ANNUAL REPORT
2019

Financial Review

BRIDGESTONE

CONTENTS

The Bridgestone Corporation is referred to as the "Company," and the Company and its subsidiaries are referred to as the "Companies" in this publication.

Forward-Looking Statements
The descriptions of projections and plans that appear in this annual report are "forward-looking statements." They involve known and unknown risks and uncertainties in regard to such factors as product liability, currency exchange rates, raw material costs, labor-management relations, and political stability. These and other variables could cause the Bridgestone Group's actual performance and results to differ from management's projections and plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unless otherwise noted, all figures are taken from the consolidated financial statements and notes. U.S. dollar figures have been translated solely for the convenience of readers outside Japan at the rate of ¥109.56 to $1, the prevailing exchange rate on December 31, 2019. Financial disclosures by the Bridgestone Corporation are in accordance with accounting principles generally accepted in Japan.

RESULTS OF OPERATIONS

Business environment
In fiscal 2019, the Companies' operating environment in Japan was clouded by the uncertainty of the global economy and other matters, despite the domestic economic conditions maintaining a course of gradual recovery. For our overseas operations, while instability persists both politically and economically, economic conditions continue to recover gradually overall. The U.S. economy continued on a recovery path, and the European economy showed signs of weak recovery. In Asia, the Chinese economy has continued to slow down gradually.

Net sales
Net sales decreased by ¥124.5 billion ($1,136 million), or 3% from the previous fiscal year, to ¥3,525.6 billion ($32,180 million), primarily due to yen appreciation and lower tire sales. As a result, year-on-year declines in sales were recorded in both the tire segment and the diversified products segment.

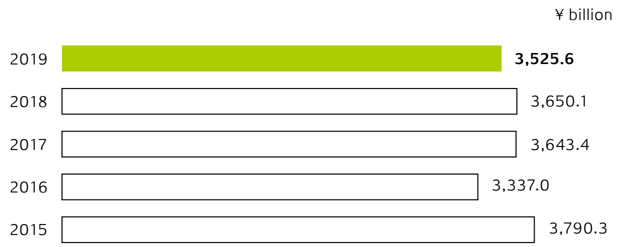
The average yen/dollar exchange rate in fiscal 2019 was ¥109, compared with ¥110 in the previous fiscal year, while the average yen/euro exchange rate in fiscal 2019 was ¥122, compared with ¥130 in the previous fiscal year.

Operating income
Due in large part to yen appreciation and lower tire sales, operating income decreased by 19%, or ¥76.6 billion ($699 million), to ¥326.1 billion ($2,976 million). As a result, the operating income margin edged down by 1.8 percentage points, from 11.0% to 9.2%.

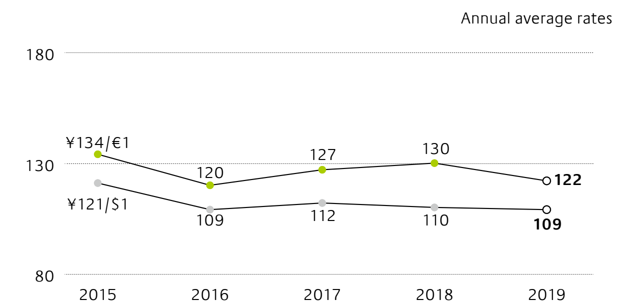
Operating Income Margin

2019	2018	2017	2016	2015
				% of net sales
9.2	11.0	11.5	13.5	13.6

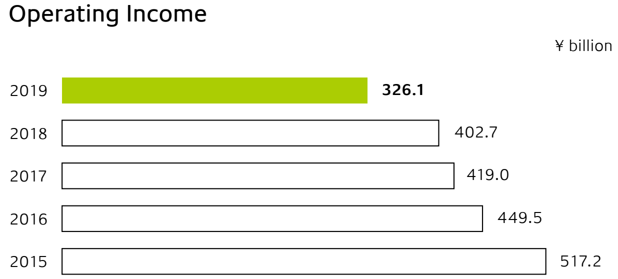
Net Sales



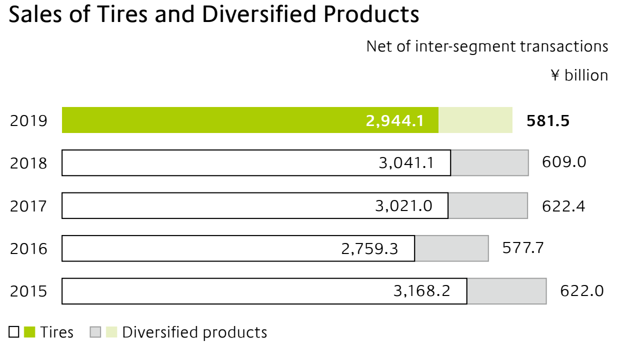
Currency Exchange Rates



Operating Income



Sales of Tires and Diversified Products



Performance by business segment

The tire segment includes tires for passenger cars, trucks and buses, construction and mining vehicles, aircraft, and motorcycles, as well as tubes, wheels, related accessories, the retreading business, and automotive maintenance services. Including inter-segment transactions, the tire segment's sales in fiscal 2019 decreased by 3% from the previous fiscal year, to ¥2,953.1 billion ($27.0 billion). Operating income decreased by 17%, to ¥325.9 billion ($2,974 million).

In the tire segment, the Companies introduced appealing new products and services globally and enhanced their future-oriented competitive advantages and differentiations while responding promptly to demand fluctuation in each region.

In Japan, both unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses remained at a consistent level with the previous fiscal year.

In the Americas, both unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses in North America decreased from the previous fiscal year.

In Europe, both unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses decreased from the previous fiscal year.

In China and the Asia Pacific region, both unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses decreased from the previous fiscal year.

In the specialty tire business, the number of tires sold of large and ultra-large off-the-road radial tires for construction and mining vehicles remained at a consistent level with the previous fiscal year.

The diversified products segment includes functional chemical products, a wide range of industrial items, sporting goods, and bicycles. Many of these products are made from rubber or rubber-derived materials.

In the diversified products segment, the chemical and industrial products business is undergoing a radical business restructuring under the name "chemical and industrial products." This restructuring is aimed toward 2021, the 50th anniversary of integrated business activities. Additionally, the Companies are advancing their management reform in the diversified products business overseas, as well as in the Sports, Cycle, and Active and Healthy Lifestyle ("AHL") related businesses.

As a result, in the diversified products segment, net sales totaled ¥588.3 billion ($5,370 million), a decrease of 5% from the previous fiscal year. Operating income declined by 98% from the previous fiscal year, to ¥165 million ($2 million).

Composition of Sales by Business Segment

Net of inter-segment transactions

	2019	2018
	% of net sales	
Tires	83.5	83.3
Diversified products	16.5	16.7
	100.0	100.0

Performance by market

In Japan, net sales totaled ¥666.8 billion ($6,087 million), a decrease of 2% from the previous fiscal year. In the Americas, net sales totaled ¥1,658.1 billion ($15.1 billion), a decrease of 5% from the previous fiscal year. In Europe, Russia, the Middle East and Africa, net sales totaled ¥660.4 billion ($6,028 million), an increase of 3% from the previous fiscal year. In China, the rest of Asia and Oceania, net sales totaled ¥540.3 billion ($4,931 million), a decrease of 8% from the previous fiscal year.

Composition of Sales by Market

Net of inter-segment transactions

	2019	2018
	% of net sales	
Japan	18.9	18.7
The Americas	47.0	47.6
Europe, Russia, the Middle East and Africa	18.8	17.6
China, the rest of Asia and Oceania	15.3	16.1
	100.0	100.0

Other income and expenses

The total of other income and other expenses equaled a gain of ¥81.2 billion ($741 million), compared with a corresponding gain of ¥25.0 billion in the previous fiscal year.

Net interest-related income increased by ¥3.5 billion ($32 million), to ¥2.6 billion ($24 million). In the previous fiscal year, gain on sales of investment securities was ¥16.2 billion, and gain on establishment in jointly controlled entity was ¥30.4 billion, while there was no extraordinary loss. In fiscal 2019, gain on sales of property, plant and equipment was ¥30.6 billion ($279 million), gain on sales of investment securities was ¥76.6 billion ($700 million), and gain on refund of PIS/COFINS for prior periods was ¥8.9 billion ($81 million), while impairment loss was ¥13.7 billion ($125 million), loss on disposals of property, plant and equipment was ¥4.6 billion ($42 million), and loss related to recall was ¥7.4 billion ($68 million).

Income before income taxes and non-controlling interests decreased by ¥20.5 billion ($187 million), to ¥407.3 billion ($3,717 million).

Profit attributable to owners of parent

Profit attributable to owners of parent increased by ¥956 million ($9 million), to ¥292.6 billion ($2,671 million), from ¥291.6 billion in the previous fiscal year. Profit attributable to non-controlling interests decreased to ¥6.3 billion ($58 million). As a result, the net return on sales increased from 8.0% in the previous fiscal year to 8.3%.

Net Return on Sales

2019	2018	2017	2016	2015
				% of net sales
8.3	8.0	7.9	8.0	7.5

FINANCIAL CONDITION

Assets

Total current assets decreased by 2%, or ¥41.4 billion ($378 million), compared with the previous fiscal year-end, to ¥1,871.1 billion ($17.1 billion).

This was mainly attributable to decreases in notes and accounts receivable of ¥18.2 billion ($166 million) and in inventories of ¥20.8 billion ($190 million), despite an increase in cash and cash equivalents of ¥1.4 billion ($13 million).

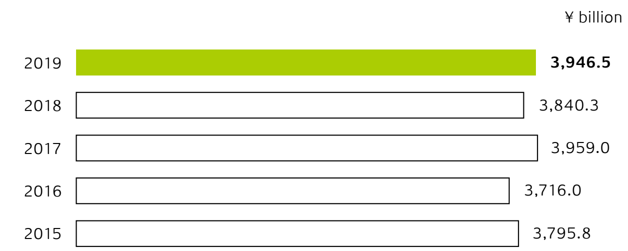
In property, plant and equipment and investments and other assets, investments in securities and investments in and advances to affiliated companies decreased by ¥78.2 billion ($713 million) year on year. However, capital expenditure of ¥289.3 billion ($2,640 million) surpassed depreciation and amortization of ¥223.1 billion ($2,036 million) in addition to an increase in intangible assets stemming from the consolidation of TOMTOM TELEMATICS B.V. (currently known as WEBFLEET SOLUTIONS B.V.) through the acquisition of shares.

Consequently, the total of property, plant and equipment and investments and other assets increased by 8%, or ¥147.6 billion ($1,347 million), compared with the previous fiscal year-end, to ¥2,075.4 billion ($18.9 billion).

Total assets increased by 3%, or ¥106.2 billion ($970 million), compared with the previous fiscal year-end, to ¥3,946.5 billion ($36.0 billion).

Profit Attributable to Owners of Parent

Total Assets



Note: Bridgestone Europe NV/SA, a consolidated overseas subsidiary of the Company, has adopted International Financial Reporting Standards (IFRS) in its consolidated financial statements from fiscal 2017. The changes in accounting policy resulting from the adoption of IFRS are applied retrospectively, and, therefore, total assets and other items for fiscal 2016 have been adjusted retrospectively.

Liabilities

In current liabilities, a decrease of ¥45.7 billion ($417 million) in current portion of bonds and other interest-bearing debt contributed to a decrease in total current liabilities by 6%, or ¥48.8 billion ($445 million), to ¥838.3 billion ($7,652 million).

Long-term liabilities increased by 48%, or ¥246.9 billion ($2,254 million), to ¥763.9 billion ($6,972 million), mainly due to an increase of ¥234.7 billion ($2,142 million) in bonds and other interest-bearing debt.

Total interest-bearing debt, which is recorded in current liabilities and long-term liabilities, increased by 46%, or ¥189.0 billion ($1,725 million), compared with the previous fiscal year-end, to ¥597.5 billion ($5,453 million).

Note: Interest-bearing debt includes short-term debt, commercial paper, bonds, long-term debt, and obligations under finance leases.

Equity

Total equity at December 31, 2019, amounted to ¥2,344.3 billion ($21.4 billion). This was 4%, or ¥91.9 billion ($839 million), lower than the previous fiscal year-end.

Profit attributable to owners of parent increased to ¥292.6 billion ($2,671 million). However, cash dividends paid were ¥117.7 billion ($1,074 million), purchase of treasury stock amounted to ¥200.0 billion ($1,826 million), and net unrealized gain on available-for-sale securities decreased by ¥53.5 billion ($489 million).

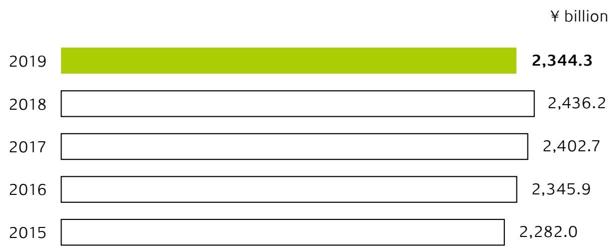
Consequently, total assets at the end of fiscal 2019 stood at ¥3,946.5 billion ($36.0 billion), an increase of 3%, or ¥106.2 billion ($970 million), from the previous fiscal year-end. Furthermore, the ratio of shareholders' equity, excluding stock acquisition rights and non-controlling interests, to total assets at the end of fiscal 2019 was 58.0%, a decrease of 3.9 percentage points compared with the previous fiscal year-end.

The ratio of total debt to debt and shareholders' equity was 20.7% at December 31, 2019, compared with a ratio of 14.6% at the previous fiscal year-end.

Net return on shareholders' equity (ROE) was 12.5%, an increase of 0.1 percentage point compared with the previous fiscal year. Net return on total assets (ROA) was 7.5%, the same as the previous fiscal year.

The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, issued February 16, 2018) have been applied to the consolidated financial results, beginning in the consolidated fiscal year under review. These standards have been applied to the previous fiscal year retroactively for comparative purposes in assessing financial condition.

Total Equity



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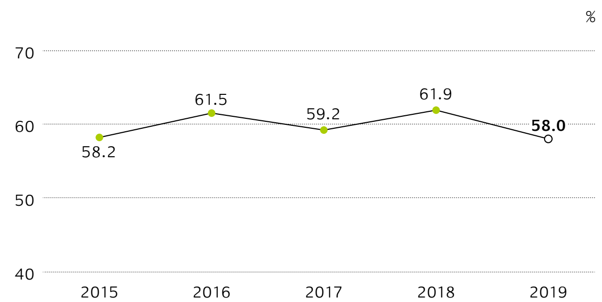
Ratio of Shareholders' Equity to Total Assets



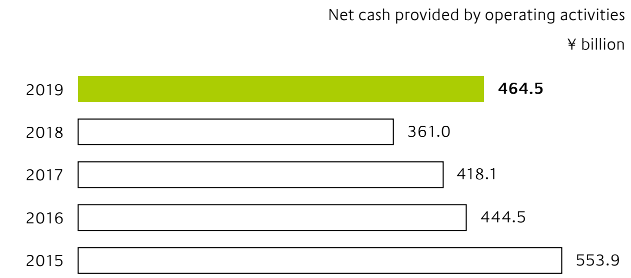
Net Return on Shareholders' Equity

2019	2018	2017	2016	2015
% of simple average of year-end shareholders' equity				
12.5	12.4	12.5	11.8	13.3

Net Return on Total Assets

2019	2018	2017	2016	2015
% of simple average of year-end total assets				
7.5	7.5	7.5	7.1	7.3

Cash Flow



Cash flow

Consolidated cash and cash equivalents increased by ¥1.4 billion ($13 million), to ¥435.3 billion ($3,973 million), compared with a decrease of ¥67.9 billion during the previous fiscal year.

Net cash provided by operating activities was ¥464.5 billion ($4,239 million), an increase of ¥103.5 billion ($945 million) from the previous fiscal year. Income taxes paid were ¥79.7 billion ($728 million), compared with ¥143.7 billion in the previous fiscal year. However, income before income taxes and non-controlling interests was ¥407.3 billion ($3,717 million), compared with ¥427.8 billion in the previous fiscal year, and depreciation and amortization totaled ¥223.1 billion ($2,036 million), compared with ¥200.5 billion in the previous fiscal year.

Net cash used in investing activities increased by ¥23.8 billion ($218 million) compared with the previous fiscal year, to ¥266.9 billion ($2,436 million). This was due to payments for purchase of property, plant and equipment of ¥270.5 billion ($2,469 million), compared with ¥257.5 billion during the previous fiscal year, and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥110.4 billion ($1,007 million), compared with ¥2.4 billion in the previous fiscal year,

ELEVEN-YEAR SUMMARY

Bridgestone Corporation and Subsidiaries
Years ended December 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	Millions of yen, except per share data and financial ratios										
Net sales	**¥ 3,525,600**	¥ 3,650,111	¥ 3,643,428	¥ 3,337,017	¥ 3,790,251	¥ 3,673,965	¥ 3,568,091	¥ 3,039,738	¥ 3,024,356	¥ 2,861,615	¥ 2,597,002
Overseas sales	**2,858,756**	2,968,123	2,959,067	2,683,488	3,128,343	2,979,922	2,893,251	2,343,546	2,330,154	2,189,765	1,982,192
Tires (net sales excluding inter-segment transactions)	**2,944,120**	3,041,100	3,021,000	2,759,275	3,168,219	3,088,627	3,033,660	2,554,126	2,536,731	2,377,305	2,151,314
Diversified products (net sales excluding inter-segment transactions)	**581,480**	609,011	622,428	577,742	622,032	585,338	534,431	485,612	487,625	484,310	445,687
Operating income	**326,098**	402,732	419,047	449,549	517,248	478,038	438,132	285,995	191,322	166,450	75,712
Profit attributable to owners of parent	**292,598**	291,642	288,276	265,551	284,294	300,589	202,054	171,606	102,970	98,914	1,044
Total equity	**2,344,291**	2,436,162	2,402,739	2,345,900	2,282,012	2,146,658	1,862,964	1,417,348	1,165,672	1,176,147	1,120,797
Total assets	**3,946,506**	3,840,270	3,959,039	3,716,030	3,795,847	3,960,908	3,577,045	3,039,799	2,677,344	2,706,640	2,808,439
Ratio of shareholders' equity to total assets	**58.0**	61.9	59.2	61.5	58.2	52.4	50.5	45.2	42.2	42.2	38.7
Per share in yen:											
Net income											
Basic	**404.95**	387.95	375.67	339.04	362.99	383.84	258.10	219.26	131.56	126.19	1.33
Diluted	**404.28**	387.28	375.01	338.52	362.52	383.39	257.81	219.10	131.50	126.16	1.33
Shareholders' equity	**3,250.37**	3,163.71	3,115.69	2,915.85	2,820.48	2,650.47	2,305.64	1,754.30	1,444.53	1,458.01	1,385.43
Cash dividends	**160.00**	160.00	150.00	140.00	130.00	100.00	57.00	32.00	22.00	20.00	16.00
Capital expenditure	**289,290**	268,421	234,850	194,111	253,581	296,396	274,862	245,644	201,390	182,648	178,204
Depreciation and amortization	**223,101**	200,477	200,377	188,062	202,334	188,333	176,180	155,066	158,044	170,663	180,547
Research and development costs	**105,283**	103,551	99,792	95,403	94,978	94,147	89,098	82,801	83,982	85,154	85,766

Notes: 1. Solely for the convenience of readers, the Japanese yen amounts in this annual report are translated into U.S. dollars at the rate of ¥109.56 to $1, the approximate year-end rate.
2. Certain overseas subsidiaries applied IAS 19 "Employee Benefits" (amended on June 16, 2011). As this change in accounting policy is applied retrospectively, the amount of total equity for fiscal 2012 reflects the retrospective application.

and despite proceeds from sales of property, plant, and equipment of ¥38.1 billion ($348 million), compared with ¥8.2 billion in the previous fiscal year, and proceeds from sales of investments in securities of ¥87.1 billion ($795 million), compared with ¥20.5 billion in the previous fiscal year.

Net cash used in financing activities increased by ¥39.5 billion ($361 million) compared with the previous fiscal year, to ¥198.6 billion ($1,813 million). This was due to repayments of long-term borrowings of ¥23.4 billion ($213 million), compared with ¥45.0 billion in the previous fiscal year; ¥70.0 billion ($639 million) in payments for redemption of bonds, compared with ¥20.0 billion in the previous fiscal year; ¥13.1 billion ($119 million) in repayments of obligations under finance leases, compared with ¥5.3 billion in the previous fiscal year; ¥200.0 billion ($1,826 million) in purchase of treasury stock, compared with ¥8 million in the previous fiscal year; and ¥117.7 billion ($1,074 million) in cash dividends paid, compared with ¥120.2 billion in the previous fiscal year, despite a total of ¥35.1 billion ($321 million) net increase in short-term borrowings and commercial paper, compared with a ¥24.3 billion increase in the previous fiscal year; and ¥200.0 billion ($1,825 million) in proceeds from issuance of bonds, compared with no proceeds in the previous fiscal year.

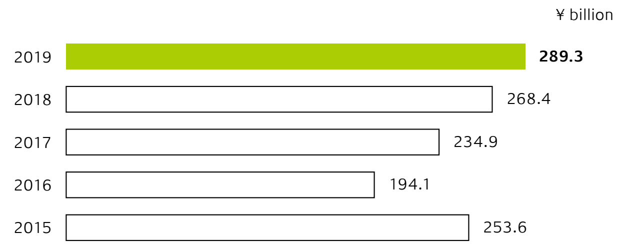
Capital financing and liquidity

In addition to borrowings from financial institutions, the Companies continue to seek to diversify sources of financing through direct financing such as domestic straight bonds and commercial paper and securitization of receivables and leases as well as to diversify risks and to minimize interest costs.

DIVIDEND

During fiscal 2019, the Company paid an interim dividend of ¥80.0 ($0.73) and a year-end dividend of ¥80.0 ($0.73) per share, totaling ¥160.0 ($1.46) per share for the year.

Capital Expenditure



OPERATIONAL RISKS

The status of the Companies as documented in this report is subject to diverse risks from both operational and accounting perspectives. This section provides an overview of the major categories of risk that may have a bearing on investors' decisions.

Management 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 events related to the risk factors described below to affect the operations, business results, and financial position of the Companies. All references to possible future developments in the following text are as of March 24, 2020.

MAJOR CATEGORIES OF OPERATIONAL RISK

Demand and macroeconomic conditions

The Companies conduct research and development (R&D), purchasing, manufacturing, logistics, marketing, sales, procurement, and other functional activities on a global basis. Operating results and financial position are thus subject to trends in demand, interest rates, exchange rates, share prices, and other economic variables in different countries and regions. In fiscal 2019, the consolidated sales split by market (for external customers only) was 47% from operations in the Americas; 19% from Japan; 19% from Europe, Russia, the Middle East and Africa; and 15% from China, the rest of Asia and Oceania. An economic downturn in any of these regions could exert a major adverse effect on the operating results and financial position of the Companies.

The core tire business segment accounts for 84% of consolidated net sales. In addition, operations in the diversified products business segment also include a substantial volume of business in automotive products. The operating results and financial position of the Companies are thus heavily exposed to business conditions in the global automobile industry.

Demand for replacement tires in each country where the Companies operate 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 Companies.

Demand for large and ultra-large off-the-road radial tires for construction and mining vehicles—which are the core of the Companies' mining, manufacturing, and construction solutions businesses—and for certain products, such as conveyor belts, is affected by businesses in the resource industries and in the civil engineering and construction industries. Trends in those business conditions that might cause demand to decline, or to grow at a slower rate, could adversely affect the operating results and financial position of the Companies.

Moreover, demand for winter tires (which make a certain 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 Companies.

Legal, regulatory, and litigation risk

The Companies' 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 Companies' 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 Companies.

The Companies could be subject to lawsuits or to investigations by governmental authorities in regard to their 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 Companies' operating results and financial position could be affected.

OPERATIONAL DISRUPTIONS

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

Globally dispersed operations expose the Companies 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 Companies.

Also, factors such as abrupt, substantial fluctuations in political or economic matters in Japan or overseas could hinder the continuation of the Companies' business activities. Such events have the potential to affect the Companies' operating results and financial position.

The risk of earthquakes is particularly high in Japan, where the Companies have numerous key facilities. Management systematically promotes the seismic reinforcement of the Companies' facilities in Japan, based on an order of priority determined from the results of site analyses using seismic diagnostics. In addition, a business continuity plan (BCP) has been created and other measures have been taken to promote swift response to an earthquake and the early restoration of operations. The Companies are also moving forward with a BCP designed to prioritize the well being and safety of employees, families, and all related people while minimizing Company losses stemming from the spread of H1N1 influenza and other diseases caused by unknown pathogens.

Despite the preventive measures, such a serious risk 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 Companies' 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 Companies as a reliable source of supply. Any such developments could have a significantly adverse impact on the operating results and financial position of the Companies.

INFORMATION TECHNOLOGY (IT) SYSTEMS FAILURES

The complex operations of the Companies are increasingly dependent on the smooth, round-the-clock functioning of various computing and IT systems. Failure of such technical systems due to external causes, such as natural disasters or 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 Companies' brand image and lower social trust, with adverse effects on performance and financial standing. The Companies have instituted comprehensive measures to safeguard IT and computing systems and related data, and to upgrade network security on an ongoing basis in order to prevent systemic failures.

INDUSTRIAL ACTION

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

Risks related to climate change

Stronger typhoons and increased frequency of flooding and drought stemming from climate change pose the risk of interrupting business activities. There are also risks related to the procurement of raw materials as a result of changing rainfall patterns leading to poor harvesting of natural rubber. Furthermore, reduced snowfall bears the risk of lowering demand for winter tires. While the Companies are committed to efforts such as developing new technology that helps reduce CO_2 emissions, reducing emissions at production bases, and promoting development and sales of fuel-efficient tires, regulations introduced domestically and overseas by local governments or regulatory agencies may cause limitations to our business activities and increase costs, which in turn may negatively affect performance and financial standing.

Corporate and brand image

The Companies strive to enhance their 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 Companies 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 Companies by damaging the image and reputation of the Companies, diminishing the general public's confidence in the Companies, or leading to a drop in share price.

Currency risk

The global distribution of the Companies' R&D, manufacturing, logistics, marketing, and sales facilities requires business transactions in numerous currencies. The Companies employ foreign currency forward contracts to hedge short-term exposure to exchange rate fluctuations between the Japanese yen and the U.S. dollar, euro, and other leading currencies. However, hedging cannot insulate the Companies' 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 Companies.

Exchange rate fluctuations also affect the consolidated performance of the Companies because results are reported in yen. Changes in exchange rates affect the values recorded for sales, expenses, assets, and liabilities in all countries outside Japan when translated into yen. In general terms, yen appreciation against other leading currencies tends to depress the financial results, while yen depreciation tends to have a favorable impact.

Competition

The Companies encounter numerous competitors in both the tire and diversified products segments, across the entire product lineup. Competitive price pressures have the potential to adversely affect the operating results and financial position of the Companies. In addition, the Companies face a constant risk of demands for price reductions from large corporate clients.

The Companies strive to maintain profitability in the face of downward price pressures by continually seeking to raise productivity, enhance brand image, develop new markets, and launch new products that provide greater value to customers. However, management cannot guarantee that such efforts will always be sufficient to offset the effects of competition.

The Companies' strategy is based on maintaining a highly competitive technological edge. The Companies target the development and introduction of products equipped with new and advanced technologies, and then aim 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 Companies from recovering development costs through pricing, which can also have an adverse effect on operating results and financial position.

Product defects

The Companies invest 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 Companies have honed their collective 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 a zero level of product defects or eliminate the chance of an extensive product recall, because product defects could occur due to unpredictable factors, and the Companies hold customer safety as their highest priority. Any such defects or recalls could result in customer claims for damages, as well as associated litigation costs, replacement costs, and damage to the Companies' reputation. Product liability claims, class-action lawsuits, and other litigation pose a particular risk in the U.S.

Raw materials procurement

Disruption of supplies of raw materials has the potential to affect performance adversely. The Companies use 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, and other social or political unrest, in addition to the threat of poor harvests. Supply shortages or capacity constraints are also potential problems with other basic raw materials.

The Companies rely 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 Companies' plants that use those raw materials could adversely affect the Companies' 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 Companies. 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.

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 Companies.

Intellectual property

The Companies treat intellectual property as an important business resource. Systematic efforts are made to employ intellectual property effectively in improving the competitive position of the Companies, 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 Companies could have a negative impact on the use of certain materials or technologies by the Companies, 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 Companies.

Conversely, if claims by the Companies of intellectual property rights infringement against third parties are not upheld, the Companies could also suffer direct or indirect losses through the diminished differentiation or competitiveness of their products in global markets.

STOCK HOLDINGS

Standards and approach for classification of equity investments

The Company distinguishes between equity investments 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 equity investments for pure investment purposes.

Equity investments held for purposes other than pure investment

Shareholding policy and method for checking rationale 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

1. Shareholding policy for strategic shareholdings

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

2. 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 determined by operating divisions involved in business execution in accordance with the shareholding policy of the Company, taking into account the objectives, the impact of holding shares, and the cost of capital for each individual stock listing. 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.

Number of securities and balance sheet amounts

	Number of securities	Balance sheet amounts (millions of yen)
Unlisted shares	46	574
Shares other than unlisted shares	45	86,768

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

	Number of securities	Total acquisition price for the increase in the number of shares (millions of yen)	Reason for increasing number of shares
Unlisted shares	—	—	—
Shares other than unlisted shares	1	—	Increase due to stock split

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

	Number of securities	Total selling price related to the decrease in the number of shares (millions of yen)
Unlisted shares	3	28
Shares other than unlisted shares	20	84,435

Information on the number of specific investments and deemed shareholdings by security, and the amount recorded on the balance sheet

Specific investments (stock)

Name	Fiscal year under review	Previous fiscal year	Purpose of holding, quantitative effect of holding*1, and reasons for the increase in the number of shares	Ownership of the Company's shares
	Number of shares / Balance sheet amount (millions of yen)			
HONDA MOTOR CO., LTD.	5,756,450	5,756,450	Maintain/strengthen business and collaborative relationships	Yes
	17,839	16,662		
TOYOTA MOTOR CORPORATION	1,959,890	1,959,890	Maintain/strengthen business and collaborative relationships	Yes
	15,118	12,555		
NOKIAN TYRES PLC	4,167,653	10,500,000	Business strategy	No
	13,089	35,764		
JSR CORPORATION	6,441,160	22,366,160	Maintain/strengthen business and collaborative relationships	Yes
	12,959	37,015		
TOYO TIRE & RUBBER CO., LTD.	5,000,000	10,000,000	Maintain/strengthen business and collaborative relationships	Yes
	7,875	13,750		
SUMITOMO MITSUI FINANCIAL GROUP, INC.	562,224	562,224	Business strategy	Yes
	2,270	2,049		
HINO MOTORS, LTD.	1,817,910	1,817,910	Maintain/strengthen business and collaborative relationships	No
	2,112	1,890		
OTSUKA HOLDINGS CO., LTD.	400,000	400,000	Maintain/strengthen business and collaborative relationships	No
	1,953	1,797		
MITSUBISHI UFJ FINANCIAL GROUP, INC.	2,780,580	2,780,580	Business strategy	Yes
	1,649	1,495		
MAZDA MOTOR CORPORATION	1,634,000	1,634,000	Maintain/strengthen business and collaborative relationships	No
	1,532	1,854		
FUJI KYUKO CO., LTD.	244,510	244,510	Maintain/strengthen business and collaborative relationships	No
	1,033	792		
YELLOW HAT LTD*2	527,076	263,538	Maintain/strengthen business and collaborative relationships	Yes
	1,032	690		
FUKUYAMA TRANSPORTING CO., LTD.	200,162	200,162	Maintain/strengthen business and collaborative relationships	No
	798	846		
KINTETSU GROUP HOLDINGS CO., LTD.	124,281	124,281	Maintain/strengthen business and collaborative relationships	No
	735	592		
NIPPON EXPRESS CO., LTD.	104,500	104,500	Maintain/strengthen business and collaborative relationships	Yes
	670	639		
MIZUHO FINANCIAL GROUP, INC.	3,534,528	4,241,428	Business strategy	Yes
	594	722		
SEINO HOLDINGS CO., LTD.	391,229	391,229	Maintain/strengthen business and collaborative relationships	No
	577	564		
AUTOBACS SEVEN CO., LTD.	313,632	313,632	Maintain/strengthen business and collaborative relationships	No
	539	571		
NISHI-NIPPON RAILROAD CO., LTD.	212,237	212,237	Maintain/strengthen business and collaborative relationships	No
	534	586		
IDEMITSU KOSAN CO., LTD.	171,200	171,200	Maintain/strengthen business and collaborative relationships	No
	518	618		
ISEKI & CO., LTD.	270,970	270,970	Maintain/strengthen business and collaborative relationships	Yes
	452	427		

Name	Fiscal year under review	Previous fiscal year	Purpose of holding, quantitative effect of holding*1, and reasons for the increase in the number of shares	Ownership of the Company's shares
	Number of shares / Balance sheet amount (millions of yen)			
HITACHI TRANSPORT SYSTEM, LTD.	121,000	121,000	Maintain/strengthen business and collaborative relationships	No
	372	377		
INOUE RUBBER (THAILAND) PUBLIC CO., LTD.	6,235,000	6,235,000	Maintain/strengthen business and collaborative relationships	No
	350	437		
NIIGATA KOTSU CO., LTD.	163,870	163,870	Maintain/strengthen business and collaborative relationships	No
	342	331		
SENKO GROUP HOLDINGS CO., LTD.	366,888	366,888	Maintain/strengthen business and collaborative relationships	No
	342	305		
SANKYU INC.	51,514	51,514	Maintain/strengthen business and collaborative relationships	No
	283	256		
HANKYU HANSHIN HOLDINGS, INC.	57,983	57,983	Maintain/strengthen business and collaborative relationships	No
	271	211		
SAN-AI OIL CO., LTD.	153,550	153,550	Maintain/strengthen business and collaborative relationships	No
	183	167		
HIROSHIMA ELECTRIC RAILWAY CO., LTD.	120,000	120,000	Maintain/strengthen business and collaborative relationships	No
	134	134		
CENTRAL JAPAN RAILWAY COMPANY	5,000	5,000	Maintain/strengthen business and collaborative relationships	No
	110	115		
ITOCHU ENEX CO., LTD.	101,386	101,386	Maintain/strengthen business and collaborative relationships	No
	93	97		
MIE KOTSU GROUP HOLDINGS, INC.	121,536	121,536	Maintain/strengthen business and collaborative relationships	No
	75	72		
EPCO CO., LTD.	40,000	40,000	Maintain/strengthen business and collaborative relationships	No
	58	32		
DAIWA MOTOR TRANSPORTATION CO., LTD.	42,000	42,000	Maintain/strengthen business and collaborative relationships	No
	48	36		
NISSIN SHOJI CO., LTD.	50,000	50,000	Maintain/strengthen business and collaborative relationships	No
	44	42		
HITACHI CONSTRUCTION MACHINERY CO., LTD.	10,000	10,000	Maintain/strengthen business and collaborative relationships	No
	32	25		
S LINE CO., LTD.	29,700	29,700	Maintain/strengthen business and collaborative relationships	No
	30	30		
COCA-COLA BOTTLERS JAPAN INC.	9,810	9,810	Maintain/strengthen business and collaborative relationships	No
	27	32		
SAKAI HEAVY INDUSTRIES, LTD.	5,808	5,808	Maintain/strengthen business and collaborative relationships	No
	17	13		
TONAMI HOLDINGS CO., LTD.	3,150	3,150	Maintain/strengthen business and collaborative relationships	No
	17	17		
KAMEI CORPORATION	12,100	12,100	Maintain/strengthen business and collaborative relationships	No
	16	15		
AIR WATER INC.	10,000	10,000	Maintain/strengthen business and collaborative relationships	No
	16	16		
ORIX CORPORATION	5,000	5,000	Maintain/strengthen business and collaborative relationships	No
	9	8		
DAIYA TSUSHO CO., LTD.	2,000	2,000	Maintain/strengthen business and collaborative relationships	No
	3	1		

STOCK HOLDINGS

Name	Fiscal year under review	Previous fiscal year	Purpose of holding, quantitative effect of holding*1, and reasons for the increase in the number of shares	Ownership of the Company's shares
	Number of shares / Balance sheet amount (millions of yen)			
AUTOWAVE CO., LTD.	5,000	5,000	Maintain/strengthen business and collaborative relationships	No
	0	0		
SUBARU CORPORATION*3	—	3,903,580	—	No
	—	9,212		
SUZUKI MOTOR CORPORATION	—	1,326,036	—	No
	—	7,382		
TS TECH CO., LTD. *3	—	1,536,000	—	No
	—	4,638		
ISUZU MOTORS LIMITED*3	—	2,778,800	—	No
	—	4,302		
KUBOTA CORPORATION*3	—	1,494,484	—	No
	—	2,333		
SUMITOMO MITSUI TRUST HOLDINGS, INC. *3	—	146,392	—	Yes
	—	588		
TACHI-S CO., LTD. *3	—	211,250	—	No
	—	303		
SOFTBANK GROUP CORP.*3	—	100	—	No
	—	0		
SHISEIDO COMPANY, LIMITED*3	—	100	—	No
	—	0		
HOYA CORPORATION*3	—	100	—	No
	—	0		
HITACHI, LTD. *3	—	200	—	No
	—	0		
SONY CORPORATION*3	—	100	—	No
	—	0		
TAKEDA PHARMACEUTICAL COMPANY LIMITED*3	—	100	—	No
	—	0		
LIXIL GROUP CORPORATION*3	—	100	—	No
	—	0		
KONICA MINOLTA*3	—	100	—	No
	—	0		

*1 Despite the difficulty of describing the quantitative effect of holding shares for each security, the appropriateness of each individual holding is determined by operating divisions involved in business execution in accordance with the shareholding policy of the Company, taking into account the objectives, the impact of holding shares, and the cost of capital.
*2 YELLOW HAT LTD. implemented a 2-for-1 stock split on March 31, 2019.
*3 A dash ("-") signifies that there are no holdings for the security in question.

Deemed shareholdings

Not applicable.

Equity investments for pure investment purposes

Not applicable.

Equity investments for which the purpose of holding was changed from pure investment purposes during the fiscal year under review

Not applicable.

CONSOLIDATED BALANCE SHEET

Bridgestone Corporation and Subsidiaries
December 31, 2019 and 2018

ASSETS	Note	2019	2018	2019
	2		Millions of yen	Thousands of U.S. dollars
Current Assets:				
Cash and cash equivalents	14	**¥ 435,319**	¥ 433,916	**$ 3,973,339**
Marketable securities	5, 14	**136,045**	143,854	**1,241,740**
Notes and accounts receivable	14	**583,223**	601,418	**5,323,320**
Inventories	4	**596,424**	617,234	**5,443,812**
Other current assets		**141,434**	137,748	**1,290,927**
Allowance for doubtful accounts	14	**(21,378)**	(21,730)	**(195,126)**
Total Current Assets		**1,871,067**	1,912,440	**17,078,012**
Property, Plant and Equipment:	6			
Land		**188,317**	167,743	**1,718,848**
Buildings and structures		**1,238,440**	1,153,994	**11,303,761**
Machinery and equipment		**2,821,341**	2,737,947	**25,751,561**
Construction in progress		**188,059**	171,981	**1,716,493**
Total		**4,436,157**	4,231,665	**40,490,663**
Accumulated depreciation		**(2,873,997)**	(2,763,294)	**(26,232,175)**
Net Property, Plant and Equipment		**1,562,160**	1,468,371	**14,258,488**
Investments and Other Assets:				
Investments in securities	5, 14	**94,981**	172,131	**866,931**
Investments in and advances to affiliated companies		**46,922**	47,947	**428,277**
Long-term loans receivable		**7,898**	11,358	**72,088**
Deferred tax assets	13	**77,081**	65,699	**703,551**
Goodwill		**91,411**	41,382	**834,347**
Other assets		**196,124**	122,466	**1,790,106**
Allowance for doubtful accounts		**(1,138)**	(1,524)	**(10,387)**
Total Investments and Other Assets		**513,279**	459,459	**4,684,913**
Total Assets		**¥ 3,946,506**	¥ 3,840,270	**$ 36,021,413**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Note	2019	2018	2019
	2		Millions of yen	Thousands of U.S. dollars
Current Liabilities:				
Short-term debt	6, 14	**¥ 131,753**	¥ 97,339	**$ 1,202,565**
Current portion of long-term debt	6, 14	**15,783**	95,931	**144,058**
Notes and accounts payable	14	**376,435**	415,139	**3,435,880**
Income taxes payable		**40,497**	15,073	**369,633**
Accrued expenses		**193,757**	215,068	**1,768,501**
Provision for sales returns		**3,337**	3,532	**30,458**
Provision for recall		**4,535**	—	**41,393**
Other current liabilities		**72,216**	45,037	**659,146**
Total Current Liabilities		**838,313**	887,119	**7,651,634**
Long-term Liabilities:				
Long-term debt	6, 14	**449,924**	215,224	**4,106,645**
Net defined benefit liability	7	**201,412**	196,005	**1,838,372**
Deferred tax liabilities	13	**34,978**	27,724	**319,259**
Provision for environmental remediation		**874**	1,512	**7,977**
Other liabilities		**76,714**	76,524	**700,200**
Total Long-term Liabilities		**763,902**	516,989	**6,972,453**
Total Liabilities		**1,602,215**	1,404,108	**14,624,087**
Contingent Liabilities and Commitments	16			
Equity:	8			
Common stock Authorized—1,450,000,000 shares, issued—761,536,421 shares in 2019 and 2018		**126,354**	126,354	**1,153,286**
Capital surplus		**121,998**	121,998	**1,113,527**
Stock acquisition rights		**3,275**	3,452	**29,892**
Retained earnings		**2,535,721**	2,362,737	**23,144,588**
Treasury stock–at cost, 57,481,254 shares in 2019 and 9,726,528 shares in 2018		**(232,330)**	(32,648)	**(2,120,573)**
Accumulated other comprehensive income	19			
Net unrealized gain (loss) on available-for-sale securities		**55,364**	108,888	**505,330**
Deferred gain (loss) on derivative instruments		**(342)**	1,731	**(3,122)**
Foreign currency translation adjustments		**(189,271)**	(174,851)	**(1,727,556)**
Remeasurements of defined benefit plans		**(129,055)**	(135,697)	**(1,177,939)**
Total		**2,291,714**	2,381,964	**20,917,433**
Non-controlling interests		**52,577**	54,198	**479,893**
Total Equity		**2,344,291**	2,436,162	**21,397,326**
Total Liabilities and Equity		**¥3,946,506**	¥3,840,270	**$36,021,413**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Bridgestone Corporation and Subsidiaries
Years ended December 31, 2019 and 2018

	Note	2019	2018	2019
	2		Millions of yen	Thousands of U.S. dollars
Net Sales	17	**¥3,525,600**	¥3,650,111	**$32,179,628**
Cost of Sales		**2,201,684**	2,268,743	**20,095,692**
Gross profit		**1,323,916**	1,381,368	**12,083,936**
Selling, General and Administrative Expenses		**997,818**	978,636	**9,107,503**
Operating income	17	**326,098**	402,732	**2,976,433**
Other Income (Expenses):				
Interest and dividend income		**12,886**	11,856	**117,616**
Settlement received		**4,980**	3,854	**45,455**
Interest expense		**(10,311)**	(12,810)	**(94,113)**
Foreign currency exchange gain (loss)		**(8,013)**	(7,042)	**(73,138)**
Gain on sales of property, plant and equipment	12	**30,608**	—	**279,372**
Gain on sales of investment securities		**76,647**	16,238	**699,589**
Gain on refund of PIS/COFINS for prior periods	12	**8,880**	—	**81,051**
Gain on establishment in jointly controlled entity	12	**—**	30,398	**—**
Impairment loss	12	**(13,665)**	—	**(124,726)**
Loss on disposals of property, plant and equipment		**(4,621)**	—	**(42,178)**
Loss related to recall	12	**(7,420)**	—	**(67,725)**
Other—net		**(8,818)**	(17,457)	**(80,486)**
Total		**81,153**	25,037	**740,717**
Income before Income Taxes and Non-Controlling Interests		**407,251**	427,769	**3,717,150**
Income Taxes:	13			
Current		**113,474**	110,438	**1,035,725**
Deferred		**(5,170)**	17,580	**(47,189)**
Total		**108,304**	128,018	**988,536**
Income before non-controlling interests		**298,947**	299,751	**2,728,614**
Profit Attributable to Non-Controlling Interests		**(6,349)**	(8,109)	**(57,950)**
Profit Attributable to Owners of Parent		**¥ 292,598**	¥ 291,642	**$ 2,670,664**

	Note	2019	2018	2019
	2		Yen	U.S. dollars
Per Share of Common Stock:				
Basic	10	**¥404.95**	¥387.95	**$3.70**
Diluted	10	**404.28**	387.28	**3.69**
Cash dividends applicable to the year		**160.00**	160.00	**1.46**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Bridgestone Corporation and Subsidiaries
Years ended December 31, 2019 and 2018

	Note	2019	2018	2019
	2		Millions of yen	Thousands of U.S. dollars
Income before non-controlling interests		**¥298,947**	¥ 299,751	**$2,728,614**
Other comprehensive income	19			
Net unrealized gain (loss) on available-for-sale securities		**(53,518)**	(67,788)	**(488,481)**
Deferred gain (loss) on derivative instruments		**(864)**	501	**(7,886)**
Foreign currency translation adjustments		**(11,647)**	(81,141)	**(106,307)**
Remeasurements of defined benefit plans		**6,926**	12,280	**63,216**
Share of other comprehensive income in affiliates		**(2,214)**	(1,442)	**(20,208)**
Total Other Comprehensive Income		**(61,317)**	(137,590)	**(559,666)**
Comprehensive income	19	**¥237,630**	¥ 162,161	**$2,168,948**
Comprehensive income attribute to:				
Owners of parent		**¥229,223**	¥ 156,554	**$2,092,214**
Non-controlling interests		**8,407**	5,607	**76,734**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Bridgestone Corporation and Subsidiaries
Years ended December 31, 2019 and 2018

	Note	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income: Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total equity
	2	Thousands												Millions of yen
Balance at January 1, 2018		751,727	¥126,354	¥122,984	¥3,629	¥2,342,823	¥(206,052)	¥176,687	¥ (55)	¥ (93,480)	¥(127,112)	¥2,345,778	¥56,961	¥2,402,739
Cumulative effects of changes in accounting policies						20,879					(20,879)	—		—
Restated balance at January 1, 2018		751,727	¥126,354	¥122,984	¥3,629	¥2,363,702	¥(206,052)	¥176,687	¥ (55)	¥ (93,480)	¥(147,991)	¥2,345,778	¥56,961	¥2,402,739
Profit attributable to owners of parent for the year						291,642						291,642		291,642
Cash dividends						(120,278)						(120,278)		(120,278)
Purchase of treasury stock		(2)					(8)					(8)		(8)
Disposal of treasury stock		85				(108)	285					177		177
Cancellation of treasury stock				(906)		(172,221)	173,127					—		—
Capital increase of consolidated subsidiaries				(80)								(80)		(80)
Net change in the year					(177)			(67,799)	1,786	(81,371)	12,294	(135,267)	(2,763)	(138,030)
Balance at December 31, 2018		751,810	¥126,354	¥121,998	¥3,452	¥2,362,737	¥ (32,648)	¥108,888	¥ 1,731	¥(174,851)	¥(135,697)	¥2,381,964	¥54,198	¥2,436,162
Cumulative effects of changes in accounting policies						(1,769)						(1,769)		(1,769)
Restated balance at January 1, 2019		751,810	¥126,354	¥121,998	¥3,452	¥2,360,968	¥ (32,648)	¥108,888	¥ 1,731	¥(174,851)	¥(135,697)	¥2,380,195	¥54,198	¥2,434,393
Profit attributable to owners of parent for the year						292,598						292,598		292,598
Cash dividends						(117,701)						(117,701)		(117,701)
Purchase of treasury stock		(47,839)					(200,004)					(200,004)		(200,004)
Disposal of treasury stock		84				(144)	322					178		178
Net change in the year					(177)			(53,524)	(2,073)	(14,420)	6,642	(63,552)	(1,621)	(65,173)
Balance at December 31, 2019		**704,055**	**¥126,354**	**¥121,998**	**¥3,275**	**¥2,535,721**	**¥(232,330)**	**¥ 55,364**	**¥ (342)**	**¥(189,271)**	**¥(129,055)**	**¥2,291,714**	**¥52,577**	**¥2,344,291**

	Note	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income: Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total equity
	2												Thousands of U.S. dollars
Balance at December 31, 2018		$1,153,286	$1,113,527	$31,508	$21,565,690	$ (297,992)	$ 993,866	$ 15,800	$(1,595,938)	$(1,238,563)	$21,741,184	$494,688	$22,235,872
Cumulative effects of changes in accounting policies					(16,146)						(16,146)		(16,146)
Restated balance at January 1, 2019		$1,153,286	$1,113,527	$31,508	$21,549,544	$ (297,992)	$ 993,866	$ 15,800	$(1,595,938)	$(1,238,563)	$21,725,038	$494,688	$22,219,726
Profit attributable to owners of parent for the year					2,670,664						2,670,664		2,670,664
Cash dividends					(1,074,306)						(1,074,306)		(1,074,306)
Purchase of treasury stock						(1,825,520)					(1,825,520)		(1,825,520)
Disposal of treasury stock					(1,314)	2,939					1,625		1,625
Net change in the year				(1,616)			(488,536)	(18,922)	(131,618)	60,624	(580,068)	(14,795)	(594,863)
Balance at December 31, 2019		**$1,153,286**	**$1,113,527**	**$29,892**	**$23,144,588**	**$(2,120,573)**	**$ 505,330**	**$ (3,122)**	**$(1,727,556)**	**$(1,177,939)**	**$20,917,433**	**$479,893**	**$21,397,326**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Bridgestone Corporation and Subsidiaries
Years ended December 31, 2019 and 2018

	Note	2019	2018	2019
	2		Millions of yen	Thousands of U.S. dollars
Cash Flows from Operating Activities:				
Income before income taxes and non-controlling interests		**¥ 407,251**	¥ 427,769	**$ 3,717,150**
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:				
Depreciation and amortization		**223,101**	200,477	**2,036,336**
Amortization of goodwill		**6,887**	4,559	**62,861**
Increase (decrease) in net defined benefit liability		**16,438**	6,562	**150,037**
Interest and dividend income		**(12,886)**	(11,856)	**(117,616)**
Interest expense		**10,311**	12,810	**94,113**
Foreign currency exchange loss (gain)		**4,720**	3,333	**43,081**
Share of (profit) loss of entities accounted for using equity method		**3,351**	1,414	**30,586**
Settlement received		**(4,980)**	(3,854)	**(45,455)**
Gain on sales of property, plant and equipment		**(30,608)**	—	**(279,372)**
Gain on sales of investments in securities		**(76,647)**	(16,238)	**(699,589)**
Gain on refund of PIS/COFINS for prior periods		**(8,880)**	—	**(81,051)**
Gain on establishment in jointly controlled entity		**—**	(30,398)	**—**
Impairment loss		**13,665**	—	**124,726**
Loss on disposals of property, plant and equipment		**5,552**	—	**50,675**
Loss related to recall		**7,420**	—	**67,725**
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable		**23,817**	(57,384)	**217,388**
Decrease (increase) in inventories		**11,572**	(55,837)	**105,622**
Decrease (increase) in notes and accounts payable		**(39,648)**	15,322	**(361,884)**
Other		**(24,846)**	4,661	**(226,779)**
Subtotal		**535,590**	501,340	**4,888,554**
Interest and dividends received		**12,877**	11,805	**117,534**
Interest paid		**(9,276)**	(12,328)	**(84,666)**
Settlement received		**4,980**	3,854	**45,455**
Income taxes paid		**(79,713)**	(143,716)	**(727,574)**
Net Cash Provided by Operating Activities		**464,458**	360,955	**4,239,303**
Cash Flows from Investing Activities:				
Payments for purchase of property, plant and equipment		**(270,531)**	(257,548)	**(2,469,250)**
Proceeds from sales of property, plant and equipment		**38,102**	8,234	**347,773**
Payments for purchase of intangible assets		**(9,395)**	(5,754)	**(85,752)**
Payments for purchase of investment in securities		**(2,642)**	(2,867)	**(24,114)**
Proceeds from sales of investments in securities		**87,104**	20,524	**795,035**
Payments of long-term loans receivable		**(2,066)**	(5,667)	**(18,857)**
Acquisition of subsidiaries		**(110,358)**	(2,368)	**(1,007,284)**
Other		**2,875**	2,385	**26,241**
Net Cash Used in Investing Activities		**(266,911)**	(243,061)	**(2,436,208)**
Cash Flows from Financing Activities:				
Net increase (decrease) in short-term debt		**35,132**	24,348	**320,664**
Proceeds from long-term debt		**200,030**	15,824	**1,825,758**
Repayments of long-term debt		**(93,361)**	(64,956)	**(852,145)**
Repayments of obligations under finance leases		**(13,087)**	(5,318)	**(119,451)**
Purchase of treasury stock		**(200,004)**	(8)	**(1,825,520)**
Cash dividends paid		**(117,679)**	(120,235)	**(1,074,106)**
Cash dividends paid to non-controlling interests		**(9,954)**	(9,035)	**(90,854)**
Other		**322**	285	**2,939**
Net Cash Used in Financing Activities		**(198,601)**	(159,095)	**(1,812,715)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents		**2,457**	(26,681)	**22,426**
Net Increase (Decrease) in Cash and Cash Equivalents		**1,403**	(67,882)	**12,806**
Cash and Cash Equivalents at Beginning of Year		**433,916**	501,798	**3,960,533**
Cash and Cash Equivalents at End of Year		**¥ 435,319**	¥ 433,916	**$ 3,973,339**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bridgestone Corporation and Subsidiaries

NOTE 1 NATURE OF OPERATIONS

Bridgestone Corporation and its subsidiaries (hereinafter referred to collectively as the "Companies") engage in developing, manufacturing and marketing tires and diversified products. The Companies market their products worldwide and operate manufacturing plants in every principal market. Development activities take place primarily in Japan, the United States of America (the "U.S.") and Europe.

Tire operations include retread business, automotive maintenance and repairs, retail business and raw material supplies, as well as tire development, manufacturing and marketing. Diversified products include industrial products, chemical products, automotive components, construction materials, electronic equipment, bicycles and sporting goods.

NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS") and the accounting principles generally accepted in the U.S. ("U.S. GAAP").

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Bridgestone Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥109.56 to $1, the approximate rate of exchange on December 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation

The consolidated financial statements include the accounts of the Companies in which the Company has effective control. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are also eliminated.

Investments in affiliated companies, primarily those owned 20% to 50%, are accounted for under the equity method with appropriate adjustments for intercompany profits and dividends. Share of profit of entities accounted for using the equity method is included in other income (expenses) in the consolidated statements of income.

The number of consolidated subsidiaries and affiliated companies for 2019 and 2018 is summarized below:

	2019	2018
Consolidated subsidiaries	280	285
Affiliated companies	143	146

(2) Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or U.S. GAAP tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (i) amortization of goodwill; (ii) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (iii) expensing capitalized development costs of R&D; and (iv) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

(3) Unification of accounting policies applied to foreign affiliated companies for the equity method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" which was subsequently revised in line with the revisions to PITF No. 18 above. The standard requires adjustments to be made to conform the affiliate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the affiliate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign affiliated companies in accordance with either IFRS or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (i) amortization of goodwill; (ii) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (iii) expensing capitalized development costs of R&D; and (iv) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

(4) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include highly liquid investments with original maturities of three months or less.

(5) Allowance for doubtful accounts

Allowance for doubtful accounts is established in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(6) Inventories

Inventories are substantially stated at the lower of cost, determined by the average method, or net selling value.

Meanwhile, inventories held by subsidiaries in the U.S. are substantially stated at the lower of cost, determined principally by the last-in, first-out method, or market value.

(7) Marketable and investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

Available-for-sale securities, which are not classified as neither of trading securities nor held-to-maturity debt, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(8) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to property, plant and equipment of the Company's overseas subsidiaries. Maintenance, repair and minor renewals are charged to income as incurred.

(9) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of the discounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group, or the net selling price at disposition.

(10) Goodwill

Goodwill recorded by subsidiaries, and the excess of cost of the Company's investments in subsidiaries and affiliated companies over its equity at the respective dates of acquisition, are mainly being amortized on a straight-line basis over a reasonable economical life of up to 20 years.

(11) Provision for sales returns

Provision for sales returns is estimated and recorded principally to provide for future losses on the return of snow tires.

(12) Provision for recall

In order to reserve for outlays related to the free inspections, repairs and replacement, etc. of the recalled bicycles and power-assisted bicycles, the estimated amount of future obligations is recorded.

(13) Provision for product warranties

Provision for product warranties, included in other liabilities, is estimated and recorded at the time of sale to provide for future potential costs, such as costs related to after-sales services, in amounts considered to be appropriate based on the Companies' past experience.

(14) Provision for environmental remediation
In order to reserve for outlays legally required for removal and disposal of polychlorinated biphenyl ("PCB") and other, the estimated amount of future obligations is recorded.

(15) Retirement and pension plans
The Company and its domestic subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Certain of the Company's overseas subsidiaries have funded defined benefit pension plans and defined contribution pension plans.

The Company accounts for the liability of retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis or a straight-line basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 3 years to 13 years, respectively, no longer than the expected average remaining service period of the employees.

Retirement allowances for directors are recorded as a liability at the amount that would be required if all directors retired at each balance sheet date.

(16) Asset retirement obligations
An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made.

Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(17) Leases
Finance (Capital) lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

(18) Income taxes
The provision for income taxes is computed based on income before income taxes included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income taxes are measured by applying currently enacted income tax rates to the temporary differences. A valuation allowance is provided for any portion of the deferred tax assets where it is considered more likely than not that they will not be realized.

(19) Foreign currency transactions
All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign currency exchange gains and losses from translation are recognized in the consolidated statement of income.

(20) Foreign currency financial statements
The balance sheet accounts of the Company's overseas subsidiaries are translated into Japanese yen at the current exchange rate at the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as foreign currency translation adjustments under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the Company's overseas subsidiaries are translated into Japanese yen at the average annual exchange rate.

(21) Derivatives and hedging activities
The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Foreign currency forward contracts, currency swap contracts and currency option contracts are utilized by the Companies to reduce foreign currency exchange risks. Interest rate swaps are utilized by the Companies to reduce interest rate risks. Also, commodity swap contracts are utilized by the Companies to reduce commodity price risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (i) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and (ii) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts which are designated as hedging exposure to variable cash flows of forecasted transactions are measured at fair value, and the unrealized gains or losses are deferred until the underlying transactions are completed. Other foreign currency forward contracts, currency swap contracts and currency option contracts employed to hedge foreign currency exchange exposures to changes in fair value and in cash flow are also measured at fair value but the unrealized gains or losses are recognized in income. Short-term and long-term debt denominated in foreign currencies for which foreign currency forward contracts and currency swap contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the foreign currency forward contracts and currency swap contracts qualify for hedge accounting. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expenses. The gains or losses on commodity swap contracts used to hedge fluctuations of commodity prices are recognized currently in income.

(22) Per share of common stock
Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants and stock options.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

(23) Reclassification
In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2018 consolidated financial statements to conform to the classifications used in 2019.

(24) Changes in presentation
1. Changes Resulting from Adoption of the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.

The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018), etc. from the beginning of this fiscal year. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in long term liabilities. As a result, on the consolidated balance sheet for the previous consolidated fiscal year, "Deferred tax assets" in "Current assets" decreased by ¥55,974 million, while "Deferred tax assets" in "Investments and other assets" increased by ¥32,545 million. Meanwhile, "Deferred tax liabilities" in "Current liabilities" decreased by ¥3,887 million and "Deferred tax liabilities" in "Long-term liabilities" decreased by ¥19,542 million. Hence, total assets decreased by ¥23,429 million due to the offset of deferred tax assets and deferred tax liabilities levied on the same taxable entity.

2. Consolidated Statement of Cash Flows

Prior to January 1, 2019, "Increase (decrease) in allowance for doubtful accounts" was disclosed separately in the cash flows operating activities section of the consolidated statement of cash flows. Since during this fiscal year ended December 31, 2019, the materiality of the amount decreased, such amount was included in "Other" in the cash flows from operating activities section of the consolidated statement of cash flows for the year ended December 31, 2019. The amount included in "Other" for the year ended December 31, 2018 was ¥5,774 million.

Prior to January 1, 2019, "Share of (profit) loss of entities accounted for using equity method" was included in "Other" in the cash flows from operating activities section of the consolidated statement of cash flows. Since during this fiscal year ended December 31, 2019, the materiality of the amount increased, such amount was disclosed separately in the cash flows from operating activities section of the consolidated statement of cash flows. The amount included in "Other" for the year ended December 31, 2018 was ¥1,414 million.

Prior to January 1, 2019, "Acquisition of subsidiaries" was included in "Other" in the cash flows from investing activities section of the consolidated statement of cash flows. Since during this fiscal year ended December 31, 2019, the materiality of the amount increased, such amount was disclosed separately in the cash flows from investing activities section of the consolidated statement of cash flows. The amount included in "Other" for the year ended December 31, 2018 was (¥2,368) million.

Prior to January 1, 2019, "Purchase of treasury shares" was included in "Other" in the cash flows from financing activities section of the consolidated statement of cash flows. Since during this fiscal year ended December 31, 2019, the materiality of the amount increased, such amount was disclosed separately in the cash flows from financing activities section of the consolidated statement of cash flows. The amount included in "Other" for the year ended December 31, 2018 was (¥8) million.

(25) Accounting Changes

1. Adoption of ASU No. 2014-09 "Revenue from Contracts with Customers"

Certain consolidated subsidiaries overseas which apply U.S. GAAP have adopted ASU No. 2014-09, "Revenue from Contracts with Customers" (May 28, 2014; hereinafter "ASU No. 2014-09") from the beginning of fiscal 2019.

ASU No. 2014-09 calls for an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Certain overseas subsidiaries adopted the method by which the cumulative effect of retrospectively applying this standard was recognized at the date of initial application.

As a result, under current liabilities, other increased by ¥17,210 million and accrued expenses decreased by ¥19,980 million; under long term liabilities, other increased by ¥25,759 million and provision for product warranties decreased by ¥25,759 million; and retained earnings increased by ¥229 million at the beginning of fiscal 2019. This change in accounting policies has an immaterial effect on operating profit, ordinary profit and profit before income taxes of fiscal 2019.

It also has an immaterial effect on net assets per share, basic earnings per share, and diluted earnings per share of fiscal 2019.

2. Adoption of IFRS 16 "Leases"

Certain consolidated subsidiaries overseas which apply International Financial Reporting Standards (IFRS) have adopted IFRS 16 "Leases" (January 13, 2016; hereinafter "IFRS 16") from the beginning of fiscal 2019.

IFRS 16 requires lessees to recognize assets and liabilities for, in principle, all leases. Certain overseas subsidiaries adopted the method by which the cumulative effect of retrospectively applying this standard was recognized at the date of initial application.

As a result, assets increased by ¥49,606 million, liabilities increased by ¥51,605 million, and retained earnings decreased by ¥1,998 million at the beginning of fiscal 2019. The increase in assets was mainly due to the increase in property, plant and equipment, and the increase in liabilities was mainly due to the increase in lease obligations. This change in accounting policies has an immaterial effect on operating profit, ordinary profit and profit before income taxes of fiscal 2019.

It also has an immaterial effect on net assets per share, basic earnings per share, and diluted earnings per share of fiscal 2019.

(26) Accounting standards that have not been applied

Entries have been omitted due to low importance.

Due to the voluntary adoption of IFRS from the first quarter of fiscal 2020, entries valid under no-longer used JGAAP and U.S. GAAP standards have been omitted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 INVENTORIES

Inventories at December 31, 2019 and 2018, consist of the following:

	2019	2018	2019
	Millions of yen		Thousands of U.S. dollars
Finished products	**¥406,119**	¥407,609	**$3,706,818**
Work in process	**39,361**	37,904	**359,265**
Raw materials and supplies	**150,944**	171,721	**1,377,729**
Total	**¥596,424**	¥617,234	**$5,443,812**

NOTE 5 MARKETABLE AND INVESTMENT SECURITIES

Information regarding each category of available-for-sale securities at December 31, 2019 and 2018, is as follows:

	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
	2019				2018			
	Millions of yen							
Securities Classified as:								
Available-for-sale:								
Equity securities	**¥15,128**	**¥73,826**	**¥(1)**	**¥88,953**	¥25,675	¥142,198	¥(10)	¥167,863
	Thousands of U.S. dollars							
Securities Classified as:								
Available-for-sale:								
Equity securities	**$138,079**	**$673,841**	**$(9)**	**$811,911**				

In addition to the above, the Companies have available-for-sale securities classified as marketable securities under U.S. GAAP of ¥136,045 million ($1,241,740 thousand) and ¥143,854 million, respectively, for the years ended December 31, 2019 and 2018.

Available-for-sale securities whose fair values are not readily determinable at December 31, 2019 and 2018, are as follows:

	2019	2018	2019
Carrying amount	Millions of yen		Thousands of U.S. dollars
Available-for-sale:			
Equity securities	**¥6,028**	¥4,268	**$55,020**

Proceeds from sales of available-for-sale securities for the years ended December 31, 2019 and 2018 are ¥87,092 million ($794,925 thousand) and ¥20,554 million, respectively. Gross realized gains on these sales, for the years ended December 31, 2019 and 2018, computed on the moving average cost basis, are ¥76,647 million ($699,589 thousand) and ¥16,238 million, respectively.

The information of available-for-sale securities which were sold during the year ended December 31, 2019 is as follows:

	Proceeds	Realized gains	Realized losses	Proceeds	Realized gains	Realized losses
	2019					
	Millions of yen			Thousands of U.S. dollars		
Securities Classified as:						
Available-for-sale:						
Equity securities	**¥87,092**	**¥76,647**	**¥5**	**$794,925**	**$699,589**	**$46**

NOTE 6 SHORT-TERM AND LONG-TERM DEBT

Short-term debt at December 31, 2019 and 2018, consists of the following:

	2019	2018	2019
	Millions of yen		Thousands of U.S. dollars
Short-term bank loans, weighted average interest rate of 3.2% at December 31, 2019, and 3.8% at December 31, 2018	¥ 73,057	¥76,384	$ 666,822
Commercial paper, weighted average interest rate of (0.4%) at December 31, 2019, and (0.3%) at December 31, 2018	58,696	20,955	535,743
Total	¥131,753	¥97,339	$1,202,565

Long-term debt at December 31, 2019 and 2018, consists of the following:

	2019	2018	2019
	Millions of yen		Thousands of U.S. dollars
Borrowings from banks, insurance companies and others, weighted average interest rate of 3.0% at December 31, 2019, and 3.0% at December 31, 2018, denominated mainly in Japanese yen, U.S. dollars and Euros:			
Unsecured	¥ 37,938	¥ 62,285	$ 346,276
0.2% yen unsecured straight bonds, due 2019	—	70,000	—
0.1% yen unsecured straight bonds, due 2022	40,000	40,000	365,097
0.2% yen unsecured straight bonds, due 2024	50,000	50,000	456,371
0.3% yen unsecured straight bonds, due 2027	60,000	60,000	547,645
0.1% yen unsecured straight bonds, due 2024	50,000	—	456,371
0.2% yen unsecured straight bonds, due 2026	50,000	—	456,371
0.4% yen unsecured straight bonds, due 2029	100,000	—	912,742
Obligations under finance leases	77,769	28,870	709,830
Total	465,707	311,155	4,250,703
Less current portion	(15,783)	(95,931)	(144,058)
Long-term Debt, Less Current Portion	¥449,924	¥215,224	$4,106,645

Annual maturities of long-term debt at December 31, 2019, are as follows:

Year ending December 31,	Millions of yen	Thousands of U.S. dollars
2020	¥ 15,783	$ 144,058
2021	19,061	173,978
2022	70,909	647,216
2023	9,733	88,837
2024	106,137	968,757
2025 and thereafter	244,084	2,227,857
Total	¥465,707	$4,250,703

Notes and accounts receivable and property, plant and equipment were pledged as collateral for certain bank loans. The aggregate carrying amount of the assets pledged as collateral for short-term bank loans of ¥0 ($0) and long-term bank loans of ¥0 ($0) at December 31, 2019, is ¥494 million ($4,509 thousand).

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

Effective January 2020, BRIDGESTONE AMERICAS, INC. ("BSAM") and its major subsidiaries in the U.S. entered into separate eighteen amended and restated revolving credit agreements with a syndicate of banks providing an aggregate borrowing commitment of $1,100 million. The revolving credit agreement consists of two tranches, each of which has an aggregate borrowing commitment of $550 million, and expire in January 2021 and January 2022, respectively. These agreements contain certain customary affirmative and negative covenants, the most restrictive of which includes (i) the maintenance by BSAM and its major subsidiaries of their consolidated tangible net worth and (ii) restrictions on entering into additional debt arrangements and (iii) restrictions related to the sale of assets. The above agreements replaced the separate seventeen amended and restated revolving credit agreements, whose expiration dates are January 2020 and January 2021. As of December 31, 2019, BSAM's outstanding balance under the seventeen amended and restated revolving credit agreements was $0.

NOTE 7 RETIREMENT AND PENSION PLANS

Employees serving with the Company and its domestic subsidiaries are generally entitled to a lump-sum payment at retirement and, in certain cases, annuity payments at retirement, provided by funded defined benefit pension plans based on the rate of pay at the time of termination, years of service and certain other factors. There are defined contribution pension plans available for the employees as well provided by the Company and certain of its domestic subsidiaries.

Employees serving with certain of the Company's overseas subsidiaries are entitled to either (1) funded defined benefit pension plans, corporate pension plans, lump-sum payment plans and others, or (2) defined contribution pension plans. There are escalated payment plans for voluntary retirement at certain specific ages prior to the mandatory retirement age.

(1) The changes in defined benefit obligation for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018	2019
	Millions of yen		Thousands of U.S. dollars
Balance at beginning of year	¥727,129	¥797,016	$6,636,811
Service cost	15,043	15,568	137,304
Interest cost	19,466	18,475	177,674
Actuarial (gains) losses	69,729	(44,199)	636,446
Benefits paid	(43,224)	(46,309)	(394,524)
Effect of foreign exchange translation	(4,701)	(12,743)	(42,908)
Others	455	(679)	4,153
Balance at end of year	¥783,897	¥727,129	$7,154,956

Service cost includes net periodic benefit costs of certain subsidiaries that have adopted a simplified method.

(2) The changes in plan assets for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018	2019
	Millions of yen		Thousands of U.S. dollars
Balance at beginning of year	¥586,842	¥656,018	$5,356,353
Expected return on plan assets	27,965	30,835	255,248
Actuarial (losses) gains	66,589	(58,345)	607,786
Contributions from the employer	8,168	9,979	74,553
Benefits paid	(38,727)	(41,790)	(353,477)
Effect of foreign exchange translation	(4,454)	(10,047)	(40,654)
Others	127	192	1,159
Balance at end of year	¥646,510	¥586,842	$5,900,968

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets is as follows:

	2019	2018	2019
	Millions of yen		Thousands of U.S. dollars
Funded defined benefit obligation	¥ 687,019	¥ 636,320	$ 6,270,710
Plan assets	(646,510)	(586,842)	(5,900,967)
	40,509	49,478	369,743
Unfunded defined benefit obligation	96,878	90,809	884,246
Net liability arising from defined benefit obligation	137,387	140,287	1,253,989
Net defined benefit liability	143,559	138,287	1,310,323
Net defined benefit asset	(7,798)	(371)	(71,176)
Others	1,626	2,371	14,842
Net liability arising from defined benefit obligation	¥ 137,387	¥ 140,287	$ 1,253,989

In addition to liability for retirement benefits noted above, a liability for post-retirement benefits of ¥57,853 million ($528,049 thousand) and ¥57,718 million is included in the consolidated balance sheet at December 31, 2019 and 2018, respectively.

(4) The components of net periodic benefit costs for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018	2019
	Millions of yen		Thousands of U.S. dollars
Service cost	¥ 15,043	¥ 15,568	$ 137,304
Interest cost	19,466	18,475	177,674
Expected return on plan assets	(27,965)	(30,835)	(255,248)
Amortization of prior service cost	15,420	20,819	140,745
Recognized actuarial (gains) losses	(76)	136	(694)
Net periodic benefit costs	¥ 21,888	¥ 24,163	$ 199,781

Service cost includes net periodic benefit costs of certain subsidiaries that have adopted a simplified method.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of December 31, 2019 and 2018, are as follows:

	2019	2018	2019
	Millions of yen		Thousands of U.S. dollars
Prior service cost	¥ (49)	¥ 458	$ (447)
Actuarial (gains) losses	14,083	10,501	128,541
Total	¥14,034	¥10,959	$128,094

In addition to accumulated other comprehensive income on defined retirement benefit plans noted above, accumulated other comprehensive income for post-retirement benefits of a credit of (¥4,232) million (($38,627) thousand) and a credit of ¥4,322 million at certain overseas subsidiaries in the Americas is included in the consolidated statement of comprehensive income at December 31, 2019 and 2018, respectively.

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of December 31, 2019 and 2018, are as follows:

	2019	2018	2019
	Millions of yen		Thousands of U.S. dollars
Unrecognized prior service cost	¥ (184)	¥ (135)	$ (1,679)
Unrecognized actuarial (gains) losses	(170,311)	(184,393)	(1,554,500)
Total	¥(170,495)	¥(184,528)	$(1,556,179)

In addition to accumulated other comprehensive income on defined retirement benefit plans noted above, accumulated other comprehensive income for post-retirement benefits of a credit of ¥2,806 million ($25,612 thousand) and a credit of ¥7,038 million at certain overseas subsidiaries in the Americas is included in the consolidated balance sheet at December 31, 2019 and 2018, respectively.

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2019	2018
		%
Debt investments	63%	64%
Equity investments	14	13
Cash and cash equivalents	5	4
Others	18	19
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended December 31, 2019 and 2018, are set forth as follows:

	2019	2018
		%
The Company and its domestic subsidiaries		
Discount rate	0.5% to 0.6%	0.6% to 0.8%
Expected long-term rate of return on plan assets	2.5%	2.5%
Overseas subsidiaries		
Discount rate	2.9% to 4.3%	3.7% to 4.4%
Expected long-term rate of return on plan assets	4.3% to 6.0%	4.3% to 6.0%

(9) Defined contribution pension plans

The Company and certain of its domestic and overseas subsidiaries paid costs for defined contribution pension plans of ¥10,750 million ($98,120 thousand) and ¥10,922 million, respectively, for the years ended December 31, 2019 and 2018.

NOTE 8 EQUITY

Significant provisions in the Companies Act of Japan (the "Act") that affect financial and accounting matters are summarized below:

(i) Dividends:

The Act allows Japanese companies to pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for Japanese companies that meet certain criteria including having a Board of Directors, having independent auditors, having an Audit & Supervisory Board, and the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Board of Directors of companies with board committees (including appointment committee, compensation committee and audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Act, even though such companies have an audit committee instead of an Audit & Supervisory Board. The Company is organized as a company with board committees. The Act permits Japanese companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Act continues to provide certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

(ii) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus:

The Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Act, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation. The Act also provides that common stock, the legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(iii) Treasury Stock and Treasury Stock Acquisition Rights:

The Act also provides for Japanese companies to repurchase/dispose of treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Act, stock acquisition rights are presented as a separate component of equity. The Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(iv) Cancellation of Treasury Stock:

The Company, as resolved at the Board of Directors meeting held on February 15, 2019, completed the cancellation of Treasury Stock pursuant to Article 178 of the Companies Act on January 21, 2020.

(1) Book value of shares cancelled: ¥193,363 million ($1,765 million)
(2) Kind of shares cancelled: Common shares of the Company
(3) Total number of shares cancelled: 47,838,200 shares of Treasury Stock of the Company

NOTE 9 STOCK-BASED COMPENSATION

The stock options outstanding as of December 31, 2019 are as follows:

Date of approval	Persons granted		Number of options granted (Thousands of shares)	Date of grant	Exercise price	Exercise period
March 26, 2009 at the general shareholders meeting and the board of directors	Directors Corporate officers not doubling as directors	9 20	110	May 1, 2009	¥1 ($0.01)	from May 1, 2009 to April 30, 2029
March 30, 2010 at the general shareholders meeting and the board of directors	Directors Corporate officers not doubling as directors	8 25	118.5	May 6, 2010	¥1 ($0.01)	from May 6, 2010 to April 30, 2030
March 29, 2011 at the general shareholders meeting and the board of directors	Directors Corporate officers not doubling as directors	9 36	154.5	May 2, 2011	¥1 ($0.01)	from May 2, 2011 to April 30, 2031
March 27, 2012 at the general shareholders meeting and the board of directors	Directors Corporate officers not doubling as directors	9 35	202	May 1, 2012	¥1 ($0.01)	from May 1, 2012 to April 30, 2032
March 26, 2013 at the general shareholders meeting and the board of directors	Directors Corporate officers not doubling as directors	4 36	196	May 1, 2013	¥1 ($0.01)	from May 1, 2013 to April 30, 2033
March 25, 2014 at the general shareholders meeting and the board of directors	Directors Corporate officers not doubling as directors	4 46	131.9	May 1, 2014	¥1 ($0.01)	from May 1, 2014 to April 30, 2034
March 24, 2015 at the general shareholders meeting and the board of directors	Directors Corporate officers not doubling as directors	3 48	142.5	May 1, 2015	¥1 ($0.01)	from May 1, 2015 to April 30, 2035
April 21, 2016 at the board of directors	Directors excluding directors not doubling as executive officers Executive officers not doubling as directors Corporate officers	2 8 41	208.8	May 6, 2016	¥1 ($0.01)	from May 7, 2016 to May 6, 2036
Plan A April 27, 2017 at the board of directors	Directors excluding directors not doubling as executive officers Executive officers not doubling as directors Corporate officers	2 5 45	206.5	May 12, 2017	¥1 ($0.01)	from May 13, 2017 to May 12, 2037
Plan B April 27, 2017 at the board of directors	Executive officers not doubling as directors Corporate officers	1 2	14.3	July 5, 2017	¥1 ($0.01)	from July 6, 2017 to July 5, 2037

The stock option activity is as follows:

	March 26, 2009	March 30, 2010	March 29, 2011	March 27, 2012	March 26, 2013	March 25, 2014	March 24, 2015	April 21, 2016	Plan A April 27, 2017	Plan B April 27, 2017
Vested (Thousands of shares)										
Outstanding at December 31, 2018	45.6	76.9	121.5	174.7	180.3	123	133.4	188.1	195	7.1
Vested	—	—	—	—	—	—	—	—	—	—
Exercised	20.8	6.3	11.5	17.5	6	4.6	5.3	8.7	3.6	—
Expired	—	—	—	—	—	—	—	—	—	—
Outstanding at December 31, 2019	24.8	70.6	110.0	157.2	174.3	118.4	128.1	179.4	191.4	7.1
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥4,328 ($39.50)	¥4,272 ($38.99)	¥4,327 ($39.49)	¥4,310 ($39.34)	¥4,320 ($39.43)	¥4,342 ($39.63)	¥4,350 ($39.70)	¥4,320 ($39.43)	¥4,320 ($39.43)	—
Fair value price at grant date	¥1,264 ($11.54)	¥1,400 ($12.78)	¥1,656 ($15.12)	¥1,648 ($15.04)	¥3,313 ($30.24)	¥3,153 ($28.78)	¥4,099 ($37.41)	¥2,884 ($26.32)	¥3,577 ($32.65)	¥3,671 ($33.51)

NOTE 10 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended December 31, 2019 and 2018, is as follows:

	Profit attributable to owners of parent	Weighted-average shares	EPS	
	For the year ended December 31, 2019			
	Millions of yen	Thousands of shares	Yen	U.S. dollars
Basic EPS				
Net income available to common shareholders	**¥292,598**	**722,557**	**¥404.95**	**$3.70**
Effect of dilutive securities				
Stock options		**1,194**		
Diluted EPS				
Net income for computation	**¥292,598**	**723,751**	**¥404.28**	**$3.69**

	Profit attributable to owners of parent	Weighted-average shares	EPS
	For the year ended December 31, 2018		
	Millions of yen	Thousands of shares	Yen
Basic EPS			
Net income available to common shareholders	¥291,642	751,761	¥387.95
Effect of dilutive securities			
Stock options		1,299	
Diluted EPS			
Net income for computation	¥291,642	753,060	¥387.28

NOTE 11 RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to income as incurred.

Research and development costs are ¥105,283 million ($960,962 thousand) and ¥103,551 million for the years ended December 31, 2019 and 2018, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 OTHER INCOME (EXPENSES)

Gain on sales of property, plant and equipment

Gain on sales of property, plant and equipment for the years ended December 31, 2019 mainly consists of gain on sales of land.

Gain on refund of PIS/COFINS for prior periods

During the year ended December 31, 2019, Brazil's Supreme Federal Court decided to revise the method for calculating turnover, the figure on which an entity's social contribution taxes (PIS/COFINS) are based. In response to this, the Companies' overseas subsidiary Bridgestone do Brasil Industria e Comercio Ltda. recognized excess tax payments and their equivalent interest as income.

Gain on establishment in jointly controlled entity

BSAM formed TIREHUB, LLC (equity-method affiliate) with THE GOODYEAR TIRE & RUBBER COMPANY by contribution in kind for operating wholesale distribution in the U.S. in July 2018. Based on U.S. GAAP, the Companies accounted for the gain as the amount of difference between the amount of investment and fair value amount of share acquisition.

Impairment loss

During the year ended December 31, 2019, the Companies grouped their assets for businesses in accordance with the classifications used for internal management. Assets to be disposed (assets that the Companies plan to dispose of through scrapping or sale) and idle assets were grouped on an individual basis.

In the current period, for assets for business whose profitability has declined, assets to be disposed through planned scrapping or sale, and idle assets that are not expected to be used in the future, the carrying amounts were reduced to their recoverable amounts. As a result, the Companies recognized an impairment loss of ¥13,665 million. The loss consists of ¥6,099 million for machinery, equipment and vehicles, ¥4,064 million for buildings and structures, ¥1,537 million for land, ¥1,257 million for construction in progress, ¥536 million for other tangible fixed assets, and ¥172 million for other intangible fixed assets.

			2018
Use	Classification	Location	Amount
			Millions of yen
Assets for business	Machinery, equipment and vehicles, Buildings and structures, Construction in progress, Tools, furniture and fixtures and others	Japan, Indonesia, China and others	¥6,193
Assets to be disposed	Machinery, equipment and vehicles, Buildings and structures, Land, Construction in progress and others	U.S. and others	6,556
Idle assets	Machinery, equipment and vehicles and others	China and others	916

The recoverable amounts of assets for business are principally measured by value in use, which is calculated by discounting future cash flows at a discount rate of 7.5% to 13.3%. The recoverable amounts of assets to be disposed and idle assets are measured at the net selling price. Assets to be scrapped are evaluated at memorandum value, and assets to be sold and idle assets are evaluated at the estimated selling price and other.

Loss related to recall

During the year ended December 31, 2019, the Companies conducted a recall of certain models of standard bicycles and power assist bicycles manufactured by Bridgestone Cycle Corporation, a Bridgestone consolidated subsidiary. The Companies recorded the expenses incurred for the inspections, repairs, etc. of the affected bicycles.

NOTE 13 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% and 30.8% for each of the years ended December 31, 2019 and 2018, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at December 31, 2019 and 2018, are as follows:

	2019	2018	2019
		Millions of yen	Thousands of U.S. dollars
Deferred Tax Assets:			
Net defined benefit liability	¥ 50,469	¥ 52,217	$ 460,652
Accrued expenses	31,513	28,899	287,632
Unrealized intercompany profits	21,283	21,680	194,259
Depreciation	17,081	17,321	155,906
Net operating loss carryforwards for tax purposes	42,797	43,235	390,626
Other	42,049	37,639	383,799
Less valuation allowance	(51,034)	(49,602)	(465,809)
Total	154,158	151,389	1,407,065
Deferred Tax Liabilities:			
Reserve for deferred gain related fixed assets for tax purposes	(12,787)	(11,578)	(116,712)
Reserve for special account for tax purpose reduction entry of non-current assets	(4,154)	—	(37,915)
Unrealized gain on available-for-sale securities	(18,478)	(33,322)	(168,657)
Depreciation	(58,737)	(43,045)	(536,117)
Other	(17,899)	(25,469)	(163,372)
Total	(112,055)	(113,414)	(1,022,773)
Net deferred tax assets	¥ 42,103	¥ 37,975	$ 384,292

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income is as follows:

	2019
	%
Normal effective statutory tax rate	30.6%
Expenses not deductible for income tax purposes and income not taxable—net	1.3
Tax credit for research and development costs of domestic companies	(1.2)
Lower income tax rates applicable to income in certain consolidated subsidiaries	(2.6)
Other—net	(1.5)
Actual Effective Tax Rate	26.6%

For the year ended December 31, 2018, a reconciliation is not disclosed, since the difference is less than 5% of the normal effective statutory tax rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 FINANCIAL INSTRUMENTS

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Companies raise the necessary funds mainly by bank borrowings or issuance of bonds based on funding requirements of their business activities. The Companies invest temporary cash surpluses only in highly secured financial instruments. The Companies follow the policy of using derivative financial instruments not for speculative purposes, but for managing financial risks as described later.

(2) Details of financial instruments used and the exposures to risk

Receivables, such as notes and accounts receivable, are exposed to customer credit risk. Receivables in foreign currencies are exposed to foreign currency exchange fluctuation risk. Marketable securities consist primarily of the reservation of receivables liquidation that are exposed to customer credit risk or certificates of deposit regarded as marketable securities in accordance with U.S. GAAP. Investments in securities consist primarily of equity securities of business partners and are exposed to market price fluctuation risk.

Payment terms of payables, such as notes and accounts payable are approximately less than one year. Payables in foreign currencies are exposed to foreign currency exchange fluctuation risk. Borrowings, bonds and obligations under finance (capital) leases are mainly for the purpose of obtaining working capital and preparing for capital expenditures. Some of the borrowings and bonds with floating interest rates are exposed to interest rate fluctuation risk.

Derivative transactions consist of the use of foreign currency forward contracts and currency option contracts for the purpose of hedging foreign currency exchange fluctuation risk on receivables, payables and forecasted transactions in foreign currencies; currency swap contracts for the purpose of hedging foreign currency exchange fluctuation risk and interest rate fluctuation risk on loans and borrowings in foreign currencies; interest rate swap contracts for the purpose of hedging interest rate fluctuation risk on borrowings; and commodity swap contracts for the purpose of hedging commodity price fluctuation risk. Hedging instruments and hedged items, hedge policy, assessment method for hedge effectiveness and others related to hedge accounting are described in Note 3. (21) "Derivatives and hedging activities" and Note 15 "Derivatives."

(3) Risk management of financial instruments

a. Management of credit risk

The Companies regularly monitor the financial position of significant customers and manage the due dates and the receivables balance of each customer to minimize the risk of default resulting from deterioration of customers' financial position.

The Companies enter into derivative transactions only with highly rated financial institutions in order to minimize counterparty risk.

The maximum credit risk on December 31, 2019 is represented by the book value of the financial instruments exposed to credit risk on the consolidated balance sheet.

b. Management of market risk

The Company and certain of its subsidiaries principally use foreign currency forward contracts to hedge foreign currency exchange fluctuation risk identified by currency and on a monthly basis for receivables and payables in foreign currencies. Also, when receivables and payables in foreign currencies are expected from a forecasted transaction, foreign currency forward contracts and currency option contracts may be used. In addition, currency swap contracts are used to hedge foreign currency exchange fluctuation risk and interest rate fluctuation risk on loans and borrowings in foreign currencies; interest rate swap contracts are used to hedge interest rate fluctuation risk on borrowings; and commodity swap contracts are used to hedge commodity price fluctuation risk.

With respect to marketable and investment securities, the Company regularly monitors fair market values and financial positions of the issuers, with whom it has business relations, and appropriately reviews the status of these securities considering the relationships with the issuers.

Derivative transactions are carried out under internal regulations by the responsible divisions, and details of transactions are reported to the responsible corporate officers.

c. Management of liquidity risk in financing activities

The Companies practice money management effectively by recognizing the fund position beforehand based on cash flow projection. The Companies also strive to diversify sources of financing in order to reduce liquidity risk.

(4) Supplementary explanation on fair value of financial instruments

Fair values of financial instruments include market prices and values calculated reasonably when there is no market price. As variable factors are incorporated in calculating the relevant fair values, such values may change depending on the different assumptions. The contract amounts described in Note 15 "Derivatives" do not indicate the amounts of market risk related to derivative transactions.

2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain (loss) of financial instruments as of December 31, 2019 and 2018, are as follows. Financial instruments whose fair values are not readily determinable are excluded from the following table.

	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
	2019					
	Millions of yen			Thousands of U.S. dollars		
(1) Cash and cash equivalents	¥ 435,319	¥ 435,319	¥ —	$ 3,973,339	$ 3,973,339	$ —
(2) Notes and accounts receivable	583,223			5,323,320		
Allowance for doubtful accounts[*1]	(21,378)			(195,126)		
	561,845	561,845	—	5,128,194	5,128,194	—
(3) Marketable and investment securities	224,998	224,998	—	2,053,651	2,053,651	—
Total	¥1,222,162	¥1,222,162	¥ —	$11,155,184	$11,155,184	$ —
(1) Short-term debt	¥ 131,753	¥ 131,753	¥ —	$ 1,202,565	$ 1,202,565	$ —
(2) Current portion of long-term debt	15,783	15,783	—	144,058	144,058	—
(3) Notes and accounts payable	376,435	376,435	—	3,435,880	3,435,880	—
(4) Income taxes payable	40,497	40,497	—	369,633	369,633	—
(5) Long-term debt	449,924	452,744	(2,820)	4,106,645	4,132,384	(25,739)
Total	¥1,014,392	¥1,017,212	¥(2,820)	$ 9,258,781	$ 9,284,520	$(25,739)
Derivative transactions[*2]	¥ (2,082)	¥ (2,082)	¥ —	$ (19,003)	$ (19,003)	$ —

	Carrying amount	Fair value	Unrealized gain (loss)
	2018		
	Millions of yen		
(1) Cash and cash equivalents	¥ 433,916	¥ 433,916	¥ —
(2) Notes and accounts receivable	601,418		
Allowance for doubtful accounts[*1]	(21,730)		
	579,688	579,688	—
(3) Marketable and investment securities	311,717	311,717	—
Total	¥1,325,321	¥1,325,321	¥ —
(1) Short-term debt	¥97,339	¥ 97,339	¥ —
(2) Current portion of long-term debt	95,931	96,036	(105)
(3) Notes and accounts payable	415,139	15,139	—
(4) Income taxes payable	15,073	15,073	—
(5) Long-term debt	215,224	15,735	(511)
Total	¥ 838,706	¥ 39,322	¥(616)
Derivative transactions[*2]	¥ 4,732	¥ 4,732	¥ —

*1 This comprises the allowance for doubtful accounts with respect to notes and accounts receivable, short-term loan receivable and others.
*2 Receivables and payables arising from derivative transactions are presented net. If the net amount is a liability, it is written in parentheses ( ).
*3 Prior to January 1, 2019, "Income taxes payable" was not presented separately. Since during this fiscal year ended December 31, 2019, the materiality of the amount increased, such amount was presented separately. Presentation of fair values of financial instruments for the previous fiscal year have been changed accordingly.

Notes

1. Calculation methods of fair values of financial instruments, investments in securities, and derivative transactions are as follows:

Assets

(1) Cash and cash equivalents, and (2) Notes and accounts receivable
The fair values approximate book values because of their short-term maturities.

(3) Marketable and investment securities
The fair values of the reservation of receivables liquidation are based on values calculated reasonably, the fair values of equity securities are based on the market prices at the securities exchanges, and the fair values of bonds are based on the market prices at the securities exchanges or on the prices disclosed by financial institutions. Information on available-for-sale securities is described in Note 5 "Marketable and investment securities."

Liabilities

(1) Short-term debt, (2) Current portion of long-term debt, and (4) Income taxes payable
The fair values of bonds with market prices are based on the market prices. The fair values of others approximate book values because of their short-term maturities.

(3) Notes and accounts payable
The fair values approximate book values because of their short-term maturities.

(5) Long-term debt
The fair values of bonds with market prices are based on the market prices. The fair values of bonds without market prices and long-term bank borrowings are determined by discounting the aggregated values of the principal and interest using an assumed interest rate as if identical debt was newly issued.

Derivative transactions

Information on derivative transactions is described in Note 15 "Derivatives."

2. Financial instruments whose fair values are extremely difficult to calculate

	Carrying amount		
	2019	2018	2019
	Millions of yen		Thousands of U.S. dollars
Available-for-sale securities			
Unlisted equity securities	¥6,028	¥4,268	$55,020

It is extremely difficult to calculate their fair values because there are no market prices. Therefore, these items are not included in "(3) Marketable and investment securities."

3. Redemption schedule of monetary assets and investments in securities with contractual maturities

	Due 2020	Due 2021 to 2024	Due 2025 to 2029	Due 2029 and thereafter
	2019			
	Millions of yen			
Cash and cash equivalents	¥435,319	¥—	¥—	¥—
Notes and accounts receivable	583,223	—	—	—
Marketable and investment securities				
Available-for-sale securities with contractual maturities				
Public bonds	—	—	—	—
Corporate bonds	—	—	—	—
Other	—	—	—	—
	Thousands of U.S. dollars			
Cash and cash equivalents	$3,973,339	$—	$—	$—
Notes and accounts receivable	5,323,320	—	—	—
Marketable and investment securities				
Available-for-sale securities with contractual maturities				
Public bonds	—	—	—	—
Corporate bonds	—	—	—	—
Other	—	—	—	—

4. Please see Note 6 "Short-term and long-term debt" for annual maturities of long-term debt.

NOTE 15 DERIVATIVES

The Companies enter into foreign currency forward contracts, currency swap contracts and currency option contracts to hedge foreign currency exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies enter into interest rate swap contracts to manage their interest rate exposures on certain liabilities. In addition, the Companies enter into commodity swap contracts to hedge the risk of fluctuation of commodity prices for raw materials.

All derivative transactions are entered into to hedge foreign currency, interest and commodity price exposures that arise in the course of the Companies' business. Accordingly, the market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk. Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to credit or market risk.

The outstanding balances of derivative contracts which do not qualify for hedge accounting at December 31, 2019 and 2018, are as follows:

	Contract amount	Fair value	Unrealized gain (loss)
			2019
			Millions of yen
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	¥40,062	¥ (386)	¥ (386)
Euro	23,590	(473)	(473)
Hungarian forint	22,113	(115)	(115)
Australian dollar	19,131	(679)	(679)
Other	16,225	(494)	(494)
Buy:			
U.S. dollar	28,173	(13)	(13)
Australian dollar	4,069	12	12
Canadian dollar	1,841	(34)	(34)
Poland zloty	1,220	(24)	(24)
Japanese yen	743	(1)	(1)
Other	2,661	(7)	(7)
Currency Swap Contracts:			
Euro receipt, Japanese yen payment	¥83,364	¥ 744	¥ 744
Thai baht receipt, U.S. dollar payment	26,219	(1,711)	(1,711)
U.S. dollar receipt, Japanese yen payment	26,066	1,887	1,887
Euro receipt, U.S. dollar payment	15,974	829	829
Russian ruble receipt, U.S. dollar payment	11,017	(1,046)	(1,046)
Other	2,777	(79)	(79)
Commodity Swap Contracts:			
Natural rubber	¥ 4,689	¥ 263	¥ 263

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Contract amount	Fair value	Unrealized gain (loss)
			2018
			Millions of yen
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	¥58,056	¥ 947	¥ 947
Euro	17,694	384	384
Australian dollar	19,616	619	619
Poland zloty	10,076	(1)	(1)
Other	35,191	314	314
Buy:			
U.S. dollar	24,127	418	418
Australian dollar	2,038	(12)	(12)
Poland zloty	891	(7)	(7)
Japanese yen	1,806	(110)	(110)
Colombian peso	3,174	306	306
Other	2,574	30	30
Currency Swap Contracts:			
Euro receipt, Japanese yen payment	¥13,010	¥ 220	¥ 220
Thai baht receipt, U.S. dollar payment	26,876	(484)	(484)
U.S. dollar receipt, Japanese yen payment	39,663	1,425	1,425
Euro receipt, U.S. dollar payment	16,257	345	345
Russian ruble receipt, U.S. dollar payment	5,799	201	201
Hungarian forint receipt, Euro payment	25,314	(235)	(235)
Chinese yuan receipt, Japanese yen payment	9,727	(59)	(59)
South African rand receipt, U.S. dollar payment	9,697	342	342
Other	6,064	(252)	(252)
Commodity Swap Contracts:			
Natural rubber	¥ 4,455	¥ (197)	¥ (197)

	Contract amount	Fair value	Unrealized gain (loss)
			2019
			Thousands of U.S. dollars
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	$365,663	$ (3,523)	$ (3,523)
Euro	215,316	(4,317)	(4,317)
Hungarian forint	201,835	(1,050)	(1,050)
Australian dollar	174,617	(6,198)	(6,198)
Other	148,092	(4,509)	(4,509)
Buy:			
U.S. dollar	257,147	(119)	(119)
Australian dollar	37,139	110	110
Canadian dollar	16,804	(310)	(310)
Poland zloty	11,135	(219)	(219)
Japanese yen	6,782	(9)	(9)
Other	24,288	(64)	(64)
Currency Swap Contracts:			
Euro receipt, Japanese yen payment	$760,898	$ 6,791	$ 6,791
Thai baht receipt, U.S. dollar payment	239,312	(15,617)	(15,617)
U.S. dollar receipt, Japanese yen payment	237,915	17,223	17,223
Euro receipt, U.S. dollar payment	145,801	7,567	7,567
Russian ruble receipt, U.S. dollar payment	100,557	(9,547)	(9,547)
Other	25,347	(721)	(721)
Commodity Swap Contracts:			
Natural rubber	$ 42,798	$ 2,401	$ 2,401

The outstanding balances of derivative contracts which qualify for hedge accounting at December 31, 2019 and 2018, are as follows:

	Primary hedged item	Contract amount	Fair value
		2019	
		Millions of yen	
Foreign Currency Forward Contracts:			
Sell:			
Euro	Accounts receivable	¥17,614	¥(165)
U.S. dollar		17,079	(307)
Australian dollar		7,471	(283)
Buy:			
U.S. dollar	Accounts payable	341	(2)
Japanese yen		26	(1)
Other		3	—

	Primary hedged item	Contract amount	Fair value
		2018	
		Millions of yen	
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	Accounts receivable	¥ 9,192	¥174
Euro		16,772	198
Australian dollar		4,174	180
Buy:			
U.S. dollar	Accounts payable	1,278	(13)
Japanese yen		106	(1)
Other		24	—

	Primary hedged item	Contract amount	Fair value
		2019	
		Thousands of U.S. dollars	
Foreign Currency Forward Contracts:			
Sell:			
Euro	Accounts receivable	$160,770	$(1,506)
U.S. dollar		155,887	(2,802)
Australian dollar		68,191	(2,583)
Buy:			
U.S. dollar	Accounts payable	3,112	(18)
Japanese yen		237	(9)
Other		27	—

NOTE 16 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

At December 31, 2019, the Companies have the following contingent liabilities:

	2019	
	Millions of yen	Thousands of U.S. dollars
Trade notes discounted	¥254	$2,318
Total	¥254	$2,318

(b) Operating lease commitments

The Companies lease certain land, machinery, vehicles, computer equipment, office space and other assets. The minimum lease commitments under noncancelable operating leases at December 31, 2019 are as follows:

	2019	
	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 32,334	$ 295,126
Due after one year	128,698	1,174,680
Total	¥161,032	$1,469,806

NOTE 17 SEGMENT INFORMATION

For the years ended December 31, 2019 and 2018

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Companies' reportable segments are components of the Companies whose separate financial information is obtainable, and the Board of Directors and the Management Committee regularly consider these segments in order to decide the allocation of business resources and evaluate business performance.

The Companies' reportable segments consist mainly of the Tire business that comprises the manufacture and sale of tires and tubes, sale of wheels and accessories, the manufacture and sale of retread material and services, auto maintenance, and Diversified products business that comprises Chemical and Industrial Products, BSAM Diversified Products*, sporting goods, bicycles, etc. Thus, the Companies have two reporting segments: Tires and Diversified products.

* BSAM Diversified Products: A business under BSAM supplying commercial roofing materials and others.

2. Methods of measurement for the amounts of sales and income (loss), assets, and other items for each reportable segment

The accounting policies for each reportable segment are consistent with those outlined in Note 3 "Summary of significant accounting policies." Reportable segment income figures are on an operating income basis. Internal sales and transfers between segments are mainly based on prices for third-party transactions.

3. Information about sales and income (loss), assets, and other items by reportable segment

	Tires	Diversified products	Total	Reconciliations*	Consolidated
	Year ended December 31, 2019				
	Millions of yen				
Net Sales:					
External customers	¥2,944,120	¥581,480	¥3,525,600	¥ —	¥3,525,600
Inter-segment	8,983	6,822	15,805	(15,805)	—
Total	2,953,103	588,302	3,541,405	(15,805)	3,525,600
Segment income (Operating income)	¥ 325,876	¥ 165	¥ 326,041	¥ 57	¥ 326,098
Segment assets	¥3,546,260	¥409,672	¥3,955,932	¥ (9,426)	¥3,946,506
Other					
Depreciation and amortization	¥ 202,045	¥ 21,056	¥ 223,101	¥ —	¥ 223,101
Amortization of goodwill	5,386	1,501	6,887	—	6,887
Investment for equity-method affiliates	46,382	423	46,805	34	46,839
Increase in property, plant and equipment and intangible assets	385,642	28,254	413,896	—	413,896

	Tires	Diversified products	Total	Reconciliations*	Consolidated
					Year ended December 31, 2018
					Millions of yen
Net Sales:					
External customers	¥3,041,100	¥609,011	¥3,650,111	¥ —	¥3,650,111
Inter-segment	10,301	9,745	20,046	(20,046)	—
Total	3,051,401	618,756	3,670,157	(20,046)	3,650,111
Segment income (Operating income)	¥ 393,954	¥ 8,920	¥ 402,874	¥ (142)	¥ 402,732
Segment assets	¥3,392,480	¥452,646	¥3,845,126	¥ (4,856)	¥3,840,270
Other					
Depreciation and amortization	¥ 181,346	¥ 19,131	¥ 200,477	¥ —	¥ 200,477
Amortization of goodwill	3,035	1,524	4,559	—	4,559
Investment for equity-method affiliates	47,394	409	47,803	36	47,839
Increase in property, plant and equipment and intangible assets	241,048	31,849	272,897	—	272,897

	Tires	Diversified products	Total	Reconciliations*	Consolidated
					Year ended December 31, 2019
					Thousands of U.S. dollars
Net Sales:					
External customers	$26,872,216	$5,307,412	$32,179,628	$ —	$32,179,628
Inter-segment	81,992	62,267	144,259	(144,259)	—
Total	26,954,208	5,369,679	32,323,887	(144,259)	32,179,628
Segment income (Operating income)	$ 2,974,407	$ 1,506	$ 2,975,913	$ 520	$ 2,976,433
Segment assets	$32,368,200	$3,739,248	$36,107,448	$ (86,035)	$36,021,413
Other					
Depreciation and amortization	$ 1,844,149	$ 192,187	$ 2,036,336	$ —	$ 2,036,336
Amortization of goodwill	49,161	13,700	62,861	—	62,861
Investment for equity-method affiliates	423,348	3,861	427,209	310	427,519
Increase in property, plant and equipment and intangible assets	3,519,916	257,886	3,777,802	—	3,777,802

* The reconciliations are as follows:
1 Reconciliations of segment income refer to elimination of inter-segment transactions.
2 Reconciliations of segment assets refer to elimination of inter-segment receivables and payables.

4. Related information

1. Information about products and services

Information has been omitted, as the classification is the same as that for reportable segments.

2. Information about geographical areas

(1) Sales

Japan	The Americas	United States*2	EMEA	China, Asia Pacific	Total
					Year ended December 31, 2019
					Millions of yen
¥666,844	¥1,658,057	¥1,353,971	¥660,407	¥540,292	¥3,525,600
					Thousands of U.S. dollars
$6,086,564	$15,133,781	$12,358,260	$6,027,811	$4,931,472	$32,179,628

Japan	The Americas	United States*2	EMEA	China, Asia Pacific	Total
					Year ended December 31, 2018
					Millions of yen
¥681,988	¥1,737,619	¥1,420,367	¥643,967	¥586,537	¥3,650,111

*1 Sales are classified by country or region based on location of customers.
*2 The figure for the United States is included in that of the Americas.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Property, plant and equipment

Japan	The Americas	United States*1	EMEA	China, Asia Pacific	Total
					Year ended December 31, 2019
					Millions of yen
¥357,613	¥602,700	¥462,001	¥228,440	¥373,407	¥1,562,160
					Thousands of U.S. dollars
$3,264,084	$5,501,095	$4,216,877	$2,085,067	$3,408,242	$14,258,488

Japan	The Americas	United States*1	EMEA	China, Asia Pacific	Total
					Year ended December 31, 2018
					Millions of yen
¥352,595	¥578,631	¥448,261	¥184,346	¥352,799	¥1,468,371

*1 The figure for the United States is included in that of the Americas.

3. Information about major customers

The Companies are not required to disclose information on external customers since there are no sales to a single external customer amounting to 10% or more of the Companies' net sales.

5. Information about impairment loss of property, plant and equipment

	Tires	Diversified products	Reconciliations	Consolidated
				Year ended December 31, 2019
				Millions of yen
Impairment loss of assets	¥ 8,493	¥ 5,172	¥—	¥ 13,665
				Thousands of U.S. dollars
Impairment loss of assets	$77,519	$47,207	$—	$124,726

6. Information about amortization of goodwill and unamortized balance

	Tires	Diversified products	Reconciliations	Consolidated
				Year ended December 31, 2019
				Millions of yen
Amortization	¥ 5,386	¥ 1,501	¥—	¥ 6,887
Unamortized balance	67,751	23,660	—	91,411
				Thousands of U.S. dollars
Amortization	$ 49,161	$ 13,700	$—	$ 62,861
Unamortized balance	618,392	215,955	—	834,347

	Tires	Diversified products	Reconciliations	Consolidated
				Year ended December 31, 2018
				Millions of yen
Amortization	¥ 3,035	¥ 1,524	¥—	¥ 4,559
Unamortized balance	15,884	25,498	—	41,382

NOTE 18 SUBSEQUENT EVENTS

1. Cash dividend

On March 24, 2020, the shareholders of the Company approved payment of a cash dividend of ¥80.0 ($0.73) per share, or a total of ¥56,324 million ($514,093 thousand), to shareholders of record as of December 31, 2019.

2. Large-amount borrowing

To meet Group demand for working capital stemming from the impact of COVID-19, the Company has made the following borrowing.

(1) Lenders	Bank of MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd.
(2) Borrowing amount	¥200,000 million (total of the new borrowing from the above 3 banks)
(3) Borrowing rate	Fixed rate
(4) Repayment terms	Lump-sum repayment by repayment date
(5) Borrowing date	April 20–28, 2020
(6) Repayment deadline	April 20–28, 2021

NOTE 19 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018	2019
	Millions of yen		Thousands of U.S. dollars
Net Unrealized Gain (Loss) on Available-for-sale Securities:			
Gains (losses) arising during the year	¥ 8,252	¥ (69,634)	$ 75,319
Reclassification adjustment to profit or loss	(76,614)	(16,185)	(699,288)
Amount before income tax effect	(68,362)	(85,819)	(623,969)
Income tax effect	14,844	18,031	135,488
Total	¥(53,518)	¥ (67,788)	$(488,481)
Deferred Gain (Loss) on Derivative Instruments:			
Gains (losses) arising during the year	¥ 367	¥ 541	$ 3,350
Reclassification adjustment to profit or loss	(1,627)	190	(14,850)
Amount before income tax effect	(1,260)	731	(11,500)
Income tax effect	396	(230)	3,614
Total	¥ (864)	¥ 501	$ (7,886)
Foreign Currency Translation Adjustments:			
Adjustments arising during the year	¥(11,945)	¥ (81,221)	$(109,027)
Reclassification adjustment to profit or loss	298	80	2,720
Total	¥(11,647)	¥ (81,141)	$(106,307)
Remeasurements of Defined Benefit Plans:			
Gains (losses) arising during the year	¥ (5,541)	¥ (5,674)	$ (50,575)
Reclassification adjustment to profit or loss	15,343	20,955	140,042
Amount before income tax effect	9,802	15,281	89,467
Income tax effect	(2,876)	(3,001)	(26,251)
Total	¥ 6,926	¥ 12,280	$ 63,216
Share of Other Comprehensive Income in Affiliates:			
Gains (losses) arising during the year	¥ (2,214)	¥ (1,442)	$ (20,208)
Reclassification adjustment to profit or loss	—	—	—
Total	¥ (2,214)	¥ (1,442)	$ (20,208)
Total Other Comprehensive Income	¥(61,317)	¥(137,590)	$(559,666)

NOTE 20 BUSINESS COMBINATION

Business combination by acquisition

1. Outline of the business combination

(1) Name of acquired company and its business outline

Name of acquired company: TOMTOM TELEMATICS B.V.
Business outline: digital fleet solutions business

(2) Major reason for the business combination

The acquired digital fleet solutions business offers a leading data platform in transportation and personal mobility industries, which enables safer driving and improves efficiency and productivity for personal and commercial mobility through controlling and providing various driving data.

Going forward, combining this digital fleet solutions with Bridgestone's tire expertise and global service network accelerates the Company's effort to expand solutions business.

(3) Date of business combination

April 1, 2019

(4) Legal form of business combination

Share acquisition in consideration for cash

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Name of the company after the combination

WEBFLEET SOLUTIONS B.V.

(6) Ratio of voting rights acquired

100%

(7) Basis for determining of the acquirer

The Company's subsidiary, BRIDGESTONE EUROPE NV/SA acquired shares for a cash consideration.

2. The period for which the operations of the acquired company are included in the consolidated financial statements

From April 1, 2019 to December 31, 2019

3. Acquisition cost of the acquired company and related details of each class of consideration

Consideration for acquisition (Cash): ¥113,575 million ($1,036,647 thousand)
Total acquisition cost: ¥113,575 million ($1,036,647 thousand)

4. Major acquisition-related costs

Advisory cost and others: ¥1,620 million ($14,786 thousand)

5. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

(1) Amount of goodwill incurred

¥56,078 million ($511,847 thousand)

(2) Reason for the goodwill incurred

Expected synergies arising from the acquisition

(3) Method and period of amortization

Amortized on a straight-line basis up to 20 years

6. The assets acquired and the liabilities assumed at the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 7,368	$ 67,251
Noncurrent assets	68,628	626,396
Total assets	¥75,996	$693,647
Current liabilities	¥ 3,510	$ 32,037
Long term liabilities	14,990	136,820
Total liabilities	¥18,500	$168,857

7. Amount allocated as intangible assets other than goodwill, the classification and the weighted average amortization periods

Classification	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	The weighted average amortization periods (years)
Customer relationships	¥41,105	$375,183	15
Technologies	22,421	204,646	9
Trademarks	3,338	30,467	9

8. Estimate of amount of impact on consolidated statements of income for the fiscal year ended December 31, 2019, if this business combination had been completed as of January 1, 2019, the beginning of the current fiscal year and calculation method thereof

The information is omitted because the impact on the consolidated statements of income for the fiscal year is insignificant

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bridgestone Corporation:

We have audited the accompanying consolidated balance sheet of Bridgestone Corporation and its subsidiaries as of December 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bridgestone Corporation and its subsidiaries as of December 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

March 24, 2020
(May 11, 2020 as to Note 18)

Member of
Deloitte Touche Tohmatsu Limited

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June 2020