

Consolidated Financial Statements
for the Fiscal Year Ended December 31, 2023
<under IFRS>

February 16, 2024

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

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Scheduled date of annual shareholders' meeting: March 26, 2024
Scheduled date of securities report submission: March 26, 2024
Scheduled date of dividend payment commencement: March 27, 2024
Supplementary information for the financial statements to be prepared: Yes
Meeting to explain the financial statements to be held: Yes

(All amounts are rounded off the nearest million yen)

1. Consolidated Results for FY2023 (January 1, 2023 - December 31, 2023)

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

	Figures for continuing operations (Note 2)							
	Revenue		Adjusted operating profit (Note 1)		Operating profit		Profit attributable to owners of parent	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
FY2023	4,313,800	5.0	480,602	(0.4)	481,775	9.2	326,929	7.0
FY2022 (Note 3)	4,110,070	26.6	482,629	22.4	441,298	17.1	305,446	(0.8)

	Figures including discontinued operations							
	Profit attributable to owners of parent		Comprehensive income		Basic earnings per share		Diluted earnings per share	
	Yen in millions	%	Yen in millions	%	Yen		Yen	
FY2023	331,305	10.3	526,404	(6.9)	483.99		483.41	
FY2022 (Note 3)	300,305	(23.8)	565,168	(4.5)	432.20		431.61	

	Percentages including discontinued operations		Percentages for continuing operations					
	Return on equity attributable to owners of parent		Ratio of profit before tax to total assets		Adjusted operating profit margin		Operating profit margin	
	%		%		%		%	
FY2023	10.5		8.5		11.1		11.2	
FY2022 (Note 3)	10.7		8.9		11.7		10.7	

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

FY2023 ¥5,341 million

FY2022 ¥5,775 million

- (Notes) 1. The Group utilizes "adjusted operating profit" in place of the previously employed J-GAAP-based operating profit.
For details on reconciliations, please refer to page 20, "Segment information" under "4. Consolidated Financial Statements and Primary Notes, (6) Notes to the Consolidated Financial Statements."
2. The Group has classified its US building materials business, anti-vibration rubber business, and chemical products solutions business as discontinued operations, thereby deducting such discontinued operations from monetary amounts for the fiscal year ended December 31, 2022, and the fiscal year ended December 31, 2023.
For details on discontinued operations, please refer to page 27, "Discontinued operations" under "4. Consolidated Financial Statements and Primary Notes, (6) Notes to the Consolidated Financial Statements."
3. Due to the retrospective application of IAS 12 "Income Taxes," the figures for the previous fiscal year are those after the retrospective application.

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	Yen in millions	Yen in millions	Yen in millions	%	Yen
FY2023	5,427,813	3,405,394	3,353,592	61.8	4,898.25
FY2022 (Note)	4,962,203	3,012,501	2,965,835	59.8	4,333.80

(Note) Due to the retrospective application of IAS 12 "Income Taxes," the figures for the previous fiscal year are those after the retrospective application.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
FY2023	661,433	(297,719)	(183,657)	724,601
FY2022	268,483	(338,004)	(364,109)	518,905

2. Dividends

	Dividend per share				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	–	85.00	–	90.00	175.00
FY2023	–	100.00	–	100.00	200.00
FY2024 (Projection)	–	105.00	–	105.00	210.00

	Total dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	Yen in millions	%	%
FY2022	120,771	40.5	4.3
FY2023	136,927	41.3	4.3
FY2024 (Projection)		40.0	

3. Consolidated Financial Results Forecasts for FY2024 (January 1, 2024 - December 31, 2024)

(Percentage figures represent year-on-year changes)

	Figures for continuing operations				Figures including discontinued operations		
	Revenue		Adjusted operating profit		Profit attributable to owners of parent		Basic earnings per share
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
FY2024	4,430,000	2.7	530,000	10.3	359,000	8.4	524.35

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

- Profit attributable to owners of parent: ¥359,000 million
- Basic earnings per share: ¥524.35

*Notes

(1) Changes in principal subsidiaries during FY2023: Yes

(Changes in specified subsidiaries involving change in consolidation scope)

Newly included: None

Excluded: 1 company (Bridgestone (Huizhou) Tire Co., Ltd.)

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

1) Changes in accounting policies required by IFRS : Yes

2) Changes in accounting policies other than 1) : No

3) Changes in accounting estimates : No

*For details, please refer to page 20, "Changes in accounting policies" under "4. Consolidated Financial Statements and Primary Notes (6) Notes to the Consolidated Financial Statements."

(3) Number of issued shares (common stock)

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

December 31, 2023	713,698,221 shares
December 31, 2022	713,698,221 shares

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

December 31, 2023	29,047,171 shares
December 31, 2022	29,348,738 shares

3) Average number of shares outstanding during the period

FY2023 ended December 31, 2023	684,531,108 shares
FY2022 ended December 31, 2022	694,822,759 shares

(Reference) Summary of Non-consolidated Results

Non-consolidated Results for FY2023 (January 1, 2023 - December 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
FY2023	1,007,593	2.6	177,056	65.0	300,594	29.6	284,215	72.9
FY2022	981,660	16.9	107,288	3.2	231,918	(20.8)	164,341	(1.6)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
FY2023	415.19		414.70	
FY2022	236.52		236.20	

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Yen in millions	Yen in millions	%	Yen
FY2023	2,121,023	1,457,572	68.6	2,125.55
FY2022	1,911,361	1,304,356	68.1	1,902.07

(Reference) Equity: FY2023 ¥1,455,264 million FY2022 ¥1,301,683 million

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

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

Mainly due to the effects of the Company having transferred its fixed assets and a portion of investment in securities held by the Company in the fiscal year ended December 31, 2023, and recording a loss related to the transfer of the anti-vibration rubber business and the chemical products solutions business in the fiscal year ended December 31, 2022, there is a difference between the actual results of profit for the previous fiscal year and the current fiscal year.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

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

Forecasts based on our projections and plans for the future in this document contain unpredictable elements that may cause fluctuations. As such, they do not constitute guarantees by the Company of the achievement of those forecasts. Accordingly, actual business results may differ substantially from the Company's current assessment. For further details, please see page 6, "Projections for FY2024" under "2. Operating Results (1) Analysis of Operating Results."

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(1) Changes in Members of the Board of Directors	エラー! ブックマークが定義されていません。

1. Notice Regarding Cash Dividends for FY2023

At the meeting of the Board of Directors held today, the Company decided to distribute cash dividends with a record date of December 31, 2023 as follows.

(1) Details of dividends

	Resolved amount	Latest forecast (announced on February 16, 2023)	Actual results (FY2022)
Record date	December 31, 2023	December 31, 2023	December 31, 2022
Dividend per share (Yen)	100	100	90
Total amount of dividends (Yen in Millions)	68,465	–	61,592
Effective date	March 27, 2024	–	March 29, 2023
Source of dividends	Retained earnings	–	Retained earnings

(2) Reason

In determining dividend payments, the Company comprehensively evaluates factors including business results, financial positions for the relevant fiscal period, medium-term earnings forecasts, investment plans, and cash flows. Based on these considerations, the Company strives to live up to the expectations of shareholders by striving to achieve continuous increases in dividend payment amount through a stable consolidated payout ratio of 40% by sustainably enhancing our corporate value.

For FY2023, in accordance with the above policy, the year-end cash dividend is scheduled to be ¥100 per share. Combining this with the interim cash dividend of ¥100 per share, the Company plans to pay an annual cash dividend of ¥200 per share.

This matter will be discussed at the 105th Annual Shareholders' Meeting scheduled to be held on March 26, 2024.

(Reference) The breakdown of annual dividend

Record date	Dividend per share (Yen)		
	2nd quarter end	Year-end	Annual total
FY2023	100	100	200
FY2022	85	90	175

2. Operating Results

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

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

In addition, the Group has classified its US building materials business, anti-vibration rubber business, and chemical products solutions business as discontinued operations, thereby deducting such discontinued operations from monetary amounts for the fiscal year ended December 31, 2022, and the fiscal year ended December 31, 2023.

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

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

(1) Analysis of Operating Results

[Operating results for FY2023]

1) Sales and earnings

	FY2023	FY2022	Increase (Decrease)	
			Amount	Ratio
	Yen in billions	Yen in billions	Yen in billions	%
Revenue	4,313.8	4,110.1	203.7	5
Adjusted operating profit	480.6	482.6	(2.0)	(0)
Operating profit	481.8	441.3	40.5	9
Profit before tax	444.2	423.5	20.7	5
Profit attributable to owners of parent	331.3	300.3	31.0	10

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

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

In the premium tire business, the overall demand environment for replacement tires was challenging, and amid a year-on-year decline in global sales volume, we further strengthened our focus on the premium

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

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

As a result, the Group's revenue in FY2023 were ¥4,313.8 billion, a year-on-year increase of 5%; adjusted operating profit was ¥480.6 billion, a year-on-year decrease of 0.4%; operating profit was ¥481.8 billion, a year-on-year increase of 9%; profit before tax was ¥444.2 billion, a year-on-year increase of 5%; and profit attributable to owners of parent was ¥331.3 billion, a year-on-year increase of 10%.

(Note) IAS 29 Financial Reporting in Hyperinflationary Economies

2) Segment information

		FY2023	FY2022	Increase (Decrease)	
				Amount	Ratio
		Yen in billions	Yen in billions	Yen in billions	%
Japan	Revenue	1,242.4	1,157.1	85.4	7
	Adjusted operating profit	206.5	150.6	55.9	37
China, Asia-Pacific	Revenue	461.1	457.0	4.1	1
	Adjusted operating profit	41.6	39.9	1.7	4
Americas	Revenue	2,080.0	1,988.0	92.0	5
	Adjusted operating profit	212.0	251.2	(39.2)	(16)
Europe, Russia, Middle East, India and Africa (Note)	Revenue	908.5	870.0	38.5	4
	Adjusted operating profit	25.1	66.4	(41.2)	(62)
Other	Revenue	78.4	80.5	(2.1)	(3)
	Adjusted operating profit	5.6	7.3	(1.7)	(24)
Consolidated Results	Revenue	4,313.8	4,110.1	203.7	5
	Adjusted operating profit	480.6	482.6	(2.0)	(0)

(Note) The transfer of Russian business has been completed in December 2023.

[Japan]

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

Unit sales of replacement tires for passenger cars and small trucks, and unit sales of tires for trucks and buses were down year-on-year. On the other hand, in addition to executing strategic price management, we strengthened our focus on the premium domain by reducing low-margin areas. As a result, the impact of soaring raw material prices and inflation was mitigated by improved selling prices and sales mix.

Revenue and profit increased year-on-year due to an increase in the sale of tires for mining vehicles and strong exports of passenger car tires and truck and bus tires to overseas markets, thanks to the tailwind of the depreciated yen.

[China, Asia-Pacific]

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

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

[Americas]

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

In North America, the total unit sales of new vehicle tires and replacement tires for passenger cars and small trucks remained at the same level as the previous fiscal year on the whole, while unit sales of tires for trucks and buses fell significantly from the previous fiscal year, due in part to a significant slowdown in demand. On the other hand, sales prices and sales mix improved steadily. On the cost front, in addition to

the worsening of processing costs due to production adjustments caused by inflation and a decrease in unit sales, a decline in profit associated with applying Financial Reporting in Hyperinflationary Economies for Argentina had a significant impact. As a result, revenue increased and profit decreased year on year despite the tailwind of foreign exchange rates.

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

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

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

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

[Projections for FY2024]

The Group's operating environment will continue to require careful attention due to various factors such as fluctuations in exchange rates and the prices of raw materials and feedstock, global economic uncertainty, and unstable international political conditions.

Amid such an environment, the Group expects to achieve the following overall results by steadily implementing measures set out by the "2030 Long Term Strategic Aspiration."

			FY2024 projections	FY2023 results	Increase (Decrease)	
					Amount	Ratio
Full-year	Revenue		Yen in billions 4,430.0	Yen in billions 4,313.8	Yen in billions 116.2	% 3
	Adjusted operating profit		530.0	480.6	49.4	10
	Profit attributable to owners of parent		359.0	331.3	27.7	8
Exchange Rate	Full-year	yen/dollar	Yen 135	Yen 141	-	% (4)
		yen/euro	149	152		(2)

(Note) In the projections for the next fiscal year, the amount for profit attributable to owners of parent for continuing operations only is as follows:

- Profit attributable to owners of parent ¥359,000 million

Cautionary Notes Concerning Forward-Looking Statements

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

(2) Analysis of Financial Position

1) Financial position

(Current assets)

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

(Non-current assets)

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

(Current liabilities)

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

(Non-current liabilities)

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

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

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

(Equity)

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

As a result, total assets at the end of FY2023 was ¥5,427.8 billion, increasing by ¥465.6 billion, or 9%, from the end of the previous fiscal year. Furthermore, the ratio of equity attributable to owners of parent to total assets for FY2023 was 61.8%, increasing by 2.0 percentage points from the end of the previous fiscal year.

2) Cash flows

	FY2023	FY2022	Increase (Decrease)
			Amount
	Yen in billions	Yen in billions	Yen in billions
Cash flows from operating activities	661.4	268.5	393.0
Cash flows from investing activities	(297.7)	(338.0)	40.3
Cash flows from financing activities	(183.7)	(364.1)	180.5
Effect of exchange rate changes on cash and cash equivalents	25.5	65.2	(39.7)
Net increase (decrease) in cash and cash equivalents	205.5	(368.5)	574.0
Cash and cash equivalents at beginning of period	518.9	787.5	(268.6)
Net increase (decrease) in cash and cash equivalents included in assets held for sale	0.2	99.8	(99.7)
Cash and cash equivalents at end of period	724.6	518.9	205.7

The Group's cash and cash equivalents (hereinafter "net cash") increased ¥205.7 billion during FY2023, to ¥724.6 billion, compared with a decrease of ¥268.6 billion during the previous fiscal year.

(Cash flows from operating activities)

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

(Cash flows from investing activities)

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

(Cash flows from financing activities)

Net cash used in financing activities decreased ¥180.5 billion compared with the previous fiscal year, to ¥183.7 billion. The principal contributors in that cash used were repayments of long-term borrowings of

¥20.7 billion, compared with ¥54.1 billion in the previous fiscal year, repayments of lease liabilities of ¥68.4 billion, compared with ¥65.8 billion in the previous fiscal year, and dividends paid to owners of parent of ¥130.0 billion, compared with ¥119.0 billion in the previous fiscal year. These contributors offset an increase in short-term borrowings of ¥20.9 billion, compared with ¥21.6 billion in the previous fiscal year, and proceeds from long-term borrowings of ¥23.1 billion, compared with ¥0.6 billion in the previous fiscal year.

3) Trends in cash flow indicators

	FY2021	FY2022	FY2023
Ratio of equity attributable to owners of parent to total assets (%)	57.5	59.8	61.8
Ratio of equity attributable to owners of parent to total assets on market value basis (%)	76.2	64.7	73.7
Interest-bearing debt to cash flow ratio (years)	2.9	2.9	1.3
Interest coverage ratio (times)	21.1	18.4	37.2

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

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

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

Interest coverage ratio: Cash flow / Interest payments

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

(3) Basic Policy for the Appropriation of Profits and Dividends for FY2023 and FY2024

Regarding the interests of shareholders as an important management priority, the Company follows a basic policy of strengthening our management base in preparation for future business developments while working to improve business results. In regard to distributing profit to shareholders, the Company will prioritize strategic growth investment to focus on strengthening earning power and creating value, while building a sustainable premium brand. At the same time, the Company will maintain an appropriate financial position and enhance shareholder returns through realizing sustainable growth and enhancement of corporate value. In determining dividend payments, the Company comprehensively evaluates factors including business results, financial positions for the relevant fiscal period, medium-term earnings forecasts, investment plans, and cash flows. Based on these considerations, the Company strives to live up to the expectations of shareholders by striving to achieve continuous increases in dividend payment amount through a stable consolidated payout ratio of 40% by sustainably enhancing our corporate value.

The Company pays dividends twice a year, comprising interim and year-end cash dividends. Year-end cash dividends are subject to a resolution of the annual shareholders' meeting, while interim cash dividends are subject to a resolution of the Board of Directors.

For FY2023, the Company plans to pay an annual cash dividend of ¥200 per share, comprising a year-end cash dividend of ¥100 per share and an interim cash dividend of ¥100 per share.

For FY2024, the Company plans to pay an annual cash dividend of ¥210 per share, comprising an interim cash dividend of ¥105 per share and a year-end cash dividend of ¥105 per share.

3. Basic Policy on the Selection of Accounting Standard

The Group has voluntarily adopted the International Financial Reporting Standards (IFRS) with respect to its consolidated financial statements commencing with FY2020 with the aim of heightening the quality of the Group's business management.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statement of Financial Position

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

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

(2) Consolidated Statement of Profit or Loss

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

(3) Consolidated Statement of Comprehensive Income

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

(4) Consolidated Statement of Changes in Equity

Fiscal year ended December 31, 2022

	Equity attributable to owners of parent						
	Equity attributable to owners of parent			Other components of equity			
	Common stock	Capital surplus	Treasury stock	Stock acquisition rights	Exchange differences on translation of foreign operations	Effective portion of change in fair value of cash flow hedges	Net change in fair value of financial assets measured through other comprehensive income
	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Balance at January 1, 2022	126,354	122,126	(38,123)	2,997	44,682	744	63,436
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—
Restated balance at January 1, 2022	126,354	122,126	(38,123)	2,997	44,682	744	63,436
Profit	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	265,629	2,237	(19,734)
Total comprehensive income	—	—	—	—	265,629	2,237	(19,734)
Purchase of treasury stock	—	—	(100,033)	—	—	—	—
Disposal of treasury stock	—	—	1,343	(324)	—	—	—
Dividends	—	—	—	—	—	—	—
Changes in ownership interests of owners in subsidiaries under control	—	(303)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(1,144)
Transactions with non-controlling interests and other	—	(2,306)	—	—	—	—	—
Other changes	—	—	—	—	—	—	—
Total transactions with owners, etc.	—	(2,609)	(98,690)	(324)	—	—	(1,144)
Balance at December 31, 2022	126,354	119,517	(136,814)	2,673	310,311	2,980	42,558

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

Fiscal year ended December 31, 2023

	Equity attributable to owners of parent						
	Other components of equity						Net change in fair value of financial assets measured through other comprehensive income
	Common stock	Capital surplus	Treasury stock	Stock acquisition rights	Exchange differences on translation of foreign operations	Effective portion of change in fair value of cash flow hedges	
Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	Yen in millions	
Balance at January 1, 2023	126,354	119,517	(136,814)	2,673	310,311	2,980	42,558
Profit	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	183,178	(1,886)	12,690
Total comprehensive income	–	–	–	–	183,178	(1,886)	12,690
Purchase of treasury stock	–	–	(16)	–	–	–	–
Disposal of treasury stock	–	–	1,420	(365)	–	–	–
Dividends	–	–	–	–	–	–	–
Changes in ownership interests of owners in subsidiaries under control	–	783	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	(21,013)
Other changes	–	–	–	–	–	–	–
Total transactions with owners, etc.	–	783	1,405	(365)	–	–	(21,013)
Balance at December 31, 2023	126,354	120,300	(135,409)	2,308	493,489	1,094	34,236

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

(5) Consolidated Statement of Cash Flows

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

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

(6) Notes to the Consolidated Financial Statements

(Notes regarding going concern assumption)

Not applicable

(Changes in accounting policies)

(Application of IAS 12 “Income Taxes”)

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

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

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

Because the cumulative effects due to the application of the above standard were reflected in the consolidated statement of changes in equity, for the fiscal year ended December 31, 2022, the balance at the beginning of the period for retained earnings increased by ¥91 million and the balance at the beginning of the period for non-controlling interests increased by ¥13 million.

International Tax Reform—Pillar Two Model Rules

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

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

(Segment information)

(1) Overview of reporting segments

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

The Group has four reportable segments consisting of the “Japan,” “China, Asia-Pacific,” “Americas,” and “Europe, Russia, Middle East, India and Africa” segments, structured as such to disclose business results more appropriately based on Strategic Business Units (SBU)—classification of the Group’s businesses for management control purposes. Within the above segments, the Group runs its premium

tire business, solutions business, and chemical and industrial products and diversified products business.

Starting in the fiscal year ended December 31, 2023, to evaluate the contributions of our Japanese production sites to the Group's global supply chain management, we have changed Japan export profits or losses for our general tire transactions from the "corporate or elimination" segment to the "Japan" segment.

The Group has classified its US building materials business, anti-vibration rubber business, and chemical products solutions business as discontinued operations, thereby deducting such discontinued operations from monetary amounts for the fiscal year ended December 31, 2022, and the fiscal year ended December 31, 2023. Details on discontinued operations are presented in "Discontinued operations" under Notes to the Consolidated Financial Statements.

(2) Segment revenue and business results

Revenue and business results of the continuing operations by reportable segment of the Group are as follows. The Board of Directors assesses the segment performance and determines resource allocation after reviewing revenues and adjusted operating profit. Internal sales or transfers between segments are determined primarily at selling prices based on arm's length transaction prices or total cost. Also, figures for the fiscal year ended December 31, 2022 have been reclassified in accordance with the new segment structure described in (1).

Fiscal year ended December 31, 2022

(Yen in millions)

	Reportable segments					Other (Note 1)	Corporate or elimination	Consoli- dated total
	Japan	China, Asia- Pacific	Americas	Europe, Russia, Middle East, India and Africa (Note 2)	Total			
Revenue								
External revenue	889,692	376,713	1,970,276	856,443	4,093,124	16,907	40	4,110,070
Inter-segment revenue	267,373	80,292	17,756	13,577	378,998	63,559	(442,557)	–
Total revenue	1,157,064	457,005	1,988,032	870,020	4,472,122	80,466	(442,518)	4,110,070
Segment profit (loss)								
Adjusted operating profit	150,593	39,937	251,183	66,350	508,062	7,299	(32,732)	482,629
Other items								
Depreciation and amortization	67,606	31,378	113,139	45,158	257,281	7,474	17,353	282,108
Impairment losses	1,959	1,797	155	13,581	17,492	–	–	17,492
Gain on reversal of impairment losses on fixed assets	–	36	–	–	36	–	–	36

(Note 1) Service businesses and other businesses not included in the reportable segments are included in the "Other" segment.

(Note 2) The transfer of the Russian business has been completed in December 2023.

Fiscal year ended December 31, 2023

(Yen in millions)

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

(Note 1) Service businesses and other businesses not included in the reportable segments are included in the “Other” segment.

(Note 2) The transfer of the Russian business has been completed in December 2023.

(Reconciliation from adjusted operating profit to profit before tax)

(Yen in millions)

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

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

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

(Yen in millions)

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

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

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

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

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

(Yen in millions)

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

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

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

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

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

(Impairment of non-financial assets)

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

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

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

(Selling, general and administrative expenses)

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

(Yen in millions)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Freight	264,847	222,461
Advertising and sales promotional expenses	106,913	91,505
Employee benefit expenses	325,507	346,249
Depreciation and amortization	101,406	112,836
Research and development expenses (Note)	112,192	121,993
Others	247,660	286,439
Total	1,158,523	1,181,482

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

(Other income and other expenses)

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

(1) Other income

(Yen in millions)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Gain on sale of fixed assets	14,246	(Note 1) 17,322
Business and plant restructuring income (Note 2)	4,942	8,645
Insurance claim income	4,596	6,832
Others	15,327	6,394
Total	39,111	39,193

(Note 1) Mainly relates to gains on the sale of land.

(Note 2) The major breakdown of “Business and plant restructuring income” is presented in “Segment information” under Notes to the Consolidated Financial Statements.

(2) Other expenses

(Yen in millions)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Business and plant restructuring expenses (Note 1)	7,435	17,921
Removal and disassembly expense	2,876	3,895
Loss on retirement of fixed assets	2,576	3,225
Impairment losses	(Note 2) 17,492	1,833
Others	2,159	1,637
Total	32,538	28,509

(Note 1) The major breakdown of “Business and plant restructuring expenses” is presented in “Segment information” under Notes to the Consolidated Financial Statements.

(Note 2) The major breakdown of “Impairment losses” is presented in “Segment information” and “Impairment of non-financial assets” under Notes to the Consolidated Financial Statements.

(Finance income and finance costs)

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

(1) Finance income

(Yen in millions)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Interest income (Note)	15,708	29,468
Dividend income (Note)	2,224	1,541
Others	351	4,376
Total	18,283	35,385

(2) Finance costs

(Yen in millions)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Interest expenses (Note)	14,122	21,031
Foreign currency exchange loss	19,059	47,375
Others	8,717	9,940
Total	41,898	78,346

(Note) Interest income and interest expenses are in relation to financial assets and financial liabilities measured at amortized cost.

In addition, dividend income is in relation to financial assets measured at fair value through other comprehensive income.

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

BRIDGESTONE AMERICAS, INC., a US subsidiary of the Company, has concluded an agreement with LafargeHolcim Ltd., a Swiss building materials manufacturer, regarding the sale of FIRESTONE BUILDING PRODUCTS COMPANY, LLC (FSBP), a subsidiary of BRIDGESTONE AMERICAS, INC. in the Americas segment, to Holcim Participations (US) Inc., the US subsidiary of LafargeHolcim Ltd., on January 6, 2021 (local time), and the sale was completed on March 31, 2021.

Therefore, FSBP and its subsidiaries are classified as discontinued operations.

1) Profit or loss from discontinued operations

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
	Yen in millions	Yen in millions
Profit or loss from discontinued operations		
Income (Note)	(620)	-
Expenses	-	-
Profit (loss) before tax from discontinued operations	(620)	-
Income tax expense (Note)	27	-
Profit (loss) from discontinued operations	(594)	-

(Note) An adjustment of negative ¥620 million on gain on sale relating to the transfer of FSBP due to a change in the sales price is included in the fiscal year ended December 31, 2022.
The income tax expense corresponding to that is ¥157 million.

2) Cash flow from discontinued operations

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
	Yen in millions	Yen in millions
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	-	-
Net cash provided by (used in) investing activities	(1,359)	-
Net cash provided by (used in) financing activities	-	-
Total	(1,359)	-

(2) Anti-vibration rubber business

On December 10, 2021, the Company made the decision to transfer its anti-vibration rubber business (the “Business Operations”) to Anhui Zhongding Holding (Group) Co., Ltd. (AZ). This entails the Company establishing a new wholly-owned subsidiary (Prospira Corporation) to which it transfers the Business Operations by carrying out an absorption-type demerger (the “Corporate Demerger”), then integrating the Business Operations of the Group into Prospira Corporation, and subsequently transferring all shares of Prospira Corporation to AZ (the “Share Transfer,” with the Corporate Demerger and the Share Transfer hereinafter referred to as the “Business Transaction”). The Company completed the Business Transaction on September 1, 2022. The Company plans to conduct separate transfer targeting a company at a later time.

The Group has accordingly classified the Business Operations of the Company, Bridgestone APM Company, and Bridgestone Industrial Products (Thailand) Co., Ltd. as discontinued operations as well as Prospira Corporation, Prospira Manufacturing Japan Co., Ltd, Prospira Ntec Japan Co., Ltd, Prospira India Automotive Products Private Limited, Prospira (Thailand) Co., Ltd., Prospira America Corporation and Prospira China Co., Ltd.

1) Profit or loss from discontinued operations

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
	Yen in millions	Yen in millions
Profit or loss from discontinued operations		
Income	49,901	5,835
Expenses (Note)	(64,856)	(1,574)
Profit (loss) before tax from discontinued operations	(14,955)	4,262
Income tax expense (Note)	9,350	(850)
Profit (loss) from discontinued operations	<u>(5,605)</u>	<u>3,411</u>

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

Expenses for the fiscal year ended December 31, 2023, include a gain on business transfer to AZ of ¥3,626 million and a reversal of expenses of ¥249 million recognized upon having measured the disposal group consisting of discontinued operations at fair value less selling costs.

2) Cash flow from discontinued operations

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
	Yen in millions	Yen in millions
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	(10,197)	467
Net cash provided by (used in) investing activities	(86,825)	1,510
Net cash provided by (used in) financing activities	(66)	-
Total	<u>(97,088)</u>	<u>1,976</u>

(3) Chemical products solutions business

On December 10, 2021, the Company made the decision to transfer its chemical products solutions business (the “Business Operations”) to Endeavour United II Investment Business Limited Partnership (EU Investment Partnership). This entails the Company establishing a new wholly-owned subsidiary (Archem Inc.) to which it transfers the Business Operations by carrying out an absorption-type demerger (the “Corporate Demerger”), then integrating the Business Operations of the Group into Archem Inc., and subsequently transferring all shares of Archem Inc. to EU Investment Partnership, which is structured, managed, and operated by Endeavour United Co., Ltd. (the “Share Transfer,” with the Corporate Demerger and the Share Transfer hereinafter referred to as the “Business Transaction”). The Company completed the Business Transaction on August 1, 2022.

The Company has accordingly classified Business Operations of the Company, Bridgestone Industrial Products (Thailand) Co., Ltd., and Archem Philippines, Inc., as discontinued operations as well as Bridgestone Chemitech Co., Ltd. (BSCT), Bridgestone Diversified Chemical Products Co., Ltd. (BDPC), Archem Inc., Bridgestone APM Foaming Company, Bridgestone Chemical Products Malaysia Sdn. Bhd., Archem (Thailand) Co., Ltd., Bridgestone Electronic Materials (Hong Kong) Ltd. (BEM), Bridgestone (Kaiping) Diversified Products Co., Ltd., Guangzhou Archem Auto Component Co., Ltd., and Archem (Wuhan) Co., Ltd.

1) Profit or loss from discontinued operations

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
	Yen in millions	Yen in millions
Profit or loss from discontinued operations		
Income (Note)	42,295	2,077
Expenses (Note)	(51,534)	(999)
Profit (loss) before tax from discontinued operations	(9,239)	1,078
Income tax expense (Note)	10,297	(114)
Profit (loss) from discontinued operations	1,058	964

(Note) Expenses for the fiscal year ended December 31, 2022, include a gain on business transfer to EU of ¥5,691 million and a loss of ¥13,014 million recognized upon having measured the disposal group consisting of discontinued operations at fair value less selling costs. The income tax expense corresponding to that is ¥5,080 million.

Expenses for the fiscal year ended December 31, 2023, include a gain on business transfer to EU Investment Partnership of ¥1,165 million.

2) Cash flow from discontinued operations

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
	Yen in millions	Yen in millions
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	(2,949)	(234)
Net cash provided by (used in) investing activities	(37,854)	2,006
Net cash provided by (used in) financing activities	(368)	-
Total	(41,172)	1,772

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

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

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit attributable to owners of parent (Yen in millions)	300,305	331,305
Profit not attributable to common shareholders of parent (Yen in millions)	–	–
Profit used for calculating basic earnings per share (Yen in millions)	300,305	331,305
Profit from continuing operations used for calculating basic earnings per share (Yen in millions)	305,446	326,929
Profit (loss) from discontinued operations used for calculating basic earnings per share (Yen in millions)	(5,141)	4,375
Weighted-average number of shares of common stock (Thousands of shares)	694,823	684,531
Basic earnings (loss) per share		
Continuing operations (Yen)	439.60	477.60
Discontinued operations (Yen)	(7.40)	6.39
Basic earnings (loss) per share (Yen)	432.20	483.99

(2) Diluted earnings (loss) per share

Diluted earnings (loss) per share and its basis for the calculation is as follows:

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit used for calculating basic earnings per share (Yen in millions)	300,305	331,305
Adjustment to profit (Yen in millions)	–	–
Profit used to calculate diluted earnings per share (Yen in millions)	300,305	331,305
Profit from continuing operations used to calculate diluted earnings per share (Yen in millions)	305,446	326,929
Profit (loss) from discontinued operations used to calculate diluted earnings per share (Yen in millions)	(5,141)	4,375
Weighted-average number of shares of common stock (Thousands of shares)	694,823	684,531
Increase in common stock		
Increase from stock options (Thousands of shares)	953	821
Weighted-average number of shares of common stock after dilution (Thousands of shares)	695,776	685,352
Diluted earnings (loss) per share		
Continuing operations (Yen)	439.00	477.02
Discontinued operations (Yen)	(7.39)	6.38
Diluted earnings (loss) per share (Yen)	431.61	483.41

(Significant subsequent events)

(Transfer of fixed assets)

To use our management resources effectively, the Company concluded a transfer agreement on February 16, 2024 to transfer the following fixed assets owned by the Company.

(1) Details of assets to be transferred

Details of assets and location		Gain on transfer	Actual status
Land	5,695.68m ²	Approx. ¥63.3 billion	Company housing
Building	9,181.23m ²		
Location	4-26-5, Roppongi, Minato-ku, Tokyo		

(Note 1) We will not be disclosing either the transfer amount or the carrying amount based on our agreement with the transferee.

(Note 2) The gain on transfer is calculated by subtracting the carrying amount plus the estimated amount of any expenses associated with the transfer from the transfer amount.

(2) Outline of transferee

The transferee is a company located in Japan, but we will not be disclosing further details based on our agreement with the transferee.

There are no capital, personnel, business relationships or related party to note between the Company and the transferee.

(3) Schedule of transfer

Date of conclusion of the agreement February 16, 2024

Property handover date May 31, 2024 (scheduled)

(4) Impact on profit or loss

In the fiscal year ending December 31, 2024, we plan to record approximately ¥63.3 billion in gain on sale of fixed assets as other income.

5. Other

(1) Changes in Members of the Board of Directors

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

To be assumed after approval at the Company's Annual Shareholders' Meeting on March 26, 2024

Member of the Board Global CEO and Representative Executive Officer	Shuichi Ishibashi	[Member of the Board Global CEO and Representative Executive Officer]
Member of the Board Representative Executive Officer Joint Global COO · BRIDGESTONE EAST CEO Concurrently Global Chief Administration Officer Concurrently BSAPIC Chair Concurrently Chair and Representative Board Member of Bridgestone Tire Solution Japan Co., Ltd.	Masahiro Higashi	[Member of the Board Representative Executive Officer Joint Global COO · BRIDGESTONE EAST CEO Concurrently Global Chief Administration Officer Concurrently BSAPIC Chair Concurrently Chair and Representative Board Member of Bridgestone Tire Solution Japan Co., Ltd.]
Member of the Board	Scott Trevor Davis	[Member of the Board]
Member of the Board	Yuri Okina	[Member of the Board]
Member of the Board	Kenichi Masuda	[Member of the Board]
Member of the Board	Kenzo Yamamoto	[Member of the Board]
Member of the Board	Yojiro Shiba	[Member of the Board]
Member of the Board	Yoko Suzuki	[Member of the Board]
Member of the Board	Yukari Kobayashi	[Member of the Board]
Member of the Board	Yasuhiro Nakajima	[Member of the Board]
Member of the Board	Akira Matsuda	[Member of the Board]
Member of the Board	Tsuyoshi Yoshimi	[Member of the Board]

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

2) Members of the Nominating Committee Current occupation in parentheses
 To be assumed after approval at the Board Meeting on March 26, 2024

Member of the Board	Scott Trevor Davis	[Member of the Board]
Member of the Board	Yuri Okina	[Member of the Board]
Member of the Board	Kenichi Masuda	[Member of the Board]
Member of the Board	Kenzo Yamamoto	[Member of the Board]

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

3) Members of the Audit Committee Current occupation in parentheses
 To be assumed after approval at the Board Meeting on March 26, 2024

Member of the Board	Yojiro Shiba	[Member of the Board]
Member of the Board	Yoko Suzuki	[Member of the Board]
Member of the Board	Yukari Kobayashi	[Member of the Board]
Member of the Board	Yasuhiro Nakajima	[Member of the Board]
Member of the Board	Akira Matsuda	[Member of the Board]
Member of the Board	Tsuyoshi Yoshimi	[Member of the Board]

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

4) Members of the Compensation Committee Current occupation in parentheses
 To be assumed after approval at the Board Meeting on March 26, 2024

Member of the Board	Scott Trevor Davis	[Member of the Board]
Member of the Board	Yuri Okina	[Member of the Board]
Member of the Board	Kenichi Masuda	[Member of the Board]
Member of the Board	Kenzo Yamamoto	[Member of the Board]

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