		
			March 2021	Member of the Board and Representative Executive Officer Global COO and Global CAO		
			September 2021	Member of the Board and Representative Executive Officer Global COO (present)		
Member of the Board Note 1	Scott Trevor Davis	December 26, 1960	April 1990	Researcher, The Japan Institute of Labour (currently The Japan Institute for Labour Policy and Training)	Note 2	1,000
			April 2001	Professor, Department of International Economics, Reitaku University		
			April 2006	Professor, Department of Global Business, College of Business, Rikkyo University (present)		
			March 2011	Member of the Board as Outside Director, Bridgestone Corporation (present)		
Member of the Board Note 1	Yuri Okina	March 25, 1960	April 1984	Joined Bank of Japan	Note 2	–
			April 1992	Joined The Japan Research Institute, Limited		
			April 1994	Senior Researcher, The Japan Research Institute, Limited		
			April 2000	Chief Researcher, The Japan Research Institute, Limited		
			June 2006	Counselor, The Japan Research Institute, Limited		
			March 2014	Member of the Board as Outside Director, Bridgestone Corporation (present)		
			June 2014	Vice Chairman of the Institute, The Japan Research Institute, Limited		
			April 2018	Chairperson of the Institute, The Japan Research Institute, Limited (present)		

Position	Name	Date of birth	Personal history	Term of office	Number of shares held
Member of the Board Note 1	Kenichi Masuda	January 11, 1963	April 1988 Attorney-at-law (present) January 1997 Partner, Anderson Mori (Japanese law firm: currently Anderson Mori & Tomotsune) (present) March 2011 Outside Corporate Auditor, Bridgestone Corporation March 2016 Member of the Board as Outside Director, Bridgestone Corporation (present)	Note 2	–
Member of the Board Note 1	Kenzo Yamamoto	January 21, 1954	April 1976 Joined Bank of Japan December 2003 General Manager for the Americas and Chief Representative in New York, Bank of Japan July 2005 Director-General, Payment and Settlement Systems Department, Bank of Japan July 2006 Director-General, Financial System and Bank Examination Department, Bank of Japan May 2008 Executive Director, Bank of Japan June 2012 Chairman, NTT Data Institute of Management Consulting, Inc. March 2016 Member of the Board as Outside Director, Bridgestone Corporation (present) June 2018 Representative, Office KY Initiative (present)	Note 2	2,300
Member of the Board Note 1	Keikou Terui	July 27, 1953	April 1979 Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry (METI)) July 2008 Director-General for Technology Policy Coordination, Minister's Secretariat, METI January 2011 Director-General, Kanto Bureau of Economy, Trade and Industry, METI April 2012 Director-General for Regional Economic and Industrial Policy, METI August 2013 President, Japan Utility Telemetering Association (present) October 2013 Senior Research Associate, Chemicals Evaluation and Research Institute, Japan March 2016 Member of the Board as Outside Director, Bridgestone Corporation (present) June 2016 Director, Chemicals Evaluation and Research Institute, Japan June 2020 Senior Managing Director, Japan Chemical Innovation and Inspection Institute (present)	Note 2	5,700
Member of the Board Note 1	Seiichi Sasa	October 12, 1953	April 1976 Joined The Dai-Ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.) (Resigned in June 1978) March 1983 Certified Public Accountant (present) June 2008 Executive Director, KPMG AZSA LLC March 2016 Member of the Board as Outside Director, Bridgestone Corporation (present)	Note 2	5,100
Member of the Board Note 1	Yojiro Shiba	August 7, 1950	April 1974 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.) March 2003 Managing Executive Officer, Mizuho Bank, Ltd. May 2005 Executive Officer, Oriental Land Co., Ltd. June 2007 Executive Director and Senior Executive Officer, Oriental Land Co., Ltd.	Note 2	–

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
			April 2009	Representative Director and Executive Vice President Officer, Oriental Land Co., Ltd.		
			June 2013	External Director, AMUSE INC.		
			June 2015	Director and Vice Chairman, AMUSE INC.		
			June 2017	Director, Vice Chairman, AMUSE INC.		
			March 2018	Member of the Board as Outside Director, Bridgestone Corporation (present)		
			April 2019	Representative Director and President, AMUSE INC.		
			June 2019	Director, Vice Chairman, AMUSE INC.		
			June 2020	Special Adviser, AMUSE INC.		
Member of the Board Note 1	Yoko Suzuki	September 21, 1970	April 1998	Attorney-at-law (present)	Note 2	2,200
			April 1998	Joined Takagi Godo Law Office		
			November 2002	Partner, Suzuki Sogo Law Office (present)		
			March 2018	Member of the Board as Outside Director, Bridgestone Corporation (present)		
Member of the Board	Hideo Hara	December 13, 1951	April 1977	Joined Bridgestone Tire Co., Ltd. (currently Bridgestone Corporation)	Note 2	7,700
			January 2001	Seconded to BRIDGESTONE/FIRESTONE INC. (currently BRIDGESTONE AMERICAS, INC.) (USA)		
			March 2006	Vice President and Officer Seconded to BRIDGESTONE AMERICAS HOLDING, INC. (currently BRIDGESTONE AMERICAS, INC.) (USA)		
			October 2006	Vice President and Officer, Responsible for Original Equipment Tire Sales; Concurrently responsible for Motorsport		
			March 2010	Seconded to BRIDGESTONE AMERICAS, INC. (USA)		
			March 2015	Fellow (responsible for technology public relations), Bridgestone Corporation		
			March 2020	Member of the Board (present)		
Member of the Board	Tsuyoshi Yoshimi	May 26, 1964	April 1988	Joined Bridgestone Corporation	Note 2	2,200
			January 2010	Seconded to BRIDGESTONE ASIA PACIFIC PTE. LTD. (Singapore)		
			September 2012	Seconded to BRIDGESTONE (CHINA) INVESTMENT CO., LTD. (Shanghai)		
			October 2013	Director, Finance Division, Bridgestone Corporation		
			March 2017	Vice President and Officer		
			March 2019	Member of the Board (present)		
Total						54,500

(Notes) 1. Of the Members of the Board, Mr. Scott Trevor Davis, Ms. Yuri Okina, Mr. Kenichi Masuda, Mr. Kenzo Yamamoto, Mr. Keikou Terui, Mr. Seiichi Sasa, Mr. Yojiro Shiba, and Ms. Yoko Suzuki are outside directors.

2. The terms of office of Members of the Board shall expire at the close of the Annual Shareholders' Meeting relating to the last business year that ends within one year after their election at the Annual Shareholders' Meeting held on March 23, 2022.

3. The Company is a Company with Nominating Committee, etc. The structure of committees is described in "4 (1) Overview of corporate governance."

(2) Executive Officers

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Representative Executive Officer Global CEO	Shuichi Ishibashi	January 19, 1954	April 1977 June 2003 January 2005 July 2012 January 2014 January 2016 March 2016 January 2019 March 2020	Joined Bridgestone Tire Co., Ltd. (currently Bridgestone Corporation) Director, Consumer Tires Business Vice President and Officer Vice President and Senior Officer Senior Vice President Executive Vice President Executive Vice President and Executive Officer Vice Chair and Representative Executive Officer Members of the Board, Representative Executive Officer and Global CEO (present)	Note 1	15,900
Representative Executive Officer and Global COO Concurrently responsible for BSJP and BSJP Tire Solutions Business BSJP Tire Business CEO/COO Chairman and Representative Board Member of Bridgestone Tire Solution Japan Co., Ltd.	Masahiro Higashi	February 11, 1961	April 1985 January 2013 October 2013 March 2017 January 2019 January 2020 July 2020 March 2021 September 2021	Joined Bridgestone Corporation Director, Global Customer and Market Research Division and Director, Advanced Business Planning Division Vice President and Officer Vice President and Senior Officer Senior Vice President and Executive Officer Vice Chair and Representative Executive Officer Representative Executive Officer, Global COO, and Global CAO Members of the Board, Representative Executive Officer, Global COO and Global CAO Members of the Board, Representative Executive Officer and Global COO (present)	Note 1	12,400
Executive Vice President and Executive Officer Global CSO Responsible for BSAM BSAM Member of the Board CEO and President	Paolo Ferrari	April 10, 1970	September 2016 January 2017 January 2018 January 2019	Joined BRIDGESTONE EUROPE NV/SA Members of the Board, President and CEO Vice President and Senior Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer (present)	Note 1	3,600
Senior Vice President and Executive Officer Global CFO	Masuo Yoshimatsu	April 28, 1958	June 2021 September 2021 January 2022	Joined Bridgestone Corporation, Associate Director Vice President and Senior Officer Senior Vice President and Executive Officer (present)	Note 1	3,000
Senior Vice President and Executive Officer Responsible for Technology, Quality Management Global CTO	Masato Banno	September 18, 1963	April 1986 July 2016 January 2017 January 2018 January 2019	Joined Bridgestone Corporation Director, Tire Development Division No. 3 Vice President and Officer Vice President and Senior Officer Senior Vice President and Executive Officer (present)	Note 1	6,900
Total						41,800

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

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

2) Outside Directors and Outside Corporate Auditors

The Company has elected eight outside directors (as of March 23, 2022).

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

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

Name	Main occupation	Reasons for appointment
Scott Trevor Davis	Professor, Department of Global Business, College of Business, Rikkyo University	Mr. Scott Trevor Davis has excellent academic knowledge in the field of sociology and international business administration, as well as abundant wisdom regarding CSR and sustainability in Japan and overseas. He has been contributing to appropriate decision making of the Board of Directors as Outside Director of the Company since 2011. He has also been playing a leading role in enhancing deliberations, etc. as Chairperson of the Board of Directors and as Chairperson of the Governance Committee, as well as participating in active deliberations as a member of the Nominating Committee and a member of the Compensation Committee. In view of these experience, insights and achievements, Mr. Scott Trevor Davis is expected to continue to fulfill these roles, and the Company has determined that he would appropriately execute the duties of an Outside Director.
Yuri Okina	Chairperson of the Institute, The Japan Research Institute, Limited	Ms. Yuri Okina has significant research experience regarding financial systems and financial administration, as well as abundant knowledge of economics and financial situations. She has been contributing to appropriate decision making of the Board of Directors as Outside Director of the Company since 2014. Since 2016, she has been playing a leading role in enhancing deliberations, etc. as Chairperson of the Compensation Committee, and participating in active deliberations as a member of the Nominating Committee. In view of these experience, insights and achievements, Ms. Yuri Okina is expected to continue to fulfill these roles, and the Company has determined that she qualifies for Outside Director.

Name	Main occupation	Reasons for appointment
Kenichi Masuda	Attorney-at-law (Partner of Anderson Mori & Tomotsune)	Mr. Kenichi Masuda has abundant professional career and experience as an attorney at law firms in Japan and overseas, as well as his expertise as represented by his current experience of teaching corporate law at a graduate school of law. He has been contributing to overall audits as Outside Corporate Auditor of the Group since 2011. Since 2016, he has been contributing to appropriate decision making of the Board of Directors as Outside Director. He has also been playing a leading role in enhancing deliberations, etc. as Chairperson of the Nominating Committee and Chairperson of the Compliance Committee, and participating in active deliberations as a member of the Compensation Committee. In view of these experience, insights and achievements, Mr. Kenichi Masuda is expected to continue to fulfill these roles, and the Company has determined that he would appropriately execute the duties of an Outside Director.
Kenzo Yamamoto	Representative, Office KY Initiative	Mr. Kenzo Yamamoto has abundant expertise on financial market and financial systems, as well as his deep insight regarding corporate management and risk management. Since 2016, he has been contributing to appropriate decision making of the Board of Directors as Outside Director of the Company and playing a leading role in enhancing deliberations, etc. as Chairperson of the Audit Committee. In view of these experience, insights and achievements, Mr. Kenzo Yamamoto is expected to continue to fulfill these roles, and the Company has determined that he qualifies for Outside Director.
Keikou Terui	Senior Managing Director, Japan Chemical Innovation and Inspection Institute	Mr. Keikou Terui has broad insight regarding industrial technology fields, as well as his abundant administrative experience in industrial policies at the Ministry of Economy, Trade and Industry. Since 2016, he has been contributing to appropriate decision making of the Board of Directors as Outside Director of the Company and promoting strengthening of the audit system as a member of the Audit Committee. In view of these experience, insights and achievements, Mr. Keikou Terui is expected to continue to fulfill these roles, and the Company has determined that he would appropriately execute the duties of an Outside Director.

Name	Main occupation	Reasons for appointment
Seiichi Sasa	Certified Public Accountant (Representative of Sasa Seiichi Certified Public Accountant Office)	Mr. Seiichi Sasa has abundant professional career and experience of accounting audit and consulting as a Certified Public Accountant, as well as his expertise as represented by his current experience of teaching accounting and audit at a university and graduate school and former appointment as an Examiner of Certified Public Accountant Examination. Since 2016, he has been contributing to appropriate decision making of the Board of Directors as Outside Director of the Company and promoting strengthening of the audit system as a member of the Audit Committee. In view of these experience, insights and achievements, Mr. Seiichi Sasa is expected to continue to fulfill these roles, and the Company has determined that he would appropriately execute the duties of an Outside Director.
Yojiro Shiba	–	Mr. Yojiro Shiba has insights into the creation of value and establishment of business from the perspective of customers based on his deep insight as the result of abundant corporate management experience in the financial industry and entertainment business industry. Since 2018, he has been contributing to appropriate decision making of the Board of Directors as Outside Director of the Company and promoting strengthening of the audit system as a member of the Audit Committee. In view of these experience, insights and achievements, Mr. Yojiro Shiba is expected to continue to fulfill these roles, and the Company has determined that he qualifies for Outside Director.
Yoko Suzuki	Attorney-at-law (Partner of Suzuki Sogo Law Office)	Ms. Yoko Suzuki has high expertise as an attorney-at-law, and abundant experience and deep insight as an outside auditor and auditor of other companies and various associations. Since 2018, she has been contributing to appropriate decision making of the Board of Directors as Outside Director of the Company and promoting strengthening of the audit system as a member of the Audit Committee. In view of these experience, insights and achievements, Ms. Yoko Suzuki is expected to continue to fulfill these roles, and the Company has determined that she would appropriately execute the duties of an Outside Director.

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

In addition, outside directors' holdings of the Company's shares are described under "4 (2) 1) (1) Directors."

[Nominating Policy for Appointment to the Board]

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

(Outside Directors)

The Company takes into account the following:

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

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

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

(Members of the Board other than Outside Directors)

The Company takes into account the following:

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

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

[Guidelines for Determining Whether Outside Directors are Sufficiently Independent]

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

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

1. In the past was an Executing Person of the Company or a consolidated subsidiary of the Company (collectively, the "Group") (Note 1)
2. Is a major shareholder of the Company (Note 2)
3. Is an Executing Person of a company or entity to which one of the following is applicable:
   (1) A major supplier or customer of the Group (Note 3)
   (2) A major lender to the Group (Note 4)
   (3) A company or entity of which the Group holds 10% or more of the voting shares
4. Is a certified public accountant belonging to an auditing firm that is an accounting auditor of the Group
5. Is a professional, such as a consultant, accountant, tax accountant, attorney-at-law, judicial scrivener, or patent attorney who has received a large amount (Note 5) of money or other assets from the Group
6. Is a person who has received a large amount of donation from the Group (Note 6)
7. Is an Executing Person of another company, which position constitutes an interlocking director or corporate auditor position (Note 7) for the Outside Director
8. Has a close relative (Note 8) to which any of the above items 1 through 7 applies (but other than with

respect to item 4 or 5, limited to a significant person (Note 9))

9. Is a person to which any of the above items 2 through 8 has applied within the last five years
10. Notwithstanding the above, is a person with respect to which any other particular factors exist that could create a conflict of interest with the Company

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Status of audit

1) Audit by the Audit Committee

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

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

The Audit Committee convened a total of 18 meetings during the fiscal year under review. The total time of the meetings came to 71 hours, which works out to around four hours per meeting. The status of attendance by individual members of the Audit Committee is as follows.

Position	Name	Attendance at Audit Committee meetings
Chairperson of the Audit Committee	Kenzo Yamamoto	18 of 18 (100%)
Member of the Audit Committee	Keikou Terui	18 of 18 (100%)
Member of the Audit Committee	Seiichi Sasa	18 of 18 (100%)
Member of the Audit Committee	Yojiro Shiba	18 of 18 (100%)
Member of the Audit Committee	Yoko Suzuki	18 of 18 (100%)
Full-time member of the Audit Committee	Hideo Hara	18 of 18 (100%)
Full-time member of the Audit Committee	Tsuyoshi Yoshimi	18 of 18 (100%)

There were 10 resolutions passed by the Audit Committee during the fiscal year under review. The main content of these resolutions was related to audit policies and planning, assignment of duties of committee members, agreement on audit fees of the accounting auditor, and reappointment of the accounting auditor. There were also 141 reports. These reports included the audit report from the accounting auditor, reports from the Internal Auditing Department on internal audits and Group internal audit activities, risk management activity reports from operating divisions involved in business execution, and reports on the activities of the full-time members of the Audit Committee.

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

A) The auditing policy, audit plans and the distribution of duties

The Audit Committee has established an audit plan with the priority issue of the fiscal year under review being to check the impact of manufacturing footprint and business restructuring and strategic growth investments that the Company is promoting within its medium- to long-term business plans on the Company's business and internal control system.

B) Development and implementation status of internal control systems

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

C) The development status of the Group’s internal audit systems

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

D) The appropriateness of the accounting auditor’s audit plans, audit methods, and results

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

E) Evaluation of the accounting auditor

The Audit Committee deliberates on reports mainly on matters, including audit plans, auditing systems, independence, specialization, and status of performance of duties that are received from the accounting auditor and relevant internal departments.

E) The impact of COVID-19 and the status of the COVID-19 measures

The Audit Committee receives reports on risk management from the department in charge with respect to the impact of COVID-19 on the business and the status of internal measures to prevent its spread, and attends internal meetings to confirm them.

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

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

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

2) Status of internal audits

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

The Internal Auditing Department formulates an annual audit plan, which it reports to the Audit Committee, and conducts internal audits primarily of the effectiveness of Group governance and internal control on each function, operating division, and Group companies in Japan and overseas. In addition, the Internal Auditing Department supervises activities of the Group's internal audit system and works with the internal audit divisions at each SBU on activities aimed at establishing an optimal internal audit system for the Group. Moreover, in January 2022, the internal audit functions that had been dispersed among the operating divisions of the Company were consolidated into a new division to further strengthen the internal audit function within Japan. As of March 23, 2022, the Internal Auditing Department had 30 employees (excluding those working concurrently in other positions).

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

3) Status of accounting audits

a. Auditing firm

Deloitte Touche Tohmatsu LLC

b. Consecutive audit period

Since 2001

c. Certified public accountants who performed the audit

Mr. Yasuhiko Haga

Mr. Takuma Ueki

Ms. Akiko Fujiharu

d. Composition of assistants involved in auditing operations

12 certified public accountants, four associate members of the Japanese Institute of Certified Public Accountants, and 17 other staff members are involved in the accounting auditing operations.

e. Policy and reasons for appointment of accounting auditor

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

As a result of receiving the necessary reports and evaluation based on predetermined evaluation criteria concerning the auditing systems, independence, audit plans, and status of performance of duties of Deloitte

Touche Tohmatsu LLC, the accounting auditor for the 103rd Fiscal Period, the Audit Committee has reappointed the same firm as the accounting auditor for the 104th Fiscal Period.

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

f. Evaluation of the accounting auditor

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

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

4) Audit fees

a. Fees to auditing certified public accountants, etc.

Category	Previous fiscal year		Fiscal year under review	
	Fees for audit services (Yen in millions)	Fees for non-audit services (Yen in millions)	Fees for audit services (Yen in millions)	Fees for non-audit services (Yen in millions)
The Company	229	2	233	2
Consolidated subsidiaries	231	–	234	–
Total	460	2	467	2

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

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

(Previous fiscal year)

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

(Fiscal year under review)

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

3. In regard to fees for audit services in the previous fiscal year, additional fees other than the above came to 4 million yen.

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

Category	Previous fiscal year		Fiscal year under review	
	Fees for audit services (Yen in millions)	Fees for non-audit services (Yen in millions)	Fees for audit services (Yen in millions)	Fees for non-audit services (Yen in millions)
The Company	–	106	–	30
Consolidated subsidiaries	2,151	1,449	1,937	964
Total	2,151	1,555	1,937	994

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

(Previous fiscal year)

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

(Fiscal year under review)

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

c. Details of fees for other important audit services

Not applicable.

d. Policy for determining audit fees

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

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

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

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

1) The policy and process for determining remuneration for members of the Board and executive officers

A) The policy for setting remuneration for members of the Board and executive officers:

a) Principles of remuneration

・Attract and cultivate superior talent

・Support a competitive remuneration level

・Provide motivation for the execution of business strategies

・Provide motivation for enhancing shareholder value

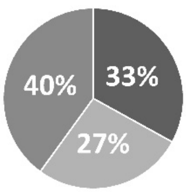
b) Important changes to the remuneration system in fiscal year 2022

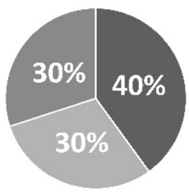
The Company has taken another look at the remuneration system through discussion and review focusing on its basic approach to and vision for remuneration and incentives to realize the management strategy. In the past, only numerical targets such as consolidated ROIC and consolidated ROE were taken into consideration for medium- to long-term incentives within variable remuneration. However, the decision has been made to introduce a scheme that gives 50% weight to sustainability and the long-term transformation strategy when determining medium- to long-term incentives.

c) Setting remuneration and remuneration composition ratio

The Company sets remuneration for members of the Board and executive officers based on the Company's performance results and business size and it is commensurate with roles and the level of responsibilities undertaken. The policy is structured to consider the remuneration levels of other major global companies in Japan which were selected for comparison from the point of view of sales volume, market capitalization, overseas sales ratio, and operating profit ratio. Fixed remuneration is set to such a level as to ensure a certain level of competitiveness with respect to other companies used for comparison. In principle, the Company believes that the ratio of variable remuneration should be higher as the officer's rank become higher, namely, their responsibilities for performance and corporate value increase, referencing the levels in place at European companies. The following charts represent the composition ratio of remuneration for Executive Officers when variable remuneration is within the standard range, with the exact ratio depending on rank. The percentages may not apply when Executive Officers hold concurrent positions as executives of subsidiaries and receive remuneration from those subsidiaries.

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





■ Fixed remuneration
■ Variable remuneration (Short-term incentives)
■ Variable remuneration (Medium- to long-term incentives)

d) Remuneration composition

○ means applicable, and (○) means only applicable to some

Remuneration type			Details	Members of the Board (*)	Executive Officers
Fixed remuneration		Base remuneration	・Monthly cash remuneration determined based on responsibilities and job description	○	(○)
Fixed remuneration		Additional allowance for members of the Board with concurrent duties	・Monthly cash remuneration for executive officers who serve concurrently as members of the Board based on their role and responsibilities	–	(○)
Fixed remuneration		Additional allowance for chairpersons	・Monthly cash remuneration for an outside director based on their role and responsibilities as chairperson of the Board of Directors	(○)	–
Fixed remuneration		Additional allowance for committee chairs	・Monthly cash remuneration for an outside director based on their role and responsibilities as chairperson of a committee	(○)	–
Variable remuneration	Short-term incentives	Performance-based bonus (Group-wide) (Determined by quantitative evaluation)	・Cash remuneration paid at the end of the fiscal year	–	(○)
Variable remuneration	Short-term incentives	Performance-based bonus (area of responsibility) (Determined by qualitative evaluation)	・Cash remuneration paid at the end of the fiscal year	–	(○)
Variable remuneration	Medium- to long-term incentives	Performance Share Units (PSUs) (Determined by quantitative evaluation)	・Remuneration provided for motivation to contribute toward achievement of mid-term performance targets and the improvement of corporate value from a long-term perspective, in addition to morale and shared value with shareholders ・Comprises 50% of medium- to long-term incentives	–	○
Variable remuneration	Medium- to long-term incentives	Restricted stock units (RSU) (Determined by qualitative evaluation)	・Introduced as 50% of medium- to long-term incentives to support the realization of sustainability and long-term business strategies	–	○

*This column represents the remuneration composition of members of the Board not serving concurrently as Executive Officers

e) Approach to selecting performance indicators and evaluation items

Group-wide performance-based bonuses are short-term incentives. Consolidated adjusted operating profit is used as the indicator to evaluate the degree of achievement of short-term performance. After discussions and deliberations among the Compensation Committee, it was decided that an appropriate incentive program for members of the Board and executive officers would include medium- to long-term incentives. A combination of consolidated ROIC and consolidated ROE, both of which are performance indicators that comprise the numerical targets for the Mid-Term Business Plan and serve as indicators for PSU. These indicators were chosen for their ability to assess business strategy and compensation incentives, for their continuity as an indicator, and for ease of explanation to stakeholders. Additionally, important initiatives for the target period of the sustainability and transformation strategy are evaluated from a long-term perspective for RSU.

B) Calculation method and target for variable remuneration

The calculation methods and targets for Group-wide performance-based bonus, performance-based bonus in area of responsibility, PSU, and RSU, which are variable remuneration, are provided below. In addition, the variable remuneration results from quantitative evaluation in the fiscal year under review are as provided in “2) Content of remuneration paid to members of the Board and executive officers in the fiscal year under review."

Details on the formula used in quantitative evaluations for Group-wide performance-based bonus and PSU are provided at the end of "(4) Remuneration for Members of the Board and Executive Officers."

a) Performance-based bonus (Group-wide)

a. Overview

Group-wide performance-based bonuses are a performance-based remuneration plan in which numerical targets obtained by using the indicator of the Company's consolidated adjusted operating profit (hereinafter "numerical targets for performance") for the fiscal year (hereinafter "performance measurement period") are set in advance, and cash is paid to the Company's Executive Officers in accordance with the rate of achievement of the target for such numerical targets for performance at the end of the performance measurement period at predetermined levels equivalent to the standard amount by position multiplied by a ratio of 0 to 150%.

b. Target

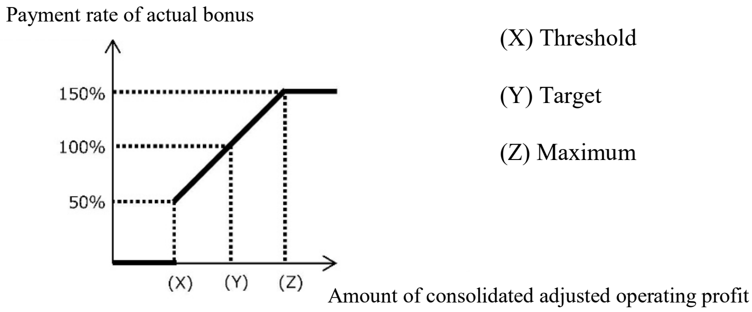
	(X) Threshold	(Y) Target	(Z) Maximum
Consolidated adjusted operating profit	340.0 billion yen	425.0 billion yen (*)	510.0 billion yen

*The target is set in the amount of the full-year profit forecast announced publicly in February 2022.

c. Calculation method

Payment amount = Standard amount by position × Payment rate (*)

*Calculation method of payment rate



However, if the Compensation Committee determines that performance, corporate value or brand value have been or could potentially be significantly impacted by an event (including changes in the external environment) that was not anticipated at the beginning of the period, the amount to be paid may be adjusted (increased or decreased) regardless of the results of calculating the Group-wide performance-based bonus.

b) Performance-based bonus (area of responsibility)

a. Overview

Performance-based bonuses in area of responsibility are a performance-based remuneration plan in which an annual policy/annual plan within the area of responsibility is established in advance for the fiscal year (hereinafter "performance measurement period"), and cash is paid to the Company's Executive Officers in accordance with the rate of their achievement at the end of the performance measurement period at predetermined levels equivalent to the standard amount by position multiplied by a ratio of 0 to 150%.

b. Calculation method

Payment amount = Standard amount by position × Payment rate (*)

*The payment rate is determined in accordance with the results of the individual qualitative evaluation.

c) PSU

a. Overview

- PSU is a performance-based stock compensation plan that predetermines numerical targets obtained by using the indicators of consolidated ROIC and consolidated ROE (hereinafter "numerical performance targets") during a certain period (hereinafter "performance measurement period"), and grants the Company's stock and pays cash to the Company's Executive Officers (hereinafter "Eligible Executive Officers") in accordance with the rate of achievement of the numerical performance targets at the end of the performance measurement period at predetermined levels equivalent to the standard number of shares multiplied by a ratio of 0 to 200%. The performance measurement period for PSU (hereinafter "the 2022 Plan"), which was launched in 2022, is from the fiscal year ending December 31, 2022 to the fiscal year ending December 31, 2024, and the Company's shares and cash will be granted/paid to Eligible Executive Officers after this performance measurement period.
- In consideration of the income tax, etc. to be borne by Eligible Executive Officers, the assets to be paid to Eligible Executive Officers under the PSU shall be weighted at 50% respectively for the proportion of the Company's stock and the proportion of cash.

<Performance measurement period of the plan by fiscal year>

Plan	2019	2020	2021	2022	2023	2024	2025
2019 Plan	Performance measurement period			●Grant & pay			
2020 Plan		Performance measurement period			●Grant & pay		
2021 Plan			Performance measurement period			●Grant & pay	
2022 Plan				Performance measurement period			●Grant & pay

b. Target

	(X) Threshold	(Y) Target	(Z) Maximum
Payment rate A (consolidated ROIC %)	6%	10%	14%
Payment rate B (consolidated ROE %)	8%	12%	16%

c. Calculation method

The number of stock granted to each individual Eligible Executive Officer (hereinafter "number of stock granted to each individual") and the amount of cash paid to each individual Eligible Executive Officer (hereinafter "amount of cash paid to each individual") are calculated according to the following method.

- Number of stock granted to each individual

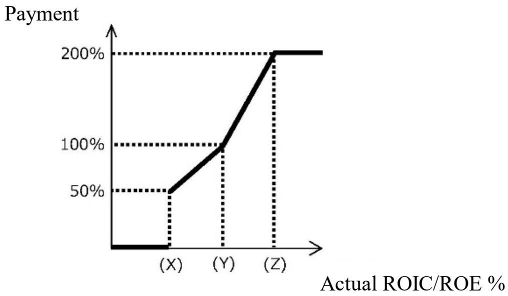
Standard number of shares by position × 50% × Payment rate (*)

- Amount of cash paid to each individual

Standard number of shares by position × 50% × Payment rate (*) × Price of Company shares

*Calculation method of payment rate

Payment rate A based on consolidated ROIC indicator × 0.8 + Payment rate B based on consolidated ROE indicator × 0.2



(X) Threshold

(Y) Target

(Z) Maximum

d) RSU

a. Overview

- RSU is a restricted stock compensation plan in which the Company's shares and cash are granted/paid to the Company's Executive Officers (hereinafter "Eligible Executive Officers") at predetermined levels equivalent to the standard amount of compensation by position multiplied by the sustainability evaluation (a non-financial evaluation between 0 and 120%) during a certain period (hereinafter "evaluation determination period"). In order to support the promotion of sustainability and transformation, the Company has redefined the concept of qualitative evaluation that was implemented in short-term incentives until fiscal year 2021 and has reflected it as a new scheme in the medium- to long-term incentives to be introduced in fiscal year 2022.
- In consideration of the income tax, etc. to be borne by Eligible Executive Officers, the assets to be paid to Eligible Executive Officers under the RSU shall be weighted at 50% respectively for the proportion of the Company's stock and the proportion of cash.
- For the purpose of improving corporate and shareholder value from a long-term perspective, the transfer restriction period is from the date of granting of shares to when the Eligible Executive Officer resigns, and the restriction is lifted the following day.
- The evaluation determination period for fiscal year 2022 is the one-year period beginning on the first day of fiscal year 2022. Grant of shares to Eligible Executive Officers takes place after the evaluation determination period, and cash payments are made when the transfer restriction is lifted.

<Evaluation determination period and transfer restriction period of the plan by fiscal year>

Plan	2022	2023	2024	…	Date of resignation	
2022 Plan	Performance measurement period	●Share allocation →				●Lifting of transfer restriction ●Cash payment
2023 Plan		Performance measurement period	●Share allocation →			●Lifting of transfer restriction ●Cash payment
2024 Plan			Performance measurement period	●Share allocation →		●Lifting of transfer restriction ●Cash payment

b. Calculation method

The number of stock granted to each individual Eligible Executive Officer (hereinafter "number of stock granted to each individual") and the amount of cash paid to each individual Eligible Executive Officer (hereinafter "amount of cash paid to each individual") are calculated according to the following method.

- Number of stock granted to each individual

Standard amount of compensation by position × Payment rate (sustainability evaluation) × 50% ÷ Price of Company shares(*1)

- Amount of cash paid to each individual

Standard amount of compensation by position × Payment rate (sustainability evaluation) × 50% ÷ Price of Company shares(*1) × Fair value when transfer restriction is lifted (*2)

*1 Price of Company shares

The daily average closing price of the Company's stock on the Tokyo Stock Exchange for the month preceding the day of the resolution made by the Company's Board of Directors concerning the new issuance of stock or disposal of treasury stock for payment according to this plan, following the evaluation determination period.

*2 Fair value when transfer restriction is lifted

Closing price of the Company's stock on the Tokyo Stock Exchange on the date of resignation (day before lifting of transfer restriction).

C) Remuneration determination process

a) Body with decision-making authority and policy/method of remuneration determination

The policy for setting remuneration by position and individual remunerations to the Company's Members of the Board and Executive Officers is determined by the Compensation Committee, composed solely of Independent Outside Directors, by taking into account changes in the business environment and opinions of our shareholders and investors, upon obtaining the information necessary for deliberations from third-party human resources and remuneration consultants who possess abundant global experience and insight. Based on that policy, the committee deliberates on the basic remuneration principles, remuneration plans, and matters in general about monetary remuneration, etc., and determines the remuneration amounts for each position. If any Members of the Board or Executive Officers of the Company hold concurrent positions as executives for any subsidiaries, the Compensation Committee also deliberates on the remuneration to be paid by those subsidiaries.

b) Main activities of the Compensation Committee

a. Matters for resolution

・Determination policy for remuneration of Members of the Board and Executive Officers

・Details of remuneration for individual Members of the Board and Executive Officers based on the aforementioned policy

・When an Executive Officer is concurrently an employee of the Company, the details of the remuneration as such employee

b. Matters for deliberation

・In the event that Member of the Board or Executive Officer is concurrently an executive of a Group company, the remuneration paid by such Group company

・Remuneration paid by Group companies for the Chair, CEO and COO of key overseas Group companies

・Report on the status of execution of duties by the Compensation Committee reported to Members of the Board

・Matters deemed necessary by the Compensation Committee

2) Content of remuneration paid to members of the Board and executive officers in the fiscal year under review

A) Total amount of remuneration by category of position, total amount of remuneration by type, and number of recipients

Position category	Total amount of remuneration (Yen in millions)	Amount of remuneration by type (Yen in millions)			Number of recipients
		Fixed remuneration	Performance-based remuneration		
			Bonus	Stock compensation	
Members of the Board	267	267	-	-	14
of which Outside Directors	139	139	-	-	8
Executive Officers	595	139	241	215	4

(Notes) 1 The figures above include remuneration paid to two Members of the Board who resigned during the fiscal year under review.

2 The amounts of remuneration for Members of the Board who are concurrently Executive Officers are separated into remuneration as a Member of the Board and remuneration as an Executive Officer and included in the respective total amounts of remuneration.

3 Fixed remuneration and bonuses are fully paid in cash. The PSU, shown as performance-based stock compensation, is a plan in which 50% is paid by the granting of the Company’s shares and 50% is paid in cash in accordance with business performance (those retiring before the planned period ends are paid fully in cash).

4 The above performance-based stock compensation includes the amounts recorded as expense for each fiscal year plan of the PSU up until the fiscal year under review. (However, this excludes amounts disclosed in the previous fiscal year’s Annual Securities Reports.)

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

Name	Company category	Position category	Total amount of consolidated remuneration by type (Yen in millions)			Total amount of consolidated remuneration (Yen in millions)
			Fixed remuneration	Performance-based remuneration		
				Bonus	Stock compensation	
Shuichi Ishibashi	Bridgestone Corporation	Member of the Board	8	–	–	280
		Executive Officer	61	126	85 (Note 4)	
Masahiro Higashi	Bridgestone Corporation	Member of the Board	6	–	–	198
		Executive Officer	45	87	60 (Note 4)	
Paolo Ferrari	Bridgestone Corporation	Executive Officer	–	–	32 (Note 4)	582
	Bridgestone Americas Inc. (Note 1)	Member of the Board	126 (Note 2)	424 (Note 3)	–	

(Notes) 1 The remuneration of executives at consolidated subsidiaries is determined following investigation, analysis and consideration of matters such as market levels for remuneration of directors and executive officers in the incumbent's location of the United States when determining remuneration.

2 Fixed remuneration includes an amount equivalent to fringe benefits.

3 In addition to annual bonuses, the followings are listed: the confirmed amount paid for the long-term incentive plan pertaining to FY2019 to FY2021; the amount recorded as expense relating to FY2020 to FY2021 for the long-term incentive plan pertaining to FY2020 to FY2022; and the amount recorded as expense relating to FY2021 for the long-term incentive plan pertaining to FY2021 to FY2023. (However, this excludes amounts disclosed in the previous fiscal year's Annual Securities Reports)

4 The above performance-based stock compensation plan is one in which 50% is paid by the granting of the Company's shares and 50% is paid in cash in accordance with business performance (those retiring before the planned period ends are paid fully in cash).

In addition, the amount recorded as expense in the fiscal year under review is provided. (However, this excludes amounts disclosed in the previous fiscal year's Annual Securities Reports)

* Payment of the above performance-based remuneration is determined based on the evaluation results below.

a) Group-wide performance-based bonus Type A (the target and result for the performance measurement period from January 1, 2021 to December 31, 2021)

Performance indicator for fiscal year 2021	Target	Results	Payment rate
Consolidated adjusted operating profit	260.0 billion yen	394.3 billion yen	150.0%

b) PSU (the target and result for the performance measurement period of the 2019 Plan from January 1, 2019 to December 31, 2021)

Performance indicators for the 2019 Plan	Target	Actual (*)	Payment rate
Consolidated ROE	12%	8.1%	51.3%
Consolidated operating profit/ Consolidated adjusted operating profit	423.8 billion yen	314.5 billion yen	0.0%
		Total	41.0%

*3-year average for each fiscal year's actuals

3) Status of operations of the Compensation Committee in the fiscal year under review

A) Number of meetings held and attendance at Compensation Committee meetings

During the period from January to December 2021, the Compensation Committee held 14 meetings mainly regarding the setting of remuneration paid to Members of the Board and Executive Officers for the fiscal period under review, with full attendance for every meeting. In addition, a third-party human resources and remuneration consultants attended the meetings to provide objective and specialized input, as necessary.

Position	Committee member names and attendance	
Chairperson of the Compensation Committee	Yuri Okina	14 of 14 (100%)
Member of the Compensation Committee	Scott Trevor Davis	14 of 14 (100%)
Member of the Compensation Committee	Kenichi Masuda	14 of 14 (100%)

B) Adequacy and appropriateness of individual remuneration for Members of the Board and Executive Officers for the period under review

Individual remunerations for Members of the Board and Executive Officers for the period under review are set by the Compensation Committee, composed solely of Independent Outside Directors, by carrying out multifaceted discussions including consistency of remunerations with the policy for setting remunerations based on objective and specialized information necessary for deliberations, as described in 1)-C)-a) above. Therefore, the Committee has determined that the individual remunerations for Members of the Board and Executive Officers for the period under review are in line with the policy and adequate.

In addition, 2021 was a year in which the ideal remuneration and significance of incentives was called into question as the unexpected abnormal situation arising from COVID-19 continued. While engaging in discussions going back to the starting point in order to achieve the business strategy, the Company took another look at the remuneration system, including the introduction of new medium- to long-term incentives for 2022, and decided to pay individual remuneration for the year 2022 (Special Award(*)).

(*) Over the past two years starting in 2020, COVID-19 has dramatically changed the business climate unexpectedly and within a short period of time. We appreciate the fact that we are steadily implementing various measures faster than originally planned while formulating business strategies for the Third Foundation and setting specific targets. At the same time, with the expectation that these management initiatives will continue to contribute to further enhancement of corporate value, we have decided to provide Special Awards in the form of restricted stock compensation with a three-year restriction.

<Details on the formula used in quantitative evaluations for Group-wide performance-based bonuses and PSU for fiscal year 2022>

Group-wide performance-based bonus is to be calculated and determined in accordance with the following calculation method at the meeting of the Compensation Committee scheduled for the first quarter of 2023. PSU is to be calculated and determined in accordance with the following calculation method at the first meeting of the Compensation Committee following the finalization of the consolidated financial statements for the fiscal year ending December 2024.

a) Performance-based bonus (Group-wide)

a. Calculation method

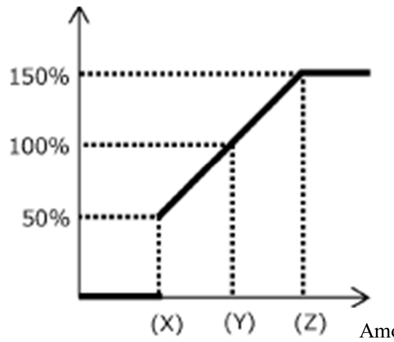
Payment amount = Standard amount by position(*1) × Payment amount(*2)

*1 Standard amount by position for Group-wide performance-based bonus

Representative Executive Officer Global CEO	Representative Executive Officer Global COO	Executive Officer Senior Vice President
83.23 million yen	64.32 million yen	22.46 million yen

*2 The payment rate is calculated with the following formula. If fractions arise in calculating the payment rate, the figure shall be rounded to the nearest second decimal place.

Payment rate of actual bonus



Amount of consolidated adjusted operating profit

(X) Threshold	340.0 billion yen
(Y) Target	425.0 billion yen (*)
(Z) Maximum	510.0 billion yen

(*)Set as the full-year forecast profit amount publicly-announced in February 2022

- 0% if adjusted operating profit amount (consolidated) is less than 340.0 billion yen
- 50% + {100% × (adjusted operating profit amount (consolidated) - 340.0 billion yen)/170.0 billion yen} if adjusted operating profit amount (consolidated) is 340.0 billion yen or more but less than 510.0 billion yen
- 150% if adjusted operating profit amount (consolidated) is 510.0 billion yen or more

b. The upper limits per individual for the amount of payment by position for Group-wide performance-based bonus are as follows.

Representative Executive Officer Global CEO	Representative Executive Officer Global COO	Executive Officer Senior Vice President
124.85 million yen	96.48 million yen	33.69 million yen

c. The performance measurement period is from January 1, 2022 until December 31, 2022.

d. The payment period is in March, following the end of the performance measurement period, with the amount calculated with the above formula paid as Group-wide performance-based bonus.

b) PSU (performance-based stock compensation)

a. The Company's PSU design

The specific design of the Company's PSU is as follows.

(a) The Company predetermines indicators, etc. necessary for specific calculation of the number of stock granted to each individual and the amount of cash paid to each individual such as the performance indicators (calculated according to consolidated ROIC and consolidated ROE) and the coefficients, etc. determined according to the performance indicators used in the PSU. Specific indicators, etc. are listed in b. below.

(b) The Company determines, following the end of the performance measurement period, the number of stock granted to each individual and amount of cash paid to each individual for each Eligible Executive Officer according to the rate of achievement of the performance indicators for such performance measurement period.

(c) The Company pays monetary compensation claims to provide in-kind contribution to each Eligible Executive Officer taking the number of stock granted to each individual Eligible Executive Officer determined in (b) above as the basis. The amount of such monetary compensation claims is determined by the Compensation Committee to the extent that is not particularly favorable to each Eligible Executive Officer subscribing to the Company's stock.

(d) Each Eligible Executive Officer shall acquire the Company's stock by making in-kind contribution to the Company of the aforementioned monetary compensation claims to provide in-kind contributions paid under (c) above when the Company issues new shares or disposes of treasury stock.

b. Calculation method for the number of stock granted to each individual and amount of cash paid to each individual according to the PSU

The number of stock granted to each individual and the amount of cash paid to each individual pertaining to each Eligible Executive Officer are calculated according to the following method.

(a) number of stock granted to each individual (Rounding up units less than 100 shares)

Standard number of shares by position(*1) × 50% × Payment rate(*2)

(b) amount of cash paid to each individual (Rounding up amounts less than 10,000 yen)

Minimum number of shares by position(*1) × 50% × Payment rate(*2) × Price of Company shares(*3)

*1 Standard number of shares by position

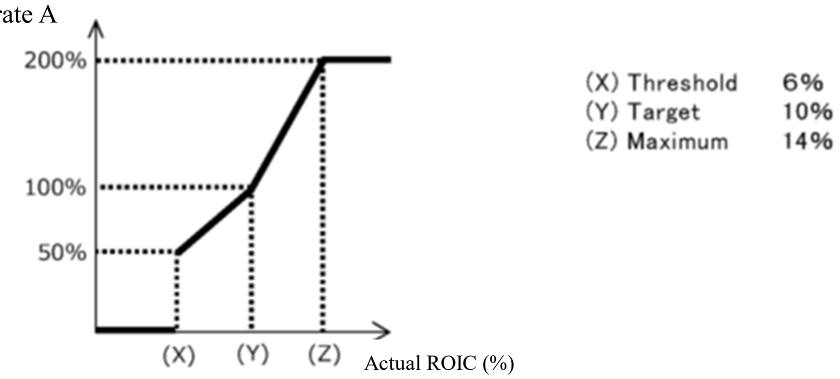
Representative Executive Officer Global CEO	Representative Executive Officer Global COO	Executive Officer Executive Vice President	Executive Officer Senior Vice President
12,400 shares	9,600 shares	6,700 shares	3,800 shares

*2 Calculation method for the payment rate

Payment rate A based on consolidated ROIC indicator × 0.8 + Payment rate B based on consolidated ROE indicator × 0.2

- If fractions arise in calculating the payment rate, the payment rate A, and the payment rate B, the respective figures shall be rounded to the nearest second decimal place.
- The payment rate A is calculated with the following formula. "Actual ROIC (%)" means the actual consolidated ROIC for the final fiscal year of the performance measurement period.

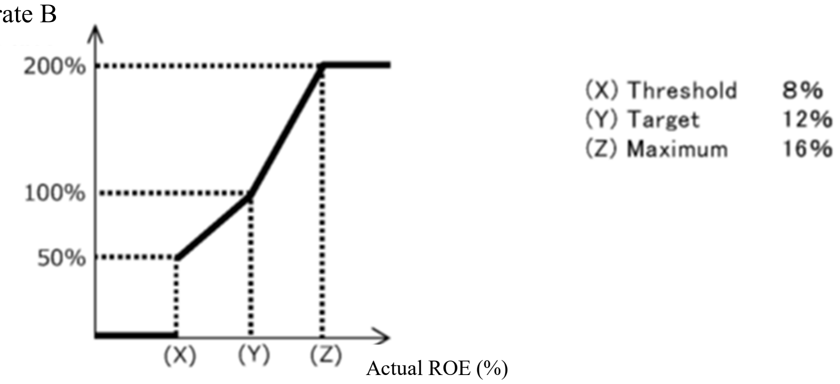
Payment rate A



・0% if actual ROIC (%) is less than 6%
・50% + {50% × (actual ROIC (%) - 6%) / 4%} if actual ROIC (%) is 6% or more but less than 10%
・100% + {100% × (actual ROIC (%) - 10%) / 4%} if actual ROIC (%) is 10% or more but less than 14%
・200% if actual ROIC (%) is 14% or more

- The payment rate B is calculated with the following formula. "Actual ROE (%)" means the actual consolidated ROE for the final fiscal year of the performance measurement period.

Payment rate B



・0% if actual ROE (%) is less than 8%
・50% + {50% × (actual ROE (%) - 8%) / 4%} if actual ROE (%) is 8% or more but less than 12%
・100% + {100% × (actual ROE (%) - 12%) / 4%} if actual ROE (%) is 12% or more but less than 16%
・200% if actual ROE (%) is 16% or more

*3 The Company's stock price

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

c. The maximum number of stock granted and maximum amount of cash paid to each individual in accordance with the PSU

- The maximum number of stock granted to each individual Eligible Executive Officer shall be in accordance with the position of the Eligible Executive Officer immediately following the Annual Shareholders' Meeting relating to the fiscal year prior to the performance measurement period, and described in the following table.

Representative Executive Officer Global CEO	Representative Executive Officer Global COO	Executive Officer Executive Vice President	Executive Officer Senior Vice President
12,400 shares	9,600 shares	6,700 shares	3,800 shares

- The maximum amount of cash paid to each individual Eligible Executive Officer shall be in accordance with the position of the Eligible Executive Officer immediately following the Annual Shareholders' Meeting relating to the fiscal year prior to the performance measurement period, and described in the following table.

Representative Executive Officer Global CEO	Representative Executive Officer Global COO	Executive Officer Executive Vice President	Executive Officer Senior Vice President
86.00 million yen	66.00 million yen	47.00 million yen	27.00 million yen

- The "defined number" and "defined amount" prescribed in Article 34, paragraph (1), item (iii) (a) 1. of the Corporation Tax Act are respectively the aforementioned "maximum number of stock" and "maximum amount."

d. Performance measurement period

From January 1, 2022 to December 31, 2024.

e. Payment period

The Company shall grant and pay to the Eligible Executive Officers, the Company's stock and cash equivalent to the number of stock granted to each individual and amount of cash paid to each individual calculated with the aforementioned formula in May 2025.

f. Conditions for granting the Company's stock and paying cash

The Company's stock shall be granted and cash paid if the Eligible Executive Officers meet the following three conditions.

(a) Hold a position of Eligible Executive Officer during the period from the day of the Annual Shareholders' Meeting convened on March 23, 2022 until the day of the Annual Shareholders' Meeting scheduled to be convened in March 2025 (hereinafter "Relevant Period")

(b) No engagement in any of the following illegal acts

・Criminal conduct related to professional duties

・Breach of trust against the Company

・Acts that incur serious disciplinary measures or require censure

(c) Other matters that the Company's Compensation Committee and its Board for Directors deems as necessary to be achieved for the stock compensation plan

g. Grant method

Granted through the new issuance of the Company's stock or disposal of treasury stock. In addition, if the total number of shares issued by the Company changes before the Company's stock is granted due to a consolidation of stock or stock split (including a free distribution of the Company's common stock; the same definition applies to stock splits described below), the number of shares granted to each individual after adjustment shall be calculated by multiplying the number of stock granted to each individual before adjustment by the ratio of such consolidation of stock or stock split.

h. Treatment if an Eligible Executive Officer changes roles during the Relevant Period

(a) If a person becomes an Eligible Executive Officer or is promoted or demoted during the Relevant Period, the standard number of shares by position for such person shall be the number calculated with the following formula irrespective of the table described in b. above.

$$\boxed{\text{Standard number of shares by position under (a)}} = \boxed{\text{Standard number of shares by position prior to the change of roles}^{(*1)}}$$
$$+ \left(\boxed{\text{Standard number of shares by position after the change of roles}} - \boxed{\text{Standard number of shares by position prior to the change of roles}} \right) \times \boxed{\text{Number of months remaining in Relevant Period}^{(*2)}} / 36$$

(b) If an Eligible Executive Officer resigns or assumes a position that is not an Eligible Executive Officer of the Company during the Relevant Period, the standard number of shares by position for such person shall be the number calculated with the following formula irrespective of the table described in b. above. The period for granting the Company's stock and paying cash, etc. are the same as for other incumbent Members of the Board and Executive Officers, as outlined in e. above.

$$\boxed{\text{Standard number of shares by position under (b)}} = \boxed{\text{Standard number of shares by position during tenure}^{(*3)}} \times \boxed{\text{Number of months in Relevant Period}^{(*2)}} / 36$$

*1 In the event of assuming office, calculated with the "Standard number of shares for the position prior to the change of roles" set at 0.

*2 In the event of terms less than one month, calculated as one month.

*3 In the event of being promoted or demoted during the term of office, calculated in accordance with treatment for (a).

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

If, during the Relevant Period, a resolution concerning a merger with the Company being the non-surviving company, a company split with compensation for the split granted to the Company's shareholders, a share exchange or share transfer whereby the Company becomes a wholly-owned subsidiary, the consolidation of stock for only the fractions held by Eligible Executive Officers, the acquisition of shares or sale of shares pursuant to whole acquisition clause is approved at the Shareholders' Meeting (or at the Board of Directors, if not convened) and becomes effective or if the abolition of the PSU is approved by the Company's Compensation Committee and becomes effective, the Company shall pay cash in the amount obtained by multiplying the number of months from the first month of the Relevant Period to the month in which such approval was made divided by 36 by the standard number of shares by position(*1) for each Eligible Executive Officer on the day of such approval, the payment rate(*2) calculated at the time of such approval, and the daily average closing price of the Company's stock on the Tokyo Stock Exchange for the month preceding the day of such approval.

*1 If Eligible Executive Officers correspond to h. above, the outcome based on the formula in h. shall be the standard number of shares by position for such Eligible Executive Officers.

*2 The payment rate is calculated according to b.*2 above based on the consolidated ROIC and consolidated ROE for the most recent fiscal year listed in the Annual Securities Report filed by the date of such approval.

(5) Stock holdings

1) Standards and approach for classification of investment stocks

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

2) Investment stocks held for purposes other than pure investment

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

i) Shareholding policy for strategic shareholdings

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

ii) Verifying appropriateness of strategic shareholdings

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

b. Number of securities and balance sheet amounts

	Number of securities	Balance sheet amounts (Yen in millions)
Unlisted shares	43	672
Shares other than unlisted shares	34	88,775

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

	Number of securities	Total acquisition cost for the increase in the number of shares (Yen in millions)	Reason for increasing number of shares
Unlisted shares	1	15	To co-create further social and customer value and improve corporate value
Shares other than unlisted shares	1	–	Increase by means of share split

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

	Number of securities	Total sale value related to the decrease in the number of shares (Yen in millions)
Unlisted shares	4	11
Shares other than unlisted shares	2	151

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

Specific Investments Stocks

Name	Fiscal year under review	Previous fiscal year	Purpose of holding, quantitative effect of holding (Note 1) and reasons for the increase in the number of shares	Ownership of the Company's shares
	Number of shares	Number of shares		
	Balance sheet amount (Yen in millions)	Balance sheet amount (Yen in millions)		
JSR Corporation	6,525,160	6,525,160	Maintain/strengthen business and collaborative relationships	No
	28,548	18,753		
Toyota Motor Corporation (Note 2)	9,799,450	1,959,890	Maintain/strengthen business and collaborative relationships Increase by means of share split	Yes
	20,633	15,595		
Nokian Tyres PLC	4,167,653	4,167,653	Business strategy	No
	18,162	15,248		
Toyo Tire Corporation	5,000,000	5,000,000	Maintain/strengthen business and collaborative relationships	Yes
	8,970	7,840		
Sumitomo Mitsui Financial Group, Inc.	562,224	562,224	Business strategy	Yes
	2,217	1,792		
Mitsubishi UFJ Financial Group, Inc.	2,780,580	2,780,580	Business strategy	Yes
	1,738	1,268		
FUJI KYUKO CO., LTD.	244,510	244,510	Maintain/strengthen business and collaborative relationships	No
	998	1,177		
Yellow Hat Ltd.	527,076	527,076	Maintain/strengthen business and collaborative relationships	Yes
	871	884		
Otsuka Holdings Co., Ltd.	200,000	200,000	Maintain/strengthen business and collaborative relationships	No
	834	884		
Fukuyama Transporting Co., Ltd.	200,162	200,162	Maintain/strengthen business and collaborative relationships	No
	786	870		
Nishi-Nippon Railroad Co., Ltd.	212,237	212,237	Maintain/strengthen business and collaborative relationships	No
	554	646		
Idemitsu Kosan Co., Ltd.	171,200	171,200	Maintain/strengthen business and collaborative relationships	No
	503	389		
Seino Holdings Co., Ltd.	391,229	391,229	Maintain/strengthen business and collaborative relationships	No
	456	569		
AUTOBACS SEVEN Co., Ltd.	313,632	313,632	Maintain/strengthen business and collaborative relationships	No
	440	448		

Name	Fiscal year under review	Previous fiscal year	Purpose of holding, quantitative effect of holding (Note 1) and reasons for the increase in the number of shares	Ownership of the Company's shares
	Number of shares	Number of shares		
	Balance sheet amount (Yen in millions)	Balance sheet amount (Yen in millions)		
Kintetsu Group Holdings Co., Ltd.	124,281	124,281	Maintain/strengthen business and collaborative relationships	No
	400	562		
ISEKI & CO., LTD.	270,970	270,970	Maintain/strengthen business and collaborative relationships	Yes
	374	375		
SENKO Group Holdings Co., Ltd.	366,888	366,888	Maintain/strengthen business and collaborative relationships	No
	340	369		
Niigata kotsu Co., Ltd.	163,870	163,870	Maintain/strengthen business and collaborative relationships	No
	337	334		
Mizuho Financial Group, Inc.	212,072	212,072	Business strategy	Yes
	310	277		
Sankyu Inc.	51,514	51,514	Maintain/strengthen business and collaborative relationships	No
	246	201		
SAN-AI OIL Co., Ltd.	153,550	153,550	Maintain/strengthen business and collaborative relationships	No
	205	172		
Hankyu Hanshin Holdings, Inc.	57,983	57,983	Maintain/strengthen business and collaborative relationships	No
	189	199		
Inoue Rubber (Thailand) Public Co., Ltd.	2,781,600	5,246,500	Maintain/strengthen business and collaborative relationships	No
	171	256		
ITOCHU ENEX CO., LTD.	101,386	101,386	Maintain/strengthen business and collaborative relationships	No
	101	103		
Hiroshima Electric Railway Co., Ltd.	120,000	120,000	Maintain/strengthen business and collaborative relationships	No
	96	118		
Central Japan Railway Company	5,000	5,000	Maintain/strengthen business and collaborative relationships	No
	77	73		
Mie Kotsu Group Holdings, Inc.	121,536	121,536	Maintain/strengthen business and collaborative relationships	No
	59	60		
Nissin Shoji Co., Ltd.	50,000	50,000	Maintain/strengthen business and collaborative relationships	No
	46	46		
Daiwa Motor Transportation Co., Ltd.	42,000	42,000	Maintain/strengthen business and collaborative relationships	No
	32	38		

Name	Fiscal year under review	Previous fiscal year	Purpose of holding, quantitative effect of holding (Note 1) and reasons for the increase in the number of shares	Ownership of the Company's shares
	Number of shares	Number of shares		
	Balance sheet amount (Yen in millions)	Balance sheet amount (Yen in millions)		
S LINE CO., LTD.	29,700	29,700	Maintain/strengthen business and collaborative relationships	No
	27	27		
AIR WATER INC.	10,000	10,000	Maintain/strengthen business and collaborative relationships	No
	18	18		
SAKAI HEAVY INDUSTRIES, LTD.	5,808	5,808	Maintain/strengthen business and collaborative relationships	No
	16	14		
KAMEI CORPORATION	12,100	12,100	Maintain/strengthen business and collaborative relationships	No
	13	14		
ORIX CORPORATION	5,000	5,000	Maintain/strengthen business and collaborative relationships	No
	12	8		
CAPITA Inc. (Notes 3 and 4)	–	2,000	–	No
	–	5		

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

2 *On October 1, 2021, Toyota Motor Corporation carried out a stock split on ordinary shares at a five for one ratio.

3 DAIYA TSUSHO CO., LTD. changed its name to CAPITA Inc. effective September 1, 2021.

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

Deemed Shareholdings

Not applicable.

3) Investment stocks for pure investment purposes

Not applicable.

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

Not applicable.

V. Financial Information

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

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

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

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

2. Audit certification

   The consolidated financial statements and the non-consolidated financial statements for the fiscal year from January 1, 2021 to December 31, 2021 were audited by Deloitte Touche Tohmatsu LLC in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

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

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

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

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

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
		Yen in millions	Yen in millions
Assets			
Current assets			
Cash and cash equivalents	8,20	810,546	787,542
Trade and other receivables	9,35	667,761	741,612
Inventories	10	491,240	630,140
Other financial assets	11,35	7,277	11,769
Other current assets	12	76,279	87,029
Subtotal		2,053,104	2,258,092
Assets held for sale	13	1,425	34,778
Total current assets		2,054,529	2,292,870
Non-current assets			
Property, plant and equipment	14,16, 20	1,392,141	1,427,903
Right-of-use assets	17	290,122	294,065
Goodwill	15,16	97,646	125,393
Intangible assets	15,16	117,481	134,719
Investments accounted for using equity method	16	24,543	25,131
Other financial assets	11,35	113,222	140,376
Deferred tax assets	18	49,409	76,790
Other non-current assets	12,23	50,234	57,644
Total non-current assets		2,134,798	2,282,022
Total assets		4,189,327	4,574,892

	Notes	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
		Yen in millions	Yen in millions
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	19,35	420,140	517,010
Bonds and borrowings	20,35	293,978	149,976
Lease liabilities	20,35	53,966	54,853
Income taxes payable		34,978	40,320
Other financial liabilities	20,35	29,342	26,656
Provisions	21	64,806	48,691
Other current liabilities	22	144,526	151,417
Subtotal		1,041,736	988,923
Liabilities directly associated with assets held for sale	13	12	34,478
Total current liabilities		1,041,748	1,023,401
Non-current liabilities			
Bonds and borrowings	20,35	412,060	356,672
Lease liabilities	20,35	246,187	249,638
Other financial liabilities	20,35	13,937	15,339
Retirement benefit liabilities	23	191,679	171,981
Provisions	21	23,730	25,540
Deferred tax liabilities	18	28,491	43,810
Other non-current liabilities		36,205	13,157
Total non-current liabilities		952,288	876,137
Total liabilities		1,994,036	1,899,538
Equity			
Common stock	24	126,354	126,354
Capital surplus	24	122,116	122,126
Treasury stock	24	(38,657)	(38,123)
Other components of equity	24	(59,851)	111,859
Retained earnings	24	1,999,996	2,307,667
Total equity attributable to owners of parent		2,149,958	2,629,883
Non-controlling interests		45,333	45,471
Total equity		2,195,291	2,675,354
Total liabilities and equity		4,189,327	4,574,892

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

Consolidated Statement of Profit or Loss

	Notes	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
		Yen in millions	Yen in millions
Continuing operations			
Revenue	6,26	2,695,224	3,246,057
Cost of sales	10,14, 15,17, 23	1,681,514	1,929,612
Gross profit		1,013,710	1,316,444
Selling, general and administrative expenses	14,15, 17,23, 27,34	847,405	928,620
Other income	28	31,661	14,565
Other expenses	16,23, 28	135,478	25,590
Operating profit		62,488	376,799
Finance income	29	8,267	10,807
Finance costs	23,29	23,718	16,219
Impairment losses related to shares using equity method	16	18,196	–
Share of profit (loss) of investments accounted for using equity method		(1,429)	6,207
Profit before tax		27,412	377,594
Income tax expense	18	43,631	63,234
Profit (loss) from continuing operations		(16,219)	314,360
Discontinued operations			
Profit (loss) from discontinued operations	14,15, 16,17, 23,31	(3,511)	86,168
Profit (loss)		(19,731)	400,528
Profit (loss) attributable to			
Owners of parent		(23,301)	394,037
Non-controlling interests		3,571	6,491
Profit (loss)		(19,731)	400,528
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)			
Continuing operations	32	(28.11)	437.19
Discontinued operations	32	(4.99)	122.37
Total	32	(33.09)	559.56
Diluted earnings (loss) per share (Yen)			
Continuing operations	32	(28.11)	436.53
Discontinued operations	32	(4.99)	122.18
Total	32	(33.09)	558.71

Consolidated Statement of Comprehensive Income

	Notes	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
		Yen in millions	Yen in millions
Profit (loss)		(19,731)	400,528
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net change in fair value of financial assets measured through other comprehensive income	30,35	1,708	14,446
Remeasurements of defined benefit plans	23,30	5,478	16,316
Share of other comprehensive income of investments accounted for using equity method	30	(140)	(18)
Total of items that will not be reclassified to profit or loss		7,046	30,743
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	30	(94,748)	163,596
Effective portion of change in fair value of cash flow hedges	30	79	264
Share of other comprehensive income of investments accounted for using equity method	30	(1,747)	(3,576)
Total of items that may be reclassified to profit or loss		(96,415)	160,285
Other comprehensive (loss) income, net of tax		(89,369)	191,028
Comprehensive (loss) income		(109,099)	591,557
Comprehensive income attributable to			
Owners of parent		(108,005)	581,731
Non-controlling interests		(1,095)	9,826
Comprehensive (loss) income		(109,099)	591,557

3) Consolidated Statement of Changes in Equity

Previous Year (Year ended December 31, 2020)

	Note	Equity attributable to owners of parent						
					Other components of equity			
		Common stock	Capital surplus	Treasury stock	Stock acquisition rights	Exchange differences on translation of foreign operations	Effective portion of change in fair value of cash flow hedges	Net change in fair value of financial assets measured through other comprehen-sive income
		Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2020		126,354	121,998	(232,330)	3,275	(18,968)	(325)	58,678
Profit (loss)		–	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	(93,289)	315	1,706
Total comprehensive income		–	–	–	–	(93,289)	315	1,706
Purchase of treasury stock	24	–	–	(3)	–	–	–	–
Disposal of treasury stock	24	–	–	193,677	(150)	–	–	–
Dividends	25	–	–	–	–	–	–	–
Changes in ownership interests of owners in subsidiaries under control		–	118	–	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	–	–	–	(11,094)
Other changes		–	–	–	–	–	–	–
Total transactions with owners, etc.		–	118	193,674	(150)	–	–	(11,094)
Balance at December 31, 2020		126,354	122,116	(38,657)	3,125	(112,257)	(9)	49,290

	Note	Equity attributable to owners of parent				Non-controlling interests	Total
		Other components of equity					
		Remeasure-ments of defined benefit plans	Total	Retained earnings	Total		
		Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2020		–	42,661	2,290,696	2,349,378	53,099	2,402,477
Profit (loss)		–	–	(23,301)	(23,301)	3,571	(19,731)
Other comprehensive income		6,564	(84,703)	–	(84,703)	(4,665)	(89,369)
Total comprehensive income		6,564	(84,703)	(23,301)	(108,005)	(1,095)	(109,099)
Purchase of treasury stock	24	–	–	–	(3)	–	(3)
Disposal of treasury stock	24	–	(150)	(193,526)	0	–	0
Dividends	25	–	–	(91,531)	(91,531)	(7,507)	(99,037)
Changes in ownership interests of owners in subsidiaries under control		–	–	–	118	871	990
Transfer from other components of equity to retained earnings		(6,564)	(17,659)	17,659	–	–	–
Other changes		–	–	–	–	(36)	(36)
Total transactions with owners, etc.		(6,564)	(17,809)	(267,398)	(91,415)	(6,672)	(98,087)
Balance at December 31, 2020		–	(59,851)	1,999,996	2,149,958	45,333	2,195,291

Current Year (Year ended December 31, 2021)

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

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

4) Consolidated Statement of Cash Flows

	Note	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
		Yen in millions	Yen in millions
Cash flows from operating activities			
Profit before tax		27,412	377,594
Profit before tax from discontinued operations	31	1,854	140,506
Depreciation and amortization		267,454	250,448
Impairment losses		89,622	5,495
Loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell	31	–	142,712
Increase (decrease) in accounts payable - bonuses		3,328	9,086
Increase (decrease) in retirement benefit liabilities		(13,196)	(7,111)
Interest and dividend income		(7,598)	(10,888)
Interest expenses		13,426	11,625
Foreign currency exchange loss (gain)		4,905	(8,813)
Share of profit (loss) of investments accounted for using equity method		1,429	(6,207)
Loss (gain) on sale of fixed assets		(24,192)	(3,480)
Business and plant restructuring income		(162)	(2,562)
Business and plant restructuring expenses		42,821	25,269
Loss on retirement of fixed assets		6,905	4,090
Gains on sale of discontinued operations	31	–	(303,521)
Decrease (increase) in trade and other receivables		56,908	(69,927)
Decrease (increase) in inventories		128,837	(140,209)
Increase (decrease) in trade and other payables		(7,524)	91,617
Increase (decrease) in consumption tax payables		14,340	(12,136)
Increase (decrease) in provision related to business and plant restructuring expenses		28,877	(21,340)
Other		(30,653)	(42,073)
Subtotal		604,791	430,173
Interest and dividends received		7,835	12,418
Interest paid		(13,960)	(13,372)
Income taxes paid		(71,719)	(147,680)
Net cash provided by (used in) operating activities		526,947	281,538
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(200,677)	(161,040)
Proceeds from sale of property, plant and equipment		38,857	9,999
Payments for purchase of intangible assets		(17,436)	(23,951)
Purchase of investment securities		(1,030)	(4,356)
Payments of long-term loans receivable		(4,450)	(12,262)
Collection of loans receivable		3,489	14,102
Proceeds from sale of discontinued operations		–	363,754
Other		25,870	(54,545)
Net cash provided by (used in) investing activities		(155,378)	131,701

	Note	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
		Yen in millions	Yen in millions
Cash flows from financing activities			
Proceeds from short-term borrowings	33	309,432	94,667
Repayments of short-term borrowings	33	(248,436)	(220,281)
Proceeds from long-term borrowings	33	116,615	26,534
Repayments of long-term borrowings	33	(3,353)	(109,073)
Repayments of lease liabilities	33	(57,132)	(59,689)
Dividends paid to owners of parent		(91,524)	(102,118)
Dividends paid to non-controlling interests		(7,501)	(9,218)
Other		(24)	(143)
Net cash provided by (used in) financing activities		18,077	(379,321)
Effect of exchange rate changes on cash and cash equivalents		(12,025)	48,353
Net increase (decrease) in cash and cash equivalents		377,621	82,271
Cash and cash equivalents at beginning of period		432,924	810,546
Cash and cash equivalents included in assets held for sale	13	–	(105,275)
Cash and cash equivalents at end of period	8	810,546	787,542

Notes to Consolidated Financial Statements

1. Reporting Entity

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

   The detail of the Group's business is stated in Note "6. Operating Segments".

2. Basis of Preparation

   (1) Statement of compliance with IFRS

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

   The consolidated financial statements were approved on March 23, 2022 by Shuichi Ishibashi, Member of the Board, Global CEO and Representative Executive Officer of the Company, and Masuo Yoshimatsu, Senior Vice President and Executive Officer, Global CFO of the Company.

   (2) Basis of measurement

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

   (3) Functional currency and presentation currency

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

   (4) Changes in presentations

   (Discontinued operations)

   Profit or loss from businesses that have been classified as discontinued operations are presented as a separate line item at the amount net of income tax expenses under profit from continuing operations in the consolidated statement of profit or loss. For businesses that have been classified as discontinued operations, consolidated statement of profit or loss, consolidated statement of cash flows, and related notes to the consolidated financial statements for the fiscal year ended December 31, 2020, are partially reclassified. In addition, cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities in consolidated statement of cash flows are stated at the total amount of cash flows generated from both continued and discontinued operations.

   (Consolidated statement of cash flows)

   "Impairment losses related to shares using equity method" separately stated under "Cash flows from operating activities" for the fiscal year ended December 31, 2020, is included under "Other" from the fiscal year ended December 31, 2021, as its amount has become immaterial. "Increase (decrease) in accounts payable – bonuses," "Business and plant restructuring income," and "Increase (decrease) in provision related to business and plant restructuring expenses" that were included in "Other" under "Cash flows from operating activities" for the fiscal year ended December 31, 2020, are separately stated from the fiscal year ended December 31, 2021, as their amounts have become material. The consolidated financial statements of the previous fiscal year have been reclassified to reflect these changes in presentation.

As a result, 18,196 million yen stated in “Impairment losses related to shares using equity method” and (16,806) million yen stated in “Other” under “Cash flows from operating activities” for the fiscal year ended December 31, 2020, were reclassified as “Increase (decrease) in accounts payable – bonuses” in the amount of 3,328 million yen, “Business and plant restructuring income” in the amount of (162) million yen, “Increase (decrease) in provision related to business and plant restructuring expenses” in the amount of 28,877 million yen, and “Other” in the amount of (30,653) million yen.

“Proceeds from sales of investments in securities” and “Purchase of investments in subsidiaries resulting in change in scope of consolidation” that were separately stated under “Cash flows from investing activities” for the fiscal year ended December 31, 2020, are included in “Other” from the fiscal year ended December 31, 2021, as their amounts have become immaterial. In addition, “Purchase of investment securities” included in “Other” under “Cash flows from investing activities” for the fiscal year ended December 31, 2020, is separately stated from the fiscal year ended December 31, 2021, as its amount has become material. The consolidated financial statements of the previous fiscal year have been reclassified to reflect these changes in presentation.

As a result, 19,755 million yen stated in “Proceeds from sales of investments in securities,” (1,873) million yen stated in “Purchase of investments in subsidiaries resulting in change in scope of consolidation,” and 6,957 million yen stated in “Other” under “Cash flows from investing activities” for the fiscal year ended December 31, 2020, were reclassified as “Purchase of investment securities” in the amount of (1,030) million yen and “Other” in the amount of 25,870 million yen.

“Purchase of treasury stock” separately stated under “Cash flows from financing activities” for the fiscal year ended December 31, 2020, is included under “Other” from the fiscal year ended December 31, 2021, as its amount has become immaterial. The consolidated financial statements of the previous fiscal year have been reclassified to reflect these changes in presentation.

As a result, (3) million yen stated in “Purchase of treasury stock” and (21) million yen stated in “Other” under “Cash flows from financing activities” for the fiscal year ended December 31, 2020, were reclassified as “Other” in the amount of (24) million yen.

3. Significant Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

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

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

2) Associates

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

3) Joint ventures

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

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

(2) Business combinations

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

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

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

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

(3) Foreign currency translation

1) Foreign currency transactions

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

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

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

2) Financial statements of foreign operations

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

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

(4) Financial instruments

1) Financial assets other than derivatives

(i) Initial recognition and measurement

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

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

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

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

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

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

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

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

(iii) Derecognition

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

2) Impairment of financial assets measured at amortized cost

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

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

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

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

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

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

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

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

3) Financial liabilities other than derivatives

(i) Initial recognition and measurement

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

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

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

(ii) Subsequent measurement

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

(a) Financial liabilities measured at amortized cost

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

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

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

(iii) Derecognition

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

4) Derivatives and hedge accounting

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

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

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

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

(i) Fair value hedges

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

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

(ii) Cash flow hedges

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

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

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

(iii) Derivatives not designated as hedging instruments

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

5) Offsetting financial instruments

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

(5) Fair value measurement

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

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

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

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

(6) Cash and cash equivalents

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

(7) Inventories

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

(8) Property, plant and equipment

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

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

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

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

(9) Goodwill and intangible assets

1) Goodwill

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

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

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

2) Intangible assets

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

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

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

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

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

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

(10) Leases

1) Lessee

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

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

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

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

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

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect changes to the lease payments or a lease modification, or to reflect revised in-substance fixed lease payments.

2) Lessor

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

(11) Impairment of non-financial assets

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

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

(12) Assets held for sale and discontinued operations

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

(13) Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

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

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

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

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

(14) Share-based payment

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

For the PSU plan, the Group recognizes awards as an expense over the vesting period, recording the same amount as an increase in a liability. As of the reporting date and the settlement date, the Group remeasures the fair value of the liability and recognizes any changes in fair value in profit or loss.

(15) Provisions

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

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

Provisions that the Group recognizes are mainly as follows:

1) Provision for compensation for industrial accidents

The Group estimates and records an amount based on the past and current experience to prepare for the payment of the medical expenses, the absence from work compensation, etc. incurred as a result of industrial accidents.

2) Provision for loss on litigation

To prepare for the expenditures of litigation-related expenses, the Group estimates and records an amount of compensation for damages, settlement package, etc. that is currently expected to be incurred in the future.

3) Provision for business and plant restructuring expenses

Due to the commencement of discussions for the closure of overseas tire plants, the Group estimates and records an amount that is currently expected to be incurred in the future to prepare for the related expenditures.

The Company recorded an estimate of the amount expected to be incurred in the future at this point in time associated with the Company's wholly owned subsidiary succeeding to the anti-vibration rubber business and the chemical products solutions business through a company split (simplified absorption-type company split) and the transfer of the shares of the said wholly owned subsidiary, and the presentation of this amount is mainly included in "liabilities directly associated with assets held for sale" of the consolidated statement of financial position.

(16) Revenue

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

Step 1: Identify contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

Step 5: Recognize revenue when (or as) the performance obligation is satisfied.

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

(17) Government grants

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

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

(18) Borrowing costs

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

(19) Income taxes

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

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

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

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

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

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

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

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

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

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

(20) Treasury stock

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

(21) Dividends

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

(22) Earnings per share

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

(23) Adjusted operating profit

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

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

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

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

4. Significant Accounting Estimates and Judgements Involving Estimates

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

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

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

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

The assumptions and estimates that have a significant risk of causing a material adjustment in the future are mainly as follows:

The impact of COVID-19 is considered when estimating and making judgments concerning impairment of non-financial assets (property, plant and equipment, right-of-use assets, intangible assets, goodwill, investments accounted for using equity method) and recoverability of deferred tax assets. Given the progress of the recovery in demand and changes in the environment of each region, the Group separately estimates the impact of COVID-19, assuming that it will have a direct impact on the Group's performance until the period ending December 31, 2022, at the longest. Please refer to the consolidated financial statements for the balances of property, plant and equipment, right-of-use assets, intangible assets, goodwill, investments accounted for using equity method, and deferred tax assets at the end of the fiscal year ended December 31,

2021. As for impairment of non-financial assets and the recoverability of deferred tax assets, please refer to Note “16. Impairment of Non-financial Assets” and Note “18. Income Taxes,” respectively.

5. New Standards and Interpretations Not Yet Adopted

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

6. Operating Segments

(1) Description of reportable segments

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

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

Effective from the first quarter of the fiscal year ended December 31, 2021, the Group has changed its organizational structure in order to better assess each segment based on ROIC, which serves as a new KPI for its portfolio management. The Group has accordingly changed its segment classifications for its specialty tire business and aircraft tire business, as well as part of its chemical and industrial products business, sporting goods business and bicycles business. The specialty tire business, aircraft tire business, and part of the chemical and industrial products business have been integrated into the “Japan” segment, after having previously been classified according to the location of each subsidiary, associate, etc. into the respective “Japan,” “Americas,” “Europe, Russia, Middle East, India and Africa,” and “China, Asia-Pacific” segments. The sporting goods business and bicycles business have been shifted to the “Japan” segment from the “Other” segment. For the same reasons, we have changed our approach to calculating segment profit or loss, excluding export earnings from inter-SBU transactions in standard tires, and have also changed our approach to allocating head office administrative expenses.

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, 2020, and the fiscal year ended December 31, 2021. Details on discontinued operations are presented in Note “31. Discontinued Operations”.

(2) Revenues and performances of reportable segment

Revenue and business results of the continuing operations by reportable segment of the Group are detailed in the table below. The Board of Directors assesses the segment performance and determines resource allocation after reviewing revenues and adjusted operating profit. Internal sales or transfers between segments are determined primarily at selling prices based on arm’s length transaction prices or total cost. Also, figures for the previous fiscal year have been reclassified in accordance with the new segment structure described in (1).

Previous Year (Year ended December 31, 2020)

(Yen in millions)

	Reportable segments					Other	Corporate or elimination	Consoli-dated total
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total			
Revenue								
External revenue	695,931	1,157,990	546,644	282,608	2,683,173	12,020	32	2,695,224
Inter-segment revenue	80,410	5,869	3,731	41,002	131,012	39,439	(170,451)	–
Total revenue	776,341	1,163,859	550,375	323,609	2,814,184	51,459	(170,419)	2,695,224
Segment profit (loss)								
Adjusted operating profit (loss)	91,024	109,558	(20,862)	24,935	204,654	469	2,320	207,443
Other items								
Depreciation and amortization	69,510	82,010	45,271	35,397	232,187	7,258	13,343	252,788
Impairment losses	28,098	300	19,886	28,869	77,153	(85)	–	77,068
Impairment losses related to shares using equity method	–	17,501	694	–	18,196	–	–	18,196

Current Year (Year ended December 31, 2021)

(Yen in millions)

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

Reconciliation from adjusted operating profit to profit before tax

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Adjusted operating profit (Note 1)	207,443	394,340
Adjustment items (income) (Note 2)	467	3,567
Adjustment items (expenses) (Note 4)	145,423	21,107
Operating profit	62,488	376,799
Finance income	8,267	10,807
Finance costs	23,718	16,219
Impairment losses related to shares using equity method	18,196	–
Share of profit (loss) of investments accounted for using equity method	(1,429)	6,207
Profit before tax	27,412	377,594

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

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

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Insurance claim income	305	1,005
Business and plant restructuring income	162	(Note 3) 2,562
Adjustment items (income)	467	3,567

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

(Note 4) The major breakdown of adjustment items (expenses) is as follows:

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Impairment losses (Note 5)	77,068	3,734
Cost of sales (loss on disaster)	(Note 6) 10,636	637
Other expenses (loss on disaster)	(Note 7) 3,488	419
Business and plant restructuring expenses	(Note 8) 42,821	(Note 9) 13,757
Other expense with large amounts related to one time event (Note 10)	11,410	2,560
Adjustment items (expenses)	145,423	21,107

(Note 5) The major breakdown of impairment losses is presented in Note "16. Impairment of Non-financial Assets".

(Note 6) 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 7) This was primarily the recording of fixed costs, incurred over the period of the suspended operations of retail stores, etc., and expenses, etc., which were the direct result of the preparation for and cancellation of events that were canceled due to official requests and declarations by the national and local governments to prevent the spread of COVID-19.

(Note 8) This was primarily the recording of expenses, such as provisions relating to the commencement of discussions for the closure of overseas tire plants and expenses for the transfer of the unit bath business.

(Note 9) This was primarily the recording of expenses related to the closure of overseas tire plants, expenses due to the withdrawal from the conveyor belt business and expenses related to the sale of an overseas raw materials plant.

(Note 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.

(3) Information about geographical areas

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

Revenue from external customers

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Japan	507,400	537,879
Americas	1,218,459	1,518,554
[of which, the U.S.]	[985,776]	[1,223,980]
Europe, Russia, Middle East, India and Africa	588,990	743,607
China, Asia-Pacific	380,375	446,016
Total	2,695,224	3,246,057

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

Non-current assets

(Yen in millions)

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Japan	526,026	522,891
Americas	749,935	829,166
Europe, Russia, Middle East, India and Africa	394,585	405,778
China, Asia-Pacific	255,687	253,636
Total	1,926,232	2,011,470

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

(4) Information about major customers

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

7. Business Combinations

Previous Year (Year ended December 31, 2020)

Not applicable

Current Year (Year ended December 31, 2021)

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

8. Cash and Cash Equivalents

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

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Cash and deposits (maturing within three months)	810,546	787,542
Total	810,546	787,542

9. Trade and Other Receivables

The breakdown of “Trade and other receivables” is as follows:

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Notes and accounts receivable	668,980	721,796
Accounts receivable – other	30,038	50,638
Other	5,999	6,920
Allowance for doubtful accounts	(37,256)	(37,742)
Total	667,761	741,612

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

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

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

10. Inventories

The breakdown of “Inventories” is as follows:

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Finished products	317,326	401,545
Work in process	32,625	35,604
Raw materials and supplies	138,319	189,802
Other	2,971	3,189
Total	491,240	630,140

The amounts of inventories recognized as expenses during the fiscal years ended December 31, 2020 and 2021 are 1,508,515 million yen and 1,894,207 million yen, respectively.

11. Other Financial Assets

(1) Breakdown of other financial assets

The breakdown of “Other financial assets” is as follows:

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Equity instruments	82,274	107,814
Other	38,226	44,332
Total	120,500	152,146
Current assets	7,277	11,769
Non-current assets	113,222	140,376
Total	120,500	152,146

Equity instruments are categorized as financial assets measured at fair value through other comprehensive income.

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

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

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Issuers	Yen in millions	Yen in millions
JSR Corporation	18,753	28,548
Toyota Motor Corporation	15,595	20,633
Nokian Tyres PLC	15,248	18,162
Toyo Tire Corporation	7,840	8,970
Sumitomo Mitsui Financial Group, Inc.	1,792	2,217
Mitsubishi UFJ Financial Group, Inc.	1,268	1,738
Fuji Kyuko Co., Ltd.	1,177	998
Yellow Hat Ltd.	884	871

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

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

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

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

(Yen in millions)

Previous Year (Year ended December 31, 2020)		Current Year (Year ended December 31, 2021)	
Fair value	Cumulative gains (losses)	Fair value	Cumulative gains (losses)
20,509	17,290	78	71

When financial assets measured at fair value through other comprehensive income are derecognized or the fair value declines significantly, cumulative gains (losses) recognized in other comprehensive income are reclassified to retained earnings. The amounts of cumulative gains (losses), net of tax, which were recognized in other comprehensive income and subsequently reclassified into retained earnings, are 11,094 million yen and 281 million yen for the fiscal years ended December 31, 2020 and 2021, respectively.

12. Other Assets

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

(1) Other current assets

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Prepaid expenses	23,437	32,590
Consumption tax receivables	18,580	27,878
Other	34,262	26,561
Total	76,279	87,029

(2) Other non-current assets

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Retirement benefit assets (Note 1)	21,392	28,254
Other (Note 2)	28,842	29,389
Total	50,234	57,644

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

(Note 2) "Other" mainly consists of spare parts.

13. Assets Held for Sale

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

(1) Assets held for sale

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Cash and cash equivalents	–	105,275
Trade and other receivables	–	24,955
Inventories	–	16,511
Property, plant and equipment	1,323	24,594
Other	102	6,154
Loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell	–	(142,712)
Total	1,425	34,778

(2) Liabilities directly associated with assets held for sale

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Trade and other payables	–	18,314
Other	12	16,164
Total	12	34,478

Assets held for sale and liabilities directly associated with assets held for sale for the previous fiscal year represent certain items of property, plant and equipment and other liabilities mainly in the Americas segment. They were classified into the held-for-sale category as the Group has decided to sell, and their sale has been completed within one year from December 31, 2020.

Assets held for sale and directly associated liabilities for the current fiscal year, mainly in the anti-vibration rubber business and the chemical products solutions business, have been classified as assets held for sale as the Group decided to sell those operations, and their sale is expected to be completed within one year from December 31, 2021. Details are provided in Note “31. Discontinued Operations”.

The disposal groups classified as assets held for sale are measured at fair value less cost to sell as the fair value less cost to sell is less than the carrying amount. As a result, a recognized loss of 142,712 million yen was recorded in “profit (loss) from discontinued operations” in the consolidated statement of profit or loss. The fair value has been classified as Level 3 in the hierarchy because it was assessed based on the selling price.

14. Property, Plant and Equipment

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

Carrying amount	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2020	568,314	519,674	97,890	167,560	188,518	13,214	1,555,170
Acquisition	–	–	–	–	191,657	–	191,657
Depreciation (Note 1)	(38,469)	(105,371)	(45,411)	–	–	(4,885)	(194,136)
Impairment losses	(18,840)	(52,198)	(8,004)	216	(12,182)	(412)	(91,420)
Sale or disposal	(2,146)	(4,379)	(1,812)	(2,165)	(2,838)	(530)	(13,870)
Transfer from construction in progress	46,120	83,883	28,172	4,922	(167,225)	4,128	–
Foreign exchange differences	(20,493)	(19,145)	(3,058)	(3,126)	(11,177)	(259)	(57,258)
Other changes (Note 2)	(4,034)	2,564	12,167	(786)	(8,201)	289	1,998
Balance at December 31, 2020	530,452	425,028	79,944	166,621	178,552	11,545	1,392,141
Acquisition	–	–	–	–	177,335	–	177,335
Depreciation (Note 1)	(37,643)	(96,453)	(40,267)	–	2,158	(4,125)	(176,330)
Impairment losses	(2,655)	(4,939)	(964)	(620)	(314)	(54)	(9,546)
Sale or disposal	(2,383)	(1,704)	(1,755)	(916)	(2,331)	(313)	(9,402)
Decrease by sale of subsidiary	(3,955)	(10,335)	(1,454)	(957)	(2,181)	(19)	(18,901)
Transfer from construction in progress	60,451	111,003	33,883	–	(208,533)	3,196	–
Foreign exchange differences	34,594	31,526	4,185	5,134	11,542	676	87,656
Transfer to assets held for sale	(9,886)	(8,228)	(1,172)	(3,396)	(702)	(136)	(23,520)
Other changes	(304)	3,364	3,324	(216)	2,458	(157)	8,470
Balance at December 31, 2021	568,671	449,262	75,724	165,650	157,984	10,613	1,427,903

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

(Note 2) "Decrease by sale of subsidiary" and "Transfer to assets held for sale" in the fiscal year ended December 31, 2020 are included in "Other changes".

Cost	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2020	1,169,453	2,198,661	576,716	174,607	195,033	53,946	4,368,416
Balance at December 31, 2020	1,163,103	2,187,209	573,326	172,392	195,809	53,857	4,345,696
Balance at December 31, 2021	1,228,916	2,255,923	567,266	171,359	172,456	56,254	4,452,174

Accumulated depreciation and impairment losses	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2020	601,140	1,678,988	478,826	7,047	6,515	40,732	2,813,247
Balance at December 31, 2020	632,651	1,762,182	493,383	5,771	17,256	42,313	2,953,555
Balance at December 31, 2021	660,246	1,806,661	491,542	5,709	14,471	45,642	3,024,270

15. Goodwill and Intangible Assets

(1) Changes during the period

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

Carrying amount	Goodwill	Trademarks	Software	Other (Note 2)	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2020	98,346	16,125	41,101	56,438	212,009
Acquisition	169	–	–	17,267	17,436
Amortization (Note 1)	–	(487)	(9,436)	(5,887)	(15,810)
Sale and retirement	–	(3)	(33)	(122)	(158)
Impairment losses	(1,839)	–	(215)	(50)	(2,104)
Transfer of accounts	–	–	10,659	(10,659)	–
Other (Note 3)	970	(409)	5,937	(2,745)	3,754
Balance at December 31, 2020	97,646	15,226	48,013	54,242	215,127
Acquisition	–	2	–	23,949	23,951
Acquisition due to business combinations	33,454	1,396	102	14,928	49,880
Amortization (Note 1)	–	(400)	(11,350)	(4,804)	(16,554)
Sale and retirement	–	–	(657)	(85)	(742)
Impairment losses	–	–	(78)	(75)	(153)
Decrease by sale of subsidiary	(11,980)	(4,710)	(184)	(5,132)	(22,006)
Transfer of accounts	–	–	16,479	(16,479)	–
Foreign exchange differences	6,283	1,230	1,543	2,705	11,761
Other	(10)	(22)	6,226	(7,345)	(1,152)
Balance at December 31, 2021	125,393	12,722	60,094	61,904	260,112

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

(Note 2) "Software in progress" is included in "Other".

(Note 3) "Acquisition due to business combinations," "Decrease by sale of subsidiary" and "Exchange difference" in the fiscal year ended December 31, 2020 are included in "Other".

Cost	Goodwill	Trademarks	Software	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2020	98,599	16,909	67,150	79,243	261,901
Balance at December 31, 2020	99,776	16,520	82,761	81,580	280,637
Balance at December 31, 2021	127,602	14,455	104,438	91,296	337,791

Accumulated amortization and impairment losses	Goodwill	Trademarks	Software	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2020	253	784	26,049	22,805	49,892
Balance at December 31, 2020	2,130	1,294	34,748	27,338	65,510
Balance at December 31, 2021	2,209	1,733	44,344	29,392	77,679

(2) Material goodwill and intangible assets

The material goodwill and intangible assets recorded in the consolidated statement of financial position primarily represents the goodwill recognized through the acquisition of BRIDGESTONE MOBILITY SOLUTIONS B.V. and the carrying amounts of the goodwill are 56,209 million yen and 57,768 million yen as of December 31, 2020 and 2021, respectively. In addition, the goodwill recognized by this acquisition was allocated to cash generating units which were expected to benefit from the synergies and belongs to WEBFLEET SOLUTIONS cash-generating unit and BRIDGESTONE EUROPE cash-generating unit.

16. Impairment of Non-financial Assets

(1) Impairment losses

For measuring an impairment loss, the Group groups assets for business based on the segments, which are adopted for internal management purposes, while grouping assets to be disposed of (i.e., assets planned to be disposed of by retirement, sale, etc.) and idle assets individually.

Impairment losses of 95,376 million yen recognized in the previous fiscal year consisted of 82,822 million yen recorded as “other expenses” (of which, “business and plant restructuring expenses” are 5,754 million yen) and 12,554 million yen recorded as “profit (loss) from discontinued operations”.

The components of the impairment losses of 95,376 million yen by item are 91,420 million yen for property, plant and equipment, 2,104 million yen for goodwill and intangible assets, and 1,852 million yen for others. The breakdown by segment (excluding the amount recorded in business and plant restructuring expenses and profit (loss) from discontinued operations) is as follows:

(Yen in millions)

Cash-generating unit	Segments					Other	Consolidated total
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total		
Russian passenger vehicle tire business	–	–	10,068	–	10,068	–	10,068
Indian tire business	–	–	6,598	–	6,598	–	6,598
Chinese truck and bus tire business	–	–	–	19,581	19,581	–	19,581
Vietnamese passenger vehicle tire business	–	–	–	9,196	9,196	–	9,196
Thai small and medium mining and construction vehicle tire business	17,442	–	–	–	17,442	–	17,442
Aircraft tires business	8,296	–	–	–	8,296	–	8,296
Other	2,359	300	3,220	92	5,972	(85)	5,887
Total	28,098	300	19,886	28,869	77,153	(85)	77,068

The major reasons for the impairment losses recorded in “other expenses” are as follows:

The carrying amount of assets for business use in the Russian passenger vehicle tire business was reduced by 10,068 million yen 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%.

The carrying amount of assets for business use in the Indian tire business was reduced by 6,598 million yen 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 13.5%.

The breakdown of these impairment losses is as follows:

(Yen in millions)

Cash-generating unit	Segment	Type of assets	Amount
Russian passenger vehicle tire business	Europe, Russia, Middle East, India and Africa	Buildings and structures	3,982
		Machinery and vehicles	3,489
		Other	2,596
		Subtotal	10,068
Indian tire business		Buildings and structures	1,345
		Machinery and vehicles	2,021
		Construction in progress	2,589
		Other	643
		Subtotal	6,598
Total			16,666

The carrying amount of assets for business use in the Chinese truck and bus tire business was reduced by 19,581 million yen 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 at their fair value after deducting their disposal cost, and is mainly calculated based on the value of a third-party appraisal determined using the market approach. The fair value hierarchy level is 3.

The carrying amount of idle assets in the Vietnamese passenger vehicle tire business was reduced by 9,196 million yen to the recoverable amount because we do not expect these idle assets to be used for business purposes. The recoverable amount of these assets was measured at their fair value after deducting their disposal cost; however, their fair value after deducting their disposal cost was deemed to be zero because these assets would be difficult to sell. The fair value hierarchy level is 3.

The breakdown of these impairment losses is as follows:

(Yen in millions)

Cash-generating unit	Segment	Type of assets	Amount
Chinese truck and bus tire business	China, Asia-Pacific	Machinery and vehicles	17,878
		Other	1,704
		Subtotal	19,581
Vietnamese passenger vehicle tire business		Buildings and structures	5,515
		Construction in progress	3,681
		Subtotal	9,196
Total			28,778

The carrying amount of assets for business use in the Thai small and medium mining and construction vehicle tire business was reduced by 17,442 million yen to the recoverable amount because the intended revenue is no longer expected as a result of changes in the business environment. The recoverable amount of these assets was measured at their fair value after deducting their disposal cost, and is mainly calculated based on the value of a third-party appraisal determined using the market approach. The fair value hierarchy level is 3.

The carrying amount of assets for business use in the aircraft tire business was reduced by 8,296 million yen 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 at their fair value after deducting their disposal cost, and is mainly calculated based on the value of a third-party appraisal determined using the market approach. The fair value hierarchy level is 3.

The breakdown of these impairment losses is as follows:

(Yen in millions)

Cash-generating unit	Segment	Type of assets	Amount
Thai small and medium mining and construction vehicle tire business	Japan	Machinery and vehicles	12,833
		Other	4,610
		Subtotal	17,442
Aircraft tires business		Buildings and structures	1,012
		Machinery and vehicles	4,021
		Tools, furniture and fixtures, and molds	2,375
		Other	889
		Subtotal	8,296
Total			25,738

The major reasons for the impairment losses recorded in “profit (loss) from discontinued operations” are as follows:

The carrying amount of assets for business use in the Japanese anti-vibration rubber business was reduced by 6,210 million yen to the recoverable amount because the intended revenue is no longer expected as a result of changes in the business environment. The recoverable amount of these assets was measured at their fair value after deducting their disposal cost, and is mainly calculated based on the value of a third-party appraisal determined using the market approach. The fair value hierarchy level is 3.

The breakdown of these impairment losses is as follows:

(Yen in millions)

Cash-generating unit	Segment	Type of assets	Amount
Japanese Anti-vibration rubber business	Japan	Buildings and structures	1,322
		Machinery and vehicles	3,517
		Other	1,371
Total			6,210

Impairment losses of 10,651 million yen recognized in the current fiscal year consist of 7,689 million yen recorded as “other expenses” (of which, “business and plant restructuring expenses” are 3,955 million yen) and 2,962 million yen recorded as “profit (loss) from discontinued operations”. In recording these impairment losses, the carrying amounts have been reduced to the recoverable amounts mainly for operating assets with reduced profitability, assets to be disposed of through retirement or sale, and idle assets with no plans for use. The recoverable amounts of the assets are principally measured at their fair value. The fair value hierarchy level is 3.

Loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell is presented in Note “31. Discontinued Operations”.

(2) Impairment test of goodwill

The Group conducts an impairment test on goodwill every year or whenever there is any indication of impairment.

Among goodwill allocated to each cash-generating unit in the fiscal year ended December 31, 2021, the principal goodwill is recognized in WEBFLEET SOLUTIONS cash-generating unit and the impairment test was conducted as follows.

The recoverable amount of goodwill in the impairment test is calculated based on value in use. The value in use reflects past experience and external sources of information and is based on the Group’s business plan for the next two years as approved by management. After the two-year plan, the Company discounts the future cash flows to the present value using a discount rate of 8.1% of the cash-generating unit, using the future growth rate reduced from 9.9% in the third year to 2% in the ninth year and the same 2% on and after the tenth year as the continuous growth rate considering inflation.

The value in use in the previous fiscal year reflects past experience and external sources of information and is based on the Group’s business plan for the next three years as approved by the management. After the three-year plan, the Company discounts the future cash flows to the present value using a discount rate of 8.1% of the cash-generating unit, using the future growth rate reduced from 11.1% in the fourth year to 2% in the tenth year and the same 2% on and after the eleventh year as the continuous growth rate considering inflation.

There is a risk of impairment when key assumptions used for impairment test change. However, as the value in use sufficiently exceeds the carrying amount of the cash generating unit, the Group determines that it is highly unlikely that value in use falls below the carrying amount even if key assumptions used in the impairment test fluctuates by a reasonably foreseeable extent.

In addition, out of the total goodwill related to the acquisition of BRIDGESTONE MOBILITY SOLUTIONS B.V. of 57,768 million yen (2020: 56,209 million yen), the carrying amount allocated to WEBFLEET SOLUTIONS cash-generating unit as of December 31, 2021 is 51,722 million yen (2020: 50,311 million yen). The group determines that the amount of the goodwill allocated to cash-generating units other than WEBFLEET SOLUTIONS is not material compared to the amount recorded in the consolidated statement of financial statements.

(3) Impairment of investments accounted for using equity method

Impairment loss on investments accounted for using equity method recognized in the fiscal year ended December 31, 2020 of 18,196 million yen is mainly relating to the carrying amount of assets of TIREHUB, LLC, which is a jointly controlled entity in the "Americas" segment. The carrying amount was reduced by 17,032 million yen 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 the equity method" in the consolidated statement of profit or loss.

17. Lease Transactions

Lessee

The Group enters into lease contracts for buildings and structures, etc.

(1) Items related to right-of-use assets

The carrying amount, depreciation and additions to “Right-of-use assets” are as follows:

Carrying amount	Buildings and structures	Other	Total
	Yen in millions	Yen in millions	Yen in millions
Balance at December 31, 2020	228,987	61,135	290,122
Balance at December 31, 2021	235,404	58,662	294,065

Depreciation (Note)	Buildings and structures	Other	Total
	Yen in millions	Yen in millions	Yen in millions
Previous Year (Year ended December 31, 2020)	45,180	12,328	57,508
Current Year (Year ended December 31, 2021)	45,284	12,201	57,485

(Note) Depreciation of right-of-use assets is included in “Cost of sales,” “Selling, general and administrative expenses” and “Profit (loss) from discontinued operations” in the consolidated statement of profit or loss.

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Additions to right-of-use assets	61,811	60,275

(2) Expenses and cash outflows for leases

The lease expenses are as follows:

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Interest expense on lease liabilities	6,935	5,707
Recognition exemptions: expenses for short-term leases	1,701	1,555
Recognition exemptions: expenses for leases of low-value assets	662	482
Expense relating to variable lease payments not included in the measurement of lease liabilities	2,636	2,747
Gains (losses) arising from sale and leaseback transactions	7,770	–

Total cash outflows for leases are as follows:

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Total cash outflow for leases	61,449	64,507

(3) Maturity analysis for lease liabilities

The details are presented in Note “35. Financial Instruments (4) Liquidity risk management”.

18. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of items giving rise to “Deferred tax assets” and “Deferred tax liabilities” and the changes thereof are as follows:

Previous Year (Year ended December 31, 2020)

	As of January 1, 2020	Recognized in net profit or loss	Recognized in other comprehensive income	Other	As of December 31, 2020
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Deferred tax assets					
Accrued expenses	9,473	3,807	–	(749)	12,531
Retirement benefit liabilities	50,961	(5,519)	(3,776)	(1,207)	40,459
Unrealized gains	18,231	(5,900)	–	–	12,331
Unused tax losses carryforward	11,319	(3,254)	–	(529)	7,536
Other	33,318	11,525	1,006	(1,570)	44,279
Total deferred tax assets	123,302	659	(2,770)	(4,055)	117,136
Deferred tax liabilities					
Property, plant and equipment, and intangible assets	62,676	1,067	–	(3,687)	60,056
Financial assets	20,439	–	(4,075)	–	16,364
Reserve for advanced depreciation of fixed assets	15,713	1,549	–	–	17,262
Other	8,006	(4,787)	–	(683)	2,536
Total deferred tax liabilities	106,834	(2,171)	(4,075)	(4,370)	96,218
Net deferred tax assets	16,468	2,830	1,305	315	20,918

Current Year (Year ended December 31, 2021)

	As of January 1, 2021	Recognized in net profit or loss	Recognized in other comprehensive income	Other	As of December 31, 2021
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Deferred tax assets					
Accrued expenses	12,531	(7)	–	1,847	14,371
Retirement benefit liabilities	40,459	(1,975)	(3,425)	1,479	36,538
Unrealized gains	12,331	4,081	–	–	16,412
Unused tax losses carryforward	7,536	5,797	–	651	13,984
Other	44,279	23,843	(143)	(5,884)	62,095
Total deferred tax assets	117,136	31,739	(3,568)	(1,907)	143,400
Deferred tax liabilities					
Property, plant and equipment, and intangible assets	60,056	4,121	–	6,397	70,574
Financial assets	16,364	–	5,994	–	22,358
Reserve for advanced depreciation of fixed assets	17,262	(3,145)	–	–	14,118
Other	2,536	1,051	(21)	(197)	3,369
Total deferred tax liabilities	96,218	2,027	5,973	6,201	110,419
Net deferred tax assets	20,918	29,712	(9,541)	(8,108)	32,981

The breakdown of deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Deferred tax assets	49,409	76,790
Deferred tax liabilities	28,491	43,810
Net deferred tax assets	20,918	32,981

Deferred tax assets belonging to the taxable entities, which recorded loss during the fiscal year ended December 31, 2020 or 2021, out of deferred tax assets as of December 31, 2020 and 2021, are 31,583 million yen and 6,215 million yen, respectively. For recognizing these deferred tax assets, the Group considers if deductible temporary differences and a part or all of unused tax losses carryforward can be used for future taxable income. For an assessment of the recoverability of deferred tax assets, the Group considers deferred tax liabilities planned to be reversed and expected future taxable income and tax planning. As for recognition of deferred tax assets, the Group determines it is highly probable that these tax benefits will be realized based on the taxable income level in the past and the prediction of future taxable income in the period during which deferred tax assets can be recognized.

The deductible temporary differences and unused tax losses carryforward for which deferred tax assets were not recognized are as follows:

(Yen in millions)

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Deductible temporary differences	117,880	101,371
Unused tax losses carryforward	208,785	182,290
Total	326,665	283,661

The unused tax losses carryforward and unused tax credits carryforward for which deferred tax assets were not recognized will expire as follows:

(Yen in millions)

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Unused tax losses carryforward		
Within five years	39,579	27,500
After five years	169,206	154,790
Total unused tax losses carryforward	208,785	182,290
Unused tax credits carryforward		
Within five years	4,407	4,679
After five years	6,174	6,902
Total unused tax credits carryforward	10,581	11,580

Total temporary differences arising from the investments in subsidiaries and associates or interests in joint arrangements, which are not recognized as deferred tax liabilities as of December 31, 2020 and December 31, 2021 amounts to 338,229 million yen and 330,749 million yen, respectively.

Deferred tax liabilities related to the above temporary differences are not recognized as the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse it in the foreseeable future.

(2) Income tax expense

The breakdown of "Income tax expense" is as follows.

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Current income tax expense	47,356	68,552
Deferred income tax expense	(3,725)	(5,318)
Total income tax expense	43,631	63,234

Income taxes recognized on sale of the financial assets measured at fair value through other comprehensive income are as follows:

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Income tax expense	5,177	95

(3) Reconciliation of effective tax rate

The breakdown of the primary factors contributing to differences between the statutory effective tax rates and the effective income tax rates after adjustments for tax effect accounting is as follows:

The Company is subject to corporation tax, inhabitant tax and business tax. The statutory effective tax rates calculated based on these taxes are 30.6% and 30.6% for the fiscal years ended December 31, 2020 and 2021, respectively. However, overseas consolidated subsidiaries are subject to local corporate and other taxes.

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	%	%
Statutory effective tax rate	30.6	30.6
(Adjustments)		
Effects from reassessment of the recoverability of deferred tax assets	155.0	(1.3)
Differences in applicable tax rates of consolidated subsidiaries	0.0	(3.9)
Tax adjustments for overseas subsidiaries	(4.5)	1.2
Repayment of capital from a consolidated subsidiary	–	(8.2)
Other	(21.9)	(1.7)
Effective income tax rates after adjustments for tax effect accounting	159.2	16.7

Effective income tax rates after adjustments for tax effect accounting, which factors in discontinued operations for the fiscal years ended December 31, 2020 and 2021, were 167.4% and 22.7%, respectively.

(4) Uncertain income tax positions

In December 2021, the Company received 34,214 million yen from BRIDGESTONE AMERICAS, INC., the Company's consolidated subsidiary, as repayment of capital associated with sale of the roofing business. For tax purposes, the transaction is to be accounted for by recognizing deductible expenses as loss on transfer of shares. The Company excluded some deductible expenses to calculate its taxable income, for accounting purposes, which gives rise to some uncertain tax treatments under the Japan's tax law. The Company had engaged third-party legal, tax professionals, etc. to consider plausible tax treatments and estimated its taxable income using either the expected value method or the most likely amount method considering various scenarios and assumptions. As a result, although income tax expense would be 91,100 million yen lower on the basis of lower income taxes payable and higher deferred tax assets if all the deductible expenses were included in calculate taxable income, the Company has lowered its deferred tax assets by 60,000 million yen and increased its income tax expense by the same amount, relative to amounts under the aforementioned treatment.

A potential situation whereby such uncertain tax treatment differs from the final interpretation of Japanese tax law according to the tax authorities could materially affect the income tax expense amount in the subsequent fiscal year.

19. Trade and Other Payables

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

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Notes and accounts payable	188,932	237,516
Accounts payable - other	139,410	171,203
Accrued expenses	91,798	108,292
Total	420,140	517,010

Trade and other payables (excluding accrued expenses) are classified as financial liabilities measured at amortized cost.

20. Bonds and Borrowings (Including Other Financial Liabilities)

(1) Breakdown of financial liabilities

The breakdown of "Bonds and borrowings," "Lease liabilities" and "Other financial liabilities" are as follows:

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)	Average interest rate (Note 1)	Repayment deadline
	Yen in millions	Yen in millions	%	
Short-term borrowings	185,693	62,996	0.9	–
Current portion of long-term borrowings	108,285	46,985	3.1	–
Current portion of bonds	–	39,995	0.1	–
Long-term borrowings	62,617	47,112	0.3	March 2023 – June 2025
Bonds	349,442	309,560	0.3	April 2024 – April 2029
Short-term lease liabilities	53,966	54,853	2.2	–
Long-term lease liabilities	246,187	249,638	2.5	January 2023 – October 2105
Other	43,279	41,995	–	–
Total	1,049,469	853,134	–	–
Current liabilities	377,286	231,485	–	–
Non-current liabilities	672,183	621,649	–	–
Total	1,049,469	853,134	–	–

(Note 1) "Average interest rate" represents the weighted average interest rates for the interest rates and balances at December 31, 2021.

(Note 2) Bonds and borrowings are categorized as financial liabilities measured at amortized cost.

The terms for the different bonds that have been issued are summarized below:

(Yen in millions)

Company name	Issue	Issuance date	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)	Interest rate (%)	Collateral	Maturity date
Bridgestone Corporation	The 9th unsecured bonds	April 21, 2017	39,979	39,995	0.1	None	April 21, 2022
Bridgestone Corporation	The 10th unsecured bonds	April 21, 2017	49,941	49,959	0.2	None	April 19, 2024
Bridgestone Corporation	The 11th unsecured bonds	April 21, 2017	59,898	59,914	0.3	None	April 21, 2027
Bridgestone Corporation	The 12th unsecured bonds	April 19, 2019	49,935	49,954	0.1	None	April 19, 2024
Bridgestone Corporation	The 13th unsecured bonds	April 19, 2019	49,906	49,924	0.2	None	April 17, 2026
Bridgestone Corporation	The 14th unsecured bonds	April 19, 2019	99,783	99,808	0.4	None	April 19, 2029
Total		–	349,442	349,554	–	–	–

(2) Assets pledged as collateral for liabilities

Assets pledged as collateral are as follows:

Assets pledged as collateral	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Cash and cash equivalents	186	209
Property, plant and equipment	491	494
Total	678	703

21. Provisions

"Provisions" is recorded as current liabilities and non-current liabilities in the consolidated statement of financial position.

The breakdown of "Provisions" and the changes are as follows:

Previous Year (Year ended December 31, 2020)

	Provision for compensation for industrial accidents	Provision for loss on litigation	Provision for business and plant restructuring expenses	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2020	15,109	12,935	390	29,846	58,280
Increase during period	6,419	12,893	28,917	25,035	73,264
Decrease (used)	(8,346)	(5,999)	(40)	(19,397)	(33,781)
Decrease (reversed)	(627)	(2,395)	–	(4,958)	(7,980)
Exchange difference	(816)	(1,295)	1,129	(513)	(1,495)
Other	–	–	–	248	248
Balance at December 31, 2020	11,739	16,139	30,396	30,261	88,536

Current Year (Year ended December 31, 2021)

	Provision for compensation for industrial accidents	Provision for loss on litigation	Provision for business and plant restructuring expenses	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2021	11,739	16,139	30,396	30,261	88,536
Increase during period	8,229	9,557	8,027	19,223	45,036
Decrease (used)	(8,231)	(5,405)	(21,874)	(15,279)	(50,789)
Decrease (reversed)	(972)	(2,306)	(1,530)	(5,163)	(9,971)
Exchange difference	1,253	1,696	757	1,756	5,461
Other (Note)	–	(80)	(4,220)	258	(4,042)
Balance at December 31, 2021	12,018	19,601	11,556	31,056	74,231

(Note) "Other" are mainly transfer to "Liabilities directly associated with assets held for sale".

(1) Provision for compensation for industrial accidents

The Group estimates and records an amount based on the past and current experience to prepare for the payment of the medical expenses, the absence from work compensation, etc. incurred as a result of industrial accidents. The outflow of the economic benefits is supposed to occur mainly within one year from the end of the fiscal year 2021.

(2) Provision for loss on litigation

To prepare for the expenditures of litigation-related expenses, the Group estimates and records an amount of compensation for damages, settlement package, etc. that is currently expected to be incurred in the future. The outflow of the economic benefits is supposed to occur mainly within one year from the end of the fiscal year 2021.

(3) Provision for business and plant restructuring expenses

Due to the commencement of discussions for the closure of overseas tire plants, the Group estimates and records an amount that is currently expected to be incurred in the future to prepare for the related expenditures. The Company recorded an estimate of the amount expected to be incurred in the future at this point in time associated with a company split which entails establishment of a new wholly owned subsidiary of the Company succeeding the anti-vibration rubber business and the chemical products solutions business, to integrate the aforementioned businesses of the Group and transfer of the shares of the said wholly owned subsidiary. The presentation of this amount is mainly included in "liabilities directly associated with assets held for sale" of the consolidated statement of financial position. The outflow of the economic benefits is supposed to occur mainly within one year from the end of the fiscal year 2021.

(4) Other

"Other" includes asset retirement obligations, provision for environmental expenses and provision for product warranties.

22. Other Current Liabilities

The breakdown of "Other current liabilities" is as follows:

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Bonuses to officers and employees	36,329	46,606
Refund liabilities	35,682	33,347
Provision for unused paid absences	22,266	23,125
Contract liabilities	13,976	14,548
Consumption tax payables	12,461	9,228
Other	23,812	24,563
Total	144,526	151,417

The details of contract liabilities are presented in Note "26. Revenue".

23. Employee Benefits

(1) Post-employment benefits

The Group has adopted both funded and unfunded defined benefit plans and defined contribution plans as retirement benefits for its employees. The funded defined benefit plans are managed by pension funds that are legally segregated from the Group. The board of directors of pension funds and pension trustees are required by law to act in the best interests of the participants and are responsible for managing the plan assets in accordance with the prescribed policies.

The Group's defined benefit plans are exposed to the following risks:

(i) Investment risk

The present value of the defined benefit obligations is calculated based on a discount rate that is determined by reference to market yields on high-grade corporate bonds at the end of fiscal year. In the event that the investment yields for the plan assets fall below the discount rate, there is a risk of reduction in equity because of the worsened funded status.

(ii) Interest rate risk

In the event that the discount rate is reduced due to a decline in market yields on high-grade corporate bonds, the present value of the defined benefit obligations increases, resulting in a risk of reduction in equity because of the worsened funded status.

1) Reconciliation of defined benefit obligations

The changes in the defined benefit obligations are as follows:

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Present value of defined benefit obligations at beginning of period (Note 1)	878,484	870,802
Service cost	15,433	15,872
Interest expense	16,882	12,769
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	(2,852)	6,306
Actuarial gains and losses arising from changes in financial assumptions	50,745	(20,456)
Actuarial gains and losses arising from experience adjustments	11,014	1,191
Past service cost and settlement of plan	(8,276)	(Note 2) (119,466)
Benefits paid	(56,872)	(71,681)
Exchange differences on translation of foreign operations	(32,393)	58,674
Other	(1,363)	(16,395)
Present value of defined benefit obligations at end of period (Note 1)	870,802	737,616

(Note 1) The weighted-average durations of the defined benefit obligations of the Group are 12.6 years and 13.0 years, as of December 31, 2020 and 2021, respectively.

(Note 2) The decrease was mainly due to buyout of a part of the retirement benefits of a US subsidiary.

2) Reconciliation of plan assets

The changes in the plan assets are as follows:

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Fair value of the plan assets at beginning of period	678,705	700,882
Interest revenue	12,832	10,089
Remeasurements		
Return on plan assets	69,891	6,235
Contribution from employers (Note 1) (Note 2)	18,281	22,545
Benefits paid	(53,381)	(67,740)
Settlement of plan (Note 3)	–	(115,097)
Exchange differences on translation of foreign operations	(28,079)	49,830
Other	2,633	(12,459)
Fair value of the plan assets at end of period	700,882	594,285

(Note 1) The Group and its pension funds, in accordance with the laws and regulations, periodically conduct financial verifications and recalculate the amount of contributions for the purpose of appropriating funds for future benefit accruals and maintaining a balanced pension fund in case of a deficit.

(Note 2) The Group plans to make contribution of 12,958 million yen in the fiscal year ending December 31, 2022.

(Note 3) The decrease was due to a buyout of part of retirement benefits conducted by a US subsidiary.

3) Reconciliation of defined benefit obligations and plan assets

The relationship between the defined benefit obligations, the plan assets and the defined benefit liabilities (assets) in the consolidated statement of financial position is as follows:

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Present value of the funded defined benefit obligations	793,445	658,773
Fair value of the plan assets	(700,882)	(594,285)
Subtotal	92,563	64,488
Present value of the unfunded defined benefit obligations	77,357	78,843
Effect of asset ceiling	367	396
Defined benefit liabilities (assets)	170,287	143,727
Amounts on the consolidated statement of financial position		
Retirement benefit liabilities	191,679	171,981
Retirement benefit assets	(21,392)	(28,254)
Defined benefit liabilities (assets) in the consolidated statement of financial position	170,287	143,727

4) Major components of plan assets

The major components of plan assets by category are as follows:

	Previous Year (As of December 31, 2020)			Current Year (As of December 31, 2021)		
	Quoted price in active markets		Total	Quoted price in active markets		Total
	Quoted	Unquoted		Quoted	Unquoted	
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Debt instruments	364,854	5,532	370,386	294,715	5,222	299,937
Japan	10,085	2,083	12,168	10,034	1,066	11,100
Overseas	354,769	3,449	358,218	284,681	4,156	288,837
Equity instruments	32,045	19,283	51,328	29,373	12,853	42,226
Japan	1,466	–	1,466	1,157	–	1,157
Overseas	30,579	19,283	49,862	28,216	12,853	41,069
Cash and cash equivalents	26,387	29,690	56,077	25,087	32,560	57,647
Alternative investments (Note)	52,404	116,816	169,220	51,754	90,312	142,066
Other	867	53,004	53,871	1,010	51,399	52,409
Total	476,557	224,325	700,882	401,939	192,346	594,285

(Note) Alternative investments include investments, such as trusteed pension assets, real estate fund, and hedge fund, etc.

The investment management policy of the Group for the major plans is as follows:

(Japan)

The Company’s policy aims for managing plan assets to secure stable returns over the medium to long term so that it can ensure payment of defined benefit obligations in the future, in accordance with internal regulations. More specifically, the Group sets a target return and asset allocation that is within the range of tolerable risk defined annually, and it manages its managing assets by keeping such allocation. When assessing the asset allocation, the Group examines whether to introduce the type of plan assets that is closely linked to changes in defined benefit obligations.

Furthermore, in the event of an unexpected event in the market environment, the Group is able to temporarily adjust the weighting of risk assets in accordance with the internal regulations.

(Overseas)

The policies for managing plan assets of these foreign subsidiaries are established by pension trustees and the managements of these foreign subsidiaries are in accordance with the laws of each country. The objective of such policies is to secure investment income that exceeds the changes in the value of liabilities while managing the risks arising from defined benefit obligations.

The core part of the plan assets is invested in bonds linked to the defined benefit obligations. The remaining part of the plan assets is invested mainly in the stocks to earn long-term income.

5) Reconciliation of the effect of the asset ceiling

The changes in the effect of the asset ceiling are as follows:

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Effect of asset ceiling at beginning of period	326	367
Remeasurements		
Change in the effect of asset ceiling	45	(8)
Exchange differences on translation of foreign operations	(4)	37
Effect of asset ceiling at end of period	367	396

6) Items related to actuarial assumptions

Significant actuarial assumptions as of December 31, 2020 and 2021 are as follows:

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	%	%
Discount rate	1.8	2.1

(Note) Valuation of the defined benefit obligations includes a judgment of future uncertain events. Sensitivity of the defined benefit obligation to changes in the major base rate as at the end of the fiscal year is as follows: Although the sensitivity assumes that all the other variables remain constant, practically they do not always change independently. Negative figures represent a decrease in the defined benefit obligations and positive figures an increase in them.

	Changes in base rate	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
		Yen in millions	Yen in millions
Discount rate	0.5% increase	(62,657)	(58,154)
	0.5% decrease	69,074	61,552

7) Defined contribution plan

The amounts of contributions paid to the defined contribution plan are 14,312 million yen and 14,819 million yen for the fiscal years ended December 31, 2020 and 2021, respectively.

(2) Employee benefit expenses

Employee benefit expenses that are included in “Cost of sales,” “Selling, general and administrative expenses,” “Other expenses,” “Finance costs” and “Profit (loss) from discontinued operations” in the consolidated statement of profit or loss are as follows:

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Employee benefit expenses	11,207	14,183

24. Equity and Other Components of Equity

(1) Common stock and capital surplus

The Companies Act provides that at least half of the paid-in capital shall be appropriated as common stock, and the remaining amount may be appropriated as legal capital surplus within capital surplus. The Companies Act also provides that legal capital surplus may be appropriated as common stock pursuant to a resolution at the shareholders’ meeting.

1) Number of shares authorized

The numbers of authorized shares are 1,450,000,000 shares and 1,450,000,000 shares as of December 31, 2020 and December 31, 2021, respectively.

2) Number of shares issued and fully paid

The changes in the number of shares issued and the balances of common stock and capital surplus are as follows:

	Number of issued shares of common stock	Common stock	Capital surplus
	Shares	Yen in millions	Yen in millions
Beginning of the Previous Year (As of January 1, 2020)	761,536,421	126,354	121,998
Increase (decrease) (Note 2)	(47,838,200)	–	118
Previous Year (As of December 31, 2020)	713,698,221	126,354	122,116
Increase (decrease)	–	–	10
Current Year (As of December 31, 2021)	713,698,221	126,354	122,126

(Note 1) The shares issued by the Company are shares of common stock with no par value and have no restrictions on any rights.

(Note 2) The decrease in the number of issued shares during the fiscal year ended December 31, 2020 is due to retirement of treasury stock.

(2) Treasury stock

The changes in the number of shares and balance of treasury stock are as follows:

	Number of shares	Amount
	Shares	Yen in millions
Beginning of the Previous Year (As of January 1, 2020)	57,481,254	232,330
Increase (decrease) (Note 2)	(47,914,746)	(193,674)
Previous Year (As of December 31, 2020)	9,566,508	38,657
Increase (decrease) (Note 2)	(132,294)	(533)
Current Year (As of December 31, 2021)	9,434,214	38,123

(Note 1) The Company has adopted the stock option plan and appropriated shares of treasury stock for the delivery of shares upon exercise of these options. The terms of the contract and the amounts, etc. are presented in Note "34. Share-based Payment".

(Note 2) The number of treasury stock retired based on the resolution of the Board of Directors in the fiscal year ended December 31, 2020 was 47,838,200 shares and the total retirement amount was 193,364 million yen.

The increases by purchase, etc. of shares less than one unit were 842 shares and 2,406 shares, and the decreases due to the exercise of stock options, etc. were 77,388 shares and 134,700 shares for the fiscal years ended December 31, 2020 and 2021, respectively.

(3) Other components of equity

1) Stock acquisition rights

The Company has adopted the stock option plan and issued stock acquisition rights in accordance with the Companies Act. The terms of the contract and the amounts, etc. are presented in Note "34. Share-based Payment".

2) Exchange differences on translation of foreign operations

The exchange differences on translation of foreign operations occur when the financial statements of the foreign operations prepared using foreign currencies are consolidated.

3) Effective portion of change in fair value of cash flow hedges

The Company hedges the fluctuation risk of variability in future cash flows through hedges, and this is the portion of the changes in fair value of the derivative instruments designated as cash flow hedges, which are deemed to be effective.

4) Net change in fair value of financial assets measured through other comprehensive income

This is the valuation difference of the fair values of financial assets measured through other comprehensive income.

5) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans result actuarial gains and losses and arise from the present value of defined benefit obligations, return on plan assets (except for amounts included in net interest), and changes in the effect of the asset ceiling (except for amounts included in net interest). They are recognized in other comprehensive income when they arise, and reclassified from other components of equity to retained earnings immediately.

(4) Retained earnings

The Companies Act provides that an amount equal to 10% of the dividends paid from surplus shall be transferred to legal capital surplus and legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings equals 25% of the nominal value of common stock. The amount accumulated in legal retained earnings may be used to offset deficit. Furthermore, such legal retained earnings may be reversed pursuant to a resolution at the shareholders' meeting.

25. Dividends

(1) The amount of dividends paid

Previous Year (Year ended December 31, 2020)

	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Yen in millions	Yen		
Annual Shareholders' Meeting, March 24, 2020	Common stock	56,325	80	December 31, 2019	March 25, 2020
Board of Directors' Meeting, August 7, 2020	Common stock	35,206	50	June 30, 2020	September 1, 2020

Current Year (Year ended December 31, 2021)

	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Yen in millions	Yen		
Annual Shareholders' Meeting, March 26, 2021	Common stock	42,248	60	December 31, 2020	March 29, 2021
Board of Directors' Meeting, August 10, 2021	Common stock	59,859	85	June 30, 2021	September 1, 2021

(2) Dividends that will be effective in the following fiscal year of the record date

Previous Year (Year ended December 31, 2020)

	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Yen in millions	Yen		
Annual Shareholders' Meeting, March 26, 2021	Common stock	42,248	60	December 31, 2020	March 29, 2021

Current Year (Year ended December 31, 2021)

	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Yen in millions	Yen		
Annual Shareholders' Meeting, March 23, 2022	Common stock	59,863	85	December 31, 2021	March 24, 2022

26. Revenue

(1) Disaggregation of revenue

The breakdown of revenue from continuing operations is as follows.

The Group has changed its segment classifications effective from the first quarter of the fiscal year ended December 31, 2021. Figures for the previous fiscal year have been reclassified in accordance with the new segment structure. The details are stated in Note “6. Operating Segments”.

Previous Year (Year ended December 31, 2020)

(Yen in millions)

	Reportable segments					Other	Corporate or elimination	Consoli-dated total
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total			
Tires	523,125	1,125,592	546,644	282,608	2,477,969	10,991	32	2,488,991
Other (Note 1)	172,807	32,397	–	–	205,204	1,029	–	206,233
Total external revenue	695,931	1,157,990	546,644	282,608	2,683,173	12,020	32	2,695,224
Revenue recognized from contracts with customers	682,235	1,153,821	538,992	282,608	2,657,655	12,020	32	2,669,706
Revenue recognized from other sources (Note 2)	13,696	4,169	7,653	–	25,518	–	–	25,518

(Note 1) “Other” includes businesses such as Chemical and Industrial Products, sporting goods and bicycles that the Company operates in.

(Note 2) Revenue recognized from other sources includes lease income based on IFRS 16 “Leases”.

Current Year (Year ended December 31, 2021)

(Yen in millions)

	Reportable segments					Other	Corporate or elimination	Consoli-dated total
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total			
Tires	567,266	1,404,814	686,140	328,817	2,987,038	19,159	28	3,006,225
Other (Note 1)	199,871	38,944	–	–	238,816	1,016	–	239,832
Total external revenue	767,138	1,443,758	686,140	328,817	3,225,853	20,175	28	3,246,057
Revenue recognized from contracts with customers	750,688	1,439,323	677,524	328,817	3,196,352	20,175	28	3,216,555
Revenue recognized from other sources (Note 2)	16,450	4,436	8,616	–	29,502	–	–	29,502

(Note 1) “Other” includes businesses such as Chemical and Industrial Products, sporting goods and bicycles that the Company operates in.

(Note 2) Revenue recognized from other sources includes lease income based on IFRS 16.

(2) Contract balances

Contract balances of the Group consist of receivables, contract assets and contract liabilities arising from contracts with customers. In the consolidated statement of financial position, receivables arising from contracts with customers are presented as "Trade and other receivables," while the contract liabilities are as follows:

(Yen in millions)

	Beginning of the Previous Year (As of January 1, 2020)	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Contract liabilities	43,032	39,277	18,404

A significant change in the balance of contract liabilities during the fiscal year ended December 31, 2021, was due to the sale of FSBP classified as discontinued operations which accounted for a decrease of 25,643 million yen. Details are presented in Note "31. Discontinued Operations" and Note "37. Subsidiaries and Associates, etc. (2) Loss of control of subsidiaries". Total beginning balances of the contract liabilities for the fiscal years ended December 31, 2020 and 2021 are recognized as revenue in each fiscal year. The amount of revenue recognized from performance obligations satisfied in the previous periods is not material for the fiscal year ended December 31, 2021.

The contract liabilities are presented as "Other current liabilities" and "Other non-current liabilities" in the consolidated statement of financial position.

Contract liabilities primarily relate to advances received from customers.

(3) Transaction price allocated to the remaining performance obligations

The amounts of revenue from continuing operations related to the unsatisfied (or partially unsatisfied) performance obligations that is expected to be recognized in the future at the end of the fiscal year are as follows:

(Yen in millions)

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Within one year	22,180	25,725
Over one year and within five years	24,705	36,503

As the Group has applied the practical expedient provided in paragraph (121) of IFRS 15, it does not disclose information about the remaining performance obligation that has an original expected duration of one year or less.

27. Selling, General and Administrative Expenses

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

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Freight	138,489	187,315
Advertising and sales promotional expenses	86,183	84,409
Employee benefit expenses	252,476	279,533
Depreciation and amortization	86,652	89,785
Research and development expenses (Note)	87,287	95,480
Other	196,318	192,099
Total	847,405	928,620

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

28. Other Income and Other Expenses

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

(1) Other income

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Gain on sale of fixed assets	(Note 1) 24,180	3,470
Business and plant restructuring income	162	2,562
Other	7,319	8,532
Total	31,661	14,565

(Note 1) Mainly relates to gains on the sale of warehouses.

(2) Other expenses

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Business and plant restructuring expenses (Note 2)	42,821	13,757
Loss on retirement of fixed assets	6,827	4,031
Impairment losses (Note 3)	77,068	3,734
Other	8,763	4,068
Total	135,478	25,590

(Note 2) The breakdown of “Business and plant restructuring expenses” is presented in Note “6. Operating Segments”.

(Note 3) The breakdown of “Impairment losses” is presented in Note “16. Impairment of Non-financial Assets”.

29. Finance Income and Finance Costs

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

(1) Finance income

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Interest income (Note)	4,811	8,502
Dividend income (Note)	2,631	2,222
Other	825	83
Total	8,267	10,807

(2) Finance costs

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Interest expenses (Note)	13,136	11,299
Net interest of defined benefit plans	3,571	2,481
Foreign currency exchange loss	3,765	899
Other	3,246	1,539
Total	23,718	16,219

(Note) “Interest income” and “Interest expenses” arise from financial assets and financial liabilities measured at amortized cost respectively.

In addition, “Dividend income” arises from financial assets measured at fair value through other comprehensive income.

30. Other Comprehensive Income

The analysis of "Other comprehensive income" by item in terms of the amount that occurred during each fiscal year, the amount reclassified to profit or loss and the impact of tax effects are as follows:

Previous Year (Year ended December 31, 2020)

	Amount that occurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Items that will not be reclassified to profit or loss					
Net change in fair value of financial assets measured through other comprehensive income	2,478	–	2,478	(770)	1,708
Remeasurements of defined benefit plans	9,254	–	9,254	(3,776)	5,478
Share of other comprehensive income of investments accounted for using equity method	(140)	–	(140)	–	(140)
Total of items that will not be reclassified to profit or loss	11,592	–	11,592	(4,546)	7,046
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	(94,748)	–	(94,748)	–	(94,748)
Effective portion of change in fair value of cash flow hedges	(36)	159	124	(45)	79
Share of other comprehensive income of investments accounted for using equity method	(1,713)	(34)	(1,747)	–	(1,747)
Total of items that may be reclassified to profit or loss	(96,496)	125	(96,371)	(45)	(96,415)
Total	(84,904)	125	(84,779)	(4,590)	(89,369)

Current Year (Year ended December 31, 2021)

	Amount that occurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Items that will not be reclassified to profit or loss					
Net change in fair value of financial assets measured through other comprehensive income	19,701	–	19,701	(5,255)	14,446
Remeasurements of defined benefit plans	19,741	–	19,741	(3,425)	16,316
Share of other comprehensive income of investments accounted for using equity method	(18)	–	(18)	–	(18)
Total of items that will not be reclassified to profit or loss	39,424	–	39,424	(8,681)	30,743
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	163,596	–	163,596	–	163,596
Effective portion of change in fair value of cash flow hedges	(2,612)	2,974	362	(98)	264
Share of other comprehensive income of investments accounted for using equity method	(3,489)	(87)	(3,576)	–	(3,576)
Total of items that may be reclassified to profit or loss	157,496	2,887	160,383	(98)	160,285
Total	196,920	2,887	199,807	(8,779)	191,028

31. Discontinued Operations

(1) US building materials business

BRIDGESTONE AMERICAS, INC., a U.S. subsidiary of the Company, has concluded an agreement with LafargeHolcim Ltd., a Swiss building materials manufacturer, regarding the sale of FIRESTONE BUILDING PRODUCTS COMPANY, LLC (hereinafter “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 fiscal year ended December 31, 2021, FSBP and its subsidiaries are classified as discontinued operations, and a restated presentation is provided for the fiscal year ended December 31, 2020, with those operations classified as discontinued operations.

1) Profit or loss from discontinued operations

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Profit or loss from discontinued operations		
Income (Note)	189,839	352,134
Expenses	(161,289)	(41,822)
Profit before tax from discontinued operations	28,550	310,312
Income tax expense (Note)	(6,602)	(78,331)
Profit from discontinued operations	21,948	231,980

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

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

2) Cash flow from discontinued operations

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	5,122	(307)
Net cash provided by (used in) investing activities	(3,404)	356,520
Net cash provided by (used in) financing activities	1,064	–
Total	2,782	356,213

(2) Anti-vibration rubber business

On December 10, 2021, the Company made the decision to transfer its anti-vibration rubber business (hereinafter the "Business Operations") to Anhui Zhongding Holding (Group) Co., Ltd. (hereinafter "AZ"). This entails the Company establishing a new wholly-owned subsidiary (hereinafter the "New Company") to which it transfers the Business Operations by carrying out an absorption-type demerger (hereinafter the "Corporate Demerger"), then integrating the Business Operations of the Group into the New Company, and subsequently transferring all shares of the New Company to AZ (hereinafter the "Share Transfer," with the Corporate Demerger and the Share Transfer hereinafter referred to as the "Business Transaction"). The Company expects to complete the Business Transaction by the end of July 2022 upon having satisfied conditions that include gaining approval from regulatory authorities with respect to the Business Transaction.

For the fiscal year ended December 31, 2021, the Company has accordingly classified the Business Operations of the Company, BRIDGESTONE APM COMPANY (hereinafter "BAPM"), and BRIDGESTONE NCR CO., LTD. (hereinafter "BSNCR") as discontinued operations as well as BRIDGESTONE ELASTECH CO., LTD., BRIDGESTONE NTEC CO., LTD., BRIDGESTONE INDIA AUTOMOTIVE PRODUCTS PRIVATE LIMITED, and BRIDGESTONE CHANGZHOU AUTOMOTIVE PRODUCTS CO., LTD. A restated presentation has also accordingly been given for the fiscal year ended December 31, 2020, with those operations classified as discontinued operations.

1) Profit or loss from discontinued operations

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Profit or loss from discontinued operations		
Income	54,616	58,583
Expenses (Note 1)	(71,045)	(173,471)
Loss before tax from discontinued operations	(16,429)	(114,888)
Income tax expense (Note 2)	814	18,394
Loss from discontinued operations	(15,615)	(96,494)

(Note 1) Expenses for the current fiscal year include a loss on business transfer of 7,452 million yen and a loss of 97,715 million yen recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell, both of which were recognized upon having concluded a contract with AZ.

(Note 2) Income tax expense for the current fiscal year includes effects of 18,372 million yen recognized as deferred tax assets against a loss on business transfer incurred upon having concluded a contract with AZ and a loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell. In addition, the Company turns to external tax professionals to determine whether loss for tax purposes against loss on business transfer incurred when executing the business transfer should be recognized (applicability of deductible temporary difference).

2) Cash flow from discontinued operations

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	(7,428)	(12,973)
Net cash provided by (used in) investing activities	(1,966)	(2,527)
Net cash provided by (used in) financing activities	(144)	(142)
Total	(9,538)	(15,642)

(3) Chemical products solutions business

On December 10, 2021, the Company made the decision to transfer its chemical products solutions business (hereinafter the “Business Operations”) to Endeavour United II Investment Business Limited Partnership (hereinafter “EU Investment Partnership”), which is structured, managed, and operated by Endeavour United Co., Ltd. (hereinafter “EU”). This entails the Company establishing a new wholly-owned subsidiary (hereinafter the “New Company”) to which it transfers the Business Operations by carrying out an absorption-type demerger (hereinafter the “Corporate Demerger”), then integrating the Business Operations of the Group into the New Company, and subsequently transferring all shares of the New Company to EU Investment Partnership (hereinafter the “Share Transfer,” with the Corporate Demerger and the Share Transfer hereinafter referred to as the “Business Transaction”). The Company expects to complete the Business Transaction by the end of August 2022 upon having satisfied conditions that include gaining approval from regulatory authorities with respect to the Business Transaction.

For the fiscal year ended December 31, 2021, the Company has accordingly classified Business Operations of the Company, BAPM, BSNCR, Bridgestone Precision Molding Philippines, Inc., as discontinued operations as well as Bridgestone Chemitech Co., Ltd., Bridgestone Diversified Chemical Products Co., Ltd., Bridgestone Electronic Materials (Hong Kong) Ltd., Bridgestone Chemical Products Malaysia Sdn. Bhd., Guangzhou Bridgestone Chemical Products Co., Ltd., Bridgestone (Kaiping) Diversified Products Co., Ltd., and Bridgestone Wuhan Chemical Products Co., Ltd. Accordingly, a restated presentation has also been provided for the fiscal year ended December 31, 2020, with those operations classified as discontinued operations.

1) Profit or loss from discontinued operations

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Profit or loss from discontinued operations		
Income	56,158	56,132
Expenses (Note 1)	(66,425)	(111,049)
Loss before tax from discontinued operations	(10,267)	(54,918)
Income tax expense (Note 2)	422	5,600
Loss from discontinued operations	(9,844)	(49,317)

(Note 1) Expenses for the current fiscal year include a loss on business transfer of 4,056 million yen and a loss of 44,996 million yen recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell, both of which were recognized upon having concluded a contract with EU.

(Note 2) Income tax expense for the current fiscal year includes effects of 5,362 million yen recognized as deferred tax assets against a loss on business transfer incurred upon having concluded a contract with EU and a loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell. In addition, the Company turns to external tax professionals to determine whether loss for tax purposes against loss on business transfer incurred when executing the business transfer should be recognized (applicability of deductible temporary difference).

2) Cash flow from discontinued operations

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	(187)	(5,225)
Net cash provided by (used in) investing activities	(2,399)	(3,459)
Net cash provided by (used in) financing activities	(802)	(846)
Total	(3,389)	(9,530)

32. Earnings per Share

(1) Basic earnings (loss) per share

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

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Profit (loss) attributable to owners of parent (Yen in millions)	(23,301)	394,037
Profit not attributable to common shareholders of parent (Yen in millions)	–	–
Profit (loss) used for calculating basic earnings (loss) per share (Yen in millions)	(23,301)	394,037
Profit (loss) from continuing operations used for calculating basic earnings (loss) per share (Yen in millions)	(19,790)	307,868
Profit (loss) from discontinued operations used for calculating basic earnings (loss) per share (Yen in millions)	(3,511)	86,168
Weighted-average number of shares of common stock (Thousands of shares)	704,108	704,192
Basic earnings (loss) per share		
Continuing operations (Yen)	(28.11)	437.19
Discontinued operations (Yen)	(4.99)	122.37
Basic earnings (loss) per share (Yen)	(33.09)	559.56

(2) Diluted earnings (loss) per share

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

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Profit (loss) used for calculating basic earnings (loss) per share (Yen in millions)	(23,301)	394,037
Adjustment to profit (Yen in millions)	–	–
Profit (loss) used to calculate diluted earnings (loss) per share (Yen in millions)	(23,301)	394,037
Profit (loss) from continuing operations used to calculate diluted earnings (loss) per share (Yen in millions)	(19,790)	307,868
Profit (loss) from discontinued operations used to calculate diluted earnings (loss) per share (Yen in millions)	(3,511)	86,168
Weighted-average number of shares of common stock (Thousands of shares)	704,108	704,192
Increase in common stock		
Increase from stock options (Thousands of shares)	–	1,067
Weighted-average number of shares of common stock after dilution (Thousands of shares)	704,108	705,258
Diluted earnings (loss) per share		
Continuing operations (Yen)	(28.11)	436.53
Discontinued operations (Yen)	(4.99)	122.18
Diluted earnings (loss) per share (Yen)	(33.09)	558.71

(Note) In the fiscal year ended December 31, 2020, because the 1,084 thousand shares in stock options have a reverse-dilution effect, they have not been included in the calculation of diluted loss per share.

33. Cash Flow Information

Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities are as follows:

Previous Year (Year ended December 31, 2020)

	As of January 1, 2020	Changes with cash flows	Changes without cash flows			As of December 31, 2020
			Acquisition	Exchange differences on translation of foreign operations	Other	
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Long-term borrowings	59,850	113,262	–	(2,210)	–	170,902
Short-term borrowings	131,753	60,997	–	(7,057)	–	185,693
Bonds	349,352	–	–	–	90	349,442
Lease liabilities	303,512	(57,132)	66,270	(12,498)	–	300,153
Total liabilities related to financing activities	844,468	117,127	66,270	(21,765)	90	1,006,190

Current Year (Year ended December 31, 2021)

	As of January 1, 2021	Changes with cash flows	Changes without cash flows			As of December 31, 2021
			Acquisition	Exchange differences on translation of foreign operations	Other	
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Long-term borrowings	170,902	(82,539)	–	5,734	–	94,097
Short-term borrowings	185,693	(125,614)	–	2,918	–	62,996
Bonds	349,442	–	–	–	112	349,554
Lease liabilities	300,153	(59,689)	62,354	12,124	(10,451)	304,491
Total liabilities related to financing activities	1,006,190	(267,842)	62,354	20,775	(10,339)	811,139

34. Share-based Payment

The Company has adopted the stock option plan, the PSU and restricted share-based remuneration plan. The details of the stock option plan are presented in “1. Information on Stock, etc.” of “IV. Information about Reporting Company,” and those of the PSU in “4. Corporate Governance, etc.” of “IV. Information about Reporting Company”.

(1) Stock option plan

The Group has not granted any new stock options since July 5, 2017.

1) Terms of the contracts, etc.

	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 26, 2009	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 30, 2010	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 29, 2011	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 27, 2012
Persons granted	Nine directors of the Company and 20 corporate officers not concurrently serving as directors of the Company	Eight directors of the Company and 25 corporate officers not concurrently serving as directors of the Company	Nine directors of the Company and 36 corporate officers not concurrently serving as directors of the Company	Nine directors of the Company and 35 corporate officers not concurrently serving as directors of the Company
Class and number of shares granted	Common stock: 110,000 shares	Common stock: 118,500 shares	Common stock: 154,500 shares	Common stock: 202,000 shares
Date of grant	May 1, 2009	May 6, 2010	May 2, 2011	May 1, 2012
Vesting conditions	No vesting condition	No vesting condition	No vesting condition	No vesting condition
Target service period	No specified service period	No specified service period	No specified service period	No specified service period
Exercise period	From May 1, 2009 to April 30, 2029	From May 6, 2010 to April 30, 2030	From May 2, 2011 to April 30, 2031	From May 1, 2012 to April 30, 2032

	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 26, 2013	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 25, 2014	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 24, 2015	Resolution at Board of Directors’ Meeting held on April 21, 2016
Persons granted	Four directors of the Company and 36 corporate officers not concurrently serving as directors of the Company	Four directors of the Company and 46 corporate officers not concurrently serving as directors of the Company	Three directors of the Company and 48 corporate officers not concurrently serving as directors of the Company	Two directors of the Company excluding non-executive directors, eight executive officers not concurrently serving as directors and 41 corporate officers
Class and number of shares granted	Common stock: 196,000 shares	Common stock: 131,900 shares	Common stock: 142,500 shares	Common stock: 208,800 shares
Date of grant	May 1, 2013	May 1, 2014	May 1, 2015	May 6, 2016
Vesting conditions	No vesting condition	No vesting condition	No vesting condition	No vesting condition
Target service period	No specified service period	No specified service period	No specified service period	No specified service period
Exercise period	From May 1, 2013 to April 30, 2033	From May 1, 2014 to April 30, 2034	From May 1, 2015 to April 30, 2035	From May 7, 2016 to May 6, 2036

	Resolution at Board of Directors' Meeting held on April 27, 2017 Plan A	Resolution at Board of Directors' Meeting held on April 27, 2017 Plan B
Persons granted	Two directors of the Company excluding non-executive directors, five executive officers not concurrently serving as directors and 45 corporate officers	One executive officer not concurrently serving as director and two corporate officers
Class and number of shares granted	Common stock: 206,500 shares	Common stock: 14,300 shares
Date of grant	May 12, 2017	July 5, 2017
Vesting conditions	No vesting condition	No vesting condition
Target service period	No specified service period	No specified service period
Exercise period	From May 13, 2017 to May 12, 2037	From July 6, 2017 to July 5, 2037

2) Changes in the number of stock options

	Previous Year (Year ended December 31, 2020)		Current Year (Year ended December 31, 2021)	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
	Shares	Yen	Shares	Yen
Balance at beginning of period	1,161,300	1	1,084,000	1
Effect of share split	–	–	–	–
Granted	–	–	–	–
Exercised	77,300	1	58,800	1
Forfeited	–	–	–	–
Balance at end of period	1,084,000	1	1,025,200	1
Exercisable balance as of end of period	1,084,000	1	1,025,200	1

(Note 1) The number of stock options is presented by converting it into the number of shares.

(Note 2) All the stock options have been granted at an exercise price of 1 yen per share.

(Note 3) The weighted-average stock price of the exercised stock options at exercise during the period is 4,991 yen for the fiscal year ended December 31, 2021. As for the fiscal year ended December 31, 2020, it was 3,523 yen.

(Note 4) The weighted-average remaining contractual lives of the outstanding stock options as of December 31, 2020 and 2021 were 13.4 years and 12.5 years, respectively.

(2) PSU

As previously mentioned, the Company has discontinued the share-based stock options plans and introduced the PSU in March 2018.

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Number of shares granted (Shares)	–	37,200
Weighted-average fair value at grant date (Yen)	–	4,393

(Note) There were no carrying amounts of liabilities arising from share-based remuneration transactions as of December 31, 2020. As of December 31, 2021, it was 1,243 million yen.

(3) Restricted share-based remuneration plan

The Company has introduced a share-based remuneration plan to grant restricted shares to corporate executive managers and executive managers from January 2021 with the aim of sharing values with shareholders regarding stock price fluctuation, thereby incentivizing them to make a contribution towards an increase in the stock price and corporate values of the Company.

This plan grants allotment of the Company's common stock to those eligible for the allotment by providing monetary remuneration claim and the benefits all of said monetary remuneration claim in the form of contribution in kind. The Company concludes with those eligible for the allotment a restricted share allotment agreement whereby those eligible for the allotment are restricted to transfer the allotted common stock of the Company to a third party, pledge them as collateral and dispose of them for a certain period prescribed in the allotment agreement (hereinafter, the "Transfer Restriction Period") (such restrictions are hereinafter referred to as the "Transfer Restriction").

The Transfer Restriction shall be lifted for all of the restricted shares as of the expiry of the Transfer Restriction Period on condition that those eligible for the allotment continued to assume the positions of corporate executive manager and executive manager (hereinafter, the "Positions Eligible for Allotment) during the Transfer Restriction Period. However, when those eligible for the allotment lose the status of Positions Eligible for Allotment of the Company before the expiry of the Transfer Restriction Period with a reason deemed valid by the Global CEO following the deliberations of Officer Nomination and Compensation Meeting of the Company, the Transfer Restriction shall be lifted at a point in time immediately following the said loss of the positions. Meanwhile, when there are shares for which the Transfer Restriction is not lifted as of the expiry of the Transfer Restriction Period, the Company will acquire such restricted shares without consideration per its scheme.

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Date of grant	–	May 31, 2021
Number of shares granted (Shares)	–	38,700
Fair value at grant date (Yen) (Note)	–	3,578
Settlement method	–	Equity-settled
Transfer Restriction Period	–	From May 31, 2021 to December 31, 2023

(Note) Fair value is measured basis on the average of the daily closing prices of the Company's common stock on the Tokyo Stock Exchange for the one month immediately preceding the resolution date of the Board of Directors.

(4) Share-based remuneration expenses

Share-based remuneration expenses included in the “Selling, general and administrative expenses” in the consolidated statement of profit or loss are as follows:

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Stock option	–	–
PSU	(1,013)	1,407
Restricted share-based remuneration	–	138

35. Financial Instruments

(1) Capital management

The Group conducts capital management with the aim of increasing capital efficiency to realize maintaining a proper financial constitution and return to stockholders, while securing the internal reserves necessary for “Restructuring of the earning power on our core business,” “Strategic investments for growth for the expansion of our growing solution business” and “Strategic investments for growth on exploring businesses”.

As management indicators, the Group utilizes ROE and ROIC as items to be managed for measuring capital efficiency. The Group will also enhance to restructure and act based on a financial strategic foundation which supports the Mid-Term Management Plan through the realization of portfolio management by “Restructuring of the earning power” using ROIC and conducting a financial assessment at the planning and acting stage of investments.

(2) Matters related to risk management

The Group is exposed to financial risks (credit risk, liquidity risk, foreign exchange fluctuation risk, interest rate fluctuation risk and market price fluctuation risk) in the process of its management activities and it manages risks based on a specific policy in order to avoid said risks.

(3) Credit risk management

The Group is exposed to credit risk such as a counterparty’s default on contractual obligations resulting in financial losses to the Group. With respect to trade receivables, the Group regularly monitors the financial position of significant customers and manage the due dates and the receivables balance of each customer to promptly detect and minimize the risk of defaults resulting from deterioration of a customer’s financial position, and when full or partial collection of the receivables is considered impossible, or extremely difficult, it is deemed to be a default. The Group enters into derivative transactions only with highly rated financial institutions in order to minimize counterparty risk.

The carrying amount of the financial assets after impairment presented in the consolidated statement of financial position represent the Group’s maximum exposure to credit risk of financial assets.

The Group’s credit risk exposure related to notes and accounts receivable, etc. is as follows: The Group measures the future expected credit losses to record allowance for doubtful accounts on notes and accounts receivable, etc., taking into accounts probability of recoverability and if there has been a significant increase in credit risk, etc. Whether credit risk increases significantly or not, it is assessed based on the changes in the default risk. For this purpose, the financial condition of the counterpart, past experience, provisions that have already been recorded and past due information is taken into consideration. Allowance for doubtful accounts on trade receivables is always measured at an amount equal to lifetime expected credit losses, which may be measured either on an individual or collective basis, depending on the nature and size of the transaction. If one or several of the following events that can affect the estimated future cash flows of the trade receivables adversely occur, the Group assesses expected credit losses on an individual receivable basis as credit-impaired trade receivables. The Group does not expose itself to significant concentrations of credit risk from specific supplier or customer.

・significant financial difficulty of the debtor

・a breach of contract such as a default or past due event

・the probability that the debtor will enter bankruptcy or other financial reorganization

1) Credit risk exposure related to trade and other receivables, etc.

Notes and accounts receivable, etc.

(Yen in millions)

	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Credit-impaired financial assets	Total
Previous Year (As of December 31, 2020)	661,226	16,969	678,195
Current Year (As of December 31, 2021)	714,695	17,146	731,840

Other financial assets

(Yen in millions)

	Financial assets for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses		Total
		Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
Previous Year (As of December 31, 2020)	58,818	3,290	622	62,729
Current Year (As of December 31, 2021)	87,223	2,364	600	90,188

2) Changes in allowance for doubtful accounts

Allowance for doubtful accounts against notes and accounts receivable, etc.

(Yen in millions)

	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Credit-impaired financial assets	Total
Balance at January 1, 2020	18,795	16,086	34,881
Increase during period	5,592	6,144	11,736
Decrease during period (utilized)	(773)	(2,864)	(3,637)
Decrease during period (reversed)	(1,636)	(1,664)	(3,300)
Other	(794)	(997)	(1,791)
Balance at December 31, 2020	21,184	16,705	37,889
Increase during period	3,179	998	4,177
Decrease during period (utilized)	(1,001)	(1,074)	(2,075)
Decrease during period (reversed)	(3,021)	(1,132)	(4,153)
Other	754	1,591	2,345
Balance at December 31, 2021	21,094	17,088	38,182

Allowance for doubtful accounts against other financial assets

(Yen in millions)

	Financial assets for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses		Total
		Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
Balance at January 1, 2020	71	377	26	474
Increase during period	1	144	575	719
Decrease during period (utilized)	–	–	(3)	(3)
Decrease during period (reversed)	(5)	(173)	–	(177)
Other	–	–	22	22
Balance at December 31, 2020	67	348	620	1,035
Increase during period	–	118	–	118
Decrease during period (utilized)	–	–	(37)	(37)
Decrease during period (reversed)	(1)	(146)	–	(147)
Other	–	–	17	17
Balance at December 31, 2021	66	320	600	987

(4) Liquidity risk management

The Group is exposed to liquidity risk when it is not able to repay liabilities on the due date due to deterioration of the financing environment. Payment terms of payables, such as notes and accounts payable, and accounts payable - other are approximately within one year.

Based on a cash flow plan that incorporates estimated cash inflows and outflows arising from business activities, the Group practices fund management effectively by recognizing the future fund position in advance based on cash flow projections. The Group also strives to diversify sources of financing such as borrowings or bonds in order to reduce liquidity risk. In addition, the Group keeps necessary credit facilities to manage liquidity risk by having commitment lines with several financial institutions.

Balances of financial liabilities (including derivative financial instruments) by due date as of the end of each fiscal year are as follows:

Previous Year (As of December 31, 2020)

(Yen in millions)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	420,140	420,140	420,140	–	–	–	–	–
Bonds and borrowings	706,037	706,595	293,978	81,618	15,425	100,380	5,063	210,131
Lease liabilities	300,153	339,789	61,004	52,825	41,898	32,476	25,334	126,252
Subtotal	1,426,330	1,466,524	775,122	134,443	57,323	132,856	30,397	336,383
Derivative financial liabilities (Note)								
Forward exchange contracts	3,635	3,635	3,635	–	–	–	–	–
Currency swap contracts	4,715	4,715	1,522	(144)	442	2,895	–	–
Commodity swap contracts	(351)	(351)	(351)	–	–	–	–	–
Subtotal	7,999	7,999	4,806	(144)	442	2,895	–	–
Total	1,434,329	1,474,523	779,928	134,299	57,765	135,751	30,397	336,383

Current Year (As of December 31, 2021)

(Yen in millions)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	517,010	517,010	517,010	–	–	–	–	–
Bonds and borrowings	506,648	507,093	149,981	16,044	126,322	4,584	50,000	160,162
Lease liabilities	304,491	343,981	59,529	50,097	40,167	32,277	25,932	135,979
Subtotal	1,328,149	1,368,084	726,520	66,141	166,489	36,861	75,932	296,141
Derivative financial liabilities (Note)								
Forward exchange contracts	2,570	2,570	2,570	–	–	–	–	–
Currency swap contracts	3,561	3,561	(1,041)	74	4,528	–	–	–
Commodity swap contracts	(54)	(54)	(54)	–	–	–	–	–
Interest rate swap contracts	(124)	(124)	–	–	(124)	–	–	–
Subtotal	5,953	5,953	1,475	74	4,404	–	–	–
Total	1,334,102	1,374,037	727,995	66,215	170,893	36,861	75,932	296,141

(Note) Receivables and payables incurred by derivative transactions are presented in net amount.

Total amount of committed line and the amount undrawn are as follows:

(Yen in millions)

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Total amount of committed line	139,512	153,385
The amount drawn	1,967	863
The amount undrawn	137,546	152,522

(5) Foreign currency risk management

The Group engages in business, such as development, purchase, production, distribution and sales, globally and conducts international transactions in regions around the world, and therefore, the fluctuation of foreign currency rates has an impact on the Group's performance.

The Company and certain subsidiaries use mainly forward exchange contracts to hedge foreign currency fluctuation risk identified by currency on a monthly basis for receivables and payables in foreign currencies. When receivables and payables in foreign currencies are expected from forecasted transactions, forward exchange contracts and currency option contracts may be used, depending on exchange rate conditions. In addition, currency swap contracts are used to hedge foreign currency exchange fluctuation risk associated with loans and borrowings denominated in foreign currencies.

The Group limits derivative transactions to actual demand under internal regulations and does not enter into derivative transactions for speculative purposes.

Foreign currency sensitivity analysis

For the financial instruments held by the Group at each fiscal year-end, the impact of appreciation of the foreign currencies against the yen by 1 yen on profit before tax is as follows:

The figures below do not include the impact of translation of financial instruments denominated in functional currencies, assets and liabilities as well as revenues and costs of foreign operations into yen. This analysis is based on the assumption that other variable factors (such as balances, interest rate, etc.) are constant.

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Profit before tax	(65)	(104)

(6) Interest rate risk management

Some of borrowings, etc. with floating interest rates in the Group are exposed to interest rate fluctuation risk. The Group uses interest rate swap transactions for the purpose of hedging interest rate fluctuation risk on borrowings.

The Group limits derivative transactions to actual demand under internal regulations and does not enter into derivative transactions for speculative purposes.

Interest rate sensitivity analysis

As for the financial instruments held by the Group at each fiscal year-end, the impact of interest rate hikes by 1% on profit before tax is as follows:

This analysis is applicable to the financial instruments subject to the effects of changes in interest rates, assuming other variable factors such as the effects of the changes in currency rates remain constant.

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Profit before tax	(93)	(270)

(7) Market price fluctuation risk management

Investment securities in the Group consist primarily of equity securities of business partners and are exposed to market price fluctuation risk.

The Group regularly monitors market prices and financial positions of the issuers with whom it has business relations, and appropriately reviews the status of these securities considering the relationships with the issuers.

Sensitivity of share price fluctuation risk

The sensitivity analysis of the listed stocks the Group holds to share price fluctuation risk is as follows: The analysis shows the impact of drops in market prices of the listed stocks by 1% on other comprehensive income before tax effect, assuming other variables remain constant.

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Other comprehensive income	(714)	(912)

(8) Fair value measurement

The fair value hierarchy of the financial instruments is categorized into the following three levels based on the inputs to the valuation techniques used.

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

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

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

1) Financial instruments measured at fair value

The methods for measuring of major financial instruments measured at fair value are as follows:

(i) Derivative assets and derivative liabilities

Derivative assets and derivative liabilities are included in other financial assets and other financial liabilities, respectively, and those are classified as derivative assets and derivative liabilities measured at fair value through profit or loss. These are forward exchange contracts, currency swap contracts and interest rate swap contracts, etc., which are measured based on the model using largely observable inputs such as foreign currency rates and interest rates.

(ii) Shares

Shares are included in other financial assets, classified into financial assets measured at fair value through other comprehensive income. The shares categorized in Level 1 are the listed stocks traded in active market, which are measured at a quoted price on the exchange. The shares categorized in Level 3 are unlisted stocks, which are primarily measured by using the net asset-based valuation model (i.e., a method of measuring enterprise value based on the net assets of the share issuing company, adjusted for any items that should be adjusted due to marked-to-market, if any).

The fair value hierarchy of financial instruments measured at fair value is as follows:

Previous Year (As of December 31, 2020)

	Level 1	Level 2	Level 3	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Derivative assets	–	2,992	–	2,992
Shares	71,383	–	10,891	82,274
Total	71,383	2,992	10,891	85,266
Derivative liabilities	–	10,991	–	10,991
Total	–	10,991	–	10,991

Current Year (As of December 31, 2021)

	Level 1	Level 2	Level 3	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Derivative assets	–	2,586	–	2,586
Shares	91,164	–	16,650	107,814
Total	91,164	2,586	16,650	110,400
Derivative liabilities	–	8,538	–	8,538
Total	–	8,538	–	8,538

Transfers between levels of the fair value hierarchy are recognized at the end of each fiscal year. There was no transfer between Level 1 and Level 2 for the fiscal years ended December 31, 2020 and 2021.

The changes in assets and liabilities measured at fair value by using Level 3 inputs on a recurring basis from the beginning to the end of the fiscal years ended December 31, 2020 and 2021 are as follows:

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Balance at beginning of period	9,559	10,891
Total gains and losses		
Other comprehensive income (Note)	108	1,637
Purchases	529	3,870
Sale and collection	(25)	(117)
Other	720	368
Balance at end of period	10,891	16,650

(Note) Amount is included in “Net change in fair value of financial assets measured through other comprehensive income” in the consolidated statement of comprehensive income.

The financial instruments categorized as Level 3 in the fair value hierarchy are financial assets measured at fair value through other comprehensive income for which quoted market prices are not readily available. The fair values of such financial instruments are calculated based on the Group’s accounting policy. When measuring the fair values, the Group determines the most appropriate valuation technique considering the nature of the assets, etc. with reasonably estimated input.

2) Financial instruments measured at amortized cost

The valuation technique for the fair value of the financial instruments measured at amortized cost is as follows:

The table below does not include financial instruments where the carrying amounts of which reasonably approximate the fair values and it is not material.

Bonds and borrowings

The fair values of bonds are based on the market prices. The fair values of the borrowings are calculated based on the present value and by discounting the total principal and interest over the remaining term at an interest rate that would be applied if similar borrowings were newly made.

Previous Year (As of December 31, 2020)

	Carrying amount	Level 1	Level 2	Level 3	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Bonds and borrowings	412,060	–	413,610	–	413,610
Total	412,060	–	413,610	–	413,610

Current Year (As of December 31, 2021)

	Carrying amount	Level 1	Level 2	Level 3	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Bonds and borrowings	356,672	–	358,550	–	358,550
Total	356,672	–	358,550	–	358,550

(9) Hedge accounting

Risk management strategy

The Group uses, as derivative transactions, such as forward exchange contracts and currency swap contracts to hedge against foreign currency fluctuation risk associated with the foreign currency-denominated receivables and payables as well as foreign currency-denominated forecast transaction. It uses currency swap contracts, if required, to hedge against risk of changes in currency rate and interest rate associated with the foreign currency-denominated loans and borrowings. The Group also engages in interest rate swap contracts, if required, to hedge against risk of changes in interest rate of the borrowings. It uses commodity swap contracts, if required, to mitigate price fluctuation risk from raw materials. With respect to the execution and management of derivative transactions, the Group complies with the internal regulations that stipulate transaction authority, and engages in the derivative transactions with only highly rated financial institutions to mitigate counterparty credit risk. Hedge ratio is appropriately determined based on the economic relationship between the hedging instrument and hedged item as well as its risk management strategies. There is no material ineffective portion of hedge as the Group applies hedge accounting only when the critical terms of hedging instruments and hedged items match exactly.

The Group uses derivatives when it is economically rational to do so, including the cases where the hedging relationship does not meet the requirements to qualify for hedge accounting.

The carrying amounts and changes in fair value of the hedging instruments that qualify for hedge accounting in each fiscal year are as follows:

Previous Year (As of December 31, 2020)

(Yen in millions)

Hedging type	Hedging instruments	Contract amount	Carrying amount (Note)	
			Assets	Liabilities
Cash flow hedges	Foreign currency derivatives	42,229	218	957
Total		42,229	218	957

Current Year (As of December 31, 2021)

(Yen in millions)

Hedging type	Hedging instruments	Contract amount	Carrying amount (Note)	
			Assets	Liabilities
Cash flow hedges	Foreign currency derivatives	35,748	5	535
	Interest rate derivatives	26,102	124	–
Total		61,850	129	535

(Note) The carrying amounts of these derivatives are recorded in “Other financial assets” or “Other financial liabilities” in the consolidated statement of financial position, and the amounts due for more than one year are categorized as non-current assets or non-current liabilities.

The expected duration of cash flows from the cash flow hedges is approximately four months to eight months for foreign currency contracts, which is expected to be largely the same as the expected duration of the impact on net profit or loss.

For the fiscal years ended December 31, 2020 and 2021, there are no material amounts recognized in profit or loss, which are related to the ineffective portions of hedges and portions excluded from assessment of hedge effectiveness.

The changes in the cash flow hedge reserve arising from the hedging instruments designated as cash flow hedges are as follows:

Previous Year (Year ended December 31, 2020)

	Effective portion of change in fair value of cash flow hedges		
	Foreign currency risk	Commodity-related risk	Total
	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2020	(325)	–	(325)
Other comprehensive income			
Amount that occurred during the period (Note 1)	198	4	202
Amount of reclassification adjustment (Note 2)	159	–	159
Tax effect	(45)	–	(45)
Balance at December 31, 2020	(13)	4	(9)

Current Year (Year ended December 31, 2021)

	Effective portion of change in fair value of cash flow hedges			
	Foreign currency risk	Interest rate risk	Commodity-related risk	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2021	(13)	–	4	(9)
Other comprehensive income				
Amount that occurred during the period (Note 1)	(2,284)	165	(4)	(2,123)
Amount of reclassification adjustment (Note 2)	2,974	–	–	2,974
Tax effect	(57)	(41)	–	(98)
Balance at December 31, 2021	620	124	–	744

(Note 1) The changes in fair value of the hedged items used as the basis for recognizing the ineffective portion matches the changes in fair value of the hedging instruments.

(Note 2) The amount was reclassified as the hedged items affected net profit or loss, and it was recognized as “Other income,” “Other expenses” or “Finance income” and “Finance costs” in the consolidated statement of profit or loss.

(10) Transfer of financial instruments

The Group liquidates a part of its trade receivables. Some of these trade receivables entail a payment obligation on the Group if the debtor fails to make a payment. The Group does not derecognize those trade receivables because they do not qualify for derecognition of financial assets.

The trade receivables transferred in such a way that did not qualify for derecognition are recorded as “Trade and other receivables” at the amount of 117,969 million yen and 108,876 million yen as of December 31, 2020 and 2021, respectively. In addition, the proceeds arising upon the transfer of the assets are recorded at the amount of 20,700 million yen and 23,004 million yen, respectively, as the related liabilities in “Bonds and borrowings” as at the above dates.

36. Related Party

(1) Related party transactions

Previous Year (Year ended December 31, 2020)

Not applicable

Current Year (Year ended December 31, 2021)

Not applicable

(2) Remuneration for key management personnel

The remuneration for key management personnel of each fiscal year is as follows:

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
	Yen in millions	Yen in millions
Remuneration and bonuses	503	647
Share-based payment	–	215
Total	503	862

37. Subsidiaries and Associates, etc.

(1) Information on significant subsidiaries

The significant subsidiaries and associates of the Group at December 31, 2021 are presented in "4. Information on Associates" of "I. Overview of the Company" of "Part I Information on the Company".

(2) Loss of control of subsidiaries

Previous Year (Year ended December 31, 2020)

Not applicable

Current Year (Year ended December 31, 2021)

BRIDGESTONE AMERICAS, INC., a U.S. subsidiary of the Company, has concluded an agreement with LafargeHolcim Ltd., a Swiss building materials manufacturer, regarding the sale of FSBP, a subsidiary of BRIDGESTONE AMERICAS, INC. in the Americas segment, to Holcim Participations (US) Inc., the U.S. subsidiary of LafargeHolcim Ltd., on January 6, 2021 (local time), and the sale was completed on March 31, 2021.

As a result of the sale, BRIDGESTONE AMERICAS, INC. has lost its control of FSBP and its subsidiaries.

The breakdown of assets and liabilities at the time of loss of control of FSBP, consideration received and the balance of proceeds from sale are as follows.

(Yen in millions)

	Current Year (Year ended December 31, 2021)
Breakdown of assets at time of loss of control	
Current assets	64,084
Non-current assets	52,118
Breakdown of liabilities at time of loss of control	
Current liabilities	31,777
Non-current liabilities	30,834

(Yen in millions)

	Current Year (Year ended December 31, 2021)
Consideration received in cash	383,374
Of assets at time of loss of control, cash and cash equivalents	2,708
Proceeds from sale of discontinued operations	380,666

(Note 1) Cash flows associated with loss of control are recorded in "Proceeds from sale of discontinued operations" under cash flows from investing activities in consolidated statement of cash flows.

(Note 2) Gains arising from loss of control of 303,521 million yen and the associated income tax expense of 71,045 million yen are recorded under "Profit (loss) from discontinued operations" in consolidated statement of profit or loss.

(3) Significant associates and jointly controlled entities

There are no significant associates and jointly controlled entities of the Group.

(4) Impairment of investments in a jointly controlled entity

The details are presented in Note "16. Impairment of Non-financial Assets".

38. Commitments

Commitments for the acquisition of assets after the closing date of each fiscal year are as follows:

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	Yen in millions	Yen in millions
Acquisition of property, plant and equipment	49,066	39,665
Acquisition of intangible assets	2,235	1,510
Total	51,300	41,175

39. Subsequent Events

(Acquisition of treasury stock)

The Company has resolved to acquire its treasury stock at the Board of Directors meeting held on February 15, 2022, as per the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, paragraph (3) of the same Act.

(1)	Reason of acquisition of treasury stock	As an agile management for improving capital efficiency
(2)	Kind of shares to acquire	Common stock of the Company
(3)	Total number of shares to acquire	25 million shares (up to) (% of issued shares (not including treasury stock): 3.5%)
(4)	Total acquisition cost	100.0 billion yen (up to)
(5)	Procedure	Market purchases based on the discretionary dealing contract regarding acquisition of treasury stock
(6)	Timing	February 17, 2022 to December 13, 2022
(7)	Other	Based on the resolution of the Board of Directors above, the Company has acquired 1,314,000 shares of its common stocks (acquisition amount of 6.6 billion yen) during a period from February 21, 2022, through February 28, 2022.

(Unauthorized access at a U.S. subsidiary)

It has been confirmed on February 27, 2022 (U.S. Time), BRIDGESTONE AMERICAS, INC., a U.S. subsidiary of the Company, was the subject of unauthorized access to the internal network by a third party. The subsidiary immediately reported this to the local authorities, disconnected the system that was subject to the unauthorized access from the network, and conducted an overall inspection. The system has since been restored. As a result of the investigation carried out afterwards, the cause of this incident of unauthorized access was identified on March 17 (Japan time) to be an attack by ransomware (virus demanding ransom payment). The Group continues to closely cooperate with specialist organizations in order to provide a response to such threats.

The impact that this incident may have on the Group's operating results of the next fiscal year is currently under review. Going forward, if a significant impact on operating results is expected, the Group will promptly report such information.

(Suspension of production in Russia and tire exports to Russia)

The Company resolved to suspend production in Russia and tire exports to Russia on March 14, 2022.

The impact of this decision on the Group's operating results of the next fiscal year is currently under review. Going forward, if a significant impact on operating results is expected, the Group will promptly report such information.

(2) Other

Quarterly information for the fiscal year ended December 31, 2021

(Cumulative period)	Three months ended March 31, 2021	Six months ended June 30, 2021	Nine months ended September 30, 2021	Fiscal year ended December 31, 2021
Revenue (Yen in millions)	727,223	1,510,429	2,317,698	3,246,057
Profit before tax (Yen in millions)	84,064	177,051	276,220	377,594
Profit attributable to owners of parent (Yen in millions)	285,247	352,320	422,848	394,037
Basic earnings per share (Yen)	405.10	500.35	600.49	559.56

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	405.10	95.25	100.15	(40.91)

2. Financial Statements

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheet

(Yen in millions)

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	420,718	349,998
Notes receivable	1,256	1,251
Accounts receivable	*1 241,831	*1 301,816
Finished products	29,598	41,822
Work in process	5,688	7,323
Raw materials and supplies	20,859	31,415
Short-term loans receivable for subsidiaries and associates	*1 42,046	*1 38,527
Accounts receivable - other	*1 13,871	*1 19,439
Income taxes refund receivable	–	8,872
Other current assets	*1 6,779	*1 4,648
Allowance for doubtful accounts	(3,332)	(12,719)
Total current assets	779,313	792,392
Fixed assets		
Property, plant and equipment		
Buildings, net	90,353	104,726
Structures, net	6,575	8,187
Machinery and equipment, net	41,380	43,630
Vehicles and carriers, net	1,278	1,082
Tools, furniture and fixtures, net	11,461	12,353
Land	63,462	63,426
Construction in progress	31,082	24,798
Total property, plant and equipment	245,592	258,203
Intangible assets	10,879	14,582
Investments and other assets		
Investment in securities	71,257	90,615
Investments in subsidiaries and associates	836,414	799,371
Investments in subsidiaries and associates, other than stock	55,377	55,024
Long-term loans receivable for subsidiaries and associates	*1 84,681	*1 86,893
Deferred tax assets	10,720	35,620
Other assets	3,173	2,904
Allowance for doubtful accounts	(17)	(26)
Total investments and other assets	1,061,605	1,070,402
Total fixed assets	1,318,076	1,343,187
Total assets	2,097,389	2,135,579

(Yen in millions)

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable	*1 82,338	*1 105,258
Current portion of bonds	–	40,000
Short-term borrowings	100,000	–
Short-term borrowings to subsidiaries and associates	*1 233	–
Current portion of long-term borrowings	100,000	–
Current portion of long-term borrowings to subsidiaries and associates	*1 1,341	–
Lease obligations	138	163
Accounts payable - other	*1 57,963	*1 74,400
Accrued expenses	*1 28,684	*1 29,941
Income taxes payable	15,948	–
Deposits received	6,030	6,061
Allowance for losses on business transfer	–	133,565
Other current liabilities	4,345	4,744
Total current liabilities	397,018	394,133
Long-term liabilities		
Bonds	350,000	310,000
Lease obligations	174	242
Accrued pension and liability for retirement benefits	49,442	47,782
Provision for environmental remediation	259	263
Asset retirement obligation	2,881	2,910
Other long-term liabilities	3,530	6,435
Total long-term liabilities	406,286	367,633
Total liabilities	803,305	761,766

(Yen in millions)

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Equity		
Shareholders' equity		
Common stock	126,354	126,354
Capital surplus		
Capital reserve	122,079	122,079
Total capital surplus	122,079	122,079
Retained earnings		
Legal reserve	31,279	31,279
Other retained earnings		
Reserve for special depreciation	0	–
Reserve for advanced depreciation of fixed assets	26,430	31,806
Reserve for special account for advanced depreciation of fixed assets	10,037	–
General reserve	789,311	789,311
Retained earnings brought forward	189,979	259,445
Total retained earnings	1,047,037	1,111,840
Treasury stock	(38,656)	(38,123)
Total shareholders' equity	1,256,814	1,322,151
Net unrealized gain (loss) and translation adjustments		
Net unrealized gain (loss) on available-for-sale securities	34,558	48,950
Deferred gain (loss) on derivative instruments	(414)	(285)
Total net unrealized gain (loss) and translation adjustments	34,144	48,665
Stock acquisition rights	3,125	2,997
Total equity	1,294,084	1,373,813
Total liabilities and equity	2,097,389	2,135,579

2) Non-consolidated Statement of Profit or Loss

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Net sales	*1 691,683	*1 839,528
Cost of sales	*1 453,712	*1 527,034
Gross profit	237,971	312,493
Selling, general and administrative expenses	*2 172,594	*2 208,539
Operating profit	65,377	103,954
Non-operating income		
Interest income	*1 1,766	*1 1,141
Dividend income	*1 36,958	*1 194,960
Other	*1 2,840	*1 2,146
Total non-operating income	41,564	198,247
Non-operating expenses		
Interest expense	*1 1,342	*1 988
Loss on forgiveness of debt	–	1,522
Removal and disassembly expense	864	1,469
Loss on retirement of fixed assets	1,215	987
Foreign currency exchange loss	2,961	1,624
Other	4,403	2,696
Total non-operating expenses	10,785	9,286
Ordinary profit	96,155	292,915
Extraordinary income		
Gain on sale of fixed assets	8,576	–
Gain on sales of investment securities	17,584	–
Total extraordinary income	26,160	–
Extraordinary loss		
Impairment loss	*3 1,396	*3 2,025
Loss on business transfer	–	*3,*4 141,074
Loss on business of subsidiaries and associates	*5 17,961	*5 10,816
Total extraordinary loss	19,357	153,915
Profit before income taxes	102,959	139,000
Income taxes - current	17,178	1,689
Income taxes - deferred	2,867	(29,714)
Total income taxes	20,045	(28,025)
Profit	82,914	167,024

3) Non-consolidated Statement of Changes in Equity

Previous Year (Year ended December 31, 2020)

(Yen in millions)

	Shareholders' equity							
		Capital surplus	Retained earnings					
				Other retained earnings				
	Common stock	Capital reserve	Legal reserve	Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	Reserve for special account for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward
Beginning balance	126,354	122,079	31,279	3	25,977	9,421	989,311	193,191
Changes in the year								
Cash dividends								(91,531)
Reversal of reserve for special depreciation				(2)				2
Provision of reserve for advanced depreciation of fixed assets					453			(453)
Provision of reserve for special account for advanced depreciation of fixed assets						616		(616)
Reversal of general reserve							(200,000)	200,000
Profit								82,914
Purchase of treasury stock								
Disposal of treasury stock								(163)
Cancellation of treasury stock								(193,364)
Net changes in items other than shareholders' equity								
Total changes in the year	–	–	–	(2)	453	616	(200,000)	(3,211)
Ending balance	126,354	122,079	31,279	0	26,430	10,037	789,311	189,979

	Shareholders' equity		Net unrealized gain (loss) and translation adjustments		Stock acquisition rights
	Treasury stock	Total shareholders' equity	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	
Beginning balance	(232,329)	1,265,284	44,107	(515)	3,275
Changes in the year					
Cash dividends		(91,531)			
Reversal of reserve for special depreciation		–			
Provision of reserve for advanced depreciation of fixed assets		–			
Provision of reserve for special account for advanced depreciation of fixed assets		–			
Reversal of general reserve		–			
Profit		82,914			
Purchase of treasury stock	(3)	(3)			
Disposal of treasury stock	313	150			
Cancellation of treasury stock	193,364	–			
Net changes in items other than shareholders' equity			(9,549)	101	(150)
Total changes in the year	193,674	(8,470)	(9,549)	101	(150)
Ending balance	(38,656)	1,256,814	34,558	(414)	3,125

Current Year (Year ended December 31, 2021)

(Yen in millions)

	Shareholders' equity							
		Capital surplus	Retained earnings					
				Other retained earnings				
	Common stock	Capital reserve	Legal reserve	Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	Reserve for special account for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward
Beginning balance	126,354	122,079	31,279	0	26,430	10,037	789,311	189,979
Changes in the year								
Cash dividends								(102,107)
Reversal of reserve for special depreciation				(0)				0
Provision of reserve for advanced depreciation of fixed assets					5,375			(5,375)
Reversal of reserve for special account for advanced depreciation of fixed assets						(10,037)		10,037
Profit								167,024
Purchase of treasury stock								
Disposal of treasury stock								(114)
Net changes in items other than shareholders' equity								
Total changes in the year	–	–	–	(0)	5,375	(10,037)	–	69,466
Ending balance	126,354	122,079	31,279	–	31,806	–	789,311	259,445

	Shareholders' equity		Net unrealized gain (loss) and translation adjustments		Stock acquisition rights
	Treasury stock	Total shareholders' equity	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	
Beginning balance	(38,656)	1,256,814	34,558	(414)	3,125
Changes in the year					
Cash dividends		(102,107)			
Reversal of reserve for special depreciation		–			
Provision of reserve for advanced depreciation of fixed assets		–			
Reversal of reserve for special account for advanced depreciation of fixed assets		–			
Profit		167,024			
Purchase of treasury stock	(11)	(11)			
Disposal of treasury stock	544	431			
Net changes in items other than shareholders' equity			14,392	128	(128)
Total changes in the year	533	65,336	14,392	128	(128)
Ending balance	(38,123)	1,322,151	48,950	(285)	2,997

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

1. Valuation policies and methods for assets

(1) Valuation policies and methods for investments in securities

Investments in subsidiaries and associates — The moving-average cost method

Available-for-sale securities

With market value — Fair value based on the market price, etc., at the closing date (unrealized gain and loss, net of tax is recorded in equity, and the moving-average method is used to calculate the cost of securities sold)

Without market value — Primarily the moving-average cost method. Note that investments provided to limited investment partnerships and other organizations are based on the most recent available financial statements according to the financial reporting date specified in contracts with the partnership. They incorporate a net amount of equivalent equity.

(2) Valuation policies and methods for derivatives

Fair value

(3) Valuation policies and methods for inventories

The moving-average cost method (for carrying amounts on the balance sheet, method in which carrying amounts are lowered based on a decline in profitability)

2. Depreciation method for fixed assets

(1) Property, plant and equipment

The declining-balance method

(2) Intangible assets

The straight-line method

3. Accounting policies for reserves and allowances

(1) Allowance for doubtful accounts

In order to reserve for loss from the nonpayment of claims, the actual credit loss rate is used to calculate the amount to be recorded for general claims, and for designated claims for which there is a concern of nonpayment, an amount based on the evaluation of potential loss in the receivables outstanding is recorded.

(2) Allowance for losses on business transfer

In order to reserve for loss arising from a business transfer, the estimated amount to be incurred in the future is recorded.

(3) Accrued pension and liability for retirement benefits

In order to reserve for retirement benefits for employees, an amount based on the estimated amount of projected benefit obligations and pension plan assets as of the current fiscal year end is recorded.

1) Method of attributing projected benefits to periods

Projected benefits are attributed to periods of service up to the end of the current fiscal year on a benefit formula basis.

2) Method of recognizing unrecognized actuarial gain/loss and past service cost

Past service cost is treated as an expense using the straight-line method over a fixed number of years (10 years) within the average remaining years of service of the employees in the year in which the past service costs occur.

Actuarial gain/loss is treated as an expense using the straight-line method over a fixed number of years (10 years) within the average remaining years of service of the employees in the year in which the gain/loss occurs, recorded from the following fiscal year.

(4) Provision for environmental remediation

In order to reserve for outlays for legally required removal and disposal of PCB, etc., the estimated amount of future obligations is recorded.

4. Accounting policies for the translation of foreign currency-denominated assets and liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the end of the fiscal year. The foreign currency exchange gain and loss from translation are recognized in income.

5. Hedge accounting

(1) Hedge accounting method

Deferred hedge accounting is applied.

(2) Hedging instruments and items covered

Instruments	Items covered
Forward foreign exchange contracts	Foreign currency-denominated monetary claims and obligations and forecasted foreign currency-denominated transactions
Foreign currency swaps	Borrowings and bonds
Interest rate swaps	Borrowings
Commodity swaps	Raw materials

(3) Hedging policy

Forward exchange contracts are used only to cover actual foreign exchange needs, and foreign exchange swaps are made to match the principal amount and term of the hedged foreign currency-denominated obligation. Interest rate swaps are entered into for the amount of borrowings only. Commodity swaps are entered into for the trade amount of raw materials. It is the Company’s policy not to use any derivative transactions for speculative purposes.

(4) Method for evaluating the effectiveness of hedges

The validity of hedges is evaluated based on a comparison of total fluctuations in the cash flow or fluctuations in the market value of the hedged item with the total fluctuations in the cash flow or fluctuations in the market value of the hedging instrument.

6. Accounting treatment of consumption tax

Consumption tax and local consumption taxes are excluded. Suspense consumption taxes paid and received are offset and net amount is recorded within accounts receivable-other in current assets.

(Significant accounting estimates)

1. Impairment on fixed assets

(1) Amount recorded in the financial statements for the current fiscal year

Property, plant and equipment	258,203 million yen
Intangible assets	14,582 million yen

(2) Other information that contributes to understanding of users of the financial statements

The notes have been omitted since the same information has been provided in “3. Significant Accounting Policies (11) Impairment of non-financial assets” in the notes to the consolidated financial statements.

2. Recoverability of deferred tax assets

(1) Amount recorded in the financial statements for the current fiscal year

Deferred tax assets	35,620 million yen

(2) Other information that contributes to understanding of users of the financial statements

The notes have been omitted since the same information has been provided in “3. Significant Accounting Policies (19) Income taxes” in the notes to consolidated financial statements. In addition, for repayment of capital received from a subsidiary in the current fiscal year, the Company has estimated taxable profit, which affects calculation of deferred tax assets. A potential situation whereby the accounting estimate differs from the final interpretation of Japanese tax law according to the tax authorities could materially affect the amount of taxable profit for the subsequent fiscal year. For details, please refer to “(Additional information) 1. Repayment of capital from a subsidiary”.

3. Accrued pension and liability for retirement benefits

(1) Amount recorded in the financial statements for the current fiscal year

Accrued pension and liability for retirement benefits	47,782 million yen

(2) Other information that contributes to understanding of users of the financial statements

The notes have been omitted since the same information has been provided in “3. Significant Accounting Policies (13) Employee benefits 2) Post-employment benefits” in the notes to the consolidated financial statements.

4. Allowance for losses on business transfer

(1) Amount recorded in the financial statements for the current fiscal year

Allowance for losses on business transfer 133,565 million yen

(2) Other information that contributes to understanding of users of the financial statements

In order to reserve for a loss expected to be incurred in connection with a transfer of the anti-vibration rubber business and the chemical products solutions business to a wholly-owned subsidiary of the Company through an absorption-type demerger (simplified absorption-type demerger) and a transfer of shares of the wholly-owned subsidiary, the amount expected to be incurred in the future was recorded for such losses that can be reasonably estimated at the end of the current fiscal year.

Note that any unpredictable change in the external environment and other factors may materially affect the amount of losses on business transfer to be recognized in the financial statements of the subsequent fiscal year.

5. Valuation of investments in subsidiaries and associates and investments in subsidiaries and associates, other than stock

(1) Amount recorded in the financial statements for the current fiscal year

Investments in subsidiaries and associates and investments in subsidiaries and associates, other than stock whose market value is deemed extremely difficult to determine was 839,150 million yen.

(2) Other information that contributes to understanding of users of the financial statements

For investments in subsidiaries and associates and investments in subsidiaries and associates, other than stock whose market value is deemed extremely difficult to determine, the Company's policy is to compare the carrying amount of investments to the actual value based on the net asset amount of each company, and recognize an impairment loss when the actual value declines by 50% or more compared to the carrying amount of investments. Note that in cases where any change in the external environment and other factors materially affects the actual value, this may also affect valuation of investments in subsidiaries and associates and investments in subsidiaries and associates, other than stock for the subsequent fiscal year.

(Changes in presentations)

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

The Company has applied the "Accounting Standard for Disclosure of Accounting Estimates" (Accounting Standards Board of Japan Statement No. 31, March 31, 2020)" from the current fiscal year, and provided notes on significant accounting estimates.

However, the details of the previous fiscal year are not stated in the notes in accordance with the transitional treatment provided for in the proviso to paragraph (11) of said accounting standard.

(Non-consolidated statement of profit or loss)

In the previous fiscal year, "Removal and disassembly expense" and "Loss on retirement of fixed assets" were included in "Other" in the "Non-operating Expenses" section. During the current fiscal year, the amounts have become material and such amounts are disclosed separately. The non-consolidated financial statements of the previous fiscal year have been reclassified to reflect these change in presentation.

As a result, 6,482 million yen presented as "Other" in the "Non-operating Expenses" section in the non-consolidated statement of profit or loss for the previous fiscal year has been restated as 864 million yen in "Removal and disassembly expense," 1,215 million yen in "Loss on retirement of fixed assets" and 4,403 million yen in "Other".

(Additional information)

1. Repayment of capital from a subsidiary

In December 2021, the Company received 34,214 million yen from BRIDGESTONE AMERICAS, INC., the Company's subsidiary, as repayment of capital associated with sale of the roofing business. For tax purposes, the transaction is to be accounted for by recognizing deductible expenses as loss on transfer of shares, while the Company's investments in subsidiaries and associates are reduced by the same amount for accounting purposes. The Company excluded some deductible expenses to calculate its taxable income with respect to this matter which gives rise to some uncertain tax treatments under the Japan's tax law. The Company had engaged third-party legal, tax professionals, etc. to consider plausible tax treatments and estimate reasonably its taxable income considering various scenarios and assumptions. As a result, although income taxes – deferred would be 91,100 million yen lower on the basis of lower income taxes payable and higher deferred tax assets if all the deductible expenses were included in calculate taxable income, the Company has lowered its deferred tax assets by 60,000 million yen and increased its income taxes – deferred by the same amount, relative to amounts under the aforementioned treatment.

2. Impact of the COVID-19

The impact of COVID-19 is considered when estimating and making judgments concerning impairment of property, plant and equipment, intangible assets and recoverability of deferred tax assets. Regarding the impact of COVID-19, the Company considers the recovery of market demand and changes in the market environment and makes individual estimates on the impact. However, it is assumed that the direct impact of COVID-19 will continue into the subsequent fiscal year.

(Non-consolidated balance sheet)

*1 Monetary receivables from and payables to subsidiaries and associates

(Yen in millions)

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Short-term monetary receivables	246,697	298,794
Long-term monetary receivables	84,681	86,893
Short-term monetary payables	68,362	73,518

2 Guarantees

(Yen in millions)

Previous Year (As of December 31, 2020)		Current Year (As of December 31, 2021)	
(1) Guarantees on commercial papers issued by BRIDGESTONE EUROPE NV/SA	53,827	(1) Guarantees on commercial papers issued by BRIDGESTONE EUROPE NV/SA	40,980
(2) Guarantees on bank borrowings of employees in consolidated subsidiary (mortgages), etc.	25	(2) Guarantees on bank borrowings of employees in consolidated subsidiary (mortgages), etc.	21
(3) Guarantees on borrowings and accounts payable of BRIDGESTONE HUIZHOU SYNTHETIC RUBBER CO., LTD.	938	(3) Guarantees on borrowings and accounts payable of BRIDGESTONE HUIZHOU SYNTHETIC RUBBER CO., LTD.	–
Total	54,790	Total	41,001

3 Balance of trade notes (without letter of credit) discounted

(Yen in millions)

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
	157	129

(Non-consolidated statement of profit or loss)

*1 Transactions with subsidiaries and associates

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Net sales	507,800	637,949
Purchases, etc.	194,762	252,685
Transactions other than operating transactions	56,782	214,233

*2 Selling, general and administrative expenses

Major items and amounts are as follows:

(Yen in millions)

	Previous Year (Year ended December 31, 2020)	Current Year (Year ended December 31, 2021)
Freight	45,279	75,859
Retirement benefit expenses	895	924
Depreciation	3,579	4,038
Research and development expenses	61,109	63,916

In the previous fiscal year, selling expenses accounted for approximately 40% of selling, general and administrative expenses, and in the current fiscal year, selling expenses again accounted for approximately 40%.

*3 Impairment losses

Previous Year (Year ended December 31, 2020)

The Company classifies the assets it uses for its business based on the categories used within the Company to manage those assets. Assets to be disposed of (assets that are scheduled to be scrapped, sold off, etc.) and idle assets are grouped by property.

In fiscal year 2020, the carrying amount of business-use assets whose profitability decreased and assets to be disposed of which are scheduled to be scrapped or sold off were reduced to recoverable amounts. Those reductions were recognized as an impairment loss of 1,396 million yen under Extraordinary Losses.

A breakdown of that impairment loss is: 850 million yen for construction in progress; 426 million yen for machinery and equipment; 79 million yen for tools, furniture and fixtures; 28 million yen for vehicles and carriers; and 14 million yen for buildings and structures.

(Yen in millions)

Purpose	Type of assets	Locations	Amount
Assets used in the course of business operations	Machinery and equipment; Construction in progress; and some others	Tamana, Kumamoto; and others	848
Assets to be disposed of	Construction in progress	Hikone, Shiga	548

The recoverable amounts for business-use assets were primarily estimated based on their value-in-use. Their future cash flow was calculated at a discount rate of 6.5%. Of the assets to be disposed of, the recoverable amount for assets to be sold off was measured based on their net selling price. The recoverable amount for assets to be scrapped was evaluated based on their memorandum value.

Current Year (Year ended December 31, 2021)

The Company classifies the assets it uses for its business based on the categories used within the Company to manage those assets. Assets to be disposed of (assets that are scheduled to be scrapped, sold off, etc.) and idle assets are grouped by property.

In fiscal year 2021, the carrying amount of business-use assets whose profitability decreased and assets to be disposed of which are scheduled to be scrapped or sold off were reduced to recoverable amounts. Those reductions were recognized as an impairment loss of 2,025 million yen and a loss on business transfer of 545 million yen, totaling 2,570 million yen.

A breakdown of that impairment loss is: 1,619 million yen for machinery and equipment; 343 million yen for buildings and structures; 214 million yen for tools, furniture and fixtures; 209 million yen for construction in progress; and 185 million yen for others.

(Yen in millions)

Purpose	Type of assets	Locations	Amount
Assets used in the course of business operations	Machinery and equipment; and some others	Totsuka, Yokohama; and others	1,551
Assets to be disposed of	Machinery and equipment; and some others	Totsuka, Yokohama; Kodaira, Tokyo; and others	1,020

The recoverable amounts for business-use assets were primarily estimated based on their value-in-use and memorandum value. Future cash flows in measurement of the value-in-use were calculated using the discount rate of 7.0%. Of the assets to be disposed of, the recoverable amount for assets to be sold off was measured based on their net selling price. The recoverable amount for assets to be scrapped was evaluated based on their memorandum value.

*4 Loss on business transfer

Current Year (Year ended December 31, 2021)

Based on the decision to transfer the anti-vibration rubber business and the chemical products solutions business, the related following expenses were recorded.

(Yen in millions)

	Anti-vibration rubber business	Chemical products solutions business
Provision of allowance for losses on business transfer	105,762	27,803
Loss on valuation of shares of subsidiaries and associates	2,586	1,675
Impairment losses	545	–
Other	1,572	1,130
Total	110,465	30,609

*5 Loss on business of subsidiaries and associates

Previous Year (Year ended December 31, 2020)

Taking into consideration the financial condition of certain subsidiaries and associates, related losses have been recorded.

Current Year (Year ended December 31, 2021)

Taking into consideration the financial condition of certain subsidiaries and associates, related losses have been recorded.

(Tax effect accounting)

1 Major components of deferred tax assets and liabilities

(Yen in millions)

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Deferred tax assets		
Accrued pension and liability for retirement benefits	15,132	14,621
Investments in subsidiaries and associates (Note 1)	51,276	14,988
Depreciable assets (Note 1)	12,252	11,944
Accrued expenses	5,471	5,357
Allowance for losses on business transfer (Note 1)	–	21,541
Unused tax losses carryforward (Note 2)	–	6,189
Other	11,484	13,815
Deferred tax assets subtotal	95,615	88,456
Valuation allowance	(55,061)	(19,786)
Total deferred tax assets	40,554	68,670
Deferred tax liabilities		
Reserve for advanced depreciation of fixed assets	(11,654)	(14,024)
Reserve for special account for advanced depreciation of fixed assets	(4,426)	–
Net unrealized gain on available-for-sale securities	(13,463)	(18,221)
Other	(291)	(806)
Total deferred tax liabilities	(29,834)	(33,051)
Deferred tax assets, net	10,720	35,620

(Note 1) This includes deferred tax assets associated to loss on business transfer recorded in the current fiscal year, which consist of the anti-vibration rubber business of 18,171 million yen and the chemical products solutions business of 5,362 million yen.

(Note 2) In the current fiscal year, the result of reasonably estimating tax deductible expenses arising from repayment of capital from BRIDGESTONE AMERICAS, INC. was taken into consideration.

For details, please refer to “(Additional information) 1. Repayment of capital from a subsidiary”.

2 Reconciliation of the statutory effective tax rate and the effective income tax rates after adjustments for tax effect accounting

	Previous Year (As of December 31, 2020)	Current Year (As of December 31, 2021)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Items not categorized as temporary differences	(9.2)	(40.2)
Valuation allowance	3.8	(3.0)
Tax credits for experiment and research expenses	(3.5)	–
Repayment of capital from a subsidiary (Note 1)	–	(22.3)
Loss on business transfer (Note 2)	–	13.9
Other	(2.2)	0.8
Effective income tax rates after adjustments for tax effect accounting	19.5	(20.2)

(Note 1) This is due to the repayment of capital from BRIDGESTONE AMERICAS, INC.

(Note 2) This is due to losses on the transfer of the anti-vibration rubber business and the chemical products solutions business.

(Significant subsequent events)

Acquisition of treasury stock

The Company has resolved to acquire its treasury stock at the Board of Directors meeting held on February 15, 2022, as per the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, paragraph (3) of the same Act.

(1) Reason of acquisition of treasury stock	As an agile management for improving capital efficiency
(2) Kind of shares to acquire	Common stock of the Company
(3) Total number of shares to acquire	25 million shares (up to) (% of issued shares (not including treasury stock): 3.5%)
(4) Total acquisition cost	100.0 billion yen (up to)
(5) Procedure	Market purchases based on the discretionary dealing contract regarding acquisition of treasury stock
(6) Timing	February 17, 2022 to December 13, 2022
(7) Other	Based on the resolution of the Board of Directors above, the Company has acquired 1,314,000 shares of its common stocks (acquisition amount of 6.6 billion yen) during a period from February 21, 2022, through February 28, 2022.

(Other notes)

Presentation of stated amounts

Figures less than one million yen are rounded to the nearest million yen.

4) Non-consolidated supplementary schedules

Schedule of property, plant and equipment, etc.

(Yen in millions)

Category	Type of assets	Beginning balance	Increase	Decrease	Depreciation and amortization	Ending balance	Accumulated depreciation
Property, plant and equipment	Buildings	90,353	22,311	350 (238)	7,588	104,726	199,293
	Structures	6,575	2,678	151 (105)	915	8,187	30,697
	Machinery and equipment	41,380	22,551	1,746 (1,619)	18,555	43,630	672,178
	Vehicles and carriers	1,278	407	34 (22)	569	1,082	10,982
	Tools, furniture and fixtures	11,461	12,214	431 (214)	10,891	12,353	158,662
	Land	63,462	–	36 (36)	–	63,426	–
	Construction in progress	31,082	54,795	61,079 (209)	–	24,798	–
	Total	245,592	114,957	63,827 (2,443)	38,519	258,203	1,071,812
Intangible assets	Total	10,879	6,562	206 (127)	2,653	14,582	7,414

(Note) The figures in parentheses in the “Decrease” column represent the amount of impairment losses recorded, and are included in the figures outside the parentheses.

Schedule of allowances

(Yen in millions)

Account item	Beginning balance	Increase	Decrease	Ending balance
Allowance for doubtful accounts	3,349	10,957	1,560	12,746
Allowance for losses on business transfer	–	133,565	–	133,565
Provision for environmental remediation	259	69	65	263

(2) Details of Major Assets and Liabilities

This information is omitted as the consolidated financial statements are prepared.

(3) Other

Not applicable

VI. Administrative Information on the Company's Shares

Business year	From January 1 to December 31
Annual Meeting of Shareholders	March
Record date	December 31
Record dates for dividends of surplus	June 30 (Interim dividend) December 31 (Year-end dividend)
Number of shares constituting one unit	100 shares
Sale or purchase of shares less than one unit	
Handling office	(Special account) Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Administrator of shareholders' register	(Special account) Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Forwarding office	–
Handling charge for selling or purchase	The amount separately stipulated as the amount equivalent to share brokerage fees
Method of public notice	The method of public notices of the Company shall be electronic public notices; provided, however, that if the Company is unable to give an electronic public notice because of an accident or any other unavoidable reason, public notices of the Company may be given in "The Nikkei" newspaper published in Tokyo. (URL for public notice: https://www.bridgestone.co.jp/)
Special benefits for shareholders	None

(Note) With regard to shares less than one unit held by the shareholder, a shareholder of the Company may not exercise any rights other than rights provided in each item of Article 189, paragraph (2) of the Companies Act, and the right to claim that which is set forth in the Company's Articles of Incorporation (to claim the right to make additional purchase of shares less than one unit).

VII. Reference Information on the Company

1. Information on the parent company or equivalent of the Company

The Company does not have a parent company or equivalent.

2. Other reference information

From the beginning of the fiscal year ended December 31, 2021 until the filing date of this securities report, the Company has filed the following documents.

(1)	Annual securities report and appendices, and written confirmation	(The 102nd Fiscal Period)	From January 1, 2020 to December 31, 2020	Filed to Director-General of Kanto Local Finance Bureau on March 26, 2021.
(2)	Internal control system report and appendices			Filed to Director-General of Kanto Local Finance Bureau on March 26, 2021.
(3)	Quarterly securities reports and written confirmations	(First quarter of the 103rd Fiscal Period)	From January 1, 2021 to March 31, 2021	Filed to Director-General of Kanto Local Finance Bureau on May 17, 2021.
		(Second quarter of the 103rd Fiscal Period)	From April 1, 2021 to June 30, 2021	Filed to Director-General of Kanto Local Finance Bureau on August 10, 2021.
		(Third quarter of the 103rd Fiscal Period)	From July 1, 2021 to September 30, 2021	Filed to Director-General of Kanto Local Finance Bureau on November 11, 2021.
(4)	Extraordinary securities report	Extraordinary securities report based on Article 19, paragraph (2), item (xii) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.		Filed to Director-General of Kanto Local Finance Bureau on March 30, 2021.
(5)	Extraordinary securities report	Extraordinary securities report based on Article 19, paragraph (2), item (ix)-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.		Filed to Director-General of Kanto Local Finance Bureau on March 31, 2021.
(6)	Extraordinary securities report	Extraordinary securities report based on Article 19, paragraph (2), item (iii) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.		Filed to Director-General of Kanto Local Finance Bureau on June 15, 2021.
(7)	Extraordinary securities report	Extraordinary securities report based on Article 19, paragraph (2), items (iii), (vii), (xii) and (xix) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.		Filed to Director-General of Kanto Local Finance Bureau on December 10, 2021.
(8)	Extraordinary securities report	Extraordinary securities report based on Article 19, paragraph (2), items (iii) and (vii) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.		Filed to Director-General of Kanto Local Finance Bureau on December 10, 2021.
(9)	Extraordinary securities report	Extraordinary securities report based on Article 19, paragraph (2), item (xii) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.		Filed to Director-General of Kanto Local Finance Bureau on December 17, 2021.

(10)	Securities registration statement (Disposal of treasury stock as part of performance-based stock compensation plan) and appendices		Filed to Director-General of Kanto Local Finance Bureau on April 26, 2021 and March 23, 2022.
(11)	Securities registration statement (Disposal of treasury stock as restricted share-based remuneration) and appendices		Filed to Director-General of Kanto Local Finance Bureau on January 28, 2022.
(12)	Notification for revision of securities registration statement	Notification for revision pertaining to the securities registration statement filed on April 26, 2021	Filed to Director-General of Kanto Local Finance Bureau on May 17, 2021.
(13)	Notification for revision of securities registration statement	Notification for revision pertaining to the securities registration statement filed on April 26, 2021, and the notification for revision of securities registration statement filed on May 17, 2021	Filed to Director-General of Kanto Local Finance Bureau on June 15, 2021.
(14)	Notification for revision of securities registration statement	Notification for revision pertaining to the securities registration statement filed on January 28, 2022	Filed to Director-General of Kanto Local Finance Bureau on February 15, 2022.
(15)	Amended shelf registration statement (Straight bonds)		Filed to Director-General of Kanto Local Finance Bureau on January 8, 2021; March 30, 2021; March 31, 2021; June 15, 2021; December 10, 2021; and December 17, 2021.
(16)	Share buyback report		Filed to Director-General of Kanto Local Finance Bureau on March 15, 2022.

Part II Information About Company Which Provides Guarantee to Reporting Company

Not applicable

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

March 23, 2022

To the Board of Directors of
Bridgestone Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Yasuhiko Haga

Designated Engagement Partner,
Certified Public Accountant:

Takuma Ueki

Designated Engagement Partner,
Certified Public Accountant:

Akiko Fujiharu

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Bridgestone Corporation and its consolidated subsidiaries (the "Group") included in the Financial Information, namely, the consolidated statement of financial position as of December 31, 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1, 2021 to December 31, 2021, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">The accounting for the transfer of the anti-vibration rubber business and the chemical products solutions business</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>As described in Note 31, "Discontinued Operations," to the consolidated financial statements, on December 10, 2021, Bridgestone Corporation (the "Company") entered into an agreement to transfer its anti-vibration rubber business to Anhui Zhongding Holding (Group) Co., Ltd., and concurrently, entered into an agreement to transfer its chemical products solutions business to Endeavor United II Investment Business Limited Partnership, a fund which is structured, managed and operated by Endeavor United Co., Ltd.

In the consolidated statement of profit or loss, from the contract of transfer of the anti-vibration rubber business, the Company recognized a loss on business transfer of 7,452 million yen, a loss of 97,715 million yen recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell and related income tax benefit of 18,372 million yen. From the contract of transfer of the chemical products solutions business, the Company recognized a loss on business transfer of 4,056 million yen, a loss of 44,996 million yen recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell and related income tax benefit of 5,362 million yen, and those were recorded in "profit from discontinued operations".

The process to transfer each business will be that the Company will establish a new wholly-owned subsidiary (the "New Company") to which it transfers the business operations by carrying out an absorption-type demerger, then integrating the business operations of the group into the New Company. In both transfers, the process to calculate the cost of transferring the target assets and liabilities is complex and involves significant assumptions and judgments by management because the Company carves out the target assets and liabilities, and expects to increase the share capital and extend loans to the New Company and its consolidated subsidiaries during the transfer. In addition, the Company engaged external tax professionals to determine whether loss for tax purposes against loss on business transfer incurred when executing the business transfer (applicability of deductible temporary difference) should be recognized because the tax technical knowledge is required for the judgment. Therefore, it involves significant assumptions and judgments by management.</td><td>Our audit procedures related to the accounting treatment of the business transfer included the following, among others:

(1) Evaluation of internal controls

Tested the design and operating effectiveness over the Company's internal controls on the accounting treatment of the business transfer. Especially, we focused on the following controls:

• Controls to assess the economic rationale and viability of the business transfers

• Controls to review the appropriateness of the accounting treatment related to estimate losses arising from the business transfers and related income tax expense

(2) Validation of the accounting treatment of the business transfer

To evaluate the accounting treatment of the business transfer, the following procedures were performed:

• Inspected relevant supporting documents including the contracts for the business transfer and the board of directors' meeting minutes to understand the outline of the transactions, and evaluated the economic rationale of the terms of the transactions based on the contracts, such as the transaction prices.

• Assessed the appropriateness of management's key assumptions and judgments related to the likelihoods of the executions of the transfers in accordance with the terms of the contracts from the perspective of legal binding force and obtaining regulatory approval from the supervisory authorities with the assistance of our legal specialists.</td></tr>
</table>

As the process for calculating the transfer cost is complex and it involves significant assumptions and judgments by management, and the transaction is quantitatively material, we identified the accounting for the transfer of the anti-vibration rubber business and the chemical products solutions business as a key audit matter.	• Regarding the reasonability of the transfer cost calculation method, in order to examine if the transferred assets and liabilities are properly classified and aggregated based on the business transfer contracts, inspected relevant supporting documents, inquired of management to understand the process to transfer the business to the New Company and assessed if the transfer cost calculated is appropriate and in accordance with the applicable accounting standards through inspecting of supporting calculations and by performing independent re-computation as well as considering other relevant documents. • Assessed the reasonableness of management's key assumptions and judgments in determining whether loss for tax purposes against loss on business transfer incurred when executing the business transfer should be recognized with the assistance of our tax specialists.

The assessment of tax uncertainty associated with the repayment of capital from its consolidated subsidiary	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As described in Note 18, "Income Taxes," to the consolidated financial statements, in December 2021, the Company received 34,214 million yen from BRIDGESTONE AMERICAS, INC., the Company's consolidated subsidiary, as repayment of capital associated with sale of the roofing business. For tax purposes, this transaction is to be accounted for by recognizing deductible expenses as a loss on transfer of shares. There are uncertainties with respect to the calculation of its taxable income as the tax treatment may give rise to some uncertain tax treatments under Japan's tax law and the final interpretation according to the tax authorities may differ from the tax treatment. The Company had engaged third-party legal, tax professionals and so forth to consider plausible tax treatments and estimated its taxable income using either the expected value method or the most likely amount method considering various scenarios. Therefore, the accounting estimate involves significant assumptions and judgments by management.	Our audit procedures related to the assessment of the uncertainty of tax treatment associated with the repayment of capital included the following, among others: (1) Evaluation of internal controls Tested the design and operating effectiveness over the Company's internal controls on the uncertain tax treatment to ensure reasonableness. Especially, we focused on the following controls: • Controls to consider and evaluate plausible tax treatments. • Controls to review the reasonableness of the scenarios considered to assess the uncertainty and the estimation of the impact of the uncertainty. (2) Assessment of the uncertainty of tax treatment To evaluate the reasonableness with respect to the uncertain tax treatment arising from the repayment of capital, we performed the following procedures:

Although income tax expense would be 91,100 million yen lower on the basis of lower income taxes payable and higher deferred tax assets if all the deductible expenses were included in calculating taxable income, the Company excluded some deductible expenses to calculate its taxable income for accounting purposes. In its consolidated statements of financial position and profit or loss, the Company has lowered its deferred tax assets by 60,000 million yen and increased its income tax expense by the same amount, relative to amounts under the aforementioned treatment. As the estimation of the impact of the uncertainty involves significant assumptions and judgments by management and the amount is quantitatively material, we identified the assessment of tax uncertainty associated with the repayment of capital from its consolidated subsidiary as a key audit matter.	• Assessed the Company's compliance with the tax laws and regulations related to plausible tax treatments with the assistance of our legal and tax specialists. • Assessed the reasonableness of management’s key assumptions and judgments relating to the tax scenarios and the estimation of monetary impact arising from the uncertain tax treatment with respect to the interpretation of the tax laws and regulations with the assistance of our legal and tax specialists. • Evaluated the accuracy of the calculation methodology and the calculation result with regards to the calculation of taxable income of the expected scenarios in accordance with the interpretation of the tax laws and regulations with the assistance of our tax specialists.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards.

The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Bridgestone Corporation as of December 31, 2021.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Bridgestone Corporation as of December 31, 2021, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and the Audit Committee for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. The Audit Committee is responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

<u>Notes to the Readers of Independent Auditor's Report</u>

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

March 23, 2022

To the Board of Directors of
Bridgestone Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Yasuhiko Haga

Designated Engagement Partner,
Certified Public Accountant:

Takuma Ueki

Designated Engagement Partner,
Certified Public Accountant:

Akiko Fujiharu

Opinion

Pursuant to the first paragraph of Article 193 2 of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of Bridgestone Corporation (the "Company") included in the Financial Section, namely, the non-consolidated balance sheet as of December 31, 2021, and the non-consolidated statement of profit or loss and non-consolidated statement of changes in equity for the 103rd fiscal year from January 1, 2021 to December 31, 2021, and a summary of significant accounting policies and other explanatory information, and the supplementary schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and its financial performance and for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The accounting for the transfer of the anti-vibration rubber business and the chemical products solutions business	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As described in "Notes to the non-consolidated statement of profit or loss" to the non-consolidated financial statements, on December 10, 2021, the Company entered into an agreement to transfer its anti-vibration rubber business to Anhui Zhongding Holding (Group) Co., Ltd., and concurrently, entered into an agreement to transfer its chemical products solutions business to Endeavor United II Investment Business Limited Partnership, a fund which is structured, managed, and operated by Endeavor United Co., Ltd. In the non-consolidated statement of profit or loss, the Company recognized a loss on business transfer of 110,465 million yen from the transfer of the anti-vibration rubber business, 30,609 million yen from the transfer of the chemical products solutions business in the loss on business transfer in extraordinary loss. Also, the Company recognized the income tax benefit—deferred of 18,171 million yen from the loss on business transfer of the anti-vibration rubber business, and 5,362 million yen from the loss on business transfer of the chemical products solutions business. The process to transfer each business will be that the Company will establish a new wholly-owned subsidiary (the "New Company") to which it transfers the business operations by carrying out an absorption-type demerger, then integrating the business operations of the group into the New Company. In both transfers, the process to calculate the allowance for losses on business transfer based on the cost of transferring the shares of the New Company is complex and involves significant assumptions and judgments by management because the Company carves out the target assets and liabilities, and expects to increase the share capital and extend loans to the New Company and its consolidated subsidiaries during the transfer. In addition, the Company engaged external tax professionals to determine whether loss for tax purposes against loss on business transfer incurred when executing the business transfer (applicability of deductible temporary difference) should be recognized because the tax technical knowledge is required for the judgment. Therefore, it involves significant assumptions and judgments by management.	Our audit procedures related to the accounting treatment of the business transfer included the following, among others: (1) Evaluation of internal controls Tested the design and operating effectiveness over the Company's internal controls on the accounting treatment of the business transfer. Especially, we focused on the following controls: • Controls to assess the economic rationale and viability of the business transfers • Controls to review the appropriateness of the accounting treatment related to estimate losses arising from the business transfers and related income taxes (2) Validation of the accounting treatment of the business transfer To validate the accounting treatment of the business transfer, the following procedures were performed: • Inspected relevant supporting documents including the contracts for the business transfer and the board of directors' meeting minutes to understand the outline of the transactions, and evaluated the economic rationale of the terms of the transactions based on the contracts, such as the transaction prices. • Assessed the appropriateness of management's key assumptions and judgments related to the likelihoods of the executions of the transfers in accordance with the terms of the contracts from the perspective of legal binding force and obtaining regulatory approval from the supervisory authorities with the assistance of our legal specialists. • Regarding the reasonability of the calculation method of the allowance for losses on business transfer, in order to examine if the transferred assets and liabilities are properly classified and aggregated based on the business transfer contracts, inspected relevant supporting documents, inquired of management to understand the process to transfer the business to the New Company and assessed if the transfer cost calculated is appropriate and in accordance with the applicable accounting standards through inspecting of supporting calculations and by performing independent re-computation as well as considering other relevant documents.

As the process for calculating the transfer cost is complex and it involves significant assumptions and judgments by management, and the transaction is quantitatively material, we identified the accounting for the transfer of the anti-vibration rubber business and the chemical products solutions business as a key audit matter.	• Assessed the reasonableness of management's key assumptions and judgments in determining whether loss for tax purposes against loss on business transfer incurred when executing the business transfer should be recognized with the assistance of our tax specialists.

The estimation of the tax treatment associated with the repayment of capital from its subsidiary	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As described in "Additional information" to the non-consolidated financial statements, in December 2021, the Company received 34,214 million yen from BRIDGESTONE AMERICAS, INC., the Company's consolidated subsidiary, as repayment of capital associated with sale of the roofing business. For tax purposes, this transaction is to be accounted for by recognizing deductible expenses as a loss on transfer of shares. There are uncertainties with respect to the calculation of its taxable income as the final interpretation according to the tax authorities may differ from the tax treatment. The Company engaged third-party legal, tax professionals and so forth to consider plausible tax treatments and various scenarios. Therefore, the accounting estimate involves significant assumptions and judgments by management. Although income tax benefit—deferred would be 91,100 million yen lower on the basis of lower income taxes payable and higher deferred tax assets if all the deductible expenses were included in calculating taxable income, the Company excluded some deductible expenses to calculate its taxable income for accounting purposes. In its non-consolidated balance sheet and statement of profit or loss, the Company has lowered its deferred tax assets by 60,000 million yen and increased its income tax benefit—deferred by the same amount, relative to amounts under the aforementioned treatment. As the accounting estimate involves significant assumptions and judgments by management and the amount is quantitatively material, we identified the estimation of the tax treatment associated with the repayment of capital from its subsidiary as a key audit matter.	Our audit procedures related to the estimation of the tax treatment associated with the repayment of capital included the following, among others: (1) Evaluation of internal controls Tested the design and operating effectiveness over the Company's internal controls on the estimation of the tax treatment to ensure reasonableness. Especially, we focused on the following controls: • Controls to consider and evaluate plausible tax treatments. • Controls to review the reasonableness of the scenarios considered to assess the estimate of taxable income. (2) Assessment of the estimate of the tax treatment To evaluate the reasonableness with respect to the estimate of the tax treatment arising from the repayment of capital, we performed the following procedures: • Assessed the Company's compliance with the tax laws and regulations related to plausible tax treatments with the assistance of our legal and tax specialists. • Assessed the reasonableness of management's key assumptions and judgments relating to the tax scenarios and the estimation of monetary impact arising from the estimate of the taxable income with respect to the interpretation of the tax laws and regulations with the assistance of our legal and tax specialists. • Evaluated the accuracy of the calculation methodology and the calculation result with regards to the calculation of taxable income of the expected scenarios in accordance with the interpretation of the tax laws and regulations with the assistance of our tax specialists.

Responsibilities of Management and the Audit Committee for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

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[Document Submitted]	Internal Control System Report
[Article of the Applicable Law Requiring Submission of This Document]	Article 24-4-4, paragraph (1) of the Financial Instruments and Exchange Act
[Filed to]	Director of the Kanto Local Finance Bureau
[Date of Submission]	March 23, 2022
[Company Name]	Bridgestone Corporation
[Company Name (in English)]	BRIDGESTONE CORPORATION
[Position and Name of Representative]	Shuichi Ishibashi Member of the Board Global CEO and Representative Executive Officer
[Position and Name of Chief Financial Officer]	Masuo Yoshimatsu Senior Vice President and Executive Officer Global CFO
[Location of Head Office]	3-1-1 Kyobashi, Chuo-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Fukuoka Stock Exchange (2-14-2 Tenjin, Chuo-ku, Fukuoka)

1 Basic Framework of Internal Control over Financial Reporting

Member of the Board, Global CEO and Representative Executive Officer Shuichi Ishibashi, as well as Senior Vice President and Executive Officer, Global CFO Masuo Yoshimatsu are responsible for designing and operating the Company's internal control over financial reporting. They design and operate internal control over financial reporting in accordance with the basic framework of internal control presented in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council.

Internal control achieves its objectives to a reasonable extent given that all individual components of internal control are integrated and function as a whole. Therefore, internal control over financial reporting may not fully prevent or detect misstatements.

2 Scope of Assessment, Assessment Date and Assessment Procedure

Assessment of internal control over financial reporting was carried out as of December 31, 2021, which is the final day of the Company' fiscal year, in accordance with generally accepted assessment standards for internal control over financial reporting.

In this assessment, the business processes to be assessed are selected after an assessment of internal control that has a significant impact on overall financial reporting on a consolidated basis (company-level internal control) is carried out, and in consideration of the results of the said assessment. In assessing the said business processes, an assessment of the effectiveness of internal control is conducted by identifying the key controls that would have a material impact on the reliability of financial reporting after analyzing the selected business processes and by assessing the status of design and operation of the said key controls.

The scope of assessment of internal control over financial reporting is determined to be the scope that is necessary from the viewpoint of materiality of the impact on the reliability of financial reporting regarding the Company, its consolidated subsidiaries and its equity-method affiliates. The materiality of the impact on the reliability of financial reporting is determined in consideration of the materiality of quantitative and qualitative impacts. The scope of assessment of business process-level internal control is determined reasonably in light of the results of an assessment of company-level internal control carried out with respect to all business locations excluding immaterial locations.

To determine the scope of assessment of business process-level internal control, "significant business locations" are selected. They are composed of business locations whose revenue (before elimination of intra-group transactions) reaches approximately two thirds of the revenue in the previous fiscal year, as well as other qualitatively significant business locations. At the selected significant business locations, business processes leading to revenue, accounts receivable and inventories which are deemed as accounting items that are closely associated with a company's business purpose, are included in the scope of the assessment. In addition, the scope of assessment includes other business locations as well as selected significant business locations with respect to certain business processes. Specifically, business processes that have a high risk of misstatement and relate to significant accounting items involving estimates and forecasts, and business processes relating to a business or operation dealing with high-risk transactions, are added to the scope of assessment as business processes with substantial significance in terms of effects on financial reporting, regardless of whether they occur at selected significant business locations.

3 Assessment Result

As a result of the above assessment, we judge that the Company's internal control over its financial reporting is effective as of the end of the current fiscal year.

4 Additional Matters

Not applicable.

5 Significant Matters

Not applicable.

Cover

[Document Submitted]	Written Confirmation
[Article of the Applicable Law Requiring Submission of This Document]	Article 24-4-2, paragraph (1) of the Financial Instruments and Exchange Act
[Filed to]	Director of the Kanto Local Finance Bureau
[Date of Submission]	March 23, 2022
[Company Name]	Bridgestone Corporation
[Company Name (in English)]	BRIDGESTONE CORPORATION
[Position and Name of Representative]	Shuichi Ishibashi Member of the Board Global CEO and Representative Executive Officer
[Position and Name of Chief Financial Officer]	Masuo Yoshimatsu Senior Vice President and Executive Officer Global CFO
[Location of Head Office]	3-1-1 Kyobashi, Chuo-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Fukuoka Stock Exchange (2-14-2 Tenjin, Chuo-ku, Fukuoka)

1 Appropriateness of Descriptions in Annual Securities Report

Member of the Board, Global CEO and Representative Executive Officer Shuichi Ishibashi, as well as Senior Vice President and Executive Officer, Global CFO Masuo Yoshimatsu have confirmed that this Annual Securities Report for the 103rd fiscal year (January 1, 2021 through December 31, 2021) is reasonably and fairly stated in accordance with the Financial Instruments and Exchange Act.

2 Significant Matters

There are no significant matters to report.