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Annual Securities Report

(Filed pursuant to Article 24, paragraph (1) of the Financial Instruments and Exchange Act of Japan)
Business year
From January 1, 2023 To December 31, 2023
(105th Fiscal Period)

Bridgestone Corporation

(E01086)

105th Fiscal Period (from January 1, 2023 to December 31, 2023)

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 26, 2024 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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Annual Securities Report for the 105th Fiscal Period

Audit Report

Cover

[Document Submitted]	Annual Securities Report
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
[Filed to]	Director of the Kanto Local Finance Bureau
[Date of Submission]	March 26, 2024
[Business Year]	105th Fiscal Period (from January 1, 2023 to December 31, 2023)
[Company Name]	Bridgestone Corporation
[Company Name (in English)]	BRIDGESTONE CORPORATION
[Position and Name of Representative]	Shuichi Ishibashi Member of the Board Global CEO and Representative Executive Officer
[Location of Head Office]	3-1-1 Kyobashi, Chuo-ku, Tokyo
[Phone No.]	+81-3 6836 3162
[Contact for Communications]	Keisuke Murakami, Director, Global Financial Accounting Division
[Nearest Contact]	3-1-1 Kyobashi, Chuo-ku, Tokyo
[Phone No.]	+81-3 6836 3162
[Contact for Communications]	Keisuke Murakami, Director, Global Financial Accounting Division
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Fukuoka Stock Exchange (2-14-2 Tenjin, Chuo-ku, Fukuoka)

Part I Information on the Company

I. Overview of the Company

1. Key financial data and trends

(1) Consolidated financial data

Term		International Financial Reporting Standards				
		101st	102nd	103rd	104th	105th
Year ended		December 2019	December 2020	December 2021	December 2022	December 2023
Revenue	Yen in millions	3,507,243	2,695,224	3,246,057	4,110,070	4,313,800
Profit before tax	Yen in millions	335,510	27,412	377,594	423,458	444,154
Profit or loss attributable to owners of parent	Yen in millions	240,111	(23,301)	394,037	300,305	331,305
Comprehensive income attributable to owners of parent	Yen in millions	227,517	(108,005)	581,731	556,730	516,150
Equity attributable to owners of parent	Yen in millions	2,349,378	2,149,958	2,629,883	2,965,835	3,353,592
Total assets	Yen in millions	4,277,016	4,189,327	4,574,892	4,962,203	5,427,813
Total equity attributable to owners of parent per share	Yen	3,336.92	3,053.35	3,734.23	4,333.80	4,898.25
Basic earnings (loss) per share	Yen	332.31	(33.09)	559.56	432.20	483.99
Diluted earnings (loss) per share	Yen	331.76	(33.09)	558.71	431.61	483.41
Ratio of equity attributable to owners of parent to total assets	%	54.9	51.3	57.5	59.8	61.8
Return on equity attributable to owners of parent	%	10.0	(1.0)	16.5	10.7	10.5
Price earnings ratio	Times	12.2	–	8.8	10.9	12.1
Cash flows from operating activities	Yen in millions	505,029	526,947	281,538	268,483	661,433
Cash flows from investing activities	Yen in millions	(261,875)	(155,378)	131,701	(338,004)	(297,719)
Cash flows from financing activities	Yen in millions	(240,458)	18,077	(379,321)	(364,109)	(183,657)
Cash and cash equivalents at end of period	Yen in millions	432,924	810,546	787,542	518,905	724,601
Number of employees	Persons	143,589	138,036	135,636	129,262	125,199

(Notes)
1. The Bridgestone Group (the "Group") prepares its consolidated financial statements based on International Financial Reporting Standards (IFRS) from the 102nd fiscal period, with the transition date of January 1, 2019.
2. Price earnings ratio is not listed for the 102nd fiscal period due to there being a basic loss per share.
3. The average number of temporary employees is omitted since the number is below 10% of the number of employees.
4. On March 31, 2021, FIRESTONE BUILDING PRODUCTS COMPANY, LLC (hereinafter "FSBP"), a subsidiary of Bridgestone Corporation (the "Company"), was sold to Holcim Participations (US) Inc. FSBP has thus been categorized as discontinued operations. Accordingly, the amounts of revenue and profit before tax for the 102nd fiscal period have been reclassified to present the respective amounts of continuing operations, excluding the discontinued operations.
5. On December 10, 2021, the Company decided to newly establish a wholly owned subsidiary through an absorption-type company split which will succeed the Company's anti-vibration rubber business, and after transferring all ownership of the Group's anti-vibration rubber business to the wholly owned subsidiary, it will sell all shares of stock in the wholly owned subsidiary to Anhui Zhongding Holding (Group) Co., Ltd. (hereinafter "AZ"). The anti- vibration rubber business has thus been categorized as discontinued operations. Accordingly, the amounts of revenue and profit before tax for the 102nd fiscal period have been reclassified to present the respective amounts of continuing operations, excluding the discontinued operations.
6. On December 10, 2021, the Company decided to newly establish a wholly owned subsidiary through an absorption-type company split which will succeed the Company's chemical products solutions business, and after transferring all

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

7. The Group has adopted International Accounting Standards (IAS) 12, "Income Taxes" (revised in May 2021), from the 105th fiscal period. Accordingly, the data for the 104th fiscal period are those after the retrospective application. Details of the changes in accounting policies are described in "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 2. Basis of Preparation."

Term		J-GAAP	
		101st	102nd
Year ended		December 2019	December 2020
Net sales	Yen in millions	3,525,600	2,999,018
Ordinary Profit	Yen in millions	316,823	173,802
Profit or loss attributable to owners of parent	Yen in millions	292,598	(2,016)
Comprehensive income	Yen in millions	237,629	(99,079)
Total equity	Yen in millions	2,344,290	2,119,718
Total assets	Yen in millions	3,946,505	3,876,270
Total equity per share	Yen	3,250.37	2,942.56
Earnings or loss per share	Yen	404.95	(2.86)
Diluted earnings per share	Yen	404.28	–
Equity ratio	%	58.0	53.5
Return on equity	%	12.5	(0.1)
Price earnings ratio	Times	10.0	–
Net cash provided by (used in) operating activities	Yen in millions	464,457	483,938
Net cash provided by (used in) investing activities	Yen in millions	(266,910)	(157,772)
Net cash provided by (used in) financing activities	Yen in millions	(198,601)	61,086
Cash and cash equivalents at end of period	Yen in millions	435,319	810,546
Number of employees	Persons	143,589	138,036

(Notes) 1. The average number of temporary employees is omitted since the number is below 10% of the number of employees.
2. Various figures derived from generally accepted accounting principles in Japan (J-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.
3. 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.
4. 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		101st	102nd	103rd	104th	105th
Year ended		December 2019	December 2020	December 2021	December 2022	December 2023
Net sales	Yen in millions	867,267	691,683	839,528	981,660	1,007,593
Ordinary Profit	Yen in millions	203,233	96,155	292,915	231,918	300,594
Profit	Yen in millions	224,719	82,914	167,024	164,341	284,215
Common stock	Yen in millions	126,354	126,354	126,354	126,354	126,354
Total number of shares issued	Thousands of shares	761,536	713,698	713,698	713,698	713,698
Total equity	Yen in millions	1,312,152	1,294,084	1,373,813	1,304,356	1,457,572
Total assets	Yen in millions	1,975,746	2,097,389	2,135,579	1,911,361	2,121,023
Total equity per share	Yen	1,859.05	1,833.40	1,946.44	1,902.07	2,125.55
Dividend per share [Interim dividend amount]	Yen	160 [80]	110 [50]	170 [85]	175 [85]	200 [100]
Earnings per share	Yen	311.00	117.76	237.18	236.52	415.19
Diluted earnings per share	Yen	310.49	117.57	236.83	236.20	414.70
Equity ratio	%	66.2	61.6	64.2	68.1	68.6
Return on equity	%	16.4	6.4	12.5	12.3	20.6
Price earnings ratio	Times	13.1	28.7	20.9	19.8	14.1
Dividend payout ratio	%	51.4	93.4	71.7	74.0	48.2
Number of employees	Persons	14,567	14,858	14,745	13,903	14,106
Total shareholder return	%	99.9	86.3	127.2	125.3	157.1
[Comparative indicator: TOPIX (dividend included)]	%	[118.1]	[126.8]	[143.0]	[139.5]	[178.9]
Highest share price	Yen	4,734.0	4,082.0	5,467.0	5,509.0	6,245.0
Lowest share price	Yen	3,888.0	2,861.5	3,307.0	4,042.0	4,548.0

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

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

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

2. History

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

3. Description of business

The Bridgestone Group (the “Group”) comprises Bridgestone Corporation (the “Company”), 239 subsidiaries (of which 239 are consolidated subsidiaries), and 128 associates (of which 128 are accounted for using the equity method). The Group is engaged in the businesses below through its reporting segments “Japan,” “China, Asia-Pacific,” “Americas,” and “Europe, Russia, Middle East, India and Africa,” as well as through other segments.

Reporting segments have been reorganized from the first quarter ended March 31, 2023. Details are described in “V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 6. Operating Segments.”

<table>
<tr><th>Name of segment</th><th>Major businesses</th><th colspan="2">Major companies</th></tr>
<tr><td rowspan="6">Japan</td><td rowspan="6">Premium tire business
Solutions business
Chemical and industrial products and diversified products business [Sports, cycle]</td><td>[Controlling, manufacturing and sales]</td><td>Bridgestone Corporation</td></tr>
<tr><td>[Controlling of tire sales]</td><td>BRIDGESTONE TIRE SOLUTION JAPAN CO., LTD.</td></tr>
<tr><td>[Tire sales]</td><td>BRIDGESTONE RETAIL JAPAN CO., LTD.
BRIDGESTONE MINING SOLUTIONS LATIN AMERICA S.A.
BRIDGESTONE MINING SOLUTIONS AUSTRALIA PTY. LTD.</td></tr>
<tr><td>[Chemical and industrial product sales]</td><td>BRIDGESTONE DIVERSIFIED PRODUCTS JAPAN CO., LTD.</td></tr>
<tr><td>[Manufacturing and sales of golf goods]</td><td>BRIDGESTONE SPORTS CO., LTD.</td></tr>
<tr><td>[Manufacturing and sales of bicycles, etc.]</td><td>BRIDGESTONE CYCLE CO., LTD.</td></tr>
<tr><td rowspan="3">China, Asia-Pacific</td><td rowspan="3">Premium tire business
Solutions business</td><td>[Controlling and sales]</td><td>BRIDGESTONE ASIA PACIFIC PTE. LTD.
BRIDGESTONE (CHINA) INVESTMENT CO., LTD.</td></tr>
<tr><td>[Manufacturing and sales of tires]</td><td>BRIDGESTONE (WUXI) TIRE CO., LTD.
THAI BRIDGESTONE CO., LTD.
BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD.
PT BRIDGESTONE TIRE INDONESIA</td></tr>
<tr><td>[Tire sales]</td><td>BRIDGESTONE AUSTRALIA LTD.</td></tr>
</table>

Name of segment	Major businesses	Major companies	
Americas	Premium tire business Solutions business Diversified products business [Air springs]	[Controlling]	BRIDGESTONE AMERICAS, INC.
		[Manufacturing and sales of tires]	BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC BRIDGESTONE BANDAG, LLC BRIDGESTONE CANADA INC. BRIDGESTONE DE MEXICO, S.A. DE C.V. BRIDGESTONE DO BRASIL INDUSTRIA E COMERCIO LTDA. BRIDGESTONE ARGENTINA S.A.I.C.
		[Tire sales]	BRIDGESTONE RETAIL OPERATIONS, LLC
		[Manufacturing and sales of raw materials for tires]	FIRESTONE POLYMERS, LLC
		[Manufacturing and sales of air springs]	FIRESTONE INDUSTRIAL PRODUCTS COMPANY, LLC
Europe, Russia, Middle East, India and Africa	Premium tire business Solutions business	[Controlling and sales]	BRIDGESTONE EUROPE NV/SA
		[Manufacturing and sales of tires]	BRIDGESTONE POZNAN SP. Z O.O. BRIDGESTONE STARGARD SP. Z O.O. BRIDGESTONE HISPANIA MANUFACTURING S.L.U. BRIDGESTONE INDIA PRIVATE LTD. BRIDGESTONE SOUTH AFRICA (PTY) LTD.
		[Tire sales]	FIRST STOP AYME SAS BRIDGESTONE MIDDLE EAST & AFRICA FZE
Others	Other business	[Finance and others]	BRIDGESTONE FINANCE CORPORATION BRIDGESTONE TREASURY SINGAPORE PTE. LTD.

(Notes) 1. The premium tire business mainly comprises tires for passenger cars, trucks, buses, and specialties tires (for off-the-road mining and construction vehicles, aircraft, agricultural machinery, and motorcycles).

2. The solutions business comprises the retail and service solutions business, the tire-centric solutions business, and the mobility solutions business.

3. The chemical and industrial products business mainly comprises hydraulic and high-performance hoses, rubber tracks, plastic piping, and seismic insolation.

4. The transfer of the Russian business was completed in December 2023.

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.	Kodaira, Tokyo	710	Management of domestic sale of tires for replacement market, sale of 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.	Kodaira, Tokyo	300	Sale of tires and automotive parts	(100.0) 100.0	Yes	No	No	Business facilities
BRIDGESTONE LOGISTICS CO., LTD.	Kodaira, 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.	Totsuka-ku, Yokohama	400	Sale and work on industrial rubber products and 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	Manufacture and sale of sporting goods	100.0	Yes	No	No	Business facilities
BRIDGESTONE CYCLE CO., LTD.	Ageo, Saitama	1,870	Manufacture and sale of bicycles	100.0	Yes	No	No	Business facilities
BRIDGESTONE SPECIALTY TIRE MANUFACTURING (THAILAND) CO., LTD.	Thailand	THB in thousands 11,900,000	Manufacture and sale of off-the-road tires for mining and construction vehicles and aircraft tires	100.0	Yes	Yes	Supply of products to the Company	No
BRIDGESTONE MINING SOLUTIONS LATIN AMERICA S.A.	Chile	USD in thousands 3,000	Sale and related services of off-the-road tires for mining and construction vehicles and conveyor belts, etc.	67.0	Yes	No	Purchase of products from the Company	No
BRIDGESTONE MINING SOLUTIONS AUSTRALIA PTY. LTD.	Australia	AUD in thousands 7,000	Sale and related services of off-the-road tires for mining and construction vehicles and conveyor belts, etc.	100.0	Yes	No	Purchase of products from the Company	No
BRIDGESTONE ASIA PACIFIC PTE. LTD.	Singapore	SGD in thousands 1,623,782	Management of China and Asia-Pacific tire operations and sale of tires	100.0	Yes	No	Purchase of products from the Company	No
BRIDGESTONE (CHINA) INVESTMENT CO., LTD.	China	USD in thousands 347,665	Management of China tire operations and sale of tires	100.0	Yes	No	Purchase of products from the Company	No
BRIDGESTONE (SHENYANG) TIRE CO., LTD.	China	USD in thousands 183,180	Manufacture and sale of tires	(100.0) 100.0	Yes	No	Supply of products to the Company	No
BRIDGESTONE (WUXI) TIRE CO., LTD.	China	USD in thousands 255,040	Manufacture and sale of tires	(100.0) 100.0	Yes	No	Supply of products to the Company	No
BRIDGESTONE TIRE MANUFACTURING VIETNAM LLC	Vietnam	USD in thousands 447,800	Manufacture and sale of tires	(100.0) 100.0	Yes	No	Supply of products to the Company	No
THAI BRIDGESTONE CO., LTD.	Thailand	THB in thousands 400,000	Manufacture and sale of 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	Manufacture and sale of tires	(100.0) 100.0	Yes	No	Supply of products to the Company	No
PT BRIDGESTONE TIRE INDONESIA	Indonesia	IDR in thousands 10,358,400	Manufacture and sale of tires	(54.3) 54.3	Yes	No	Supply of products to the Company	No
BRIDGESTONE AUSTRALIA LTD.	Australia	AUD in thousands 205,820	Sale of tires	(100.0) 100.0	No	No	No	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 AMERICAS, INC.	U.S.	USD in thousands 127,002	Management of Americas operations	100.0	Yes	No	No	No
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC	U.S.	USD in thousands 1	Manufacture and sale of tires	(100.0) 100.0	Yes	No	Purchase of products and raw materials from and supply of products to the Company	No
BRIDGESTONE RETAIL OPERATIONS, LLC	U.S.	USD in thousands 1	Sale of tires and automotive components, and automotive maintenance and repair services	(100.0) 100.0	No	No	No	No
BRIDGESTONE BANDAG, LLC	U.S.	USD in thousands 1	Manufacture and sale of retreading materials and provision of related services	(100.0) 100.0	No	No	Supply of products to the Company	No
FIRESTONE POLYMERS, LLC	U.S.	USD in thousands 1	Manufacture and sale of synthetic rubber	(100.0) 100.0	No	No	Supply of raw materials to the Company	No
FIRESTONE INDUSTRIAL PRODUCTS COMPANY, LLC	U.S.	USD in thousands 1	Manufacture and sale of air springs	(100.0) 100.0	No	No	No	No
BRIDGESTONE CANADA INC.	Canada	CAD in thousands 20,902	Manufacture and sale of tires and sale of automotive components	(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	Manufacture and sale of tires	(100.0) 100.0	No	No	Purchase of products from the Company	No
BRIDGESTONE DO BRASIL INDUSTRIA E COMERCIO LTDA.	Brazil	BRL in thousands 509,788	Manufacture and sale of 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	Manufacture and sale of 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	Management of Europe, Russia, Middle East, India and Africa tire operations and sale of 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	Manufacture and sale of 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	Manufacture and sale of tires	(100.0) 100.0	No	No	No	No
FIRST STOP AYME SAS	France	EUR in thousands 22,178	Sale of tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE TATABANYA TERMELO KFT.	Hungary	HUF in thousands 73,311,000	Manufacture and sale of tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE HISPANIA MANUFACTURING S.L.U.	Spain	EUR in thousands 3	Manufacture and sale of tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE MIDDLE EAST & AFRICA FZE	U.A.E.	AED in thousands 17,000	Sale of tires	(100.0) 100.0	No	No	No	No
BRIDGESTONE INDIA PRIVATE LTD.	India	INR in thousands 7,737,041	Manufacture and sale of tires	(100.0) 100.0	Yes	No	Purchase of products 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 SOUTH AFRICA (PTY) LTD.	South Africa	ZAR in thousands 207	Manufacture and sale of tires	(75.0) 75.0	No	No	Purchase of products and raw materials from the Company	No
BRIDGESTONE SINGAPORE PTE LTD.	Singapore	USD in thousands 674	Sale and purchase of natural rubber	100.0	Yes	No	Supply of raw materials to the Company	No
BRIDGESTONE FINANCE CORPORATION	Kodaira, Tokyo	50	Lending, factoring and entrusted processing of accounting and payroll calculation	100.0	Yes	No	Settlement of some of the Company's payables and partially entrusted service for accounting	No
BRIDGESTONE TREASURY SINGAPORE PTE. LTD.	Singapore	USD in thousands 450,700	Lending and factoring	100.0	Yes	No	Collection agency for some of the Company's receivables	No
Other: 199 companies								
(Equity-method associates and others) TIREHUB, LLC	U.S.	USD in thousands 20,862	Sale of tires	(50.0) 50.0	No	No	No	No
BRISA BRIDGESTONE SABANCI LASTIK SANAYI VE TICARET A.S.	Turkey	TRY in thousands 305,117	Manufacture and sale of tires	43.6	Yes	No	Purchase of products and raw materials from the Company	No
Other: 126 companies								

(Notes) 1. BRIDGESTONE TIRE SOLUTION JAPAN CO., LTD., BRIDGESTONE SPECIALTY TIRE MANUFACTURING (THAILAND) CO., LTD., BRIDGESTONE ASIA PACIFIC PTE. LTD., BRIDGESTONE (CHINA) INVESTMENT CO., LTD., BRIDGESTONE (SHENYANG) TIRE CO., LTD., BRIDGESTONE (WUXI) TIRE CO., LTD., BRIDGESTONE TIRE MANUFACTURING VIETNAM LLC, BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD., BRIDGESTONE AUSTRALIA LTD., BRIDGESTONE AMERICAS, INC., BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC, 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 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	1,191,323
		(2) Profit before tax	124,551
		(3) Profit	123,121
		(4) Total equity	1,627,877
		(5) Total assets	1,815,288
	BSRO	(1) Revenue	704,631
		(2) Profit before tax	42,874
		(3) Profit	42,848
		(4) Total equity	319,316
		(5) Total assets	492,319

5. Employees

(1) Consolidated companies

(As of December 31, 2023)

Name of segment	Number of employees
Japan	26,384
China, Asia-Pacific	17,513
Americas	49,513
Europe, Russia, Middle East, India and Africa	20,419
Other	8,041
Company-wide (common)	3,329
Total	125,199

(Notes) 1. The number of employees represents the number of active employees.
2. The number of employees in the Japan segment includes the number of employees at tire plants in Japan that produce tires for other segments.
3. The transfer of the Russian business was completed in December 2023.

(2) Status of the Company

(As of December 31, 2023)

Number of employees	Average age (Years)	Average length of service (Years)	Average annual salary (Thousands of yen)
14,106	41.6	15.2	7,483

Name of segment	Number of employees
Japan	10,139
Other	638
Company-wide (common)	3,329
Total	14,106

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

(3) Labor union

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

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

(4) Percentage of female employees in managerial positions, rate of male employees who took childcare leave and wage disparities between male and female employees

Since its founding in 1931, the Group has a history of valuing diverse talent and globally fostering diversity through the acquisition of Firestone Tire & Rubber Company in the U. S. in 1988, etc. In an era where change has become commonplace, we believe that diversity will become increasingly important for the future growth of the Group as we aim at being attentive to and supportive of problems encountered by society and its customers and providing solutions in that regard. The Group will strive to enhance corporate value by added value creation aligned with its business strategy. At the same time, we will accelerate various initiatives based on the Group’s talent strategy, which aims to allow diverse talents to shine through spreading success and gaining confidence of individuals.

(Explanation regarding percentage of female employees in managerial positions)

In order to respect diverse values and promote diversity in decision-making as an organization, the Group is focusing on promoting the development and assignment of female leaders. In Japan, the Group is enhancing its female employee career support such as that of the Program for empowering and supporting female talents towards appointment to managers, in addition to supporting retention of female employees in a manner that enables them to continue working in a manner suited to their individual circumstances in alignment with their diverse life stages, in part by strengthening recruitment of female employees, retaining and empowering them by their work-life balance, and introducing a FemTech program. The Company has set a measurable goal of increasing the percentage of female managers to 7.5% by the end of 2025. As of December 2023, this percentage stands at 4.3%, and the Company is working toward this goal.

(Explanation regarding rate of male employees who took childcare leave)

The Group engages in various initiatives such as those that involve establishing training on the theme of unconscious bias and promoting awareness-raising activities with its sights set on reforming preconceived notions regarding gender role divisions and transforming the corporate culture. We will continue our efforts that entail developing various opportunities for diverse talents to shine on a Group-wide basis. The rate of male employees who took childcare leave has increased steadily compared to the previous fiscal year (15.6%).

(Explanation regarding wage disparities between male and female employees)

There is no disparity in the wage structure or system between male and female employees in the Group. However, there is a difference between male and female employees as a result of current talent portfolio in terms of job categories and the percentage of managerial positions, resulting in wage disparities. In promoting our aim of “developing various opportunities for diverse talents to shine,” which is the axis of the Group’s talent strategy, we are putting efforts to have our talent portfolio more balanced, enhancing participation of female managers in key positions and strengthening recruitment of female employees along with improving working environment at manufacturing sites as well.

Diversity related metrics for the Company and domestic consolidated subsidiaries are as follows.

1) The Company

Company name	Percentage of female employees in managerial positions (%) (Notes 1 and 4)	Rate of male employees who took childcare leave (%) (Notes 2, 4 and 5)	Wage disparities between male and female employees (%) (Notes 3, 4 and 7)		
			All employees	Of which, regular employees	Of which, part-time and fixed-term employees
Bridgestone Corporation	4.3	27.9	82.4	83.6	67.1

2) Consolidated subsidiaries

Company name	Percentage of female employees in managerial positions (%) (Notes 1 and 4)	Rate of male employees who took childcare leave (%) (Notes 2, 4, 5 and 6)	Wage disparities between male and female employees (%) (Notes 3, 4 and 7)		
			All employees	Of which, regular employees	Of which, part-time and fixed-term employees
BRIDGESTONE TIRE SOLUTION JAPAN CO., LTD.	0.7	6.6	67.4	65.3	77.4

Company name	Percentage of female employees in managerial positions (%) (Notes 1 and 4)	Rate of male employees who took childcare leave (%) (Notes 2, 4, 5 and 6)	Wage disparities between male and female employees (%) (Notes 3, 4 and 7)		
			All employees	Of which, regular employees	Of which, part-time and fixed-term employees
BRIDGESTONE RETAIL JAPAN CO., LTD.	0.0	14.8	66.2	72.4	104.6
BRIDGESTONE TIRE SERVICE EASTERN JAPAN CO., LTD.	0.0	17.6	69.3	72.7	74.3
BRIDGESTONE TIRE SERVICE WESTERN JAPAN CO., LTD.	0.0	15.4	67.4	71.5	69.3
BRIDGESTONE TIRE CENTER NISHINIHON CO., LTD.	0.0	16.7	66.0	69.5	72.5
BRIDGESTONE BRM CO., LTD.	0.0	7.7	64.4	75.0	46.7
BRIDGESTONE LOGISTICS CO., LTD.	4.8	40.0	81.1	82.7	88.6
TOWA UNYU CO., LTD.	0.0	33.3	57.8	61.9	45.5
BRIDGESTONE PLANT ENGINEERING CO., LTD.	0.0	25.0	72.8	75.7	62.5
ASAHI CARBON CO., LTD.	0.0	50.0	67.5	72.6	71.5
BRIDGESTONE DIVERSIFIED PRODUCTS JAPAN CO., LTD.	3.3	36.4	65.6	66.7	47.9
BRIDGESTONE FLOWTECH CORPORATION	1.2	30.0	72.2	72.3	71.5
BRIDGESTONE ENGINEERING MANUFACTURING KAKOUHIN CO., LTD	0.0	–	69.9	75.1	55.0
BRIDGESTONE CYCLE CO., LTD.	0.7	36.4	65.9	61.7	115.5
BRIDGESTONE SPORTS CO., LTD.	6.4	0.0	76.1	74.8	64.5
BRIDGESTONE SPORTS SALES JAPAN CO., LTD.	1.4	0.0	58.9	67.7	62.3
BRIDGESTONE SOFTWARE CO., LTD.	12.5	53.8	79.0	78.3	95.2
BRIDGESTONE EMPOWERMENT CO., LTD	60.0	0.0	110.1	112.8	96.3
BRIDGESTONE BUSINESS SERVICE CO., LTD.	0.0	0.0	63.3	76.6	63.2

(Notes) 1. This is calculated based on the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015). Managerial positions are calculated based on positions equivalent to manager level or above in each company of the Group. The figures listed represent the percentage of the number of female employees in managerial positions in the total number of managerial positions as of December 31, 2023.

2. Rate of employees who took childcare leave is calculated based on the rate of childcare leave, etc. taken under Article 71-4, item (i) of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991) based on the provisions under "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).
This is calculated by the formula: "the number of employees who started childcare leave in the current fiscal year ÷ the number of employees whose spouses gave birth during the current fiscal year × 100." It may exceed 100% given that some employees whose spouses gave birth in the previous fiscal year have taken childcare leave, etc. during the current fiscal year.

3. This is calculated as a ratio of average annual wages of female employees to those of male employees in the current fiscal year based on the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life"

(Act No. 64 of 2015). Average annual wages are calculated as “total wages ÷ number of employees.” Total wages include base salary, extra wages, bonuses, etc., excluding retirement allowances, commuting allowances, etc.

4. Secondees are counted as employees of the companies dispatching them as secondee.
5. The number of male employees who took parental leave is added to the number of male employees who took childcare leave.
6. A hyphen “-” indicates that there are no eligible employees.
7. Regular employees include full-time employees and permanent contract employees, and part-time and fixed-term employees include fixed-term contract employees (including retired reemployed employees). Additionally, wages of employees on overseas assignments and wages during periods of leave (such as childcare leave and sick leave, etc. due to non-occupational injury and diseases) are excluded from the calculation.

II. Business Overview

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

The changes in the Group's business environment continue to occur with complexity at an accelerating pace in all aspects, including international relations, politics, economy, environmental issues, and technological innovation. Also, sustainability initiatives including climate change countermeasures are becoming more and more important, and these efforts are linked to the CASE and MaaS movements in the mobility industry, such as the acceleration of the shift to EVs and digitalization. In this business environment, structural changes of the mobility industry, such as the rapid growth of emerging EV manufacturers, continue to progress, and the value demanded of tires continues to change significantly. In order to survive these unpredictable times, where change has become commonplace, and to continue to provide social value and customer value as a "sustainable solutions company," as stated in our vision, the Group has set the "2030 Long Term Strategic Aspiration-Bridgestone 3.0 Journey" announced in 2022 as a roadmap toward 2031, the 100th anniversary of its founding. As part of this journey, we are accelerating our transformation to a resilient "excellent" Bridgestone that transforms change into opportunity, unaffected by continuous change and remaining robust and flexible like rubber.

Under our Mid Term Business Plan (2021-2023), which reached its final year in 2023, we have taken steps to return to a "strong" Bridgestone capable of adapting to changes in the business environment. In the premium tire business, which is our core business, we made investments to lay the foundation for future growth, including in investments to strengthen the production of premium tires such as passenger car high-rim diameter (HRD) tires and off-the-road tires for mining vehicles, as well as of retread tires, and to place an even greater focus on premium areas. Conversely, in the solutions business, which we have positioned as a growth business, we worked to achieve growth by deepening the linkage with the premium tire business. However, from the perspective of potential growth and profitability, we decided to discontinue some solutions for passenger car tires in Europe and the U.S., and other issues remain for future growth. In light of such results for the Mid Term Business Plan (2021-2023), in 2024, we will swiftly implement PDCA (Plan-Do-Check-Act) cycles to ensure continuous improvements and Management, Working & business quality improvement.

In our new Mid Term Business Plan (2024-2026: for the fiscal year 2026, revenue of 4,800 billion yen, adjusted operating profit of 640 billion yen, adjusted operating profit ratio of 13%, ROIC of 10%, and ROE of 11%), with 2024 as the first year, we will continue driving management based on three axes, which we have continued to do since the Mid Term Business Plan (2021-2023). The first of these is to "Tackle past negative legacies squarely without delay," the second is to "Focus on execution and delivering results for immediate issues," and the third is to "Lay foundation for future growth" with the year 2030 as a milestone. In addition, we will pursue operational excellence across our entire value chain by constantly striving to improve productivity and perform high-quality work, persisting in ensuring Management, Working & business quality improvement. To this end, we have established "Passion for Excellence" as our management approach and are pushing forward with initiatives on a global scale. Furthermore, we have set four basic business scenarios for our Mid Term Business Plan (2024-2026) to focus more on value creation. The first is to "Create good business quality," the second is to "Create good tires," the third is to "Create good business," and the fourth is to "Create new business sowing good seeds for the future."

Our top priority for 2024 is to "Create good business quality." By persisting in ensuring Management, Working & business quality improvement, we will return to a strong Bridgestone capable of adapting to change, which we initially aimed to achieve by 2023. We will pursue operational excellence on a global scale by placing further focus on respecting being on-site and performing steady PDCA while sticking to basics, as well as combining continuous improvement and innovation, which is part of Bridgestone DNA. To make this possible, we have established a more advanced "glocal" management structure, effective January 1, 2024. Our business has been divided into two regions: BRIDGESTONE WEST, centered mainly in the U.S. and Europe, and BRIDGESTONE EAST, centered mainly in Japan and the rest of Asia. Further down the structure, we have set 47 "areas" according to the characteristics of the region, market, and business, thereby establishing a system that focuses on creating value on-site. In the premium tire business, we will pave the way for future growth by reorganizing and restructuring our business to focus more on premium areas, such as reducing unprofitable businesses and reorganizing and restructuring the retail business, especially in Europe, a region with low profitability, to strengthen our earning power.

Moreover, after returning to a strong Bridgestone capable of adapting to change in 2024, we will build a foundation for growth with an eye to achieving steady growth from 2025 to 2026 in line with our basic business scenarios. At the core of this strategy is “Create good tires” and “Create good business.”

In “Create good tires,” we will expand the use of Dan-Totsu products that contain ENLITEN, our base technology for product design that we have positioned as a “new premium,” from tires for EVs and other new vehicles to replacement tires. We will also accelerate value creation by promoting the introduction of Bridgestone Commonality Modularity Architecture (BCMA), a manufacturing technology that streamlines the manufacturing and development processes and optimizes costs. To expand our Dan-Totsu products, we will improve our price position by making efforts to have customers recognize the value of these products. We will also continue reinforcing efforts to increase our sales and market share of Bridgestone MASTERCORE, a Dan-Totsu product adopted in off-the-road tires for mining vehicles, and premium tires for passenger cars, trucks and buses.

As for “Create good business,” we aim to amplify the value of Dan-Totsu products during customers’ tire “use,” as well as evolve our sales and service channels by expanding our number of retail sites and enhancing the quality of services offered. In particular, in Japan and the U.S., we plan to provide high-quality services and solutions by working closely with each customer on-site to solve their problems. Alongside this, we will strengthen our “real” sites that provide high-quality services and solutions, as well as our services that utilize digital technologies, such as e-commerce. In addition, we will embark on new corporate branding activities centered on sustainable global motorsports. Through these activities, we plan to continue supporting the development of motorsport culture. We will also express our passion for racing and our position to “a challenge for excellence,” which is emphasized in our “Passion to Turn the World” message. In doing so, we aim to build a sustainable premium brand while resonating with many stakeholders, thereby enhancing corporate value.

Finally, in the fourth scenario, “Create new business sowing good seeds for the future,” we will lay the foundation for achieving our 2030 Long Term Strategic Aspiration-Bridgestone 3.0 Journey, including the period of the next Mid Term Business Plan starting in 2027. First, in solutions for industrial products (tires for mining vehicles, aircraft, trucks and buses), we will embark on evolving our tire wear prediction solutions to tire durability prediction solutions by building unique algorithms that make full use of “digital” and our “real” strengths cultivated on-site, such as Dan-Totsu products and other services. In tire solutions for mining vehicles and aircraft, we will promote co-creation with customers to create value. As for tire solutions for trucks and buses, we will expand the Fleetcare service we offer customers, particularly in the U.S. This service combines premium tires, retreading, maintenance, and fleet management solutions under a single package. We will develop these businesses as our mobility tech business.

In the chemical and industrial products and diversified products businesses, we will focus on areas where we can leverage our strengths and enhance our hydraulic hose business, etc. In the exploratory business, we will push forward with efforts to move from technology development through to commercialization for the recycling business, soft-robotics business, and guayule business.

With regard to sustainability, which is at the core of our management and business, we will endeavor to evolve the Group’s unique Sustainability Business Model that ensures the link between business model and sustainability initiatives to realize carbon neutrality and circular economy across the value chain—“produce and sell” and “use” of products, and their “renew” to raw material.

Particularly on the environmental front, we set our long-term environmental vision toward 2050 in 2012, and “Milestone 2030,” the mid-term environmental targets toward 2030 to realize this vision. In terms of carbon neutrality, we have set clear-cut targets of reducing CO_2 emissions (Scopes 1, 2) (Note) by 50% in 2030 compared to our 2011 baseline, and achieving carbon neutrality by 2050. We estimate an approximate 50% reduction in 2023, above the goal of a 30% reduction. The ratio of renewable energy (electricity) at our global plants, which we are working to increase as part of efforts to reduce CO_2 emissions, is expected to be approximately 60% by 2023, also exceeding the goal of 50%. We will proceed with initiatives to achieve our goal of 100% by 2030. As for the reduction of CO_2 emissions across the value chain (Scope 3) (Note), we will drive initiatives with the target of contributing to reducing more than five times the total of Scope 1 and Scope 2 emissions by 2030 (base year: 2020) throughout the lifecycle of our products, services, and solutions. In order to realize a circular economy, we aim to increase the ratio of recycled and renewable resources to 40% by 2030 and to achieve 100% sustainable materials by 2050. Regarding the ratio of recycled and renewable resources, we estimate having achieved a ratio of approximately 37% in 2023. We will continue efforts to evolve our product strategy, including ENLITEN and retreading, and enhance the utilization of renewable resources in the recycling business, the natural rubber business, and the guayule business. In addition, during the entire period of the Mid Term Business Plan (2024-2026), we will further step up our efforts to help achieve a nature-positive world, such as preventing deforestation and supporting small-scale farmers. With regards to these sustainability initiatives, by carrying out sustainable global motorsport activities, we are striving to promote sustainability across the entire motorsport tire value chain, from raw material procurement to recycling, as quickly as possible. In doing so, we also aim to evolve into a company with management that is agile and sustainable across the board.

In addition, as the business environment is constantly changing, we will strengthen our structure to cope with global management risk unaffected by change. The Global Management Risk Committee, which consists of the top management of each regional business, conducts wide-ranging discussions on management risks and has set three priority management items. Project teams established for each item will push forward with the efforts to identify possible risks to each item and countermeasures. The first is geopolitical risk. We analyze the business impact when risks occur, consider measures to minimize it, organize the implementation system, and promote to implement measures to ensure employee safety, protect assets, respond to customers, protect corporate and brand image, and consider and secure alternative sourcing of raw materials. The second item is our response to TRWP (Tire Road Wear Particles) and 6PPD (a chemical widely used in the tire industry to prevent degradation). TRWP is the result of friction between the tire and the road surface, which is essential for ensuring safe and secure tire movement, and is a mixture of the tread, which is the surface of the tire, and road pavement materials. In response to TRWP, which is an industry-wide issue, as an industry leader, the Group is leading tire industry projects under the World Business Council for Sustainable Development (WBCSD), as well as initiatives by regional industry groups. Furthermore, in collaboration with other industry players and academic institutions, we are investigating the environmental and health impacts of tires throughout their lifecycle. As we advance, we will continue driving relevant initiatives, including promotion of long-life products and linkage with the solutions business. Regarding 6PPD, the industry as a whole is engaging with the issue and evaluating alternatives. The third item is our response to cyberattacks. In the first quarter of 2022, a cyberattack occurred in the Group's U.S. subsidiary, and we implemented emergency measures in each region. In the future, to strengthen our response to such situations, we established a global cyber security team and promote fundamental measures. We conducted global assessment in 2023, and we promote the establishment of the Group's global standards for responding cyberattacks.

With regard to our talent, the driving force behind all of these corporate activities, we aim to reinforce talent investment to increase added value and create a virtuous cycle of value creation based on improving productivity and creativity. From 2023, we have experimented with adding Talent creativity as a global management KPI as a means of tracking progress with these efforts. Even amid the challenging business environment, we are expanding talent investment, and in Japan in particular, we are working to create a comfortable workplace where diverse talent can shine. These initiatives include reskilling and digital training programs, conducting the "100-Day Challenge Program," a development program to enhance on-site experiences, introducing a FemTech program to address women-specific health issues using technology, and improving the workplace environment at manufacturing sites. From 2024, we plan to strengthen our initiatives further by officially adding Talent creativity as a global management KPI. We will also promote the evolution of our corporate culture by linking this to activities related to the enhancement of Talent creativity.

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

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

2. Approach to and initiatives for sustainability

(1) Sustainability

Since its foundation, the Group has been expanding and evolving its business to meet the changing needs of society and to continue supporting the safe and secure mobility and individuals' lifestyles in each era. We believe that it is the Group's role and responsibility to fulfill its mission of "Serving Society with Superior Quality," which involves anticipating changes in society, turning them into opportunities, and contributing to the realization of a sustainable society through its business and social contribution activities.

We positioned 2020 as the first year of the "third foundation" or Bridgestone 3.0 and announced the Mid-Long Term Business Strategy, placing sustainability at the core of management and business. The Group identified its vision of "Toward 2050, Bridgestone continues to provide social value and customer value as a sustainable solutions company." At the same time, we have been working toward establishment and evolution of a Sustainability Business Model that ensures a link between business models and initiatives for realization of a circular economy and carbon neutrality across the Group's entire value chain, upon release in 2020 of our "Sustainability Business Framework" for achieving a win-win-win relationship among society, customers, and Bridgestone by striking a balance between creating social and customer value in seeking sustainable growth of the Group itself.

1) Governance

The Company has been making progress in developing its corporate governance system as part of its efforts that involve driving management in line with the Mid Term Business Plan, which is prepared once every three years based on the Mid-Long Term Business Strategy for achieving its vision under its mission of "Serving Society with Superior Quality" of the Bridgestone Essence. The Company is continuing to improve its corporate governance to strengthen internal controls and evolve as a sustainable solutions company.

The Company's Board of Directors enlists a corporate governance system aiming to realize the Mid-Long Term Business Strategy by exercising its supervisory function involving discussions with business divisions from diverse perspectives via business execution progress reports and information sharing from the business divisions. The Board of Directors receives and reviews regular reports on the status of sustainability initiatives such as achieving carbon neutrality, circular economy, and nature-positive world.

In the business divisions, from January 2024, under the Global CEO, the Group's business will be divided into two regions, BRIDGESTONE WEST, centered mainly in the U.S. and Europe, and BRIDGESTONE EAST, centered mainly in Japan and the rest of Asia, each headed by a Joint Global COO. Under the two regions, several Strategic Business Units (SBU) have been established, which have been broken down into detailed business areas to be more closely on-site involvement and to go deeper into issues. Furthermore, in order to ensure consistency between global and regional strategies and maximize effectiveness and efficiency, the Company has established a global integration function and has appointed a Global Chief Administration Officer (CAO), a Global Chief Digital Transformation Officer (CDXO), and a Global Chief Technology Officer (CTO), etc.

The Global Executive Committee (Global EXCO), consisting mainly of these members, has been established 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 from a global perspective, which improves the transparency of the decision-making process. The committee approves the Mid Term Business Plan, which is based on the Mid-Long Term Business Strategy placing sustainability at the core of management, annual budgets, key investment initiatives, etc. It also manages the progress of the plan.

The Company has designed the remuneration system for Board Members and Executive Officers based on the following principles of remuneration: "attract and cultivate superior talent," "support a competitive remuneration level," "provide motivation for the execution of business strategies," and "provide motivation for enhancing shareholder value." From fiscal year 2022, the Company adopted the mid- to long-term incentives aimed at promoting sustainability and transformation initiatives, and achieving Mid-Long Term

Business Strategy. The Compensation Committee has set the following five goals and evaluates the achievement.

a. Establishment of the “Bridgestone E8 Commitment” and communication with stakeholders both inside and outside of the Company

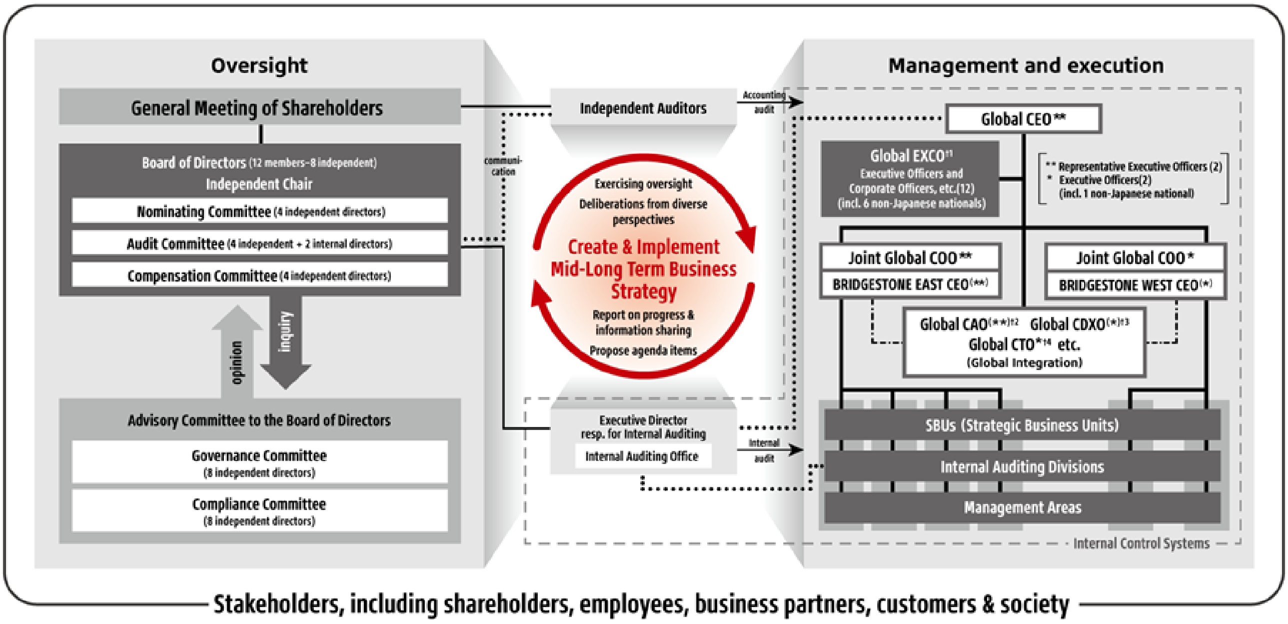
b. Investment in and development of people to increase added value and job satisfaction

c. Carbon neutrality, including reduction of CO_2 emissions

d. Circular economy, including increasing the ratio of recycled and renewable resources

e. Activities for achieving a nature-positive world, establishment of Water Stewardship Policy

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



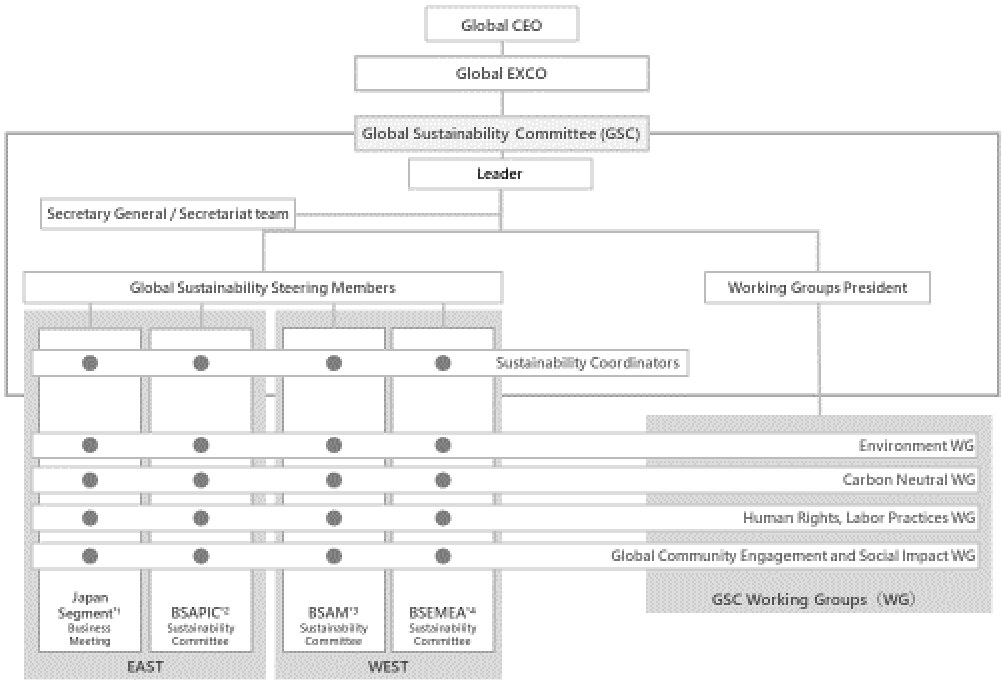
Joint Global COO: Responsible for global operations in two areas:
(1) BRIDGESTONE EAST CEO for Japan & Asia, (2) BRIDGESTONE WEST CEO for Americas & Europe.
†1 Global Executive Committee †2 Global Chief Administration Officer
†3 Global Chief Digital Transformation Officer †4 Global Chief Technology Officer

As of March 26, 2024

Details for the corporate governance system and remuneration system, please refer to “(1) Overview of corporate governance, 1) Basic approach to corporate governance and implementation of measures, b. Overview of the corporate governance system,” and “(4) Remuneration for Members of the Board and Executive Officers, 1) Board Members’ and Executive Officers’ remuneration for the current fiscal year, c. Calculation method and evaluation results of performance-based remuneration” in “IV. Status of the Company, 4. Status of corporate governance.”

Under the Global EXCO, the Company establishes committees based on management strategy and issues, and promotes initiatives that each committee works across regions and organizations to resolve issues. With regard to sustainability, the Global Sustainability Committee (GSC) is responsible for organizing the Group’s Sustainability Framework and holistically leading the design and implementation of sustainability initiatives. Under the GSC, working groups of cross-functional, cross-regional leaders from appropriate functions, work on each of the key themes and report on its progress and plans to the committees at least quarterly. The GSC regularly reviews the priority items while reporting and proposing the progress of initiatives and responses to emerging issues to the Global EXCO. In addition, the GSC continually strengthens its initiatives through the PDCA cycle by developing the targets, KPIs and metrics to track progress.

Global sustainability management structure (as of January 1, 2024)



2) Strategy and risk management

The Group believes that it is essential to build a deeper relationship of trust with its stakeholders while continuing to promote initiatives that form an indispensable foundation for a responsible company to create new value for society and customers, and to achieve sustainable growth together with customers and partners. The Group's sustainability strategy delineates its trajectory for creating value for society and customers through its business activities, social contribution activities, and co-creation activities with all partners, and accordingly identifies the priority items to be addressed to continue to create both social and customer value.

Priority items to be addressed

- Establishment and evolution of the Sustainability Business Model: develop readiness toward carbon neutrality, expand circular economy business activities, and promote nature positive world
- Foster trust with customers, partners and local communities: contribute to solving issues in local communities, and promote road safety education around the world
- Natural rubber value chain: sustainable procurement of natural rubber, and reinforce support for small-scale farmers of natural rubber
- Human rights: promote initiatives in line with the Global Human Rights Policy and continue reinforcement of activity levels
- Tire and road wear particles (TRWP): in collaboration with other industry players and academic institutions, investigate the environmental impacts of tires throughout their lifecycle. Continue to promote initiatives to reduce TRWP with respect to tires across the "produce and sell" and "use" value chain, including promotion of long-life products and collaboration with the solutions business.

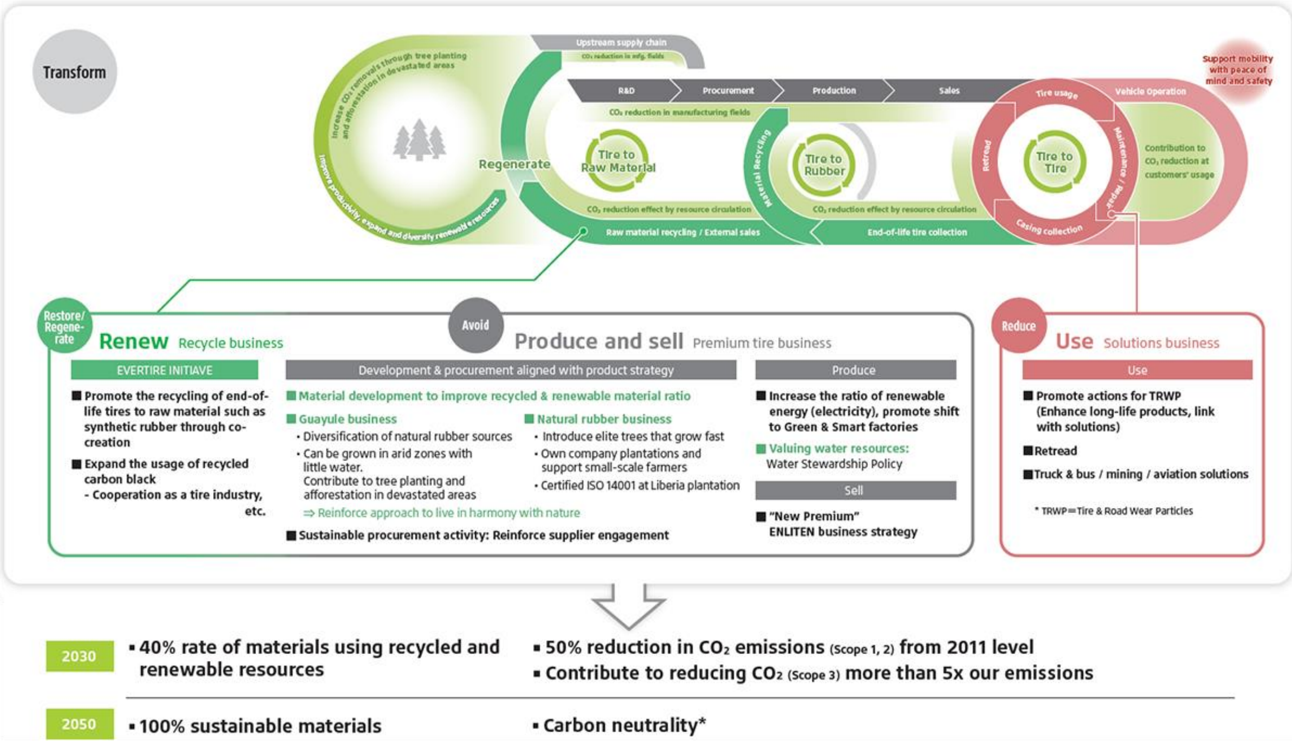
Sustainability Business Model

The Mid-Long Term Business Strategy placing sustainability at the core of management was formulated to realize its vision “Toward 2050, Bridgestone continues to provide social value and customer value as a sustainable solutions company.” With the Mid Term Business Plan as its concrete execution plan, the Group drives the Mid-Long Term Business Strategy from framework to execution.

Regarding sustainability which we place at the core of management and business, we are working to establish Bridgestone’s unique Sustainability Business Model in which we link initiatives focused on the realization of carbon neutrality and a circular economy to our business model across the entire value chain from the “produce and sell,” “use,” of products to their “renewal” to raw materials.

Over the years, the Group has shown a commitment to living in harmony with nature, based on its “Environmental Mission Statement,” which was refined in 2011. The Group has been implementing initiatives to achieve its vision of “living in harmony with nature” in order to reduce CO_2 emissions and tackle the urgent issue of global warming through technology development aimed at valuing natural resources. We set our long-term environmental vision toward 2050 in 2012, and disclosed “Milestone 2030,” the mid-term environmental targets for 2030, in 2020 to realize this vision. In terms of carbon neutrality, we have set clear targets for reducing its total CO_2 emissions (Scope 1 and 2) by 50% compared with 2011 by 2030, and to realize carbon neutrality by 2050. Regarding circular economy, we aim to increase the ratio of use of recycled and renewable resources to 40% by 2030 and to achieve 100% sustainable materials by 2050.

In 2023, the Group evolved its Sustainability Business Model and transform it to a regenerative business model in line with the concepts of the SBTs (Note) for nature action framework, namely, to avoid actions that harm the environment, reduce impact on nature to the greatest extent possible, contribute to the restoration and regeneration of the environment, and fundamentally transform systems. This evolution helps to achieve a nature-positive world where the Group can help stop and reverse the loss of natural ecosystems. By advancing sustainability initiatives across the entire value chain, the Group is committed to the “Bridgestone E8 Commitment” of “Energy: Committed to the realization of a carbon neutral mobility society” and “Ecology: Committed to advancing sustainable tire technologies and solutions that preserve the environment for future generations.”



Regarding risk management, please refer to control of global management risk described in “1. Management policy, management environment and issues to be addressed,” and “3. Business risks” in “II. Business Overview.”

(Note) Science-based targets

3) Metrics and targets

The Group has established metrics and targets in relation to priority items to be addressed in seeking to continue to create both social and customer value. We appropriately track progress of our activities for resolving issues under the Company’s corporate governance system of aiming to realize the Mid-Long Term Business Strategy based on these metrics and targets.

Progress made on initiatives toward establishing a unique Sustainability Business Model that links our business with achieving carbon neutrality across the entire value chain, realizing a circular economy, and promoting a nature-positive world is as follows.

<table>
<tr><th>Priority items to be addressed</th><th>Sub-categories</th><th>Targets</th><th>Progress (2023)</th><th>Contribution to the SDGs</th><th>Creation of value stated in the Bridgestone E8 Commitment</th></tr>
<tr><td rowspan="3">Establishment and evolution of the Sustainability Business Model</td><td rowspan="2">Develop readiness toward carbon neutrality</td><td>Reduce CO_2 emissions (Scopes 1 and 2): Reduce CO_2 emissions by 50% by 2030 (compared to 2011)
Achieve carbon neutrality by 2050</td><td rowspan="2">Scopes 1 and 2: 53% reduction of CO_2 emissions (compared to 2011) (Note 1)
Ratio of renewable energy (electricity): 64% (Note 1)</td><td rowspan="3"></td><td rowspan="3">· Energy: Committed to the realization of a carbon neutral mobility society
· Ecology: Committed to advancing sustainable tire technologies and solutions that preserve the environment for future generations</td></tr>
<tr><td>Contribute to CO_2 reduction (Scope 3): Contribute to reducing more than five times our CO_2 emissions by 2030</td></tr>
<tr><td>Expand circular economy business activities</td><td>Improve resource productivity and develop long life/resource-saving design
Contribute to a circular economy: Increase the ratio of recycled and renewable resources to 40% by 2030 (Note 2)
Use 100% sustainable materials by 2050</td><td>Ratio of recycled and renewable materials: 39% (Note 1)</td></tr>
</table>

(Note 1) These constitute estimated values as of March 26, 2024, and may be revised upon confirmation through assurance review performed by third-party organizations.
(Note 2) Within total material weight for tire products including tire casing for retreading

For other ESG-related data, please refer to the Company’s website “Sustainability.”

(2) Initiatives related to climate change and natural capital loss

As the world becomes increasingly concerned about climate change and the loss of natural capital, there is a growing movement towards a decarbonized society, as exemplified by the Paris Agreement. Additionally, efforts to achieve a nature-positive world, as outlined in the Kunming-Montreal Global Biodiversity Framework, which aims to halt and reverse ecosystem and nature capital loss to put nature on a path to recovery, are gaining momentum. In this context, the Group is working to comprehensively recognize its risks and opportunities associated with climate change and the loss of natural capital, reflecting these in business strategy.

The main risks we identify in this category are "transition risks" associated with the transition to a decarbonized society and a society where nature can coexist, and "physical risks" due to climate change and natural capital loss. Transition risks in Japan and overseas in response to climate change and natural capital loss involve the introduction of systems and regulations related to carbon taxes, CO_2 emission reduction obligations and emissions trading systems, and systems and regulations related to low-fuel consumption performance of tires, recycling used tires, water withdrawal and sustainable natural rubber, etc. If the R&D expenses required to meet the changing needs of society and customers do not produce sufficient results, there is a risk that the Group's operating results and financial position may be adversely affected in ways that include limitations on business activities and increased costs. Physical risks include the risk of stronger typhoons and increased frequency of flooding and drought, which pose the risk of interrupting business activities, risks related to the procurement of raw materials as a result of changing rainfall patterns leading to poor harvesting of natural rubber, and the risk of lower demand for winter tires due to reduced snowfalls. On the other hand, we also see these changes in society and customer needs as new opportunities for growth.

Based on the Group's awareness of the transition risks and opportunities, the Group is advancing initiatives toward achieving carbon neutrality, circular economy, and nature-positive world, with targets set for 2030 to reduce absolute CO_2 emissions (Scope 1 and 2) by 50% compared with 2011 levels, contribute to global CO_2 emissions reductions across the lifecycles and value chain (Scope 3) of the Group's products and services that exceeds five times the amount of CO_2 emissions (Scope 1 and 2) generated by the Group's operations compared with 2020 levels, increase the ratio of recycled and renewable material to 40%, and promote water stewardship plans to reduce water risks at production bases in water-stressed areas. The Group is working to meet these targets with efforts that include developing new technology that helps reduce CO_2 emissions, reducing emissions at production bases of the Group, reducing the impact on natural capital from water withdrawal in water-stressed areas, promoting the development and sales of fuel-efficient tires, expanding our retread tire business, and reducing CO_2 emissions across the supply chain and impact on natural capital through collaboration with suppliers. We evaluate the cost of CO_2 emission and the effect of reductions based on internal carbon pricing in order to assess the risks and opportunities associated with an investment. We are also working to reduce CO_2 emissions across the value chain and the impact of various environmental burdens on natural capital through efforts to build a recycling business that converts used tires back into raw materials and to improve productivity in the natural rubber business.

Concerning physical risks and their associated opportunities, in line with our Business Continuity Plan (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.

The Group's response status in accordance with recommended disclosures on final recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and the Taskforce on Nature-related Financial Disclosure (TNFD) version 1.0, is as follows.

1) Governance

<table>
<tr><th rowspan="2">Recommended disclosures</th><th colspan="2">Status of the Group’s Response</th></tr>
<tr><th>TCFD</th><th>TNFD</th></tr>
<tr><td>Board of Directors’ oversight of dependencies, impacts, risks and opportunities</td><td colspan="2">· The Board of Directors receive and review regular reports on the status of sustainability initiatives, including achieving carbon neutrality, contributing to a circular economy and progress toward being in harmony with nature.</td></tr>
<tr><td>Management’s role in assessing and managing dependencies, impacts, risks and opportunities</td><td colspan="2">· The Global EXCO, the highest level of corporate management, approves and manages the progress of mid-long term strategies, targets and action plans, including achieving carbon neutrality, contributing to a circular economy and progress toward being in harmony with nature.</td></tr>
</table>

Human rights policies and engagement activities, and oversight by the Board of Directors and management, with respect to indigenous peoples, local communities, affected and other stakeholders (TNFD recommended disclosure)	–	· The Global Human Rights Policy and the Global Sustainable Procurement Policy of the Group articulate its strong commitment to respect and support internationally recognized human rights principles such as the UN Guiding Principles for Business and Human Rights. The Global Sustainable Procurement Policy contains minimum requirements for suppliers to acquire or use land only by legal means in accordance with UN Declaration on the Rights of Indigenous Peoples, and to follow Free, Prior, and Informed Consent (FPIC) principles when acquiring land and assessing any forest development or creating forest management plans. The Group promotes the implementation of these policies within the Group, with suppliers, and across the supply chain. · The Group collaborates with the World Wildlife Fund (WWF) to study and develop a due diligence process for ensuring the company's supply chain is in compliance with the Global Sustainable Procurement Policy. On-site ESG audits are conducted for suppliers, including natural rubber smallholders, using a self-assessment questionnaire developed in conjunction with WWF, and risks are evaluated. This questionnaire includes inquires on the FPIC. · The Group establishes a grievance mechanism for the natural rubber supply chain and publicly discloses the standard operating procedure and status of each grievance. We use the grievance mechanism, among others, to monitor any potential/actual issues related to indigenous peoples and local communities' rights in our supply chain. · The Global EXCO approves and manages action plans and progress for sustainability, including respect for human rights, which are reviewed by the Board of Directors.

2) Strategy

<table>
<tr><th rowspan="2">Recommended disclosures</th><th colspan="2">Status of the Group’s Response</th></tr>
<tr><th>TCFD</th><th>TNFD</th></tr>
<tr><td>Dependencies, impacts, risks and opportunities over the short-, medium-, and long-term</td><td colspan="2" rowspan="2">· The Group comprehensively assesses and manages its dependency and impact on the climate and natural capital, as well as the risks and opportunities associated with climate change and the loss of natural capital. Dependencies, impacts, risks and opportunities have been identified as follows.
Dependencies on climate and natural capital (Note)
· Dependency on nature’s provision of water and biomass in the raw material procurement stage as well as climate and healthy soil maintenance and regulating services provided by ecosystems.
· Dependency on nature’s provision of water in the tire production stage.
Impacts on climate and natural capital (Note)
· Impact of land use in the raw material procurement stage.
· Impact of water resource usage and waste generation in the tire production stage.
· Impact of greenhouse gas emissions, water resource usage, emissions to air, water and soil and waste generation throughout the value chain.
Physical risks and opportunities related to climate change and loss of natural capital
· Risks of stronger typhoons and increased frequency of flooding and drought, which pose the risk of interrupting business activities.
· Risks related to the procurement of raw materials as a result of changing rainfall patterns leading to poor harvesting of natural rubber.
· Risk of lower demand for winter tires due to reduced snowfalls.
· Opportunities to commercialize natural rubber derived from guayule, which grows in arid regions. Risks due to poor harvesting of natural rubber derived from Para rubber trees, which are found predominantly in tropical regions.
Risks and opportunities related to the transition to a decarbonized society and a society in harmony with nature
· Risk of adverse effects on operating results and financial position, such as limitations on business activities and increased costs, if R&D expenses required to meet the rapidly changing needs of society and customers do not produce sufficient results when systems and regulations to combat climate change and loss of natural capital are introduced (for example, carbon taxes, CO_2 emission reduction obligations and emissions trading systems, and systems and regulations related to low-fuel consumption performance of tires, recycling used tires, water withdrawal and sustainable natural rubber, etc.).
· Opportunities associated with changes in competitive factors due to changes in mobility needs (for example, increased demand for tires for electric vehicles, increased demand for tires and solutions that help customers reduce CO_2 emissions).
· Opportunities to commercialize the recycling business resulting from increased regulation around the recycling of used tires.
(Note) This refers to the main areas of dependency and impact throughout the value chain of the tire business that were evaluated as either “very high” or “high” in importance by the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) and industrial groups using ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure).</td></tr>
<tr><td>Impact on business model, value chain, strategy, and financial planning</td></tr>
</table>

Recommended disclosures	Status of the Group's Response	
	TCFD	TNFD
Resilience of the organization's strategy, taking into consideration different scenarios	· The Group assesses risks and opportunities based on multiple climate- and nature-related scenarios. It has already begun to address those important risks and opportunities identified and will continue to do so on a regular basis.	
Locations applicable to direct operations, upstream and downstream · Locations with high integrity ecosystems and/or areas of decline in integrity · Areas where biodiversity is of high importance · Water stress areas · Areas where the organization is likely to have significant potential dependencies and/or impacts (TNFD recommended disclosure)	· Expand CO_2 absorption and fixation through afforestation of degraded land	· The Group regularly evaluates production sites located in water stress areas with a risk of declining water resources in terms of quantity and quality. As of the end of 2023, seven sites in India, Indonesia, China and other countries were located in river basins assessed as having "extremely high water risk." A water stewardship plan has been formulated and is being implemented at all these sites based on the water situation is each location.

3) Management of risks and opportunities

Recommended disclosures	Status of the Group's Response	
	TCFD	TNFD
Process for identifying, assessing, and prioritising dependencies, impacts, risks and opportunities in direct operations and upstream and downstream value chain	· The Group strives to comprehensively and appropriately identify and address risks and opportunities across its operation while considering the business scale and characteristics of each Group company. The Group identifies risks and opportunities associated with climate and natural capital by considering dependency and impact throughout the value chain based on evaluations from ENCORE by UNEP-WCMC and others and the Business & Biodiversity Interrelationship Map® released by Japan Business Initiative for Biodiversity (JBIB). · The Group is currently assessing ways to improve its management of business strategy risks and opportunities directly related to the execution of the Mid-Long Term Business Strategy by setting up a dedicated annual risk management process under the direct leadership of the Global EXCO, while operational risks related to day-to-day operations are overseen by the Chief Risk Officer (CRO), who is responsible for overall risk management and formulating risk response plans. · Identifying potential risks faced by each region and the Group as a whole on an annual basis; clarifying ownership for those risks not only for the Group as a whole, but also for each business, SBU and division; and implementing risk management in an autonomous and continuous manner.	
Management process		
Integration into and informing the organization's overall risk management		

4) Metrics and targets

<table>
<tr><th rowspan="2">Recommended disclosures</th><th colspan="2">Status of the Group’s Response</th></tr>
<tr><th>TCFD</th><th>TNFD</th></tr>
<tr><td>Metrics used in the assessment and management of risks and opportunities</td><td rowspan="2">・ Establishing targets and regularly monitoring CO_2 emissions (CO_2 emissions reduction in Scopes 1, 2, and 3, and the reduction contribution of CO_2 emissions throughout the lifecycle and value chain of the Group’s products and services) as one of the metrics for assessing and managing climate-related risks and opportunities.
・ The Group evaluates the cost of CO_2 emission (US$100/t$CO_2$) and the effect of reductions based on internal carbon pricing in order to assess the risks and opportunities associated with an investment.</td><td rowspan="2">・ The Group sets water withdrawal in water stress areas, environmental footprint (amount of hazardous/non-hazardous waste and landfill, VOC emissions, SOx/NOx emissions), and size of habitat management area as metrics in the assessment and management of nature-related risks, opportunities and impacts and regularly monitors status.</td></tr>
<tr><td>Metrics used in the assessment and management of dependencies and impacts</td></tr>
<tr><td>Targets and performance in metrics used in the management of dependencies, impacts, risks and opportunities</td><td colspan="2">・ Setting long term environmental vision (2050 and beyond) and mid- term target (2030) to achieve carbon neutrality, contribute to a circular economy and achieve being in harmony with nature; evaluating and disclosing performance every year.
・ Setting targets toward 2030 to reduce our absolute CO_2 emissions (Scope 1 and 2) by 50% compared with 2011 levels, contribute to global CO_2 emissions reductions across the lifecycles and value chain (Scope 3) of the Group’s products and services exceeding five times our operation’s CO_2 emissions (Scope 1 and 2) compared with 2020 levels, increase ratio of recycled and renewable material to 40%, and promote water stewardship plans to reduce water risks at production bases in water-stressed areas.
・ The main results for targets toward 2030 are as follows.
<table>
<tr><th colspan="2">Priority items to be addressed</th><th>Metrics</th><th>2022 results</th><th>2023 results</th><th>2030 targets</th></tr>
<tr><td rowspan="2">Establishment and evolution of the Sustainability Business Model</td><td>Develop readiness toward carbon neutrality</td><td>Reduce absolute CO_2 emissions (Scopes 1 and 2) compared with 2011 levels</td><td>31%</td><td>53% (Note 1)</td><td>50%</td></tr>
<tr><td>Expand circular economy business activities</td><td>Ratio of recycled and renewable material (Note 2)</td><td>38%</td><td>39% (Note 1)</td><td>40%</td></tr>
</table>
(Note 1) These constitute estimated values as of March 26, 2024, and may be revised upon confirmation through assurance review performed by third-party organizations.
(Note 2) Within total material weight for tire products including tire casing for retreading</td></tr>
</table>

(3) Initiatives related to human capital and diversity

1) Strategy

Having evolved its management approach from that of “crisis response” to “Passion for Excellence,” which expresses a passion for pursuing the top priority on Management, Working & business quality improvement, under its Mid Term Business Plan (2024-2026), with 2024 as the first year, the Group will focus more on value creation in accordance with the "Business shaping scenario," which consists of four scenarios: "Create good business quality," "Create good tires," "Create good business," and "Create new business sowing good seeds for the future." Among the "Business shaping scenario," we will place top priority in 2024 on Management, Working & business quality improvement, namely entailing the objective of "Create good business quality." In advancing such initiatives, we believe it essential that we engage in efforts to enhance productivity and creativity of every employee (Talent creativity), given that our employees form the foundation for all of our corporate activities and serve as the driving force in that regard. It is also essential that we develop a working environment conducive to such aims.

• Enhancing productivity and creativity (Talent creativity) of every employee

The Group strives to enhance corporate value by added value creation aligned with its business strategy in seeking to promote its talent strategy aligned with its business strategy. At the same time, the Group engages in various initiatives in striving to achieve sustainable growth with its sights set on maximizing added value and improving productivity and creativity of every employee, as the axis of our Talent strategy, which aims to allow diverse talents to shine through spreading success and gaining confidence of individuals. We began experimenting with "Talent creativity" as a benchmark reflecting such initiatives in 2023, and have accordingly introduced "Talent creativity" as a global management KPI to the Mid Term Business Plan (2024-2026). Our basic approach to "Talent creativity" is that of reinforcing talent investment to increase added value and create a virtuous cycle of value creation. We set "Talent creativity KPI" as one standard as a global company and work on issues by region / by country while tracking global progress through its KPI (adjusted operating profit (value added) divided by talent investment (sum of labor expense, training and development expense, and welfare and benefit expense)).

In seeking to promote this talent strategy and enhance Talent creativity, we engage in initiatives to address our globally common priority items of "Securing Bridgestone-like talent," "Talent development," "Improving Working Environment," "Creating a place where diverse talent can shine." We have also embarked on initiatives for visualization of both talent and position in seeking to promote and strengthen our talent portfolio in alignment with our business strategy.

Talent creativity KPI

$$\text{Talent creativity} \uparrow = \frac{\text{Adjusted OP} \uparrow}{\underset{\left(\text{Labor expense} + \text{training and development expense} + \text{welfare \& benefit expense}\right)}{\text{Talent investment} \uparrow}}$$

• Securing Bridgestone-like talent: Management, Working & business quality improvement

Since its founding, the Group has been expanding and evolving its business to meet the changing needs of society while continuing to support the mobility of people and objects with safety and peace of mind, guided by its unwavering mission of "Serving Society with Superior Quality." Bridgestone DNA in terms of its "focus on quality," "respect for being on-site (Genbutsu-Genba)," "being attentive and supportive of customer problems," and championing a "challenging spirit" has been shaped and refined over the course of its history through its journey of taking on challenges. We believe that "Securing Bridgestone-like talent" in terms of individuals who empathize with and embody these four elements of our DNA is essential when it comes to our aims of working toward the notion of "becoming a resilient "excellent" Bridgestone that transforms change into opportunity, unperturbed by continuous change while remaining robust and flexible like rubber," as set forth in the "2030 Long Term Strategic Aspiration-Bridgestone 3.0 Journey," and also for Management, Working & business quality improvement, namely entailing the objective of "Create good business quality," in the Mid Term Business Plan (2024-2026) with 2024 as the first year. And the foundation of this is our unique "Deming Plan," which was formulated in the 1960s toward receiving the Deming Application Prize, given to companies that demonstrate distinguished and comprehensive quality management. We were awarded the Deming Application Prize in 1968, and our quality management activities are strongly reflected in the Group's mission "Serving Society with Superior Quality" and "focus on quality," which is part of Bridgestone DNA. Our "Continuous Improvement" activities implemented on-site while embodying the notion of "respect for being on-site (Genbutsu-Genba)" serve as our global asset. We accordingly believe that improving working & business quality derives from our pursuit of operational excellence, meaning that we always aim to improve productivity and to perform high quality work in all of the Group's operations, achieved by promoting continuous improvement and innovation amid a scenario where everyone from our leaders and the organization overall to each and every employee embrace this asset. In seeking to secure and develop Bridgestone-like talent, we began reinforcing our Bridgestone-like Quality Management Training starting with the Company's management from 2023, and we will extend it to a wider level and expand it globally from 2024.

• Talent development (Policy for talent development)

The Group promotes talent development based on a talent strategy aligned with its business strategy. In seeking to realize objectives of the "2030 Long Term Strategic Aspiration-Bridgestone 3.0 Journey" while executing the Mid Term Business Plan (2024-2026), we are proceeding with efforts to strengthen Bridgestone DNA and also accelerating implementation of talent development measures that give rise to a situation where self-driven talent motivated to take on challenges and achieve growth spur value creation, thereby ensuring that growth of the Company and that of each and every employee go hand in hand.

a. Enhancing "Challenging Spirit"

Regarding "challenging spirit," we have been making progress in developing "opportunities for diverse talents to shine and take on various challenges," especially in the exploratory business where, in addition to forming alliances with external partners, we have established a corporate venture, Softrobotics Ventures, bringing together diverse talents with an entrepreneurial spirit to create new businesses from scratch to take on the challenge of early commercialization. The Group encompasses a wide range of business domains, such that include premium tires, solutions, and diversified products, spanning the entire value chain from upstream (raw materials) to downstream (sale and services). Meanwhile, we believe that embodying the notion of "challenge spirit" through active engagement is essential in order to provide further value to our stakeholders, irrespective of the business domain and value chain. The Company is encouraging transformation of mind-set and behavior in part through introduction of the "Genba (on-site) 100-Day Challenge Program," which participants who apply voluntarily take initiative in investigating and verifying self-identified issues and hypotheses at sites both in Japan and overseas involving various operations, and the "Management Challenge Program," which offers junior employees who are motivated to take on challenges the opportunity to gain management experience early in their careers in serving as pre-management position. In 2023, 15 people took part in the "Genba (on-site) 100-Day Challenge Program" and ten people took part in the "Management Challenge Program." We will further extend the reach of the "Genba (on-site) 100-Day Challenge Program" globally from 2024 onward, thereby encouraging even more employees to take on challenges.

b. Leadership training

The Group engages in business throughout more than 150 different countries, with approximately 80% of its sales generated overseas. As we build a more advanced "glocal" management structure, we believe that developing the next-generation management leaders equipped not merely with business expertise but also with cross-cultural adaptability is imperative in order to seek sustainable growth and greater corporate value into the future. As we push forward with leadership training regionally, we have also been developing "Bridgestone NEXT100," a program to develop the next-generation management leaders, by nominating approximately 100 talents globally each year to take part in this program, and in part by having them participate in various management and executive meetings as well as overseas business school training programs.

c. Digital training

We believe that creation of social value and customer value by combining our strong real with digital power approaches is essential for achieving objectives of the Mid Term Business Plan (2024-2026) and for realizing objectives of the "2030 Long Term Strategic Aspiration-Bridgestone 3.0 Journey." In the digital field, we have been developing and acquiring digital talents globally. As of 2023, we have a digital talents workforce of approximately 1,600 people globally. In the Company, more than 700 people have participated in the "Digital 100-Day Training" covering a wide range of levels by having employees select a program that matches individual digital skill level, since its introduction in 2023.

d. Training for wide employees

We provide motivated talent with opportunities for engaging in continuous learning (training and education) and taking on challenges in seeking to improve productivity and creativity of every employee. We accordingly believe this goes hand in hand with achieving growth of the Company and that of each and every employee, and that this is very important when it comes to prompting transformation to a resilient "excellent" Bridgestone. We will invest in talent development with respect to opportunities for learning and taking on challenges on a Group-wide basis, taking into account circumstances in respective regions and countries. The Company has established and operated the "Talent Development College" training framework, which enlists aims that involve reinforcing skills (job performance and management capabilities) required of all employees, regardless of department or function, and supporting employees who are self-motivated to take on challenges and achieve growth. The training framework effectively combines learning with practice to support individuals grow and maximize their capabilities, in turn revitalizing the organization and contributing to achievement of the Company's business strategies and goals. Moreover, we assess participant feedback and needs, and conduct annual program reviews and expansion while rigorously implementing the PDCA cycle.

• Improving Working Environment (Policy for internal workplace environment development)

Based on the belief that the success of diverse talents leads to the creation of value as expressed in the "Bridgestone E8 Commitment," the Group has created a workplace environment where each and every employee can play an active role. Positioning the improvement of employee engagement as one of the key issues in globally promoting culture changes in line with the "Bridgestone E8 Commitment," we have started to conduct monitoring through engagement surveys and share good practices from each region. Moreover, we began conducting globally unified engagement surveys in 2023 in seeking to deepen and make progress on initiatives based on a common evaluation and activity framework globally, while respecting regional differences in cultures and characteristics. In Japan, we are taking action to catch up with the disparities relative to the Group's overseas locations when it comes to engagement and the domain of diversity, equity and inclusion (DE&I). Specifically, in Japan, we have introduced a training program in Kurume, the place of our founding, for newly appointed managers or new employees to instill pride with respect to working for the Group, thereby providing an opportunity to further experience the founder's thoughts, Bridgestone DNA and the Bridgestone Essence (corporate philosophy). Meanwhile, in order to develop a foundation for diverse talents to shine, we have been promoting a variety of initiatives unique to Bridgestone. This has entailed increasingly focusing on promoting the development and assignment of female leaders in seeking to respect diverse values and promote diversity in decision-making as an organization. This has also entailed developing a foundation for diverse talent to shine by arranging DE&I management workshops for all line managers and introducing a FemTech program to address women-specific health issues using technology.

The Group's foundation for corporate management is the notion of "Safety First, Always," as set forth in our Safety Mission Statement. Promoting activities to ensure that every employee is able to work in a safe workplace with peace of mind is an expectation not only of employees but also of our customers and other stakeholders. As such, this Safety Mission Statement is furthermore essential when it comes to ensuring industrial safety and hygiene with respect to the Group's employees and contractors through the application of stringent safety standards. The Group will continually update its safety standards to address increasing ergonomic risks associated with aging of the population, changing regulations, deterioration of machinery and equipment, and introduction of new technologies at sites. We will also earnestly develop awareness of safety when it comes to new business initiatives undertaken by the Group.

In addition, in regard to improvement of manufacturing site environment, we are also implementing quick-impact investments that reflect the voices of employees who work at “Genba (on-site)” and are working to enhance benefits, improve the workplace environment, and reduce the workload.

• A place where diverse talent can shine

The Group has been making further progress in developing opportunities for diverse talents to shine and take on various challenges through multiple initiatives, through which the Group’s aims entail enhancing employee engagement, creating a new DNA in line with the value creation of the “Bridgestone E8 Commitment,” promoting culture change, and developing female leadership talent as well as arranging for assignment and placement of such talent. The eight words starting with the letter “E” set forth under the “Bridgestone E8 Commitment” symbolize the axis and guiding principle of Bridgestone-like value creation. They are incorporated into the Bridgestone Group Awards (BGA), the highest level of employee recognition in the Group, and the TQM (Total Quality Management) Conference as major review standards. They are also embedded into daily business and on-site improvement activities. Through engagement surveys and other surveys for gauging various attitudes and behaviors, we will visualize the progress and enhance the quality and level of our activities while implementing PDCA cycles.

2) Metrics and targets

	2026 global targets	2023 global result
Talent creativity KPI (Note) Index trends with the index value set to 100 for the baseline year of 2019.	130 level	110

<table>
<tr><th colspan="2">Talent creativity: Priority activity indicators</th><th>2026 global targets</th><th>2023 global result</th><th>Manage-ment, Working & business quality improvement</th><th>Talent development</th><th>Improving Working Environment</th><th>A place where diverse talent can shine</th></tr>
<tr><td colspan="2">a. Activities on Management, Working & business quality improvement</td><td>Bridgestone-like Quality Management Training
- Extend reach to a wider level and embark on global expansion from 2024</td><td>Bridgestone-like Quality Management Training
- Enhanced training starting with the Company’s management</td><td>●</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">b. Number of digital talents</td><td>Expand to the level of 2,000 people</td><td>Approx. 1,600 people</td><td></td><td>●</td><td></td><td></td></tr>
<tr><td colspan="2">c. Number of Genba (On-site) 100-Day Challenge Program participants</td><td>Embark on global expansion from 2024
Expand to the level of 45 people per year in 2026</td><td>Started program in Japan
15 people participated in initiatives in 2023</td><td></td><td>●</td><td></td><td></td></tr>
<tr><td rowspan="2">d. Safety performance</td><td>1) Fatalities</td><td>0</td><td>2</td><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2">●</td><td rowspan="2"></td></tr>
<tr><td>2) Lost-time injuries frequency rate (Note 1)</td><td>2.50</td><td>2.76</td></tr>
</table>

e. Percentage of female leaders (Note 2)	An increase of 3% in comparison with 2023 levels	16.1% (Note 3)				●

(Note 1) This is calculated by the formula: (Number of lost-time injuries/Total working hours) x 1,000,000.

(Note 2) It is based on those in managerial positions, including leaders who manage and oversee teams in production sites and other sites.

(Note 3) The percentage of female leaders by segment in the Group is as follows.

(As of December 31, 2023)

Segment \ Category	Percentage of female leaders			
	Top managerial positions	Managerial positions	Junior managerial positions	Total
Japan	2.2%	7.6%	5.7%	6.2%
China, Asia-Pacific	9.9%	20.8%	10.6%	14.3%
Americas	26.5%	26.6%	21.5%	22.3%
Europe, Russia, Middle East, India and Africa	3.0%	22.9%	15.1%	17.5%
Total	7.8%	17.9%	15.7%	16.1%

- The percentage is based on the number of active employees.
- “Japan” includes the “Others” and “Company-wide (common)” segments.
- The definitions of each category are as follows.

Top managerial positions: Officer-equivalent (Executives & VPs)

Managerial positions: Persons in charge of the management of an organization (Line Managers)

Junior managerial positions: Persons who contribute to the organization with their individual knowledge and experience, or are in a position to guide the organization’s day-to-day management objectives.

3. 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 26, 2024, 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, SBU, and division, our Group's risk evaluation and management system is able to deal with serious management risks under the direct supervision of the Global CEO.

(1) Risks related to demand and macroeconomic conditions

The Group conducts research and development (R&D), procurement, production, logistics, sales and other business activities on a global scale. Operating results and financial position are thus subject to trends in demand, interest rates, exchange rates, share prices, and other economic variables in the countries and regions where we operate. In the current fiscal year, the Group's revenue by region was 51% from operations in the Americas; 22% from Europe, Russia, Middle East, India and Africa; 14% from Japan; and 13% from China and the Asia-Pacific region. An economic downturn in any of these regions could exert a major adverse effect on the operating results and financial position of the Group. Meanwhile, the Group completed the transfer of the Russian business in December 2023.

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

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

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

(2) Legal, regulatory, and litigation risk

The Group's operations around the world are subject to diverse national (and, in Europe, supranational) laws and regulations, including trade, investment, foreign exchange transactions, taxation systems (including transfer pricing), anticompetitive practices, environmental protection, and protection of personal information. Laws and regulations that affect the Group's business activities have been established and introduced. These include labeling systems and regulations regarding tire performance and regulations regarding chemicals in

Japan and overseas. Accordingly, new or revised laws and regulations could limit the scope of business activities, raise operating costs, or otherwise adversely affect the operating results and financial position of the Group.

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

(3) Risks related to operational disruption

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

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

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

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

・Information technology (IT) systems failures

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

・Industrial action

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

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

The Group recognizes the risks and opportunities related to climate change and natural capital loss in an integrated manner and reflects them in its business strategy. The main risks we identify in this category are "transition risks" associated with the transition to a decarbonized society and a society where nature can coexist, and "physical risks" due to climate change and natural capital loss. On the other hand, we also see these changes in society and customer needs as new opportunities for growth. Details regarding risks and measures for addressing risks are presented in "II. Business Overview, 2. Approach to and initiatives for sustainability, (2) Initiatives related to climate change and natural capital loss."

(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 operating results, while yen depreciation tends to have a favorable impact.

(7) Risks related to competition

The Group encounters numerous competitors in its respective markets and engages in business amid an intense competitive environment encompassing selling price competition. In addition, the Group may face negative effects on costs and expenses due to factors such as increases in raw material prices, energy costs and labor costs. Whereas the Group contends with this business environment through ongoing internal efforts such as those that involve improving productivity, enhancing cost management, and offering new product value to customers and markets, a situation where the Group is unable to offset declining profits through such efforts could adversely affect the Group's operating results.

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.

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

Starting in the fiscal year ended December 31, 2023, to evaluate the contributions of our Japanese production sites to the Group's global supply chain management, we have changed Japan export profits or losses for our general tire transactions from the "Corporate or elimination" segment to the "Japan" segment. As a result, the figures for the fiscal year ended December 31, 2022, have been reclassified into new segment classifications.

In addition, 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 for the fiscal year ended December 31, 2022, and the fiscal year ended December 31, 2023.

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

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

(1) Overview of operating results, etc.

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

1) Financial position and operating results

a. Sales and earnings

	2023	2022	Increase (Decrease)	
			Amount	Ratio
	Yen in billions	Yen in billions	Yen in billions	%
Revenue	4,313.8	4,110.1	+203.7	+5
Adjusted operating profit	480.6	482.6	(2.0)	(0)
Operating profit	481.8	441.3	+40.5	+9
Profit before tax	444.2	423.5	+20.7	+5
Profit attributable to owners of parent	331.3	300.3	+31.0	+10

The Group has worked in line with its Mid Term Business Plan (2021-2023), released in February 2021, with the aim of accomplishing its vision of "continuing to provide social value and customer value as a sustainable solutions company toward 2050" under its mission of "Serving Society with Superior Quality" of the Bridgestone Essence. Guided by the mission and vision, we have set the "Bridgestone E8 Commitment" as our corporate commitment to support a sustainable society with our employees, society, partners and customers. This is the focus and vector of value creation. We are moving forward along the path of the "2030 Long Term Strategic Aspiration-Bridgestone 3.0 Journey," which depicts the vision we want to achieve in 2031, the 100th anniversary of our founding.

Amid a more severe business environment than expected, on the backdrop of a slowdown and a slump in demand for replacement tires for trucks and buses in the U.S. and Europe that had been remarkable since the second half, in the fiscal year ended December 31, 2023, we focused on "restructuring of the earning power" in the premium tire business, aiming to return to strong Bridgestone, which is capable of responding to changes, by "focusing on execution and delivering the results" of the Mid Term Business Plan (2021-2023) in its final year. We also focused on carefully selecting and making strategic growth investments, with emphases on strengthening premium tire production in the harsh business environment, and "laying foundation for the future."

In the premium tire business, the overall demand environment for replacement tires was challenging, and amid a year-on-year decline in global sales volume, we further strengthened our focus on the premium domain. With respect to replacement tires for passenger cars, we promoted strategic price management, concurrently working to reduce losses and unprofitable areas, mainly by expanding sales of high-rim diameter tires, which have relatively little impact on environmental changes and maintained stable demand. At the same time, we launched high-performance, high-value-added Dan-Totsu products to thoroughly improve sales mix. Amid a situation where demand for new tires is becoming more severe than expected, in the case of replacement tires for trucks and buses in North America, where we have strong business bases such as high product competitiveness and service base network, we were able to improve our share of new and retread tires in the premium domain by combining retread tires. In addition, with the foundation of Dan-Totsu products, tires for mining vehicles, which have demonstrated the strength of respect for being on-site, such as tire maintenance services, and achieved solid sales and market share gains, underpinned the company's overall performance in a challenging business environment. On the other hand, in the European business, which has been a management issue for the Group in terms of profitability and business foundation, weakness in the sales channel base and other factors emerged amid a difficult business environment, and there remain issues to be addressed for improvement. In the Americas business, in Argentina, where Financial Reporting in Hyperinflationary Economies (Note) was applied, the impact of a large devaluation of the currency significantly pushed down business results, which negatively impacted company-wide performance.

In light of the above, with regard to business results for the fiscal year ended December 31, 2023, a lack of response to address changes has become apparent, and it has become urgent for us to proficiently manage indicators to monitor change and quickly adapt to changes so that we can improve the quality and speed of the PDCA cycle in the coming fiscal year. This has resulted in a challenge for a "strong Bridgestone capable of adapting to change," which was set as the goal at the beginning of the fiscal year. Revenue increased year-on-year due in part to the tailwind of favorable foreign exchange rates, an improved sales mix that was helped by sales of replacement premium tires for passenger cars (high-rim diameter tires (18 inches or more), high-profit premium tire brands in each region, etc.), and a year-on-year increase in the sales volume of tires for mining vehicles, despite a decline in the sales volumes of replacement tires for trucks and buses in the U.S. and Europe, for which there was a sharp drop in demand and the impact of applying Financial Reporting in Hyperinflationary Economies for Argentina. Adjusted operating profit including foreign currency effects declined year on year due to significant effects of increased processing costs resulting from deteriorated plant operation owing to a decrease in sales volume as well as a decrease in profit associated with applying Financial Reporting in Hyperinflationary Economies for Argentina, despite our continued efforts to offset negative effects of costs and expenses stemming from raw material prices and inflation (energy and labor costs, etc.) against improved selling price and sales mix, carry out through cost management and improve productivity in production sites. The impact of Financial Reporting in Hyperinflationary Economies for Argentina on the year-on-year decline in profits was approximately 10 billion yen. Profit increased year on year if excluding this impact. Excluding this impact, profits increased year-on-year. The adjusted operating profit ratio declined 0.6 percentage points from the previous fiscal year to 11.1%, falling short of the previous fiscal year. We will continue to accelerate our efforts to improve our business structure to respond to changes.

As a result, the Group's revenue in the current fiscal year was 4,313.8 billion yen, a year-on-year increase of 5%; adjusted operating profit was 480.6 billion yen, a year-on-year decrease of 0.4%; operating profit was 481.8 billion yen, a year-on-year increase of 9%; profit before tax was 444.2 billion yen, a year-on-year increase of 5%; and profit attributable to owners of parent was 331.3 billion yen, a year-on-year increase of 10%.

(Note) IAS 29 Financial Reporting in Hyperinflationary Economies

b. Segment information

		2023	2022	Increase (Decrease)	
				Amount	Ratio
		Yen in billions	Yen in billions	Yen in billions	%
Japan	Revenue	1,242.4	1,157.1	+85.4	+7
	Adjusted operating profit	206.5	150.6	+55.9	+37
China, Asia-Pacific	Revenue	461.1	457.0	+4.1	+1
	Adjusted operating profit	41.6	39.9	+1.7	+4
Americas	Revenue	2,080.0	1,988.0	+92.0	+5
	Adjusted operating profit	212.0	251.2	(39.2)	(16)
Europe, Russia, Middle East, India and Africa (Note)	Revenue	908.5	870.0	+38.5	+4
	Adjusted operating profit	25.1	66.4	(41.2)	(62)
Others	Revenue	78.4	80.5	(2.1)	(3)
	Adjusted operating profit	5.6	7.3	(1.7)	(24)
Consolidated Results	Revenue	4,313.8	4,110.1	+203.7	+5
	Adjusted operating profit	480.6	482.6	(2.0)	(0)

(Note) The transfer of the Russian business was completed in December 2023.

[Japan]

Revenue was 1,242.4 billion yen, a year-on-year increase of 7%, and adjusted operating profit was 206.5 billion yen, a year-on-year increase of 37%.

Unit sales of replacement tires for passenger cars and small trucks, and unit sales of tires for trucks and buses were down year-on-year. On the other hand, in addition to executing strategic price management, we strengthened our focus on the premium domain by reducing low-margin areas. As a result, the impact of soaring raw material prices and inflation was mitigated by improved selling prices and sales mix. Revenue and profit increased year-on-year due to an increase in the sale of tires for mining vehicles and strong exports of passenger car tires and truck and bus tires to overseas markets, thanks to the tailwind of the depreciated yen.

[China, Asia-Pacific]

Revenue was 461.1 billion yen, a year-on-year increase of 1%, and adjusted operating profit was 41.6 billion yen, a year-on-year increase of 4%.

The total unit sales of new vehicle tires and replacement tires for passenger cars and small trucks were down year on year, while unit sales of tires for trucks and buses were on par with the previous fiscal year. On the other hand, sales prices in each country in the region improved with an improved sales mix through a thorough focus on the premium domain. As a result, revenue and profit increased year on year, supported by the tailwind of depreciated yen.

[Americas]

Revenue was 2,080.0 billion yen, a year-on-year increase of 5%, and adjusted operating profit was 212.0 billion yen, a year-on-year decrease of 16%.

In North America, the total unit sales of new vehicle tires and replacement tires for passenger cars and small trucks remained at the same level as the previous fiscal year on the whole, while unit sales of tires for trucks and buses fell significantly from the previous fiscal year, due in part to a significant slowdown in demand. On the other hand, sales prices and sales mix improved steadily. On the cost front, in addition to the worsening of processing costs due to production adjustments caused by inflation and a decrease in unit sales, a decline in profit associated with applying Financial Reporting in Hyperinflationary Economies for Argentina had a significant impact. As a result, revenue increased and profit decreased year on year despite the tailwind of foreign exchange rates.

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

Revenue was 908.5 billion yen, a year-on-year increase of 4%, and adjusted operating profit was 25.1 billion yen, a year-on-year decrease of 62%.

In Europe, unit sales of replacement tires for passenger cars and small trucks, and unit sales of tires for trucks and buses fell sharply from the previous fiscal year. In particular, demand for truck and bus tires remained sluggish, impacting sales significantly. On the other hand, we responded to this by pressing ahead with strategic price management and reductions in low profitability areas, mainly for replacement tires for passenger cars. While sales prices and sales mix have improved, there was a large deterioration in processing costs caused by inflation in terms of costs, and production adjustments due to a decrease in unit sales. Despite the tailwind of foreign exchange rates, revenue increased and profit decreased year on year.

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

c. Financial position

(Current assets)

Current assets were 2,697.4 billion yen, increasing by 184.8 billion yen, or 7%, from the end of the previous fiscal year, as inventories decreased by 16.7 billion yen, and assets held for sale decreased by 25.6 billion yen, but cash and cash equivalents increased by 205.7 billion yen.

(Non-current assets)

Non-current assets were 2,730.4 billion yen, increasing by 280.8 billion yen, or 11%, from the end of the previous fiscal year, as property, plant and equipment increased by 181.8 billion yen, and intangible assets increased by 40.9 billion yen.

(Current liabilities)

Current liabilities were 1,264.8 billion yen, increasing by 179.0 billion yen, or 16%, from the end of the previous fiscal year, as provisions decreased by 16.1 billion yen, but bonds and borrowings increased by 150.2 billion yen, and income taxes payable increased by 37.3 billion yen.

(Non-current liabilities)

Non-current liabilities were 757.6 billion yen, decreasing by 106.3 billion yen, or 12%, from the end of the previous fiscal year, as lease liabilities increased by 13.3 billion yen, but bonds and borrowings decreased by 105.8 billion yen.

Furthermore, total interest-bearing debt (Note) recorded in both current liabilities and non-current liabilities increased by 63.0 billion yen, or 8%, from the end of the previous fiscal year, to 830.2 billion yen.

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

(Equity)

Total equity was 3,405.4 billion yen, increasing by 392.9 billion yen, or 13%, from the end of the previous fiscal year, as we recorded profit attributable to owners of parent of 331.3 billion yen, despite a decrease of 130.1 billion yen due to dividends (owners of parent).

As a result, total assets at the end of the current fiscal year were 5,427.8 billion yen, increasing by 465.6 billion yen, or 9%, from the end of the previous fiscal year. Furthermore, the ratio of equity attributable to owners of parent to total assets for the current fiscal year was 61.8%, increasing by 2.0 percentage points from the end of the previous fiscal year.

2) Cash flows

	2023	2022	Increase (Decrease)
			Amount
	Yen in billions	Yen in billions	Yen in billions
Cash flows from operating activities	661.4	268.5	+393.0
Cash flows from investing activities	(297.7)	(338.0)	+40.3
Cash flows from financing activities	(183.7)	(364.1)	+180.5
Effect of exchange rate changes on cash and cash equivalents	25.5	65.2	(39.7)
Net increase (decrease) in cash and cash equivalents	205.5	(368.5)	+574.0
Cash and cash equivalents at beginning of period	518.9	787.5	(268.6)
Net increase (decrease) in cash and cash equivalents included in assets held for sale	0.2	99.8	(99.7)
Cash and cash equivalents at end of period	724.6	518.9	+205.7

The Group's cash and cash equivalents (hereinafter "net cash") increased 205.7 billion yen during the current fiscal year, to 724.6 billion yen, compared with a decrease of 268.6 billion yen during the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities increased 393.0 billion yen compared with the previous fiscal year, to 661.4 billion yen. The principal contributors in that cash provided included profit before tax of 444.2 billion yen, compared with 423.5 billion yen in the previous fiscal year, depreciation and amortization of 305.8 billion yen, compared with 282.1 billion yen in the previous fiscal year, a decrease in trade and other receivables of 56.8 billion yen, compared with an increase of 139.6 billion yen in the previous fiscal year, and a decrease in inventories of 85.3 billion yen, compared with an increase of 195.4 billion yen in the previous fiscal year. These contributors offset a decrease in accounts payable - bonuses of 10.8 billion yen, compared with 1.3 billion yen in the previous fiscal year, a decrease in trade and other payables of 55.3 billion yen, compared with an increase of 52.5 billion yen in the previous fiscal year, and income taxes paid of 58.0 billion yen, compared with 86.2 billion yen in the previous fiscal year.

(Cash flows from investing activities)

Net cash used in investing activities decreased 40.3 billion yen compared with the previous fiscal year, to 297.7 billion yen. The principal contributors in that cash used were payments for purchase of property, plant and equipment of 282.4 billion yen, compared with 221.3 billion yen in the previous fiscal year, payments for purchase of intangible assets of 60.5 billion yen, compared with 33.4 billion yen in the previous fiscal year, and payments of long-term loans receivable of 21.1 billion yen, compared with 28.9 billion yen in the previous fiscal year. These contributors offset proceeds from sale of property, plant and equipment of 29.6 billion yen, compared with 27.7 billion yen in the previous fiscal year, proceeds from sale of investment securities of 27.9 billion yen, compared with 2.9 billion yen in the previous fiscal year, and collection of loans receivable of 14.9 billion yen, compared with 19.5 billion yen in the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities decreased 180.5 billion yen compared with the previous fiscal year, to 183.7 billion yen. The principal contributors in that cash used were repayments of long-term borrowings of 20.7 billion yen, compared with 54.1 billion yen in the previous fiscal year, repayments of lease liabilities of 68.4 billion yen, compared with 65.8 billion yen in the previous fiscal year, and dividends paid to owners of parent of 130.0 billion yen, compared with 119.0 billion yen in the previous fiscal year. These contributors offset an increase in short-term borrowings of 20.9 billion yen, compared with 21.6 billion yen in the previous fiscal year, and proceeds from long-term borrowings of 23.1 billion yen, compared with 0.6 billion yen in the previous fiscal year.

3) Production, orders received and sales

a. Production results

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

Name of segment	Amount (Yen in millions) (Note 1)	YoY Change (%)
Japan	798,975	+4.4
China, Asia-Pacific	363,838	+3.9
Americas	1,611,785	(1.8)
Europe, Russia, Middle East, India and Africa (Note 2)	741,073	(4.7)
Total	3,515,672	(0.5)

(Notes) 1. The amounts are based on selling prices.
2. The transfer of the Russian business was completed in December 2023.

b. Orders received

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

c. Sales results

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

Name of segment	Amount (Yen in millions)	YoY Change (%)
Japan	946,547	+6.4
China, Asia-Pacific	398,135	+5.7
Americas	2,063,073	+4.7
Europe, Russia, Middle East, India and Africa (Note)	888,479	+3.7
Others	17,543	+3.8
Corporate or elimination	23	(42.0)
Total	4,313,800	+5.0

(Note) The transfer of the Russian business was completed in December 2023.

(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 26, 2024, the filing date of this Annual Securities Report.

1) Significant accounting estimates and assumptions used in such estimates

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

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

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

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

(Revenue, adjusted operating profit and operating profit)

Revenue, adjusted operating profit and status by segment are described in "(1) Overview of operating results, etc." Operating profit increased by 40.5 billion yen (up 9% year-on-year) to 481.8 billion yen due to above affects, as well as decreases in other expense with large amounts related to one time event of 17.8 billion yen and impairment losses of 15.7 billion yen.

As a result, the adjusted operating profit ratio was 11.1%, down 0.6 percentage points from fiscal year 2022.

(Profit attributable to owners of parent)

Profit attributable to owners of parent increased by 31.0 billion yen (up 10% year-on-year) to 331.3 billion yen. This was mainly due to an increase of 40.5 billion yen in operating profit and an increase of 17.1 billion yen in finance income, despite an increase of 36.4 billion yen in finance costs.

3) Capital financing and liquidity

Cash and cash equivalents increased by 205.7 billion yen to 724.6 billion yen compared to the end of fiscal year 2022. The status of cash flow by business activity is described in "(1) Overview of operating results, etc."

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

Funds will primarily be used with priority assigned to achieving sustainable growth and enhancing corporate value by enlisting strategic growth investment to focus on strengthening earning power and creating value, while building a sustainable premium brand. 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 has taken steps to return to a “strong” Bridgestone capable of adapting to changes in the business environment under the Mid Term Business Plan (2021-2023: for the fiscal year 2023, revenue of 3,300 billion yen, adjusted operating profit of 450 billion yen, adjusted operating profit margin of 13%, ROIC of 10%, and ROE of 12%), which reached its final year in 2023.

In the fiscal year 2023, revenue was ¥4,313.8 billion, adjusted operating profit was ¥480.6 billion, adjusted operating profit margin was 11.1%, ROIC was 8.7%, and ROE was 10.4%.

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

5. Important business contracts

No item to report.

6. Research and development activities

The Group is taking on the challenge of amplifying the value of our Dan-Totsu products at the customers' tire "use" phase by positioning the premium tire business as a core business and enhancing its linkage with the solutions business. We are also promoting various initiatives to create social value and customer value in the chemical and industrial products and diversified products business, as well as in the exploratory business. Technology innovations will be an effort to enhance our strengths in amplifying such value. The Group's technology innovations will be driven by the three forms of "mastering": "mastering rubber," "mastering road contact," and "mastering manufacturing." We will drive R&D activities centered around these three forms of "mastering" and accelerate innovation by combining our strong "real" capabilities, such as technologies, findings, and know-how on rubber and tires cultivated on-site, with "digital" leading to the development of "Dan-Totsu products" and "Dan-Totsu solutions."

To promote these technology innovations, in 2022, we redeveloped our R&D base in Kodaira, Tokyo, and built the "Bridgestone Innovation Park," a global innovation hub. We are accelerating internal and external co-creation activities by utilizing the innovation center "B-Innovation" and the test course "B-Mobility," transferring part of the head office functions for the Japan tire business to the Kodaira area in April 2023, and launching new initiatives under the R&B (Research and Business). Many partners have visited our innovation park since its opening, resulting in the birth of various joint research and co-creation activities. We have also been developing a corporate culture to value employees' independence by introducing the Activity Based Working (ABW) concept, which allows each employee to design their diverse work style to maximize the output of individual employees and their team. 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 while drawing on their respective strengths to focus on value creation.

In our premium tire business, we are working on the evolution of "ENLITEN," the product design base technology for the Group's premium tire business. We have positioned ENLITEN technology as a "new premium" that creates unique value for the Bridgestone Group, and are working to establish and evolve this technology not only with the aim of improving the performance of conventional tires in all directions, but also to realize "ultimate customization" to meet individual tire performance needs and provide added value for each product, market, and customer. For example, "TURANZA EV," the Group's first EV tire released in North America in 2023, was designed and developed after carefully listening to the tire needs of customers and retailers. To address the issue of premature wear, which has been a challenge for EV tires, we have improved wear resistance by approximately 50% compared to conventional tires. In addition, in response to the growing awareness toward sustainability, we have increased the ratio of recycled and renewable resources used in raw materials for tires to 50%. In Japan, we launched "REGNO GR-X Ill" in February 2024, our first premium brand product equipped with ENLITEN technology for passenger car replacement tires. REGNO GR-X Ill offers enhanced spatial quality and refined driving performance by improving on the basic performance required of tires, such as quietness, ride comfort, and driving performance, and also contains a higher ratio of recyclable and renewable resources, contributing more to sustainability than conventional tires.

Going forward, we will evolve our ENLITEN technology in alignment with the reinforcement of our sustainable global motorsports activities. In 2023, we developed and supplied the first motorsports tires using ENLITEN technology at the 2023 Bridgestone World Solar Challenge, a world-leading solar car race for which we are the main sponsor. In addition to increasing the ratio of recycled and renewable resources to 63%, roughly double that for the tires supplied for the previous race held in 2019, we also made significant improvements, such as reducing the weight of the tires, a must for solar cars, and increasing durability to withstand the racing environment of about 3,000 kilometers across Australia. We are also promoting various activities in Europe. For example, we asked for feedback from customers who used our tires using ENLITEN technology at the Bridgestone FIA ecoRally Cup, a rally event on public roads in which ordinary drivers participate in zero-emission vehicles, thereby gaining insight that will help in the planning of our next product. In addition, we have been selected as the future sole tire supplier of the ABB FIA Formula E World Championship from the 2026-2027 season, and as such we will continue to evolve our ENLITEN technology with a view to supplying tires for this event. Through these global sustainable motorsports activities, we will use racing as a "mobile laboratory" to refine technology in extreme conditions, evolving and connecting this innovation to the development of replacement tires for the future under the concept "From Circuit to Street."

We have also positioned our “MASTERCORE” technology, which is adopted in off-the-road tires for mining vehicles, as a “new premium” alongside ENLITEN technology. MASTERCORE combines our proprietary new technologies including materials, structure, and manufacturing technologies such as in-house steel cords to realize outstanding durability performance. Going forward, we will continue our efforts to develop high-value-added tires for mining vehicles.

Furthermore, Bridgestone Commonality Modularity Architecture (BCMA), the technology that supports “ultimate customization” leveraging ENLITEN technology, divides the tire into three modules in the development and production processes: the carcass, skeleton of the tire; the belt, which reinforces the tire; and the tread, which makes up the tire surface. Module 1 (carcass) and Module 2 (belt) are shared among different products to simplify the value chain from development to production and sales, whereas Module 3 (tread) is used to customize performance and differentiate products. We can improve productivity and optimize costs by streamlining the number of products and sizes and the development and manufacturing processes. Furthermore, by sharing modules, tire production can be flexibly adapted to each region’s market environment and sales strategies, thereby enabling the maximization of sales opportunities and the streamlining of inventory management and distribution costs, including supporting the manufacturing operations of plants close to demand areas. We will carry out such efforts to create positive effects across the entire value chain.

Moreover, to evolve manufacturing that can provide a sustainable and stable supply of premium tires, we will systematically promote the shift to green and smart factories. In alignment with the promotion of BCMA, we will strive to create social value and customer value by improving the productivity and efficiency of development and manufacturing processes and reducing environmental impact across the entire value chain.

In the solutions business, our growth business, we are developing tire wear prediction solutions that utilize digital technology to analyze the usage data of tires for trucks, buses, mining vehicles, and aircraft. In addition, based on co-creation with customers, we are also taking on the challenge of evolving this into tire durability prediction solutions that propose ways to use tires more safely, efficiently, and therefore longer, as well as how to efficiently operate the vehicle by building Al-driven proprietary algorithms that combine tire-related data with vehicle operation status data. For example, in truck and bus tire solutions, we are expanding our “Fleetcare” service, which combines premium tires, tire maintenance, retreading, and online fleet management in an optimal package that meets the individual needs of customers, from Europe to North America. In addition, we are expanding individual management of tires across their lifecycle from new products to maintenance and retread to the global market using Radio Frequency Identification (RFID), an automatic recognition technology that enables contactless reading and writing of information using wireless communication. We are also developing a next-generation RFID system for tires that maximizes data communication performance through co-creation with TOPPAN Edge Inc.

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

Through co-creation with Tier IV, Inc., which provides solutions necessary for developing and operating safe autonomous vehicles with peace of mind, we will also contribute to the evolution of mobility, such as in the R&D and practical application of autonomous driving.

Turning to our sustainability efforts as an initiative to achieve a sustainable and stable supply of natural rubber, improve their productivity, and diversify supply sources, we are creating technologies through co-creation with various partners. Specific initiatives include the development of an optimization system for para rubber tree plantation that utilizes big data, efforts for stably increasing the productivity of natural rubber without expanding the plantation area, working to achieve practical use of natural rubber derived from the guayule plant, which can be grown in arid regions, with the aim of diversifying natural rubber sources, and developing a technology to efficiently and stably increase guayule seedlings from high-quality seeds.

Based on co-creation, we also focus on promoting Digital Transformation (DX). We are also training and hiring digital talent, including data scientists who can analyze and develop advanced AI and algorithms. Through a wide range of exchanges in the digital field, including the launch of joint research on rubber simulation fundamental technology at the “Bridgestone x Tohoku University Co-creation Lab” established on the Tohoku University campus, we will foster digital talent and promote Bridgestone’s DX by deepening collaboration with new partners. In addition, the next-generation synchrotron radiation facility NanoTerasu is slated to commence operations in 2024. We will accelerate the development of innovative materials by fusing various data and simulations generated by this facility.

In addition, we are participating in an international space exploration mission with the Japan Aerospace Exploration Agency (JAXA) and Toyota Motor Corporation, carrying the dreams of mankind as we take on the challenge of the harsh environment of the moon’s surface. For this mission, we are conducting research and development on tires for use in manned lunar rovers.

In our chemical and industrial products and diversified products businesses and exploratory business, we launched the “EVERTIRE INITIATIVE,” and have been advancing a joint project with ENEOS Corporation for the social implementation of chemical recycling technologies for used tires. This project, supported by the “Green Innovation Fund” established by the Ministry of Economy, Trade and Industry, aims to contribute to the improvement of resource recycling and carbon neutrality in the value chain of the tire and rubber, and petrochemical industries through co-creation combining the knowledge and technological capabilities of companies and academia. In June 2023, we installed test units at the Bridgestone Innovation Park to promote the social implementation of chemical recycling technology that enables precise pyrolysis of used tires, and started an initiative to produce tire-derived oil and recovered carbon black through the pyrolysis of used tires.

In our soft-robotics business, we started a paid demonstration experiment on piece-picking (carrying out items one by one) using a soft robot hand, and have been making proposals to the logistics, food, and factory automation industries. We are also stepping up efforts to commercialize the soft-robotics business on a small scale through co-creation with various partners, including capital and business alliances with startups. In addition, we established “Softrobotics Ventures” in 2023, turning the soft-robotics business into an internal venture. Through technology development and the exploration of commercialization, we will work to enhance Talent creativity as a good example of demonstrating our entrepreneurship and creating a place where our diverse talent can shine.

R&D expenses for the Group as a whole for fiscal year 2023 totaled 122.0 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, for the fiscal year 2023, we focused on "laying foundation for future growth" even amid the tougher-than-expected business environment, and carried out investments aimed at strengthening production to promote our focus on premium areas and to build our IT infrastructure, etc. As a result, capital investment totaled 420.0 billion yen.

On a per-segment basis, the Group's capital expenditures consisted of: Japan: 74.2 billion yen; China, Asia-Pacific: 39.8 billion yen; the Americas: 182.9 billion yen; Europe, Russia, the Middle East, India and Africa: 73.3 billion yen; Others: 49.8 billion yen.

2. Major facilities

(1) The Company

(As of December 31, 2023)

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	8,433	3,609	1,043 (457)	1,238	56 (11)	14,379	984
Tokyo AC Tire Plant	Kodaira, Tokyo	Japan	Production facilities	1,719	1,135	-	148	0 (0)	3,002	195
Yokohama Plant	Totsuka-ku, Yokohama	Japan	Production facilities	10,454	862	2,969 (243)	472	3,298 (1)	18,054	461
Nasu Plant	Nasushiobara, Tochigi	Japan	Production facilities	2,657	3,342	1,220 (195)	788	886 (40)	8,893	734
Hikone Plant	Hikone, Shiga	Japan	Production facilities	10,421	14,522	1,166 (658)	2,214	933 (-)	29,257	1,421
Shimonoseki Plant	Shimonoseki, Yamaguchi	Japan	Production facilities	6,480	3,954	4,106 (285)	1,630	78 (-)	16,248	748
Tosu Plant	Tosu, Saga	Japan	Production facilities	2,303	5,232	948 (182)	1,278	9 (-)	9,769	734
Tochigi Plant	Nasushiobara, Tochigi	Japan	Production facilities	4,498	6,984	1,372 (151)	1,057	3,218 (444)	17,129	854
Kumamoto Plant	Tamana, Kumamoto	Japan	Production facilities	2,192	2,688	1,690 (142)	439	359 (6)	7,367	590
Amagi Plant	Asakura, Fukuoka	Japan	Production facilities	3,189	4,431	1,104 (388)	933	8 (1)	9,666	891
Hofu Plant	Hofu, Yamaguchi	Japan	Production facilities	5,911	6,881	1,515 (482)	1,861	319 (-)	16,488	941
Seki Plant	Seki, Gifu	Japan	Production facilities	1,715	1,318	2,709 (150)	80	339 (-)	6,161	225
Saga Plant	Miyaki-gun, Saga	Japan	Production facilities	5,338	4,201	2,908 (236)	438	17 (-)	12,903	542
Kitakyushu Plant	Wakamatsu-Ku, Kitakyushu	Japan	Production facilities	13,092	5,598	4,703 (374)	1,056	10 (-)	24,459	511
Technical Center	Kodaira, Tokyo	Corporate	Other facilities	36,456	10,875	2,010 (3,008)	8,756	4,498 (630)	62,595	2,724
Chemical & Industrial Products Technology Center	Totsuka-ku, Yokohama	Japan	Other facilities	2,785	245	-	167	1 (-)	3,198	472
Headquarters and others	Chuo-ku, Tokyo and others	Corporate	Other facilities	12,729	103	24,717 (250)	960	5,787 (12)	44,296	1,079

(2) Domestic subsidiaries

(As of December 31, 2023)

Company name	Location	Name of segment	Description of facilities	Carrying amount (Yen in millions)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (Area in thousands of m^2)	Other	Right-of-use assets (Area in thousands of m^2)	Total	
BRIDGESTONE SPORTS CO., LTD.	Chuo-ku, Tokyo and others	Japan	Production facilities and others	512	317	1,839 (57)	189	1,141 (-)	3,999	315
BRIDGESTONE CYCLE CO., LTD.	Ageo, Saitama and others	Japan	Production facilities and others	1,895	444	1,720 (127)	123	1,093 (-)	5,276	568

(3) Overseas subsidiaries

(China, Asia-Pacific)

(As of December 31, 2023)

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	5,433	15,866	–	2,072	689 (249)	24,060	1,365
BRIDGESTONE (WUXI) TIRE CO., LTD. (Wuxi Plant)	China	China, Asia-Pacific	Production facilities	6,282	13,657	–	2,598	520 (286)	23,056	1,319
THAI BRIDGESTONE CO., LTD. (Nong Khae Plant)	Thailand	China, Asia-Pacific	Production facilities	6,608	6,769	3,210 (1,215)	2,777	–	19,365	2,626
BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD. (Chonburi Plant)	Thailand	China, Asia-Pacific	Production facilities	4,185	5,858	3,502 (611)	3,785	53 (-)	17,384	2,184
PT BRIDGESTONE TIRE INDONESIA (Karawang Plant)	Indonesia	China, Asia-Pacific	Production facilities	1,829	3,706	166 (368)	1,346	6 (-)	7,053	1,537
BRIDGESTONE SPECIALTY TIRE MANUFACTURING (THAILAND) CO., LTD.	Thailand	Japan	Production facilities and others	11,984	5,118	4,663 (822)	1,803	26 (-)	23,594	742

(Americas)

(As of December 31, 2023)

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 (Wilson Plant)	U.S.	Americas	Production facilities	12,490	31,659	19 (1,803)	893	96 (-)	45,157	1,866
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Warren Plant)	U.S.	Americas	Production facilities	9,479	13,032	569 (3,662)	344	1,482 (-)	24,906	1,096
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Aiken Plant)	U.S.	Americas	Production facilities	19,409	19,882	1,080 (2,353)	675	138 (-)	41,185	1,603
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Aiken Off Road Plant)	U.S.	Americas	Production facilities	37,908	12,171	451 (2,206)	310	42 (-)	50,882	542
BRIDGESTONE CANADA INC. (Joliette Plant)	Canada	Americas	Production facilities	10,143	20,059	8 (552)	1,017	63 (-)	31,290	1,568
BRIDGESTONE DE MEXICO, S.A. DE C.V. (Cuernavaca Plant)	Mexico	Americas	Production facilities	10,422	18,827	4 (368)	1,213	48 (-)	30,513	1,085
BRIDGESTONE DO BRASIL INDUSTRIA E COMERCIO LTDA. (Sao Paulo Plant)	Brazil	Americas	Production facilities	3,917	13,053	96 (408)	1,121	2,588 (-)	20,776	2,243
BRIDGESTONE DO BRASIL INDUSTRIA E COMERCIO LTDA. (BAHIA PLANT)	Brazil	Americas	Production facilities	5,198	11,381	16 (1,000)	482	155 (-)	17,231	840
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC (Technical Center)	U.S.	Americas	Other facilities	10,577	5,071	240 (25,155)	296	22 (-)	16,207	546

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

(As of December 31, 2023)

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	21,711	16,792	212 (35)	2,390	1,532 (300)	42,637	1,910
BRIDGESTONE STARGARD SP. Z O.O. (Stargard Plant)	Poland	Europe, Russia, Middle East, India and Africa	Production facilities	14,947	8,687	636 (1,000)	1,030	426 (-)	25,726	1,024
BRIDGESTONE TATABANYA TERMELO KFT. (Tatabanya Plant)	Hungary	Europe, Russia, Middle East, India and Africa	Production facilities	12,033	10,229	1,360 (659)	2,175	193 (-)	25,990	1,296
BRIDGESTONE HISPANIA MANUFACTURING S.L.U. (Bilbao Plant)	Spain	Europe, Russia, Middle East, India and Africa	Production facilities	3,400	10,142	10 (150)	1,703	269 (-)	15,524	834
BRIDGESTONE HISPANIA MANUFACTURING S.L.U. (Burgos Plant)	Spain	Europe, Russia, Middle East, India and Africa	Production facilities	5,309	20,062	– (301)	2,727	2,183 (-)	30,281	1,439
BRIDGESTONE INDIA PRIVATE LTD. (Pune Plant)	India	Europe, Russia, Middle East, India and Africa	Production facilities	10,698	13,784	–	1,557	3,132 (759)	29,171	1,906
BRIDGESTONE EUROPE NV/SA (Technical Center)	Italy	Europe, Russia, Middle East, India and Africa	Other facilities	6,645	3,638	1,187 (1,749)	297	148 (-)	11,915	586

(Notes)
1. The amounts are based on carrying amounts excluding construction in progress.
2. Land for the Company's Tokyo AC Tire Plant is presented as part of the Technical Center because their plots are not separated.
3. Land for the Company's Technical Center includes 2,497,000 m^2 of land, as well as 630,000 m^2 of land recorded as right-of-use assets, for test course sites under its management (located in Shibetsu, Hokkaido and Nasushiobara, Tochigi).
4. Land for the Company's Chemical & Industrial Products Technology Center is presented as part of the Yokohama Plant because their plots are not separated.
5. Land for BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC's Technical Center includes 24,281,000 m^2 of land for test course sites.
6. No major facilities are currently idle.
7. The transfer of the Russian business was completed in December 2023.

3. Plans for addition and retirement of facilities

Plans for addition and retirement of facilities in the next fiscal year (January 1, 2024 to December 31, 2024) 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	88,000	Investments aimed at strengthening production to promote focus on premium areas and to build our IT infrastructure, etc.
China, Asia-Pacific, India and China	50,000	The same as above
Americas	189,000	The same as above
Europe, Middle East and Africa	54,000	The same as above
Other	52,000	The same as above
Total	433,000	–

(Notes) 1. The Company will change its segment classifications from 2024 in line with its efforts to further strengthen its global management structure. The table above reflects the following changes.
Accompanying reclassification of the India business, the "China, Asia-Pacific" segment will be changed to the "Asia-Pacific, India and China" segment, and the "Europe, Russia, Middle East, India and Africa" segment will be changed to the "Europe, Middle East and Africa" segment.
2. 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.
3. Funds required for the planned capital expenditures are scheduled to be covered by funds on hand, borrowings and leases.

(2) Retirements

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

IV. Status of the Company

1. Shares of the Company

(1) Total number of shares authorized, etc.

1) Total number of shares authorized

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

2) Total number of shares issued

Class	Number of shares issued as of the end of the fiscal year (Shares) (December 31, 2023)	Number of shares issued as of the filing date (Shares) (March 26, 2024)	Stock exchange on which the Company is listed or authorized financial instruments business association to which the Company is registered	Details
Common stock	713,698,221	713,698,221	Tokyo Stock Exchange (Prime Market) Fukuoka Stock Exchange	Number of shares per unit: 100 shares
Total	713,698,221	713,698,221	–	–

(2) Stock acquisition rights

1) Stock option plans

Date of resolution	March 26, 2009	March 30, 2010	March 29, 2011
Classification and number of eligible individuals	Members of the Board of the Company: 9 Vice President-Officers not concurrently serving as members of the Board of the Company: 20	Members of the Board of the Company: 8 Vice President-Officers not concurrently serving as members of the Board of the Company: 25	Members of the Board of the Company: 9 Vice President-Officers not concurrently serving as members of the Board of the Company: 36
Number of stock acquisition rights (Notes 1 and 2)	77 units	152 units	480 units
Type, details, and number of shares underlying the stock acquisition rights (Notes 1 and 3)	Common stock 7,700 shares	Common stock 15,200 shares	Common stock 48,000 shares
Exercise price (Note 1)	1 yen	Same as left	Same as left
Exercise period (Note 1)	From May 1, 2009 to April 30, 2029	From May 6, 2010 to April 30, 2030	From May 2, 2011 to April 30, 2031
Issue price and amount of common stock to be increased when shares are issued upon exercise of the stock acquisition rights (Note 1)	Issue price: 1,265 yen Amount of common stock to be increased: 633 yen	Issue price: 1,401 yen Amount of common stock to be increased: 701 yen	Issue price: 1,657 yen Amount of common stock to be increased: 829 yen
Exercise conditions (Note 1)	(Note 4)	Same as left	Same as left
Matters concerning transfer of stock acquisition rights (Note 1)	Any acquisition of the stock acquisition rights through transfer must be approved by the Company's Board of Directors. (Note 5)	Same as left	Same as left
Matters concerning granting of stock acquisition rights in the event of reorganization (Note 1)	–	–	–

Date of resolution	March 27, 2012	March 26, 2013	March 25, 2014
Classification and number of eligible individuals	Members of the Board of the Company: 9 Vice President-Officers not concurrently serving as members of the Board of the Company: 35	Members of the Board of the Company excluding outside directors: 4 Vice President-Officers not concurrently serving as members of the Board of the Company: 36	Members of the Board of the Company excluding outside directors: 4 Vice President-Officers not concurrently serving as members of the Board of the Company: 46
Number of stock acquisition rights (Notes 1 and 2)	723 units [680 units]	973 units [972 units]	841 units [813 units]
Type, details, and number of shares underlying the stock acquisition rights (Notes 1 and 3)	Common stock 72,300 shares [68,000 shares]	Common stock 97,300 shares [97,200 shares]	Common stock 84,100 shares [81,300 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)	1,013 units [994 units]	1,582 units [1,576 units]	Plan A 1,658 units Plan B 71 units
Type, details, and number of shares underlying the stock acquisition rights (Notes 1 and 3)	Common stock 101,300 shares [99,400 shares]	Common stock 158,200 shares [157,600 shares]	Common stock Plan A 165,800 shares Plan B 7,100 shares
Exercise price (Note 1)	1 yen	Same as left	Same as left
Exercise period (Note 1)	From May 1, 2015 to April 30, 2035	From May 7, 2016 to May 6, 2036	Plan A From May 13, 2017 to May 12, 2037 Plan B From July 6, 2017 to July 5, 2037
Issue price and amount of common stock to be increased when shares are issued upon exercise of the stock acquisition rights (Note 1)	Issue price: 4,100 yen Amount of common stock to be increased: 2,050 yen	Issue price: 2,885 yen Amount of common stock to be increased: 1,443 yen	Plan A Issue price: 3,578 yen Amount of common stock to be increased: 1,789 yen Plan B Issue price: 3,672 yen Amount of common stock to be increased: 1,836 yen
Exercise conditions (Note 1)	(Note 4)	Same as left	Same as left
Matters concerning transfer of stock acquisition rights (Note 1)	Any acquisition of the stock acquisition rights through transfer must be approved by the Company's Board of Directors. (Note 5)	Same as left	Same as left
Matters concerning granting of stock acquisition rights in the event of reorganization (Note 1)	–	–	–

(Notes) 1. The information is as of the end of the current fiscal year (December 31, 2023). As for the information that has changed between the end of the current fiscal year and the last day of the month prior to the filing date (February 29, 2024), the information as of the last day of the month prior to the filing date is presented in brackets. For all other matters, there has been no change in the information since the end of the current fiscal year.

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

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

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

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

2) Shareholder rights plans

No item to report.

3) Other stock acquisition rights

No item to report.

(3) Exercises of moving strike convertible bonds

No item to report.

(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 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, 2023)

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	–	226	45	1,051	953	218	97,733	100,226	–
Number of share units held	–	2,125,441	471,533	1,055,792	1,987,155	1,926	1,490,527	7,132,374	460,821
Ratio to total shares (%)	–	29.80	6.61	14.80	27.86	0.03	20.90	100.00	–

(Notes) 1. Treasury stock (29,044,171 shares) is included in "Individuals and others" (290,441 units) and "Number of shares less than one unit" (71 shares). All 29,044,171 shares of treasury stock were the shares effectively held as of December 31, 2023.

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, 2023)

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	105,671	15.43
Ishibashi Foundation	1-7-2 Kyobashi, Chuo-ku, Tokyo	76,693	11.20
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	38,923	5.69
Hiroshi Ishibashi	Minato-ku, Tokyo	21,000	3.07
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	16,934	2.47
Nagasaka Corporation	1-7-2 Kyobashi, Chuo-ku, Tokyo	16,325	2.38
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	13,218	1.93
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)	11,770	1.72
Japan Securities Finance Co., Ltd.	1-2-10 Nihonbashi Kayabacho, Chuo-ku, Tokyo	10,933	1.60
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Custody Operations Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (3-11-1, Nihombashi, Chuo-ku, Tokyo)	9,146	1.34
Total	–	320,615	46.83

(Notes) 1. Ishibashi Foundation is a public interest incorporated foundation, established for the purpose of contributing to the sound development of society through business that popularizes and improves fine arts as well as through donation and grants program that support artistic, cultural and educational activities.
2. Shares held by trust banks include shares owned in the trustees' capacity.
3. The Company holds 29,044 thousand shares of treasury stock, which are not included in the table above.

(7) Voting rights

1) Total number of shares issued

(As of December 31, 2023)

Category	Number of shares		Number of voting rights (Units)	Details
Shares without voting rights		–	–	–
Shares with restricted voting rights (Treasury stock, etc.)		–	–	–
Shares with restricted voting rights (Other)		–	–	–
Shares with full voting rights (Treasury stock, etc.)	(Own holdings of treasury stock) Common stock	29,044,100	–	–
	(Cross-shareholdings) Common stock	10,000	–	
Shares with full voting rights (Other)	Common stock	684,183,300	6,841,833	–
Shares less than one unit	Common stock	460,821	–	–
Total number of shares issued		713,698,221	–	–
Total number of voting rights		–	6,841,833	–

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

2) Treasury stock

(As of December 31, 2023)

Name of shareholder	Address	Number of shares held under own name	Number of shares held under the names of others	Total number of shares held	Ratio of the number of shares held to the total number of shares issued (%)
Bridgestone Corporation	3-1-1 Kyobashi, Chuo-ku, Tokyo	29,044,100	–	29,044,100	4.07
Bridgestone Tire Nagano Sales Co., Ltd.	2-18-20 Koyaminami, Matsumoto City, Nagano	10,000	–	10,000	0.00
Total	–	29,054,100	–	29,054,100	4.07

2. Acquisition of treasury stock, etc.

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

(1) Acquisition by resolution of the Shareholders' Meeting

No item to report.

(2) Acquisition by resolution of the Board of Directors

No item to 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 current fiscal year	1,674	9,491,008
Treasury stock acquired during the period after the reporting period to the Filing Date	312	1,918,416

(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, 2024 and the Filing Date of the Annual Securities Report.

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

Category	Number of shares	Total amount (Yen)
Treasury stock acquired in the current fiscal year	1,410	6,077,420
Treasury stock acquired during the period after the reporting period to the Filing Date	2,400	10,444,800

(Note) This was an acquisition without contribution of some common stock allocated to the corporate executive manager and executive managers as restricted share-based remuneration.
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, 2024 and the Filing Date of the Annual Securities Report.

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

Category	Current fiscal year		The period after the reporting period to the Filing Date	
	Number of shares	Total disposal amount (Yen)	Number of shares	Total disposal amount (Yen)
Acquired treasury stock that was offered to subscribers	–	–	–	–
Acquired treasury stock that was cancelled	–	–	–	–
Acquired treasury stock that was transferred due to merger, share exchange, share issuance and company split	–	–	–	–
Other				
(Through exercise of stock option)	125,400	584,627,067	9,700	45,222,734
(Through granting of Performance Share Unit)	76,100	354,785,049	–	–
(Through granting of Restricted Stock Unit, etc.)	19,600	91,376,964	–	–
(Through granting of restricted share-based remuneration)	83,360	388,631,870	37,730	175,902,165
(Sales due to demand for sales of shares from shareholders holding less than one unit of shares)	191	890,464	–	–
Number of treasury stock held	29,044,171	–	28,999,453	–

(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, 2024 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

Regarding the interests of shareholders as an important management priority, the Company follows a basic policy of strengthening our management base in preparation for future business developments while working to improve business results. In regard to distributing profit to shareholders, the Company will prioritize the realization of sustainable growth and enhancement of corporate value mainly by strengthening earning power, focusing on creating value, and conducting strategic growth investments in order to build a sustainable premium brand, which will lead to maintaining an appropriate financial position and enhancing shareholder returns. 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 105th Fiscal Period is set at an annual dividend of 200 yen per share, comprising an interim dividend of 100 yen per share and a year-end dividend of 100 yen per share.

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

Date of resolution	Total dividend amount (Yen in millions)	Dividend per share (Yen)
August 9, 2023: Resolution of the Board of Directors	68,462	100
March 26, 2024: Resolution of the Annual Shareholders' Meeting	68,465	100

4. Status of corporate governance

(1) Overview of corporate governance

1) Basic approach to corporate governance and implementation of measures

a. Basic approach to corporate governance

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

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

b. Overview of the corporate governance system

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

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

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

At the Annual Shareholders’ Meeting held on March 26, 2024, 12 members of the Board (nine men and three women) were elected, including eight outside directors (five men and three women). In accordance with the aforementioned amendments to the Articles of Incorporation, the chairperson of the Shareholders’ Meeting, the chairperson of the Board of Directors, and the persons that convene Shareholders’ Meeting and meetings of the Board of Directors are appointed via resolution by the Board of Directors.

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

The Company has established and maintains a corporate governance system that functions through the appropriate, active performance of duties by the Nominating Committee, the Audit Committee, and the Compensation Committee, in conjunction with oversight of the executive officers and members of the Board by the Board of Directors. The Nominating Committee has four 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 six members, consisting of four 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 four 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 compliance activities as a whole and submit reports to the Board of Directors. Both advisory committees are each composed of all eight outside directors, and the internal non-executive members of the Board, who are members of the Audit Committee, participate as observers.

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

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

As of March 26, 2024

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

* indicates the chairperson of the Shareholders' Meeting.

The following indicates attendance at meetings of the Board of Directors of members of the Board and statutory committees during the current fiscal year (January 1, 2023 to December 31, 2023) as of March 26, 2024.

Name	Board of Directors	Nominating Committee	Compensation Committee	Audit Committee
Shuichi Ishibashi	15 of 15 (100%)	–	–	–
Masahiro Higashi	15 of 15 (100%)	–	–	–
Scott Trevor Davis	15 of 15 (100%)	18 of 18 (100%)	15 of 15 (100%)	–
Yuri Okina	15 of 15 (100%)	18 of 18 (100%)	15 of 15 (100%)	–
Kenichi Masuda	15 of 15 (100%)	18 of 18 (100%)	15 of 15 (100%)	–
Kenzo Yamamoto	15 of 15 (100%)	–	–	19 of 19 (100%)
Yojiro Shiba	15 of 15 (100%)	–	–	19 of 19 (100%)
Yoko Suzuki	15 of 15 (100%)	–	–	19 of 19 (100%)
Yukari Kobayashi	11 of 11 (100%)	–	–	14 of 14 (100%)
Yasuhiro Nakajima	11 of 11 (100%)	–	–	14 of 14 (100%)
Akira Matsuda	11 of 11 (100%)	–	–	14 of 14 (100%)
Tsuyoshi Yoshimi	15 of 15 (100%)	–	–	19 of 19 (100%)

(Note) Ms. Yukari Kobayashi, Mr. Yasuhiro Nakajima, and Mr. Akira Matsuda's attendance differs from other members of the Board as they were newly elected as members of the Board at the 104th Annual Shareholders' Meeting held on March 28, 2023, and were also appointed as members of the Audit Committee on the same date.

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

・ Board of Directors

During the current fiscal year, the Board of Directors confirmed the progress of the Mid Term Business Plan (2021-2023) and the status of formulating the Mid Term Business Plan (2024-2026), centered on reports from the Global CEO and Representative Executive Officer regarding discussions at the Global Executive Committee (hereinafter "Global EXCO"), toward achieving the Mid-Long Term Business Strategy decided at the Board of Directors meeting in April 2020. At the same time, the Board of Directors set themes based on proposals from outside directors, and engaged in discussions with particular emphasis placed on sustainability initiatives, IP strategy, technology strategy, and investment in human capital. In addition, the Board of Directors supervises execution and makes necessary decisions particularly through deliberations on quarterly financial results and individual matters.

<Statutory Committees>

・ Nominating Committee

While exchanging opinions on management strategies with executive officers in Japan and abroad, including the Global CEO, and with persons in charge of each business, the Committee deliberated on the

Board succession planning and proposals related to the election of representative executive officers, and decided on proposals for the election of members of the Board to be submitted to the Annual Shareholders' Meeting, upon holding discussions on Board member composition including consideration of new nominees for members of the Board.

・ Audit Committee

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

・ Compensation Committee

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

<Advisory Committees>

・ Governance Committee

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

・ Compliance Committee

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

As for the business divisions from January 2024, under the Global CEO, the Group's business has been divided into two regions, BRIDGESTONE WEST (mainly in the U.S. and Europe) and BRIDGESTONE EAST (mainly in Japan and Asia), each headed by a Joint Global COO. Under the two regions, several SBUs have been established, which have been broken down into detailed business areas to allow management and execution to be more closely involved in the field and to go deeper into issues. Furthermore, in order to ensure consistency between global and regional strategies and maximize effectiveness and efficiency, the Company has established a global integration function and has appointed a Global CAO (Chief Administration Officer), a Global CDXO (Chief Digital Transformation Officer), and a Global CTO (Chief Technology Officer), among others.

The Global EXCO, consisting mainly of these members, has been established as the Group's highest level management and execution committee to discuss and deliberate management strategies and issues (including sustainability) from a global perspective, thereby strengthening the Group's checks and balances function and improving transparency in the decision-making process. (Global EXCO Members are described in the following table.)

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.

Name	Position
Shuichi Ishibashi	Global CEO (Representative Executive Officer)
Masahiro Higashi	Joint Global COO･BRIDGESTONE EAST CEO (Representative Executive Officer) Global CAO
Paolo Ferrari	Joint Global COO･BRIDGESTONE WEST CEO (Executive Officer) Global CDXO BSAM Group President
Masato Banno	Global CTO (Senior Vice President and Executive Officer)
Scott Damon	BRIDGESTONE WEST BMS Group President (Vice President and Senior Officer)
Laurent Dartoux	BSEMEA Group President (Vice President and Senior Officer)
Emilio Tiberio	BRIDGESTONE WEST CTO (Vice President and Senior Officer)
Craig Schneider	BRIDGESTONE WEST Retail Group President (Vice President and Senior Officer)
Christopher Nicastro	BSAM CLO, CCPO and Executive Vice President, Legal Affairs (Vice President and Senior Officer)
Nobuyuki Tamura	G-MICA (Vice President and Senior Officer)
Yasuhiro Morita	BSAPIC Group President (Vice President and Senior Officer)
Toshihiko Komami	Global COEA (Lead Expert, Global Strategy)

As of March 26, 2024

(Note) Meanings of abbreviations are as follows.

CAO: Chief Administration Officer

CDXO: Chief Digital Transformation Officer

CTO: Chief Technology Officer

CLO: Chief Legal Officer

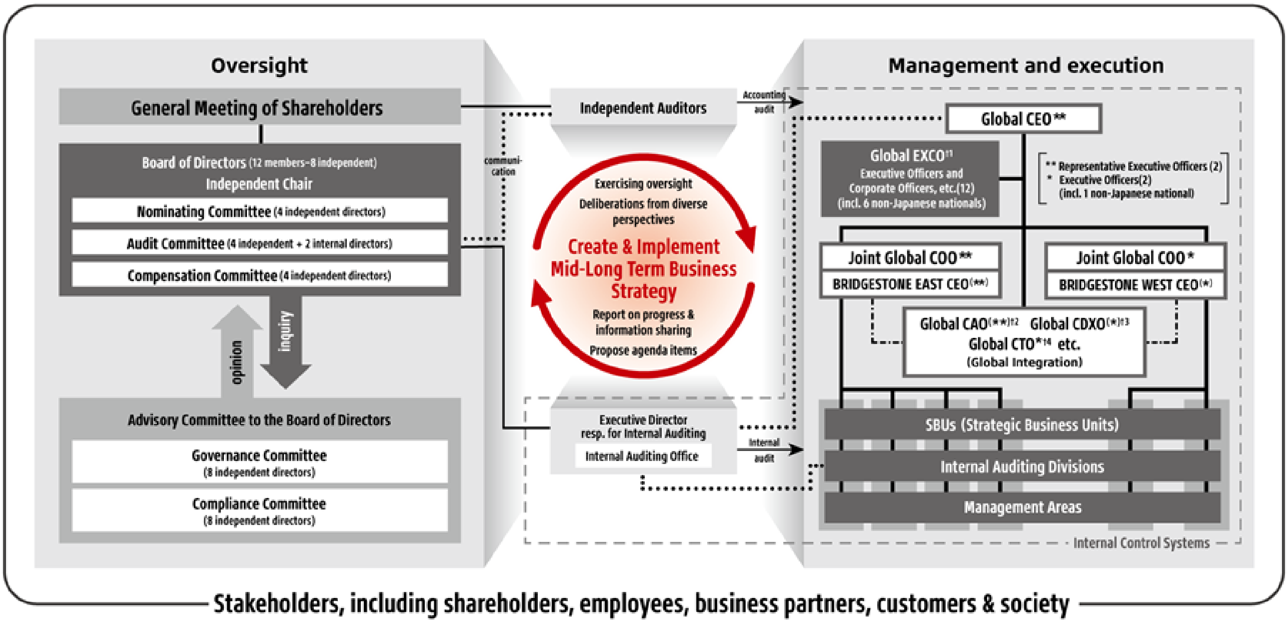
CCPO: Chief Compliance Officer

COEA: Chief of External Affairs

c. Reasons for adopting current corporate governance system

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

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



Joint Global COO: Responsible for global operations in two areas:
(1) BRIDGESTONE EAST CEO for Japan & Asia, (2) BRIDGESTONE WEST CEO for Americas & Europe.
†1 Global Executive Committee †2 Global Chief Administration Officer
†3 Global Chief Digital Transformation Officer †4 Global Chief Technology Officer

As of March 26, 2024

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2) Overview of agreement limiting damage compensation liability

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

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

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

4) Number of Members of the Board

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

5) Requirements for election of Members of the Board

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

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

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

- The ability to purchase treasury stock

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

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

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

  (To provide stable return of profits to shareholders)

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

7) Special resolution requirements for Shareholders' Meetings

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

(2) Members of the Board and Executive Officers

1) List of Members of the Board and Executive Officers

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

a. Members of the Board

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Member of the Board	Shuichi Ishibashi	January 19, 1954	April 1977 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 Member of the Board and Representative Executive Officer and Global CEO (present)	Note 2	33,000
Member of the Board	Masahiro Higashi	February 11, 1961	April 1985 January 2013 October 2013 March 2017 January 2019 January 2020 July 2020 March 2021 September 2021 May 2022 January 2024	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 Member of the Board, Representative Executive Officer, Global COO and Global CAO Member of the Board, Representative Executive Officer and Global COO Member of the Board, Representative Executive Officer and Joint Global COO Member of the Board, Representative Executive Officer, Joint Global COO・BRIDGESTONE EAST CEO and Global CAO (present)	Note 2	25,300
Member of the Board Note 1	Scott Trevor Davis	December 26, 1960	April 1990 April 2001 April 2006 March 2011	Researcher, The Japan Institute of Labour (currently The Japan Institute for Labour Policy and Training) Professor, Department of International Economics, Reitaku University Professor, Department of Global Business, College of Business, Rikkyo University (present) Member of the Board as Outside Director, Bridgestone Corporation (present)	Note 2	1,000

Position	Name	Date of birth	Personal history	Term of office	Number of shares held
Member of the Board Note 1	Yuri Okina	March 25, 1960	April 1984 Joined Bank of Japan 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)	Note 2	–
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	3,000
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. April 2009 Representative Director and Executive Vice President Officer, Oriental Land Co., Ltd. June 2013 External Director, AMUSE INC. June 2015 Director and Vice Chairman, AMUSE INC. March 2018 Member of the Board as Outside Director, Bridgestone Corporation (present) April 2019 Representative Director and President, AMUSE INC.	Note 2	–

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Member of the Board Note 1	Yoko Suzuki	September 21, 1970	April 1998 April 1998 November 2002 March 2018	Attorney-at-law (present) Joined Takagi Godo Law Office Partner, Suzuki Sogo Law Office (present) Member of the Board as Outside Director, Bridgestone Corporation (present)	Note 2	3,600
Member of the Board Note 1	Yukari Kobayashi	April 17, 1963	April 1987 July 2002 January 2007 January 2007 March 2016 January 2018 February 2018 September 2018 March 2020 March 2023 June 2023	Joined IBM Japan, Ltd. Senior Manager, Overall Management of System Products Marketing, IBM Japan, Ltd. Director in charge of Public Sector, Global Business Service, IBM Japan, Ltd. Executive Officer, IBM Business Consulting Services KK Growth Leader for Mercer Far East Zone; Chief of Staff, Mercer Japan Ltd. Director, Mercer Investment Solutions Ltd. Chief Operating Officer, Mercer Japan Ltd. Corporate Officer; Corporate Strategy Management Lead, Area Transformation Lead, and Chief of Staff, Microsoft Japan Co., Ltd. Representative Partner, Amanda Life Consulting LLC (present) Member of the Board as Outside Director, Bridgestone Corporation (present) Representative Member, JC1 LLC. (present)	Note 2	100
Member of the Board Note 1	Yasuhiro Nakajima	October 13, 1961	April 1984 March 1995 July 2007 July 2012 July 2014 July 2017 July 2022 March 2023	Joined Hitachi, Ltd. Certified Public Accountant (present) Representative Partner, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC) Executive Officer (Leader of Quality Management), PricewaterhouseCoopers Aarata General Manager, Nagoya Office, PricewaterhouseCoopers Aarata LLC Oversight Board Member, PricewaterhouseCoopers Aarata LLC Representative, Nakajima CPA Office (present) Member of the Board as Outside Director, Bridgestone Corporation (present)	Note 2	100

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Member of the Board	Akira Matsuda	January 16, 1963	April 1987 September 1989 January 2011 March 2014 January 2017 January 2019 January 2022 March 2023	Joined Bridgestone Corporation Seconded to BRIDGESTONE/FIRESTONE INC. (currently BRIDGESTONE AMERICAS, INC.) (USA) Director, eco-Activities Promotion Division, Bridgestone Corporation Vice President and Officer, Environment Vice President and Senior Officer, Responsible for Global Innovation Vice President and Senior Officer; CQMO, Responsible for Quality Management Lead Expert; CQMO; Assistant to Executive Vice President, Responsible for Quality Management Member of the Board (present)	Note 2	3,800
Member of the Board	Tsuyoshi Yoshimi	May 26, 1964	April 1988 January 2010 September 2012 October 2013 March 2017 March 2019	Joined Bridgestone Corporation Seconded to BRIDGESTONE ASIA PACIFIC PTE. LTD. (Singapore) Seconded to BRIDGESTONE (CHINA) INVESTMENT CO., LTD. (Shanghai) Director, Finance Division, Bridgestone Corporation Vice President and Officer, Auditing Member of the Board (present)	Note 2	3,100
Total						73,000

(Notes) 1. Of the Members of the Board, Mr. Scott Trevor Davis, Ms. Yuri Okina, Mr. Kenichi Masuda, Mr. Kenzo Yamamoto, Mr. Yojiro Shiba, Ms. Yoko Suzuki, Ms. Yukari Kobayashi and Mr. Yasuhiro Nakajima are outside directors.
2. The terms of office of Members of the Board shall expire at the close of the Annual Shareholders' Meeting relating to the last business year that ends within one year after their election at the Annual Shareholders' Meeting held on March 26, 2024.
3. The Company is a Company with Nominating Committee, etc. The structure of committees is described in "4 (1) Overview of corporate governance."
4. Meanings of abbreviations are as follows.
CAO: Chief Administration Officer CQMO: Chief Quality Management Officer

b. Executive Officers

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Representative Executive Officer Global CEO	Shuichi Ishibashi	January 19, 1954	April 1977 June 2003 January 2005 July 2012 January 2014 January 2016 March 2016 January 2019 March 2020	Joined Bridgestone Tire Co., Ltd. (currently Bridgestone Corporation) Director, Consumer Tires Business Vice President and Officer Vice President and Senior Officer Senior Vice President Executive Vice President Executive Vice President and Executive Officer Vice Chair and Representative Executive Officer Member of the Board, Representative Executive Officer and Global CEO (present)	Note 1	33,000

Position	Name	Date of birth	Personal history		Term of office	Number of shares held
Representative Executive Officer Joint Global COO・BRIDGESTONE EAST CEO, Global CAO and BSAPIC Chair Chairman and Representative Board Member, 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 May 2022 January 2024	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 Member of the Board, Representative Executive Officer, Global COO and Global CAO Member of the Board, Representative Executive Officer and Global COO Member of the Board, Representative Executive Officer and Joint Global COO Member of the Board, Representative Executive Officer, Joint Global COO・BRIDGESTONE EAST CEO and Global CAO (present)	Note 1	25,300
Executive Officer Joint Global COO・BRIDGESTONE WEST CEO, Global CDXO, BSAM Executive Chair of the Board, Group President and BSEMEA Supervisory Board Chair	Paolo Ferrari	April 10, 1970	September 2016 January 2017 January 2018 January 2019 May 2022 January 2024	Joined BRIDGESTONE EUROPE NV/SA Members of the Board, President and CEO Vice President and Senior Officer, Bridgestone Corporation Senior Vice President and Executive Officer Executive Vice President and Executive Officer Executive Officer and Joint Global COO Executive Officer, Joint Global COO・BRIDGESTONE WEST CEO and Global CDXO (present)	Note 1	13,500
Senior Vice President and Executive Officer Global CTO・Monozukuri	Masato Banno	September 18, 1963	April 1986 July 2016 January 2017 January 2018 January 2019	Joined Bridgestone Corporation Director, Tire Development Division No. 3 Vice President and Officer Vice President and Senior Officer Executive Officer and Senior Vice President (present)	Note 1	12,400
Total						84,200

(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.

CAO: Chief Administration Officer　　CDXO: Chief Digital Transformation Officer

CTO: Chief Technology Officer

2) Outside Directors and Outside Corporate Auditors

The Company has elected eight outside directors (as of March 26, 2024).

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 sustainability and ESG in Japan and overseas. Since his appointment as Outside Director of the Company, he has been contributing to ensuring appropriate decision making of the Board of Directors, including from the perspectives of governance, compliance, and organizational and personnel strategy. Based on his extensive experience as an Outside Director of the Company, he has been playing a leading and extremely vital role since 2021 as the Company's first Independent Outside Director serving as Chairperson of the Board of Directors in setting appropriate agenda items and further enhancing deliberations, etc. In addition, he participates in active deliberations as a member of the Nominating Committee and a member of the Compensation Committee, and plays a leading role as Chairperson of the Governance Committee in the discussion to further enhance the Company's governance framework, including the effectiveness of the Board of Directors. He also contributes significantly as Chairperson of the Board of Directors to conduct more efficient and effective management of the Board of Directors that meets stakeholders' expectations by actively participating in dialogue with investors and analysts, etc. The Company is required to further establish and promote a governance framework necessary for the execution and supervision of the Mid Term Business Plan (2024-2026), and based on his above experience, insights and achievements, the Company has determined that Mr. Scott Trevor Davis would appropriately execute the duties as an essential Outside Director for this purpose.

Name	Main occupation	Reasons for appointment
Yuri Okina	Chairperson of the Institute, The Japan Research Institute, Limited	Ms. Yuri Okina has significant research experience regarding financial systems and financial administration, as well as abundant knowledge of economics and financial situations. Since her appointment as an Outside Director of the Company, she has been contributing to ensuring appropriate decision making of the Board of Directors from a wide range of perspectives, including sustainability, capital policy, and governmental policy trends. She was appointed as Chairperson of the Compensation Committee in 2016 when the Company made the major transition to the “Company with Nominating Committee, etc.” Since then, she has been playing a leading and extremely vital role in considering, establishing, and verifying compensation plans that promise a more adequately incentivizing effect, etc., to contribute to realizing the Company’s management and business strategies. At the same time, she has also been participating in active deliberations on succession planning for Directors and Executive Officers as a member of the Nominating Committee. In view of these experiences, insights, and achievements, Ms. Yuri Okina is expected to continue to fulfill these roles, and the Company has determined that she qualifies as an Outside Director.

Name	Main occupation	Reasons for appointment
Kenichi Masuda	Attorney-at-law (Partner of Anderson Mori & Tomotsune)	Mr. Kenichi Masuda has abundant professional career and experience as an attorney-at-law at law firms in Japan and overseas, as well as his expertise as represented by his current experience of teaching corporate law at a graduate school of law. Since his appointment as Outside Director of the Company, he has been contributing to ensuring appropriate decision making of the Board of Directors from a wide range of perspectives, not only legal and risk management, but also shareholder returns and organizational strategies. He was appointed Chairperson of the Nominating Committee in 2021, following the Company's transition to its current executive framework in 2020. Based on his extensive experience at the Company, he has been playing a leading and extremely vital role in strengthening the management execution structure and oversight thereof by actively engaging in the verification of the Board of Directors' human resources portfolio and the succession planning of internal and Outside Directors and Executive Officers, etc. In addition to participating in active deliberations as a member of the Compensation Committee, he has also been playing a leading role as Chairperson of the Compliance Committee in verifying and discussing further improvements to the Company's compliance framework. The role of considering the composition of the Board of Directors necessary for execution and supervision of the Mid Term Business Plan (2024-2026) has become even more important, and based on his above experience, insights and achievements, the Company has determined that Mr. Kenichi Masuda would appropriately execute the duties as an essential Outside Director for this purpose.
Kenzo Yamamoto	Representative, Office KY Initiative	Mr. Kenzo Yamamoto has abundant expertise on financial market and financial systems, as well as his deep insight regarding corporate management and risk management. Since his appointment as an Outside Director of the Company, he has been contributing to ensuring appropriate decision making by the Board of Directors from the perspective of corporate management and risk management in light of global conditions and human capital improvement. Since 2018, as a Chairperson of the Audit Committee, he has been strengthening our auditing system on a global scale, etc., and in 2023, he played a leading and extremely vital role in the change of our Independent Auditor, taking into consideration the rotation system used for auditing firms in other countries. In view of these experiences, insights, and achievements, Mr. Kenzo Yamamoto is expected to contribute from a more diverse perspective, and the Company has determined that he qualifies as an Outside Director.

Name	Main occupation	Reasons for appointment
Yojiro Shiba	–	Mr. Yojiro Shiba has insights into the creation of value and establishment of business from the perspective of customers based on his deep insight as the result of abundant corporate management experience in the financial industry and entertainment business industry. Since his appointment as an Outside Director of the Company, he has been contributing to ensuring appropriate decision making of the Board of Directors also from the perspective of whether the Company's organizational strategy leads to the enhanced effectiveness of operations rooted in on-site activities, etc. In addition, as a member of the Audit Committee, he has been participating in active deliberations and working to promote the strengthening of our auditing system on a global scale, etc., with a focus on improving efficiency and effectiveness. In view of these experiences, insights and achievements, Mr. Yojiro Shiba is expected to continue to fulfill these roles, and the Company has determined that he qualifies as an 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 her appointment as an Outside Director of the Company, she has been contributing to ensuring appropriate decision making of the Board of Directors, not only in risk management but also from the perspective of enhancing Talent creativity with an awareness of diversity and engagement. In addition, as a member of the Audit Committee, she has been participating in active deliberations and working to promote the strengthening of our auditing system on a global scale, etc. In view of these experiences, 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 as an Outside Director.

Name	Main occupation	Reasons for appointment
Yukari Kobayashi	Representative Partner, Amanda Life Consulting LLC Representative Member, JC1 LLC.	Ms. Yukari Kobayashi has deep insight regarding the digital field and business strategy through her extensive practical and management experience in the IT and consulting industries. Since her appointment as an Outside Director of the Company last year, she has been contributing to ensuring appropriate decision making of the Board of Directors from the perspectives of global business strategies, such as digital fields and risk management. In addition, as a member of the Audit Committee, she has been participating in active deliberations and promoting the strengthening of our auditing system on a global scale, including the establishment of an effective risk management system. In view of these experiences, insights and achievements, Ms. Yukari Kobayashi is expected to continue to fulfill these roles, and the Company has determined that she qualifies as an Outside Director.
Yasuhiro Nakajima	Certified Public Accountant (Representative of Nakajima CPA Office)	Mr. Yasuhiro Nakajima has abundant professional career and experience in accounting audit and advisory services as a Certified Public Accountant, and possesses expertise such as that involved in his teaching of accounting and audit at a university. Since his appointment as an Outside Director of the Company last year, he has been contributing to ensuring appropriate decision making of the Board of Directors, not only in finance and accounting but also from the perspective of business strategy from a global standpoint. In addition, as a member of the Audit Committee, he has been participating in active deliberations and working to promote the strengthening of our auditing system on a global scale, including through cooperation with the auditing firm that became the Company's Independent Auditor in 2023. In view of these experiences, insights and achievements, Mr. Yasuhiro Nakajima is expected to continue to fulfill these roles, and the Company has determined that he would appropriately execute the duties as 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. Yojiro Shiba, Ms. Yoko Suzuki, Ms. Yukari Kobayashi, and Mr. Yasuhiro Nakajima, who are outside directors with no relationship of special interests with the Company, and there is no concern that conflicts of interest with general shareholders would arise, the Company has designated them independent outside directors. The Company's Guidelines for Determining Whether Outside Directors Are Sufficiently Independent are described at the end.

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

[Nominating Policy for Appointment to the Board]

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

(Outside Directors)

The Company takes into account the following:

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

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

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

(Members of the Board other than Outside Directors)

The Company takes into account the following:

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

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

[Guidelines for Determining Whether Outside Directors Are Sufficiently Independent]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Status of audit

1) Audit by the Audit Committee

a. Organization and personnel

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

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

After the close of the Annual Shareholders' Meeting to be held on March 26, 2024, the Committee will consist of six members: four outside directors and two internal full-time members.

b. Activities of the Audit Committee

(a) Frequency of Audit Committee meetings

The Audit Committee convened a total of 19 meetings during the current fiscal year. This included regular meetings between Representative Executive Officers and the Audit Committee on five occasions, which involved exchanges of various opinions and advice from the Audit Committee.

The total time of the meetings came to 57 hours, which works out to three hours and 50 minutes per meeting (excluding regular meetings with the Representative Executive Officers). 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	19 of 19 (100%)
Member of the Audit Committee (Note 1)	Keikou Terui	5 of 5 (100%)
Member of the Audit Committee (Note 1)	Seiichi Sasa	5 of 5 (100%)
Member of the Audit Committee	Yojiro Shiba	19 of 19 (100%)
Member of the Audit Committee	Yoko Suzuki	19 of 19 (100%)
Member of the Audit Committee (Note 2)	Yukari Kobayashi	14 of 14 (100%)
Member of the Audit Committee (Note 2)	Yasuhiro Nakajima	14 of 14 (100%)
Full-time member of the Audit Committee (Note 1)	Hideo Hara	5 of 5 (100%)
Full-time member of the Audit Committee (Note 2)	Akira Matsuda	14 of 14 (100%)
Full-time member of the Audit Committee	Tsuyoshi Yoshimi	19 of 19 (100%)

(Note 1) Retired on March 28, 2023.
(Note 2) Appointed on March 28, 2023.

(b) Activities of the Audit Committee and members of the Audit Committee

A. Resolutions and reports by the Audit Committee

There were ten resolutions passed by the Audit Committee during the current fiscal year. The main content of these resolutions was related to audit report, 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 111 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.

B. Activities of the members of the Audit Committee

In addition to the resolutions and reports above, members of the Audit Committee directly exchange opinions and provide advice in regular meetings with Representative Executive Officers. Moreover, they confirm management issues and the state of business through their attendance at Global EXCO and other important meetings. They also make on-site visits to major Group companies and business locations in Japan and overseas to conduct audits regarding the status of execution of duties and the implementation status of internal control systems at such locations. As for the accounting audit, the Audit Committee receives reports and explanations on audit plans, audit methods, and results from the accounting auditor, and then verifies the appropriateness of the results. The members of the Audit Committee also hold meetings with accounting auditors in charge of major overseas Group companies when making on-site visits to such Group companies to receive explanations regarding the status of audits.

In addition to the duties above, the full-time members of the Audit Committee strive to improve audit effectiveness by attending regular monthly executive committee meetings and other important meetings, engaging in daily information gathering efforts in cooperation with the internal audit divisions, and reporting to the Audit Committee.

The Audit Committee has been holding meetings both in-person and remotely online for the sake of efficiency subsequent to relaxation of restrictions that had been imposed on movement due to COVID-19. Additionally, the Committee seeks to ensure effectiveness of its activities by making on-site visits in person to locations in Japan and overseas.

C. Priority audit matters for the current fiscal year

Having identified the following four issues warranting focus for the current fiscal year, the Audit Committee conducted audit activities in cooperation with the Internal Auditing Department and the accounting auditor.

(A) Confirmation of the execution status of transformation and Mid-Long Term Business Strategies centered around the “Bridgestone E8 Commitment”

The Audit Committee has designated as priority items for the current fiscal year confirmation of: the status of Group-wide initiatives related to the “Bridgestone E8 Commitment” corporate commitment established by the Company in March 2022; the impact on its business and internal control systems of various measures implemented within the mid- to long-term business plan; and the status of initiatives related to sustainability, the solutions business, and Talent creativity. The Audit Committee has confirmed such matters through reporting to the Board of Directors, reports from relevant divisions at Audit Committee meetings, and on-site visits made to business locations in Japan and abroad.

(B) Confirmation of the Group’s risk management systems and their implementation status with respect to risks affecting business

The Audit Committee has confirmed the status of improvements made to the Group’s risk management systems, and response to business risks such as cyberattacks, geopolitical risk, and epidemics. In addition to receiving reports from relevant divisions at Audit Committee meetings, the Committee does this through attendance at various internal meetings and through consultations with the Internal Auditing Department and the Group’s internal audit divisions.

(C) Confirmation and advice on status of improvements made to the monitoring system for the Group's internal control based on the "Three Lines of Defense" approach

The Audit Committee has confirmed and furnished advice on the status of improvements made to the monitoring system for the Group's internal controls based on the "Three Lines of Defense" approach, through collaboration with the Internal Auditing Department and the SBU Audit Committee and through on-site visits made to business locations in Japan and abroad.

(D) Confirmation of appropriate collaboration with the newly appointed accounting auditor and status of performance of duties thereof

The Audit Committee has confirmed the status of performance of duties of KPMG AZSA LLC, the newly appointed accounting auditor effective from the current fiscal year, and of its overseas network (KPMG Group), and also confirmed the status of collaboration with the Company and companies of the Group. To such ends, the Audit Committee has had a series of meetings with KPMG AZSA LLC, and also held meetings and consulted with local KPMG Group when making on-site visits to major overseas locations.

2) Status of internal audits

a. Organization, personnel and procedures

The Group's internal auditing organization is comprised of the Internal Auditing Department and the SBU internal audit divisions established at each SBU.

In striving to operate in accordance with standards of The Institute of Internal Auditors (IIA), the Internal Auditing Department formulates an annual audit plan and reports it to the Audit Committee, and, based on that, 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 and the internal audit function of domestic subsidiaries on activities aimed at establishing an optimal internal audit system for the Group. The internal audit divisions of overseas SBUs submit audit reports and activity reports to the respective overseas SBU Audit Committees. Meanwhile, the Internal Auditing Department collects this information in monthly meetings with the internal audit divisions of overseas SBUs, and regularly reports it to the Audit Committee. As of March 26, 2024, the Internal Auditing Department had 34 employees, and internal audit divisions of overseas SBUs had approximately 70 employees.

b. Mutual cooperation of internal audit, the Audit Committee audit and accounting audit

The Internal Auditing Department exchanges information and opinions with the Audit Committee, the Group's internal auditing organization and the accounting auditor as necessary, and generally maintain close contact, thereby working to further increase audit efficiency and effectiveness.

c. Internal audits, Audit Committee audits, and accounting audits, and relationship with internal control department

The Internal Auditing Department strives to improve and strengthen internal controls by auditing the development and operational status of internal controls at locations in Japan and overseas and then reporting the findings to the Audit Committee, while simultaneously working with respective departments in charge of internal controls (internal control department). Regarding internal controls related to financial reporting, the Internal Auditing Department works with the accounting auditor and internal control department in striving to confirm and improve the status of controls, and in reporting the evaluation results to the Audit Committee and the Board of Directors. Furthermore, the Audit Committee confirms the development and operational status of internal controls upon receiving reports directly from the respective departments in charge of internal controls, as previously noted in "1) Audit by the Audit Committee," and simultaneously exchanges opinions as necessary.

d. Initiatives to secure the effectiveness of internal audits

The Internal Auditing Department ensures independence from operating divisions from the perspective of ensuring effective audits by receiving instructions from and regularly reporting directly to the Audit

Committee. It also regularly reports directly to the Global CEO under the dual reporting line approach. With the Company working to further elevate the level of its audits, an external professional institution assessed the Internal Auditing Department and the internal audit division of BSAM as generally in compliance with the IIA's Global Internal Audit Standards in 2022 and 2023, respectively.

3) Status of accounting audits

a. Auditing firm

KPMG AZSA LLC

b. Consecutive audit period

One year

c. Certified public accountants who performed the audit

Mr. Hirotaka Tanaka

Mr. Kentaro Maruta

Mr. Ayumu Nakajima

d. Composition of assistants involved in auditing operations

19 certified public accountants, seven associate members of the Japanese Institute of Certified Public Accountants, and 48 other staff members are involved in the accounting auditing operations.

e. Policy and reasons for appointment of accounting auditor

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

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

According to the above policy, as a result of receiving the necessary reports and evaluation based on predetermined evaluation criteria concerning the auditing systems, independence, audit plans, and status of performance of duties of KPMG AZSA LLC, the current accounting auditor, the Audit Committee has reappointed the same firm as the accounting auditor for the 106th Fiscal Period (fiscal year 2024).

f. Change of accounting auditor

Changes made with respect to the Company's accounting auditor are as follows.

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

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

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

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

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

KPMG AZSA LLC

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

Deloitte Touche Tohmatsu LLC

(b) Date of the change

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

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

March 29, 2001

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

No item to report.

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

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

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

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

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

B) Opinion of the Audit Committee

The Committee deems it appropriate.

g. Evaluation of the accounting auditor

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

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

4) Audit fees

a. Fees to auditing certified public accountants, etc.

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services (Yen in millions)	Fees for non-audit services (Yen in millions)	Fees for audit services (Yen in millions)	Fees for non-audit services (Yen in millions)
The Company	239	6	215	–
Consolidated subsidiaries	238	–	205	–
Total	477	6	420	–

(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 and the audit under the Financial Instruments and Exchange Act. Furthermore, those two amounts cannot be practically distinguished from one another, so this report lists the total amount that should be paid to the accounting auditors.

2. Figures presented for the previous fiscal year represent fees paid to Deloitte Touche Tohmatsu LLC. Figures presented for the current fiscal year represent fees paid to KPMG AZSA LLC.

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

(Previous fiscal year)

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

(Current fiscal year)

No item to report.

4. In regard to fees for audit services in the previous fiscal year, additional fees other than the above came to 20 million yen.

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

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services (Yen in millions)	Fees for non-audit services (Yen in millions)	Fees for audit services (Yen in millions)	Fees for non-audit services (Yen in millions)
The Company	–	28	–	96
Consolidated subsidiaries	2,392	522	1,846	117
Total	2,392	550	1,846	213

(Notes) 1. Figures presented for the previous fiscal year represent fees paid to the companies in the same network as Deloitte Touche Tohmatsu LLC (the Deloitte network). Figures presented for the current fiscal year represent fees paid to the companies in the same network as KPMG AZSA LLC (KPMG Group).

2. The details of non-auditing services provided by companies in the same network as the auditing certified public accountants, etc. are as follows.

(Previous fiscal year)

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

(Current fiscal year)

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

c. Details of fees for other important audit services

No item to report.

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 basis of calculation for the fee quotation and non-audit fees, the Audit Committee deems the fees for services set forth in Article 2, paragraph (1) of the Certified Public Accountants Act to be reasonable and provides the consent pursuant to Article 399, paragraph (1) of the Companies Act.

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

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

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

Position category	Amount of each type of remuneration (Yen in millions)					Number of recipients (in persons)
	Fixed remuneration	Performance-based remuneration			Total	
		Annual bonuses	Stock compensation (PSU)	Stock compensation (RSU, etc.)		
Members of the Board (Internal)	110	–	–	–	110	5
Members of the Board (Outside)	179	–	–	–	179	10
Executive Officers	215	163	227	195	800	5
Total	504	163	227	195	1,089	18

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

2. The amount of fixed remuneration in the above table (total amount of base remuneration, additional allowance for Members of the Board with concurrent duties, additional allowance for the chairpersons, and additional allowance for committee chairs) is the total amount of remuneration paid during fiscal year 2023 (fully paid in cash). (Including remuneration for Members of the Board and Executive Officers who retired during the current fiscal year.)

3. Of the annual bonuses in the above table, Group-wide performance-based bonus is the amount expected to be paid in March 2024 based on the results of business performance, etc. of fiscal year 2023 (fully paid in cash), and performance-based bonus (area of responsibility) is the total amount of the actual payment during fiscal year 2023 (reflecting the previous fiscal year's business performance) and the standard amount expected to be paid in March 2024.

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

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

6. One Member of the Board (Internal), two Members of the Board (Outside), and one Executive Officer who retired during fiscal year 2023 are included in the numbers of Members of the Board and Executive Officers, respectively.

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

Names and principal positions related to the current fiscal year	Company category	Position category	Total amount of consolidated remuneration (Yen in millions)				
			Fixed remuneration	Performance-based remuneration			Total
				Annual bonuses	Stock compensation (PSU)	Stock compensation (RSU, etc.)	
Shuichi Ishibashi, Global CEO	The Company	Member of the Board	12	–	–	–	327
		Executive Officer	92	71	83	69	
Masahiro Higashi, Joint Global COO	The Company	Member of the Board	12	–	–	–	254
		Executive Officer	68	59	62	53	
Paolo Ferrari, Joint Global COO	The Company	Executive Officer	–	–	59	53	465
	BSAM (Note 1)	Member of the Board, CEO and President	199	79 (Note 2)	75	–	
Masato Banno, Global CTO	The Company	Executive Officer	50	33	24	21	128

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

2. In addition to annual bonuses, the followings are listed: the confirmed amount paid for the long-term incentive plan pertaining to FY2021 to FY2023; the amount recorded as expense relating to FY2022 to FY2023 for the long-term incentive plan pertaining to FY2022 to FY2024; and the amount recorded as expense relating to FY2023 for the long-term incentive plan pertaining to FY2023 to FY2025. (However, this excludes the portion disclosed in prior years.)

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

(a) Short-term incentives (annual bonuses)

<Group-wide performance-based bonus>

・ The Group-wide performance-based bonus for fiscal year 2023 was paid at 85.6% of the standard amount, in accordance with the evaluation of the performance indicators as follows.
(Recipients: Global CEO and Representative Executive Officer, Joint Global COO and Representative Executive Officer, Senior Vice Presidents and Executive Officers)

Performance indicator	Fluctuation range of payment rate	Target for fiscal year 2023* (Yen in billions)		Results for fiscal year 2023 (Yen in billions)	Payment rate
Amount of consolidated adjusted operating profit	0-150%	Maximum:	612.0	480.60	85.6%
		Target:	510.0		
		Threshold:	408.0		

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

Bonus payment by individual = Standard amount by position (Group-wide performance-based bonus) × Payment rate 85.6%

<Performance-based bonus (area of responsibility)>

・ The amount of bonus payment for Joint Global COO and Representative Executive Officer for fiscal year 2023 has been determined by the Compensation Committee at a meeting held in March 2024, based on the achievement of the performance in the area of responsibility as the person in charge of the business, while comprehensively taking into consideration important initiatives, etc., being carried out in light of the business environment in the area of responsibility.

・ The amount of bonus payment for Senior Vice Presidents and Executive Officers for fiscal year 2023 has been determined by the Compensation Committee at a meeting held in March 2024, based on the individual performance evaluation for the functions for which they are responsible.

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

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

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

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

<Performance Share Unit (PSU)>

・ The 2021 Plan (evaluation period: 2021 to 2023), for which the evaluation was finalized in fiscal year 2023, resulted in a payment of 83.0% of the standard number of shares, based on the evaluation of performance indicators as follows. 50% is delivered in the form of the Company's common stock, and the remaining 50% is paid in cash equivalent to the market value.

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

Performance indicator	Evaluation ratio	Fluctuation range of payment rate	Target for fiscal year 2023		Results	Payment rate
Consolidated ROIC	80%	0-200%	Maximum: Target: Threshold:	14% 10% 6%	8.7%	83.8%
Consolidated ROE	20%	0-200%	Maximum: Target: Threshold:	16% 12% 8%	10.4%	80.0%
			Payment rate (weighted-average)			83.0%

Number of shares by individual	=	Standard number of shares by position*	×	Payment rate 83.0%

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

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

・ The payment of RSU, etc. for fiscal year 2023 was 110% of the standard amount, in overall consideration of achievement status of the sustainability targets ((1) establishment of "Bridgestone E8 Commitment" as corporate commitment to evolve into a sustainable solutions company toward 2050 and communication with stakeholders both inside and outside of the Company, (2) investment in and development of people to increase added value and job satisfaction, (3) carbon neutrality, including reduction of CO_2 emissions, (4) circular economy, including increasing the ratio of recycled and renewable resources, and (5) activities for achieving a nature-positive world, establishment of Water Stewardship Policy). The Compensation Committee commended the Company for having exceeded its targets for fiscal year 2023, specifically the major quantitative targets set forth in the Mid Term Business Plan (such as reducing CO_2 emissions and increasing the ratio of recycled and renewable resources). The Compensation Committee also commended the Company for having achieved steady progress with respect to investment in developing young people and talent who will lead the future of the Company. The number of individual stock units to be provided as RSU and the number of individual shares to be delivered as RS are calculated by dividing the "Amount of RSU, etc. payments by individual" stated below by the Company's stock price at the time of the share unit provision and share delivery.

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

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

d. Activities of the Compensation Committee

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

In fiscal year 2023, the Compensation Committee held 15 meetings mainly regarding the amount of executive compensation, with full attendance for every meeting. In addition, a third-party human resources and remuneration consultant provided objective and specialized input necessary for deliberations, as necessary.

(b) Specific matters resolved, deliberated and considered at the Compensation Committee

The Compensation Committee mainly deliberated, decided, or confirmed the following during fiscal year 2023.

- Discussed the evaluation of performance-based remuneration for the previous fiscal year (consolidated financial performance evaluation for Group-wide performance-based bonus, individual performance evaluation for performance-based bonus (area of responsibility), consolidated financial performance evaluation for PSU, and evaluation of initiatives related to sustainability and transformation pertaining to RSU, etc.) and determined the amount to be paid to each individual and the number of shares to be delivered.
- Discussed and decided on the performance-based remuneration targets for fiscal year 2023 (consolidated financial performance targets related to Group-wide performance-based bonus and PSU, and sustainability-related initiative targets related to RSU, etc.).
- Deliberated the appropriateness of the current remuneration level and composition of Joint Global COO and Executive Officer Paolo Ferrari for fiscal year 2023, in light of the size of his role and responsibilities as well as the remuneration level and practices of his place of residence.
- Deliberated the appropriateness of remuneration, etc. paid by major overseas Group companies to their Chair, CEO, and COO based on reports received on such remuneration, etc.
- Made decisions on the remuneration system for the subsequent fiscal year with respect to the level and composition of remuneration for Members of the Board and Executive Officers. This involved comparing the level and composition of such remuneration with that of major companies in Japan operating globally to verify the appropriateness and then discussing the matter of appropriate remuneration level and composition in alignment with the Company’s principles of remuneration.

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

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

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

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

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

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

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

The Company decided to review levels of remuneration for Members of the Board upon having compared such levels with those of major companies in Japan operating globally. There are no other particular matters that require mentioning regarding the policy for setting Board Members' and Executive Officers' remuneration for the subsequent fiscal year.

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

(a) Principles of remuneration

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

Principles of remuneration	• 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) Remuneration system

<Executive Officers>

Remuneration of Executive Officers consists of the following.

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

<Members of the Board>

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

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

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

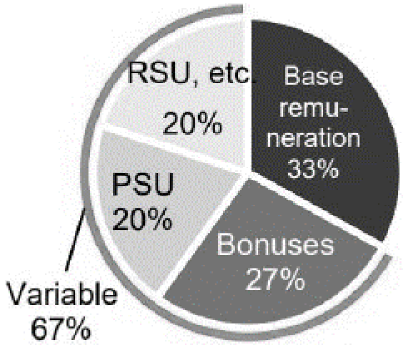
<Executive Officers>

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

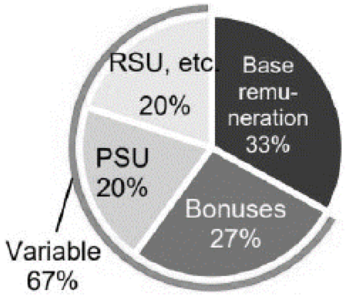
・ While base remuneration is set at a middle level of the Peer Companies, the ratio of variable remuneration is, in principle, set higher for higher positions with greater responsibility for business performance and corporate value, by referring to European companies. The Company aims to set the total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

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

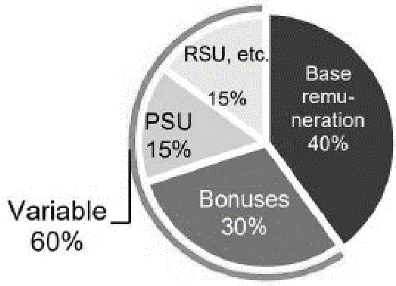
<Global CEO and Representative Executive Officer>



<Joint Global COO and Representative Executive Officer>



<Senior Vice President and Executive Officer>



<Members of the Board>

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

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

・ The Company selects the following as performance indicators of performance-based remuneration based on the Mid-Long Term Business Strategy and the Mid Term Business Plan.

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

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

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

(e) Short-term incentives (annual bonuses)

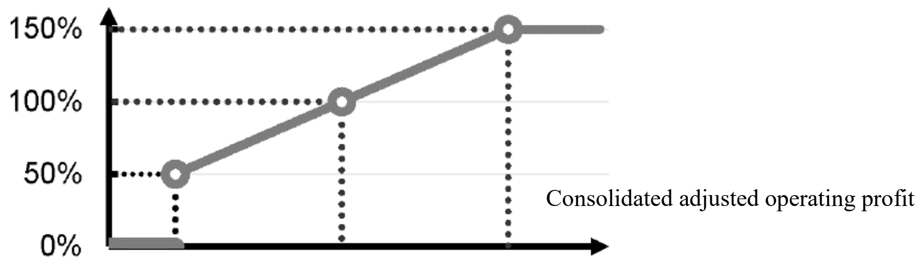
<Group-wide performance-based bonus>

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

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

<Target for fiscal year 2024>

Evaluation (payment rate)



Threshold: 424.0   Target: 530.0   Maximum: 636.0   (Yen in billions)

- Target: Full-year forecast amount publicly-announced in February 2024
- Maximum: Target + 20% (the payment rate is 150% if the actual profit exceeds the forecast amount)
- Threshold: Target - 20% (the payment rate is 0% if the actual profit falls below the forecast amount)

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

<Performance-based bonus (area of responsibility)>

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

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

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

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

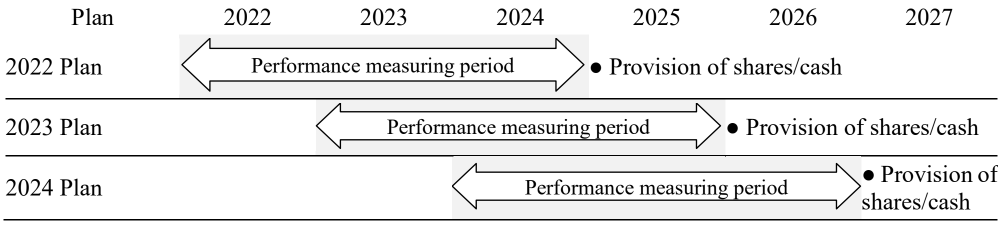
<Performance Share Unit (PSU)>

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

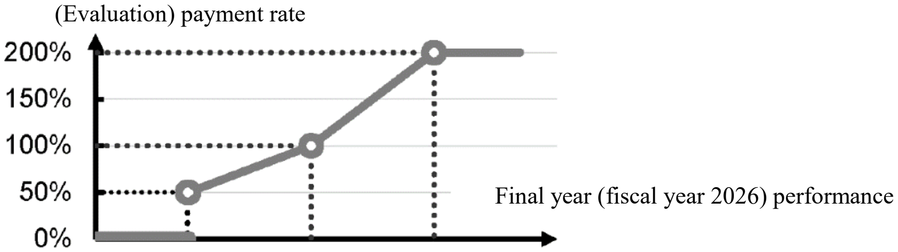
Number of shares by individual	=	Standard number of shares by position*	× [	Evaluation of consolidated ROIC (0-200%)	×	80%	+	Evaluation of consolidated ROE (0-200%)	×	20%]

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

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



<Target for 2024 Plan>



	Threshold:	Target:	Maximum:
Consolidated ROIC	6%	10%	14%
Consolidated ROE	7%	11%	15%

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

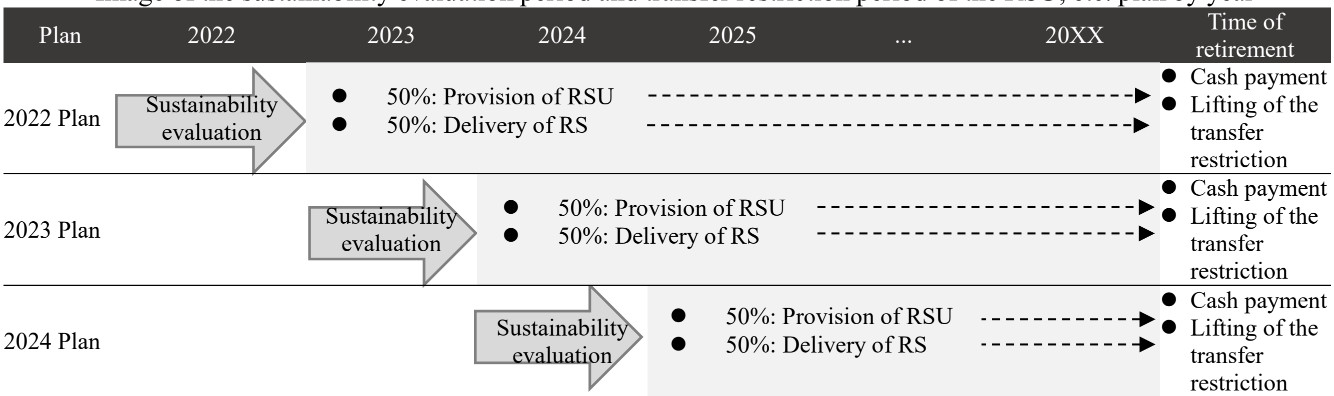
<Restricted Stock Unit, etc. (RSU, etc.)>

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

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

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

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



(g) Other important matters

<Remuneration of foreign Executive Officers>

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

<Process for deciding individual remuneration>

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

<Main roles and powers of the Compensation Committee>

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

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

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

A. Group-wide performance-based bonus for fiscal year 2024

The individual amount of Group-wide performance-based bonus is to be calculated by position and determined in accordance with the following calculation method at the first meeting of the Compensation Committee following the finalization of the consolidated financial statements for the fiscal year ending December 31, 2024. The performance indicator used as the basis for calculating the pay amount is consolidated adjusted operating profit, and the performance measuring period for this indicator is from January 1, 2024 to December 31, 2024.

(A) Calculation method

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

*1 Standard amounts by position are as follows:

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

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

Consolidated adjusted operating profit (fiscal year 2024 results)	Less than 424.0 billion yen	Between 424.0 billion yen and 636.0 billion yen	636.0 billion yen or more
Payment rate	0%	50% + {100% × (Consolidated adjusted operating profit - 424.0 billion yen) ÷ 212.0 billion yen}	150%

(B) Upper limit for payment by individual

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

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

(C) Timing of payment

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

B. PSU 2024 Plan (performance measuring period: 2024 to 2026)

The number of shares of the Company’s common stock to be delivered as PSU (“Number of PSU Shares to Be Delivered”) and the amount of money to be paid (“Amount of PSU Cash to Be Paid”) to each individual will be calculated and determined in accordance with the following calculation method at the first meeting of the Compensation Committee following the finalization of the consolidated financial statements for the fiscal year ending December 31, 2026.

(A) Overview of the Company’s PSU

The Company determines the Number of PSU Shares to Be Delivered and the Amount of PSU Cash to Be Paid to each Executive Officer according to the results of performance indicators (actual results) during a predetermined performance measuring period. The performance indicators used as the basis for calculating the Number of PSU Shares to Be Delivered and the Amount of PSU Cash to Be Paid under the 2024 Plan are consolidated ROIC and consolidated ROE, and the performance measuring period for these indicators is from January 1, 2024 to December 31, 2026.

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

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

(B) Calculation method

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

・ Number of PSU Shares to Be Delivered = Standard number of shares by position(*1) × 50% × Payment rate(*2)

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

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

Position	Global CEO and Representative Executive Officer	Joint Global COO and Representative Executive Officer	Joint Global COO and Executive Officer	Senior Vice President and Executive Officer
Standard number of shares by position (per person)	9,800 shares	7,600 shares	7,600 shares	3,000 shares

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

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

*a The payment rate A is calculated by the following formula based on consolidated ROIC results (%) for fiscal year 2026, and any fraction after the decimal point resulting from the calculation is rounded off to the first decimal place.

Consolidated ROIC results (%, fiscal year 2026)	Less than 6%	From 6% to 10%	From 10% to 14%	14% or more
Payment rate A	0%	50% + {50% × (Consolidated ROIC results(%) - 6%) ÷ 4%}	100% + {100% × (Consolidated ROIC results(%) - 10%) ÷ 4%}	200%

*b The payment rate B is calculated by the following formula based on consolidated ROE results (%) for fiscal year 2026, and any fraction after the decimal point resulting from the calculation is rounded off to the first decimal place.

Consolidated ROE results (%, fiscal year 2026)	Less than 7%	From 7% to 11%	From 11% to 15%	15% or more
Payment rate B	0%	50% + {50% × (Consolidated ROE results(%) - 7%) ÷ 4%}	100% + {100% × (Consolidated ROE results(%) - 11%) ÷ 4%}	200%

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

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

Position(*4)	Global CEO and Representative Executive Officer	Joint Global COO and Representative Executive Officer	Joint Global COO and Executive Officer	Senior Vice President and Executive Officer
Maximum Number of PSU Shares to Be Delivered(*5)	9,800 shares	7,600 shares	7,600 shares	3,000 shares
Maximum Amount of PSU Cash to Be Paid(*5)	77.41 million yen	60.03 million yen	60.03 million yen	23.70 million yen

*4 Positions are based on the position held by each Executive Officer immediately following the conclusion of the Annual Shareholders' Meeting for the fiscal year preceding the beginning of the performance measuring period (fiscal year 2023).

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

(D) Conditions for delivery and payment

The Company shall deliver and pay in May 2027 to each Executive Officer who meets the following three conditions, shares of the Company's stock and cash equivalent to the Number of PSU Shares to Be Delivered and the Amount of PSU Cash to Be Paid to each individual calculated based on the above calculation method.

- Hold a position of Executive Officer of the Company during the period from the day of the Annual Shareholders' Meeting convened on March 26, 2024 until the day of the Annual Shareholders' Meeting scheduled to be convened in March 2027 (hereafter "Relevant Period"), and during the performance measuring period corresponding to the Relevant Period.
- No engagement in illegal acts (criminal conduct related to professional duties, breach of trust against the Company, and acts that incur serious disciplinary measures or require censure).
- Other matters that the Company's Compensation Committee and its Board for Directors deems as necessary to be achieved for the stock compensation plan

Treatment if an Executive Officer changes roles during the Relevant Period

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

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

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

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

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

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

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

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

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

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

*10 The payment rate is determined on a case-by-case basis by the Compensation Committee.

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

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

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

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

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

*13 The payment rate is calculated according to the method described in (B)*2 above, but the consolidated ROIC results (%) and consolidated ROE results (%), which are the basis for the calculation, shall be the results for the most recent fiscal year listed in the Annual Securities Report filed by the date of such approval instead of the results for fiscal year 2026.

(5) Stock holdings

1) Standards and approach for classification of investment stocks

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

2) Investment stocks held for purposes other than pure investment

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

(a) Shareholding policy for strategic shareholdings

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

(b) Verifying appropriateness of strategic shareholdings

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

b. Number of securities and balance sheet amounts

	Number of securities	Balance sheet amounts (Yen in millions)
Unlisted shares	40	1,462
Shares other than unlisted shares	29	48,434

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

	Number of securities	Total acquisition cost for the increase in the number of shares (Yen in millions)	Reason for increasing number of shares
Unlisted shares	–	–	–
Shares other than unlisted shares	–	–	–

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

	Number of securities	Total sale value related to the decrease in the number of shares (Yen in millions)
Unlisted shares	–	–
Shares other than unlisted shares	4	27,017

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

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

Specific Investments Stocks

Name	Current fiscal year Number of shares Balance sheet amount (Yen in millions)	Previous fiscal year Number of shares Balance sheet amount (Yen in millions)	Purpose of holding, overview of business alliances, etc., quantitative effect of holding (Note 1) and reasons for the increase in the number of shares	Ownership of the Company's shares
Toyota Motor Corporation	9,799,450 25,385	9,799,450 17,762	Maintain/strengthen business and collaborative relationships in the premium tire business	Yes
Toyo Tire Corporation	5,000,000 11,800	5,000,000 7,485	Maintain/strengthen business alliances (manufacturing domain, etc.)	Yes
Sumitomo Mitsui Financial Group, Inc.	281,112 1,934	562,224 2,978	Business strategy through financial transactions	Yes
Otsuka Holdings Co., Ltd.	200,000 1,058	200,000 861	Maintain/strengthen business and collaborative relationships in the solutions business	No
FUJI KYUKO CO., LTD.	244,510 1,032	244,510 1,169	Maintain/strengthen business and collaborative relationships in the solutions business	No
Yellow Hat Ltd.	527,076 930	527,076 946	Maintain/strengthen business and collaborative relationships in the premium tire business	Yes
Seino Holdings Co., Ltd.	391,229 836	391,229 459	Maintain/strengthen business and collaborative relationships in the solutions business	No
Fukuyama Transporting Co., Ltd.	200,162 812	200,162 613	Maintain/strengthen business and collaborative relationships in the solutions business	No
Idemitsu Kosan Co., Ltd. (Note 2)	856,000 657	171,200 526	Maintain/strengthen business and collaborative relationships in the premium tire business	No
Kintetsu Group Holdings Co., Ltd.	124,281 556	124,281 541	Maintain/strengthen business and collaborative relationships in the solutions business	No
Nishi-Nippon Railroad Co., Ltd.	212,237 507	212,237 524	Maintain/strengthen business and collaborative relationships in the solutions business	No
AUTOBACS SEVEN Co., Ltd.	313,632 489	313,632 453	Maintain/strengthen business and collaborative relationships in the premium tire business	No
SENKO Group Holdings Co., Ltd.	366,888 419	366,888 354	Maintain/strengthen business and collaborative relationships in the solutions business	No
Niigata kotsu Co., Ltd.	163,870 336	163,870 339	Maintain/strengthen business and collaborative relationships in the solutions business	No

Name	Current fiscal year Number of shares Balance sheet amount (Yen in millions)	Previous fiscal year Number of shares Balance sheet amount (Yen in millions)	Purpose of holding, overview of business alliances, etc., quantitative effect of holding (Note 1) and reasons for the increase in the number of shares	Ownership of the Company's shares
ISEKI & CO., LTD.	270,970	270,970	Maintain/strengthen business and collaborative relationships in the premium tire business	Yes
	293	318		
Sankyu Inc.	51,514	51,514	Maintain/strengthen business and collaborative relationships in the solutions business	No
	267	249		
Hankyu Hanshin Holdings, Inc.	57,983	57,983	Maintain/strengthen business and collaborative relationships in the solutions business	No
	260	227		
SAN-AI OBBLI CO., LTD.	153,550	153,550	Maintain/strengthen business and collaborative relationships in the premium tire business	No
	247	192		
ITOCHU ENEX CO., LTD.	101,386	101,386	Maintain/strengthen business and collaborative relationships in the premium tire business	No
	156	106		
Hiroshima Electric Railway Co., Ltd.	120,000	120,000	Maintain/strengthen business and collaborative relationships in the solutions business	No
	92	98		
Central Japan Railway Company (Note 3)	25,000	5,000	Maintain/strengthen business and collaborative relationships in the solutions business	No
	90	81		
Mie Kotsu Group Holdings, Inc.	121,536	121,536	Maintain/strengthen business and collaborative relationships in the solutions business	No
	73	59		
Nissin Shoji Co., Ltd.	50,000	50,000	Maintain/strengthen business and collaborative relationships in the premium tire business	No
	46	45		
Daiwa Motor Transportation Co., Ltd.	42,000	42,000	Maintain/strengthen business and collaborative relationships in the solutions business	No
	45	34		
SAKAI HEAVY INDUSTRIES, LTD.	5,808	5,808	Maintain/strengthen business and collaborative relationships in the premium tire business	No
	35	20		
S LINE GROUP CO., LTD. (Note 4)	29,700	29,700	Maintain/strengthen business and collaborative relationships in the solutions business	No
	26	24		
KAMEI CORPORATION	12,100	12,100	Maintain/strengthen business and collaborative relationships in the premium tire business	No
	21	15		
AIR WATER INC.	10,000	10,000	Maintain/strengthen business and collaborative relationships in the solutions business	No
	19	15		
ORIX CORPORATION	5,000	5,000	Maintain/strengthen business and collaborative relationships in the premium tire business	No
	13	11		

Name	Current fiscal year	Previous fiscal year	Purpose of holding, overview of business alliances, etc., 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 (Note 5)	–	6,325,160	–	No
	–	16,370		
Nokian Tyres PLC (Note 5)	–	4,167,653	–	No
	–	5,743		
Inoue Rubber (Thailand) Public Co., Ltd. (Note 5)	–	597,100	–	No
	–	32		

(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 January 1, 2024, Idemitsu Kosan Co., Ltd. carried out a stock split of common stock at a five for one ratio. The number of shares stated constitutes the number of shares subsequent to the stock split.
3. On October 1, 2023, Central Japan Railway Company carried out a stock split of common stock at a five for one ratio.
4. S LINE CO., LTD. changed its name to S LINE GROUP CO., LTD. effective July 1, 2023.
5. A dash ("-") signifies that there are no holdings for the security in question.

Deemed Shareholdings

No item to report.

3) Investment stocks for pure investment purposes

No item to report.

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

No item to report.

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, 2023 to December 31, 2023 were audited by KPMG AZSA LLC in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

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

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

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

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

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Note	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
		Yen in millions	Yen in millions
Assets			
Current assets			
Cash and cash equivalents	8,20	518,905	724,601
Trade and other receivables	9,35	946,608	952,307
Inventories	10	885,305	868,578
Other financial assets	11,35	15,107	10,792
Other current assets	12	118,031	138,063
Subtotal		2,483,956	2,694,341
Assets held for sale	13	28,694	3,093
Total current assets		2,512,650	2,697,434
Non-current assets			
Property, plant and equipment	14,16, 20	1,556,665	1,738,506
Right-of-use assets	17	301,278	319,135
Goodwill	15,16	136,406	149,990
Intangible assets	15,16	159,920	200,858
Investments accounted for using equity method		38,894	41,183
Other financial assets	11,35	104,509	131,210
Deferred tax assets	2,18	82,010	88,141
Other non-current assets	12,23	69,871	61,357
Total non-current assets		2,449,553	2,730,379
Total		4,962,203	5,427,813

	Note	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
		Yen in millions	Yen in millions
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	19,35	607,498	599,240
Bonds and borrowings	20,35	107,866	258,074
Lease liabilities	20,35	56,033	61,308
Income taxes payable		53,780	91,124
Other financial liabilities	20,35	34,074	49,659
Provisions	21	51,615	35,489
Other current liabilities	22	173,340	168,858
Subtotal		1,084,204	1,263,753
Liabilities directly associated with assets held for sale	13	1,596	1,058
Total current liabilities		1,085,800	1,264,811
Non-current liabilities			
Bonds and borrowings	20,35	345,584	239,789
Lease liabilities	20,35	257,684	270,989
Other financial liabilities	20,35	18,075	9,901
Retirement benefit liabilities	23	155,112	153,511
Provisions	21	37,302	40,255
Deferred tax liabilities	2,18	39,053	30,946
Other non-current liabilities		11,092	12,217
Total non-current liabilities		863,901	757,608
Total liabilities		1,949,701	2,022,419
Equity			
Common stock	24	126,354	126,354
Capital surplus	24	119,517	120,300
Treasury stock	24	(136,814)	(135,409)
Other components of equity	24	358,523	531,127
Retained earnings	2,24	2,498,255	2,711,220
Total equity attributable to owners of parent		2,965,835	3,353,592
Non-controlling interests	2	46,666	51,803
Total equity		3,012,501	3,405,394
Total liabilities and equity		4,962,203	5,427,813

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

Consolidated Statement of Profit or Loss

	Note	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
		Yen in millions	Yen in millions
Continuing operations			
Revenue	6,26	4,110,070	4,313,800
Cost of sales	10,14, 15,17, 23	2,516,821	2,661,228
Gross profit		1,593,249	1,652,573
Selling, general and administrative expenses	14,15, 17,23, 27,34	1,158,523	1,181,482
Other income	6,28	39,111	39,193
Other expenses	6,16, 23,28	32,538	28,509
Operating profit		441,298	481,775
Finance income	29	18,283	35,385
Finance costs	23,29	41,898	78,346
Share of profit (loss) of investments accounted for using equity method		5,775	5,341
Profit before tax		423,458	444,154
Income tax expense	2,18	112,513	111,177
Profit from continuing operations		310,945	332,977
Discontinued operations			
Profit (loss) from discontinued operations	14,15, 16,17, 23,31	(5,141)	4,375
Profit		305,804	337,352
Profit attributable to			
Owners of parent		300,305	331,305
Non-controlling interests		5,499	6,048
Profit		305,804	337,352
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)			
Continuing operations	32	439.60	477.60
Discontinued operations	32	(7.40)	6.39
Total	32	432.20	483.99
Diluted earnings (loss) per share (Yen)			
Continuing operations	32	439.00	477.02
Discontinued operations	32	(7.39)	6.38
Total	32	431.61	483.41

Consolidated Statement of Comprehensive Income

	Note	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
		Yen in millions	Yen in millions
Profit		305,804	337,352
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	(19,733)	12,693
Remeasurements of defined benefit plans	23,30	8,057	(8,367)
Share of other comprehensive income of investments accounted for using equity method	30	(0)	(2)
Total of items that will not be reclassified to profit or loss		(11,677)	4,324
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	30	258,117	184,445
Effective portion of change in fair value of cash flow hedges	30	2,704	(999)
Share of other comprehensive income of investments accounted for using equity method	30	10,220	1,282
Total of items that may be reclassified to profit or loss		271,041	184,728
Other comprehensive income, net of tax		259,364	189,051
Comprehensive income		565,168	526,404
Comprehensive income attributable to			
Owners of parent		556,730	516,150
Non-controlling interests		8,438	10,253
Comprehensive income		565,168	526,404

3) Consolidated Statement of Changes in Equity

Previous fiscal year (Year ended December 31, 2022)

	Note	Equity attributable to owners of parent						
					Other components of equity			
	Note	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 as of January 1, 2022		126,354	122,126	(38,123)	2,997	44,682	744	63,436
Cumulative effects of changes in accounting policies	2	–	–	–	–	–	–	–
Restated balance as of January 1, 2022		126,354	122,126	(38,123)	2,997	44,682	744	63,436
Profit		–	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	265,629	2,237	(19,734)
Total comprehensive income		–	–	–	–	265,629	2,237	(19,734)
Purchase of treasury stock	24	–	–	(100,033)	–	–	–	–
Disposal of treasury stock	24	–	–	1,343	(324)	–	–	–
Dividends	25	–	–	–	–	–	–	–
Changes in ownership interests of owners in subsidiaries under control		–	(303)	–	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	–	–	–	(1,144)
Transactions with non-controlling interests and other	35	–	(2,306)	–	–	–	–	–
Other changes		–	–	–	–	–	–	–
Total transactions with owners, etc.		–	(2,609)	(98,690)	(324)	–	–	(1,144)
Balance as of December 31, 2022		126,354	119,517	(136,814)	2,673	310,311	2,980	42,558

	Note	Equity attributable to owners of parent				Non-controlling interests	Total
		Other components of equity		Retained earnings	Total		
		Remeasurements of defined benefit plans	Total				
		Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance as of January 1, 2022		–	111,859	2,307,667	2,629,883	45,471	2,675,354
Cumulative effects of changes in accounting policies	2	–	–	91	91	13	105
Restated balance as of January 1, 2022		–	111,859	2,307,758	2,629,974	45,484	2,675,458
Profit		–	–	300,305	300,305	5,499	305,804
Other comprehensive income		8,293	256,425	–	256,425	2,939	259,364
Total comprehensive income		8,293	256,425	300,305	556,730	8,438	565,168
Purchase of treasury stock	24	–	–	(5)	(100,038)	–	(100,038)
Disposal of treasury stock	24	–	(324)	(198)	820	–	820
Dividends	25	–	–	(119,042)	(119,042)	(4,709)	(123,751)
Changes in ownership interests of owners in subsidiaries under control		–	–	–	(303)	(1,708)	(2,012)
Transfer from other components of equity to retained earnings		(8,293)	(9,437)	9,437	–	–	–
Transactions with non-controlling interests and other	35	–	–	–	(2,306)	–	(2,306)
Other changes		–	–	–	–	(839)	(839)
Total transactions with owners, etc.		(8,293)	(9,762)	(109,808)	(220,869)	(7,256)	(228,125)
Balance as of December 31, 2022		–	358,523	2,498,255	2,965,835	46,666	3,012,501

Current fiscal year (Year ended December 31, 2023)

	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 as of January 1, 2023		126,354	119,517	(136,814)	2,673	310,311	2,980	42,558
Profit		–	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	183,178	(1,886)	12,690
Total comprehensive income		–	–	–	–	183,178	(1,886)	12,690
Purchase of treasury stock	24	–	–	(16)	–	–	–	–
Disposal of treasury stock	24	–	–	1,420	(365)	–	–	–
Dividends	25	–	–	–	–	–	–	–
Changes in ownership interests of owners in subsidiaries under control		–	783	–	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	–	–	–	(21,013)
Other changes		–	–	–	–	–	–	–
Total transactions with owners, etc.		–	783	1,405	(365)	–	–	(21,013)
Balance as of December 31, 2023		126,354	120,300	(135,409)	2,308	493,489	1,094	34,236

	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 as of January 1, 2023		–	358,523	2,498,255	2,965,835	46,666	3,012,501
Profit		–	–	331,305	331,305	6,048	337,352
Other comprehensive income		(9,136)	184,845	–	184,845	4,206	189,051
Total comprehensive income		(9,136)	184,845	331,305	516,150	10,253	526,404
Purchase of treasury stock	24	–	–	(1)	(17)	–	(17)
Disposal of treasury stock	24	–	(365)	(162)	893	–	893
Dividends	25	–	–	(130,053)	(130,053)	(3,940)	(133,994)
Changes in ownership interests of owners in subsidiaries under control		–	–	–	783	(1,228)	(445)
Transfer from other components of equity to retained earnings		9,136	(11,876)	11,876	–	–	–
Other changes		–	–	–	–	51	51
Total transactions with owners, etc.		9,136	(12,242)	(118,340)	(128,394)	(5,117)	(133,511)
Balance as of December 31, 2023		–	531,127	2,711,220	3,353,592	51,803	3,405,394

4) Consolidated Statement of Cash Flows

	Note	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
		Yen in millions	Yen in millions
Cash flows from operating activities			
Profit before tax		423,458	444,154
Profit (loss) before tax from discontinued operations	31	(24,815)	5,340
Depreciation and amortization		282,108	305,805
Impairment losses		18,216	1,833
Increase (decrease) in accounts payable - bonuses		(1,349)	(10,845)
Increase (decrease) in retirement benefit liabilities		(22,008)	(9,959)
Interest and dividend income		(18,679)	(31,079)
Interest expenses		14,858	21,038
Foreign currency exchange loss (gain)		(3,894)	19,346
Share of loss (profit) of investments accounted for using equity method		(5,775)	(5,341)
Loss (gain) on sale of fixed assets		(14,296)	(17,322)
Business and plant restructuring income		(4,942)	(8,645)
Business and plant restructuring expenses		7,435	13,390
Loss on retirement of fixed assets		2,625	3,225
Decrease (increase) in trade and other receivables		(139,608)	56,807
Decrease (increase) in inventories		(195,404)	85,319
Increase (decrease) in trade and other payables		52,515	(55,279)
Increase (decrease) in allowance for doubtful accounts		(3,462)	6,519
Increase (decrease) in provision for loss on litigation		(1,453)	(7,047)
Increase (decrease) in provision for product warranties		15,427	(7,682)
Other		(32,640)	(106,865)
Subtotal		348,317	702,712
Interest and dividends received		20,898	34,461
Interest paid		(14,570)	(17,757)
Income taxes paid		(86,162)	(57,982)
Net cash provided by (used in) operating activities		268,483	661,433
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(221,293)	(282,449)
Proceeds from sale of property, plant and equipment		27,685	29,609
Payments for purchase of intangible assets		(33,433)	(60,488)
Payments for purchase of investment securities		(3,719)	(2,203)
Proceeds from sale of investment securities		2,856	27,923
Payments of long-term loans receivable		(28,943)	(21,122)
Collection of loans receivable		19,494	14,891
Payments for sale of discontinued operations		(115,720)	–
Other		15,068	(3,880)
Net cash provided by (used in) investing activities		(338,004)	(297,719)

	Note	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
		Yen in millions	Yen in millions
Cash flows from financing activities			
Increase (decrease) in short-term borrowings	2,33	21,595	20,873
Proceeds from long-term borrowings	33	554	23,107
Repayments of long-term borrowings	33	(54,114)	(20,668)
Redemption of bonds	33	(40,000)	–
Repayments of lease liabilities	33	(65,810)	(68,401)
Dividends paid to owners of parent		(119,021)	(130,044)
Dividends paid to non-controlling interests		(4,709)	(3,940)
Other		(102,604)	(4,584)
Net cash provided by (used in) financing activities		(364,109)	(183,657)
Effect of exchange rate changes on cash and cash equivalents		65,158	25,475
Net increase (decrease) in cash and cash equivalents		(368,473)	205,532
Cash and cash equivalents at beginning of period		787,542	518,905
Net increase (decrease) in cash and cash equivalents included in assets held for sale	13	99,836	164
Cash and cash equivalents at end of period	8	518,905	724,601

Notes to Consolidated Financial Statements

1. Reporting Entity

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

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

2. Basis of Preparation

   (1) Statement of compliance with IFRS

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

   The consolidated financial statements were approved on March 26, 2024 by Shuichi Ishibashi, Member of the Board, Global CEO and Representative Executive Officer of the Company, and Naoki Hishinuma, Global CFO and Executive Director 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 accounting policies

   (Application of IAS 12 "Income Taxes")

   Deferred tax related to assets and liabilities arising from a single transaction

   Due to the application of IAS 12 "Income Taxes" (amended in May 2021), the accounting treatment was clarified for the initial recognition, etc. concerning transactions that give rise to equal taxable and deductible temporary differences at the time of the transaction, and the deferred tax liabilities and deferred tax assets regarding the taxable and deductible temporary differences are each recognized in the consolidated statement of financial position.

   Together with the application of this standard, the consolidated financial statements for FY2022 were revised retrospectively. As a result, in the consolidated statement of financial position as of December 31, 2022, deferred tax assets increased by 385 million yen, deferred tax liabilities increased by 341 million yen, retained earnings increased by 29 million yen and non-controlling interests increased by 15 million yen. In the consolidated statement of profit or loss and consolidated statement of comprehensive income, profit decreased by 61 million yen due to changes in income tax expense.

   Because the cumulative effects due to the application of the above standard were reflected in the consolidated statement of changes in equity, for the previous fiscal year, the balance as of the beginning of the period for retained earnings increased by 91 million yen and the balance as of the beginning of the period for non-controlling interests increased by 13 million yen.

International Tax Reform—Pillar Two Model Rules

Due to the application of IAS 12, "Income Taxes" (amended in May 2023), the Company has applied a temporary exception to the requirement to recognize and disclose deferred tax assets and deferred tax liabilities pertaining to income taxes arising from the tax system related to the Pillar Two model rules announced by the Organisation for Economic Co-operation and Development (OECD). As this standard was applied retrospectively, deferred tax assets and deferred tax liabilities pertaining to income taxes arising from the tax system related to the Pillar Two model rules have not been recognized or disclosed.

In the reforms to the Japanese tax system made in 2023, a corporate tax complying with the global minimum tax was newly created, with the tax reform act ("Act for Partial Revision of the Income Tax Act, etc." (Act No. 3 of 2023)) (hereinafter "Revised Corporation Tax Act") enacted on March 28, 2023 that includes the relevant regulations for the global minimum tax. Within the global minimum tax rules in the Revised Corporation Tax Act, an income inclusion rule ("IIR") has been introduced. Applicable from the business year starting on or after April 1, 2024, an additional tax will be imposed on parent companies located in Japan up to the minimum tax rate (15%) of the taxes borne by the subsidiaries, etc. of those parent companies located in Japan. This rule has already been applied to certain countries outside of Japan such as EU countries, and the impact of this tax on the Group's consolidated financial statements is insignificant.

(5) Changes in presentations

(Consolidated statement of cash flows)

"Loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell" and "Increase (decrease) in consumption tax payables" that were stated as separate line items under "Cash flows from operating activities" for the previous fiscal year are included in "Other" under "Cash flows from operating activities" from the current fiscal year, as their amounts have become immaterial. "Increase (decrease) in accounts payable – bonuses," "Increase (decrease) in allowance for doubtful accounts," and "Increase (decrease) in provision for loss on litigation" that were included in "Other" under "Cash flows from operating activities" for the previous fiscal year are separately stated from the current fiscal year, as their amounts have become material. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 19,161 million yen stated in "Loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell," (13,733) million yen stated in "Increase (decrease) in consumption tax payables," and (44,332) million yen stated in "Other" under "Cash flows from operating activities" were reclassified for the previous fiscal year as "Increase (decrease) in accounts payable - bonuses" in the amount of (1,349) million yen, "Increase (decrease) in allowance for doubtful accounts" in the amount of (3,462) million yen, "Increase (decrease) in provision for loss on litigation" in the amount of (1,453) million yen, and "Other" in the amount of (32,640) million yen.

Because of the increasing use and conversion of short-term borrowings, which have short turnover, involve large sums of money, and have short repayment deadlines, "Proceeds from short-term borrowings" and "Repayments of short-term borrowings" under "Cash flows from financing activities," which were indicated as gross amounts in the previous fiscal year, are indicated beginning from this fiscal year as a net amount in "Increase (decrease) in short-term borrowings." "Purchase of treasury stock" that was stated as a separate line item under "Cash flows from financing activities" for the previous fiscal year is included in "Other" from the current fiscal year, as its amount has become immaterial. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 204,077 million yen stated in "Proceeds from short-term borrowings," (182,482) million yen stated in "Repayments of short-term borrowings," (100,004) million yen stated in "Purchase of treasury stock," and (2,600) million yen under "Other" in "Cash flows from financing activities" for the previous fiscal year were reclassified as "Increase (decrease) in short-term borrowings" in the amount of 21,595 million yen and "Other" in the amount of (102,604) 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. Financial statements of foreign operations under a high inflationary economy reflect the effect of inflation, and revenue and expenses are calculated in the presentation currency using the exchange rate at the end of the reporting period.

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

(4) Financial instruments

1) Financial assets other than derivatives

a Initial recognition and measurement

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

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

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

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

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

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

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

b Subsequent measurement

Financial assets after the initial recognition are measured 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 value and dividends are recognized in profit or loss.

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

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

c Derecognition

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

2) Impairment of financial assets measured at amortized cost

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

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

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

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

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

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

The amounts of these measurements are recognized in profit or loss.

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

3) Financial liabilities other than derivatives

a Initial recognition and measurement

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

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

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

b Subsequent measurement

Financial liabilities after the initial recognition are measured 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 value being recognized in profit or loss.

c Derecognition

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

4) Derivatives and hedge accounting

The Group uses derivatives, including forward exchange contracts and interest rate swap transactions, for the purpose of hedging foreign currency risk and interest rate 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 whether the hedging relationship meets the requirements for hedge effectiveness, at the inception of the hedging relationship and on an ongoing basis.

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

a Fair value hedges

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

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

b Cash flow hedges

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

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

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

c Derivatives not designated as hedging instruments

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

5) Offsetting financial instruments

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

(5) Fair value measurement

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

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

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

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

(6) Cash and cash equivalents

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

(7) Inventories

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

(8) Property, plant and equipment

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

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

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

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

(9) Goodwill and intangible assets

1) Goodwill

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

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

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

2) Intangible assets

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

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

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

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

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

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

(10) Leases

1) Lessee

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

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

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

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

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

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

2) Lessor

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

(11) Impairment of non-financial assets

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

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

(12) Assets held for sale and discontinued operations

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

(13) Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

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

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

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

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

(14) Share-based payment

The Group has adopted the stock option plan and restricted share-based remuneration plan as an equity-settled share-based payment plan as well as the Performance Share Units (PSU) plan and the Restricted Stock Units (RSU) plan as a cash-settled share-based payment plan. Stock options are estimated at fair value at the date of grant, taking into account the estimated number of options to be vested, and recognized as expenses over the vesting periods in the consolidated statement of profit or loss while corresponding increases to equity are recognized in the consolidated statement of financial position. Fair value of stock options granted is calculated, in accordance with various terms of such options, using the Black-Scholes model. 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. The RSU plan, etc. are measured at the standard amount of compensation by position and recognized in the consolidated statement of profit or loss as expenses over the vesting period, and the same amount is recognized as an increase in liabilities in the consolidated statement of financial position. As of the date of allotment and the day of lifting of transfer restriction of the Company's shares, the Group remeasures the fair value of the liability and recognizes any changes in fair value in profit or loss.

(15) Provisions

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

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

Provisions that the Group recognizes are mainly as follows:

1) Provision for compensation for industrial accidents

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

2) Provision for loss on litigation

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

3) Provision for product warranties

   To prepare for the expenditures for after-sales and other services for products sold, the Group estimates and records an amount to be incurred based on past experience. The outflow of the economic benefits is supposed to occur mainly within one year from the end of the current fiscal year.

(16) Revenue

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

The Group engages in the premium tire business, solutions business, and chemical and industrial products and diversified products businesses.

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

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

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

(17) Government grants

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

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

(18) Borrowing costs

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

(19) Income taxes

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

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

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

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

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

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

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

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

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

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

(20) Treasury stock

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

(21) Dividends

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

(22) Earnings per share

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

(23) Adjusted operating profit

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

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

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

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

4. Significant Accounting Estimates and Judgements Involving Estimates

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

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

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

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

5. New Standards and Interpretations Not Yet Adopted

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

6. Operating Segments

(1) Overview of reporting segments

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

The Group has four reportable segments: "Japan," "China, Asia-Pacific," "Americas," and "Europe, Russia, Middle East, India and Africa." 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. Within the above segments, the Group runs its premium tire business, solutions business, and chemical and industrial products and diversified products business.

Starting in the current fiscal year, to evaluate the contributions of our Japanese production sites to the Group's global supply chain management, we have changed Japan export profits or losses for our general tire transactions from the "Corporate or elimination" segment to the "Japan" segment.

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 for the previous fiscal year, and the current fiscal year. Details on discontinued operations are presented in Note "31. Discontinued Operations."

The transfer of Russian business was completed in December 2023.

(2) Segment revenue and business results

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

Previous fiscal year (Year ended December 31, 2022)

(Yen in millions)

	Reportable segments					Other (Note)	Corporate or elimination	Consoli-dated total
	Japan	China, Asia-Pacific	Americas	Europe, Russia, Middle East, India and Africa	Total			
Revenue								
External revenue	889,692	376,713	1,970,276	856,443	4,093,124	16,907	40	4,110,070
Inter-segment revenue	267,373	80,292	17,756	13,577	378,998	63,559	(442,557)	–
Total revenue	1,157,064	457,005	1,988,032	870,020	4,472,122	80,466	(442,518)	4,110,070
Segment profit (loss)								
Adjusted operating profit	150,593	39,937	251,183	66,350	508,062	7,299	(32,732)	482,629
Other items								
Depreciation and amortization	67,606	31,378	113,139	45,158	257,281	7,474	17,353	282,108
Impairment losses	1,959	1,797	155	13,581	17,492	–	–	17,492
Gain on reversal of impairment losses on fixed assets	–	36	–	–	36	–	–	36

(Note) Service businesses and other businesses not included in the reportable segments are included in the "Other" segment.

Current fiscal year (Year ended December 31, 2023)

(Yen in millions)

	Reportable segments					Other (Note)	Corporate or elimination	Consoli-dated total
	Japan	China, Asia-Pacific	Americas	Europe, Russia, Middle East, India and Africa	Total			
Revenue								
External revenue	946,547	398,135	2,063,073	888,479	4,296,235	17,543	23	4,313,800
Inter-segment revenue	295,889	62,957	16,968	20,022	395,837	60,849	(456,686)	–
Total revenue	1,242,437	461,093	2,080,042	908,501	4,692,072	78,391	(456,663)	4,313,800
Segment profit (loss)								
Adjusted operating profit	206,485	41,619	211,960	25,114	485,177	5,580	(10,155)	480,602
Other items								
Depreciation and amortization	74,932	31,689	121,798	50,503	278,921	8,060	18,824	305,805
Impairment losses	806	861	166	–	1,833	–	–	1,833
Gain on reversal of impairment losses on fixed assets	14	4	–	–	18	–	–	18

(Note) Service businesses and other businesses not included in the reportable segments are included in the "Other" segment.

(Reconciliation from adjusted operating profit to profit before tax)

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Adjusted operating profit (Note 1)	482,629	480,602
Adjustment items (income) (Note 2)	6,193	21,731
Adjustment items (expenses) (Note 6)	47,524	20,558
Operating profit	441,298	481,775
Finance income	18,283	35,385
Finance costs	41,898	78,346
Share of profit (loss) of investments accounted for using equity method	5,775	5,341
Profit before tax	423,458	444,154

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

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

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Insurance claim income	1,216	2,347
Business and plant restructuring income	(Note 3) 4,942	(Note 4) 8,645
Gain on reversal of impairment losses on fixed assets	36	18
Other income with large amounts related to one time event	–	(Note 5) 10,720
Adjustment items (income)	6,193	21,731

(Note 3) Mainly reversal of impairment losses and gain on sale of fixed assets associated with the reorganization of overseas tire plants are recorded.

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

(Note 5) This was primarily the recording of gains on the sale of land.

(Note 6) The major breakdown of adjustment items (expenses) is as follows:

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Impairment losses	(Note 7) 17,492	1,833
Cost of sales (loss on disaster)	5,979	1,777
Other expenses (loss on disaster)	211	403
Business and plant restructuring expenses (Note 8)	7,435	17,921
Other expense with large amounts related to one time event	(Note 9) 16,407	(Note 10) (1,375)
Adjustment items (expenses)	47,524	20,558

(Note 7) The major breakdown of impairment losses is presented in Note "16. Impairment of Non-financial Assets."

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

(Note 9) This was the recording of expenses relating to part replacement, etc. of the affected standard and power assist bicycles following the recall in October 2022 of certain models of standard and power assist bicycles manufactured by BRIDGESTONE CYCLE CO., LTD., a consolidated subsidiary of the Company, and other factors.

(Note 10) This was the recording of expenses relating to part replacement, etc. of the affected standard and power assist bicycles following the recall in October 2022 of certain models of standard and power assist bicycles manufactured by BRIDGESTONE CYCLE CO., LTD., a consolidated subsidiary of the Company, and other factors, but these expenses were partially reversed.

(3) Information about geographical areas

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

Revenue from external customers

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Japan	575,517	596,967
China, Asia-Pacific	529,632	580,029
Americas	2,094,941	2,189,390
[of which, the U.S.]	[1,660,688]	[1,761,809]
Europe, Russia, Middle East, India and Africa	909,980	947,415
Total	4,110,070	4,313,800

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

Non-current assets

(Yen in millions)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Japan	524,189	547,227
China, Asia-Pacific	267,560	294,220
Americas	991,792	1,124,923
Europe, Russia, Middle East, India and Africa	421,165	495,202
Total	2,204,706	2,461,572

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

(4) Information about major customers

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

7. Business Combinations

Previous fiscal year (Year ended December 31, 2022)

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

Current fiscal year (Year ended December 31, 2023)

No item to report.

8. Cash and Cash Equivalents

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

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Cash and deposits (maturing within three months)	518,905	724,601
Total	518,905	724,601

9. Trade and Other Receivables

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

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Notes and accounts receivable	911,246	934,482
Other	74,083	61,444
Allowance for doubtful accounts	(38,720)	(43,619)
Total	946,608	952,307

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

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

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

10. Inventories

The breakdown of "Inventories" is as follows:

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Finished products	562,245	580,308
Work in process	46,200	50,985
Raw materials and supplies	273,283	234,274
Other	3,577	3,011
Total	885,305	868,578

The amounts of inventories recognized as expenses during the previous fiscal year and the current fiscal year are 2,445,276 million yen and 2,592,423 million yen, respectively.

11. Other Financial Assets

(1) Breakdown of other financial assets

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

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Equity instruments	56,120	76,391
Long-term loans receivable	17,450	19,118
Other	46,046	46,493
Total	119,617	142,002
Current assets	15,107	10,792
Non-current assets	104,509	131,210
Total	119,617	142,002

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

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

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

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Issue	Yen in millions	Yen in millions
Toyota Motor Corporation	17,762	25,385
Toyo Tire Corporation	7,485	11,800
Sumitomo Mitsui Financial Group, Inc.	2,978	1,934
Otsuka Holdings Co., Ltd.	861	1,058
FUJI KYUKO CO., LTD.	1,169	1,032
Yellow Hat Ltd.	946	930

These stocks are designated as financial assets measured at fair value through other comprehensive income as they are held for the following main reasons: out of necessity from the Company's business strategy perspective, and for the purpose of maintaining and strengthening the business and collaborative relationships.

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

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

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

(Yen in millions)

Previous fiscal year (Year ended December 31, 2022)		Current fiscal year (Year ended December 31, 2023)	
Fair value	Cumulative gains (losses)	Fair value	Cumulative gains (losses)
3,327	1,654	27,635	19,598

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 1,144 million yen and 21,013 million yen for the previous fiscal year and the current fiscal year, respectively.

12. Other Assets

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

(1) Other current assets

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Prepaid expenses	42,552	51,395
Consumption tax receivables	44,029	45,841
Other	31,450	40,827
Total	118,031	138,063

(2) Other non-current assets

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Retirement benefit assets (Note 1)	19,434	8,274
Other (Note 2)	50,437	53,083
Total	69,871	61,357

(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” consists primarily of spare parts and income taxes receivable for the previous fiscal year, and of spare parts for the current fiscal year.

13. Assets Held for Sale

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

(1) Assets held for sale

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Cash and cash equivalents	5,440	5,276
Trade and other receivables	1,382	870
Inventories	1,089	472
Property, plant and equipment	6,729	2,994
Other financial assets (non-current)	22,112	–
Other	828	379
Accumulated loss recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell	(8,887)	(6,898)
Total	28,694	3,093

(2) Liabilities directly associated with assets held for sale

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Trade and other payables	1,291	1,058
Other	304	–
Total	1,596	1,058

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

Assets held for sale and directly associated liabilities for the current fiscal year, mainly in the anti-vibration rubber business, have been classified as assets held for sale as the Group made a decision to sell those operations. Details for the anti-vibration rubber business are provided in “31. Discontinued operations.”

For the disposal groups classified as assets held for sale, the anti-vibration rubber business is measured at fair value less costs to sell as the fair value less costs to sell is less than the carrying amount. As a result, a reversal of expenses of 249 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 amounts	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 as of January 1, 2022	568,671	449,262	75,724	165,650	157,984	10,613	1,427,903
Acquisition	–	–	–	–	231,293	–	231,293
Depreciation (Note)	(42,318)	(108,717)	(43,417)	–	344	(4,844)	(198,952)
Impairment losses	(5,503)	(6,851)	(1,098)	(59)	(3,128)	(100)	(16,739)
Sale or disposal	(2,681)	(2,314)	(1,077)	(4,614)	(779)	(253)	(11,718)
Transfer from construction in progress	33,265	95,502	41,642	1,175	(175,882)	4,298	–
Exchange differences	47,850	45,317	7,349	8,880	16,202	520	126,117
Other changes	(3,364)	(1,511)	5,858	367	(2,806)	215	(1,239)
Balance as of December 31, 2022	595,920	470,688	84,981	171,399	223,228	10,449	1,556,665
Acquisition	–	–	–	–	291,132	–	291,132
Depreciation (Note)	(42,964)	(112,065)	(49,870)	–	48	(4,508)	(209,359)
Impairment losses	(904)	(1,460)	(912)	(318)	(208)	(12)	(3,814)
Sale or disposal	(3,109)	(2,257)	(968)	(2,984)	(444)	(341)	(10,103)
Transfer from construction in progress	44,593	123,701	47,290	904	(222,065)	5,577	–
Exchange differences	36,701	35,511	5,235	5,554	18,743	426	102,170
Other changes	1,330	(911)	9,626	(391)	1,598	563	11,815
Balance as of December 31, 2023	631,567	513,207	95,382	174,164	312,032	12,154	1,738,506

(Note) 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.

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 as of January 1, 2022	1,228,916	2,255,923	567,266	171,359	172,456	56,254	4,452,174
Balance as of December 31, 2022	1,331,732	2,460,890	624,511	177,087	241,006	60,588	4,895,815
Balance as of December 31, 2023	1,417,621	2,644,086	677,923	179,757	325,232	65,028	5,309,648

Accumulated depreciation and accumulated impairment loss	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance as of January 1, 2022	660,246	1,806,661	491,542	5,709	14,471	45,642	3,024,270
Balance as of December 31, 2022	735,812	1,990,202	539,530	5,688	17,778	50,139	3,339,150
Balance as of December 31, 2023	786,054	2,130,879	582,541	5,592	13,200	52,875	3,571,141

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 amounts	Goodwill	Trademarks	Software	Other (Note 2)	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance as of January 1, 2022	123,680	14,285	60,245	61,904	260,112
Acquisition	92	11	–	33,330	33,433
Amortization (Note 1)	–	(427)	(15,749)	(6,269)	(22,445)
Sale and retirement	–	–	(253)	(134)	(387)
Impairment losses	(1,433)	–	(67)	(9)	(1,509)
Exchange differences	14,021	1,677	3,394	6,154	25,246
Transfer of accounts	–	–	24,789	(24,789)	–
Other	46	(1,569)	2,376	1,020	1,875
Balance as of December 31, 2022	136,406	13,977	74,735	71,207	296,325
Acquisition	868	3	–	59,617	60,488
Amortization (Note 1)	–	(461)	(22,467)	(7,162)	(30,090)
Sale and retirement	–	–	(885)	(117)	(1,002)
Impairment losses	–	–	(53)	–	(53)
Exchange differences	12,580	1,049	4,387	5,643	23,659
Transfer of accounts	–	–	48,206	(48,206)	–
Other	136	–	1,696	(312)	1,520
Balance as of December 31, 2023	149,990	14,568	105,619	80,670	350,847

(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."

Cost	Goodwill	Trademarks	Software	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance as of January 1, 2022	125,888	16,018	104,589	91,296	337,791
Balance as of December 31, 2022	140,238	16,302	136,603	110,702	403,845
Balance as of December 31, 2023	156,363	17,610	188,741	131,127	493,841

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 as of January 1, 2022	2,209	1,733	44,344	29,392	77,679
Balance as of December 31, 2022	3,832	2,325	61,868	39,495	107,520
Balance as of December 31, 2023	6,373	3,042	83,122	50,457	142,994

(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 62,619 million yen and 69,547 million yen as of the previous fiscal year-end and the current fiscal year-end, respectively. In addition, the goodwill recognized by this acquisition was allocated to cash generating units which were expected to benefit from the synergies and belongs to WEBFLEET SOLUTIONS cash-generating unit and BRIDGESTONE EUROPE cash-generating unit.

16. Impairment of Non-financial Assets

(1) Impairment losses

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

Impairment losses of 19,333 million yen recognized in the previous fiscal year consist of 18,610 million yen recorded as "other expenses" (of which, "business and plant restructuring expenses" are 1,118 million yen) and 724 million yen recorded as "profit (loss) from discontinued operations."

The components of the impairment losses of 19,333 million yen by item are 16,739 million yen for property, plant and equipment, 1,538 million yen for goodwill and intangible assets, and 1,056 million yen for others. The breakdown by segment (excluding the amount recorded in business and plant restructuring expenses and profit (loss) from discontinued operations) is as follows:

The transfer of Russian business was completed in December 2023.

(Yen in millions)

Cash-generating unit	Segments					Other	Consolidated total
	Japan	China, Asia-Pacific	Americas	Europe, Russia, Middle East, India and Africa	Total		
Russian tire business	–	–	–	13,581	13,581	–	13,581
Other	1,959	1,797	155	–	3,911	–	3,911
Total	1,959	1,797	155	13,581	17,492	–	17,492

The major reasons for the impairment losses are as follows:

As announced on March 14, 2022, the Company resolved to suspend production in Russia and tire exports to Russia. As a result, the previously estimated revenue from the Russian tire business is not expected to be realized at this time, and accordingly the carrying amount of assets for business use in the Russian tire business was reduced by 13,581 million yen to the recoverable amount. The recoverable amount of the asset was measured by its value in use, which was calculated by discounting future cash flows at an after-tax discount rate of 15% or more. In addition, this impairment loss was recorded in "other expenses" in the consolidated statement of profit or loss.

The breakdown of these impairment losses is as follows:

(Yen in millions)

Cash-generating unit	Segment	Type of assets	Amount
Russian tire business	Europe, Russia, Middle East, India and Africa	Buildings and structures	4,948
		Machinery and vehicles	5,051
		Other	3,582
Total			13,581

Impairment losses of 4,066 million yen recognized in the current fiscal year consist of 4,066 million yen recorded as "other expenses" (of which, business and plant restructuring expenses are 2,233 million yen). In recording these impairment losses, the carrying amounts have been reduced to the recoverable amounts mainly for operating assets with reduced profitability, assets to be disposed of through retirement or sale, and idle assets with no plans for use. The recoverable amounts of the assets are principally measured at their fair value. The fair value has been classified as Level 3 in the hierarchy.

(2) Impairment test of cash-generating units containing goodwill

The Group conducts an impairment test on cash-generating units containing goodwill every period or whenever there is any indication of impairment.

Among goodwill allocated to each cash-generating unit in the current fiscal year, the principal goodwill is recognized in WEBFLEET SOLUTIONS cash-generating unit. In addition, out of the cash-generating units to which goodwill has been allocated, the one with a carrying amount of materiality is BRIDGESTONE EUROPE cash-generating unit. The impairment test conducted on each cash-generating unit was done so as follows.

1) WEBFLEET SOLUTIONS cash-generating unit

The recoverable amount of goodwill in the impairment test is calculated based on value in use. The value in use reflects past experience and external sources of information and is based on the Group's business plan for the next three years as approved by the management. After the three-year plan, the Company discounts the future cash flows to the present value using an after-tax discount rate of 9.6% of the cash-generating unit, using the future growth rate reduced from 12.9% in the fourth year to 3.0% in the tenth year and the same 3.0% in and after the eleventh year as the continuous growth rate considering inflation.

The value in use in the previous fiscal year reflects past experience and external sources of information and is based on the Group's business plan for the next three years as approved by the management. After the three-year plan, the Company discounts the future cash flows to the present value using an after-tax discount rate of 8.9% of the cash-generating unit, using the future growth rate reduced from 13.8% in the fourth year to 2.3% in the tenth year and the same 2.3% in and after the eleventh year as the continuous growth rate considering inflation.

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

In addition, out of the total goodwill related to the acquisition of BRIDGESTONE MOBILITY SOLUTIONS B.V. of 69,547 million yen (as of the previous fiscal year-end: 62,619 million yen), the carrying amount allocated to WEBFLEET SOLUTIONS cash-generating unit as of the current fiscal year-end is 62,267 million yen (as of the previous fiscal year-end: 56,065 million yen). The Group determines that the amount of the goodwill allocated to cash-generating units other than WEBFLEET SOLUTIONS is not material compared to the amount recorded in the consolidated financial statements.

2) BRIDGESTONE EUROPE cash-generating unit

The recoverable amount of goodwill in the impairment test is calculated based on value in use. The value in use reflects past experience and external sources of information and is based on the Group's business plan for the next three years as approved by the management. After the three-year plan, the Company discounts the future cash flows to the present value using an after-tax discount rate of 10.3% of the cash-generating unit, using the future growth rate reduced from 3.3% in the fourth year to 2.2% in the sixth year and the same 2.2% in and after the seventh year as the continuous growth rate considering inflation.

The value in use is higher than the carrying amount; however, if the discount rate increases by 0.2%, there is a possibility of incurring an impairment loss.

Non-financial assets of 292,758 million yen, including goodwill of 14,469 million yen, was recorded in BRIDGESTONE EUROPE cash-generating unit.

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 amounts	Buildings and structures	Other	Total
	Yen in millions	Yen in millions	Yen in millions
Balance as of December 31, 2022	244,282	56,996	301,278
Balance as of December 31, 2023	253,548	65,587	319,135

Depreciation (Note)	Buildings and structures	Other	Total
	Yen in millions	Yen in millions	Yen in millions
Previous fiscal year (Year ended December 31, 2022)	50,945	12,873	63,818
Current fiscal year (Year ended December 31, 2023)	54,045	12,577	66,622

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

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Additions to right-of-use assets	57,326	69,740

(2) Expenses and cash outflows for leases

The lease expenses are as follows:

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Interest expense on lease liabilities	7,480	8,536
Recognition exemptions: expenses for short-term leases	1,473	1,175
Recognition exemptions: expenses for leases of low-value assets	342	381
Expense relating to variable lease payments not included in the measurement of lease liabilities	4,243	2,387

Total cash outflows for leases are as follows:

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Total cash outflow for leases	71,886	72,276

(3) Maturity analysis for lease liabilities

The details are presented in Note “35. Financial Instruments (4) Liquidity risk management.”

18. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of items giving rise to “Deferred tax assets” and “Deferred tax liabilities” and the changes thereof are as follows:

Previous fiscal year (Year ended December 31, 2022)

	As of January 1, 2022	Cumulative effects of changes in accounting policies	Restated balance as of January 1, 2022	Recognized in net profit or loss	Recognized in other comprehensive income	Other	As of December 31, 2022
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Deferred tax assets							
Accrued expenses	14,371	–	14,371	(1,344)	–	3,182	16,209
Lease liabilities	–	71,468	71,468	94	–	420	71,982
Retirement benefit liabilities	36,538	–	36,538	(1,309)	(3,275)	3,056	35,010
Unrealized gains	16,412	–	16,412	10,871	–	–	27,283
Unused tax losses carryforward	13,984	–	13,984	(3,089)	–	(332)	10,563
Other	62,095	(2,794)	59,301	(8,612)	1,480	1,845	54,014
Total deferred tax assets	143,400	68,673	212,073	(3,390)	(1,795)	8,172	215,061
Deferred tax liabilities							
Property, plant and equipment, and intangible assets	70,574	–	70,574	(9,903)	–	8,995	69,666
Right-of-use assets	–	68,461	68,461	(18)	–	251	68,694
Financial assets	22,358	–	22,358	–	(6,708)	–	15,650
Reserve for advanced depreciation of fixed assets	14,118	–	14,118	(714)	–	–	13,404
Other	3,369	–	3,369	477	572	271	4,689
Total deferred tax liabilities	110,419	68,461	178,880	(10,158)	(6,136)	9,517	172,103
Net deferred tax assets	32,981	212	33,193	6,768	4,341	(1,345)	42,958

Current fiscal year (Year ended December 31, 2023)

	As of January 1, 2023	Recognized in net profit or loss	Recognized in other comprehensive income	Other	As of December 31, 2023
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Deferred tax assets					
Lease liabilities	71,982	4,097	–	–	76,078
Retirement benefit liabilities	35,010	(1,790)	2,739	2,026	37,985
Unrealized gains	27,283	7,336	–	–	34,619
Unused tax losses carryforward	10,563	(6,374)	–	3,292	7,481
Other (Note 1)	70,223	11,044	(3,748)	2,211	79,731
Total deferred tax assets	215,061	14,313	(1,009)	7,529	235,894
Deferred tax liabilities					
Property, plant and equipment, and intangible assets	69,666	(5,302)	–	6,304	70,668
Right-of-use assets	68,694	3,615	–	–	72,309
Financial assets	15,650	–	(559)	–	15,091
Other (Note 2)	18,093	2,532	(32)	39	20,632
Total deferred tax liabilities	172,103	845	(591)	6,343	178,700
Net deferred tax assets	42,958	13,468	(418)	1,186	57,195

(Note 1) “Accrued expenses” in the current fiscal year are included in “Other” under deferred tax assets.

(Note 2) “Reserve for advanced depreciation of fixed assets” in the current fiscal year is included in “Other” under deferred tax liabilities.

The breakdown of deferred tax assets and liabilities in the consolidated statement of financial position is as follows:

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Deferred tax assets	82,010	88,141
Deferred tax liabilities	39,053	30,946
Net deferred tax assets	42,958	57,195

Deferred tax assets recognized by taxable entities that have suffered a loss in either the previous fiscal year or the current fiscal year are 972 million yen and 574 million yen as of the previous fiscal year-end and the current fiscal year-end, respectively. For recognizing these deferred tax assets, the Group considers if deductible temporary differences and a part or all of unused tax losses carryforward can be used for future taxable income. For an assessment of the recoverability of deferred tax assets, the Group considers deferred tax liabilities planned to be reversed and expected future taxable income and tax planning. As for recognition of deferred tax assets, the Group determines it is highly probable that these tax benefits will be realized based on the taxable income level in the past and the prediction of future taxable income in the period during which deferred tax assets can be recognized.

The deductible temporary differences and unused tax losses carryforward for which deferred tax assets were not recognized are as follows:

(Yen in millions)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Deductible temporary differences	133,241	95,084
Unused tax losses carryforward	190,404	218,578
Total	323,645	313,662

The unused tax losses carryforward and unused tax credits carryforward for which deferred tax assets were not recognized will expire as follows:

(Yen in millions)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Unused tax losses carryforward		
Within five years	36,089	72,951
After five years	154,315	145,627
Total unused tax losses carryforward	190,404	218,578
Unused tax credits carryforward		
Within five years	1,105	2,855
After five years	5,788	4,384
Total unused tax credits carryforward	6,893	7,240

Total temporary differences arising from the investments in subsidiaries and associates or interests in joint arrangements, which are not recognized as deferred tax liabilities as of the previous fiscal year-end and the current fiscal year-end amount to 423,009 million yen and 536,023 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 make such a reversal in the foreseeable future.

(2) Income tax expense

The breakdown of "Income tax expense" is as follows.

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Current income tax expense	131,651	124,142
Deferred income tax expense	(19,138)	(12,966)
Total income tax expense	112,513	111,177

Income taxes recognized on sale of the financial assets measured at fair value through other comprehensive income are as follows:

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Income tax expense	148	1,840

(3) Reconciliation of effective tax rate

The breakdown of the primary factors contributing to differences between the statutory effective tax rates and the tax burden ratio of income tax after adjustments for tax effect accounting is as follows:

The Company is subject to corporation tax, inhabitant tax and business tax. The statutory effective tax rates calculated based on these taxes are 30.6% and 30.6% for the previous fiscal year and the current fiscal year, respectively. However, overseas consolidated subsidiaries are subject to local corporate and other taxes.

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	%	%
Statutory effective tax rate	30.6	30.6
(Adjustments)		
Effects from reassessment of the recoverability of deferred tax assets	0.4	2.5
Tax credits for experiment and research expenses at companies in Japan	(0.1)	(1.2)
Differences in applicable tax rates of consolidated subsidiaries	(4.1)	(5.1)
Tax adjustments for overseas subsidiaries	(1.2)	(1.9)
Other	1.0	0.1
Tax burden ratio of income tax after adjustments for tax effect accounting	26.6	25.0

The tax burden ratios of income tax after adjustments for tax effect accounting, which factors in discontinued operations, for the previous fiscal year and the current fiscal year were 23.3% and 24.9%, respectively.

(4) Uncertain income tax positions

As for the repayment of capital received from BRIDGESTONE AMERICAS, INC., a consolidated subsidiary, in fiscal year 2021, the Company accounted for the transaction by recognizing deductible expenses as loss on transfer of shares for tax purposes. In fiscal year 2021, the Company excluded some deductible expenses to calculate its taxable income, for accounting purposes, with respect to this matter which gives rise to some uncertain tax treatments under the Japan's tax law. The Company had engaged third-party legal, tax professionals, etc. to consider plausible tax treatments and estimated its taxable income using either the expected value method or the most likely amount method for the effect of uncertainties considering various scenarios and assumptions. As a result, although an effect of 91,100 million yen in total would be imposed on a decrease in income taxes payable and an increase in deferred tax assets if all the deductible expenses were included in calculating taxable income, the Company lowered its deferred tax assets by 60,000 million yen in fiscal year 2021, relative to amounts under the aforementioned accounting treatment, and also continued the same accounting treatment in the previous fiscal year. Furthermore, in the current fiscal year, there was also no change in the judgment on this matter from fiscal year 2021. However, due to progress in use of unused tax losses carryforward, the Company has lowered its deferred tax assets by 27,241 million yen and increased its income taxes payable by 32,759 million yen in the current fiscal year, relative to amounts in the case where all the deductible expenses were included in calculating taxable income.

A potential situation whereby such uncertain tax treatment differs from the final interpretation of Japan's tax law according to the tax authorities could materially affect the income tax expense amount of the subsequent fiscal year.

19. Trade and Other Payables

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

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Notes and accounts payable	296,619	269,287
Accounts payable - other	189,108	207,793
Accrued expenses	121,771	122,160
Total	607,498	599,240

Trade and other payables (excluding accrued expenses) are classified as financial liabilities measured at amortized cost.

20. Bonds and Borrowings (Including Other Financial Liabilities)

(1) Breakdown of financial liabilities

The breakdown of "Bonds and borrowings," "Lease liabilities" and "Other financial liabilities" is as follows:

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)	Average interest rate (Note 1)	Repayment deadline
	Yen in millions	Yen in millions	%	
Short-term borrowings	92,247	124,073	7.3	–
Current portion of long-term borrowings	15,620	34,014	4.3	–
Current portion of bonds	–	99,988	0.2	–
Long-term borrowings	35,928	30,024	3.9	June 2025 – June 2031
Bonds	309,656	209,765	0.3	April 2026 – April 2029
Short-term lease liabilities	56,033	61,308	2.9	–
Long-term lease liabilities	257,684	270,989	2.8	January 2025 – October 2105
Other	52,148	59,560	–	–
Total	819,315	889,720	–	–
Current liabilities:	197,973	369,041	–	–
Non-current liabilities:	621,343	520,679	–	–
Total	819,315	889,720	–	–

(Note 1) "Average interest rate" represents the weighted average interest rates for the interest rates and balances as of the end of the current fiscal year.

(Note 2) Bonds and borrowings are categorized as financial liabilities measured at amortized cost.

The terms for the different bonds that have been issued are summarized below:

(Yen in millions)

Company name	Issue	Issuance date	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)	Interest rate (%)	Collateral	Maturity date
Bridgestone Corporation	The 10th unsecured bonds	April 21, 2017	49,977	49,994	0.2	None	April 19, 2024
Bridgestone Corporation	The 11th unsecured bonds	April 21, 2017	59,930	59,946	0.3	None	April 21, 2027
Bridgestone Corporation	The 12th unsecured bonds	April 19, 2019	49,974	49,993	0.1	None	April 19, 2024
Bridgestone Corporation	The 13th unsecured bonds	April 19, 2019	49,941	49,959	0.2	None	April 17, 2026
Bridgestone Corporation	The 14th unsecured bonds	April 19, 2019	99,834	99,860	0.4	None	April 19, 2029
Total		–	309,656	309,752	–	–	–

(2) Assets pledged as collateral for liabilities

Assets pledged as collateral are as follows:

Assets pledged as collateral	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Cash and cash equivalents	219	234
Property, plant and equipment	493	492
Total	712	726

21. Provisions

"Provisions" is recorded as current liabilities and non-current liabilities in the consolidated statement of financial position.

The breakdown of "Provisions" and the changes are as follows:

Previous fiscal year (Year ended December 31, 2022)

	Provision for compensation for industrial accidents	Provision for loss on litigation	Provision for product warranties	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance as of January 1, 2022	12,018	19,601	6,797	35,815	74,231
Increase during period	9,089	12,081	21,181	9,180	51,531
Decrease (used)	(11,377)	(9,291)	(5,469)	(10,977)	(37,114)
Decrease (reversed)	(594)	(2,366)	(138)	(2,724)	(5,822)
Exchange differences	1,837	667	229	2,088	4,821
Other	879	413	(72)	50	1,270
Balance as of December 31, 2022	11,852	21,105	22,528	33,432	88,917

Current fiscal year (Year ended December 31, 2023)

	Provision for compensation for industrial accidents	Provision for loss on litigation	Provision for product warranties	Other	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance as of January 1, 2023	11,852	21,105	22,528	33,432	88,917
Increase during period	12,494	12,432	4,151	9,972	39,049
Decrease (used)	(11,806)	(17,317)	(8,930)	(9,676)	(47,729)
Decrease (reversed)	(1,230)	(224)	(2,848)	(2,875)	(7,177)
Exchange differences	820	(773)	572	1,554	2,173
Other	–	280	–	231	511
Balance as of December 31, 2023	12,130	15,503	15,473	32,638	75,744

(1) Provision for compensation for industrial accidents

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

(2) Provision for loss on litigation

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

(3) Provision for product warranties

To prepare for the expenditures for after-sales and other services for products sold, the Group estimates and records an amount to be incurred based on past experience. The outflow of the economic benefits is supposed to occur mainly within one year from the end of the current fiscal year.

(4) Other

"Other" includes asset retirement obligations, provision for environmental expenses, etc.

22. Other Current Liabilities

The breakdown of "Other current liabilities" is as follows:

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Bonuses to officers and employees	50,166	40,857
Refund liabilities	42,028	40,268
Provision for unused paid absences	25,137	26,429
Contract liabilities	18,532	21,556
Other	37,477	39,748
Total	173,340	168,858

The details of contract liabilities are presented in Note "26. Revenue."

23. Employee Benefits

(1) Post-employment benefits

The Group has adopted both funded and unfunded defined benefit plans and defined contribution plans as retirement benefits for its employees. The funded defined benefit plans are managed by pension funds that are legally segregated from the Group. The board of directors of pension funds and pension trustees are required by law to act in the best interests of the participants and are responsible for managing the plan assets in accordance with the prescribed policies.

The Group's defined benefit plans are exposed to the following risks:

(i) Investment risk

The present value of the defined benefit obligations is calculated based on a discount rate that is determined by reference to market yields on high-grade corporate bonds at the end of fiscal year. In the event that the investment yields for the plan assets fall below the discount rate, there is a risk of reduction in equity because of the worsened funded status.

(ii) Interest rate risk

In the event that the discount rate is reduced due to a decline in market yields on high-grade corporate bonds, the present value of the defined benefit obligations increases, resulting in a risk of reduction in equity because of the worsened funded status.

1) Reconciliation of defined benefit obligations

The changes in the defined benefit obligations are as follows:

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Present value of defined benefit obligations at beginning of period (Note)	737,616	616,474
Service cost	16,041	12,456
Interest expense	15,654	24,316
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	1,422	(99)
Actuarial gains and losses arising from changes in financial assumptions	(138,925)	7,108
Actuarial gains and losses arising from experience adjustments	1,681	3,385
Past service cost and settlement of plan	(18,635)	(5,277)
Benefits paid	(71,314)	(51,882)
Exchange differences on translation of foreign operations	71,884	30,650
Other	1,050	1,804
Present value of defined benefit obligations at end of period (Note)	616,474	638,935

(Note) The weighted-average durations of the defined benefit obligations of the Group are 10.9 years and 10.9 years as of the previous fiscal year-end and the current fiscal year-end, respectively.

2) Reconciliation of plan assets

The changes in the plan assets are as follows:

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Fair value of the plan assets at beginning of period	594,285	490,577
Interest revenue	12,513	19,627
Remeasurements		
Return on plan assets	(115,046)	14,508
Contribution from employers (Note 1) (Note 2)	14,697	16,445
Benefits paid	(66,676)	(45,088)
Settlement of plan	–	(245)
Exchange differences on translation of foreign operations	60,860	24,119
Other	(10,056)	(1,812)
Fair value of the plan assets at end of period	490,577	518,131

(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 a contribution of 16,941 million yen in the subsequent fiscal year.

3) Reconciliation of defined benefit obligations and plan assets

The relationship between the defined benefit obligations, the plan assets and the defined benefit liabilities (assets) in the consolidated statement of financial position is as follows:

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Present value of the funded defined benefit obligations	549,374	570,703
Fair value of the plan assets	(490,577)	(518,131)
Subtotal	58,797	52,572
Present value of the unfunded defined benefit obligations	67,099	68,232
Effect of asset ceiling	9,782	24,433
Defined benefit liabilities (assets)	135,678	145,237
Amounts on the consolidated statement of financial position		
Retirement benefit liabilities	155,112	153,511
Retirement benefit assets	(19,434)	(8,274)
Defined benefit liabilities (assets) in the consolidated statement of financial position	135,678	145,237

4) Major components of plan assets

The major components of plan assets by category are as follows:

	Previous fiscal year (As of December 31, 2022)			Current fiscal year (As of December 31, 2023)		
	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	221,649	7,107	228,756	245,575	12,504	258,079
Japan	8,495	2,434	10,929	9,338	2,161	11,499
Overseas	213,154	4,673	217,827	236,237	10,343	246,580
Equity instruments	26,776	9,770	36,546	29,133	12,927	42,060
Japan	856	–	856	1,073	–	1,073
Overseas	25,920	9,770	35,690	28,060	12,927	40,987
Cash and cash equivalents	20,987	20,919	41,906	25,881	15,742	41,623
Alternative investments (Note)	51,123	78,616	129,739	50,825	70,595	121,420
Other	851	52,779	53,630	55	54,894	54,949
Total	321,386	169,191	490,577	351,469	166,662	518,131

(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 manages its plan assets by maintaining this allocation. When assessing the asset allocation, the Group examines whether to introduce the type of plan assets that is closely linked to changes in defined benefit obligations.

Furthermore, in the event of an unexpected event in the market environment, the Group is able to temporarily adjust the weighting of risk assets in accordance with the internal regulations.

(Overseas)

The policies for managing plan assets of these foreign subsidiaries are established by pension trustees and the managements of these foreign subsidiaries in accordance with the laws of each country. The objective of such policies is to secure investment income that exceeds the changes in the value of liabilities while managing the risks arising from defined benefit obligations.

The core part of the plan assets is invested in bonds linked to the defined benefit obligations. The remaining part of the plan assets is invested mainly in the stocks to earn long-term income.

5) Reconciliation of the effect of the asset ceiling

The changes in the effect of the asset ceiling are as follows:

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Effect of asset ceiling at beginning of period	396	9,782
Remeasurements		
Change in the effect of asset ceiling	9,367	14,377
Exchange differences on translation of foreign operations	19	274
Effect of asset ceiling at end of period	9,782	24,433

6) Items related to actuarial assumptions

Significant actuarial assumptions for each fiscal year are as follows:

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	%	%
Discount rate	4.0	3.9

(Note) Valuation of the defined benefit obligations includes a judgment of future uncertain events. Sensitivity of the defined benefit obligation to changes in the major base rate as of the end of the current fiscal year is as follows: Although the sensitivity assumes that all the other variables remain constant, practically they do not always change independently. Negative figures represent a decrease in the defined benefit obligations and positive figures an increase in them.

	Changes in base rate	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
		Yen in millions	Yen in millions
Discount rate	0.5% increase	(45,285)	(46,418)
	0.5% decrease	55,755	50,871

7) Defined contribution plan

The amounts of contributions paid to the defined contribution plan are 19,439 million yen and 20,350 million yen for the previous fiscal year and the current fiscal year, respectively.

(2) Employee benefit expenses

Employee benefit expenses that are included in “Cost of sales,” “Selling, general and administrative expenses,” “Other expenses,” “Finance costs” and “Profit (loss) from discontinued operations” in the consolidated statement of profit or loss are as follows:

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Employee benefit expenses	8,915	12,985

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 capital reserve within capital surplus. The Companies Act also provides that capital reserve may be appropriated as common stock pursuant to a resolution at the shareholders’ meeting.

1) Number of shares authorized

The numbers of authorized shares are 1,450,000,000 shares and 1,450,000,000 shares as of the previous fiscal year-end and the current fiscal year-end, respectively.

2) Number of shares issued and fully paid

The changes in the number of shares issued and the balances of common stock and capital surplus are as follows:

	Number of issued shares of common stock	Common stock	Capital surplus
	Shares	Yen in millions	Yen in millions
Beginning of the previous fiscal year (As of January 1, 2022)	713,698,221	126,354	122,126
Increase (Decrease)	–	–	(2,609)
Previous fiscal year (As of December 31, 2022)	713,698,221	126,354	119,517
Increase (Decrease)	–	–	783
Current fiscal year (As of December 31, 2023)	713,698,221	126,354	120,300

(Note) The shares issued by the Company are shares of common stock with no par value and have no restrictions on any rights.

(2) Treasury stock

The changes in the number of shares and balance of treasury stock are as follows:

	Number of shares	Amount
	Shares	Yen in millions
Beginning of the previous fiscal year (As of January 1, 2022)	9,434,214	38,123
Increase (decrease) (Note 2)	19,914,524	98,690
Previous fiscal year (As of December 31, 2022)	29,348,738	136,814
Increase (decrease) (Note 3)	(301,567)	(1,405)
Current fiscal year (As of December 31, 2023)	29,047,171	135,409

(Note 1) The Company has adopted the stock option and appropriated shares of treasury stock for the delivery of shares upon exercise of these options. The terms of the contract and the amounts, etc. are presented in Note "34. Share-based Payment."

(Note 2) The main factors of the increase (decrease) in treasury stock during the previous fiscal year were an increase due to acquisition based on a resolution of the Board of Directors, a decrease due to exercise of stock options, and a decrease due to disposal as PSUs and restricted share-based remuneration. The number of treasury stock acquired based on the resolution of the Board of Directors in the previous fiscal year was 20,225,300 shares and the total acquisition amount was 100,000 million yen.

(Note 3) The main factors of the increase (decrease) in treasury stock during the current fiscal year were an increase due to purchase of shares less than one unit, a decrease due to exercise of stock options, and a decrease due to disposal as restricted share-based remuneration, PSUs, and RSUs.

(3) Other components of equity

1) Stock acquisition rights

The Company has adopted the stock option plan and issued stock acquisition rights in accordance with the Companies Act. The terms of the contract and the amounts, etc. are presented in Note "34. Share-based Payment."

2) Exchange differences on translation of foreign operations

The exchange differences on translation of foreign operations occur when the financial statements of the foreign operations prepared using foreign currencies are consolidated.

3) Effective portion of change in fair value of cash flow hedges

The Company hedges the fluctuation risk of variability in future cash flows through hedges, and this is the portion of the changes in fair value of the derivative instruments designated as cash flow hedges, which are deemed to be effective.

4) Net change in fair value of financial assets measured through other comprehensive income

This is the valuation difference of the fair values of financial assets measured through other comprehensive income.

5) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans include actuarial gains and losses that arise from the present value of defined benefit obligations, the return on plan assets (except for amounts included in net interest), and changes in the effect of the asset ceiling (except for amounts included in net interest). They are recognized in other comprehensive income when they arise, and reclassified from other components of equity to retained earnings immediately.

(4) Retained earnings

The Companies Act provides that an amount equal to 10% of the dividends paid from surplus shall be transferred to capital reserve and legal retained earnings until the aggregate amount of capital reserve and legal retained earnings equals 25% of the nominal value of common stock. The amount accumulated in legal retained earnings may be used to offset deficit. Furthermore, such legal retained earnings may be reversed pursuant to a resolution at the shareholders' meeting.

25. Dividends

(1) The amount of dividends paid

Previous fiscal year (Year ended December 31, 2022)

(Resolution)	Type	Total dividends	Dividend per share	Record date	Effective date
		Yen in millions	Yen		
Annual Shareholders' Meeting, March 23, 2022	Common Stock	59,863	85	December 31, 2021	March 24, 2022
Board of Directors' Meeting, August 10, 2022	Common Stock	59,180	85	June 30, 2022	September 1, 2022

Current fiscal year (Year ended December 31, 2023)

(Resolution)	Type	Total dividends	Dividend per share	Record date	Effective date
		Yen in millions	Yen		
Annual Shareholders' Meeting, March 28, 2023	Common Stock	61,592	90	December 31, 2022	March 29, 2023
Board of Directors' Meeting, August 9, 2023	Common Stock	68,462	100	June 30, 2023	September 1, 2023

(2) Dividends that will be effective in the subsequent fiscal year of the record date

Previous fiscal year (Year ended December 31, 2022)

(Resolution)	Type	Total dividends	Dividend per share	Record date	Effective date
		Yen in millions	Yen		
Annual Shareholders' Meeting, March 28, 2023	Common Stock	61,592	90	December 31, 2022	March 29, 2023

Current fiscal year (Year ended December 31, 2023)

(Resolution)	Type	Total dividends	Dividend per share	Record date	Effective date
		Yen in millions	Yen		
Annual Shareholders' Meeting, March 26, 2024	Common Stock	68,465	100	December 31, 2023	March 27, 2024

26. Revenue

(1) Disaggregation of revenue

The breakdown of revenue from continuing operations is as follows.

Previous fiscal year (Year ended December 31, 2022)

(Yen in millions)

	Reportable segments					Other	Corporate or elimination	Consoli-dated total
	Japan	China, Asia-Pacific	Americas	Europe, Russia, Middle East, India and Africa (Note 4)	Total			
Tires (Note 1)	669,476	376,713	1,921,055	856,443	3,823,688	15,813	40	3,839,540
Other (Note 2)	220,215	–	49,221	–	269,436	1,094	–	270,530
Total external revenue	889,692	376,713	1,970,276	856,443	4,093,124	16,907	40	4,110,070
Revenue recognized from contracts with customers	867,200	376,713	1,964,477	843,522	4,051,912	16,907	40	4,068,858
Revenue recognized from other sources (Note 3)	22,492	–	5,799	12,921	41,212	–	–	41,212

(Note 1) "Tires" includes the premium tire business and solutions business that the Company operates in.

(Note 2) "Other" includes chemical and industrial products and diversified products businesses that the Company operates in.

(Note 3) Revenue recognized from other sources includes lease income based on IFRS 16.

(Note 4) Transfer of the Russian business was completed in December 2023.

Current fiscal year (Year ended December 31, 2023)

(Yen in millions)

	Reportable segments					Other	Corporate or elimination	Consoli-dated total
	Japan	China, Asia-Pacific	Americas	Europe, Russia, Middle East, India and Africa (Note 4)	Total			
Tires (Note 1)	716,935	398,135	2,003,081	888,479	4,006,630	16,249	23	4,022,902
Other (Note 2)	229,613	–	59,992	–	289,605	1,293	–	290,898
Total external revenue	946,547	398,135	2,063,073	888,479	4,296,235	17,543	23	4,313,800
Revenue recognized from contracts with customers	915,826	398,135	2,055,923	876,578	4,246,462	17,543	23	4,264,028
Revenue recognized from other sources (Note 3)	30,722	–	7,150	11,900	49,772	–	–	49,772

(Note 1) "Tires" includes the premium tire business and solutions business that the Company operates in.

(Note 2) "Other" includes chemical and industrial products and diversified products businesses that the Company operates in.

(Note 3) Revenue recognized from other sources includes lease income based on IFRS 16.

(Note 4) Transfer of the Russian business was completed in December 2023.

(2) Contract balances

Contract balances of the Group consist of receivables, contract assets and contract liabilities arising from contracts with customers. In the consolidated statement of financial position, receivables arising from contracts with customers are presented as "Trade and other receivables," while the contract assets and contract liabilities are as follows:

(Yen in millions)

	Beginning of the previous fiscal year (As of January 1, 2022)	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Contract assets	1,851	4,953	9,291
Contract liabilities	18,404	23,117	27,377

Of the amount of revenue recognized in the previous fiscal year and current fiscal year, the amounts included in the balance of contract liabilities at the beginning of the fiscal year were 14,548 million yen and 18,532 million yen, respectively. The amount of revenue recognized in the current fiscal year from performance obligations satisfied in the previous periods is not material.

The contract assets are presented as "Other current assets" and "Other non-current assets" in the consolidated statement of financial position.

The contract assets primarily relate to unbilled accounts receivable on product design and development for customers.

Generally, contract assets increase when the Company transfers goods or services to customers before the customers pay consideration or the payment is due (excluding receivables for which the right to consideration is unconditional), and decrease when the Company bills customers.

The contract liabilities are presented as "Other current liabilities" and "Other non-current liabilities" in the consolidated statement of financial position.

The contract liabilities primarily relate to advances received from customers in association with maintenance services for automobiles.

Generally, contract liabilities increase when the Company receives consideration from customers before the Company transfers goods or services to the customers, and decrease when the Company satisfies its performance obligations.

(3) Transaction price allocated to the remaining performance obligations

The amounts of revenue from continuing operations related to the unsatisfied (or partially unsatisfied) performance obligations that are expected to be recognized in the future at the end of the fiscal year are as follows:

(Yen in millions)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Within one year	29,719	32,030
Over one year and within five years	51,799	21,795

As the Group has applied the practical expedient provided in paragraph 121 of IFRS 15, it does not disclose information about the remaining performance obligation that has an original expected duration of one year or less. Among consideration from contracts with customers, there is no significant amount that is not included in transaction price.

27. Selling, General and Administrative Expenses

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

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Freight	264,847	222,461
Advertising and sales promotional expenses	106,913	91,505
Employee benefit expenses	325,507	346,249
Depreciation and amortization	101,406	112,836
Research and development expenses (Note)	112,192	121,993
Other	247,660	286,439
Total	1,158,523	1,181,482

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

28. Other Income and Other Expenses

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

(1) Other income

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Gain on sale of fixed assets	14,246	(Note 1) 17,322
Business and plant restructuring income (Note 2)	4,942	8,645
Insurance claim income	4,596	6,832
Other	15,327	6,394
Total	39,111	39,193

(Note 1) Mainly relates to gains on the sale of land.

(Note 2) The breakdown of "Business and plant restructuring income" is presented in Note "6. Operating Segments."

(2) Other expenses

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Business and plant restructuring expenses (Note 1)	7,435	17,921
Removal and disassembly expense	2,876	3,895
Loss on retirement of fixed assets	2,576	3,225
Impairment losses	(Note 2) 17,492	1,833
Other	2,159	1,637
Total	32,538	28,509

(Note 1) The breakdown of "Business and plant restructuring expenses" is presented in Note "6. Operating Segments."

(Note 2) 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 fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Interest income (Note)	15,708	29,468
Dividend income (Note)	2,224	1,541
Other	351	4,376
Total	18,283	35,385

(2) Finance costs

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Interest expenses (Note)	14,122	21,031
Foreign currency exchange loss	19,059	47,375
Other	8,717	9,940
Total	41,898	78,346

(Note) Interest income and interest expenses are in relation to financial assets and financial liabilities measured at amortized cost.

In addition, dividend income is in relation to financial assets measured at fair value through other comprehensive income.

30. Other Comprehensive Income

The analysis of "Other comprehensive income" by item in terms of the amount that occurred during each fiscal year, the amount reclassified to profit or loss and the impact of tax effects are as follows:

Previous fiscal year (Year ended December 31, 2022)

	Amount that occurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Items that will not be reclassified to profit or loss					
Net change in fair value of financial assets measured through other comprehensive income	(28,340)	–	(28,340)	8,607	(19,733)
Remeasurements of defined benefit plans	11,332	–	11,332	(3,275)	8,057
Share of other comprehensive income of investments accounted for using equity method	(0)	–	(0)	–	(0)
Total of items that will not be reclassified to profit or loss	(17,009)	–	(17,009)	5,332	(11,677)
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	258,117	–	258,117	–	258,117
Effective portion of change in fair value of cash flow hedges	(8,312)	12,105	3,793	(1,089)	2,704
Share of other comprehensive income of investments accounted for using equity method	10,449	(230)	10,220	–	10,220
Total of items that may be reclassified to profit or loss	260,255	11,875	272,130	(1,089)	271,041
Total	243,246	11,875	255,121	4,243	259,364

Current fiscal year (Year ended December 31, 2023)

	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	18,245	–	18,245	(5,552)	12,693
Remeasurements of defined benefit plans	(11,106)	–	(11,106)	2,739	(8,367)
Share of other comprehensive income of investments accounted for using equity method	(2)	–	(2)	–	(2)
Total of items that will not be reclassified to profit or loss	7,136	–	7,136	(2,813)	4,324
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	181,184	3,261	184,445	–	184,445
Effective portion of change in fair value of cash flow hedges	(11,311)	9,903	(1,409)	409	(999)
Share of other comprehensive income of investments accounted for using equity method	1,302	(21)	1,282	–	1,282
Total of items that may be reclassified to profit or loss	171,176	13,143	184,318	409	184,728
Total	178,312	13,143	191,455	(2,403)	189,051

31. Discontinued Operations

(1) US building materials business

BRIDGESTONE AMERICAS, INC., a US subsidiary of the Company, has concluded an agreement with LafargeHolcim Ltd., a Swiss building materials manufacturer, regarding the sale of FSBP, a subsidiary of BRIDGESTONE AMERICAS, INC. in the Americas segment, to Holcim Participations (US) Inc., the US subsidiary of LafargeHolcim Ltd., on January 6, 2021 (local time), and the sale was completed on March 31, 2021.

Therefore, FSBP and its subsidiaries are classified as discontinued operations.

1) Profit or loss from discontinued operations

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Profit or loss from discontinued operations		
Income (Note)	(620)	–
Expenses	–	–
Profit (loss) before tax from discontinued operations	(620)	–
Income tax expense (Note)	27	–
Profit (loss) from discontinued operations	(594)	–

(Note) An adjustment of negative 620 million yen on gain on sale relating to the transfer of FSBP due to a change in the sales price is included in the previous fiscal year.

The income tax expense corresponding to that was 157 million yen.

2) Cash flow from discontinued operations

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	–	–
Net cash provided by (used in) investing activities	(1,359)	–
Net cash provided by (used in) financing activities	–	–
Total	(1,359)	–

(2) Anti-vibration rubber business

On December 10, 2021, the Company made the decision to transfer its anti-vibration rubber business (the “Business Operations”) to AZ. This entails the Group establishing a new wholly-owned subsidiary (PROSPIRA CORPORATION) to which it would transfer the Business Operations by carrying out an absorption-type demerger (the “Corporate Demerger”), then integrating the Business Operations of the Group into PROSPIRA CORPORATION, and subsequently transferring all shares of PROSPIRA CORPORATION to AZ (the “Share Transfer,” with the Corporate Demerger and the Share Transfer hereinafter referred to as the “Business Transaction”). The Group completed the Business Transaction on September 1, 2022. The Group plans to conduct separate transfer targeting a company at a later time.

The Group has accordingly classified the Business Operations of the Company, Bridgestone APM Company, and Bridgestone Industrial Products (Thailand) Co., Ltd. as discontinued operations as well as Prospira Corporation, Prospira Manufacturing Japan Co., Ltd, Prospira Ntec Japan Co., Ltd, Prospira India Automotive Products Private Limited, Prospira (Thailand) Co., Ltd., Prospira America Corporation and Prospira China Co., Ltd.

1) Profit or loss from discontinued operations

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Profit or loss from discontinued operations		
Income	49,901	5,835
Expenses (Note)	(64,856)	(1,574)
Profit (loss) before tax from discontinued operations	(14,955)	4,262
Income tax expense (Note)	9,350	(850)
Profit (loss) from discontinued operations	(5,605)	3,411

(Note) Expenses for the current fiscal year, include a loss on business transfer to AZ of 4,254 million yen and a loss of 6,147 million yen recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell. The income tax expense corresponding to that is 4,294 million yen.

Expenses for the previous fiscal year, include a gain on business transfer to AZ of 3,626 million yen and a reversal of expenses of 249 million yen recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell.

2) Cash flow from discontinued operations

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	(10,197)	467
Net cash provided by (used in) investing activities	(86,825)	1,510
Net cash provided by (used in) financing activities	(66)	–
Total	(97,088)	1,976

(3) Chemical products solutions business

On December 10, 2021, the Company made the decision to transfer its chemical products solutions business (the “Business Operations”) to EUF-2. This entails the Company establishing a new wholly-owned subsidiary (ARCHEM INC.) to which it transfers the Business Operations by carrying out an absorption-type demerger (the “Corporate Demerger”), then integrating the Business Operations of the Group into ARCHEM INC., and subsequently transferring all shares of ARCHEM INC. to EUF-2, which is structured, managed, and operated by EU (the “Share Transfer,” with the Corporate Demerger and the Share Transfer hereinafter referred to as the “Business Transaction”). The Group completed the Business Transaction on August 1, 2022.

The Group has accordingly classified Business Operations of the Company, Bridgestone Industrial Products (Thailand) Co., Ltd., and Archem Philippines, Inc., as discontinued operations as well as Bridgestone Chemitech Co., Ltd. (BSCT), Bridgestone Diversified Chemical Products Co., Ltd. (BDCP), Archem Inc., Bridgestone APM Foaming Company, Bridgestone Chemical Products Malaysia Sdn. Bhd., Archem (Thailand) Co., Ltd., Bridgestone Electronic Materials (Hong Kong) Ltd. (BEM), Bridgestone (Kaiping) Diversified Products Co., Ltd., Guangzhou Archem Auto Component Co., Ltd., and Archem (Wuhan) Co., Ltd.

1) Profit or loss from discontinued operations

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Profit or loss from discontinued operations		
Income (Note)	42,295	2,077
Expenses (Note)	(51,534)	(999)
Profit (loss) before tax from discontinued operations	(9,239)	1,078
Income tax expense (Note)	10,297	(114)
Profit (loss) from discontinued operations	1,058	964

(Note) Expenses for the previous fiscal year include a gain on business transfer to the EU of 5,691 million yen and a loss of 13,014 million yen recognized upon having measured the disposal group consisting of discontinued operations at fair value less cost to sell. The income tax expense corresponding to that is 5,080 million yen.

Expenses for the current fiscal year include a gain on business transfer to the EU of 1,165 million yen.

2) Cash flow from discontinued operations

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	(2,949)	(234)
Net cash provided by (used in) investing activities	(37,854)	2,006
Net cash provided by (used in) financing activities	(368)	–
Total	(41,172)	1,772

32. Earnings per Share

(1) Basic earnings (loss) per share

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

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Profit attributable to owners of parent (Yen in millions)	300,305	331,305
Profit not attributable to common shareholders of parent (Yen in millions)	–	–
Profit used for calculating basic earnings per share (Yen in millions)	300,305	331,305
Profit from continuing operations used for calculating basic earnings per share (Yen in millions)	305,446	326,929
Profit (loss) from discontinued operations used for calculating basic earnings per share (Yen in millions)	(5,141)	4,375
Weighted-average number of shares of common stock (Thousands of shares)	694,823	684,531
Basic earnings (loss) per share		
Continuing operations (Yen)	439.60	477.60
Discontinued operations (Yen)	(7.40)	6.39
Basic earnings (loss) per share (Yen)	432.20	483.99

(2) Diluted earnings (loss) per share

Diluted earnings (loss) per share and its basis for the calculation is as follows:

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Profit used for calculating basic earnings per share (Yen in millions)	300,305	331,305
Adjustment to profit (Yen in millions)	–	–
Profit used to calculate diluted earnings per share (Yen in millions)	300,305	331,305
Profit from continuing operations used to calculate diluted earnings per share (Yen in millions)	305,446	326,929
Profit (loss) from discontinued operations used to calculate diluted earnings per share (Yen in millions)	(5,141)	4,375
Weighted-average number of shares of common stock (Thousands of shares)	694,823	684,531
Increase in common stock		
Increase from stock options (Thousands of shares)	953	821
Weighted-average number of shares of common stock after dilution (Thousands of shares)	695,776	685,352
Diluted earnings (loss) per share		
Continuing operations (Yen)	439.00	477.02
Discontinued operations (Yen)	(7.39)	6.38
Diluted earnings (loss) per share (Yen)	431.61	483.41

33. Cash Flow Information

Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities are as follows:

Previous fiscal year (Year ended December 31, 2022)

	As of January 1, 2022	Changes with cash flows	Changes without cash flows			As of December 31, 2022
			Acquisition	Exchange differences on translation of foreign operations	Other	
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Long-term borrowings	94,097	(53,560)	–	11,010	–	51,548
Short-term borrowings	62,996	21,595	–	7,655	–	92,247
Bonds	349,554	(40,000)	–	–	102	309,656
Lease liabilities	304,491	(65,810)	59,651	21,752	(6,368)	313,716
Total liabilities related to financing activities	811,139	(137,775)	59,651	40,418	(6,266)	767,167

Current fiscal year (Year ended December 31, 2023)

	As of January 1, 2023	Changes with cash flows	Changes without cash flows			As of December 31, 2023
			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	51,548	2,439	–	5,376	4,675	64,038
Short-term borrowings	92,247	20,873	–	10,953	–	124,073
Bonds	309,656	–	–	–	96	309,752
Lease liabilities	313,716	(68,401)	71,186	15,796	–	332,297
Total liabilities related to financing activities	767,167	(45,089)	71,186	32,125	4,771	830,160

34. Share-based Payment

The Group has adopted the stock option plan, the PSU plan, the RSU, etc. plan and restricted share-based remuneration plan. The details of the stock option plan are presented in “1. Information on Stock, etc.” of “IV. Information about Reporting Company,” and those of the PSU, the RSU, etc. in “4. Corporate Governance, etc.” of “IV. Information about Reporting Company.”

(1) Stock option plan

The Group has not granted any new stock options since July 5, 2017.

1) Terms of the contracts, etc.

	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 26, 2009	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 30, 2010	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 29, 2011	Resolution at Annual Shareholders’ Meeting and Board of Directors’ Meeting held on March 27, 2012
Persons granted	Nine directors of the Company and 20 corporate officers not concurrently serving as directors of the Company	Eight directors of the Company and 25 corporate officers not concurrently serving as directors of the Company	Nine directors of the Company and 36 corporate officers not concurrently serving as directors of the Company	Nine directors of the Company and 35 corporate officers not concurrently serving as directors of the Company
Class and number of shares granted	Common stock: 110,000 shares	Common stock: 118,500 shares	Common stock: 154,500 shares	Common stock: 202,000 shares
Date of grant	May 1, 2009	May 6, 2010	May 2, 2011	May 1, 2012
Vesting conditions	No vesting condition	No vesting condition	No vesting condition	No vesting condition
Target service period	No specified service period	No specified service period	No specified service period	No specified service period
Exercise period	From May 1, 2009 to April 30, 2029	From May 6, 2010 to April 30, 2030	From May 2, 2011 to April 30, 2031	From May 1, 2012 to April 30, 2032

	Resolution at Annual Shareholders' Meeting and Board of Directors' Meeting held on March 26, 2013	Resolution at Annual Shareholders' Meeting and Board of Directors' Meeting held on March 25, 2014	Resolution at Annual Shareholders' Meeting and Board of Directors' Meeting held on March 24, 2015	Resolution at Board of Directors' Meeting held on April 21, 2016
Persons granted	Four directors of the Company and 36 corporate officers not concurrently serving as directors of the Company	Four directors of the Company and 46 corporate officers not concurrently serving as directors of the Company	Three directors of the Company and 48 corporate officers not concurrently serving as directors of the Company	Two directors of the Company excluding non-executive directors, eight executive officers not concurrently serving as directors and 41 corporate officers
Class and number of shares granted	Common stock: 196,000 shares	Common stock: 131,900 shares	Common stock: 142,500 shares	Common stock: 208,800 shares
Date of grant	May 1, 2013	May 1, 2014	May 1, 2015	May 6, 2016
Vesting conditions	No vesting condition	No vesting condition	No vesting condition	No vesting condition
Target service period	No specified service period	No specified service period	No specified service period	No specified service period
Exercise period	From May 1, 2013 to April 30, 2033	From May 1, 2014 to April 30, 2034	From May 1, 2015 to April 30, 2035	From May 7, 2016 to May 6, 2036

	Resolution at Board of Directors' Meeting held on April 27, 2017 Plan A	Resolution at Board of Directors' Meeting held on April 27, 2017 Plan B
Persons granted	Two directors of the Company excluding non-executive directors, five executive officers not concurrently serving as directors and 45 corporate officers	One executive officer not concurrently serving as director and two corporate officers
Class and number of shares granted	Common stock: 206,500 shares	Common stock: 14,300 shares
Date of grant	May 12, 2017	July 5, 2017
Vesting conditions	No vesting condition	No vesting condition
Target service period	No specified service period	No specified service period
Exercise period	From May 13, 2017 to May 12, 2037	From July 6, 2017 to July 5, 2037

2) Changes in the number of stock options

	Previous fiscal year (Year ended December 31, 2022)		Current fiscal year (Year ended December 31, 2023)	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
	Shares	Yen	Shares	Yen
Balance as of beginning of period	1,025,200	1	882,400	1
Effect of share split	–	–	–	–
Granted	–	–	–	–
Exercised	142,800	1	125,400	1
Forfeited	–	–	–	–
Ending balance	882,400	1	757,000	1
Exercisable balance as of end of period	882,400	1	757,000	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 5,647 yen for the current fiscal year. As for the previous fiscal year, it was 4,855 yen.

(Note 4) The weighted-average remaining contractual lives of the outstanding stock options as of the previous fiscal year-end and the current fiscal year-end were 11.8 years and 10.8 years, respectively.

(2) PSU

As previously mentioned, the Group has introduced the PSU.

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Number of shares granted (Shares)	71,200	76,100
Weighted-average fair value at grant date (Yen)	5,052	4,979

(Note) The carrying amounts of liabilities arising from share-based remuneration transactions are 1,224 million yen and 1,305 million yen as of the previous fiscal year-end and the current fiscal year-end, respectively.

(3) RSU, etc.

As previously mentioned, the Company has introduced the RSU, etc.

The carrying amounts of liabilities arising from share-based remuneration transactions are 260 million yen and 267 million yen as of the previous fiscal year-end and the current fiscal year-end, respectively.

(4) Restricted share-based remuneration plan

The Company has introduced a share-based remuneration plan to grant restricted shares to corporate executive managers, executive managers, and associate directors from January 2021 with the aim of sharing values with shareholders regarding stock price fluctuation, thereby incentivizing them to make a contribution toward an increase in the stock price and corporate values of the Company.

This plan grants allotment of the Company’s common stock to those eligible for the allotment by providing monetary remuneration claims, and those eligible persons pay all of said monetary remuneration claims in the form of contribution in kind. The Company concludes a restricted share allotment agreement with those eligible for the allotment whereby they are restricted to transfer the allotted common stock of the Company to a third party, pledge them as collateral and dispose of them for a certain period prescribed in the allotment agreement (hereinafter, the “Transfer Restriction Period”) (such restrictions are hereinafter referred to as the “Transfer Restriction”).

The Transfer Restriction shall be lifted for all of the restricted shares as of the expiry of the Transfer Restriction Period on the condition that those eligible for the allotment continued to assume the positions of corporate executive manager, executive manager, and associate director (hereinafter, the “Positions Eligible for Allotment”) during the Transfer Restriction Period. However, when those eligible for the allotment lose the status of Positions Eligible for Allotment of the Company before the expiry of the Transfer Restriction Period with a reason deemed valid by the Global CEO following the deliberations of Officer Nomination and Compensation Meeting of the Company, the Transfer Restriction shall be lifted at a point in time immediately following the said loss of the positions. Meanwhile, when there are shares for which the Transfer Restriction is not lifted as of the expiry of the Transfer Restriction Period, the Company will acquire such restricted shares without consideration per its scheme.

	Previous fiscal year (Note 2) (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Date of grant	From February 28, 2022 to March 31, 2022	March 1 and August 25, 2023
Number of shares granted (Shares)	104,800	83,360
Fair value at grant date (Yen) (Note 1)	4,915	4,982
Settlement method	Equity-settled	Equity-settled
Transfer Restriction Period	From February 28, 2022 to February 28, 2025	From March 1, 2023 to December 31, 2025

(Note 1) Fair value is measured based on the average of the daily closing prices of the Company's common stock on the Tokyo Stock Exchange for the one month immediately preceding the resolution date of the Board of Directors.

(Note 2) This includes Special Award granted in February 2022 to the executive officers.

(5) Share-based remuneration expenses

Share-based remuneration expenses included in the "Selling, general and administrative expenses" in the consolidated statement of profit or loss are as follows:

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Stock option	–	–
PSU	997	1,211
RSU, etc.	260	183
Restricted share-based remuneration	515	415

35. Financial Instruments

(1) Capital management

Capital management in the Group prioritizes strategic growth investment that is more focused primarily on strengthening earning power, constructing a sustainable premium brand, and creating value, and also aims to improve capital efficiency in order to maintain a strong financial position and to return an appropriate level of profit to our shareholders.

As management indicators, the Group utilizes ROE and ROIC as items to be managed for measuring capital efficiency. The Group will also construct and implement a financial strategic foundation which supports the Mid-Term Management Plan through the realization of portfolio management by “strengthening earning power” using ROIC and conducting a financial assessment at the planning and acting stage of investments.

(2) Matters related to risk management

The Group is exposed to financial risks (e.g., credit risk, liquidity risk, foreign exchange fluctuation risk, interest rate fluctuation risk and market price fluctuation risk) in the process of its management activities and it manages risks based on a specific policy in order to avoid said risks.

(3) Credit risk management

The Group is exposed to credit risk such as a counterparty’s default on contractual obligations resulting in financial losses to the Group. For trade receivables, the Group regularly monitors the financial position of significant customers and manages the due dates and the receivables balance of each customer to minimize the risk of defaults resulting from deterioration of a customer’s financial position, and when full or partial collection of the receivables is considered impossible, or extremely difficult, it is deemed to be a default. The Group enters into derivative transactions only with highly rated financial institutions in order to minimize counterparty risk.

The carrying amounts after impairment presented in the consolidated statement of financial position represent the Group’s maximum exposure to credit risk of financial assets.

The Group’s credit risk exposure related to notes and accounts receivable, etc. is as follows: The Group measures the future expected credit losses to record allowance for doubtful accounts on notes and accounts receivable, etc., taking into account probability of recoverability and if there has been a significant increase in credit risk, etc. Whether credit risk increases significantly or not, it is assessed based on the changes in the default risk. For this purpose, the financial condition of the counterpart, past experience, provisions that have already been recorded and past due information are taken into consideration. Allowance for doubtful accounts on trade receivables is always measured at an amount equal to lifetime expected credit losses, which may be measured either on an individual or collective basis, depending on the nature and size of the transaction. If one or several of the following events that can affect the estimated future cash flows of the trade receivables adversely occur, the Group assesses expected credit losses on an individual receivable basis as credit-impaired trade receivables. The Group does not expose itself to significant concentrations of credit risk from specific supplier or customer.

- Significant financial difficulty of the debtor
- A breach of contract such as a default or past due event
- The probability that the debtor will enter bankruptcy or other financial reorganization

1) Credit risk exposure related to trade and other receivables, etc.

Notes and accounts receivable, etc.

(Yen in millions)

	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses		Total
	Financial assets without credit impairment	Financial assets with credit impairment	
Previous fiscal year (As of December 31, 2022)	905,535	18,930	924,465
Current fiscal year (As of December 31, 2023)	929,675	22,153	951,828

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	Financial assets for which allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses		Total
		Financial assets for which credit risk has increased significantly since initial recognition	Financial assets with credit impairment	
Previous fiscal year (As of December 31, 2022)	114,959	145	649	115,753
Current fiscal year (As of December 31, 2023)	107,883	118	873	108,874

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		Total
	Financial assets without credit impairment	Financial assets with credit impairment	
Balance as of January 1, 2022	21,094	17,088	38,182
Increase during period	2,090	3,573	5,663
Decrease during period (utilized)	(1,433)	(942)	(2,375)
Decrease during period (reversed)	(2,861)	(4,099)	(6,960)
Other	2,647	2,027	4,674
Balance as of December 31, 2022	21,538	17,647	39,185
Increase during period	5,429	6,411	11,840
Decrease during period (utilized)	(498)	(366)	(864)
Decrease during period (reversed)	(2,772)	(3,169)	(5,941)
Other	1,554	(1,597)	(43)
Balance as of December 31, 2023	25,250	18,926	44,177

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	Financial assets for which allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses		Total
		Financial assets for which credit risk has increased significantly since initial recognition	Financial assets with credit impairment	
Balance as of January 1, 2022	66	320	600	987
Increase during period	124	96	–	220
Decrease during period (utilized)	–	(139)	–	(139)
Decrease during period (reversed)	(1)	(145)	–	(147)
Other	1	–	49	51
Balance as of December 31, 2022	190	131	650	971
Increase during period	0	96	163	259
Decrease during period (utilized)	–	–	–	–
Decrease during period (reversed)	(1)	(109)	(12)	(122)
Other	(125)	–	74	(51)
Balance as of December 31, 2023	65	118	874	1,057

(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 other payables are approximately less than 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 fiscal year (As of December 31, 2022)

(Yen in millions)

	Carrying amounts	Contractual cash flows	Within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	607,498	607,498	607,498	–	–	–	–	–
Bonds and borrowings	453,451	453,795	107,866	132,196	1,042	50,033	62,501	100,157
Lease liabilities	313,716	351,572	62,641	55,007	42,858	35,014	27,625	128,427
Subtotal	1,374,665	1,412,865	778,005	187,203	43,900	85,047	90,126	228,584
Derivative financial liabilities (Note)								
Forward exchange contracts	(5,062)	(5,062)	(5,062)	–	–	–	–	–
Currency swap contracts	7,848	7,848	(358)	8,207	–	–	–	–
Commodity swap contracts	592	592	592	–	–	–	–	–
Interest rate swap contracts	(1,297)	(1,297)	–	(1,297)	–	–	–	–
Subtotal	2,081	2,081	(4,828)	6,910	–	–	–	–
Total	1,376,746	1,414,946	773,177	194,113	43,900	85,047	90,126	228,584

Current fiscal year (As of December 31, 2023)

(Yen in millions)

	Carrying amounts	Contractual cash flows	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	599,240	599,240	599,240	–	–	–	–	–
Bonds and borrowings	497,863	498,110	258,087	663	50,000	61,853	26	127,481
Lease liabilities	332,297	373,171	68,969	57,880	47,728	38,465	28,225	131,904
Subtotal	1,429,400	1,470,521	926,296	58,543	97,728	100,318	28,251	259,385
Derivative financial liabilities (Note)								
Forward exchange contracts	(3,412)	(3,412)	(3,412)	–	–	–	–	–
Currency swap contracts	20,212	20,212	20,113	64	36	–	–	–
Commodity swap contracts	(269)	(269)	(269)	–	–	–	–	–
Interest rate swap contracts	(336)	(336)	(336)	–	–	–	–	–
Subtotal	16,196	16,196	16,096	64	36	–	–	–
Total	1,445,596	1,486,717	942,392	58,607	97,764	100,318	28,251	259,385

(Note) Receivables and payables incurred by derivative transactions are presented in net amount.

Total amount of committed line and the amount undrawn are as follows:

(Yen in millions)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Total amount of committed line	170,926	156,013
The amount drawn	2,720	–
The amount undrawn	168,206	156,013

(5) Foreign exchange 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 principally forward exchange contracts to hedge foreign exchange 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 related to exports and imports, 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 exposure under internal regulations and does not enter into derivative transactions for speculative purposes.

Foreign currency sensitivity analysis

For the financial instruments held by the Group at each fiscal year-end, the impact of appreciation of the foreign currencies against the yen by 1 yen on profit before tax is as follows:

The figures below do not include the impact of translation of financial instruments denominated in functional currencies, assets and liabilities as well as revenues and costs of foreign operations into yen. This analysis is based on the assumption that other variable factors (such as balances, interest rate, etc.) are constant.

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Profit before tax	(54)	(42)

(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 risk on borrowings.

The Group limits derivative transactions to actual exposure under internal regulations and does not enter into derivative transactions for speculative purposes.

Interest rate sensitivity analysis

As for the financial instruments held by the Group at each fiscal year-end, the impact of interest rate hikes by 1% on profit before tax is as follows:

This analysis is applicable to the financial instruments subject to the effects of changes in interest rates, assuming other variable factors such as the effects of the changes in currency rates remain constant.

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Profit before tax	(238)	(946)

(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 held by the Group considering the relationships with the issuers.

Sensitivity of share price fluctuation risk

The sensitivity analysis of the listed stocks the Group holds to share price fluctuation risk is as follows: The analysis shows the impact of drops in market prices of the listed stocks by 1% on other comprehensive income before tax effect, assuming other variables remain constant.

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Other comprehensive income	(384)	(502)

(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 these are classified as financial assets and financial liabilities measured at fair value through profit or loss. These are forward exchange contracts, currency swap contracts and interest rate swap contracts, etc., which are measured based on the model using largely observable inputs such as foreign currency rates and interest rates.

(ii) Shares, etc.

Shares, etc. are included in other financial assets, classified into financial assets measured at fair value through profit or loss, or financial assets measured at fair value through other comprehensive income. The shares categorized in Level 1 are the listed stocks traded in active market, which are measured at a quoted price on the exchange. The shares, etc. categorized in Level 3 are unlisted stocks, etc., which are primarily measured by using the net asset-based valuation model (i.e., a method of measuring enterprise value based on the net assets of the share issuing company, adjusted for any items that should be adjusted due to marked-to-market, if any).

The fair value hierarchy of financial instruments measured at fair value is as follows:

Previous fiscal year (As of December 31, 2022)

	Level 1	Level 2	Level 3	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Derivative assets	–	11,079	–	11,079
Shares, etc.	38,399	–	19,251	57,650
Total	38,399	11,079	19,251	68,729
Derivative liabilities	–	13,160	–	13,160
Total	–	13,160	–	13,160

Current fiscal year (As of December 31, 2023)

	Level 1	Level 2	Level 3	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Derivative assets	–	6,450	–	6,450
Shares, etc.	50,174	–	27,937	78,111
Total	50,174	6,450	27,937	84,561
Derivative liabilities	–	22,645	–	22,645
Total	–	22,645	–	22,645

Transfers between levels of the fair value hierarchy are recognized at the end of each fiscal year. There was no transfer between Level 1 and Level 2 for the previous fiscal year and the current fiscal year.

The changes in assets and liabilities measured at fair value by using Level 3 inputs on a recurring basis from the beginning to the end of the previous and current fiscal years are as follows:

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Balance as of beginning of period	16,650	19,251
Gains and losses		
Profit or loss (Note 1)	97	(25)
Other comprehensive income (Note 2)	(1,971)	844
Purchases	3,668	7,210
Sale and collection	(220)	(215)
Other	1,026	871
Ending balance	19,251	27,937

(Note 1) Amount is included in "finance income" and "finance costs" in the consolidated statement of profit or loss.

(Note 2) Amount is included in "Net change in fair value of financial assets measured through other comprehensive income" in the consolidated statement of comprehensive income.

The financial instruments categorized as Level 3 in the fair value hierarchy financial assets, are classified into financial assets measured at fair value through profit or loss, or financial assets measured at fair value through other comprehensive income for which quoted market prices are not readily available. The fair values of such financial instruments are calculated based on the Group's accounting policy. When measuring the fair values, the Group determines the most appropriate valuation technique considering the nature of the assets, etc. with reasonably estimated input.

In addition, for written put options on shares of a subsidiary granted by the Group to owners of non-controlling interests, the present value of their exercise price is recognized as financial liabilities (current liabilities). At initial recognition, the amount is reduced from capital surplus.

As for the written put options (carrying amount at the end of the previous fiscal year was 3,771 million yen), which were included in other financial liabilities in the consolidated statement of financial position, there was no balance as of the end of the current fiscal year since all the rights of these put options were exercised.

These financial liabilities are not included in the table above.

2) Financial instruments measured at amortized cost

The methods for measuring the fair value of major financial instruments measured at amortized cost are as follows:

The table below does not include financial instruments where the carrying amounts of which reasonably approximate the fair values and it is not material.

Bonds and borrowings

The fair values of bonds are based on the market prices. The fair values of the borrowings are calculated based on the present value and by discounting the total principal and interest over the remaining term at an interest rate that would be applied if similar borrowings were newly made.

Previous fiscal year (As of December 31, 2022)

	Carrying amounts	Level 1	Level 2	Level 3	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Bonds and borrowings	345,584	–	342,020	–	342,020
Total	345,584	–	342,020	–	342,020

Current fiscal year (As of December 31, 2023)

	Carrying amounts	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	239,789	–	238,181	–	238,181
Total	239,789	–	238,181	–	238,181

(9) Hedge accounting

Risk management strategy

The Group uses, as derivative transactions, such as forward exchange contracts and currency option contracts to mitigate foreign currency fluctuation risk associated with the foreign currency-denominated receivables and payables as well as foreign currency-denominated forecast transaction. It uses currency swap contracts, if required, to mitigate risk of changes in currency rate and interest rate associated with the foreign currency-denominated loans and borrowings. The Group also engages in interest rate swap contracts, if required, to mitigate risk of changes in interest rate of the borrowings. It uses commodity swap contracts, if required, to mitigate price fluctuation risk from raw materials. With respect to the execution and management of derivative transactions, the Group complies with the internal regulations that stipulate transaction authority, and engages in the derivative transactions with only highly rated financial institutions to mitigate counterparty credit risk. Hedge ratio is appropriately determined based on the economic relationship between the hedging instrument and hedged item as well as its risk management strategies. There is no material ineffective portion of hedge as the Group applies hedge accounting only when the critical terms of hedging instruments and hedged items match exactly.

The Group uses derivatives when it is economically rational to do so, including the cases where the hedging relationship does not meet the requirements to qualify for hedge accounting.

The carrying amounts and changes in fair value of the hedging instruments that qualify for hedge accounting in each fiscal year are as follows:

Previous fiscal year (As of December 31, 2022)

(Yen in millions)

Hedging type	Hedging instruments	Contract amount	Carrying amount (Note)	
			Assets	Liabilities
Cash flow hedges	Foreign currency derivatives	53,281	1,765	105
	Interest rate derivatives	28,294	1,297	–
Total		81,575	3,062	105

Current fiscal year (As of December 31, 2023)

(Yen in millions)

Hedging type	Hedging instruments	Contract amount	Carrying amount (Note)	
			Assets	Liabilities
Cash flow hedges	Foreign currency derivatives	110,415	2,008	499
	Interest rate derivatives	31,424	336	–
Total		141,839	2,345	499

(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 12 months for foreign currency contracts, which is expected to be largely the same as the expected duration of the impact on net profit or loss.

For the previous and current fiscal years, there are no material amounts recognized in profit or loss, which are related to the ineffective portions of hedges and portions excluded from assessment of hedge effectiveness.

The changes in the cash flow hedge reserve arising from the hedging instruments designated as cash flow hedges are as follows:

Previous fiscal year (Year ended December 31, 2022)

	Effective portion of change in fair value of cash flow hedges			
	Foreign currency risk	Interest rate risk	Commodity-related risk	Total
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance January 1, 2022	620	124	–	744
Other comprehensive income				
Amount that occurred during the period (Note 1)	(10,344)	1,564	–	(8,780)
Amount of reclassification adjustment (Note 2)	12,105	–	–	12,105
Tax effect	(698)	(391)	–	(1,089)
Balance as of December 31, 2022	1,683	1,297	–	2,980

Current fiscal year (Year ended December 31, 2023)

	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 as of January 1, 2023	1,683	1,297	–	2,980
Other comprehensive income				
Amount that occurred during the period (Note 1)	(10,890)	(1,280)	(28)	(12,198)
Amount of reclassification adjustment (Note 2)	9,903	–	–	9,903
Tax effect	89	320	–	409
Balance as of December 31, 2023	785	337	(28)	1,094

(Note 1) The changes in fair value of the hedged items used as the basis for recognizing the ineffective portion match 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.

36. Related Party

(1) Related party transactions

Previous fiscal year (Year ended December 31, 2022)

No item to report.

Current fiscal year (Year ended December 31, 2023)

No item to report.

(2) Remuneration for key management personnel

The remuneration for key management personnel of each fiscal year is as follows:

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
	Yen in millions	Yen in millions
Remuneration and bonuses	802	666
Share-based payment	565	423
Total	1,368	1,089

37. Subsidiaries and Associates, etc.

(1) Information on significant subsidiaries

The significant subsidiaries and associates of the Group as of the end of the current fiscal year are presented in “4. Subsidiaries and associates” of “I. Overview of the Company” of “Part I Information on the Company.”

(2) Loss of control of subsidiaries

Previous fiscal year (Year ended December 31, 2022)

1) Anti-vibration rubber business

a Sale of subsidiaries

On December 10, 2021, the Group made the decision to transfer its anti-vibration rubber business (hereinafter the “Business Operations”) to AZ. This entails the Group establishing a new PROSPIRA CORPORATION to which it would transfer the Business Operations by carrying out an absorption-type demerger (the “Corporate Demerger”), then integrating the Business Operations of the Group into PROSPIRA CORPORATION, and subsequently transferring all shares of PROSPIRA CORPORATION to AZ (hereinafter the “Share Transfer,” with the Corporate Demerger and the Share Transfer hereinafter referred to as the “Business Transaction”). The Group completed the Business Transaction on September 1, 2022. The Group plans to conduct separate transfer targeting a company at a later time.

As a result of the sale, the Group has lost its control of PROSPIRA CORPORATION and its subsidiaries.

The breakdown of assets and liabilities at the time of loss of control of anti-vibration rubber business, consideration received and the balance of proceeds from sale are as follows.

b Major breakdown of assets and liabilities as of the date of loss of control

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)
Breakdown of assets at time of loss of control	
Current assets	108,705
Non-current assets	11,407
Breakdown of liabilities at time of loss of control	
Current liabilities	12,972
Non-current liabilities	2,848

c Cash flows arising from the loss of control

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)
Consideration received in cash	0
Of assets at time of loss of control, cash and cash equivalents	82,655
Payments for sale of discontinued operations	(82,655)

(Note 1) Cash flows associated with loss of control are recorded in “Payments for sale of discontinued operations” under cash flows from investing activities in consolidated statement of cash flows.

(Note 2) Details on the transactions are presented in Note “31. Discontinued Operations.”

2) Chemical products solutions business

a Sale of subsidiaries

On December 10, 2021, the Group made the decision to transfer its chemical products solutions business (hereinafter the “Business Operations”) to EUF-2. This entails the Group newly establishing ARCHEM INC. to which it would transfer the Business Operations by carrying out an absorption-type demerger (hereinafter the “Corporate Demerger”), then integrating the Business Operations of the Group into ARCHEM INC., and subsequently transferring all shares of ARCHEM INC. to EUF-2, which is structured, managed, and operated by EU (hereinafter the “Share Transfer,” with the Corporate Demerger and the Share Transfer hereinafter referred to as the “Business Transaction”). The Group completed the Business Transaction on August 1, 2022. The Group plans to conduct separate transfer targeting a company at a later time.

As a result of the sale, the Group has lost its control of ARCHEM INC. and its subsidiaries.

The breakdown of assets and liabilities at the time of loss of control of the chemical products solutions business, consideration received and the balance of proceeds from sale are as follows.

b Major breakdown of assets and liabilities as of the date of loss of control

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)
Breakdown of assets at time of loss of control	
Current assets	55,925
Non-current assets	18,761
Breakdown of liabilities at time of loss of control	
Current liabilities	22,309
Non-current liabilities	3,670

c Cash flows arising from the loss of control

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)
Consideration received in cash	0
Of assets at time of loss of control, cash and cash equivalents	32,932
Payments for sale of discontinued operations	(32,932)

(Note 1) Cash flows associated with loss of control are recorded in “Payments for sale of discontinued operations” under cash flows from investing activities in consolidated statement of cash flows.

(Note 2) Details on the transactions are presented in Note “31. Discontinued Operations.”

Current fiscal year (Year ended December 31, 2023)

No item to report.

(3) Significant associates and jointly controlled entities

There are no significant associates and jointly controlled entities of the Group.

38. Commitments

Commitments for the acquisition of assets after the closing date of each fiscal year are as follows:

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	Yen in millions	Yen in millions
Acquisition of property, plant and equipment	87,196	118,518
Acquisition of intangible assets	5,406	6,692
Total	92,602	125,210

39. Subsequent Events

(Transfer of fixed assets)

To use our management resources effectively, the Company concluded a transfer agreement on February 16, 2024 to transfer the following fixed assets owned by the Company.

(1) Details of assets to be transferred

Details of assets and location	Gain on transfer	Actual status
Land 5,695.68 m^2 Buildings 9,181.23 m^2 Location 4-26-5 Roppongi, Minato-ku, Tokyo	Approx. 63.3 billion yen	Company housing

(Note 1) We will not be disclosing either the transfer amount or the carrying amount based on our agreement with the transferee.

(Note 2) The gain on transfer is calculated by subtracting the carrying amount plus the estimated amount of any expenses associated with the transfer from the transfer amount.

(2) Outline of transferee

The transferee is a company located in Japan, but we will not be disclosing further details based on our agreement with the transferee.

There are no capital, personnel, business relationships or related party to note between the Company and the transferee.

(3) Schedule of transfer

Date of conclusion of the agreement February 16, 2024

Property handover date May 31, 2024 (scheduled)

(4) Impact on profit or loss

In the fiscal year ending December 31, 2024, we plan to record approximately 63.3 billion yen in gain on sale of fixed assets as other income.

(2) Other

Quarterly information for the current fiscal year

(Cumulative period)	Three months ended March 31, 2023	Six months ended June 30, 2023	Nine months ended September 30, 2023	Fiscal year ended December 31, 2023
Revenue (Yen in millions)	1,043,541	2,101,706	3,198,144	4,313,800
Profit before tax (Yen in millions)	126,730	244,477	357,065	444,154
Profit attributable to owners of parent (Yen in millions)	90,499	182,643	266,732	331,305
Basic earnings per share (Yen)	132.24	266.85	389.68	483.99

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	132.24	134.61	122.83	94.32

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheet

(Yen in millions)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	100,571	318,073
Notes receivable	596	457
Accounts receivable	*1 320,482	*1 326,704
Finished products	47,289	44,268
Work in process	8,406	8,457
Raw materials and supplies	57,996	41,488
Short-term loans receivable for subsidiaries and associates	*1 28,929	*1 107,436
Accounts receivable-other	*1 25,175	*1 24,167
Other current assets	*1 19,556	*1 21,307
Allowance for doubtful accounts	(16,895)	(765)
Total current assets	592,106	891,593
Fixed assets		
Property, plant and equipment		
Buildings, net	101,108	99,275
Structures, net	8,632	8,502
Machinery and equipment, net	44,138	47,525
Vehicles and carriers, net	1,441	1,676
Tools, furniture and fixtures, net	15,213	16,543
Land	59,733	57,563
Construction in progress	22,881	34,254
Total property, plant and equipment	253,146	265,338
Intangible assets	22,278	34,319
Investments and other assets		
Investment in securities	61,580	51,646
Investments in subsidiaries and associates	801,974	800,458
Investments in subsidiaries and associates, other than stock	52,557	52,590
Long-term loans receivable for subsidiaries and associates	*1 93,231	*1 1,276
Deferred tax assets	31,202	21,393
Other assets	3,315	2,409
Allowance for doubtful accounts	(28)	(0)
Total investments and other assets	1,043,831	929,773
Total fixed assets	1,319,255	1,229,429
Total assets	1,911,361	2,121,023

(Yen in millions)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Liabilities		
Current liabilities		
Accounts payable	*1 102,547	*1 93,205
Current portion of bonds	–	100,000
Lease obligations	107	112
Accounts payable - other	*1 63,995	*1 72,970
Accrued expenses	*1 30,610	*1 30,429
Income taxes payable	18,152	63,964
Deposits received	5,617	5,859
Allowance for losses on business transfer	5,923	5,834
Asset retirement obligation	536	–
Other current liabilities	13,179	34,465
Total current liabilities	240,667	406,837
Long-term liabilities		
Bonds	310,000	210,000
Lease obligations	139	326
Accrued pension and liability for retirement benefits	44,028	41,506
Asset retirement obligation	2,401	2,596
Other long-term liabilities	9,770	2,186
Total long-term liabilities	366,338	256,614
Total liabilities	607,005	663,451
Equity		
Shareholders' equity		
Common stock	126,354	126,354
Capital surplus		
Capital reserve	122,079	122,079
Total capital surplus	122,079	122,079
Retained earnings		
Legal reserve	31,279	31,279
Other retained earnings		
Reserve for advanced depreciation of fixed assets	29,859	28,796
Reserve for special account for advanced depreciation of fixed assets	–	8,903
General reserve	789,311	789,311
Retained earnings brought forward	306,534	452,692
Total retained earnings	1,156,982	1,310,980
Treasury stock	(136,813)	(135,408)
Total shareholders' equity	1,268,602	1,424,005
Net unrealized gain (loss) and translation adjustments		
Net unrealized gain (loss) on available-for-sale securities	31,783	30,076
Deferred gain (loss) on derivative instruments	1,298	1,183
Total net unrealized gain (loss) and translation adjustments	33,081	31,259
Stock acquisition rights	2,673	2,308
Total equity	1,304,356	1,457,572
Total liabilities and equity	1,911,361	2,121,023

2) Non-consolidated Statement of Profit or Loss

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Net sales	*1 981,660	*1 1,007,593
Cost of sales	*1 623,412	*1 608,053
Gross profit	358,248	399,540
Selling, general and administrative expenses	*2 250,960	*2 222,484
Operating profit	107,288	177,056
Non-operating Income		
Interest income	*1 1,577	*1 1,059
Dividend income	*1 130,382	*1 144,010
Other	*1 4,408	*1 7,223
Total non-operating income	136,367	152,292
Non-operating expenses		
Interest expense	842	841
Foreign currency exchange loss	5,969	18,897
Other	4,925	9,015
Total non-operating expenses	11,736	28,754
Ordinary profit	231,918	300,594
Extraordinary income		
Gain on sale of fixed assets	*3 6,189	*3 16,028
Gain on sales of investments in securities	–	19,665
Gain on business transfer	–	*4 5,512
Total extraordinary income	6,189	41,206
Extraordinary loss		
Loss on business transfer	*1,*5 24,561	–
Loss on business of subsidiaries and associates	*6 15,995	–
Loss on valuation of investment securities	6,656	–
Total extraordinary loss	47,213	–
Profit before income taxes	190,894	341,800
Income taxes - current	18,057	47,141
Income taxes - deferred	8,497	10,445
Total income taxes	26,553	57,586
Profit	164,341	284,215

3) Non-consolidated Statement of Changes in Equity

Previous fiscal year (Year ended December 31, 2022)

(Yen in millions)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Common stock	Capital reserve	Total capital surplus	Legal reserve	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward	Total retained earnings
Beginning Balance	126,354	122,079	122,079	31,279	31,806	789,311	259,445	1,111,840
Cumulative effects of changes in accounting policies							(9)	(9)
Restated balance	126,354	122,079	122,079	31,279	31,806	789,311	259,437	1,111,832
Changes in the year								
Cash dividends							(119,042)	(119,042)
Reversal of reserve for advanced depreciation of fixed assets					(1,947)		1,947	–
Profit							164,341	164,341
Purchase of treasury stock							(5)	(5)
Disposal of treasury stock							(143)	(143)
Net change in the year other than shareholders' equity								
Total Changes in the Year	–	–	–	–	(1,947)	–	47,097	45,150
Ending Balance	126,354	122,079	122,079	31,279	29,859	789,311	306,534	1,156,982

	Shareholders' equity		Net unrealized gain (loss) and translation adjustments				
	Treasury stock	Total shareholders' equity	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	Total net unrealized gain (loss) and translation adjustments	Stock acquisition rights	Total Equity
Beginning Balance	(38,123)	1,322,151	48,950	(285)	48,665	2,997	1,373,813
Cumulative effects of changes in accounting policies		(9)					(9)
Restated balance	(38,123)	1,322,142	48,950	(285)	48,665	2,997	1,373,804
Changes in the year							
Cash dividends		(119,042)					(119,042)
Reversal of reserve for advanced depreciation of fixed assets		–					–
Profit		164,341					164,341
Purchase of treasury stock	(100,033)	(100,038)					(100,038)
Disposal of treasury stock	1,343	1,199					1,199
Net change in the year other than shareholders' equity			(17,168)	1,583	(15,584)	(324)	(15,909)
Total Changes in the Year	(98,690)	(53,540)	(17,168)	1,583	(15,584)	(324)	(69,448)
Ending Balance	(136,813)	1,268,602	31,783	1,298	33,081	2,673	1,304,356

Current fiscal year (Year ended December 31, 2023)

(Yen in millions)

	Shareholders' equity								
	Common stock	Capital surplus		Retained earnings					
		Capital reserve	Total capital surplus	Legal reserve	Other retained earnings				Total retained earnings
					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	122,079	31,279	29,859	–	789,311	306,534	1,156,982
Changes in the year									
Cash dividends								(130,053)	(130,053)
Reversal of reserve for advanced depreciation of fixed assets					(1,063)			1,063	–
Provision of reserve for special account for advanced depreciation of fixed assets						8,903		(8,903)	–
Profit								284,215	284,215
Purchase of treasury stock								(1)	(1)
Disposal of treasury stock								(162)	(162)
Net change in the year other than shareholders' equity									
Total Changes in the Year	–	–	–	–	(1,063)	8,903	–	146,158	153,998
Ending Balance	126,354	122,079	122,079	31,279	28,796	8,903	789,311	452,692	1,310,980

	Shareholders' equity		Net unrealized gain (loss) and translation adjustments			Stock acquisition rights	Total Equity
	Treasury stock	Total shareholders' equity	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	Total net unrealized gain (loss) and translation adjustments		
Beginning Balance	(136,813)	1,268,602	31,783	1,298	33,081	2,673	1,304,356
Changes in the year							
Cash dividends		(130,053)					(130,053)
Reversal of reserve for advanced depreciation of fixed assets		–					–
Provision of reserve for special account for advanced depreciation of fixed assets		–					–
Profit		284,215					284,215
Purchase of treasury stock	(16)	(17)					(17)
Disposal of treasury stock	1,420	1,258					1,258
Net change in the year other than shareholders' equity			(1,706)	(115)	(1,821)	(365)	(2,186)
Total Changes in the Year	1,405	155,403	(1,706)	(115)	(1,821)	(365)	153,216
Ending Balance	(135,408)	1,424,005	30,076	1,183	31,259	2,308	1,457,572

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

1. Valuation policies and methods for assets

   (1) Valuation policies and methods for investments in securities

   Investments in subsidiaries and associates — The moving-average cost method

   Available-for-sale securities

   Marketable securities — Fair value

   (Unrealized gain and loss, net of tax is recorded in equity, and the moving-average method is used to calculate the cost of securities sold)

   Non-marketable securities — Primarily the moving-average cost method.

   Note that investments provided to limited investment partnerships and other organizations are based on the most recent available financial statements according to the financial reporting date specified in contracts with the partnership. They incorporate a net amount of equivalent equity.

   (2) Valuation policies and methods for derivatives

   Fair value

   (3) Valuation policies and methods for inventories

   The moving-average cost method (for carrying amounts on the balance sheet, method in which carrying amounts are lowered based on a decline in profitability)

2. Depreciation method for fixed assets

   (1) Property, plant and equipment

   The declining-balance method

   (2) Intangible assets

   The straight-line method

3. Accounting policies for reserves and allowances

   (1) Allowance for doubtful accounts

   In order to reserve for loss from the nonpayment of claims, the actual credit loss rate is used to calculate the amount to be recorded for general claims, and for designated claims for which there is a concern of nonpayment, an amount based on the evaluation of potential loss in the receivables outstanding is recorded.

   (2) Allowance for losses on business transfer

   In order to reserve for loss arising from a business transfer, the estimated amount to be incurred in the future is recorded.

   (3) Accrued pension and liability for retirement benefits

   In order to reserve for retirement benefits for employees, an amount based on the estimated amount of projected benefit obligations and pension plan assets as of the current fiscal year-end is recorded.

   1) Method of attributing projected benefits to periods

   Projected benefits are attributed to periods of service up to the end of the current fiscal year on a benefit formula basis.

2) Method of recognizing unrecognized actuarial gain/loss and past service cost

Past service cost is treated as an expense using the straight-line method over a fixed number of years (10 years) within the average remaining years of service of the employees in the year in which the past service costs occur.

Actuarial gain/loss is treated as an expense using the straight-line method over a fixed number of years (10 years) within the average remaining years of service of the employees in the year in which the gain/loss occurs, recorded from the subsequent fiscal year.

4. Accounting policies for revenue and expenses

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

The Company engages in the premium tire business, solutions business, and chemical and industrial products business.

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

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

5. Accounting policies for the translation of foreign currency-denominated assets and liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the end of the fiscal year. The foreign currency exchange gain and loss from translation are recognized in profit or loss.

6. Hedge accounting method

(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 currency swap contracts 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 accumulated amount of fluctuations in the cash flow or fluctuations in the market value of the hedged item with the accumulated amount of fluctuations in the cash flow or fluctuations in the market value of the hedging instrument.

(Significant accounting estimates)

1. Impairment on fixed assets

(1) Amount recorded in the financial statements for the current fiscal year

(Yen in millions)

	Previous fiscal year	Current fiscal year
Property, plant and equipment	253,146	265,338
Intangible assets	22,278	34,319

(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 and accounting treatment of income taxes payable

(1) Amount recorded in the financial statements for the current fiscal year

(Yen in millions)

	Previous fiscal year	Current fiscal year
Deferred tax assets	31,202	21,393
Income taxes payable	18,152	63,964

(2) Other information that contributes to understanding of users of the financial statements

The notes have been omitted since the same information has been provided in "3. Significant Accounting Policies (19) Income taxes" in the notes to consolidated financial statements. In addition, as for the repayment of capital received from BRIDGESTONE AMERICAS, INC., a subsidiary of the Company, in fiscal year 2021 the Company accounted for the transaction by recognizing deductible expenses as loss on transfer of shares for tax purposes, while the Company's investments in subsidiaries and associates were reduced by the same amount for accounting purposes. In fiscal year 2021, 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 an effect of 91,100 million yen in total would be imposed on a decrease in income taxes payable and an increase in deferred tax assets if all the deductible expenses were included in calculating taxable income, the Company lowered its deferred tax assets by 60,000 million yen in fiscal year 2021, relative to amounts under the aforementioned accounting treatment, and also continued the same accounting treatment in the previous fiscal year. Furthermore, in the current fiscal year, there was also no change in the judgment on this matter from fiscal year 2021. However, due to progress in use of unused tax losses carryforward, the Company has lowered its deferred tax assets by 27,241 million yen and increased its income taxes payable by 32,759 million yen in the current fiscal year, relative to amounts in the case where all the deductible expenses were included in calculating taxable income. A potential situation whereby the accounting estimate differs from the final interpretation of Japan's tax law according to the tax authorities could materially affect deferred tax assets, income taxes payable, and other amounts for the subsequent fiscal year.

3. Accrued pension and liability for retirement benefits

(1) Amount recorded in the financial statements for the current fiscal year

(Yen in millions)

	Previous fiscal year	Current fiscal year
Accrued pension and liability for retirement benefits	44,028	41,506

(2) Other information that contributes to understanding of users of the financial statements

The notes have been omitted since the same information has been provided in "3. Significant Accounting Policies (13) Employee benefits 2) Post-employment benefits" in the notes to the consolidated financial statements.

4. Allowance for losses on business transfer

(1) Amount recorded in the financial statements for the current fiscal year

(Yen in millions)

	Previous fiscal year	Current fiscal year
Allowance for losses on business transfer	5,923	5,834

(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, the amount expected to be incurred in the future was recorded for such losses that can be reasonably estimated at the end of the current fiscal year.

Note that any unpredictable change in the external environment and other factors may materially affect the amount of losses on business transfer to be recognized in the financial statements of the subsequent fiscal year.

5. Valuation of investments in subsidiaries and associates and investments in subsidiaries and associates, other than stock

(1) Amount recorded in the financial statements for the current fiscal year

(Yen in millions)

	Previous fiscal year	Current fiscal year
Non-marketable investments in subsidiaries and associates and investments in subsidiaries and associates	854,531	853,048

(2) Other information that contributes to understanding of users of the financial statements

For non-marketable investments in subsidiaries and associates and investments in subsidiaries and associates, the Company's policy is to compare the carrying amount of investments to the actual value based on the net asset amount of each company, and recognize an impairment loss when the actual value declines by 50% or more compared to the carrying amount of investments. Note that in cases where any change in the external environment and other factors materially affects the actual value, this may also affect valuation of investments in subsidiaries and associates and investments in subsidiaries and associates, other than stock for the subsequent fiscal year.

(Changes in presentations)

(Non-consolidated statement of profit or loss)

In the previous fiscal year, “Removal and disassembly expense” was disclosed separately in the “Non-operating Expenses” section. During the current fiscal year, the amount has become immaterial and this amount is included in “Other.” The non-consolidated financial statements of the previous fiscal year have been reclassified to reflect these changes in presentation.

As a result, 1,311 million yen presented as “Removal and disassembly expense” in the “Non-operating Expenses” section in the non-consolidated statement of profit or loss for the previous fiscal year has been restated as “Other.”

(Non-consolidated balance sheet)

*1 Monetary receivables from and payables to subsidiaries and associates

(Yen in millions)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Short-term monetary receivables	307,558	391,857
Long-term monetary receivables	93,231	1,276
Short-term monetary payables	64,623	64,200

2 Guarantees

(Yen in millions)

Previous fiscal year (As of December 31, 2022)		Current fiscal year (As of December 31, 2023)	
(1) Guarantees on commercial papers issued by BRIDGESTONE EUROPE NV/SA	70,735	(1) Guarantees on borrowings and commercial papers issued by BRIDGESTONE EUROPE NV/SA	102,128
(2) Guarantees on bank borrowings of employees in consolidated subsidiary (mortgages), etc.	18	(2) Guarantees on bank borrowings of employees in consolidated subsidiary (mortgages), etc.	16
Total	70,753	Total	102,144

(Non-consolidated statement of profit or loss)

*1 Transactions with subsidiaries and associates

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Net sales	776,009	803,942
Purchases, etc.	296,699	227,045
Transactions other than operating transactions	154,590	181,910

*2 Selling, general and administrative expenses

Major items and amounts are as follows:

(Yen in millions)

	Previous fiscal year (Year ended December 31, 2022)	Current fiscal year (Year ended December 31, 2023)
Freight	107,739	68,355
Retirement benefit expenses	796	788
Depreciation	4,371	4,788
Research and development expenses	70,788	70,693

In the previous fiscal year, selling expenses accounted for approximately 50% of selling, general and administrative expenses, and in the current fiscal year, selling expenses accounted for approximately 40%.

*3 Gain on sale of fixed assets

Previous fiscal year (Year ended December 31, 2022)

Mainly relates to gains on the sale of land.

Current fiscal year (Year ended December 31, 2023)

Mainly relates to gains on the sale of land.

*4 Gain on business transfer

Current fiscal year (Year ended December 31, 2023)

Mainly due to adjustment of sales price in connection with a transfer of the anti-vibration rubber business.

*5 Loss on business transfer

Previous fiscal year (Year ended December 31, 2022)

Based on the decision and execution to transfer the anti-vibration rubber business and the chemical products solutions business, the related following expenses were recorded.

(Yen in millions)

	Anti-vibration rubber business	Chemical products solutions business
Related loss due to business transfer	10,231	4,005
Loss on valuation of shares of subsidiaries and associates	3,569	2,787
Provision of allowance for doubtful accounts	1,555	2,413
Total	15,356	9,205

*6 Loss on business of subsidiaries and associates

Previous fiscal year (Year ended December 31, 2022)

Taking into consideration the financial condition of certain subsidiaries and associates, related losses have been recorded.

(Tax effect accounting)

1 Major components of deferred tax assets and liabilities

(Yen in millions)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Deferred tax assets		
Accrued pension and liability for retirement benefits	13,473	12,701
Investments in subsidiaries and associates	(Note) 20,259	(Note) 52,564
Depreciable assets	11,005	10,687
Accrued expenses	5,723	6,211
Allowance for losses on business transfer	(Note) 1,813	(Note) 1,785
Other	(Note) 21,603	10,408
Deferred tax assets subtotal	73,875	94,357
Valuation allowance	(14,784)	(42,236)
Total deferred tax assets	59,092	52,120
Deferred tax liabilities		
Reserve for advanced depreciation of fixed assets	(13,165)	(12,697)
Reserve for special account for advanced depreciation of fixed assets	–	(3,926)
Net unrealized gain (loss) on available-for-sale securities	(13,444)	(12,859)
Other	(Note) (1,280)	(Note) (1,247)
Total deferred tax liabilities	(27,890)	(30,728)
Deferred tax assets, net	31,202	21,393

(Note) A loss on business transfer was recorded, and includes the deferred tax assets related to the loss. The breakdown for the previous fiscal year for the anti-vibration rubber business was 8,179 million yen and for the chemical products solutions business was 4,703 million yen. Also, the breakdown for the current fiscal year for the anti-vibration rubber business was 7,813 million yen and for the chemical products solutions business was 4,852 million yen.

2 Reconciliation of the statutory effective tax rate and the tax burden ratio of income tax after adjustments for tax effect accounting

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Items not categorized as temporary differences	(19.5)	(12.1)
Valuation allowance	(2.6)	(1.1)
Tax credits for experiment and research expenses	(0.3)	(1.6)
Loss on business transfer (Note)	(2.4)	(0.2)
Adjustment due to the Advance Pricing Agreement system	7.9	1.4
Other	0.2	(0.2)
Tax burden ratio of income tax after adjustments for tax effect accounting	13.9	16.8

(Note) This is due to losses on the transfer of the anti-vibration rubber business and the chemical products solutions business.

(Changes in presentations)

"Tax credits for experiment and research expenses," which was included in "Other" in the previous fiscal year was disclosed separately as a line item in the current fiscal year because the amount became material. The notes of the previous fiscal year have been reclassified to reflect these changes in presentation.

As a result, the (0.1%) that was displayed as "Other" in the previous fiscal year has been reclassified as "Tax credits for experiment and research expenses" (0.3%) and "Other" 0.2%.

(Revenue recognition)

As for information that serves as the basis for understanding revenue arising from contracts with customers, the notes have been omitted since the same information has been provided in "(Significant accounting policies) 4. Accounting policies for revenue and expenses."

(Significant subsequent events)

Transfer of fixed assets

To use our management resources effectively, the Company concluded a transfer agreement on February 16, 2024 to transfer the following fixed assets owned by the Company.

(1) Details of assets to be transferred

Details of assets and location	Gain on transfer	Actual status
Land 5,695.68 m^2 Buildings 9,181.23 m^2 Location 4-26-5 Roppongi, Minato-ku, Tokyo	Approx. 63.4 billion yen	Company housing

(Note 1) We will not be disclosing either the transfer amount or the carrying amount based on our agreement with the transferee.

(Note 2) The gain on transfer is calculated by subtracting the carrying amount plus the estimated amount of any expenses associated with the transfer from the transfer amount.

(2) Outline of transferee

The transferee is a company located in Japan, but we will not be disclosing further details based on our agreement with the transferee.

There are no capital, personnel, business relationships or related party to note between the Company and the transferee.

(3) Schedule of transfer

Date of conclusion of the agreement	February 16, 2024
Property handover date	May 31, 2024 (scheduled)

(4) Impact on profit or loss

In the fiscal year ending December 31, 2024, we plan to record approximately 63.4 billion yen in gain on sale of fixed assets as extraordinary Income.

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	101,108	8,234	1,679	8,388	99,275	203,763
	Structures	8,632	1,329	118	1,341	8,502	30,951
	Machinery and equipment	44,138	20,560	335	16,838	47,525	672,596
	Vehicles and carriers	1,441	1,012	5	772	1,676	11,494
	Tools, furniture and fixtures	15,213	15,815	350	14,134	16,543	165,173
	Land	59,733	250	2,420	–	57,563	–
	Construction in progress	22,881	59,017	47,644	–	34,254	–
	Total	253,146	106,217	52,552	41,472	265,338	1,083,977
Intangible assets	Total	22,278	17,460	46	5,373	34,319	14,579

Schedule of allowances

(Yen in millions)

Account item	Beginning Balance	Increase	Decrease	Ending Balance
Allowance for doubtful accounts	16,923	643	16,801	765
Allowance for losses on business transfer	5,923	–	89	5,834

(2) Details of Major Assets and Liabilities

This information is omitted as the consolidated financial statements are prepared.

(3) Other

No item to report.

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	No

(Note) With regard to shares less than one unit held by the shareholder, a shareholder of the Company may not exercise any rights other than rights provided in each item of Article 189, paragraph (2) of the Companies Act, and the right to claim that which is set forth in the Company's Articles of Incorporation (to claim the right to make additional purchase of shares less than one unit).

VII. Reference Information on the Company

1. Information on the parent company or equivalent of the Company

The Company does not have a parent company or equivalent.

2. Other reference information

From the beginning of the current fiscal year until the filing date of this securities report, the Company has filed the following documents.

(1)	Annual securities report and appendices, and written confirmation	(The 104th Fiscal Period)	From January 1, 2022 to December 31, 2022	Filed to Director-General of Kanto Local Finance Bureau on March 28, 2023.
(2)	Internal control report and appendices			Filed to Director-General of Kanto Local Finance Bureau on March 28, 2023.
(3)	Quarterly securities reports and written confirmations	(First quarter of the 105th Fiscal Period)	From January 1, 2023 to March 31, 2023	Filed to Director-General of Kanto Local Finance Bureau on May 15, 2023.
		(Second quarter of the 105th Fiscal Period)	From April 1, 2023 to June 30, 2023	Filed to Director-General of Kanto Local Finance Bureau on August 9, 2023.
		(Third quarter of the 105th Fiscal Period)	From July 1, 2023 to September 30, 2023	Filed to Director-General of Kanto Local Finance Bureau on November 10, 2023.
(4)	Extraordinary securities report	Extraordinary securities report based on Article 19, paragraph (2), item (ix)-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.		Filed to Director-General of Kanto Local Finance Bureau on March 31, 2023.
(5)	Extraordinary securities report	Extraordinary securities report based on Article 19, paragraph (2), item (xii) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.		Filed to Director-General of Kanto Local Finance Bureau on April 21, 2023.
(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 22, 2023.
(7)	Extraordinary securities report	Extraordinary securities report based on Article 19, paragraph (2), item (xii) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.		Filed to Director-General of Kanto Local Finance Bureau on September 28, 2023.
(8)	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 February 16, 2024.
(9)	Securities registration statement (Disposals of treasury stock as Performance Share Units and Restricted Stock Units) and appendices			Filed to Director-General of Kanto Local Finance Bureau on March 28, 2023 and March 26, 2024.
(10)	Securities registration statement (Disposal of treasury stock as restricted share-based remuneration) and appendices			Filed to Director-General of Kanto Local Finance Bureau on January 26, 2024.

(11)	Notification for revision of securities registration statement	Notification for revision pertaining to the securities registration statement filed on March 28, 2023	Filed to Director-General of Kanto Local Finance Bureau on March 31, 2023; April 21, 2023; and May 15, 2023.
(12)	Notification for revision of securities registration statement	Notification for revision pertaining to the securities registration statement filed on January 26, 2024	Filed to Director-General of Kanto Local Finance Bureau on February 16, 2024.
(13)	Amended shelf registration statement (Straight bonds)		Filed to Director-General of Kanto Local Finance Bureau on March 31, 2023; April 21, 2023; June 22, 2023; September 28, 2023; and February 16, 2024.

Part II Information About Company Which Provides Guarantee to Reporting Company

No item to report.

Independent Auditor's Report on the Financial Statements

and

Internal Control Over Financial Reporting

March 26, 2024

To the Board of Directors of
Bridgestone Corporation

KPMG AZSA LLC
Tokyo Office, Japan

Hirotaka Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Ayumu Nakajima
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Bridgestone Corporation. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the company's Annual Securities Report, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (IFRS Accounting Standards).

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 ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

Appropriateness of management's judgment as to whether an impairment loss should be recognized on goodwill allocated to the cash-generating units of WEBFLEET SOLUTIONS	
The key audit matter	How the matter was addressed in our audit
In the consolidated statement of financial position, Bridgestone Corporation (hereinafter referred to as "Bridgestone") recognized goodwill of ¥62,267 million allocated to the cash-generating unit (CGU) of WEBFLEET SOLUTIONS, which represented approximately 1% of total assets in the consolidated financial statements. The goodwill arose when BRIDGESTONE EUROPE NV/SA (hereinafter referred to as "BRIDGESTONE EUROPE"), a consolidated subsidiary of Bridgestone, acquired control of TOMTOM TELEMATICS B.V. (currently BRIDGESTONE MOBILITY SOLUTIONS B.V.). As described in Note 3, "Significant accounting policies, (9) Goodwill and intangible assets" and Note 16, "Impairment of non-financial assets" to the consolidated financial statements, CGUs to which goodwill is allocated are tested for impairment at least annually or whenever it is determined that there is an impairment indicator. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is determined as the higher of the value in use or the fair value less costs of disposal. For the current fiscal year, BRIDGESTONE EUROPE used the value in use as the recoverable amount in the impairment testing of goodwill allocated to the CGU of WEBFLEET SOLUTIONS. The future cash flows used for measuring the value in use were estimated based on the business plan approved by management for the following three years and by setting annual growth rates declining toward the perpetual growth rate in the subsequent periods. Key assumptions underlying the future cash flows, such as projected revenue growth rate, projected increase in EBITDA margin and the perpetual growth rate, involved a high degree of uncertainty. Accordingly, management's judgment thereon had a significant effect on the estimated future cash flows. In addition, selecting appropriate models and input data for estimating the discount rate used to measure the value in use requires a high degree of expertise	In order to assess the appropriateness of Bridgestone's judgment with respect to whether an impairment loss should be recognized on non-financial assets including goodwill allocated to the CGU of WEBFLEET SOLUTIONS, we requested the component auditor of BRIDGESTONE EUROPE to perform an audit. We then evaluated the report of the component auditor as to whether sufficient and appropriate audit evidence was obtained from the following procedures among others: (1) Internal control testing Test of the design of Bridgestone's internal controls relevant to measuring the value in use used for the impairment testing on the CGU to which goodwill is allocated. (2) Assessment of the reasonableness of the estimated value in use Assessment of the reasonableness of key assumptions used in estimating future cash flows and the rationale for their adoption through inquiry of management and the personnel responsible for the relevant business, in addition to performing the following procedures: ● Assessment of consistency between the business plan used to estimate future cash flows and the business plan approved by management; ● Assessment of the precision of management's estimation of future cash flows by analyzing the level of achievement of previous business plans and the factors contributing to any deviations; ● Assessment of projected revenue growth rate and projected increase in EBITDA margin used in estimating future cash flows by comparing them to the historical performance; and ● Assessments in relation to the discount rate and the perpetual growth rate by involving a valuation specialist within the network firm of the component auditor of BRIDGESTONE

in valuation. We, therefore, determined that our assessment of the appropriateness of management's judgment as to whether an impairment loss should be recognized on goodwill allocated to the CGU of WEBFLEET SOLUTIONS was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	EUROPE regarding the following: • assessment of the appropriateness of the model used to estimate the discount rate based on subject matters relevant to valuation and the requirements of accounting standards; • assessment of the appropriateness of the discount rate through understanding of the input data used in the calculation and comparison with the discount rate independently calculated by valuation specialist using data published by external organizations among others; and • assessment of the appropriateness of the perpetual growth rate through comparison with data published by external organizations independently obtained by valuation specialist. Assessment of the sensitivity to changes in the perpetual growth rate and discount rate assumptions on management's judgment as to whether an impairment loss should be recognized.

Appropriateness of management's judgment as to whether an impairment loss should be recognized on the non-financial assets including goodwill allocated to the cash-generating units of BRIDGESTONE EUROPE

The key audit matter	How the matter was addressed in our audit
In the consolidated statement of financial position, Bridgestone recognized non-financial assets of ¥292,758 million, including goodwill of ¥14,469 million allocated to the cash-generating unit (CGU) of BRIDGESTONE EUROPE, which represented approximately 5% of total assets in the consolidated financial statements. The goodwill arose when BRIDGESTONE EUROPE, a consolidated subsidiary of Bridgestone, acquired control of several companies. As described in Note 3, "Significant accounting policies, (9) Goodwill and intangible assets" and Note 16, "Impairment of non-financial assets" to the consolidated financial statements, CGU to which goodwill is allocated are tested for impairment at least annually or whenever it is determined that there is an impairment indicator. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is determined as the higher of the value in use or the fair value less costs of disposal. For the current fiscal year, BRIDGESTONE EUROPE used the value in use as the recoverable amount in the impairment testing of non-financial assets including goodwill allocated to the CGU of BRIDGESTONE EUROPE. The future cash flows used for measuring the value in use were estimated based on the business plan approved by management for the following three years and by setting annual growth rates declining toward the perpetual growth rate in the subsequent periods. Key assumptions underlying the future cash flows, such as projected revenue growth rate, projected increase in EBITDA margin and the perpetual growth rate, involved a high degree of uncertainty. Accordingly, management's judgment thereon had a significant effect on the estimated future cash flows. In addition, in selecting appropriate models and input data for estimating the discount rate used to measure the value in use requires a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of management's judgment as to whether an impairment loss should be recognized on the non-financial assets including goodwill allocated to the CGU of BRIDGESTONE EUROPE was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	In order to assess the appropriateness of Bridgestone's judgment with respect to whether an impairment loss should be recognized on non-financial assets including goodwill allocated to the CGU of BRIDGESTONE EUROPE, we requested the component auditor of BRIDGESTONE EUROPE to perform an audit. We then evaluated the report of the component auditor as to whether sufficient and appropriate audit evidence was obtained from the following procedures among others: (1) Internal control testing Test of the design of Bridgestone's internal controls relevant to measuring the value in use used for the impairment testing on the CGU to which goodwill is allocated. (2) Assessment of the reasonableness of the estimated value in use Assessment of the reasonableness of key assumptions used in estimating future cash flows and the rationale for their adoption through inquiry of management and the personnel responsible for the relevant business, in addition to performing the following procedures: ● Assessment of consistency between the business plan used to estimate future cash flows and the business plan approved by management; ● Assessment of the precision of management's estimation of future cash flows by analyzing the level of achievement of previous business plans and the factors contributing to any deviations; ● Assessment of projected revenue growth rate and projected increase in EBITDA margin used in estimating future cash flows by comparing them to the historical performance; and ● Assessments in relation to the discount rate and the perpetual growth rate by involving a valuation specialist within the network firm of the component auditor of BRIDGESTONE EUROPE regarding the following: • assessment of the appropriateness of the model used to estimate the discount rate based on subject matters relevant to valuation and the requirements of accounting standards;

	• assessment of the appropriateness of the discount rate through understanding of the input data used in calculation and comparison with the discount rate independently calculated by valuation specialist using data published by external organizations among others; and • assessment of the appropriateness of the perpetual growth rate through comparison with data published by external organizations independently obtained by valuation specialist. Assessment of the sensitivity to changes in the perpetual growth rate and discount rate assumptions on management's judgment as to whether an impairment loss should be recognized.

<table>
<tr><th colspan="2">Appropriateness of uncertain tax treatments related to the repayment of capital received from BRIDGESTONE AMERICAS, INC.</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In the consolidated statement of financial position for the current fiscal year, Bridgestone recognized income taxes payable of ¥91,124 million and deferred tax assets of ¥88,141 million. As described in Note 18, “Income taxes” to the consolidated financial statements, Bridgestone received a repayment of capital from BRIDGESTONE AMERICAS, INC., a consolidated subsidiary, in the fiscal year 2021. Bridgestone accounted for the transaction, which amounted to ¥34,214 million, by recognizing deductible expenses as a loss on transfer of shares for tax purposes. On the other hand, Bridgestone did not include part of the loss on transfer of shares for tax purposes in deductible expenses when calculating income tax expenses for accounting purposes and applying tax effect accounting. This is because it was uncertain whether the tax authorities would accept such tax treatment as a deductible expense for the full amount of the loss on transfer of shares included in the deductible expenses for tax purposes. Accordingly, income taxes payable were ¥32,759 million higher and deferred tax assets were ¥27,241 million lower in the current fiscal year compared to when the full amount of the loss on transfer of shares for tax purposes was treated as a deductible expense to calculate income tax expenses for accounting purposes.

Since it was uncertain whether tax authorities would accept such tax treatment as a deductible expense for the full amount of the loss on transfer of shares related to the repayment of capital received by BRIDGESTONE AMERICAS, INC., Bridgestone assumed various scenarios of the tax authorities’ judgment by engaging external legal and tax professionals. Bridgestone reflected the impact of the respective uncertainties in these assumed scenarios within deductible expenses when calculating income tax expenses for accounting purposes and applying tax effect accounting, by using either the expected value method or the most likely amount method. The assumed scenarios and the calculation of deductible expenses by using the expected value method or the most likely amount method in each scenario required a high level of expertise in interpretation of tax laws and practical tax judgments and involved a high degree of uncertainty.

We, therefore, determined that our assessment of the appropriateness of uncertain tax treatments related to the repayment of capital received from BRIDGESTONE AMERICAS, INC. was one of the</td><td>In order to assess the appropriateness of uncertain tax treatments related to the repayment of capital received from BRIDGESTONE AMERICAS, INC., we communicated with the predecessor auditor with a focus on the accounting and tax judgments made in the fiscal year 2021, when the capital was repaid, since this was our initial audit of Bridgestone. In addition, we:
● inquired of management about their views as to whether the loss on transfer of shares would be accepted as a deductible expense for tax purposes and assessed the consistency of the views with the tax treatments related to the repayment of capital;
● understood the internal controls related to the selection of external legal and tax professionals used by Bridgestone and the evaluation of their work results;
● inspected the reports on the tax treatments prepared by the external legal and tax professionals used by Bridgestone; and
● assessed the following by involving a tax specialist within our network firms:
• the appropriateness of Bridgestone’s interpretation of tax laws and practical tax judgments;
• the appropriateness of the judgment on the impact of respective uncertainties in the scenarios assumed by Bridgestone; and
• the accuracy of the calculation of the amount of deductible expenses for the loss on transfer of shares that reflects the impact of uncertainties.</td></tr>
</table>

most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	

Other Matter

The consolidated financial statements of the Group for the fiscal year ended December 31, 2022 were audited by predecessor auditor who expressed an unqualified opinion on those statements on March 28, 2023.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the non-consolidated financial statements, and our auditor’s reports thereon. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the executive officers and directors’ performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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 IFRS Accounting Standards.

The audit committee is responsible for overseeing the executive officers and directors’ performance of their duties with regard to the design, implementation and maintenance of 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 our 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. The selection and application of audit procedures depends on the auditor's judgment. The selection and application of audit procedures depends on the auditor's judgment.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, 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, 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, actions taken to eliminate threats or safeguards applied.

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.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Bridgestone Corporation as at December 31, 2023, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at December 31, 2023, presents fairly, in all material respects, the results of the assessments 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 audit of the Internal Control Report 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 Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The audit committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our 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 procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

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, actions taken to eliminate threats or safeguards applied.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in “(3) Status of audit” in 4. Status of Corporate Governance included in IV. Status of the Company.

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 and its subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Audit Report:

The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Financial Instruments and Exchange Act of Japan.

Independent Auditor's Report on the Financial Statements

March 26, 2024

To the Board of Directors of
Bridgestone Corporation

KPMG AZSA LLC
Tokyo Office, Japan

Hirotaka Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Ayumu Nakajima
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Non-Consolidated Financial Statements

Opinion

We have audited the accompanying non-consolidated financial statements of Bridgestone Corporation. ("the Company") provided in the "Financial Information" section in the company's Annual Securities Report, which comprise the non-consolidated balance sheet as at December 31, 2023, and the non-consolidated statements of profit or loss, changes in equity for the year then ended, significant accounting policies, other explanatory information, and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the non-consolidated financial statements of the current period. This matter was addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Appropriateness of uncertain tax treatments related to the repayment of capital received from BRIDGESTONE AMERICAS, INC.	
The key audit matter	**How the matter was addressed in our audit**
In the non-consolidated balance sheet as of December 31, 2023, Bridgestone Corporation (hereinafter referred to as “Bridgestone”) recognized income taxes payable of ¥63,964 million and deferred tax assets of ¥21,393 million. As described in Note, “Significant accounting estimates” to the non-consolidated financial statements, Bridgestone received a repayment of capital from BRIDGESTONE AMERICAS, INC., a subsidiary, in the fiscal year 2021. Bridgestone accounted for the transaction, which amounted to ¥34,214 million, by recognizing deductible expenses as loss on transfer of shares for tax purposes. On the other hand, Bridgestone did not include part of the loss on transfer of shares for tax purposes in deductible expenses when calculating income taxes for accounting purposes and applying tax effect accounting. This is because it was uncertain whether tax authorities would accept such tax treatment as a deductible expense for the full amount of the loss on transfer of shares included in the deductible expenses for tax purposes. Accordingly, income taxes payable were ¥32,759 million higher and deferred tax assets were ¥27,241 million lower in the current fiscal year compared to when the full amount of the loss on transfer of shares for tax purposes was treated as a deductible expense to calculate income taxes for accounting purposes. Since it was uncertain whether tax authorities would accept such tax treatment as a deductible expense for the full amount of the loss on transfer of shares related to the repayment of capital received by BRIDGESTONE AMERICAS, INC., Bridgestone assumed various scenarios of the tax authorities’ judgment by engaging external legal and tax professionals. Bridgestone calculated deductible expenses based on these assumed scenarios when calculating income taxes for accounting purposes and applying tax effect accounting. The assumed scenarios and the calculation of deductible expenses when calculating income taxes for accounting purposes and applying tax effect accounting required a high level of expertise in interpretation of tax laws and practical tax judgments and involved a high degree of uncertainty. We, therefore, determined that our assessment of the appropriateness of uncertain tax treatments related to the repayment of capital received from BRIDGESTONE AMERICAS, INC. was of most significance in our audit of the non-consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	In our independent auditor’s report on the consolidated financial statements, we have described our audit responses to the key audit matter, “Appropriateness of uncertain tax treatments related to the repayment of capital received from BRIDGESTONE AMERICAS, INC.” Since our audit responses in the audit of the non-consolidated financial statements of Bridgestone were substantially the same as those in our audit of the consolidated financial statements, no further description is provided in this section.

Other Matter

The non-consolidated financial statements of the Company for the fiscal year ended December 31, 2022 were audited by predecessor auditor who expressed an unqualified opinion on those statements on March 28, 2023.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the non-consolidated financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the executive officers and directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the executive officers and directors' performance of their duties with regard to the design, implementation and maintenance of 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 our 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. The selection and application of audit procedures depends on the auditor’s judgment. The selection and application of audit procedures depends on the auditor’s judgment.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 presentation and disclosures in the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, 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, 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, actions taken to eliminate threats or safeguards applied.

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.

Fee-related Information

Fee-related information is described in the auditor’s report on the consolidated financial statements.

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 Reader of Audit Report:

The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Financial Instruments and Exchange Act of Japan.

Cover

[Document Submitted]	Internal Control 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 26, 2024
[Company Name]	Bridgestone Corporation
[Company Name (in English)]	BRIDGESTONE CORPORATION
[Position and Name of Representative]	Shuichi Ishibashi Member of the Board Global CEO and Representative Executive Officer
[Position and Name of Chief Financial Officer]	Naoki Hishinuma Global CFO Executive Director
[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 Global CFO and Executive Director Naoki Hishinuma are responsible for designing and operating the Company's internal control over financial reporting. They design and operate internal control over financial reporting in accordance with the basic framework of internal control presented in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council.

Internal control achieves its objectives to a reasonable extent given that all individual components of internal control are integrated and function as a whole. Therefore, internal control over financial reporting may not fully prevent or detect misstatements.

2 Scope of Assessment, Assessment Date and Assessment Procedure

Assessment of internal control over financial reporting was performed as of December 31, 2023, which is the final day of the current fiscal year, in accordance with generally accepted assessment standards for internal control over financial reporting.

In this assessment, the business processes to be assessed are selected after assessment of internal control that has a significant impact on overall financial reporting on a consolidated basis (entity-level controls) is performed, 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 entities accounted for using equity method. 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 determined that the Company's internal control over financial reporting was effective as of the end of the current fiscal year.

4 Additional Matters

No item to report.

5 Significant Matters

No item to report.

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 26, 2024
[Company Name]	Bridgestone Corporation
[Company Name (in English)]	BRIDGESTONE CORPORATION
[Position and Name of Representative]	Shuichi Ishibashi Member of the Board Global CEO and Representative Executive Officer
[Position and Name of Chief Financial Officer]	Naoki Hishinuma Global CFO Executive Director
[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 Global CFO and Executive Director Naoki Hishinuma have confirmed that this Annual Securities Report for the 105th fiscal year (January 1, 2023 through December 31, 2023) is reasonably and fairly stated in accordance with the Financial Instruments and Exchange Act.

2 Significant Matters

There are no significant matters to report.